

Tropical Timber Market Report

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Top story

Demand for wood to surge in India by 2030 - new report

There will be a substantial increase in wood consumption in India by 2030 exacerbating an existing shortfall between wood production and demand and increasing the country's reliance on wood imports

Although India's forest cover has increased for nearly two decades timber production is still substantially less than consumption, an increasingly large proportion of demand has to be met by imports.

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Central and West Africa

Quiet markets – disrupted trade

Producers have indicated that the anticipated rise in demand following the western hemisphere holiday period has not yet materialised. However, it is reported that prices for sawn okoume for the Chinese market are rising as endusers in China try to secure deliveries in the face of reduced output as mills adjust export production to match container availability. Exporters face the same container issue for the Middle East markets and this is likely to eventually impact prices.

European importers report African hardwood production is affected by safe working protocols and this is increasingly impacting output and lead times. (see page 20)

Shipments to all destinations are being disrupted, even shipments to Philippines are under pressure as the big 3 shipping lines Maersk, MSC, CMA and CGM cannot supply enough containers. It is reported that CMA and CGM have more available than the others but their rates are higher.

Conventional shipping to China and the Philippines has been made but, for this to be viable cost wise, shippers must have volumes in the order of 12,000 cu.m. Shipping logs with conventional vessels is less of a problem than for sawnwood where it has been found the plastic wrapping fails quickly.

Shipping problems have started to undermine efforts to develop the market for finger jointed okoume door styles and table tops in South Africa in competition with Indonesian products.

Exports of kevazingo/bubinga from Equatorial Guinea continue and large shipments of tali to Vietnam have disturbed the market driving down prices.

Weather affecting production in Cameroon

Reports are circulating that in Cameroon harvesting and production are being disturbed by heavy rains. The export of logs to China is reported as stable. One issue of concern is that the authorities in Cameroon are again getting tough on truck loads and are checking at weighbridges to see the 25 tonne maximum is not exceeded.

Deliveries to Nkok held up as third party co-opted into enforcing regulations

Companies supplying logs to mills in Gabon's special economic zone are subject to checks by the private company TRACER to ensure logs delivered to mills in the Zone are from legal sources. Some suppliers to the mills in the Zone question why there are two checks, by the Forest department and again by TRACER.

This is especially of concern as TRACER requires payment for the checking service. It appears that TRACER was co-opted into checking whether suppliers and their sub-contractors are up-to-date with tax and social security payments.

There are reports that deliveries by some companies were recently blocked as checks were made and this has disrupted the log supply chain and caused financial losses to suppliers. This situation was defused when the Forest Department instructed that deliveries should not be blocked.

In other news from the NKOK, an Indian company will open a plant to manufacture formaldehyde and resin, two essential raw materials in the production of plywood.

See: <https://www.gabonreview.com/gabon-windson-resins-chemicals-va-doper-lindustrie-du-contreplaque/>

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) | 225 | 225 | 220 |
| Moabi | 280 | 280 | 250 |
| Movingui | 180 | 180 | - |
| Niove | 160 | 160 | - |
| Okan | 210 | 200 | - |
| Padouk | 270 | 240 | 200 |
| Sapele | 260 | 260 | 200 |
| Sipo/Utile | 260 | 260 | 230 |
| Tali | 280↓ | 280↓ | - |

Sawnwood export prices

| West African sawnwood | FOB Euro per cu.m |
|--------------------------|-------------------|
| Ayous FAS GMS | 440 |
| Bilinga FAS GMS | 540 |
| Okoumé FAS GMS | 440 |
| Merchantable | 310 |
| Std/Btr GMS | 330 |
| Sipo FAS GMS | 425 |
| 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 | 530 |
| Scantlings | 550 |
| Movingui FAS GMS | 380 |

Millers worried - threat of new lockdown

Business owners in Ghana are uneasy about the warning delivered in a nationwide television address by the President that a partial lockdown will be necessary if the coronavirus situation continues to deteriorate.

The warning seemed to have been taken up by the private sector with businesses insisting on basic covid protocols by customers and staff. Over the past months restrictions had been eased but the infection rate has been rising again. The Ghana Police Service is now enforcing the law concerning the compulsory use of face masks.

Payout of funds to revive businesses

The Ministry of Trade and Industry has begun disbursing €282 million to businesses to revive the industrial sector. Deputy Minister, Herbert Krapa, said this forms part of efforts to ensure the implementation of some targeted reforms aimed at increasing foreign investments.

See: <https://www.myjoyonline.com/trade-ministry-begins-disbursement-of-%C2%A2282m-to-boost-industry/>

Ghana to reverse land degradation

In a press release World Bank Country Director, Pierre Laporte, reports the Bank has approved US\$103.4 million for Ghana to reverse land degradation and strengthen integrated natural resource management over about 3 million hectares of degraded landscapes.

The cost of environmental degradation in Ghana due to unsustainable land use for agriculture, forestry and mining stood at 2.8% of national GDP in 2017. If the current natural resource extraction remains unchanged Ghana will see its natural resource base destroyed over the long term with fewer opportunities to sustain growth and shared prosperity.

Laporte said “The project will help boost post-COVID-19 economic recovery, create jobs and secure livelihoods in some of the poorest parts of Ghana by focusing on agricultural productivity, ecosystems management and sustainable small-scale mining”.

See: <https://projects.worldbank.org/en/projects-operations/news-media/P171933>

US\$2 billion from tree crops

Ghana is expected to earn billions of dollars from some six identified tree crops in the next decade. The tree crop plan forms part of the government’s flagship project to improve the country’s foreign exchange earnings. The crops include rubberwood and together the six tree crops could generate US\$2 billion annually.

The acting CEO of the Tree Crop Development Authority (TCDA), William Quaitoo, said government is putting in place all the necessary measures to regulate the sectors involved. The regulation processes are expected to be completed latest by December, 2021.

According to the Timber Industry Development Division reports Ghana exported 559 cu. m of rubberwood in 2020.

First half FDI

The Ghana Investment Promotion Center (GIPC) has reported US\$874 mil. in investments in the first half of this year from 122 projects. The Foreign Direct Investment (FDI) component of these projects amounted to US\$829.29 mil. an increase 325% over FDI in the first half of 2020.

Of the 122 registered projects, 94 were newly registered projects and 28 were upstream projects. The total initial capital transfers also amounted to US\$47.76 mil. for the first half of 2021. The agriculture sector also recorded a project. The manufacturing sector came second to the service sector, with FDI value of US\$98.74 mil.

See: <https://gipc.gov.gh/blog/>

Boule export prices

| | Euro per cu.m |
|----------------------|---------------|
| Black Ofram | 330 |
| Black Ofram Kiln dry | 420 |
| Niangon | 570 |
| Niangon Kiln dry | 659 |

Export rotary veneer prices

| Rotary Veneer, FOB | Euro per cu.m | |
|--------------------|-----------------|-------------|
| | CORE (1-1.9 mm) | FACE (>2mm) |
| Ceiba | 344 | 441 |
| Chenchen | 540 | 612 |
| Ogea | 443 | 590 |
| Essa | 543 | 606 |
| Ofram | 350 | 435 |

Export sliced veneer

| Sliced face veneer | FOB Euro per cu.m |
|--------------------|-------------------|
| Asanfina | 889 |
| Avodire | 573 |
| Chenchen | 1,310 |
| Mahogany | 1,324 |
| Makore | 930 |
| Odum | 2,305 |

Export plywood prices

| Plywood, FOB | Euro per cu.m | | |
|--------------|---------------|-------|----------|
| | Ceiba | Ofram | Asanfina |
| BB/CC | | | |
| 4mm | 362 | 580 | 641 |
| 6mm | 412 | 535 | 604 |
| 9mm | 370 | 499 | 560 |
| 12mm | 495 | 476 | 480 |
| 15mm | 430 | 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 FAS 25-100mm x 150mm up x 2.4m up | Euro per cu.m | |
|----------------------------------------------------------|---------------|------------|
| | Air-dried | Kiln-dried |
| Afromosia | 860 | 925 |
| Asanfina | 465 | 564 |
| Ceiba | 435 | 600 |
| Dahoma | 403 | 575 |
| Edinam (mixed redwood) | 520 | 703 |
| Emeri | 540 | 615 |
| African mahogany (Ivorenensis) | 1,195 | 1,075 |
| Makore | 710 | 951 |
| Niangon | 650 | 600 |
| Odum | 950 | 964 |
| Sapele | 800 | 732 |
| Wawa 1C & Select | 373 | 432 |

Malaysia

Covid update

The number of Covid-19 cases in the country reached 1.9 million in early September however 98% of the new cases have either mild or no symptoms. About 91% of the new cases involved either unvaccinated individuals (76%) or those who had not completed their full vaccination (15%). 51% of the population are fully vaccinated and 65% of the population have had at least one dose.

Federation pleads - allow a resumption of operations

Steve Ong, president of the Federation of Johor Furniture Manufacturers and Traders Associations, has urged the authorities to allow a resumption of operations so the sector can regain market share and be competitive in the global market. He pointed out that workers at some major firms had received two doses of vaccine so is puzzled why the Muar Municipal Council is insisting on a 14 day waiting period after the second dose before factories can resume work.

Ong urged the authorities to allow the industry to restart operations to address the backlog orders and to recover market share lost to neighbouring competitors.

See:

<https://www.thestar.com.my/news/nation/2021/08/31/furniture-manufacturers-two-dose-regimen-done-let-us-reopen>

Wood product exports

Exports of wood products increased around 21% in the first six months of this year compared to the same period last year according to the recently appointed Plantation Industries and Commodities Minister, Zuraida Kamaruddin. The main wood products exported were furniture (RM5.54 bil.), plywood (RM1.54 bil.), sawnwood (RM1.16 bil.), fibreboard (RM350 mil.) and wood mouldings (RM520.mil.).

Zuraida said that the Olak Lempit vaccination centre for workers in the timber industry has vaccinated 10,005 workers, of which about 9,000 have been fully vaccinated. The vaccination programme is a joint Malaysia Timber Council (MTC) and the Malaysian Timber Industry Board (MTIB) initiative to speed up vaccination in the timber industry.

Forest plantation certified

Sabah-based Gerak Saga a public-private partnership between Merica Forests company and the Sabah state government recently secured the Certificate for Forest Management (Forest Plantation) under the Malaysian Timber Certification Scheme (MTCS).

This is the tenth Forest Plantation Management Unit (FPMU) certified under the MTCS and the third in Sabah after Ulu Sg. Milian and Sapulut Forest Reserve (FPMU 11) and Sapulut Forest Reserve (FPMU 14). The area certified produces eucalyptus pellita, eucalyptus spp. (hybrid), acacia crassicaarpa and acacia mangium.

Sarawak hill log production, Jan-Jul (cu.m)

| | 2020 | 2021 |
|---------------|-----------|-----------|
| Bintang | 7,473 | 6,493 |
| Meranti | 530,595 | 531,434 |
| Kapur | 46,101 | 45,885 |
| Keruing | 33,434 | 30,478 |
| Sepitir | 3,726 | 3,779 |
| Selangan batu | 35,307 | 31,886 |
| Nyatoh | 16,457 | 14,465 |
| Other species | 678,418 | 691,723 |
| Total | 1,351,510 | 1,346,144 |

Data source: Sarawak Forest Department

Indonesia

Shortage of containers disrupting exports

Indroyono Soesilo, Chairman of the Association of Indonesian Forest Concessionaires (APHI), has raised the alarm on rapidly rising shipping costs as this is having an impact on the export of Indonesia's wood products which are in high demand. He noted that shipping costs vary but it is the cost of shipping to the US that is of most concern.

According to Indroyono there solutions such as shipping using small container ships or vessels to Singapore from where they on forwarded to the importers. He also said it is also possible to use small break bulk vessels for direct export to China

See: <https://newssetup.kontan.co.id/news/kontainer-langka-ekspor-produk-industri-kehutanan-nasional-terhambat>

Apply health protocols in mills and factories

Acting Director General of Agro Industry in the Ministry of Industry, Putu Juli Ardika, stated that the health protocols applied by the wood and furniture processing industry were well maintained when they visited wood and furniture processing industry companies in Tangerang saying work shift arrangements are very good and social distancing can be achieved in large factories with fewer workers.

Putu said through these efforts it is hoped that national manufacturing productivity will be sustained.

See: <https://www.antaranews.com/berita/2351886/kemenperin-nilai-prokes-industri-pengolahan-kayu-dan-furnitur-bagus>

Indonesia reported fewer than 10,000 new coronavirus cases and less than 1,000 deaths on 6 September. The virus has continued to surge in some regions including in parts of Sumatra, Kalimantan, Sulawesi and remote Papua. Just over 11% of the population has been fully vaccinated. Since 15 July the number of cases have fallen. The recovery rate is also higher than new positive cases.

Meranti dominated log production in 2020

Statistics Indonesia (BPS) data shows that the production of logs from companies with forest concession in Indonesia was 5.26 million cu.m in 2020. This was down around 15% compared to the previous year. Meranti dominated the log production in Indonesia last year and totaled 1,643,720 cu.m or 31% of total log production. The production of red meranti was recorded at 653,490 cu.m last year, about 13% of total production of logs.

The other main timbers harvested in 2020 were merbau, acacia and keruing. The production of which was 609,710 cu.m, 500,230 cu.m and 331,440 cu.m respectively.

Over 80% of harvested logs were sold on by logging companies with the balance being used by integrated operations.

See: <https://databoks.katadata.co.id/datapublish/2021/08/31/meranti-mendominasi-produksi-kayu-bulat-indonesia-pada-2020>

Indonesian furniture attracted attention at the Las Vegas Summer Market 2021

Contemporary furniture and Indonesian rattan furniture successfully attracted US buyers at the August Las Vegas Summer Market 2021 and manufacturers who exhibited managed to secure potential orders worth around Rp. 20 billion during their five-day participation in Las Vegas.

See: <https://pressrelease.kontan.co.id/release/furnitur-kontemporer-dan-rotan-indonesia-berjaya-di-las-vegas-summer-market-2021?page=all>

Few community forest owners have ready access to markets

The growth of community-based forest product businesses is still very low and many owners in rural areas do not have ready access to the markets. This was stated by Tri Nugroho, the Program Director of MFP4 (Multistakeholder Forestry Program Phase 4). To address this so as to improve the lives of people who depend on forests MFP4 collaborates with an institution known as the Market Access Player (MAP) which has can help create links between community producers and buyers.

See: <https://republika.co.id/berita/ekonomi/pertanian/qycqak456/petan-i-diorong-untuk-hasilkan-komoditas-bernilai-tinggi>

Minister spotlights conservation areas in logging, pulpwood concessions

Indonesian Environment and Forestry Minister, Siti Nurbaya, has once again pointed out the importance of high conservation value (HCV) areas that have been legally set aside in existing logging and pulpwood plantation concessions covering an area of nearly 3.9 million hectares.

She emphasised that the HCV areas in logging concessions and plantations represent an ecological last resort. "Both these industries remain relatively stable despite the surging pandemic and played a contributing part at a certain level when Indonesia managed to move out of economic recession in the second quarter of this year," she said. Minister Nurbaya pointed out that HCV areas are not abandoned areas as there are legal and sustainability measures for the areas.

See: <https://foresthints.news/minister-spotlights-hcv-areas-in-logging-pulpwood-concessions/>

Indonesia-Norway climate and forest partnership terminated

On 10 September 2021 the Government of Norway received a formal notification that the Government of Indonesia had decided to terminate the 2010 Letter of Intent on Cooperation on Reducing Greenhouse Gas Emissions from Deforestation and Forest Degradation.

A press release from the Norwegian authorities reads "Our two nations have for more than a decade collaborated on reducing greenhouse gas emissions from deforestation and forest degradation. During this time, Indonesia has become a world leader in combatting tropical deforestation. A series of progressive regulations and policies to protect the nation's rainforests have been put in place. The results are impressive.

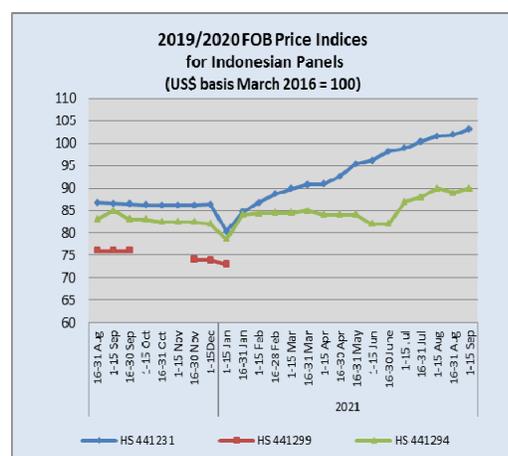
Over the last four years Indonesia has delivered massive reductions of deforestation and peatland conversion. This is a significant contribution to global climate change mitigation and protection of biodiversity.

Last year, Norway announced a contribution of NOK 530 million to Indonesia for its 2016/2017 deforestation results in line with the Letter of Intent. The contribution was intended to be disbursed to Indonesia's own financial mechanism, the newly established Indonesian Environment Fund (IEF). Recently, our two governments have been engaged in discussions on a legal agreement for the transfer of the results-based contribution.

Until the termination announcement discussions in this regard were ongoing and in Norway's view constructive and progressing well, within the frameworks set by our two countries' regulatory limits. Given our commitments in the Letter of Intent, and Indonesia's impressive results, we were looking forward to supporting Indonesia's efforts with similarly significant annual contributions in the years to come.

The Government of Norway would like to congratulate the Government of Indonesia with their impressive REDD+ achievements to date. We welcome the Indonesian Government's continued leadership on this crucial climate action agenda, and its continued commitment to deliver on its emission reduction targets. We have highly appreciated our collaboration and stand ready to continue supporting – in mutually agreeable ways – Indonesia's efforts in protecting its forests and peatlands”.

See: <https://www.nicfi.no/current/press-statement-the-indonesia-norway-climate-and-forest-partnership/>



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

Myanmar

Sustainable development of wood-based industry

The recently established Development Committee for the Wood-Based Industries has initiated a survey of exporters. This is the first ever comprehensive survey to seek the perspectives of all players- forest products associations and the individual manufacturers.

The committee was formed with Deputy Minister as Chair and Managing Director of the MTE as Secretary. The terms of the committee are wide ranging and include raw material sourcing, technology, taxation and regulations.

The survey covers application of HS codes, importation of raw materials, Forest Department and the Myanma Timber Enterprise (MTE) documentation, promoting exports of products other than sawnwood, difficulties in investment and taxation, market barriers, shipping procedures, application of forest permit (legality Certificate by Forest Department) and export licensing by the Trade Department.

One manufacturer said, in relation to HS codes, Myanmar and importing countries need to reconcile or synchronise the codes. In Myanmar, the unit of quantity is either cubic ton 1 (cubic ton is 50 cubic-foot) or cubic metre.

Auction of seized timber

According to Irrawaddy Online News, MTE will auction 12,500 tons of hardwood in September as it seeks to raise hard currency. MTE said the sale includes 1,500 tons of teak logs and 1,000 tons of sawn teak. The auction will be held in Yangon's Insein Township with buyers bidding online.

In May MTE held three separate auctions when nearly 10,300 tons of timber was sold for around US\$5 million followed by another auction in June of more than 14,000 tons of timber. The wood sold in May and June reportedly came from a stockpile of 200,000 tons of timber seized by the previous elected government.

However, a retired Manager of MTE who asked not to be identified is reported as saying “it was not logical to say all 200,000 tons of stockpile was illegally harvested. Some of timbers might not meet the EUTR requirement to be legal but it was not fair to say that all is illegal”. He also spoke of his frustration as MTE needs about US\$35 million annually to pay salaries and pensions.

In related news, it is reported that the parallel National Unity government has warned it will blacklist any bidder and government staff involved in the timber auctions.

See: <https://www.irrawaddy.com/news/burma/myanmar-junta-to-auction-over-12000-tons-of-illegal-timber.html>

Foreign trade falls sharply

The Ministry of Commerce has reported Myanmar's export earnings were just over US\$26 billion as of 20 August in the current 2020-2021 fiscal year, a drop of nearly US\$7 billion compared to the same period of last financial year according to.

In the eight months of the current financial year to May China topped the list of the 10 countries to which Myanmar exported goods most.

Myanmar exported goods worth US\$3,985.06 million to China, US\$2,091.81 million to Thailand, US\$673.87 million to Japan, US\$485.50 million to India, US\$434.67 million to the US, US\$261.71 million to Germany, US\$245.75 million to the UK, US\$233.48 million to Spain, US\$203.72 million to the Netherlands and US\$198.29 million to South Korea according to the data from the commerce ministry.

See: <https://elevenmyanmar.com/news/myanmars-foreign-trade-value-declines-by-nearly-7-billion-this-year>

Exporters told to convert hard currency

The Myanmar Central Bank has told exporters that they must convert all foreign currency earnings into the domestic currency within four months of the receipt. The Bank stated that the earnings in foreign currency from export which entered their bank accounts must be sold in four months after the entry to the licensed banks with current market price without fail.

The Bank rule came into effect the day of the announcement. The announcement was issued under the foreign Exchange Management Law, 49 (c).

According to Foreign Exchange Management Law section 38 (b), 42 (a) and 35, all earnings in foreign currency received in the course of exports must be deposited in respective local bank accounts within a limited time frame after the goods have been loaded and shipped.

See: <https://elevenmyanmar.com/news/cbm-exporters-to-sell-export-earnings-in-their-accounts-in-four-months-after-their-entry-into>

August 2021 teak log tender prices

| Grade | H.tons | Average US\$/H.ton |
|-------|--------|--------------------|
| SG-1 | - | - |
| SG-2 | - | - |
| SG-4 | - | - |
| SG-5 | 62.6 | 3,000 |
| SG-6 | 653.0 | 2,650 |
| SG-7 | 477.4 | 2,095 |

India

Corona up date

India administered more than 180 million corona vaccines doses in August as it continues to speed up its vaccination programme to try and stall a third wave of infections. The government aims to vaccinate all eligible Indians by the end of this year.

It has been reported that India will begin using a new COVID-19 vaccine that uses circular strands of DNA to trigger an immune response to the corona virus. This could be good news as the new DNA vaccine could be used anywhere in the world when approved. The new vaccine, ZyCoV-D is administered into the skin without an injection and has been found 67% effective.

See: <https://www.nature.com/articles/d41586-021-02385-x>

Government data showed India's economy expanded 20% year-on-year in the April-June quarter. During the same period last year, India's economy shrank by 24%.

Rising freight charges to dent exports

After the record high in July 2021 Indian exports will be affected by the shortage of shipping containers around the world. Export competitiveness could be dented as the rapidly rising costs of shipping are passed on to consumers.

The cost of shipping a container has more than doubled in a few months and the Federation of Indian Exporters Organisation (FIEO) and other private sector groups have alerted the Central government and urged action.

India's exports grew to US\$33.1 billion in August, 45% higher than last year, but a faster pace of increase in imports resulted in trade deficit widening to US\$13.9 billion, the highest since April. Although exports were nearly US\$2 billion lower than in July when they hit US\$35.4 billion.

See: <https://www.indiatoday.in/business/story/global-container-shortage-impact-on-india-export-trade-volume-1847120-2021-08-30>

Rebound in consumer confidence

Indian householder consumer confidence improved almost 3% month on month in August according to the monthly Refinitiv-Ipsos Primary Consumer Sentiment Index (PCSI) for India. This index takes account of consumer attitudes on the current and future state of local economies, personal finance situations, savings and confidence to make large investments.

See: <https://www.livemint.com/news/india/consumer-confidence-improves-in-august-11628916022960.html>

Demand for wood to surge in India by 2030 - new report

There will be a substantial increase in wood consumption in India by 2030, exacerbating an existing shortfall between wood production and demand and increasing the country's reliance on wood imports, according to an ITTO report that analyzes India's timber market dynamics to 2030.

The report shows that, although India's forest cover has increased steadily for nearly two decades, timber production is still substantially less than consumption, and an increasingly large proportion of demand is being met by imports. The report has three main sections. The first reviews the development of the Indian forest sector over the last decade, including changes in forest cover and timber growing stock.

The second section analyses trends in India's wood-based industry, including the international trade of roundwood, sawnwood, plywood, fibreboard, hoopwood, pulp and veneer.

The third section of the report provides projections of demand for 2021–2030, based on likely increases in population and income, wood consumption trends, and growth in important wood-based industries. The report concludes with a discussion on how to improve the accuracy of future reports. The study forecasts a jump of nearly 70% in demand for roundwood in India in the next decade, from 57 million cu.m in 2020 to 98 million cu.m in 2030, driven largely by the construction sector.

Without policy change, say the authors, India will need to rely heavily on imports to meet this surge in demand because domestic production is restricted by the country's conservation-oriented forest policy.

See: https://www.itto.int/other_technical_reports/

Prices for recent shipments of teak logs and sawnwood

| | US\$/cu.m C&F |
|-------------|------------------|
| Benin | 294-658 |
| Sawnwood | 359-547 |
| Brazil | 330—527 |
| Sawnwood | 221-777 |
| Cameroon | 639 |
| Sawnwood | 974 |
| Colombia | 238-427 |
| Costa Rica | 263-652 |
| Ecuador | 392-495 |
| Gabon | Sawnwood 370 |
| Ghana | 260-559 |
| Sawnwood | 485 |
| Guatemala | 594 |
| Ivory Coast | 311-458 |
| Sawnwood | 375-752 |
| Mexico | 369-439 |
| Sawnwood | 373-585 |
| Panama | 257-539 |
| PNG | 389 |
| Sawnwood | 492-677 |
| Tanzania | 192-294 |
| Sawnwood | 896-1,096 |
| Togo | 259-532 |
| S. Sudan | 414-676 |
| Sawnwood | 633 |
| Nigeria | 319-630 |
| El Salvador | 349 |
| Nicaragua | Sawnwood 385-522 |
| Solomon Is. | 248 |

Price range depends mainly on length and girth.

Locally milled sawnwood prices

| Sawnwood Ex-mill | Rs per cu.ft. |
|------------------|---------------|
| Merbau | 4,000-4,200 |
| Balau | 2,500-2,700 |
| Resak | - |
| Kapur | - |
| Kempas | 1,550-1,750 |
| Red meranti | 1,550-1,750 |
| Radiata pine | 800-900 |
| Whitewood | 800-900 |

Price range depends mainly on lengths and cross-sections

Sawn hardwood prices

| Sawnwood (Ex-warehouse) (KD 12%) | Rs per cu.ft. |
|----------------------------------------|---------------|
| Beech | 1,750-1,850 |
| 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 |

Plywood

Plywood prices have been raised once again as production costs have jumped. MDF and particleboard manufacturers (and to some extent, plywood makers) share the same domestic wood raw material base and competition for raw materials is becoming intense resulting in rapid increases in prices.

In addition, resin costs are rising. Much of the resin and other chemicals used in production are imported and rising freight costs and rising global demand has pushed up prices. Adding to the problems faced by wood based panel makers is the shortage of workers and consequent increase in wages.

Mills in Kerala relied on experienced workers from Assam and mills in Maharashtra relied on workers from Orissa. Workers from these two regions fled the cities during the worst of the pandemic and have been slow to return.

Domestic ex-warehouse prices for locally manufactured WBP plywood

| Plywood Ex-warehouse | Rs. per sq.ft |
|-------------------------|---------------|
| 4mm | 86.00 ↑ |
| 6mm | 122.00 ↑ |
| 9mm | 144.00 ↑ |
| 12mm | 181.00 ↑ |
| 15mm | 238.00 ↑ |
| 18mm | 260.00 ↑ |

Domestic ex-warehouse prices for locally manufactured MR plywood

| | Rs. per sq.ft | |
|------------------|---------------|----------|
| | Rubberwood | Hardwood |
| 4mm | 57.00▲ | 72.00▲ |
| 6mm | 81.00▲ | 102.00▲ |
| 9mm | 103.00▲ | 125.00▲ |
| 12mm | 125.00▲ | 149.00▲ |
| 15mm | 149.00▲ | 181.00▲ |
| 19mm | 176.00▲ | 202.00▲ |
| 5mm Flexible ply | 110.00▲ | |

Vietnam

Two scenarios for Vietnam's exports in the last months of 2021

In the first two quarters of 2021 exports of wood and wood products from Vietnam increased but due to the pandemic export earnings will decline in the coming months. According to the Directorate of Customs exports of wood and wood products in the first 7 months of 2021 reached US\$9.26 billion, a 57% increase compared to the same period of 2020.

However, since July social distancing and restrictions on movement in many provinces and cities in Vietnam have impacted production. Exports of wood and wood products in July reached nearly US\$1.3 billion, some 17% down year on year. In the first half of August export earning fell 45% compared to July.

It is possible that covid restrictions will be in place for sometime and this will badly affect production. Covid-19 control measures affect all sector of the timber industry, especially companies in the main wood processing centers like Binh Duong, Dong Nai Provinces and Ho Chi Minh City.

The response of companies to the recent lockdown has been to reduce the number of workers and reduce or curtail production. Some companies are trying to maintain production at 20 - 50% of capacity in order to partially meet orders and maintain jobs for employees. Workers from plants that have stopped production are facing an uncertain future.

A recent survey conducted in Ho Chi Minh City, Binh Duong Province and Dong Nai Province by three associations including the Handicraft and Wood Industry Association of Ho Chi Minh City (HAWA), Binh Duong Furniture Association (BIFA) and Dong Nai Wood and Handicraft Association (DOWA) revealed some alarming data. By August 18.5% of association members halted production, 46% of members reduced the capacity and applied the "3 on-site" rule.

It was estimated that over 80% of workers in the association member plants had temporarily lost their jobs.

A study conducted jointly by Forest Trends, VIFOREST and the Forest Products Association of Binh Dinh Province set out two possible scenarios for export in the last months of this year.

In the first scenario the group assumed the decline in the first half of August will last to the end of the third quarter. By that time the vaccination roll-out will be well underway.

As a result export earnings will begin to recover from the fourth quarter but would only be around 70% of the first two quarter earnings. If accurate the gross wood product earnings for 2021 will be US\$13.55 billion.

In the second scenario the group assumed the pandemic will not be controlled so in this case the decline in export earnings will continue until year end such that 2021 earnings would be only US\$12.69 billion.

See: <https://vietnamagriculture.nongnghiep.vn/2-scenarios-of-wood-exporting-of-vietnam-in-the-last-coming-months-of-2021-d301443.html>

Enterprises starved of raw materials and workers

Timber enterprises in Binh Dinh have a huge backlog of export orders but there is a severe shortage of workers and raw materials and the supply chain has been disrupted.

According to Le Minh Thien, Chairman of Binh Dinh FPA thanks to the USA, EU, UK and Australia markets enthusiastically import furniture from the beginning of 2021 until the end of August furniture manufacturers in Binh Dinh have exported a wide variety of products through online channels.

However, now a number of localities in Binh Dinh Province have to comply with the Government's Directive 16 for Covid-19 prevention and control. The restriction on the movement of people has forced many wood processing businesses in the area to stop operating.

He also said if this situation persists throughout September furniture exports from Binh Dinh manufacturers will plummet by 30-40% compared to July and the situation will be even more severe in October.

According to the Binh Dinh FPA several large furniture factories in Binh Dinh have implemented the '3 on the spot' system to maintain production. However, businesses can only sustain this for a short time because the costs incurred are too high and regular screening is costly and time consuming.

Assuming an enterprise has 500 workers working "3 on the spot", a test for all workers will cost about VND 70 million. In one month, four tests are required.

Implementing this '3 on the spot' system creates other problems as workers still face difficulties when going through quarantine checkpoints. Many localities have become too worried and applied strict measures to prevent people from going to work in order to manage prevention and control measures. It was not until FPA Binh Dinh raised this with local authorities that workers could go travel to work.

Wood processing enterprises in Binh Dinh have to face another difficulty, the supply of raw materials. The 'furniture capitals' of Binh Duong and Dong Nai are now paralysed and supply chains are broken. This has pushed up the price of timber raw materials.

See: <https://vietnamagriculture.nongnghiep.vn/wood-enterprise-starve-of-materials-and-workers-d302066.html>

Vietnam's W&WP trade in the first 7 months of 2021

Exports
In the first 7 months of 2021 W&WP exports reached US\$9.26 billion, up 54% over the same period of 2020. Due to the severe outbreak of Covid-19 in the major wood processing industries of Binh Duong, Dong Nai and Ho Chi Minh City exports in July dropped by 17% compared to June. On the other hand imports of W&WP in the first 7 months were valued at US\$1.81 billion, a year-on-year increase of 39%.

W&WP exports to top markets in the first 7 months of 2021 are as follows:

- US: US\$5.72 billion, up 77.4%, accounting for 62% of Vietnam's W&WP exports;
- Japan: US\$0.81 billion, up 18.8%, sharing 9% of the total W&WP exports;
- China: US\$0.93 billion, up 24.8%, equivalent to 10% of the total exports;
- South Korea: US\$0.53 billion, up 16.8%, taking 6% of the total exports;
- EU: US\$0.38 billion, up 34.0%, 4% of the total value of G&SPG exports;
- UK: US\$0.16 billion, up 29.4%, contributing 2% of the total exports;
- Canada: US\$0.15 billion, up 48.9%, about 2 per cent of total exports.

Exports of the major W&WP including indoor/outdoor furniture, seats, woodchip, woodpellet, veneer (peeling), particle-board, fiber-board, plywood/finger-joint wood in the first 7 months of 2021 increased as follows:

- Furniture: US\$4.33 billion, up 53% over the same period in 2020;
- Wooden seats: US\$2.35 billion, up 99%;
- Woodchip: US\$1.08 billion (8.5 million tonnes), up 23% in volume and 17% in value;
- Plywood/finger-joint wood: US\$570.47 million (1.54 million cu.m), up 43% in volume and 99% in value;
- Wood-pellet: US\$241.22 million (2.14 million tonnes), up 32% in volume and 36% in value;

- Veneer (peeling): US\$117.32 million (1.21 million cu.m), up 337% in volume and 185% in value;
- Fibreboard: US\$36.75 million (66,860 cu.m), up 1.4% in volume and 46% in value;
- Particleboard: US\$6.30 million (29,870 cu. m), up 19% in volume, but down by 3% in value.

Of wooden furniture exports of kitchen cabinets (HS 9403.40) continued up growing over 60% compared to the same period of the last year. Next to kitchen cabinets are upholstered seats where exports more than doubled to US\$1.50 billion.

Imports

Vietnam imported US\$1.81 billion of W&WP in the first 7 months of 2021, up 39% against the same period of 2020. Sawntwood, logs, veneer, fibreboard, plywood, wooden seats and furniture were the main imports.

W&WP are imported from 113 countries/territories in the first 7 months of 2021. China, the US, Cameroon, Thailand and Chile are 5 top sources with the supply of US\$1.12 billion, accounting for 62% of the total value of W&WP imports into Vietnam.

China:

The value of W&WP imports from this market reached US\$667.23 million, up 71% over the same period in 2020, accounting for 37% of the total value of imports from all sources.

Major imports from China include plywood (US\$153.08 million), Veneer (US\$140.10 million), wooden seats (US\$107.03 million) and furniture (US 91.37 million).

US:

W&WP imports from the US were valued at US\$189.67 million, accounting for 10.5% of total imports, up 2% in value. The US exports mainly logs (130,370 cu.m) and sawntwood (291,580 cu m). The US is the top sawntwood suppliers for Vietnam.

Cameroon:

Over the first 7 months of 2021 imports from Cameroon amounted to US\$112.47 million, down 10% compared to the same period in 2020 and contributed 6% of the total imports. Logs (177,700 cu.m) and sawntwood (90,500 cu.m) are imported from Cameroon.

Thailand:

Imports from Thailand reached US\$0.43 million in the first 7 months of 2021, up 68%, accounting for 5% of the imports from all sources. Particleboard (108,550 cu.m), fibreboard (257,570 cu.m) were the key products imported from Thailand

Chile:

Imports were worth US\$58.31 million, up 62%, accounting for 3.2% of the total imports. Sawntwood was the main product Vietnam imported from Chile (210,230 cu.m)

Brazil

Combating environmental crimes in the Amazon

The Brazilian Federal Government is making efforts to reduce the incidence of environmental crimes. The Brazilian Institute for Environment and Renewable Natural Resources (IBAMA) and the Chico Mendes Institute for Biodiversity Conservation (ICMbio), the Armed Forces and the National Public Security Force have been working together in the Amazon region.

In June this year the Federal Government announced a new operation called the Samaúma Operation which will specifically address illegal deforestation. The operation is being conducted in 26 municipalities in the States of Pará, Amazônia, Rondônia and Mato Grosso, which together account for around 70% of environmental offenses in the Legal Amazon.

The Samaúma Operation is coordinated by the National Council of the Legal Amazon (CNAL), chaired by the Vice President. This operation can authorise the use of the Armed Forces in indigenous lands, federal environmental conservation units, federal land areas in general and upon request of State Governors in areas of the states covered by the operation.

Partnership to promote development of the timber sector

The state of Mato Grosso is one of the main tropical timber producing states in Brazil and the Timber Industry Union of Northern Mato Grosso State (SINDUSMAD) in partnership with the National Service for Industrial Training (SENAI) is to offer training courses for its employees aimed at further the development of the timber sector. According to SENAI companies should benefit from improved productivity and competitiveness.

Improving world economy lifts timber exports

Driven by the economic recovery in the world's largest economies exports from Paraná State totalled US\$1.8 billion in July, 11% more compared than in July 2020. Between January and July this year exports from Paraná have grown 14% year on year.

Wood products are one of the main products exported from the state and earnings reached US\$1.1 billion according to the Foreign Trade Secretariat, Ministry of Economy. The strong recovery in developed economies explains the more than doubling of furniture exports. Almost 60% of the wood products exported from Paraná State are for the US market.

The appreciation of the US dollar against the Brazilian currency favors exports making the Brazilian product more competitive in international markets. Brazilian furniture exports closed the first half of 2021 with a 72% increase compared to the same period in 2020. The main importers were the US followed by Chile and the United Kingdom. Furniture manufacturers in Brazil have been adopting 'green' manufacturing using sustainably produced timber along with recycled wood.

Domestic log prices

| | US\$ per cu.m |
|-------------------------------------|---------------|
| Brazilian logs, mill yard, domestic | |
| Ipê | 211 |
| Jatoba | 104 |
| Massaranduba | 94 |
| Muiracatiara | 96 |
| Angelim Vermelho | 92 |
| Mixed redwood and white woods | 75 |

Source: STCP Data Bank

Domestic sawnwood prices

| | US\$ per cu.m |
|-------------------------------------------|---------------|
| Brazil sawnwood, domestic (Green ex-mill) | |
| Ipê | 876 |
| Jatoba | 431 |
| Massaranduba | 431 |
| Muiracatiara | 386 |
| Angelim Vermelho | 386 |
| Mixed red and white | 255 |
| Eucalyptus (AD) | 193 |
| Pine (AD) | 130 |
| Pine (KD) | 165 |

Source: STCP Data Bank

Domestic plywood prices (excl. taxes)

| | US\$ per cu.m |
|----------|---------------|
| Parica | 439 |
| 4mm WBP | 394 |
| 10mm WBP | 318 |
| 15mm WBP | 381 |
| 4mm MR. | 293 |
| 10mm MR. | 262 |
| 15mm MR. | |

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 MDP Particleboard | 196 |
| 15mm MDF | 248 |

Source: STCP Data Bank

Export sawnwood prices

| | US\$ per cu.m |
|--------------------------------------|---------------|
| Sawnwood, Belem/Paranagua Ports, FOB | |
| Ipê | 1,752 |
| Jatoba | 997 |
| Massaranduba | 989 |
| Muiracatiara | 993 |
| Pine (KD) | 239 |

Source: STCP Data Bank

Export plywood prices

| | US\$ per cu.m |
|-----------------------------|---------------|
| Pine plywood EU market, FOB | |
| 9mm C/CC (WBP) | 401 |
| 12mm C/CC (WBP) | 381 |
| 15mm C/CC (WBP) | 366 |
| 18mm C/CC (WBP) | 348 |

Source: STCP Data Bank

Export prices for added value products

| | US\$ per cu.m |
|---------------------------|---------------|
| FOB Belem/Paranagua ports | |
| Decking Boards | |
| Ipê | 4,000 |
| Jatoba | 1,813 |

Source: STCP Data Bank

Peru

Osinfor improves information system

The Forest Resources and Wildlife Supervision Agency (Osinfor) has made changes to its Management Information System (SIGO sfc v3.0) to provide more information on the use of natural resources.

With the technical support of USAID and the United States Forest Service this new version of the SIGO sfc contains improved internal management for the inspection processes and is expanded to include additional public entities to strengthen traceability. The traceability report provides detailed information on the location of the site, expiration of permits, management plan, species and approved volume among other items. It also covers supervision, auditing and training.

The manager of the Forest Program of USAID and the United States Forest Service, Victor Miyakawa, welcomed Osinfor's initiative to continuously improve its processes as he considers these improvements in the SIGO sfc will provide key information to boost the competitiveness in the forest sector.

US company in violation of Lacey Act

A US company has pleaded guilty in the District of Columbia to violating the Lacey Act. The company admitted that it failed to exercise due care when it imported timber from the Peruvian Amazon. The court imposed a fine of US\$5,000 and ordered a US\$200,000 in restitution to the Ministry of Environment of Peru.

Peru issues documents to establish the chain of custody and ensure that any timber harvested or transported is legal. The Agency for Supervision of Forest Resources and Wildlife (OSINFOR) audits harvest sites to ensure legal compliance.

OSINFOR makes its findings available on SIGO, an open-source website maintained by the Peruvian government. Importers are able to check SIGO to determine if there have been any irregularities regarding specific harvest permits.

The Trade Enforcement Group of Homeland Security Investigations in Houston and CBP conducted the investigation with assistance from Peruvian authorities. Trial Attorneys Patrick Duggan and Ryan Connors of the Environmental Crimes Section of the Environment and Natural Resources Division prosecuted the case.

See: <https://www.justice.gov/opa/pr/us-corporation-sentenced-importing-illegally-sourced-wood-amazon>

Export sawnwood prices

| Peru sawnwood, FOB Callao Port | US\$ per cu.m |
|-------------------------------------------------------------|---------------|
| Pumaquiro 25-50mm AD Mexican market | 664-679 |
| 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 | 1009-1033 |
| Asian market | 1093-1131 ↑ |
| Ishpingo (oak) 2" thick, 6"-8" length Spanish market | 596-617 |
| Dominican Republic | 703-719 |
| Marupa 1", 6-11 length KD Grade 1 Asian market | 569-598 |

Domestic sawnwood prices

| Peru sawnwood, domestic | US\$ per cu.m |
|-------------------------|---------------|
| Mahogany | - |
| Virola | 247-269 |
| Spanish Cedar | 340-349 |
| Marupa (simarouba) | 239-246 |

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 |
|-------------------------------------------|---------------|
| Cabreva/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 | 582-611 |
| 2x13x75cm, Asian market | 774-831 |

Japan

Private sector urges government to lift restrictions

The Japan Business Federation (Keidanren) has urged the government to take action to restart economic and social activities as the number of people vaccinated rises. Tokura Masakazu, Keidanren Chairman, said the country needs measures "to get the economy up and running again."

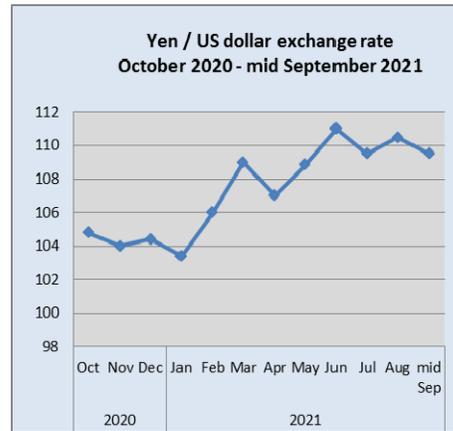
The private sector proposed shortening the quarantine period for people entering Japan to a maximum of 10 days from 14 days currently which is under consideration.

The government is considering reducing the self-quarantine period for vaccinated arrivals from overseas. Currently everyone from overseas has to remain isolated for 14 days. A 10 day quarantine is being considered because social and economic activities must resume. The new arrangement will apply to those inoculated with the Pfizer, Moderna or AstraZeneca vaccines and could come into effect at the end of September.

Dip in household spending

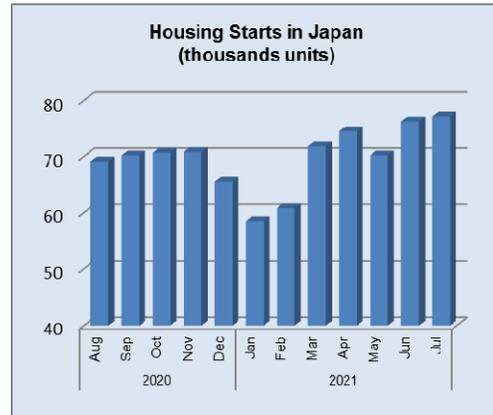
July household spending grew slower than expected as a resurgence in COVID-19 cases undermined consumer activity. The Japanese economy cannot shake off the impact of the pandemic because the slow roll-out of vaccinations means restrictions on movement must be maintained. Household spending rose 0.7% year-on-year in July after a 4% fall in June but the rise in July was partly due to a sharp contraction in July last year.

See: <https://www.reuters.com/business/retail-consumer/japan-july-household-spending-rises-less-than-expected-2021-09-07/>

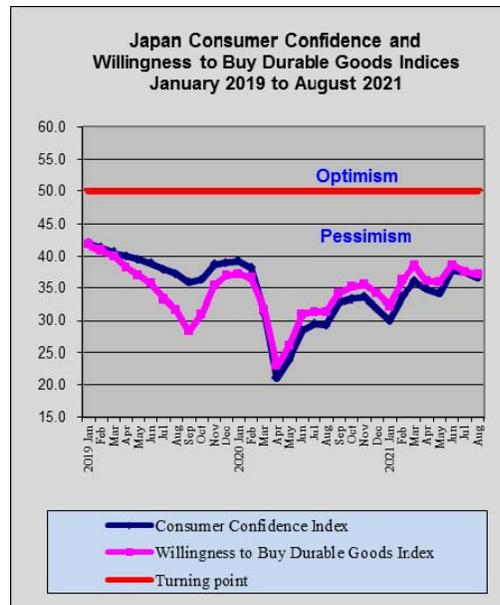


Forecast decline in housing starts

The Nomura Research Institute is forecasting a significant drop in new housing starts across Japan by 2030. According to the Institute's report housing starts are forecast to drop from 950,000 units in 2018 to 730,000 units in 2025. In 2030, total housing starts are forecast to be 630,000 units.



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



Data source: Ministry of Finance, Japan

Yen/dollar exchange had short rocky ride

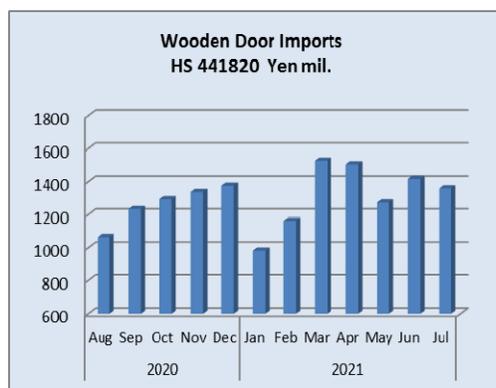
The US dollar/ yen exchange rate reacted to the decision by Japan's Prime Minister, Yoshihide Suga, not to seek a second term as prime Minister. His decision came at a time when the Covid situation has worsened because of the slow rollout of vaccines. The exchange rate volatility was also impacted by recent economic data from the United States. The US added just 235,000 jobs in August while the unemployment rate dipped to 2.5%.

Import update

Wooden door Imports (HS441820)

China accounted for 56% of Japan's July 2021 imports of wooden doors (HS441820) with a further 30% being shipped to Japan from the Philippines. The only other significant shipper in July was Indonesia which provided an additional 6% of the total value of wooden door imports in July.

Year on year, July 2021 imports were flat but there was a 4% decline in the value of July imports compared to June of the same year.



Data source: Ministry of Finance, Japan

Wooden window imports (HS441810)

After peaking in May this year the value of Japan's imports of wooden windows (HS441810) have fallen for two consecutive months, dropping 5% month on month in June and by 3% in July. As would be expected July 2021 imports were higher than in July 2020 but what is significant is that the year on year rise was small.

Over 90% of Japan's imports of wooden windows came from shippers in just three countries, China (47%), the US (27%) and the Philippines (19%). Shippers in these three countries dominate Japan's imports of wooden windows.



Data source: Ministry of Finance, Japan

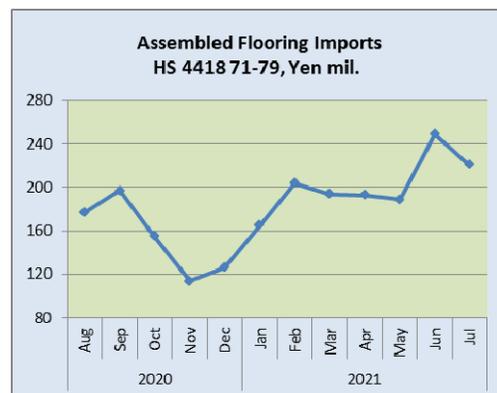
Assembled wooden flooring imports

After the steep rise in the value of assembled flooring imports there was a correction in July. Compared to a month earlier the value of assembled flooring imports in July this year dropped 15%. Prior to the sharp rise in June imports there had been three consecutive months where the value of assembled flooring imports declined.

Year on year, the value of Japan's imports of assembled wooden flooring (HS441871-79) in July rose 24%, but this was from a low caused by various pandemic control measures introduced by the Japanese government.

Imports of HS441875 accounted for most assembled flooring imports with 45% being shipped from China. Shippers in Vietnam continue to do well accounting for 22% of July 2021 imports.

The other major supplier was Indonesia which accounted for 17% of the value of July 2021 imports.



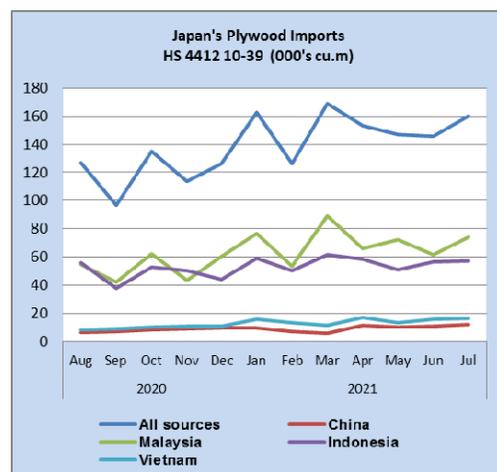
Data source: Ministry of Finance, Japan

Plywood imports

While exhibiting marked swings the volume of plywood imports during the first 7 months of 2021 has trended higher. Import volumes are higher than in 2020 and July 2021 import volumes were some 8% higher than in July 2019.

Year on year the volume of Japan's July imports of plywood (HS441210-39) was up almost 40% and compared to a month earlier the volume of plywood imports rose almost 10%.

Of the four main shippers of plywood, Malaysia, Indonesia China and Vietnam shipments from China rose slightly in July compared to a month earlier, arrivals from Malaysia also increased as they did from Vietnam but July imports from Indonesia were at around the same level as in June.



Data source: Ministry of Finance, Japan

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

| | | China | Malaysia | Indonesia | Vietnam |
|------|-----|-------|----------|-----------|---------|
| 2019 | Jan | 14 | 91.2 | 66.4 | 11.9 |
| | Feb | 11.1 | 85.3 | 75 | 4.2 |
| | Mar | 4.4 | 70.1 | 61.2 | 9.8 |
| | Apr | 11.4 | 94.2 | 65.9 | 8.5 |
| | May | 12.4 | 61.8 | 48.9 | 10.6 |
| | Jun | 9.3 | 59.6 | 62.8 | 11.3 |
| | Jul | 9.8 | 65.1 | 59 | 12.1 |
| | Aug | 12.1 | 61.8 | 68.9 | 11 |
| | Sep | 10 | 53 | 62 | 12 |
| | Oct | 10.6 | 66.3 | 72 | 12 |
| | Nov | 13.1 | 69.5 | 68.1 | 12.6 |
| | Dec | 13 | 74.4 | 57.4 | 14 |
| 2020 | Jan | 13.4 | 61.1 | 81.6 | 17 |
| | Feb | 6.8 | 72.2 | 63.8 | 9.5 |
| | Mar | 5.8 | 76.5 | 73 | 12.2 |
| | Apr | 13 | 68 | 69 | 13.6 |
| | May | 9.6 | 69.7 | 59 | 12.6 |
| | Jun | 10.3 | 52 | 61 | 11.3 |
| | Jul | 10.2 | 40 | 54.9 | 8.9 |
| | Aug | 6.6 | 55 | 56 | 8.4 |
| | Sep | 6.8 | 42.2 | 37.8 | 8.7 |
| | Oct | 8.3 | 62.4 | 52.7 | 10.1 |
| | Nov | 8.6 | 43.1 | 50 | 10.9 |
| | Dec | 9.2 | 60.5 | 43.9 | 10.8 |
| 2021 | Jan | 9.7 | 76.9 | 59.3 | 15.7 |
| | Feb | 6.8 | 53.5 | 50.1 | 13 |
| | Mar | 5.7 | 89.4 | 61.5 | 11.5 |
| | Apr | 11.4 | 65.9 | 58.2 | 17.3 |
| | May | 10.3 | 72 | 51 | 13 |
| | Jun | 10.5 | 61.9 | 56.6 | 15.6 |
| | Jul | 11.8 | 74.1 | 57.1 | 16.4 |

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/

Log demand for the first half of the year

Demand for logs in the first half of the year is 8,155,000 cbms for lumber manufacturing (4.3% more than the same period of last year) and 2,552,000 cbms for plywood manufacturing (5.7% more). After imported lumber supply decreased, domestic sawmills' activities got active so the demand for logs of both imports and domestic increased.

For lumber manufacturing, domestic logs increased by 1.2% and imported logs increased by 16.1%.

Share of domestic logs for lumber is 76.6%, 1.6 points down from 2020. Total demand for logs declined since April 2020 by increased consumption tax and COVID 19 epidemic and lasted through February 2021 then tight supply of wood products as a result of decline of imported products became obvious so that demand for domestic products sharply increased and domestic sawmills' log purchase increased largely.

Since March 2021, monthly log supply for lumber was about 1,400,000 cbms and for plywood was 400,000 cbms, which are same number as 2019 when the demand was active.

Total log supply for lumber in the first half of the year is 6,248,000 cbms of domestic, 1.2% more and 1,907,000 cbms of imported, 16.1% more. Imported logs increased by 264 M cbms, a majority of North American logs so that share of domestic logs decreased.

Log supply for plywood manufacturing during January and June is 2,343,000 cbms of domestic, 9.3% more and 209,000 cbms of imports, 22.9% less. Share of domestic logs increased to 91.8%, 1.1 point up from 2020.

Share of domestic logs has increased for four straight years since 2017 and it reached 84.4% in 2020 but in 2021, if imported log supply for lumber increased over domestic, share of domestic logs could decline for the first time in five years.

However, in 2021, import wood products like lumber, laminated lumber and plywood continue declining so self-sufficiency rate of wood would increase.

Tight supply of softwood plywood

Softwood plywood manufacturers announced to raise the sales prices of softwood to 1,100 yen per sheet delivered since August 1 because of climbing log cost while the sales continue active. In July, demand by both direct sales to precutting plants and to dealers is very active and dealers say that there is no time to build up the inventory as the sales are so busy while allocation by the manufacturers is limited.

For the manufacturers, the shipment exceeds the production so June end inventory was 92,100 cbms, 4,100 cbms less than May end. Produced plywood is shipped out immediately and the manufacturers are not able to deal with spot orders and deliveries are delayed. Since July, major precutting companies stopped order restrictions so that orders for plywood increased. Smaller precutting companies procure necessary volume of plywood from local dealers because they are not able to buy extra volume from the manufacturers.

The manufacturers are not able to increase the production because of tight log supply. Log demand is active for lumber, laminated lumber and export. Particularly in the Western Japan, log supply is so tight that the manufacturers need to restrict manufacture certain items so it is practically production curtailment.

Cypress log prices soared to nearly 30,000 yen per cbm delivered and larch log prices in the North East climbed to 18,000 yen. Supply of North American Douglas fir logs and Russian larch veneer is very little so that they are no help to fill a gap of local log shortage. Present market prices of 12 mm 3x6 softwood plywood are 1,000-1,050 yen in Tokyo market. The manufacturers increased the prices to 1,050 yen in early July then to 1,100 yen in early August.

With busy demand, price hike is easily accepted by the market. August is the month when each manufacturer stops production for about a week for regular maintenance so the production would drop. There will be another price hike in September with tight supply.

Supply of domestic softwood plywood is getting tighter since middle of August. Demand continues robust while the manufacturers' inventory stays minimum and they are not able to increase the production because of tight log supply and labor shortage.

With higher log cost, the manufacturers announced to increase the sales prices of 12 mm thick 3x6 panel to 1,150 yen per sheet delivered since September 1. The shipment in July exceeded the production so the inventory dropped to 90.600 cbms, 1,500 cbms less than June end.

August is vacation season and majority of plywood mills stop running for normal maintenance for about a week so the production stops and the inventory would further drop. Precutting plants continue the operation without taking any vacation to catch up delayed orders so the shipment of August will be more than the production.

Log demand is active and the supply may get tight after Western Japan suffered heavy rain for more than a week so log market will stay firm in coming months. Delivery of plywood is now delayed. Precutting plants built up the inventory since last spring but there is no surplus to loan to other plants and even if they loan, it would be exchange with other tight items like whitewood laminated post.

Some plants request to the customers to bring your own plywood for precutting order despite the custom that necessary materials procurement is precutting plants' duty. Log procurement is competition with laminated lumber plants, which buy cedar logs actively.

Present market prices of 12 mm 3x6 panel are 1,100 yen per sheet delivered and new proposed prices are easily accepted by the market as securing the volume is priority matter now.

North American log imports

For the first half of this year, total import of North American logs is 1,264,259 cbms, 30.8% more than the same period of last year. Large increase of logs from B.C., Canada is the reason of total increase.

In the first half of last year, log demand receded by COVID 19 epidemic and the largest log supplier in B.C., Mosaic Forest Management stopped log harvest so log export for Japan decreased by 76.3% from 2019. Canadian Douglas fir logs are mainly for plywood mills in Japan.

While Canadian log supply disrupted, plywood log demand shifted to domestic logs so orders were not active even when the Mosaic restarted log harvest in June last year then the demand for Canadian logs returned after domestic log supply gets tight and the prices have been inflating.

Total Douglas fir is 1,201,063 cbms, 34.4% more than 2020 so the supply recovered to 2019 level but hemlock and yellow cedar supply continues declining.

For Douglas fir log export, PLS stopped export business in August last year and Weyerhaeuser filled a gap. Spruce and red cedar increased but Sealaska Corporation, which had been shipping about 60,000 cbms of high grade logs, decided to withdraw from log business so Alaskan log supply stops with last shipment in February 2021. There are other minor log suppliers in Alaska but without Sealaska, major supply stopped.

For the second half of this year, concern is expanding hot weather and forest fires on the west coast. Particularly Canada seems to reduce log harvest considerably so Canadian log supply will decline toward fall.

Imports of Russian logs and lumber

For the first half of this year, import of Russian logs is only 12,090 cbms, 65.6% less than the same period of last year. Lumber is 238,323 cbms, 29.0% less. Normally import of lumber increases in May and June but the supply did not increase this year so the inventory in Japan remains low.

In log import, whitewood is 752 cbms, 80.7% less, larch is 5,104 cbms, 72.1% less and red pine is 6,234 cbms, 51.7% less.

Demand for logs in Japan decreased after it shifted from logs to genban. Sawmills in Japan cannot rely on stable supply of logs any more.

Larch logs are mainly for plywood but the demand decreased after plywood mills in Japan use ore domestic species. Log export duty by the Russian government is now 80% to speed up domestic processing of logs. Since last July, export duty on green lumber is newly imposed.

Export prices of KD red pine lumber soared but the supply has not increased because the market prices in Japan increased so much that the users are looking for other items. Present CIF prices of KD red pine lumber are US\$800-900 per cbm and the market prices of quality KD red pine taruki are 110,000 yen and of KD furring strip are 1120,000 yen in Tokyo market.

Domestic logs and lumber

Movement of domestic logs and lumber is pausing with fear of price drop after the North American lumber market is simmering down and there are some signs that import lumber may increase in coming months but precutting plants continue to build up inventories for fall demand pickup and cypress sill is still short in supply and the prices are firming.

The strongest item is 4 metre 105 mm KD cypress sill with the prices being 100,000-140,000 yen because there is no sign that the supply of preservative treated hemlock sill and redwood laminated sill square increase. Not only KD but green sill has strong demand now.

3 metre KD cedar 105 mm square has also strong demand to replace tight supplied whitewood laminated post but total volume of cedar is larger than cypress, the prices have been flat for last two months at 100,000-130,000 yen.

Log supply has been steady. In the North East and Hokkaido, log supply is still tight because of competition with plywood mills. Tightness of log supply is easing from Tokyo and the West. Demand for post and sill cutting logs is very active so the prices should remain in high range. Cypress log prices in the Western Japan are firm at 30,000-40,000 yen. Post cutting cedar log prices are 15,000-16,000 yen and the prices are very firm at Kyushu and Northern Tokyo at 17,000-18,000 yen.

North American lumber import (Jan-Jun 2021)

Total import of North American lumber for the first half of this year is 676,368 cbms, 10.6% less than the same period of last year. By source, 608,100 cbms from Canada, 5.3% less and 68,268 cbms from the U.S.A., 40.3% less. Manke Lumber, major supplier of Douglas fir lumber stopped production for Japan at the end of last year, which is main reason of large decrease from the U.S.A.

However, compared to lumber supply from other regions, decrease of North America is much smaller. European lumber decreased by 18.2%, Russian lumber dropped by 29.0% and Chilean lumber decreased by 26.6%.

By species, SPF is 449,317 cbms, 5.2% less and Douglas fir is 104,280 cbms, 35.1% less but others increased. Hemlock is 78,470 cbms, 5.3% more and yellow cedar is 13,122 cbms, 24.0% more.

Export prices of SPF had kept climbing month after month since January. The first quarter prices are US\$650 per MBM C&F. Second quarter prices are US\$1,000 and third quarter is US\$1,800. With such outrageous increase, normally the orders should decline but lumber supply for traditional post and beam construction sharply dropped so 2x4 housing became more competitive so the purchase did not decrease.

Meantime, supply of lumber for traditional housing did not increase because of booming North American lumber market and shortage of containers.

Western Forest Products, major supplier of hemlock lumber took large orders in the first quarter to grab Douglas fir lumber market but because of container shortage, the shipments delayed and passed second quarter offers. North American lumber market peaked out in late May so supply for Japan should increase.

Wood products export for the first half of 2021

In wood products export during January and June 2021, logs are 813,000 cbms, 27.7% more than the same period of last year and lumber is 104,000 cbms, 40.2% more. In particular, lumber export to the U.S.A. doubled and exceeded the volume for China and the U.S.A. became the top destination of lumber. Value also climbed and value of logs is 11.4 billion yen, 50% more and lumber is 4.6 billion yen, 59.7% more.

For the first half of 2021, demand by China and the U.S.A. is strong so the export of wood products from Japan increased considerably. If the export continues in the second half with the same pace as the first half, annual export volume of logs would be about

1,600,000 cbms and lumber about 200,000 cbms, double digit increase for two straight years. Also total value would climbed to 50 billion yen if the second half value is same as the first half.

By destination, in log export, China bought 678,941 cbms, 32.1% more and stayed as top buyer then Korea took 67,201 cbms, 4.6% more. Taiwan P.o.C is third with 50,704 cbms, 8.4% more. By species, cedar is top with 712,971 cbms, 28.8% more. Cypress is 93,682 cbms, 22.2% more.

In lumber export, top is the U.S.A. with 36,081 cbms, 108.7% more then China is second with 28,892 cbms, 8.9% less. Third is Philippines with 21,850 cbms, 92.2% more. Increase of value is remarkable. Domestic demand for logs increased and the prices soared, which pushed the export prices. Normally it is hard to pass high cost onto export but worldwide inflation of wood products prices help passing high prices on export.

Average log value is 14,004 yen, 17.5% up. In particular, cedar log prices are 13,470 yen per cbm, 21.1% up. Lumber value is 44,416 yen, 13.9% up.

China

New standards for wood-based panels

Three standards for wood-based panel have recently been approved by the National Technical Committee of Wood-based Standardisation namely standards on Decorative Veneer Overlaid Panels, Plywood for Combined Packing Boxes and the Content Determination of Lead, Cadmium, Chromium and Mercury in Wood-Based Decorative Veneer Materials. These standards for wood-based panels will come into force on 1 March 2022.

See: www.forestry.gov.cn/lky/2811/20210902/145526408735780.html

Formulation of standards solid wood doors

It has been reported that Zhejiang manufacturing group and the Ningbo Institute of Standardization in Zhejiang Province have started work on a standard for solid wood (mortise and tenon joint) doors. The standard will provide quality specifications for the development of solid wood door of mortise and tenon joint structure. At present opinions on the standard are being gathered.

See: https://www.wood365.cn/Industry/IndustryInfo_270647.html

Decline in China's log imports from Australia

Australia is losing around AUD1.6 billion a year after China suspended log imports because of quarantine problems. China's log imports from Australia in the first half of 2021 plummeted. According to China Customs, log imports from Australia fell to 62,855 cubic metres in the first half of 2021 from 2,090,000 cubic metres in the first half of 2020.

See: https://www.wood365.cn/Industry/IndustryInfo_270930.html

France, the largest supplier of oak imports

China Customs data shows France has been the largest supplier of oak imports since 2014. Previously Russia was the main supplier but Russia implemented a log export ban. The US is also a major supplier of oak but China's oak imports from the US have fallen in recent years due to trade friction.

Oak imports from the main suppliers, 2010 to 2020 (000s cu.m)

| | All sources | France | Russia | USA |
|------|-------------|--------|--------|-----|
| 2010 | 456 | 101 | 126 | 98 |
| 2011 | 564 | 195 | 89 | 91 |
| 2012 | 380 | 121 | 88 | 83 |
| 2013 | 462 | 120 | 151 | 105 |
| 2014 | 840 | 247 | 199 | 173 |
| 2015 | 809 | 311 | 140 | 146 |
| 2016 | 849 | 273 | 151 | 246 |
| 2017 | 120 | 352 | 178 | 350 |
| 2018 | 127 | 390 | 164 | 298 |
| 2019 | 944 | 330 | 167 | 142 |
| 2020 | 1016 | 296 | 180 | 223 |

Data source: Customs, China

China's oak imports from France, Russia and USA rose at different rates in the first half of 2021 due to the resumption of production. China's oak imports from France rose 30% to 223,000 cu.m valued at US\$86.17 million, up 56% in value. The volume of China's oak imports from USA and Russia rose 21% and 11% respectively in the first half of 2021.

The CIF price for imported French oak rose the most (20%) followed by the United States, up 9%. In contrast the CIF price for imported Russian oak fell slightly in the first half of 2021.

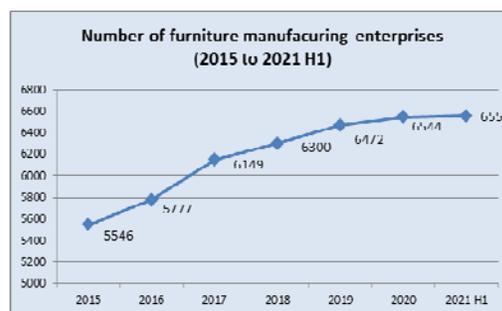
The cumulative volumes of China's oak imports from France, Russia and USA from 2010 to 2020 were 2.74 million cubic metres, 1.63 million cubic metres and 1.96 million cubic metres respectively. For the same period the average CIF for imported oak from France was the lowest at US\$288 per cubic metre, from USA it was the highest at US\$418 per cubic metres from 2010 and 2020.

Oak is popular in China and mainly used to manufacture furniture, flooring, casks for wine and coffins.

See: <https://www.wood888.net/news/show-24748.html>

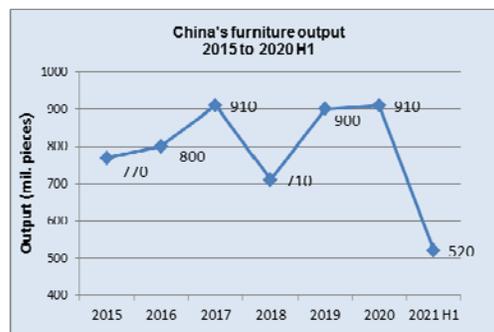
Rise in numbers of furniture makers

The numbers of furniture manufacturing enterprises in China increased between 2015 and 2020 but the overall growth has slowed. By 2020 the number of large furniture manufacturing enterprises in China was 6,544. As of June 2021 the number of large furniture manufacturing enterprises rose to 6,557.



Data source: see below

China's furniture output had been increasing between 2015 and 2017. In the first half of 2021, China's furniture output reached 520 million pieces, up 30% from the same period of 2020, as the country's furniture industry recovered.



Data source: see below

Rise in wooden furniture output

China's furniture production is divided into three categories: metal furniture, wooden furniture and soft furniture, accounting for 51%, 40% and 9% respectively.

Wooden furniture shows an overall growth trend from 2015 to 2020. The output of wooden furniture in China was 322 million pieces in 2020, a year on year increase of 2%, up 27% from 2015.



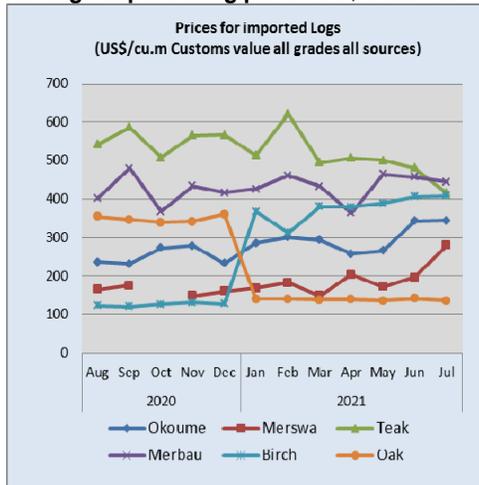
Data source: <https://baijiahao.baidu.com/s?id=1710137316579843910&wfr=spider&or=pc>

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

| | 2021 Jun | 2021 Jul |
|--------|-------------|-------------|
| Okoume | 343 | 344 |
| Merswa | 197 | 280 |
| Teak | 481 | 415 |
| Merbau | 457 | 445 |
| Birch | 407 | 408 |
| Oak | 141 | 136 |

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

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



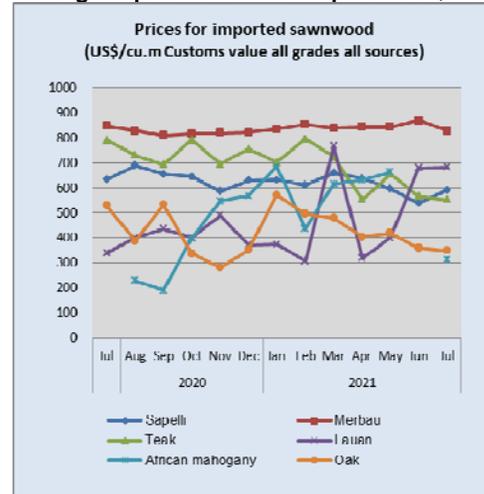
Data source: China Customs. Customs value all grades, all sources

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

| | 2021 Jun | 2021 Jul |
|------------------|-------------|-------------|
| Sapelli | 539 | 591 |
| Merbau | 869 | 829 |
| Teak | 566 | 553 |
| Lauan | 680 | 683 |
| African mahogany | | 312 |
| Oak | 359 | 349 |

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

Europe

Demand has surged - prices have hit new highs

It's been six months plus of extremes and superlatives in the European sawn hardwood sector. Importers, distributors and merchants say the trading environment has been like nothing they've experienced during decades in the business.

Demand has climbed across key markets. Freight rates have reached unprecedented levels. Supply has become exceptionally tight and lead times have stretched from sources globally. Prices have consequently hit the heights, while margins are variously described as good to extremely good.

"It's been a challenging trading period, in terms of obtaining supply, operating a managed volume sales system so we can service as many customers as possible and keeping up with shipping costs hitting stratospheric levels," said one importer.

"But if you didn't make money in the hardwood trade over the last six to nine months, there's something wrong with your business model!"

At the start of September, traders were detecting the energy going out of the market to a degree with rising nervousness among customers about committing to current high prices in case they were about to peak.

However, while some species may be set for a sharper price downswing than others in coming months, the consensus was that the overall market, at most, is set for a gradual adjustment to lower levels of growth and consolidation rather than any marked reversal.

After slumping in the first and second quarter of 2020 during the first pandemic lockdowns, European hardwood consumption is reported to have started to recover towards the end of May last year.

The next 12 months saw a pretty continuous upward curve, with May and June 2021 proving particularly frenetic. A key demand driver across the continent and in the UK has been the boom in home improvement, refurbishment and DIY markets.

“Being stuck at home in lockdown, isolation and on furlough, consumers have been prompted to improve houses and gardens – and they’ve got the money as they haven’t been spending on holidays and other leisure activities,” said an importer-distributor.

“There’s also been significant growth in home and garden office construction, with the expectation that increased remote working will be a permanent fixture, even post-pandemic.”

“We saw particular growth in sales of hardwood cladding destined for garden buildings, and the decking to go with it, as householders turned properties into live/work spaces,” said a merchant. “Sleepers and other hardwood garden products sold strongly too.”

This repair, maintenance and improvement market (RMI), in particular, is where hardwood businesses are now seeing some cooling off.

“European consumers are finally able to take vacations and go out as covid travel and social distancing restrictions are relaxed, so there’s less disposable income, plus more are back at work, with less time for DIY projects,” said an importer. “But we’re not seeing this business dry up overnight. Our RMI customers still report pretty good order books.”

Building sector demand also picked up as lockdown restrictions wound down. It was given a further boost by governments across Europe seeing construction as a vital engine for jump starting stalling Covid-hit economies, supporting it with spending on public projects and fiscal stimulus measures.

Some importers report this sector also losing some momentum late summer/early autumn this year. “Builders are facing rising prices and shortages across all raw materials and some land banks are deferring development projects, presumably to wait for supply to improve,” said one.

“If they can’t get the steel or bricks or concrete, even where they can source the wood, some builders are also delaying buying to see if prices stabilize or come down.”

Again, however, other traders say demand from the general construction joinery sector is slowing rather than turning down and window, door and staircase makers are reported still very busy.

Market analysts also agree that through 2021 as a whole European construction will have racked up a robust performance.

According to the latest outlook for its 19-country region from Euroconstruct, the sector’s volume output will rise 3.8% this year, after last year’s 5.1% contraction.

While it varies from country to country, Euroconstruct says the rate of building recovery has been faster than initially expected, underpinned by generally favourable economic conditions. It predicts most of the losses resulting from Covid to be recovered and activity to return to pre-pandemic levels by 2022, with further growth next year of 3% and 2.1% in 2023.

Distributors report recovery in hardwood demand from furniture manufacturers too and the hotel and wider hospitality markets. Some say even shopfitting, which was devastated in the pandemic, is showing signs of life, although starting from a very low base.”

Adding all these markets together and the generally agreed figure for volume growth in the European hardwood sector in 2021 to date is 20%. That, said one importer, returns business almost to 2019 levels.

Further underlining the level of activity and limited supply, with mills’ efforts to catch up with demand still constrained by covid-safe work practices, there has, until recently, been little customer push-back on rising prices. “They’re busy and need the wood, so they’re paying the price and paying on time – bad debt has been at all-time lows,” said an importer/distributor.

“There may be a bit more caution on price now, but we’re still finding most customers who decide to shop around coming back and paying because they can’t get cheaper elsewhere.” Another sign of the times has been widespread allocation. “Our suppliers are allocating timber to us, so we’re allocating to customers. It’s less a sales role, more rationing!” said an importer.

Extended lead times for African hardwood

In terms of supply, European importers report African hardwood producers affected later and less severely by Covid than other sources. However, pandemic safe working has increasingly impacted output and lead times have extended.

Administration has been disrupted too, with delays reported in securing export documentation.

“We’ve also seen hold-ups at the [Cameroon] port of Douala, with vessels having to use their own cranes as portside ones have been out of commission due to lack of maintenance staff,” said an importer. “Kribi is also under-resourced and not yet fit for purpose.”

Of the lead African species, iroko is currently reported readily available, but utile described as ‘very scarce’. There are differing views on sapele supply. Some importers say they’re securing sufficient volume, others report less coming out of the forest.

“We’re not sure why – it could be it’s less abundant in specific areas being harvested, but it’s not an issue isolated to one country or region,” said one importer.

Secondary African species are reported to have gained some traction through the pandemic period as supply of main commercial species has tightened. One company highlighted increased interest in its engineered products in lesser-used varieties, including kosipo and tali.

European importers report prices increasing across African hardwoods, but with rises more modest than those seen from other sources, the main commercial species up an average 10-15% in the year to date.

Tenfold increase in freight rates

The key topic when it comes to European imports from Asia remains freight rates. A 40ft container from Malaysia or Indonesia as late as last autumn cost US\$1500-\$2000. By Q2 2021 importers were being quoted US\$15,000-20,000 and rates have stayed there.

This is attributed mainly to the general disruption to world trade caused by the pandemic, with a lack of return freight from western markets to South East Asia and empty containers stock piling in the wrong locations.

In response, there has been a shift for some timber products, such as plywood and sawn timber, to break bulk. But shippers have capitalised and put rates up here too. It’s also not proved a straightforward solution.

“It takes longer than shipping by container and is more complex to organise. You have to have the volume to make it viable, goods are more prone to damage and unloading is a time-consuming process,” said an importer.

They added that the breakbulk vessel Konya from Malaysia to Rotterdam and London Tilbury this summer spent weeks discharging at the latter, partly as the port was so busy, partly because personnel weren’t used to the work. It was reported to be the first timber breakbulk from Malaysia into London in 30 years.

“Breakbulk also just doesn’t work for more vulnerable and valuable goods, like flooring,” said one importer. “We’ve just had to pay the container rate and hope customers will cover the cost. Asian timber price rises this year average 8-10%. Freight has pushed that to 30%.”

No-one sees container rates changing significantly in the near future and, despite the issues with the Konya, another breakbulk vessel is due to set sail for continental Europe and the UK in October.

“Christmas goods traffic from China will now further underpin container prices, so we see little sign of softening for the next six to eight months,” said an importer. “Talk is also now that rates have historically been too low and that, even when they come down, it won’t be to former levels.”

Importing from Brazil is also proving a greater challenge. “Prices are sky high, driven up by US and wider global demand and also the serious Covid situation, which has led to personnel shortages and restricted mills’ output,” said an importer.

“The combination of the pandemic and political turmoil has also hit administration and it’s become increasingly difficult to secure export licences.”

Declining availability of US hardwood for Europe

US hardwood supply to Europe in the last six to nine months was described by importers as turbulent. According to Judd Johnson, editor of the Hardwood Market Report, quoted in a recent article in the UK Timber Trades Journal, the American hardwood sector entered the pandemic in a ‘diminished state’.

It was hit first by tariffs in the US-China trade war and subsequently a general weakening of Chinese demand when trade relations improved. Mill capacity was then significantly further reduced by Covid absenteeism and what some saw as the government ‘paycheque protection programme’ a disincentive for employees to return to work.

The widely broadcast result has been sharp declines in availability and sharp increases in price. At one point this summer, a UK importer described 4 quarter American white oak as ‘vanishingly scarce’ and forward order availability ‘non-existent’. The price had doubled over the year, as had that for tulipwood, while walnut was up 65-70%, maple 30% and ash 40-50%. Availability was not helped by some hardwood mills switching to softwood to capitalise on booming demand from US construction.

The situation does now seem to be easing, with more ‘offers on the table and timber in the pipeline’. “It may partly be a case of timber drying quicker in the summer and so more coming available, but mills do seem to be keeping pace better with demand, and we hear some of those which switched to softwood have switched back again as that business has softened,” said an importer. Despite this, little change is expected in US prices until sometime into next year.

Switching to European hardwoods

Given the price and supply situation in US hardwoods, there has been some switching in Europe to European species, notably oak.

Due to this and rising demand elsewhere, plus it is reported the decision of the Croatian authorities to put higher oak grades from state forests to auction rather than sell be tender, prices are up 15-25% this year, with further 3-5% rises anticipated in coming quarters.

European oak availability is also reported to have declined recently and concerns were expressed about longer term supply given the prospect of a Russian log export ban in 2022.

“China buys such huge volumes of Russian logs of all varieties,” said an importer. “Unless it can cut a bilateral deal with Russia, or Chinese companies can build sawmills there, it’s going to be looking to other sources, and that includes Europe.”

European beech is also reported to be up in price 10% in the year to date and one importer said they were experiencing longer lead times. One factor seems to be customers substituting beech for tulipwood due to the latter’s high price.

North America

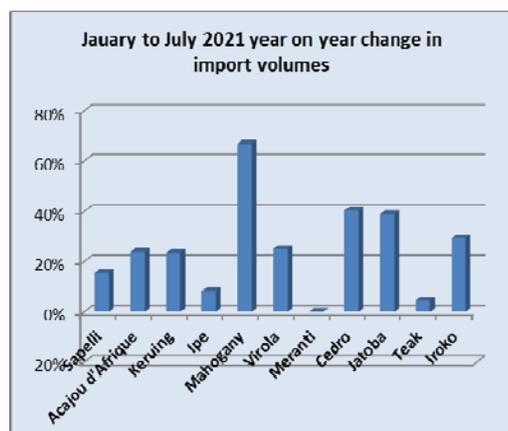
Tropical hardwood imports soar in July

Imports of sawn tropical hardwood rose 57% in July, soaring to the highest volume of 2021. A surge in keruing imports for the month led to the rise as keruing accounted for more than 40% of the 12,207 cubic metres imported in July. The 5,425 cubic metres of keruing imported in July was up 404% over June and was the first time in the last 10 years the U.S. had imported more than 4,000 cubic metres of keruing in a single month.

July also saw significant gains in imports of acajou d’Afrique (up 82%), mahogany (up 67%), and meranti (up 45%). Malaysia appears to be the source of the keruing as imports from Malaysia hit a 10-year high, rising 344% for the month to a level more than 3 times that of the previous July.

The record month pushed year-to-date totals for imports from Malaysia from well behind last year to up 18% through July. Imports from Cameroon more than doubled in July, while imports from Brazil and Congo (Brazzaville) were both down more than 20%. Total imports are down 33% for the year so far, but that number is due to the removal of ipe and jatoba totals from the category beginning this year.

When the two species are included, U.S. imports of sawn tropical hardwood are up 21% so far this year versus last year.



Data source: US Census Bureau, Foreign Trade Statistics.

Meanwhile, Canadian import volumes of sawn tropical hardwood fell for the third straight month in July. Monthly imports dropped 6% as imports from Cameroon, Indonesia, and Congo (Brazzaville) all continued to fall sharply. Despite the decline, total imports are up 11% year to date through July.

Hardwood plywood imports return to near record levels

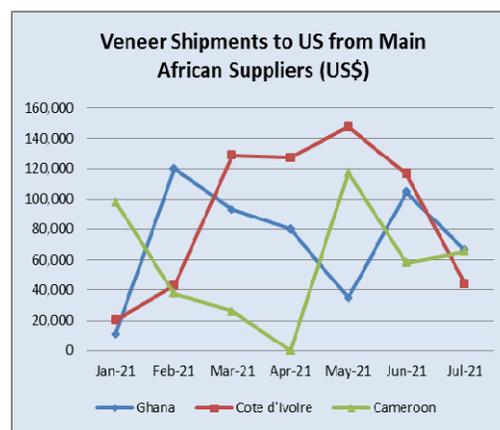
After cooling a bit in June, U.S. imports of hardwood plywood returned to near record levels in July. Imports rose 8% in July to 304,317 cubic metres in volume, nearing the 10-year high set in May. Imports from Vietnam rose 27% in July to more than twice the volume of July 2020 and are now ahead 34% year to date.

Imports from Malaysia were also up sharply, rebounding from a weak June number. Total imports are up 28% year to date with all major trading countries seeing improvement over last year’s volume.

Veneer imports surge comes to an end

Imports of tropical hardwood veneer fell 20% in July ending a string of three months of consistent growth. Imports from Ghana fell by 37% in July while imports from Cote d’Ivoire dropped 62% and Imports from India were off 18%.

Imports from China continued their recovery, gaining 36% in July, while imports from Italy saw their strongest month of the year, rising 29%. With the decline, total imports for the year are now nearly even with 2020, up less than 1% year to date.



Data source: US Census Bureau, Foreign Trade Statistics.

Hardwood flooring imports recede

Much like veneer imports, US import volumes of hardwood flooring also saw a hot streak come to an end in July. Imports fell 18% in July as imports from China and Brazil tailed off from yearly highs in June. Imports from China were down 40% in July and are now 19% year to date.

While imports from Brazil fell 23% in July, they are still ahead by 131% year to date through July. Imports from Malaysia, meanwhile, saw their best month of the year, rising 213% to their highest level since September 2019.

Imports from Malaysia are up 40% year to date, about the same as the rise in total imports which is at 39%.

Imports of assembled flooring panels rose for the fifth straight month in July, gaining 9% for the month. Imports from China gained 44% in July while imports from Vietnam and Thailand also made gains of over 10%. Imports from Canada fell 13% for the month.

While long-term comparisons are currently difficult in this market (USDA added additional categories to the Assembled Flooring Panels category in May) imports have consistently trended upward throughout the summer.

Moulding imports stagnate

After four month of advancing, U.S. import volumes of hardwood moulding fell 5% in July. A significant gain in imports from Brazil (up 111%) was more than offset by declines in imports from Malaysia (down 31%) and China (down 15%).

Total year-to-date imports are up 14% with most exporting countries well ahead of that mark through July. The exception is imports from China, which are down 62% year to date.

Wooden furniture imports remain steady

Imports of wooden furniture rose by less than 1% in July as 2021 continues along record levels. With imports of more than US\$2.2 billion in July, imports remain at a level more than 37% higher than the previous July and at a year-to-date pace 60% above 2020.

Imports from Vietnam, India, and Mexico advanced, while imports from Malaysia, Indonesia and Canada retreated.

Meanwhile, new orders for residential furniture continue their rise, up 7% in June compared to 2020. This is especially notable considering June 2020 was up 30% over 2019, and it marks 13 straight months of year-over-year growth, as reported by Smith Leonard in the latest issue of Furniture Insights.

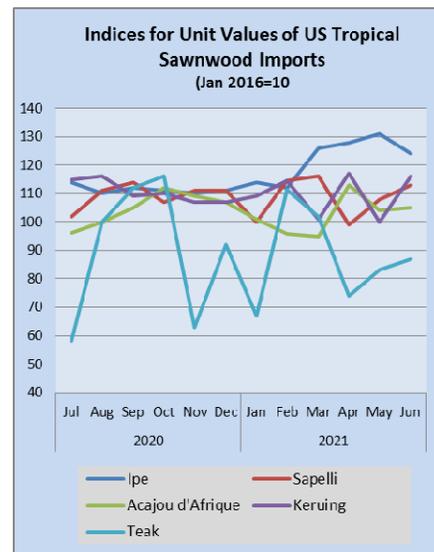
An increase in new orders was reported by about 66% of the residential furniture manufacturers and distributors participating in the monthly survey.

Price driving consumers to opting for non-wood decks

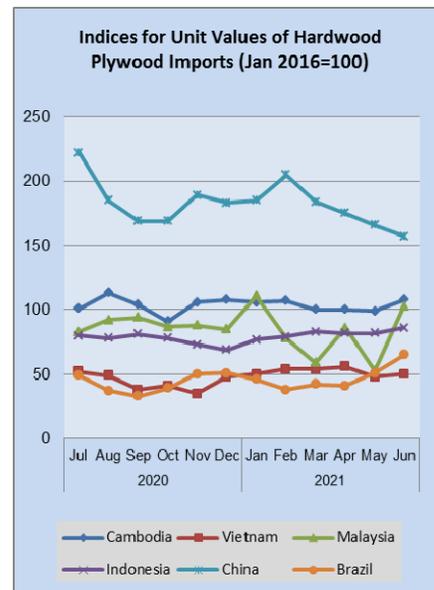
Companies that make wood alternative decking materials have boosted sales and grabbed market share, fueled in part by rising lumber prices, and a home improvement boom. Names such as Trex and Azek make decking materials that typically mimic the look of wood but retain their original appearance and in some circumstances require less maintenance.

The trouble for many consumers is that these products have typically been about twice the cost of lumber or more. But skyrocketing lumber prices have led many customers to take a second look at synthetics.

Right now, synthetic producers have about 20% share of the decking market with lumber making up the balance. Executives at Azek and Trex say they think there is room to grow even beyond the extraordinary circumstances of the coronavirus pandemic.



Data source: US Census Bureau, Foreign Trade Statistics



Data source: US Census Bureau, Foreign Trade Statistics

Dollar Exchange Rates

As of 10 September 2021

| | | |
|---------------|-----------|--------|
| Brazil | Real | 5.2468 |
| CFA countries | CFA Franc | 553.9 |
| China | Yuan | 6.4443 |
| Euro area | Euro | 0.8467 |
| India | Rupee | 73.525 |
| Indonesia | Rupiah | 14203 |
| Japan | Yen | 109.29 |
| Malaysia | Ringgit | 4.1365 |
| Peru | Sol | 4.09 |
| UK | Pound | 0.7229 |
| South Korea | Won | 1170.4 |

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



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.

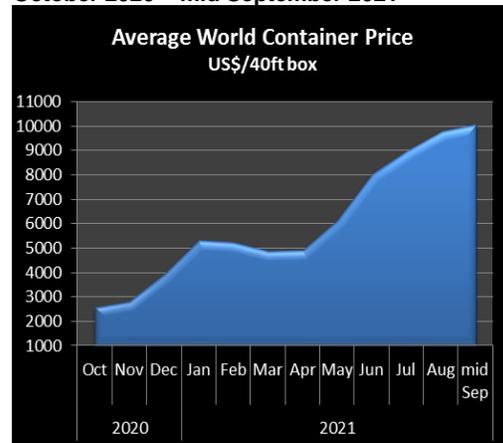
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO

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

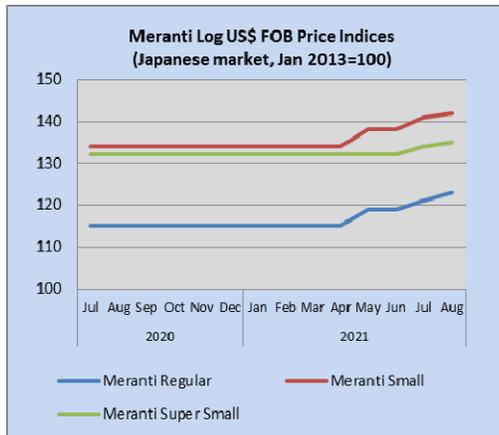
October 2020 – mid September 2021



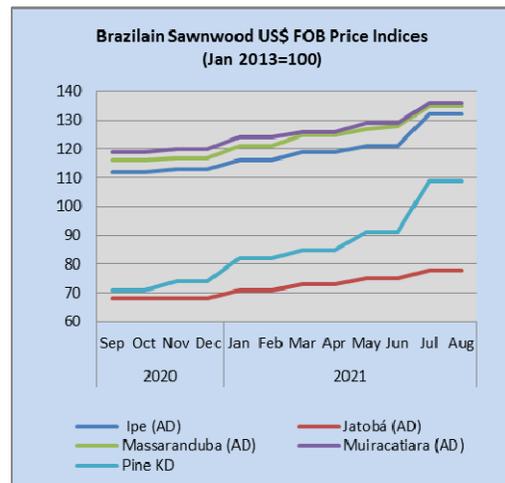
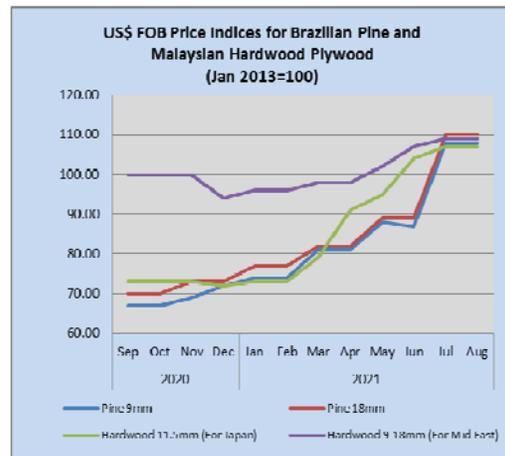
Data source: Drewry World Container Index

Price indices for selected products

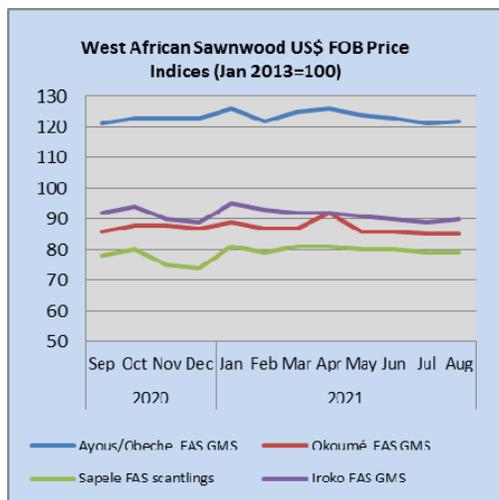
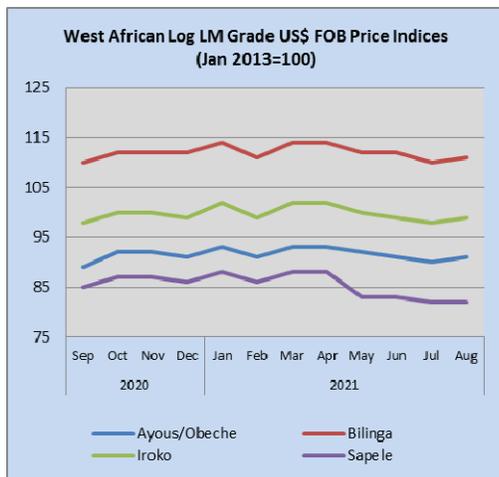
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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