

# Tropical Timber Market Report

Volume 24 Number 15, 1st – 15th August 2020



The ITTO *Tropical Timber Market (TTM) Report*, an output of the ITTO Market Information Service (MIS), is published in English every two weeks with the aim of improving transparency in the international tropical timber market. Its contents do not necessarily reflect the views or policies of ITTO. News may be reprinted provided that the ITTO *TTM Report* is credited. A copy of the publication should be sent to [ti@itto.int](mailto:ti@itto.int).

## Contents

Central/West Africa	2
Ghana	3
Malaysia	4
Indonesia	5
Myanmar	6
India	7
Vietnam	9
Brazil	10
Peru	11
Japan	13
China	18
Europe	20
North America	24
Currencies and Abbreviations	26
Ocean Freight Index	26
Price Indices	27

## Headlines

	Page
<b>Long awaited Congo Forest Code</b>	<b>2</b>
<b>Lockdown impact on businesses in Ghana</b>	<b>3</b>
<b>Malaysia's furniture exports did well in early part of the year</b>	<b>4</b>
<b>Assurances of transparency from Myanmar</b>	<b>6</b>
<b>Vietnam's exports beat expectations</b>	<b>9</b>
<b>Imported plywood market in Japan - Dealers trying to dispose of inventory</b>	<b>17</b>
<b>First indications of post-lockdown rebound in EU wooden furniture imports</b>	<b>21</b>
<b>US residential furniture orders recover</b>	<b>25</b>

## Top story

### **Import substitution and self-sufficiency the new buzz words**

Governments in several countries in West Africa (and India, page 8) are looking to develop domestic industries so as to be less reliant on imports and to achieve a better trade balance.

The Ministry of Finance in Cameroon has been charged with preparing proposals to be included in the 2021 budget aimed at reducing the country's reliance on imports and encouraging domestic manufacturing.

**See page 2**

## Central and West Africa

### Long awaited Forest Code

The government in the Republic of Congo has released details of its long awaited forest code covering over 220,000 square km. of its forests which are part of the Congo Basin, the second largest tropical rainforest area in the world after the Amazon

Brendan Montague, Editor of The Ecologist has identified some key points in the code such as:

- the involvement of local communities and indigenous people in forest governance
- management rights for forest-dependent communities
- civil society adjudicating forest-concession allocations
- benefit sharing in forest-concession contracts
- local communities, indigenous people and civil society to examine forest management plans

However, Montague points out the involvement of communities and civil society will only become clear when the regulations on implementation are published.

See: <https://theecologist.org/2020/aug/07/new-law-africas-biggest-tropical-rainforest>

### Gabon – buyer interest slowly improving

The Minister of Forestry in Gabon has been reappointed in a Cabinet reshuffle. It has been reported that he is changing the management team in the ministry.

Production in Gabon is still well below pre-pandemic levels and around a third of the Chinese mills are either shut-down or operating at a low production level, milling mainly okoume, belli, okan and bilinga. The managers of the Chinese companies have returned signaling the resumption of peeler mills.

It has been estimated that exports are down almost 50%. However the impression from producers is that demand in Asian and even in European markets is returning to normal levels particularly as buyers for the Chinese market are active.

Millers holding stocks of kevazingo are becoming frustrated that a decision on the method for disposing of these stocks is taking so long.

### Dedicated area in Kribi Port for CAR shippers

A delegation from Kribi Port, Cameroon was recently in Bangui, Central African Republic to meet with the Central African Shippers Council.

According to the Kribi Port executives a decision was made to create a joint team for the implementation of the memorandum of understanding signed in February 2019 between Kribi Port and the Shippers Council through which Kribi Port promised a 30% discount on goods, 25% on stevedoring and 75% on parking penalties to clients from the Central African Republic.

The joint team will discuss the exchange of information and implementation of promotional campaigns as well as ways to develop the 15 ha. space Kribi Port has allocated to the Central African Republic.

In 2019, the volume of goods to and from the Central African republic increased by 991 TEUs and overall trade increased by about 70% year on year. Most of this trade was by major producers in the CAR.

See: <https://www.businessincameroon.com/public-management/0503-10048-port-of-kribi-on-a-prospection-mission-in-the-central-african-republic>

### Import substitution and self-sufficiency the new buzz words

Governments in several countries in the region such as Ghana, Gabon and Cameroon are looking to develop domestic industries so as to be less reliant on imports and to achieve a better trade balance.

In early July Cameroon Prime Minister, Joseph Dion Ngute, instructed the Ministry of Finance to prepare proposals for the 2021 budget aimed at reducing the country's reliance on imports.

The Minister of Finance has said, given the decline in government revenues, the aim should be import substitution through the gradual reduction of tax exemptions on some products that are weighing on the trade balance as this will encourage local production on a larger scale.

In addition, the Minister said the emphasis will on improving the profitability and competitiveness of public enterprises.

See: <https://www.businessincameroon.com/economy/0607-10503-cameroon-plans-national-preference-measures-in-the-2021-finance-law-to-reduce-imports>

### 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	280▲	280▲	-
Bibolo/Dibétou	215	215	-
Bilinga	275	275	-
Iroko	300	280	225
Okoume (60% CI, 40% CE, 20% CS) (China only)	225▼	225▼	220
Moabi	350	350	275
Movingui	200▼	200▼	-
Niove	160	160	-
Okan	200	200	-
Padouk	250	230	200
Sapele	260	260	200
Sipo/Utile	260	260	230
Tali	300	300	-

### Sawnwood export prices

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

## Ghana

### Sawnwood still number one but exports dip sharply

Ghana is no exception to other tropical timber exporting countries that are suffering from the effects of the global pandemic. Timber exports during the first 4-months of this year were just 65,376 cubic metres compared to the over 100,000 cubic metres in the same period in 2019.

#### Volume of export shipments January to April 2020

	Jan-Apr 2019	Jan-Apr 2200	Yoy % Change
Primary	9,906	5,177	-47.7%
Secondary	89,471	56,922	-36.4%
Tertiary	2,509	3,277	30.6%
<b>Total</b>	<b>101,886</b>	<b>65,376</b>	<b>-36%</b>

Data source: TIDD

#### Value of export shipments January to April 2020

	Jan-Apr 2019	Jan-Apr 2200	Yoy % Change
Primary	3,692,795	1,867,687	-49.4%
Secondary	47,145,669	27,852,751	-40.9%
Tertiary	1,764,753	2,431,622	37.8%
<b>Total</b>	<b>52,603,217</b>	<b>32,152,060</b>	<b>-39%</b>

Data source: TIDD

Air and kiln-dried sawnwood, which are classified in Ghana as a secondary wood products, maintained their position as leading export items accounting for 50% and 18% respectively of the overall total export volume exported during the first four months of this year.

Of the three products classified as tertiary wood products (mouldings, dowels and doors) all recorded positive growth in both volume and value.

The markets in the first four months of 2020 were Asia (61%), Europe (19%), Africa (13%), America (5%) and the Middle East (24%). Teak, ceiba, wawa, mahogany and denya were the leading species.

Data from the Ghana Shippers Authority shows that the volume of cargo passing through the country's two seaports in the first quarter of 2020 fell by almost 45% year on year.

### Lockdown impact on businesses in Ghana

In the latest Business Tracker Survey report prepared by Ghana Statistical Service in collaboration with the United Nations Development Programme (UNDP) and the World Bank, an assessment was made of how COVID-19 is affecting firms in Ghana. The report says:

"During Ghana's partial lockdown, 35.7 percent of business establishments and 24.3 percent of household firms reported being closed. Firms in the partial lockdown areas report the highest levels of closures during that period, with 51.5 percent of firms in Greater Accra and 55.4 percent of firms in the Ashanti region being closed.

The sectors with the highest levels of closures during the partial lockdown were education (65.4 percent), financial services (47.0 percent), transport and storage (46.4 percent) and manufacturing (39.8 percent).

Even after the lifting of the lockdown measures, 16.2 percent of business establishments and 14.6 percent of household firms were still closed at the time of the survey. The sectors with the highest rates of closures were education (63.0 percent), transport (34.0 percent) and accommodation and food services (24.0 percent).

Of the businesses that are open, 91.4 percent of business establishments and 95.7 percent of household firms reported that sales in April decreased compared to the same month last year.

Firms in the trade (93.7 percent) and manufacturing (92.7 percent) were largely affected. The average decrease in sales was 60.6 percent. This corresponds to an estimated 115.2 million Ghana Cedis."

For the full report see:

<https://www.gh.undp.org/content/ghana/en/home/library/poverty/ghana-covid-19-business-tracker-report.html>

### Parliament approves land bill after reforms

Ghana's Parliament has approved the 2019 Lands Bill which consolidates reforms made so far following the implementation of the National Land Policy in 1999.

In the past there were cases where land acquired for forest plantations or industrial operations had attracted legal challenges resulting from irregular sales procedures and documentation. The latest reforms should minimise such problems.

See:

<https://www.ghanaweb.com/GhanaHomePage/business/Parliament-approves-Land-Bill-1015507>

#### World Bank - AfCFTA could boost regional income by US\$450 billion

According to a new World Bank report, the African Continental Free Trade Area (AfCFTA) is a major opportunity for the African countries to boost growth, reduce poverty and broaden economic inclusion.

The report said the trade pact, if fully implemented, could boost regional income by seven percent or US\$450 billion, speed up wage growth for women and lift 30 million people out of extreme poverty by 2035.

The report suggests that achieving these gains will be particularly important given the economic damage caused by the pandemic, which is expected to cause up to US\$79 billion in output losses in Africa in 2020.

With Ghana as the secretariat of AfCFTA, the Association of Ghana Industries (AGI) is playing a pivotal role in active working discussions with various Ministries Departments and Agencies (MDAs) to fashion out an industrial strategic plan to position the country for economic take-off.

Meanwhile, the Economic Intelligence Unit of Ghana is projecting that the AfCFTA would be operational late next year instead of in the first quarter. Africa is currently Ghana's third largest wood export destination after Asia and Europe, with less than 12% market share.

See:

<https://www.worldbank.org/en/news/press-release/2020/07/27/african-continental-free-trade-area>

#### Boule export prices

	Euro per cu.m
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	583
Niangon Kiln dry	619

#### Export rotary veneer prices

Rotary Veneer, FOB	Euro per cu.m	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	336	440
Chenchen	540	631
Ogea	443	590
Essa	543	638
Ofram	350	435

#### Export sliced veneer

Sliced face veneer	FOB Euro per cu.m
Asanfinia	850
Avodire	667
Chenchen	877
Mahogany	1,016
Makore	2,034
Odum	966

#### Export plywood prices

Plywood, FOB	Euro per cu.m		
BB/CC	Ceiba	Ofram	Asanfinia
4mm	324	580	641
6mm	412	535	604
9mm	377	446	560
12mm	516	476	480
15mm	450	352	430
18mm	450	441	383

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

#### Export sawnwood prices

Ghana sawnwood, FOB	Euro per cu.m	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afrormosia	860	925
Asanfinia	465	564
Ceiba	404	600
Dahoma	413	423
Edinam (mixed redwood)	520	569
Emeri	465	591
African mahogany (Ivorensis)	930	986
Makore	740	840
Niangon	620	625
Odum	649	758
Sapele	720	909
Wawa 1C & Select	426	454

### Malaysia

#### Exports of furniture did well in early part of the year

Furniture exports did surprisingly well over the first four months of the year despite the disruption of production and uncertainty in international markets. Exports of wooden and rattan furniture for January to April 2020 declined only slightly to RM2.62 billion from RM 2.65 billion in the same period in 2019.

Exports of wooden furniture to the US in the first four months of the year rose over 40%. In contrast, exports to Europe fell. Shipments to the UK were down 28% and to Greece by 23%.

Exports to the Netherlands fell 27% and to Germany by 30%. There was a similar trend in exports to France where there was a 43% decline. Exports to Poland dropped 47% and to Russia there was an almost 50% drop.

In East Asia, exports to Japan declined 24% year on year however, South Korea increased imports by around 10% in sharp contrast to the 44% decline in shipments to China and the 15% drop in shipments to India.

For the full details see Maskayu Vol 5, May 2020 at:

[http://www.mtib.gov.my/phocadownload/eMaskayu\\_Publication/eMaskayu\\_2020/VOL%205%20LAYOUT%20MASKAYU%202020.pdf](http://www.mtib.gov.my/phocadownload/eMaskayu_Publication/eMaskayu_2020/VOL%205%20LAYOUT%20MASKAYU%202020.pdf)

### **Shock announcement on hiring of foreign workers**

An unexpected announcement from the Ministry of Human Resources limiting the hiring of foreign workers to only three sectors, construction, plantations and agriculture has been met with dismay in several sectors.

The EdgeProp.my website reports that the Federation of Malaysian Manufacturers (FMM) is criticising the announcement “as shocking, unacceptable and done without prior consultation with stakeholders”.

The issue is that this decision does not take account of the serious impact it will have on businesses especially under the current depressed business climate.

The FMM says this will put the manufacturing sector at a great disadvantage and could cripple much of the manufacturing sector in the country.

Read more: <https://www.edgeprop.my/content/1718095/fmm-decision-limit-foreign-workers-shocking-unacceptable>

### **SMEs at risk if loan moratorium lifted too soon**

Datuk Ooi Eng Hock, northern chapter chairman of the Federation of Malaysian Manufacturers, has warned that if the loan moratorium is not extended beyond September most SMEs in the country will not be able to meet the repayment schedules which would drive many to close.

He anticipates SMEs will need an additional six months to get their businesses running and be in a position to service loans. He urged banks to extend the loan moratorium for SMEs which contribute about 40% of Malaysia's GDP.

Datuk Ooi's comments came as the government announced a three-month extension of the loan repayment moratorium for individuals who lost their jobs and had to borrow money.

See: <https://hrmasia.com/smes-in-malaysia-need-more-help-to-recover-from-covid-19/>

### **Plywood export prices**

Traders based in Sarawak reported the following July export prices:

FB (11.5 mm) US\$580 C&F  
CP (3'x 6') US\$450 – 475 C&F  
UCP (3'x 6') US\$550 C&F

## **Indonesia**

### **Indonesia's trade emissaries promoting wood products**

The Indonesian Ambassador to Germany, Arif Havas Oegroseno, has said that since the Indonesian Timber Legality Verification System (SVLK) was implemented in 2013 and recognised by the European Union in 2016, exports of Indonesian forest products to Europe increased sharply and reached US\$1.1 billion in 2019 of which just US\$156 million was the value of exports to Germany.

The export market potential for Indonesian timber industry in Germany is substantial and to capture a greater share of that market Indonesian producers need to address the concerns of German consumers and emphasise legality verification and the sustainability of Indonesia's forest resources.

In the first half of this year exports of Indonesian wood products to Germany were worth US\$64 million, down 18% year on year.

Speaking to the press, Nils Olaf Petersen from the German Timber Trade Association said that Indonesian exporters should not be too worried about this short term decline anticipating second half results will be much better.

Opportunities in Germany for Indonesian exporters include demand for wood chips for biomass energy and Albesia 'Lightwood'. In addition, the Ambassador said timbers such as meranti, bangkirai and teak are of interest in Germany.

Much the same sentiment was expressed by Sulaiman Syarif, the Chargé d'Affaires of the Indonesian Embassy in Brussels, who reported the Embassy, in collaboration with the Forestry Community Communication Forum (FKPMI), held an Indonesia/Belgium Virtual Business Meeting on Wood Products and Furniture.

It was agreed that close cooperation between the Indonesian government and the private sector in the country is needed to develop markets in the EU.

Alexander de Groot, a representative from the Association of Belgian Wood and Furniture Industry Entrepreneurs said that Indonesia has a comparative advantage with the Forest Law Enforcement, Governance and Trade (FLEGT) certification for its wood products.

Commenting on exports to the EU, Indroyono Soesilo, General Chairman of the Association of Indonesian Forest Concessionaires (APHI), who is also the Chairman of the Indonesian Forestry Community Communication Forum (FKMPI) said exports of Indonesian wood products to Europe in 2019 reached US\$1.1 billion of which US\$106 million was from exports to Belgium, the fourth largest importer of Indonesian wood products in Europe after Britain, the Netherlands and Germany.

Robert Wijaya of the Indonesian Furniture and Handicraft Industry Association (Asmindo) said that the planned warehousing facilities for Indonesian products at Antwerp Port will be a great help and should be realised as soon as possible.

### **Boosts to furniture exports to Azerbaijan and Eastern Europe**

The Ministry of Trade (Kemendag) is ready to increase exports of furniture products to Azerbaijan and Eastern Europe. This is expected to help maintain the trade balance amid the Covid-19 pandemic.



The Minister of Trade, Agus Suparmanto, has said his ministry continues to promote the export of Indonesian furniture in Azerbaijan and across Eastern Europe market in an effort to boost income and achieve a positive trade balance.

The Director General of National Export Development, Kasan, recently said several strategies were in play to boost Indonesian furniture exports in the global market notably the relaxing of export and import regulations for the export sectors, strengthening competitiveness and optimising e-commerce opportunities. Much of the emphasis recently has been on strengthening export-oriented SMEs through export assistance programmes.

See: <https://www.medcom.id/ekonomi/bisnis/GbmYVob-kemendag-incar-ekspor-furnitur-ke-azerbaijan-dan-eropa-timur>

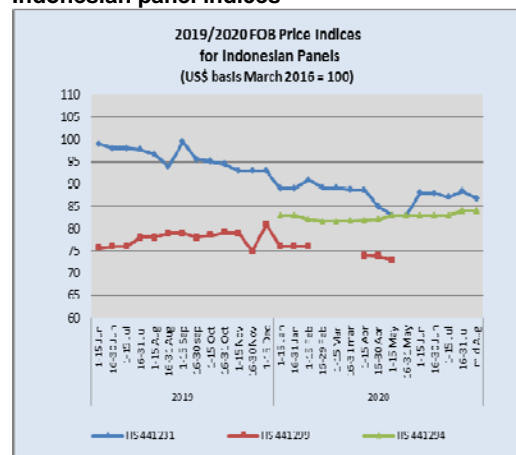
### Support for Indonesia's commitment to legal timber production

The United Nations Food and Agriculture Organisation (FAO) has launched several new projects to support the production and trade of legal timber in Indonesia.

These projects will enable Indonesian forestry sector stakeholders to achieve the legality goals set out in the EU-Indonesia Voluntary Partnership Agreement (VPA). The projects will be implemented through the FAO-EU FLEGT Programme.

See: <http://www.fao.org/in-action/eu-fao-flegt-programme/news-events/news-details/en/c/1302136/>

### Indonesian panel indices



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

## Myanmar

### Assurances of transparency from MTE

The Myanmar Timber Enterprise (MTE) has issued a letter in which it assures the transparency of the timber supply chain in the country and its support for production and sale of legal and sustainable timber. The letter also clarifies the role of MTE as a State-Owned Enterprise under the State-Owned Economic Enterprise Law.

The letter was released at a time when EU importers are struggling to meet the requirements of the EUTR, particularly when it comes to Myanmar as the country is considered a high risk source of timber.



See: <http://www.mte.com.mm/index.php/en/announcements/1340-the-certificate-for-legality-of-forest-products>

### Support for home owners

The Construction, Housing, and Infrastructure Development Bank (CHID) announced that it will suspend housing loan repayments for customers whose incomes have been affected by the pandemic. CHID Bank has been reducing interest rates for its housing loans gradually in accordance with the instructions of the Central Bank of Myanmar.

In related news, State Counsellor, Daw Aung San Suu Kyi, has said the government will continue to provide support for the construction sector so as to create additional job opportunities.

### Economic rebound very possible

A July report by the Oxford Business Group (OBG) has suggested Myanmar's economy could recover faster than many regional countries as it is able to benefit most from China's recovery. The report even suggests that, because of government actions to deal with the impact of the pandemic, the country may avoid negative growth in 2020.

The government action has reduced the burden on households and for businesses through changes in the export/import licensing system and through reduced taxes and interest rates. The government also established a fund to support businesses.

See: <https://oxfordbusinessgroup.com/myanmar-2020>

### Large industrial Zone for Mon State

Union Minister for Investment and Foreign Economic Relations, Thaung Tun, has said Myanmar will construct Special Economic Zones (SEZ) in the Mon State and West Yangon. The Mon State Zone will be the largest in Myanmar.

Regarding location, Deputy Minister Set Aung said the new SEZs will be located in an area that can connect to the Greater Mekong Sub-Region East-West Economic Corridor and in an area that where a deep-water sea port can be constructed.

See:

<https://elevenmyanmar.com/news/myanmar-to-build-sez-connecting-greater-mekong-sub-region-east-west-economic-corridor-west>

### July teak log tender prices

Grade	H.tons	Average US\$/H.ton
SG-1	8.1	5,312
SG-2	17.6	4,413
SG-4	66.3	3,912
SG-5	173.0	2,903
SG-6	155.5	2,869
SG-7	970.6	1,929

## India

### Migrant workers slowly returning to their city jobs

Migrant laborers who had left for their rural homes after corona virus lockdowns are either returning themselves or being brought back by their employers to project sites in cities.

Since the country has already entered 'Unlock 2.0', projects that were stalled due to the lockdown have resumed work, though with just half of their capacity as most of the labourers are yet to return. According to recent data from the Mumbai Metropolitan Region Development Authority, thousands of workers have been brought back to work so projects can restart.

Some real estate developers are sponsoring the return of migrant workers and also facilitating their quarantine.

### Import wood to help supply furniture manufacturers

The Minister of Commerce and Industry has said furniture should be made in India as there are skilled people here who can make good furniture. To facilitate this it will be necessary to identify affordable wood raw materials. He mooted the idea of duty free imports of raw materials as India does not have sufficient forests to supply industry's needs.

The Minister said he is not against imports as India cannot manufacture everything it needs adding, the pandemic has alerted the country to the need to be more self-reliant.

See:

[https://economictimes.indiatimes.com/news/economy/foreign-trade/affordable-simple-import-of-wood-to-help-promote-furniture-manufacturing-in-india-piyush-goyal/articleshow/77115247.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](https://economictimes.indiatimes.com/news/economy/foreign-trade/affordable-simple-import-of-wood-to-help-promote-furniture-manufacturing-in-india-piyush-goyal/articleshow/77115247.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

### Export order books improving but labour shortage an issue

The Federation of Indian Export Organisations (FIEO) Director General, Ajay Saha and the Export Promotion Council for Handicrafts (EPCH) Executive Director, Rakesh Kumar, have reported that export order books at manufacturers are expanding but the immediate problem is the labour shortage.

Orders are coming mainly from the US and European countries.

The Apparel Export Promotion Council (AEPC) Chairman, A Sakthivel, said orders are now arriving so it will be possible to increase exports.

### Plantation teak

Importers have begun placing orders for plantation teak logs so shipments from producing countries will be arriving in a about a month. C&F prices at Indian ports from remain as previously reported.

### Pre-pandemic prices

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

	US\$ per cu.m C&F
Angola logs	389-574
Belize logs	350-400
Benin logs	290-714
Benin sawn	530-872
Brazil logs	344-540
Brazil squares	333-556
Cameroon logs	405-616
Colombia logs	478-743
Congo D. R. logs	450-761
Costa Rica logs	357-780
Côte d'Ivoire logs	289-756
Ecuador squares	333-454
El-Salvador logs	320-732
Ghana logs	294-452
Guatemala logs	324-646
Guyana logs	300-450
Kenya logs	515-876
Laos logs	300-605
Liberia logs	265-460
Malaysian logs	225-516
Mexican logs	295-808
Nicaragua logs	402-505

Nigeria squares	434-517
Panama logs	335-475
PNG logs	443-575
Sudan logs	358-556
Tanzania teak, sawn	307-613
Thailand logs	511-700
Togo logs	334-590
Trinidad and Tobago logs	603-753
Uganda logs	411-623
Uganda Teak sawn	680-900

Price range depends mainly on length and girth.

#### Locally milled sawnwood

Most of the markets in the main cities remain closed so there are few sales of imported hardwoods.

#### Pre-pandemic prices

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

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

#### Myanmar teak

No recent shipments from Myanmar have been reported.

#### Pre-pandemic prices

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

Price range depends mainly on lengths and cross-sections.

#### Sawn hardwood prices

At present there are virtually no arrivals of US hardwoods. Imports of US sawnwood and logs are likely to increase once the pandemic is under control as there are growing calls for greater self-sufficiency in wood product manufacturing.

As manufacturing plants and work on major building projects are stalled there are few sales.

#### Pre-pandemic prices

Sawnwood, (Ex-warehouse) (KD 12%)	Rs per cu.ft.
Beech	1,700-1,850
Sycamore	1,800-2,000
Red Oak	2,000-2,200
White Oak	2,500-2,600
American Walnut	5,000-5,500
Hemlock STD grade	2,200-2,400
Western Red Cedar	2,300-2,450
Douglas Fir	1,800-2,000

Price range depends mainly on lengths and cross-sections.

#### Plywood

A campaign to boycott Chinese goods led by Indian businesses is gaining momentum and this, along with calls by the government for greater self-sufficiency, will inevitably impact the plywood sector when businesses resume full operations.

Trade in plywood has partially resumed in towns where the lockdown has been eased and suppliers in Indonesia, Malaysia, Vietnam and Russia are actively promoting their plywood products in anticipation of a decline in plywood imports from China.

See:

<https://retail.economictimes.indiatimes.com/news/industry/more-trade-bodies-join-campaign-to-boycott-chinese-goods/76761700> and

<https://retail.economictimes.indiatimes.com/news/industry/traders-body-to-launch-china-quit-india-campaign-on-august-9/77399381>

#### Pre-pandemic prices

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

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



## Pre-pandemic prices

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

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

## Vietnam

### EVFTA to boosts exports to EU

The EU is one of the top 5 markets for wood and wood products (W&WP) exported from Vietnam. In 2019 the W&WP exports to the EU (then including the UK) was reported at US\$865 million.

With the European Union – Vietnam Free Trade Agreement (EVFTA), which entered into force on 1 August 2020, Vietnam's W&WP export to EU are expected to penetrate new markets rather than just France, Germany, Netherlands, Belgium, Denmark and Spain as was the case prior to the EVFTA.

The EVFTA tax reduction/exemption applicable to W&WP imported from Vietnam into EU are as follows:

*W&WPs enjoying 0% import tax immediately upon EVFTA becoming effective*

W&WPs under HS group 4401- 4409, previously subject to taxation between 2-4%, now enjoy 0% tax entering EU markets. These W&WPs accounted for 1% of Vietnams exports to the EU in 2019.

W&WPs under HS 4414/15/18/20/21 previously subject to 2.5-4% import tax will enter EU markets with 0% tax. The value of these W&WPs shares 13% of total exports to EU.

Wooden furniture under HS 9403.40 - HS 9403.90 previously taxable between 2.7 -5.6% will enjoy 0% tax. These W&WPs accounted for 7% of the export earnings in 2019.

*W&WPs to benefit from 0% tax in 4-6 years*

Before the conclusion of EVFTA, W&WPs under HS 4410 – 4412 attracted a 6-10% of import tax. These products will benefit from 0% tax in the coming 4-6 years. Currently, these products accounted for 1.3% of 2019 earnings.

### W&WPs which are not affected by EVFTA

The current 0% tax will continue for HS 4413/17/16/19, Seats (other than those of heading 94.02), whether or not convertible into beds and parts thereof (HS 9401); Wooden furniture of a kind used in offices (HS 940330); Wooden furniture of a kind used in the bedroom (HS 940350), Other wooden furniture (HS 9403.60). The export value of these W&WPs accounted for 78.2% of 2019 exports to the EU.

According to Ngo Sy Hoai, Vice President and Secretary General, VIFOREST, with the EVFTA tax structures and the FLEGT licenses set to be issued next year exports to the EU should double over the next 5 – 7 years (from US\$865 million in 2019 to US\$1.5 – 1.6 billion in 2025).

Source: VIFOREST Report on the Impacts of EVFTA to Vietnam's wood industry sector

### Exports beat expectations

Vietnam's W&WP exports in the first seven months of this year amounted to just over US\$6 billion, up 6% against the same period last year according to the Vietnam Administration of Forestry (VNFOREST).

In July alone the country earned nearly US\$1.1 billion from W&WP exports, surging 21% year- on-year. However, export prospect in the coming months are not positive given the complex developments of the pandemic in Vietnam's key markets.

Between January and July this year Vietnam spent over US\$1.3 billion to import W&WP, a decline of 9.5% year-on-year.

### Vietnamese importers warned on legality of timber imports

Annual imports of wood raw materials from Russia and Ukraine used to be quite modest at around US\$20 million, mainly sawnwood and plywood and accounted for less than 1% of the total imports from some 100 sources.

However, imports of raw material from Russia increased sharply in 2018 and 2019. In the first five months of this year wood imports from Russia were 85% above that in 2019. Vietnamese importers are now aware that legality is an issue with timber from Russia and that they may face problems of legality assurance when exporting products manufactured from Russian raw materials.

Vietnamese importers have also been alerted to the risks in importing wood raw materials from Ukraine.

Facing these risks, Le XuanQuan, Chairman of the Dong Nai Association of Timber and Handicrafts (DOWA), said that the local industries need to review their trade procedures and report any suspicious shipments that arrive in the country.

Do Xuan Lap, Chairman of Viforest, said that it is necessary to form and promote horizontal and vertical links between plywood enterprises and furniture manufacturers to secure the supply chain from illegal timber.

See: <https://customsnews.vn/facing-a-series-of-legal-risks-what-should-the-wood-industry-do-15234.html>

### **Design and branding can lift industry earnings**

To enhance the value of production Vietnamese wood processing enterprises are looking to pay more attention to the intangible added value earned from design and branding. The Government has set an export goal of US\$20 billion by 2025 nearly double that achieved in 2019. To achieve this the timber industry cannot rely solely on expanded output but will need to become more imaginative especially as the days of cheap labour and land are fading fast.

The economist Pham Phu Ngoc Trai has identified that among the five core values in the wood processing sector; product range, technology, design, brand and sustainability, Vietnam has an advantage in product range, technology and sustainability but misses out in terms of design and brands. Addressing these two values will be key for businesses to reach a higher level.

See more at: <https://customsnews.vn/wood-industry-wants-to-move-to-higher-segment-14032.html>

## **Brazil**

### **Greater transparency in tracking wood origin**

The National Environment Council (CONAMA) recently approved two measures for the forest sector. First Resolution N° 411/2009: was amended. This covers standardisation of the nomenclature system and integration of the National System for the Control of the Origin of Forest Products (SINAFLO) with state electronic systems and secondly an extension of the period of validity of forest management projects that expired during the pandemic.

According to the National Forum of Forest-Based Activities (FNBF) the amendment to the Resolution will bring more security regarding the proof of the origin of wood coming from forest concession areas.

Regarding the one-year extension of the timber harvesting authorisations that expired during the pandemic period, the FNBF explained that the measure is essential to enable the continuity of interrupted operations. Producers are required to request an extension with the environmental agencies in each state.

Another point in the amendment is the standardisation of nomenclature which follows the Guide of Wood Products (Glossário de Produtos de Madeira).

Currently, this Guide classifies the wood processing according to the size of products but disregards the variations that the wood may undergo such as swelling or shrinking depending on moisture content.

This amendment will avoid classification errors. There have been cases of shipments being seized due to the overly rigid application of the Guide. Many such cases have been overturned by the courts when it was determined that there was no irregularity or illegality.

### **Mato Grosso industries benefit from changes in transaction costs**

The Union of the Timber and Furniture Industries of the Northwest of Mato Grosso State (SIMNO) has stressed the importance of Law N° 11.179 of 24 July 2020 which establishes procedures for collection of fees for the provision of public services by the State Secretariat of Environment (SEMA) as well as the exercise of police powers in environmental matters.

For SIMNO the law is important since will result in reduced charges (cost for issuing documents, licenses and registrations) not only for companies of the forest sector but also in general as the law covers all sectors. Until the recent change the fees charged in Mato Grosso were the most expensive in the country which undermined the competitiveness of Mato Grosso products.

### **Mato Grosso's exports suffering**

The value of wood product exports by companies in Mato Grosso State fell around 10% during the first 5 months of this year compared to the same period last year, from US\$59.9 million to US\$53.6 million according to the Ministry of Industry, Foreign Trade and Services (MDIC) and the Federation of Industries of Mato Grosso State (FIENT).

A FIENT survey revealed that 90% of the industries in Mato Grosso felt the impact of the pandemic on demand and experienced a decline in revenue; around 40% of those surveyed reduced production, 20% started a teleworking system and 13% had to lay off employees.

According to producers of the Alta Floresta region, in Mato Grosso State, in March 2020, sales were not affected, but there was a production stoppage in April and May.

The FNBF has pointed out that formal market demand has a regulatory impact on the forest sector since sales are only possible if the companies have all the required documentation and are complying with the sustainable forest management requirements. On the other hand, illegally harvested timber enters the supply chain along clandestine routes and hinders the businesses of companies that operate legally.

### **First half export round-up**

The Brazilian Association for Mechanically-Processed Timber Industry (ABIMCI) has presented the data on Brazil's exports of wood products in the first half of 2020.

In this period there was significant uncertainty regarding the level of production as well as the level of consumption in the importing countries.

After the first months of the pandemic and considering the consolidated exports data in the first half of the year the expectation is that export volumes in the second half will recover.

According to ABMICI, the volume of pine plywood exports in the first half 2020 averaged 171,000 cu.m per month, just 6% lower than in the same period in 2019.

Export volumes of pine sawnwood were practically the same as in the first half of 2019 averaging of 226,000 cu.m per month. The volume of tropical sawnwood exports show a slight drop in the first half of this year compared to 2019.

In contrast, tropical veneer exports increased significantly in the first half of the year and exports of pine veneer were stable and little changed from the same period in 2019.

#### Domestic log prices

	US\$ per cu.m
Brazilian logs, mill yard, domestic	
Ipê	160
Jatoba	84
Massaranduba	77
Muiracatiara	81
Angelim Vermelho	76
Mixed redwood and white woods	65

Source: STCP Data Bank

#### Domestic sawnwood prices

	US\$ per cu.m
Brazil sawnwood, domestic (Green ex-mill)	
Ipê	674
Jatoba	340
Massaranduba	327
Muiracatiara	303
Angelim Vermelho	296
Mixed red and white	195
Eucalyptus (AD)	149
Pine (AD)	99
Pine (KD)	122

Source: STCP Data Bank

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

	US\$ per cu.m
Parica	
4mm WBP	388
10mm WBP	322
15mm WBP	269
4mm MR.	309
10mm MR.	230
15mm MR.	209

Prices do not include taxes. Source: STCP Data Bank

#### Prices for other panel products

	US\$ per cu.m
Domestic ex-mill prices	
15mm MDParticleboard	154
15mm MDF	189

Source: STCP Data Bank

#### Export sawnwood prices

	US\$ per cu.m
Sawnwood, Belem/Paranagua Ports, FOB	
Ipe	1,460
Jatoba	858
Massaranduba	841
Muiracatiara	869
Pine (KD)	163

Source: STCP Data Bank

#### Export plywood prices

	US\$ per cu.m
Pine plywood EU market, FOB	
9mm C/CC (WBP)	245↓
12mm C/CC (WBP)	239↓
15mm C/CC (WBP)	227↓
18mm C/CC (WBP)	223↓

Source: STCP Data Bank

#### Export prices for added value products

	US\$ per cu.m
FOB Belem/Paranagua ports	
Decking Boards Ipê	2,972↑
Jatoba	1,462↑

Source: STCP Data Bank

## Peru

#### Wood product exports as of May 2020

The Association of Exporters (ADEX) has reported that wood product exports in the first 5 months of this year totalled US\$29.1 million FOB, some 40% less than in the same period in 2019.

Exports of semi-manufactured products accounted for almost 60% of the total but were down 32% year on year. Sawnwood exports accounted for around 30% of total exports but export earnings were 22% lower than a year earlier. For the other export products, mainly plywood and veneer, export revenues fell 35%.

Of the US\$26.5 million exported up to May most was shipped to China (42% of exports but down 36% year on year). Mexico was the second highest market accounting for 10% of exports but here there was a 42% decline in year on year earnings in May.

France and the United States were the third and fourth highest imports in May but export earnings for these markets fell with a drop of 50% in the case of France and over 60% in the case of the US.

#### Entrepreneurs join online course on forest plantations

Businessmen, producers, entrepreneurs and professionals from the Ucayali region participated in the first specialised course on forest plantations organised by the Technological Institute of Production (ITP) through the CITEforestal Pucallpa in virtual mode.

The event was implemented through seven virtual sessions in which the following topics were discussed: genetic improvement program, site selection, nursery production, installation and management, evaluation and monitoring and harvesting. In addition the utilization of native species for plantations was discussed.

#### Finance made available to develop plans for SFM

The 'Program for the Promotion and Sustainable Management of Forest Production' better known as KFW has started. Around US\$123 million has been allocated in order to improve and complete forest management plans in at least nine regions whose forest area amounts to almost 70 million hectares.

The National Forest and Wildlife Service (Serfor) has reported the programme will run for five years and will cover the departments of Ancash, Cajamarca, Huánuco, Junín, Loreto, Madre de Dios, Pasco, San Martín and Ucayali. The KFW programme aims to promote sustainable forest management and productivity in an effort to reactivate forestry activity, reduce deforestation, mitigate climate change and address conservation of biodiversity.

The programme aims to improve sustainable forestry production over 160,000 hectares in five departments and will identify at least 30,000 hectares in seven departments to be used in the development of commercial forest plantations which could attract private investment of US\$200 million in the next five years. The program will be executed with funds from the Peruvian State and KWF, a German Development Bank.

#### **Osinfo's third version of SIGOSFC information system launched**

At the end of July the SIGOSFC Project v3.0 (Phase 01) was officially launched. Through this the Forest Resources and Wildlife Supervision Agency (OSINFOR) will upgrade digital transformation in the organisation. SIGOSFC is the information tool that, since 2012, supports the supervision, inspection and evaluation processes carried out by OSINFOR and provides information to institutions in the sector and the public.

One benefit of this project will be integration of the public sector entities (SNIFFS, IDER, PIDE) and private sector technology platforms for the exchange of information.

#### **Cedar stocks to be declared as CITES regulations due to applied**

The National Forest and Wildlife Service (SERFOR) reported that, beginning 29 August this year, all species of cedar (*Cedrela* spp.) in Peru will be included in Appendix II of the Convention on the International Trade in Endangered Species of Wild Fauna and Flora (CITES).

This measure requires that harvested stocks must be declared to the Directorate of Sustainable Management of Forest Heritage of SERFOR. Only if stocks have been reported will CITES export permits be issued.

#### **Satellite technology to assess contribution of forestry to the national economy**

As part of the implementation of the Peruvian Forest Satellite Account, professionals from the National Forest and Wildlife Service (SERFOR) and the National Institute of Statistics and Informatics (INEI) of the Presidency of the Council of Ministers participate in a virtual internship with experts from Costa Rica to learn about the experience of creating environmental accounts.

This training is was a joint initiative of Peru, Costa Rica and Germany and is part of the work to develop the Forest Satellite Account, a key tool that will demonstrate the importance of the forest and wildlife sector in the national economy.

Currently, the contribution of the forest and wildlife sectors to GDP is difficult to assess and is often understated.

This work was carried out within the framework of the Triangular Cooperation Project "Exchange of experiences and capacity building for sustainable management and generation of key information on the forest and wildlife sector", and has the support of Germany through the German Agency for Development Cooperation (GIZ).

#### **Export sawnwood prices**

Peru sawnwood, FOB Callao Port	US\$ per cu.m
Pumaquiro 25-50mm AD Mexican market	637-651
Virola 1-2" thick, length 6'-12' KD Grade 1, Mexican market	576-609↑
Grade 2, Mexican market	492-509
Cumarú 4" thick, 6'-11' length KD Central American market	973-987
Asian market	1009-1052
Ishpingo (oak) 2" thick, 6'-8' length Spanish market	552-573
Dominican Republic	671-681
Marupa 1", 6-11 length KD Grade 1 Asian market	569-598

#### **Domestic sawnwood prices**

Peru sawnwood, domestic	US\$ per cu.m
Mahogany	-
Virola	241-265
Spanish Cedar	342-355
Marupa (simarouba)	233-242

#### **Export veneer prices**

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

#### **Export plywood prices**

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

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

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



#### Domestic prices for other panel products

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

#### Export prices for added value products

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

## Japan

### 'Pandemic fatigue' setting in

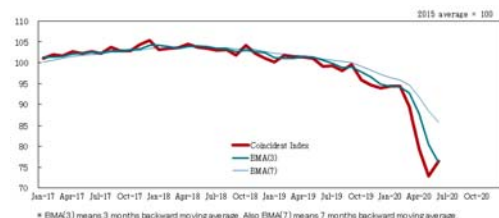
A second wave of corona virus cases in Japan's major cities is a threat to the initial signs of economic recovery but the government is hesitating to request businesses to again suspend operations hoping the regular news on infections would encourage residents to continue with their efforts to reign in the spread.

The problem is that now there is a growing 'pandemic fatigue' setting in especially among the younger generation who make up most of the new cases of infections.

The Ministry of Finance has painted an optimistic picture for all regions in the country saying consumer spending and production appears to be bottoming-out. The ministry also revised its overall assessment of the Japanese economy saying that there are signs of recovery in some areas.

See: <https://www.nippon.com/en/news/yjj2020080400539/japan-mof-revises-up-economic-views-for-all-regions.html>

Lending support to the suggestion that the economic downturn is bottoming-out an index reflecting the current state of the Japanese economy improved in June for the first time in five months. The Cabinet Office preliminary data for business conditions in June showed an uptick. But, the Cabinet Office maintained its assessment that the Japanese economy is "worsening," using the most pessimistic expression for the 11th straight month.

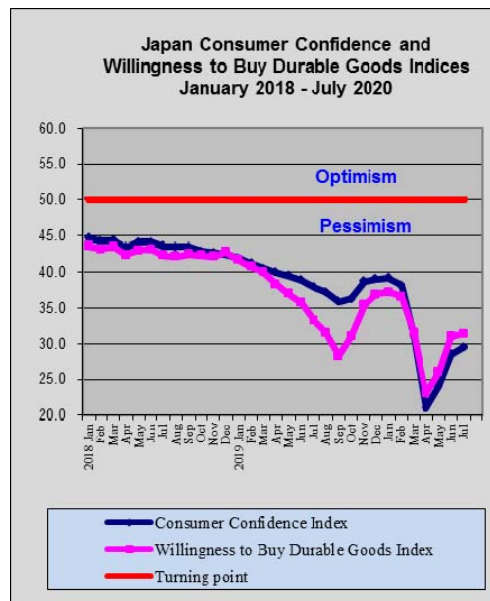


Source Cabinet Office, Japan

### Pace of decline in spending slows

Data from the Ministry of Internal Affairs is suggesting that June household spending, while still dipping down, fell at a much slower pace than in May when spending dropped over 16%.

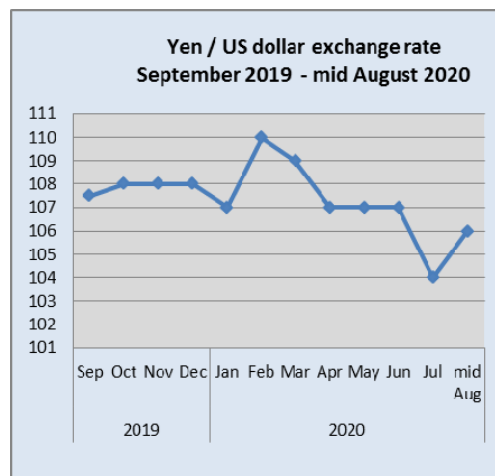
The 1% decline in June marks the ninth consecutive decline. The Ministry data shows spending on tours and theater admissions were down more than 90%. In contrast, purchases of household furniture and electrical goods almost doubled compared to May. A ministry spokesperson said the government's yen 100,000 payout to all residents helped slow the decline in spending.



Data source: Cabinet Office, Japan

### Yen/dollar exchange rate change losses steam

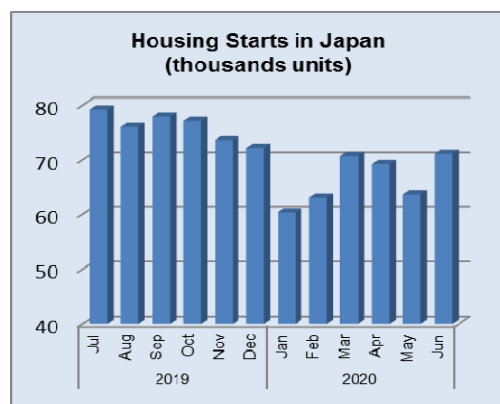
The Japanese yen gained against the US dollar towards the end of July but by mid-August had weakened again to around the 106/7 yen to the dollar. A weaker yen is good news for exporters but it appears the yen is set to strengthen given the increased uncertainty on many economic fronts.





### Uptick in orders for new homes

The Japan Lumber Reports has assessed demand for housing and reports major builders have seen a slight recovery. Sales by major builders in June were higher than May. For more see page 16



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

### Japan/UK trade deal close

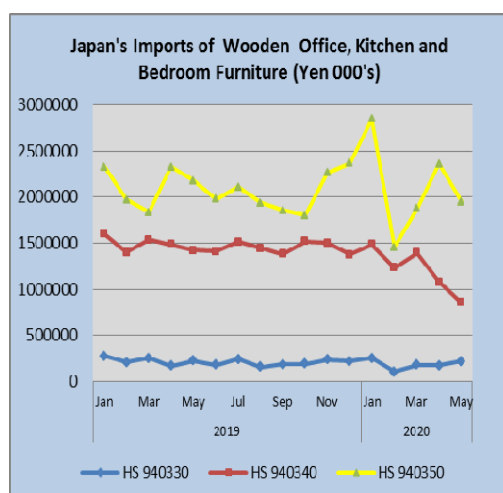
Japan and the UK have been discussing a free trade agreement to come into effect when the UK leaves the EU. The Japanese media has reported that agreement has been reached on tariffs covering almost all industrial products and on digital, data and financial services that go beyond the EU-Japan arrangement. Japanese government has said the remaining issues are limited to some agricultural products.

See: [https://www3.nhk.or.jp/nhkworld/en/news/20200808\\_05/](https://www3.nhk.or.jp/nhkworld/en/news/20200808_05/)

### Import update

#### Furniture imports

There has been a noticeable downward trend in imports of wooden kitchen furniture (HS940340) that appears to have started in October last year. In the seven months to May 2020 in only two months have there been month on month increases in the value of imports.



Data source: Ministry of Finance, Japan

### Office furniture imports (HS 940330)

The value of May imports of wooden office furniture (HS940330) was down around 3% year on year but compared to April the value of imports rose 24%.

Most wooden office furniture imports originate in China (74% of the May total) and in May the other main shippers were Portugal and Poland. Shippers in China saw May exports to Japan rise 15% and shippers in Portugal and Poland also saw a sharp increase in office furniture exports to Japan.

#### Office furniture imports

	Imports May 2020 Unit, 000's Yen
S. Korea	-
China	159,908
Taiwan P.o.C	2,644
Vietnam	5,105
Thailand	262
Malaysia	-
Indonesia	3,109
UAE	-
Sweden	-
Denmark	-
UK	3,742
Netherlands	-
Belgium	-
France	914
Germany	752
Switzerland	-
Portugal	17,600
Italy	3,380
Poland	10,131
Turkey	-
Lithuania	2,037
Slovakia	2,573
Canada	550
USA	3,528
Mexico	-
Australia	-
Total	216,235

Data source: Ministry of Finance, Japan

### Kitchen furniture imports (HS 940340)

Year on year Japan's imports of wooden kitchen furniture have fallen around 40% and the value of May imports were some 20% below that in April.

Each of the three main shippers saw declining exports of wooden kitchen furniture in May. Exports in May from Vietnam, now the main supplier, were down by almost half compared to April and Japan's imports of wooden kitchen furniture from China dropped 15% in May.

**Kitchen furniture imports (HS 940340)**

	Imports May 2020 Unit, 000's Yen
China	129,362
Taiwan P.o.C	-
Vietnam	420,769
Thailand	30,492
Malaysia	8,064
Philippines	206,660
Indonesia	9,777
Sweden	-
Denmark	-
UK	648
Netherlands	-
Germany	24,509
Spain	-
Italy	14,950
Finland	379
Romania	849
Turkey	-
Lithuania	-
Czech Rep.	-
Canada	6,730
USA	1,727
Total	854,916

Data source: Ministry of Finance, Japan

**Bedroom furniture imports (HS 940350)**

After the steep decline in the value of wooden bedroom furniture in February there has been two consecutive months of increases bring the average value for a three month period back to usual levels.

However, May imports of wooden bedroom furniture slipped into negative territory once again dropping 17% month on month. Year on year, imports of HS(940350) were down 10% in May this year.

Shippers in China and Vietnam dominate Japan's imports of wooden bedroom furniture with China accounting for around 60% of all wooden bedroom furniture imports with another 30% plus coming from Vietnam. Exporters in Thailand (the 3rd largest shipper in May) accounted for just 3% of all wooden bedroom furniture imports.

**Bedroom furniture imports (HS 940350)**

	Imports May 2020 Unit, 000's Yen
S. Korea	369
China	1,179,071
Taiwan P.o.C	1,613
Vietnam	642,960
Thailand	52,379
Malaysia	29,566
Philippines	647
Indonesia	11,390
Sweden	834
Denmark	299
UK	-
Netherlands	-
Belgium	-
France	-
Germany	-
Switzerland	-
Italy	4,509
Poland	18,665
Austria	3,532
Hungary	-
Greece	-
Romania	279
Latvia	230
Lithuania	262
Belarus	458
Bosnia Herzegovina	-
Canada	-
USA	-
Total	1,947,063

Data source: Ministry of Finance, Japan

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

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

For the JLR report please see:  
[https://jfpj.jp/japan\\_lumber\\_reports/](https://jfpj.jp/japan_lumber_reports/)

**Wood demand projection meeting**

The Forestry Agency held wood demand projection meeting on June 29 for the second half of 2020. In wood demand in 2020, domestic logs would decrease by 11.9% from 2019. Imported logs would drop by 15.3%. Imported lumber would decline by 12.3%.

Forecast for new housing starts in 2020 by private think tanks would drop much more than the forecast made in last March.

In total of 12 think tanks, only two predicted less than 800,000 units in last March forecast then this time, five out of ten forecast drop of less than 800,000 units. Average starts would be 788,000 units from 847,000 units in March.

In previous forecast, the reason of decline was consumption tax hike then coronavirus outbreak is added another declining factor. Actually two think tanks forecast starts of less than 750,000.

For domestic logs in 2020, logs for lumber would decrease by 14.4% and for plywood would drop by 5.0%.

Paper and pulp manufacturing plants restrict purchased of logs by rapid decline of use of paper for office use and others like flyers. Log export business for China and other countries is hard to forecast, particularly for China because of trade conflict with the U.S.A. despite of the fact that lumber production in China is rapidly recovering.

In imported lumber, North American lumber would decrease by 17.8% not by supply side problem but by dropping domestic demand. European lumber supply decreased by supply side problem in the first half of 2020 then the demand would decrease in the second half of the year. Forecast of demand in 2020 would be down by 8.3%.

Radiata pine lumber supply from New Zealand and Chile in the second quarter this year is 55.6% less than the same period of last year. The supply seems to increase in the second half to the same as last year.

Russian lumber inventory in Japan increased during the second quarter by active supply in the first quarter. The supply would decrease in the second half of the year but the demand is also dropping so heavy inventory seems to continue through the year.

#### **Import of legally certified wood products**

The Japan Lumber Importers Association held general meeting on June 19. It reports that total import of logs and lumber in 2019 was 8,840,000 cbms, 5.7% less than 2018. This is three consecutive years' decline and wood demand is related to new housing starts, which have been declining.

It forecasts that the demand would continue decreasing particularly by coronavirus outbreak in 2020. However, it continues to advise importing of legally certified wood products.

Import of legally certified wood products in 2019 by 60 members of the Association was 73.5%, 0.6 points less than 2018. Percentage of sales with the certificate were 33.7%, 4.4 points less, which is 24.7% in total imported volume. This is 3.5 points less than 2018 and trend seems to keep declining.

The Association reports that it is not because of negligence of the members but because of the fact that about one fourth of products is unable to obtain legality certificate so the Association reports that any more increase of the percentage seems impossible.

Also the Association reports that the share of imported wood by the members is 53% in total imported volume.

#### **South Sea (tropical) logs and lumber**

Supply and demand of South Sea hardwood logs are balanced and users carry about two to three months inventory as the consumption is dropping by slower demand by corona virus incident.

The largest log consuming plywood mill in Japan will be out of business in March 2012 so it may need another log ship before closing but log demand will keep dropping.

Inventory of free board of Chinese red pine and Indonesian mercurii pine is adequate. The demand in Japan is dropping so the orders from Japan are decreasing.

#### **Recovering housing orders**

Orders for house builders, which specialize in order-made houses were recovering in June.

Order values for eight major builders in June was 15% less than June last year. It was about 35% less for April and May so house buyers who stayed at home during March and May started going out in June.

Number of visitors to house exhibition sites by large house builders has not recovered enough yet. Meantime, low cost house builders and builders for units built for sale attract more buyers since negotiations are shorter.

Sales value by eight major builders (Sekisui House, Daiwa House, Sekisui Chemical house, Panasonic Homes, Misawa Homes, Sumitomo Forestry, Asahi Kasei Homes, Mitsui Home ) in June is higher than May.

They report that reaction of buyers is getting better week after week but fear of second wave of corona virus is concern and large sales promotional events are not allowed yet so there is no blind optimism.

Major builders are also concerned to competition with low cost builders despite different class of buying people. Low cost builders had more orders during March and May when major's activities were almost dead.

#### **Weakening softwood plywood market**

In Tokyo market, softwood plywood (12 mm/3x6) prices are down to 900 yen per sheet delivered, lowest in about four years. The prices have been softening since last May and wholesalers comment that price skidding in last one month is much faster than the Lehman shock days.

In weak demand, June was quarter end book closing month and sales competition got fierce and price war started.

Looking at rapid price decline in June, dealers saw bearish future and reduces the purchase and precutting plants' consumption is also decreasing.

Plywood manufacturers plan to reduce the production in August by 30% to stop rapid skidding of the prices. With such strong attitude of the manufacturers, the market finally settled down now temporarily.

#### **Imported plywood market**

In South Sea hardwood plywood, market prices of 12mm coated concrete forming panel are down by 20-30 yen per sheet down from June. Due to uncertain future market, dealers are trying to dispose of the inventory as fast as possible and offered low prices.

There is warning of supply shortage after July but there is opposite opinion so the prices are highly fluid.

Prices of 12 mm panels turned soft after the State of Emergency was lifted in May. The prices were rather firm before that as fear of supply from Malaysia by corona virus epidemic so dealers tries to sell the inventory cautiously but with uncertainty of future demand, they are trying to move the inventory to get cash so the market prices turned weak.

The importers did not place any future orders since last April so the arrivals continue low.

Warehouse management in Tokyo Bay reports that the arrivals have started declining sharply since June. The importers should place large orders now but supplying mills have been curtailing the production so the mills need to start buying logs to deal with larger orders and the proposed export prices should be higher.

There are two opposite forecasts. One is supply shortage in coming months and another is no shortage because of stagnant demand. It is like groping in the dark by hands. Thus, sales attitude differs. Some keep selling as fast as possible while the others are cautiously selling so the market prices are hard to pin point.

Present market prices of JAS 3x6 concrete forming panel for coating are 1,290 yen per sheet delivered, 20 yen down from June. Prices of JAS green concrete forming panel are about 1,220 yen and of 3x6 structural panel are about 1,230 yen. Both are 20 yen down from June

#### **Trend of imported logs for manufacturing plywood in Japan**

Declining trend of imported logs for manufacturing plywood continues. There are various reasons by supplying countries. Log export ban by state of Sabah, Malaysia, increase of log export duty by PNG, increase of log export duty in Russia and harvest disruption by B.C., Canada's major log supplier but there is very little impact to plywood manufacturing industry in Japan, which has been shifting to use domestic logs and by current production curtailment for shrinking demand by corona virus epidemic.

In North America, Mosaic Forest Management, the largest log export log supplier in B.C. Canada, stopped log harvest since last November so log import from Canada drastically dropped by 76.6% during January and May.

Supply of Russian Far East larch log has been decreasing after increase of log export duty started last year. For the first five month, total supply was only 14,611 cbms, 51.9% less than the same period of last year.

Export prices are US\$190 per cbm C&F, which are higher than Canadian Douglas fir logs. There should be more demand when the North American Douglas fir log supply decreases but the inquiries are declining by weak demand of plywood in Japan.

The reason is plywood manufacturers' production curtailment. They have been reducing the production since last February by 20-30% so log demand drops that much. Demand for domestic logs is the same. In other words, domestic log supply is ample to supplement shortage of imported logs.

South Sea log import for the first five months is 44,836 cbms, 24.9% less than the same period of last year.

South Sea log supply situation has deteriorated rapidly in last two years. Supply of South Sea hardwood logs has been decreasing and the volume in 2017 was less than 150,000 cbms. In these days, 48.5% was Sabah logs.

After Sabah, Malaysia banned log export in May 2018, the demand shifted to PNG, which increased log export duty since last February. Sabah supply was almost 50% for Japan market and after Sabah, stopped log export, hope of stable supply of South Sea hardwood logs was gone.

PNG log supply in 2017 was only 19.7% in 2017 then fortunately main PNG log buyer of China retreated because of trade war with the U.S.A. so that Japan could get in and replace Sabah supply so in 2019, PNG logs took 76.1% share of total import of South Sea logs. Then in February 2020, PNG government raised log export duty then the government commented to reduce log export volume by half by 2025 and total ban in 2030.

Under this situation of supplying countries, the largest plywood manufacturer of South Sea hardwood logs, Daishin Plywood in Niigata announced to withdraw from the business in March 2021. It consumes about 80,000 cbms a year, about 60% of total imported volume of South Sea logs.

The reason is obvious that future supply of South Sea hardwood logs is ambiguous. PNG replaced Sabah but there is no other supply source to replace PNG.

Canadian Douglas fir log prices soared to US\$150 per cbm FAS from US\$110 when North American lumber market in 2017 and 2018.

Imported cost was about 24,000 yen per cbm FOB truck port yard then FAS prices dropped down to US\$135 in 2019 but the cost remained over 20,000 yen. It is not competitive with domestic larch logs, which is about 17,000 yen.

Demand for Douglas fir logs was strong because 12 meter length and high strength but now the cost of domestic logs is lower than Douglas fir logs even with premium for long length cutting in Japan.

The Russian government has been promoting wood processing in the Russian Far East region and log export duty has been raised step by step, which reduced supply of larch logs for plywood manufacturing in Japan. The duty was 25% until 2018 then increased to 40% in 2019 and 60% in 2020.

The import of Russian larch logs in 2018 was about 102,000 cbms, in 2019 was about 77,000 cbms, 25.2% less than 2018. First five months import in 2020 is about 14,600 cbms, 52% less. High export duty is prohibitively high so that many larch log exporters quit in 2019. Export prices of Russian larch are about US\$190 per cbm C&F, which costs over 20,000 yen per cbm so again like Canadian Douglas fir logs, the prices are not competitive with domestic larch logs.

Larch veneer is another major export item from coastal Russia. The supply needs to be adjusted to reduced production of Japanese plywood mills but larch veneer helps simplify plywood processing at the mills and it can be used for face and back to guarantee enough strength so it is valuable material for plywood mills.

According to the wood statistics, logs supplied for plywood manufacturing are 5,448,000 cbms in which share of imported logs is 12.9%. In 2015, the volume was 4,218,000 cbms in which share of imported logs was 20.5% so in four years, share of imported logs decreased.

Reasons that domestic plywood manufacturers look for domestic logs for plywood manufacturing are long term supply stability and no risk of exchange rate, which changes cost of logs from time to time. Domestic larch and cypress are higher in cost compared to cedar but lower than imported species.

Long plywood used to need imported long length logs but now log harvesters in Japan have started supplying long length logs as the demand by plywood mills increases so now long plywood with 100% domestic species are being supplied. When plywood mills curtail the production, the mills are aware that supply of domestic logs is necessary in long term so that they reduce inventory of imported logs and give domestic logs priority.

Demand of imported logs for plywood seems to keep decreasing by reasons of supplying countries and availability of domestic logs in Japan.

## China

### National standard for inflammable particleboard released

The national standard for inflammable particleboard has been released and will become effective as of 1 February 2021.

See: <https://news.woodcloud.com/View/?id=135249>

### Sharp decline in log imports through Zhangjiagang Port

According to data from China Customs, log imports through Zhangjiagang Port between January and May fell sharply to 1.54 million cubic metres valued at US\$303 million, down over 60% in volume and value.

The main supply countries were Papua New Guinea and Solomon Islands from which log imports were 816,000 cubic metres and 448,000 cubic metres accounting for 53% and 29% of the total log imports through Zhangjiagang Port. However these import volumes were down over 60% year on year.

### Log imports from main countries through Zhangjiagang Port, January to May 2020

#### Volumes

	cu.m	YoY % change
Papua New Guinea	816,437	-61%
Solomon Islands	447,957	-67%
Suriname	77,729	0.3%
Equatorial Guinea	53,943	-58%
Republic of Congo	45,386	-59%
Cameroon	39,901	-77%
DRC	27,004	-10%
Central African Rep.	24,229	-14%

#### Value

	US\$	YoY % change
Papua New Guinea	151,592,316	-61%
Solomon Islands	70,249,396	-69%
Suriname	19,274,577	1%
Equatorial Guinea	12,195,690	-61%
Republic of Congo	15,075,811	-59%
Cameroon	10,636,795	-78%
DRC	9,767,102	-5%
Central African Rep.	8,522,820	-15%

Source: China Customs



Zhangjiagang also handled logs from Suriname, Equatorial Guinea, the Republic of Congo, Cameroon, DRC and Central Africa Republic. Log imports through Zhangjiagang from Suriname rose slightly, from all other countries imports fell significantly compared to the same period in 2019.

#### **Sharp decline in sawnwood imports through Zhangjiagang Port**

China Customs has reported a year on year decline in sawnwood imports through Zhangjiagang Port between January and May 2020. Imports fell to just 3,949 cubic metres valued at US\$2.07 million, down 92% in volume and 93% in value respectively.

The main supply countries was the Republic of Congo at 3,661 cubic metres valued at 1.89 million accounting for over 90% of the sawnwood imports handled by the Port. Year on year imports from the Republic of Congo were up sharply. In the period reviewed, Zhangjiagang Port also handled small quantities of sawwood from Mozambique, Equatorial Guinea and Tanzania.

#### **Sawnwood imports from main countries through Zhangjiagang Port, January to May 2020**

	cu.m	US\$
Republic of Congo	3,661	1,894,772
Mozambique	142	104,621
Equatorial Guinea	106	40,785
Tanzania	40	33,634

Source: China Customs

#### **China-ASEAN Timber Industry Zone in Teng County**

A signing ceremony launching work on the China-ASEAN International Timber Industry Zone project was recently held in Teng County, Wuzhou City, Guangxi Province. This will involve an investment of about RMB20 billion.

Construction is expected to take five years and will be done in three phases. The construction of the zone will start this year and the main infrastructure will be completed and operational within two years.

The overall construction of the project is expected to be completed by December 2025. When fully operational it is anticipated that the Zone will have an annual turnover of around RMB50 billion and will provide 30,000 jobs. Timber will be imported through Qinzhou Port.

There will be more than 25 primary processing enterprises with an annual capacity of 2 million cubic metres in addition there will be around 10 downstream processing enterprises in the Zone which will extend over area of more than 5 million hectares. The Zone is expected to become a major regional forest products processing Zone.

See: <http://www.gx.chinanews.com/gxgd/2020-08-04/detail-ifzysqns1244276.shtml>

and

[http://zwgk.qinzhou.gov.cn/auto2521/bmwj\\_2875/201906/t20190619\\_2909541.html](http://zwgk.qinzhou.gov.cn/auto2521/bmwj_2875/201906/t20190619_2909541.html)

#### **Canada Wood Ltd and Yangxin government to promote wooden frame buildings**

Strategic cooperation was recently formalized between Canada Wood China (Shanghai) Co, Ltd and Yangxin County government in Shandong Province aimed at joint promotion of modern wooden frame buildings.

The two sides will apply modern wooden frame building technology and prefabricated building system to meet to the requirements of building energy conservation and residential industrialisation in China. The initiative will also promote an industrialisation and prefabricated building strategy for Yangxin County.

See:

[https://www.sohu.com/a/410794457\\_120267334](https://www.sohu.com/a/410794457_120267334)

#### **First trading Centre for forest rights**

It has been reported that a forest rights trading centre had been established in Qintang District, Guigang City, Guangxi Zhuang Autonomous Region.

Guigang City and the Guangxi Forest Rights Trading Center will operate the trading centre which is expected to inject new life into the wood processing industries in Guigang City.

Wood processing has become one of the leading industries in Guigang City and enterprises in the City are important in the distribution plywood and veneer production. Guigang City is called the wood panel capital of Southern China.

There are more than 3,500 wood processing enterprises in Guigang City with more than 150,000 employees.

Despite the pandemic the output of wood processing industries in Guigang City increased around 10% over the same period of 2019. The production of wood-based panels reached 7.5 million cubic metres.

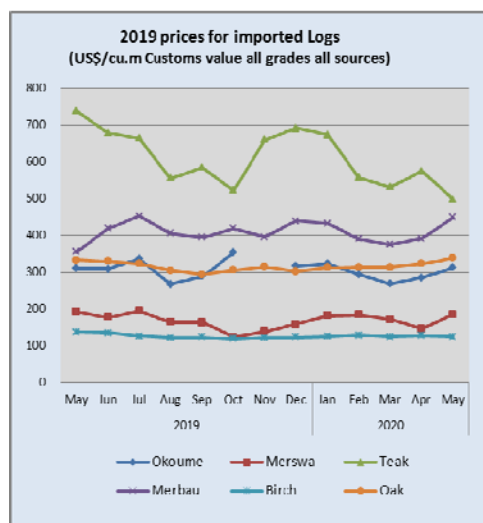
See:

[https://baijiahao.baidu.com/s?id=1674503988410264215&wfr=s\\_pider&for=pc](https://baijiahao.baidu.com/s?id=1674503988410264215&wfr=s_pider&for=pc)

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

	2020 Apr	2020 May
Okoume	284	312
Merswa	145	184
Teak	574	498
Merbau	391	449
Birch	127	124
Oak	323	338

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

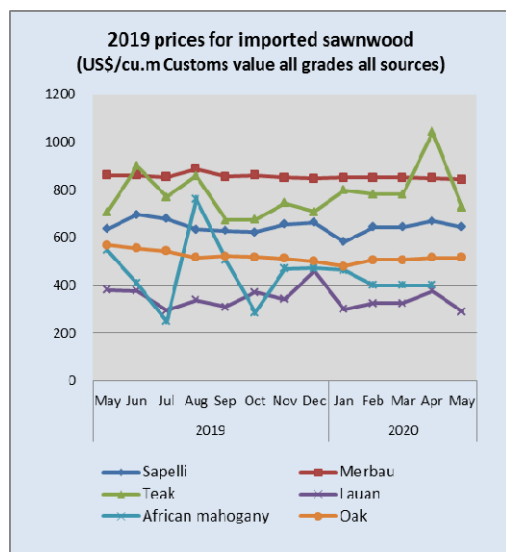


Data source: China Customs. Customs value all grades, all sources

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

	2020 Apr	2020 May
Sapelli	670	645
Merbau	851	845
Teak	1044	729
Lauan	377	291
African mahogany	1046	na
Oak	518	518

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



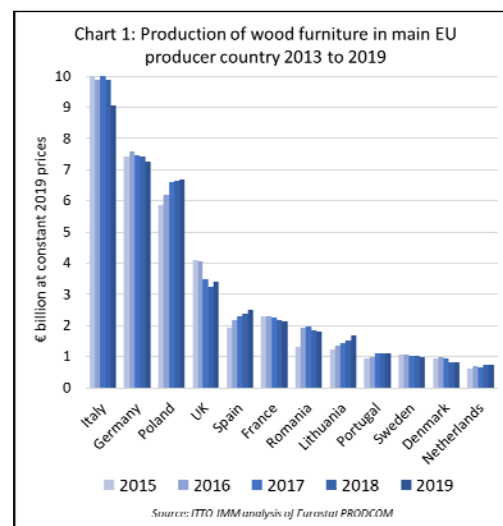
Data source: China Customs. Customs value all grades, all sources

## EU wood furniture production sliding even before pandemic

Newly released Eurostat data indicates that the value of EU27+UK wood furniture production was €42.5 billion in 2019, 1.4% less than the previous year.

In retrospect, it looks as if the rebound in EU wood furniture production following the 2008 economic crises peaked as early as 2017, as 2019 was the second straight year of decline and the COVID-19 pandemic has damaged market prospects in 2020. Last year, EU wood furniture production was still 20% down, in real terms adjusted for inflation, compared to the years just prior to the 2008 crises.

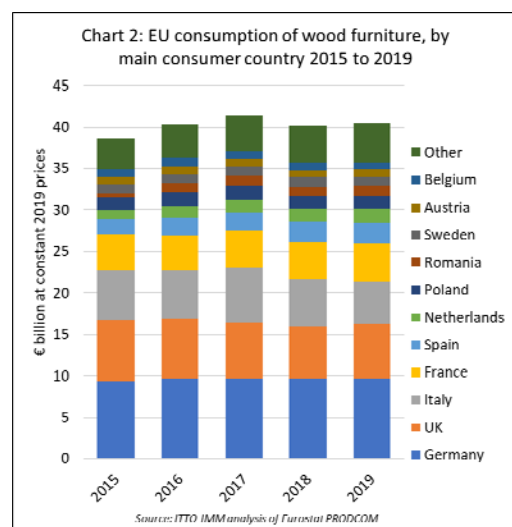
Last year, there was a sharp downturn in wood furniture production in Italy (-8% to €9.1 billion), and a more moderate decline in Germany (-3% to €7.2 billion), France (-2% to €2.1 billion), Romania (-3% to €1.8 billion), and Sweden (-1% to €1.0 billion). These declines were only partly offset by rising production in Poland (+1% to €6.7 billion), UK (+5% to €3.4 billion), Spain (+4% to €2.5 billion), Lithuania (+10% to €1.7 billion), Denmark (+2% to €0.8 billion) and the Netherlands (+1% to €0.7 billion). Production was stable in Portugal during the year, at €1.1 billion. (Chart 1).



European wood furniture manufacturers lost internal EU market share to overseas producers in 2019, although they remained very dominant overall. In 2019, 86.4% of all wood furniture sales in the EU27+UK market comprised products manufactured within the EU27+UK, a marginally lower percentage than the previous year (87.6%).

EU27+UK wood furniture consumption was €40.4 billion in 2019, a gain of 0.6% compared to 2018. In 2019, consumption increased in the UK (+6% to €6.7 billion), France (+2% to €4.5 billion), Spain (+8% to €2.6 billion), Netherlands (+8% to €1.7 billion), Romania (+3% to €1.2 billion), Austria (+7% to €0.9 billion), and Belgium (+2%

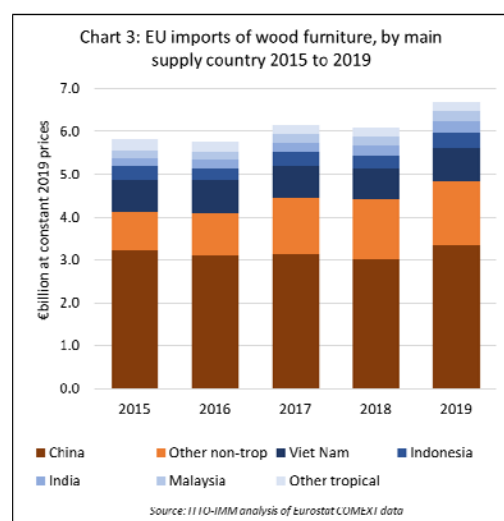
to €0.9 billion). However, consumption fell 11% to €5.2 billion in Sweden, 3% to €1.5 billion in Poland, and 7% to €1.0 billion in Sweden. (Chart 2).



### Uptick in EU27+UK wood furniture imports in 2019

EU27+UK imports of wood furniture from non-EU countries increased nearly 10% to €6.7 billion in 2019 after falling 1% in 2018. Imports from China, by far the largest external supplier, increased 11% to €3.34 billion in 2019, while imports from other non-tropical countries increased 7% to €1.50 billion.

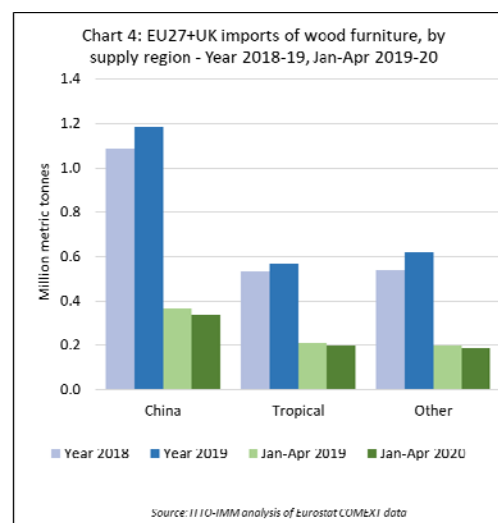
Imports from tropical countries increased 11% overall to €1.87 billion. (Chart 3).



Total EU27+UK import tonnage increased 10% in 2019, to 2.37 million metric tonnes (MT). Import tonnage increased by 9% from China to 1.18 million MT, by 15% from other non-tropical countries to 620,000 tonnes, and by 6% from tropical countries to 570,000 MT (Chart 4).

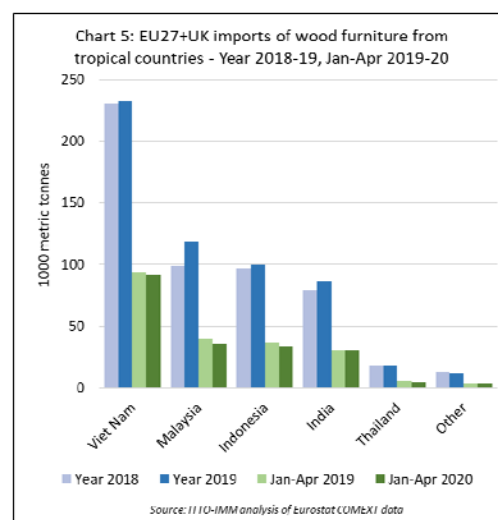
Continuing the trend of recent years, in 2019 there was a particularly large increase in import tonnage of wood furniture from several countries bordering the EU,

including Ukraine (+32% to 104,000 MT), Belarus (+32% to 95,000 MT), Turkey (+20% to 95,000 MT), and Serbia (+13% to 60,000 MT).



Vietnam was by far the largest tropical supplier of wood furniture to the EU27+UK in 2019, with imports from the country rising 1% to 232,000 MT. However, the largest gain by a tropical country in the EU wood furniture import tonnage in 2020, was by Malaysia with a rise of 20% to 119,000 MT.

There was also a 9% rise in import tonnage from India, to 30,000 tonnes. Import tonnage from Indonesia increased 3% to 100,000 MT in 2019. Import tonnage from Thailand was stable at 18,000 MT in 2019. (Chart 5).



### First indications of post-lockdown rebound in EU wood furniture imports

The development of the EU27+UK wood furniture market this year will be strongly dependent on the effects of the COVID-19 pandemic, as it is having a profound impact on both supply and demand. Data indicating the likely scale and duration of these impacts is only just becoming available and is still fragmentary.

Import data for the whole of the EU27+UK region is currently available to the end of April 2020 and captures only the earliest stages of the lockdown which began in mid-March in most European countries.

Given lead times typically of five weeks or longer to deliver Asian furniture to the European market, this data provides only limited insight into the effects of the pandemic.

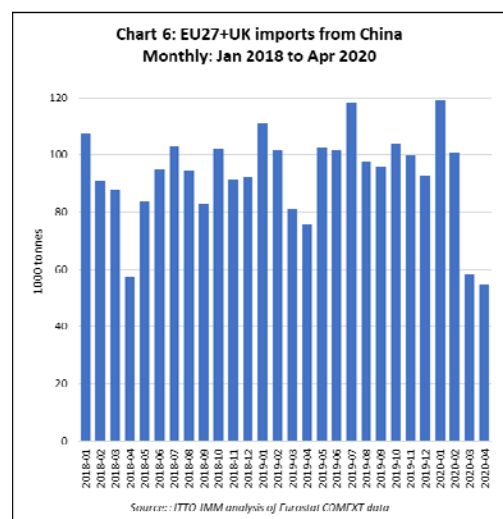
In total, the EU27+UK imported 720,000 tonnes of wood furniture in the first four months of this year, 8% less than the same period in 2019. Imports fell by 10% from China, to 330,000 MT, by 7% from other non-tropical countries, to 180,000 MT, and by 6% from tropical countries, to 200,000 MT (Chart 4).

The biggest decline in EU27+UK imports of wood furniture from tropical countries in the first 4 months of 2020 was from Malaysia, down 12% to 35,000 MT. Imports also declined sharply from Indonesia, by 9% to 34,000 MT, and Thailand, by 25% to 4,400 MT. Imports were down only 2% to 92,000 tonnes from Vietnam.

Closer analysis of monthly import and export data gives more insight into the effects of the pandemic and the pace of the rebound. The available data on EU27+UK imports of wood furniture from China shows a very sharp dip in March and April this year (Chart 6).

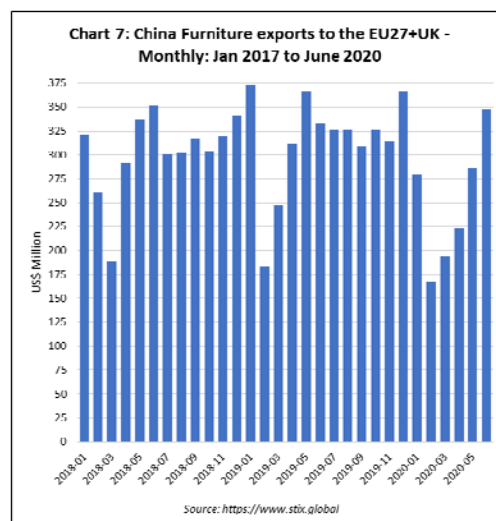
This is partly cyclical since EU27+UK imports from China tend to decline in the spring months after a rush at the turn of the year to despatch products before the Chinese New Year holiday season.

However, the dip in EU arrivals this year started early in March, due to supply side problems in China, and deepened into April.



The supply side problems in China early in 2020 are more obvious from export data (Chart 7). China's exports of wood furniture to the EU27+UK fell more steeply than usual in February this year and remained at unusually low

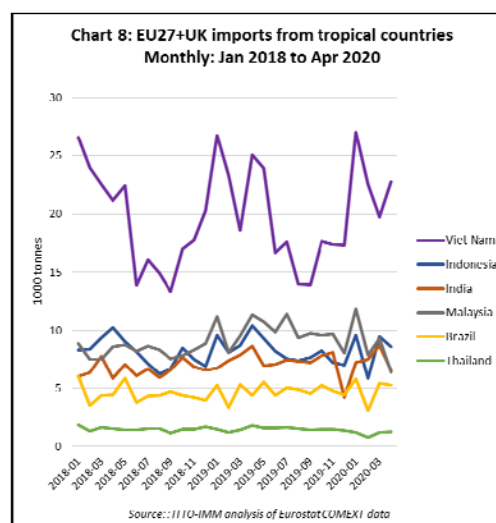
levels in March and April. However, there was a strong recovery in China's exports to the EU27+UK in May and June, strongly suggesting that the direct effects of the COVID-19 lockdown on EU27+UK imports of wood furniture from China will be short lived.



Signs of the market impact of COVID-19 are also becoming clearer for tropical suppliers. EU27+UK imports of wood furniture from Vietnam were strengthening in April (Chart 8).

However, this is certain to be followed by a significant decline in May through to July. Again, this is indicated both by cyclical changes – EU27+UK imports of wood furniture from Vietnam typically fall in the second quarter of the year - and by Vietnamese export data.

Latest data from [www.goviet.org.vn](http://www.goviet.org.vn) shows that the total value of all Vietnamese wood and wood products exports to the EU27+UK – which is dominated by wood furniture – fell 41% from US\$213.7 billion in the first quarter to US\$125.6 million in the second quarter.



EU27+UK imports from Indonesia were quite strong in the first quarter of 2020 and weakened only slightly in April. Export data reveals a downturn in Indonesian despatches to the EU27+UK in April and May this year, but not out of line with trends in previous years (Chart 9).

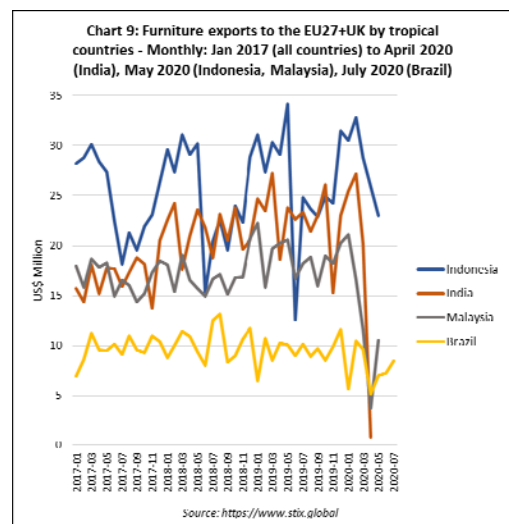
Indonesia's furniture exports to the EU are dominated by outdoor products, particularly due to relatively abundant plantation teak supplies. It maybe that Indonesia is benefitting from the continuing relative strength of European demand for outdoor furniture during lockdown.

Social distancing measures meant more people meeting outside and restaurants and bars only serving to customers outside. A run of good weather has also encouraged people confined to their homes to install garden decking and sheds.

The impact of the COVID-19 pandemic on EU27+UK imports of wood furniture from India, which mainly supplies a niche market for handcrafted interior furniture, appears to have been much more severe.

Export data indicates an extremely sharp (96%) fall in India's exports of wood furniture to the EU27+UK in April this year – a trend confirmed by import data for those few European countries that have already published trade statistics to the end of May, including the UK, France and Spain.

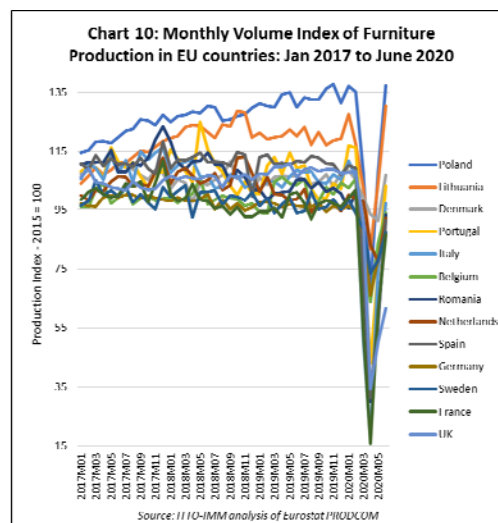
Malaysian trade data shows a severe decline in wood furniture exports to the EU27+UK between January and April this year, but trade began to rebound and make up some ground in May.



The Eurostat furniture production index for EU countries is another indicator of the scale of the downturn and rate of recovery in the European furniture sector during lockdown period (Chart 10).

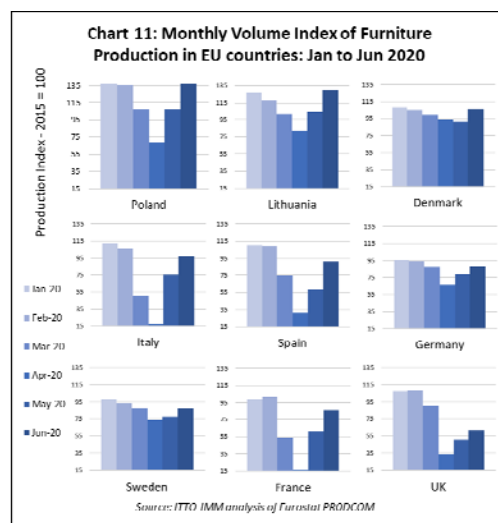
For most EU countries, the monthly index was broadly stable throughout the whole period from January 2015 through to February 2020 – the only exceptions being

Poland and Lithuania, both of which outperformed all other EU countries by recording a significant rise in production.



The picture changes dramatically in March, with nearly all leading EU furniture manufacturing countries recording a precipitous and unprecedented fall in production as the continent went into the lockdown.

The downturn deepened in April but was followed by recovery in May and June for all countries. While the overall trend was the same, the depth of decline and rate of recovery varied widely between countries (Chart 11).



Compared to other EU countries, Germany, Sweden and Denmark all suffered less dramatic declines in production in April and March and production was close to normal levels by June. In Poland and Lithuania the furniture production index fell steeply in March and April, to around 50% of previous (quite buoyant) levels, and then recovered very strongly in May and June.

In Italy, Spain and France, there was a very large fall in production in March and April – down 85% on normal



levels in the case of France and Italy. Although still down 20% on normal levels in June, the rebound in France, Italy and Spain was quite robust. In the UK, the decline in March and April was large, down 65% on usual production levels, and the recovery slower and weaker than elsewhere in Europe. In June UK production was still down by around 50%.

## North America

### Rising coronavirus cases stall economic recovery

Given the reporting lag for most traditional economic indicators, investors have turned to real-time data to assess the economy during the pandemic, almost all of which now show business activity stalling or declining. Economists at investment firm Jefferies wrote in a note to clients that their in-house economic activity index has "flat-lined" and "has now been moving sideways for the past three weeks."

Many of the southern states that are experiencing a significant surge in coronavirus infections after lifting lockdown restrictions, unlike the regions in the north that were hit hard in March and April, according to White House coronavirus task force coordinator Deborah Birx. Coronavirus deaths are increasing in the new 'hotspots' of Florida, Texas and Arizona even as they continue to trend down nationally.

Regional data show particular economic weakness in virus-hit states, where V-shaped recoveries are stalling. Given the timing of the hit, official June data are likely to be spared, but there is clear downside for July data.

See: <https://www.axios.com/coronavirus-surge-economic-recovery-stalls-ea0303a4-81d0-47ed-94e3-def1d3884ec9.html>

### Falling sawnwood supply and higher demand is affecting businesses

A shortage of sawnwood is affecting the construction industry in what is usually its busiest time of the year.

According to Woodworking Network big construction companies and smaller contractors are feeling the supply crunch. The pandemic caused a big decline in supply as well as an increase in demand likely spurred by homeowners opting to renovate while they were stuck at home.

Many of North America's biggest sawnwood producers significantly lowered output during the pandemic while laying off hundreds of employees. Sawnwood prices have been rising for two months in a row.

See: <https://www.woodworkingnetwork.com/news/woodworking-industry-news/lumber-big-sales-and-depleting-supply-affecting-construction>

### Tropical hardwood imports fell in May

After a promising April, US imports of sawn tropical hardwood fell by 39% in May, back to the level seen in March.

At 39,020 cubic metres, the volume of May tropical hardwood imports was down more than 45% from the previous May. Year-to-date imports are down 39%.

Imports from Indonesia were down by 55% in May but remain ahead 26% year-to-date. Imports from Brazil fell by 21% and imports from Cameroon were off 35%. Imports from Ecuador bounced back somewhat in May, rising 49%, but still trail 2019 year-to-date by 73%

Imports of jatoba, sapelli, virola and ipé all fell sharply in May. Year to date, virola is outpacing last year by 7% while imports of jatoba are down 29%, spelli is down 18%, and ipé is down 30%. Balsa is down a full 73% year-to-date, despite gaining by 56% in May.

Canadian imports of tropical hardwood rose 78% in May but were still nearly 10% lower than that of May 2019. Imports are down 6% year-to-date.

### January – May tropical sawnwood imports

	cu.m	% change
Ecuador	6,646	-71%
Brazil	23,600	-23%
Cameroon	9,471	-35%
Malaysia	9,992	-42%
Congo (Brazzaville)	5,992	-24%
Peru	336	18%
Indonesia	9,737	13%
Ghana	3,452	-4%
Cote d'Ivoire	1,053	24%

Data source: US Census Bureau, Foreign Trade Statistics

### Hardwood plywood imports advance

US imports of hardwood plywood grew by 21% in May. Imports from Malaysia quadrupled from April to record the highest volume since May of 2010. Imports from Indonesia were also up sharply and are ahead year-to-date by 47%.

Imports from Russia and Vietnam grew slightly in May and are ahead by 32% and 43%, respectively, year-to-date. Total US hardwood plywood imports are up 13% year-to-date through May.

### Veneer imports crash

Imports of tropical hardwood veneer were down sharply in May, falling 44%. After a promising gain in April, imports now lag behind 2019 year-to-date totals by 33%. Imports from Italy, China, Ghana and Cote d'Ivoire were all down in April and are all off by more than 40% year-to-date.

Despite falling to the lowest monthly total in two years, imports of veneer from India are down only 7% year-to-date. The only trade partner doing better this year than last is Cameroon, which is ahead by 128% year-to-date.

#### January – May veneer imports

	US\$	% change
Italy	3,401,948	-41%
China	708,150	-45%
Ghana	416,899	-46%
Cote d'Ivoire	417,009	-75%
Cameroon	581,420	164%
India	1,563,279	-16%

Data source: US Census Bureau, Foreign Trade Statistics

#### Hardwood flooring imports stay down while flooring panel demand rebounds

US imports of hardwood flooring continued their recent slide, falling by 3% in May. While totals were relatively flat for the month, imports from China and Malaysia gained back some of the market they had lost to Indonesia in recent months.

Imports from China and Malaysia were up 51% and 90% in May, while imports from Indonesia were down by 72%. Still, year-to-date imports from China are down 58% and imports from Malaysia trail by 67%, while imports from Indonesia are up by 13% through May.

Imports of assembled flooring panels grew by 20% in May but were still at a level nearly 30% down from May 2019. While imports from China, Canada and Vietnam all rose sharply, their standing versus last year varies widely.

Imports from China are barely half that of 2019 year-to-date, imports from Canada are even with last year, and imports from Vietnam are up 10% through May.

#### Moulding imports from China return to 2019 level

Imports of hardwood mouldings held steady in May, falling a mere 2% from the previous month. But, much like flooring, the sources of trade varied much more.

Imports from China rose 52% to the highest level since September and slightly above May 2019. China's gain was offset by sharp declines in imports from Malaysia (down 80%) and Brazil (down 43%). Year-to-date imports are behind 16% through May and are down this year for all major trading partners.

#### Cabinet sales see major improvement

Cabinet manufacturers reported a decline in overall cabinet sales of 1.8% for June 2020 compared to the same month in 2019 according to the Kitchen Cabinet Manufacturers Association's (KCMA) monthly Trend of Business Survey of participating manufacturers.

Custom sales were down slightly, semi-custom sales dropped 11%, and stock sales increased over 4%. Survey participants include stock, semi-custom, and custom companies whose combined sales represent approximately three quarters of the US kitchen cabinet and bath vanity market.

Despite the drop, this is a major improvement over the initial months of the pandemic with sales rising 24% in June 2020 compared to May. Custom sales increased 18%; semi-custom sales increased 21%; and stock sales increased 28% compared to the previous month.

It was in April that the damage caused by COVID was observed as sales fell 22% over April 2019. Sales had also dropped 31% in March.

#### Residential furniture orders recover

New residential furniture orders in May were up 166% over April according to the latest Smith Leonard survey of manufacturers and distributors. Somewhat of a surprise was that 19% of the participants recorded an increase in May orders over May 2019. New orders in May 2020 were down 8% from May 2019 after a 61% decline reported in April.

The May, April, and March results offset the fairly good results of January and February, resulting in a decline in year-to-date orders of 18%.

In May, shipments were down 31% after a 50% decline reported for April. The lower shipment numbers were expected as a result of the decline in orders the last three months. A few participants reported increased shipments over May 2019. Year to date shipments were down 18%.

See: <https://www.smith-leonard.com/2020/07/29/july-2020-furniture-insights/>

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

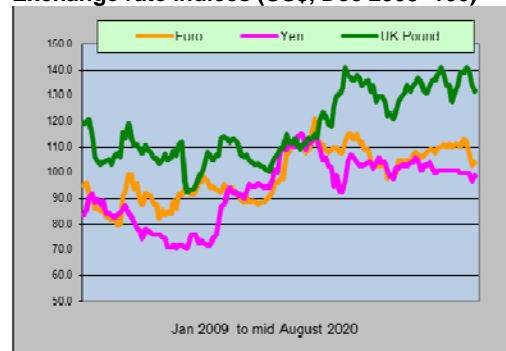
**The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.**

## Dollar Exchange Rates

As of 10 August 2020

Brazil	Real	5.3823
CFA countries	CFA Franc	556.70
China	Yuan	6.946
Euro area	Euro	0.8517
India	Rupee	74.62
Indonesia	Rupiah	14680
Japan	Yen	106.49
Malaysia	Ringgit	4.196
Peru	New Sol	3.51
UK	Pound	0.7665
South Korea	Won	1186.12

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

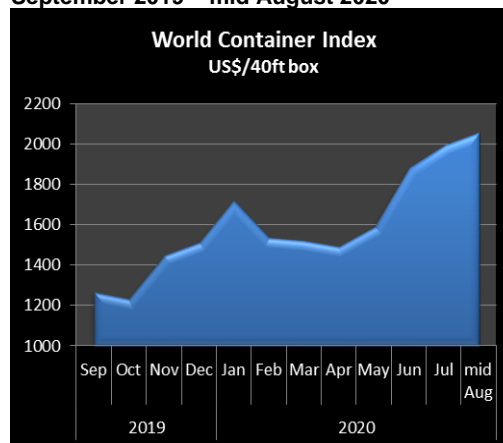


## Abbreviations and Equivalences

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

## Ocean Container Freight Index

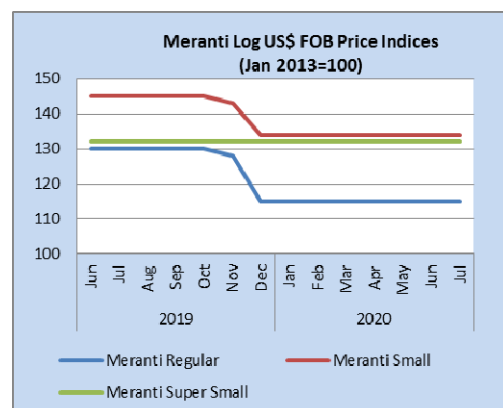
September 2019 – mid August 2020



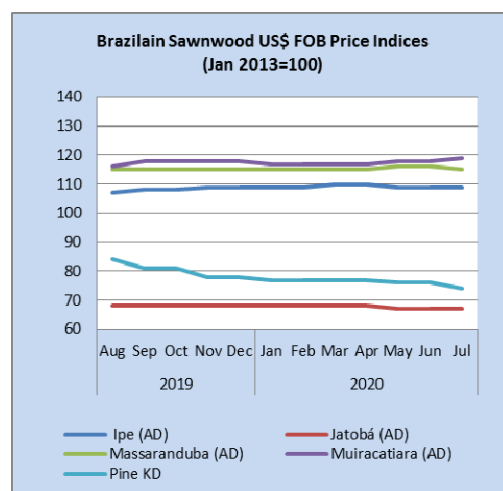
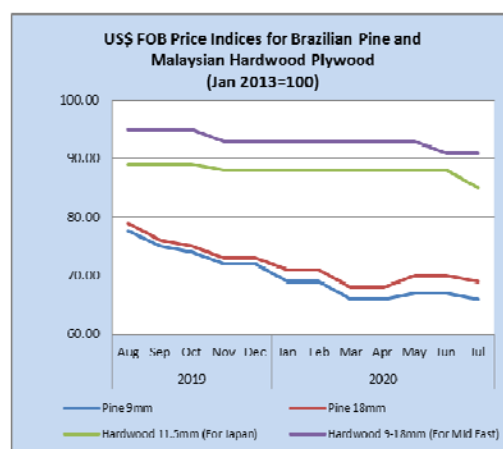
Data source: Drewry World Container Index

## Price indices for selected products

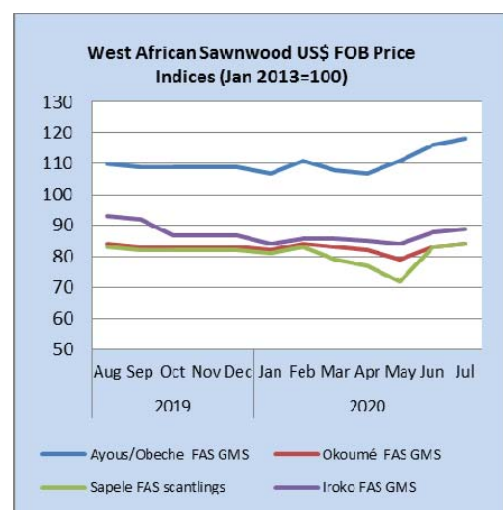
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



To have a free copy of this twice-monthly ITTO Market Information Service bulletin emailed to you on the day of production, please register at:

[http://www.itto.int/en/mis\\_registration/](http://www.itto.int/en/mis_registration/)