

# Tropical Timber Market Report

Volume 24 Number 3, 1st–15th February 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	2
Malaysia	3
Indonesia	4
Myanmar	5
India	6
Vietnam	8
Brazil	9
Peru	10
Japan	11
China	16
Europe	18
North America	23
Currencies and Abbreviations	27
Ocean Freight Index	27
Price Indices	28

## Headlines

	Page
<b>Mood of pessimism among Malaysian timber exporters</b>	<b>3</b>
<b>Overburdening regulations in Indonesia blamed for fall in investment</b>	<b>4</b>
<b>Brazil tests use of drones for mapping and scaling</b>	<b>9</b>
<b>Japan develops super thick plywood (original text from JLR)</b>	<b>15</b>
<b>China reduces tariffs on US wood products</b>	<b>16</b>
<b>FLEGT products biggest winners in EU tropical wood market</b>	<b>18</b>
<b>Calls for ITC to investigate Chinese cabinetry import allegations</b>	<b>25</b>

## Top story

### **Peru plans to allocate 8 million hectares of natural forest for investors**

It has been reported that this year the Government of Peru plans to award around 8 million hectares of forests to private investors.

The allocations will be for logging concessions, ecotourism, conservation and for commercialising ecosystem services.

**See page 6**

## Central and West Africa

### Hint of improved demand for okoume

Heavy rains have been affecting forest operations in the DRC and the Republic of Congo. Reports say flooding has been serious in many provinces with areas bordering the rivers Ubangi, Congo and their tributaries being badly affected forcing people to evacuate.

The heavy disruptive rains in Cameroon, Republic of Congo and northern Congo have stopped with the onset of the dry-season with the usual Harmatan (Sahara-sandwinds).

Producers report a steady trade in okoume and andoung sawnwood in the Philippines but enquiries are still slow for the European markets some of which are experiencing a marked slowdown in construction.

Under the current circumstances it has come as a surprise that producers are reporting signals that there is interest in China for KD okoume sawnwood and are anticipating new contracts, something not reported for a while.

Trade with China continues to be disrupted. It is understood that there are restrictions on unloading imported timber arriving at Zhangjiagang Port in China and resumption of cargo transfers will be delayed.

The South African market is receptive to okoume but here orders are small and there is tough competition from Asian suppliers.

Analysts say there is growing acceptance of laminated wooden doors in South Africa but that Indonesian door manufacturers do well in this market.

### Some winners in the US market in 2019

2019 sawn tropical hardwood import data for the US has just been made available. This shows imports of sawn tropical hardwood grew by 12% in 2019 to a total of 243,884 cubic metres compared to 217,401 cubic metres in 2018.

The volume of US sawnwood imports from Cameroon in 2019 increased while imports from Ghana fell by nearly a quarter and imports from Cote d'Ivoire fell by more than a third.

In the EU for the 12 months to September 2019, compared to the same period a year earlier imports of sawnwood from Cameroon rose by US\$13million and sawnwood imports from the Congo sawnwood rose by US\$12 million.

In contrast, over the same period imports of sawnwood from Ivory Coast and the DRC each fell by around US\$5 million.

### Log export prices

West African logs Asian market	FOB Euro per cu.m		
	LM	B	BC/C
Acajou/ Khaya/N'Gollon	265	265	175
Ayous/Obeche/Wawa	250	250	225
Azobe & ekki	275	275	175
Belli	270	270	-
Bibolo/Dibétou	215	215	-
Bilinga	275	275	-
Iroko	320	300	235
Okoume (60% CI, 40% CE, 20% CS) (China only)	220	220	200
Moabi	365	355	285
Movingui	210	210	-
Niove	160	160	-
Okan	200	200	-
Padouk	270↓	250↓	230
Sapele	280	200	250
Sipo/Utile	280	280	250
Tali	300	300	-

### Sawnwood export prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	440
Bilinga FAS GMS	520↓
Okoumé FAS GMS	460
Merchantable	310
Std/Btr GMS	340
Sipo FAS GMS	500
FAS fixed sizes	-
FAS scantlings	500↓
Padouk FAS GMS	640
FAS scantlings	675
Strips	320
Sapele FAS Spanish sizes	450
FAS scantlings	480
Iroko FAS GMS	590↓
Scantlings	640↓
Strips	350
Khaya FAS GMS	480
FAS fixed	540
Moabi FAS GMS	620
Scantlings	640
Movingui FAS GMS	420

## Ghana

### Government urged to implement policies to support domestic manufacturers

The Association of Ghana Industries (AGI) has called on government to adopt policies more favourable to the manufacturing sector so the sector can contribute more to the 'Ghana Beyond Aid' agenda.

This was disclosed by the President of the AGI, Dr. Yaw Adu Gyamfi, at a conference on the theme 'Attaining Ghana Beyond Aid: Prospects and Challenges'.

Contributing to the discussions on the transformation of the manufacturing sector, Dr. Adu Gyamfi urged government to revisit and review some of the policies in the 2011 Ghana Industrial Policy to promote industrial transformation.

He noted that the ‘Ghana Beyond Aid’ agenda can be achieved if the government’s One-District-One-Factory (1D1F) flagship programme engages and focuses more on the promotion of the local manufacturing sector rather than the current focus on attracting foreign companies.

See: [https://agighana.org/news\\_details.php?nw=172](https://agighana.org/news_details.php?nw=172)

#### Communication tool to promote wood products

Timber enterprises have designed a new communication/promotional tool “Message House” aimed at increasing the awareness of buyers, especially those in the EU, of Ghana’s capacity to deliver a range of wood products.

This initiative comes at a time when Ghana is at the final stages of satisfying all conditions of the Voluntary Partnership Agreement (VPA) with the EU. The ‘Message House’ initiative will build on Ghana’s commitment to export verified legal and FLEGT certified wood products.

The Kumasi Wood Cluster (KWC) and the Ghana Timber Millers Organization (GTMO), with the support of the FAO-EU FLEGT Programme, have begun a project ‘Development of private sector-focused messages for Ghana’s FLEGT license communication strategy’.

See: <https://www.gbafrica.net/the-timber-sector-in-ghana-discovers-communication-strategies-to-seize-eu-opportunities/>

#### World Bank financial agreement includes forestry sector

Ghana has recently signed four agreements with the World Bank worth over US\$500 million to be used to help transform Ghana’s economy. Included in the planned investments is an element to reduce forest losses and degradation.

At the agreement signing ceremony Pierre Laporte, the World Bank’s Ghana Director, commended Ghana for its longstanding and strong partnership with World Bank. In responding, Finance Minister Ofori-Atta, emphasised the government’s focus on reforms would reposition the private sector as engines of growth.

See: <https://www.mofep.gov.gh/news-and-events/2020-01-21/government-and-world-bank-group-sign-financial-agreement-for-four-projects>

#### Boule export prices

	Euro per m <sup>3</sup>
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	540
Niangon Kiln dry	622

#### Export rotary veneer prices

Rotary Veneer, FOB	Euro per m <sup>3</sup>	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	354	440
Chenchen	540	628
Ogea	521	590
Essa	586	644
Ofram	350	435

#### Export sliced veneer

Sliced face veneer	FOB Euro per m <sup>3</sup>
Asanфина	854
Avodire	667
Chenchen	7826
Mahogany	1018
Makore	947
Odum	1,437

#### Export plywood prices

Plywood, FOB BB/CC	Euro per m <sup>3</sup>		
	Ceiba	Ofram	Asanфина
4mm	320	580	641
6mm	412	535	604
9mm	377	446	560
12mm	510	450	480
15mm	450	400	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 FAS 25-100mm x 150mm up x 2.4m up	Euro per m <sup>3</sup>	
	Air-dried	Kiln-dried
Afromosia	860	925
Asanфина	465	564
Ceiba	404	600
Dahoma	413-	424
Edinam (mixed redwood)	520	651
Emeri	465	591
African mahogany (Ivorenensis)	930	962
Makore	740	766
Niangon	620	666
Odum	649	832
Sapele	720	878
Wawa 1C & Select	420	459

## Malaysia

#### Mood of pessimism among the timber exporters

The talk in the timber industry, indeed in most of the industrial sector is on the coronavirus and how it will affect business.

Trade analysts in Malaysia report a mood of pessimism among the timber exporters with some anticipating “very bad business” as the disruptions from the latest coronavirus outbreak are weakening an already disrupted global market.

Prior to the coronavirus outbreak becoming an epidemic, the Federation of Malaysian Manufacturers (FMM) urged the government to bring forward its planned stimulus packages to address the risks Malaysia faces from the US-China trade dispute.

The measures proposed to diversify Malaysian exports include intensifying the buy ‘Made-in-Malaysia’ campaign, concluding the Regional Comprehensive Partnership Agreement (RCEP) and implementation of

free trade agreements such as the Comprehensive and Progressive Agreement for Trans Pacific Partnership (CPTPP). The FMM called for a further range of measures to protect Malaysian exporters and manufacturers.

China has been Malaysia's largest trading partner for a decade and trade reached over RM300 bil. last year. This trade is now at risk according to the president of FMM as China's imports are set to be considerably lower especially in the first half of this year.

Read more at <https://www.theedgemarkets.com/article/fmm-calls-expeditious-antivirus-shot-putrajaya>

#### **Legal status of forest community established**

At the Sabah State Assembly sitting in November last year, the Assembly passed amendments to the Forest Law (Constitution of Forest Reserves and Amendments 1984) which came into force in December 2019.

The amendment in 2019 was to de-gazette 1,637 ha. of forest reserves and gazette 2,154 ha. as new permanent forest reserves.

The state government wanted to de-gazette the 1,637 ha. of forests reserve because of long-established human settlements there. The area classification has changed from the 'forest reserves category' and will be re-gazetted under the Land Ordinance for the purpose of *kampung* (or village) reserves. These areas involve at least 90 settlements with about 3,800 houses and 20,000 residents.

#### **Sarawak 2019 log exports**

The latest data shows that the volume of logs exported in 2019 was 1,290,133 cu.m, worth RM722,216,788. The species which contributed the most value was meranti at RM299,751,936 (402,971 cu.m). By comparison, the total volume of logs exported in 2018 was 1,418, 742 cu.m, worth RM 773,448,482.

In 2019 the second most valuable timber was acacia mangium at RM123,709,614 (558,504 cu.m) and the third was kapur at RM83,906,280 (79,129 cu.m). Other export species were selangan batu RM83,598,818 (56,740 cu.m), MLH (Mixed Light Hardwoods) RM51,993,533 (96,140 cu.m) followed by keruing RM40,858,543 (47,592 cu.m).

#### **MIFF 2020 to be held as planned**

The organiser of the Malaysian International Furniture Fair has issued a statement saying MIFF 2020 will be held as scheduled from March 6 to 9, 2020.

The organiser, Informa Markets, will implement precautionary hygiene measures at the two show venues, the Malaysia International Trade and Exhibition Centre (MITEC) and Putra World Trade Centre (PWTC) and will work to support the nation-wide preventive action taken by the Malaysian Government.

Medical personnel will be on standby at the two venues throughout the show for health screening.

#### **Overburdening regulations blamed for fall in investment**

The Indonesian Furniture and Crafts Industry Association (HIMKI) Secretary General has said the decline in foreign investment in the wood processing sector last year was largely because of the complexity of government regulations.

The Association considers that the Omnibus Law can help increase investment absorptions. The Indonesian Investment Coordinating Board reported that in 2019 domestic investment in the timber sector increased slightly but that foreign investment dropped over 65% from US\$276 million in 2018 to US\$95 million in 2019.

HIMKI Secretary General, Abdul Sobur, said under the present conditions Indonesia cannot compete with Vietnam in attracting foreign investment.

Sobur pointed out that the so-called Omnibus Law which has been drafted is a step in the right direction in efforts to attract investors.

See:

<https://ekonomi.bisnis.com/read/20200130/257/1195527/regulasi-rumit-sebabkan-investasi-mebel-turun>

#### **Indonesian returns to Internationale Möbelmesse**

Indonesian furniture products returned to the European international exhibition, Internationale Möbelmesse (IMM) 2020, one of the largest exhibitions for furniture makers and designers.

Eight Indonesian furniture companies joined the Indonesian Pavilion and achieved positive reviews and attracted significant orders. Indonesia missed the previous IMM and Risnawaty, the Head of the Indonesian Trade Promotion Center in Hamburg said the participation in this exhibition introduced the uniqueness of Indonesian handicraft and furniture products.

The Director of National Export Development, Dody Edward, commented that, while visitors to IMM come from around the world, Europe is still the main market for Indonesian furniture.

#### **Indonesia needs permanent solution to forest fires**

In 2019 Indonesia lost almost 2 million hectares of its forests and peat land to fires at a cost of over US\$5 billion according to the World Bank.

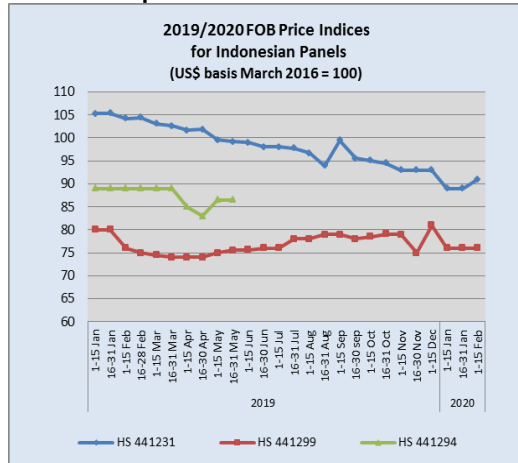
Because most fires are the result of human activity the Indonesian President has demanded a permanent solution be found to prevent these devastating annual forest fires. It has been reported that more frequent patrols by security personnel will be undertaken as well as expanded outreach activities with communities.

### Indonesian growth slipped in 2019

The Indonesian economy grew more slowly than expected last year and warnings have been issued to expect a further slow-down because the tourism sector, which attracts Chinese tourists, will be affected by the coronavirus outbreak.

Indonesia's economy grew just over 5% in 2019, down from the previous year mainly because of a decline in exports and lower manufacturing output.

### Indonesian panel indices



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

## Myanmar

### Myanmar authorities ready to cooperate with investigation in Holland

Police in the Netherlands have seized a shipment of what is said to be Myanmar teak that was being transported from the Czech Republic. The police followed up with raids of several locations in Holland.

When asked for comment, Barber Cho, Secretary of Myanmar Forest Certification Committee (MFCC) said that he was particularly upset about the way this has been reported with headlines such as “Dutch police seize allegedly illegal Myanmar teak”.

He said that readers will not pay due attention to “Allegedly” but will focus the phrase “Illegal Myanmar Teak”.

Cho further said he welcomes a full investigation of this case and is willing to offer assistance to the authorities in Holland, adding the documents, which are provided for consignments leaving Yangon Port in Myanmar can readily be traced to determine who and how this consignment was shipped.

He pointed out that problems, such as the current one, could happen with any consignment as the system in Myanmar for verification of legality is not acceptable to EU authorities.

Under the EU Timber Regulation (EUTR) importing wood without acceptable supporting documents showing a clear chain of custody, including the origin of the timber are required this has been a persistent issue in the Myanmar teak trade with the EU.

Cho reiterated that the documents with shipments provide information on the shipper, the quantity in exact number of pieces and the cubic ton (CBT). Myanmar applies only volumetric weight ton - known as Cubic Ton which is equivalent to 50- Cubic Foot.). Shipping documents can readily be checked against relevant documents issued by Forest Department.

Cho pointed out that, provided importers in EU keep track of the documents and carefully record any transfer of goods, the EU authorities can check whether the products are exported in accordance with the existing regulations in Myanmar.

But, even if inspection takes place at the first ‘Point of Entry’ in EU the documents provided by Myanmar exporters and the relevant Myanmar authorities still do not overcome the issue of Myanmar’s legality verification system being unacceptable to the EU. Under these circumstances any shipment can be controversial.

Cho further explained that MFCC website has information on legality certificates issued by the independent Certification Body and any EU Competent Authority and anyone can communicate with the Certification Body in Myanmar or the MFCC.

Details of legality certificates issued to-date can be viewed at: [www.mfcc.org.mm](http://www.mfcc.org.mm). However, at this initial stage of introducing the certification system not many certificates have been issued and therefore consignments are shipped with all supporting documents.

The MFCC is to review and revise the current MTLAS aiming to close the gaps which are already identified and to further strengthen MTLAS to comply with the EUTR. MTLAS and the independent certification bodies in Myanmar were established specifically to meet the requirements of the EU and would welcome further cooperation with the EU in order to satisfy the EUTR requirements.

For the moment, MTLAS Certificate is voluntary and it is up to the exporters to apply MTLAS certificates.

Cho has said he looks forward to seeing a detailed investigation of the current case in the Netherlands and hopes the results will be widely publicised so the lessons can be learned.

### Legality – as seen from Europe

The issue of verifying the legality of timber exports from Myanmar from an EU perspective is discussed on page 20



Here the correspondent reports, “At their December meeting, the EU Expert Group on EUTR and FLEGT, comprising representatives of the EC and government authorities from across the EU, reiterated their view that it is not possible to demonstrate a negligible risk that any timber from Myanmar is legally harvested in line with EUTR definitions”. According to the Expert Group this is due to a “lack of sufficient access to the applicable legislation and documentation from governmental sources”.

#### January teak log tender prices

Grade	H.tons	Average US\$/H.ton
SG-1	-	-
SG-2	20.57	5,125
SG-4	61.72	3,745
SG-5	154.48	3,083
SG-6	191.55	2,655
SG-7	771.82	2,086

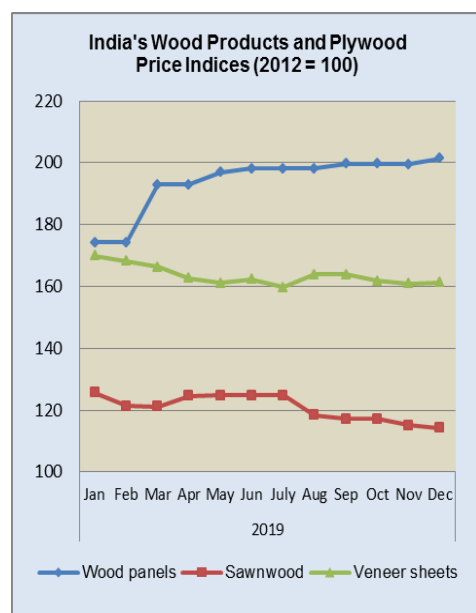
### India

#### Lower prices for sawnwood and veneer push down price indices

The official Wholesale Price Index for ‘All Commodities’ (Base: 2011-12=100) for December 2019 rose slightly to 122.8 from 122.3 from the previous month. The index for the group ‘Manufactures of Wood and of Products of Wood and Cork’ declined further to 133.1 from 133.3 for the previous month mainly due, once again, to lower prices for sawnwood.

The annual rate of inflation based on monthly WPI in December 2019 stood at 2.59% compared to 3.46% in December 2018.

The press release from the Ministry of Commerce and Industry can be found at: [https://eaindustry.nic.in/pdf\\_files/cmonthly.pdf](https://eaindustry.nic.in/pdf_files/cmonthly.pdf)



Data source: Ministry of Commerce and Industry, India

#### Bihar government to expand raw material sources for timber industries

The Bihar Government has instructed officials to prepare plans to expand the forest cover so as to promote expansion of the local veneer and plywood processing sector. This plan, it is understood, will include suggestions to strengthen the investment promotion policy developed in 2016.

The Bihar Industries Association president, Sanjay Goenka, was asked to seek suggestions from the wood processing sector on how to attract investment. Goenka suggested the creation of large scale plantations of poplar and semal (Ceiba) which are suited for small scale wood lots that can generate income for farmers and can be the raw material for industries.

Association members called on the local government to use locally manufactured wood products for government construction projects.

#### Furniture sector to be protected by import duties

The Indian Finance Ministry is considering raising the import duty on furniture to shield domestic companies from the fierce competition from imports.

Finance Minister, Nirmala Sitaraman, has called for protection to be offered to furniture SMEs as they are labour intensive and competition from imports could impact employment security in the sector.

She said cheap and low quality imports will slow development of the domestic furniture sector. The plywood and wood panel industry has welcomed the Minister's comments.

Furniture imports have increased since India signed various Free Trade Agreements but these agreements are undermining the local industries, said the Minister.

#### Plantation teak prices

Prices for plantation teak remain steady and the recent budget that is focused on lifting consumption could benefit teak importers.

However, the possible impact of the current coronavirus outbreak has everyone on edge even though it is difficult to foresee how this will impact either supply or demand. It may well be that increased uncertainty alone is enough to impact demand.

Since the beginning of February the rupee has weakened slightly and is trading between Rs.71 and Rs.72 to the US dollar.

	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 sawn hardwood prices

Prices remain as reported at the end of January.

Sawnwood Ex-mill	Rs per cu.ft.
Merbau	4,100-4,250
Balau	2,600-2,750
Resak	1,800-2,000
Kapur	2,250-2,400
Kempas	1,550-1,750
Red meranti	1,500-1,650
Radiata pine	850-950
Whitewood	850-950

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

### Myanmar teak prices

The Central Government has released the 2020 budget and this has elements that support the housing sector. There are also specific advantages for low and middle income home buyers who have not yet been attracted to purchase the affordable homes that are available.

Myanmar teak is primarily used in top end housing developments and as such consumption is little affected by either exchange rates or interest rates.

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

Analysts report that there appears to be a strengthening of demand for imported US timbers but that this has not filtered down to impact prices. US hardwood exporters are keen to develop the Indian market to diversify away from dependence on the Chinese market.

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

Price range depends mainly on lengths and cross-sections.

## Plywood

Plywood prices remain as reported at the end of January. Analysts report that manufacturers have benefitted from competition between veneer shippers so profit levels have stabilised.

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

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

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

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

## Vietnam

### Exports set to plunge

Nguyen Bich Lam, Director General of the Statistics Office has estimated that Vietnam's first quarter 2020 exports could be down around 20% from the same period last year as trade will be disrupted by the coronavirus epidemic.

The decline in exports is expected to affect a range of exports including agricultural and forestry products, aquatic products, textiles and garment, footwear and electronics. Exports to China are likely to be severely affected he said. In January foreign trade was down almost 13% and exports dropped almost 16% year on year.

In response measures to support exports as a result of the suspension of cross-border trade with China are being considered. The Director General of the Foreign Trade Agency in the Ministry of Industry said Vietnam could see a loss of around US\$200-300 million in export revenue from declines in agricultural, forestry and fisheries exports.

This could rise to US\$600-800 million if the outbreak lasts half a year.

See: <https://en.vietnamplus.vn/vietnams-exports-forecast-to-plunge-in-q1/168202.vnp>

According to VIFORES, there are currently 867 foreign enterprises in the wood processing sector in Vietnam of which 161 are Chinese companies processing and exporting wood products from Vietnam.

Around 20% of these companies are in the services and distribution isectors.

Due to current coronavirus outbreak Chinese businessmen and workers are not permitted to enter Vietnam and this is seriously affecting business operations of the Chinese enterprises as well as domestic companies providing services.

Because of the coronavirus many timber sector events such as VIFA Expo, VIFA GU and the Hanoi Wood 2020 scheduled for the first half of 2020 have to be postponed.

### Local authorities urged to plant

At the end of 2019 the total forest area with national sustainable forest management certificates reached 269,163 ha. across 24 provinces according to the Director general of the Forestry Department.

He added that over the past year around 240,000 ha. of new plantations were established. To achieve the goal of 220,000 hectares of planted forests in 2020 the forestry sector has instructed local authorities to promote planting to increase the availability of raw material for the production of added value wood products for domestic consumption and export.

See: <https://en.nhandan.org.vn/business/item/8388302-measures-to-promote-sustainable-forest-development.html>

### Better business environment to raise competitiveness

The Government has issued a new Resolution (No. 02/NQ-CP2020) which seeks to improve the business environment so as to raise national competitiveness so that Vietnam's businesses can compete more effectively in international markets.

This Resolution requires ministries and agencies to publish the revised and simplified administrative procedures related to the issuance of business certificates.

The Resolution also assigns Chairpersons of provincial People's Committees to oversee implementation of the regulations and strictly regulate officials and civil servants.

See: <https://en.nhandan.org.vn/business/item/8392002-new-measure-for-business-environment.html>



### ABIMCI Sectoral Study-2019

2019 was a good year for the Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI). The Association started a dialogue with the new Federal government and also launched its new Sectoral Study presenting the current situation in the timber sector and business opportunities in the domestic market.

The study shows that, although the sector faced subdued domestic demand, the sector has made some advances as the government has worked to improve the business climate through measures that encourage economic growth and consumption.

These measures include reducing bureaucracy; revision of NRs (Regulatory Standards for Safety and Health at Work); simplification of “e-Social” (Digital Bookkeeping System for Tax, Social Security and Labor Obligations) and simplification of “Block K” (Digital Tax Bookkeeping of ICMS and IPI).

These measures, along with the increase in entrepreneurs and consumers’ confidence, pave the way for a more prosperous year ahead with greater business opportunities for the entire timber sector. For 2020, expectations are promising. The Association has pledged to continue to assess the needs of member companies and defend the interests of the timber sector in Brazil.

### Use of drones for mapping and scaling

The use of drones in forestry is a trend in the sector's automation process and this strengthens forest planning as access to remote areas has been made possible according to Embrapa (Brazilian Agricultural Research Corporation).

For example, mapping forests manually is time-consuming and costly but aerial images taken by drones saves time and money. Tests have been conducted on using drones to assess volumes of stacked wood according to Embrapa.

According to a study, in order to measure piled wood in the forest, a drone flies over the stacked wood and captures images that make it possible to obtain volume estimates. This methodology was tested on a 1,000 cu.m of roundwood in Rio Branco municipality in Acre State.

The tests carried out in the National Forest of Jamari (RO), in partnership with the Brazilian Forest Service (SFB), proved the efficiency of the drone methodology using drone in log scaling.

See:  
<https://blogs.canalrural.com.br/florestasa/2020/01/28/uso-de-drones-otimiza-atividades-florestais/>

### Growth in domestic furniture demand

The November/December 2019 report ‘International Trade of the Furniture Sector in Brazil’, published by IEMI (Market Intelligence Institute), shows that furniture production in Rio Grande do Sul State grew 1.7% compared with the same period of the previous year.

This growth was at a faster rate than registered in the national furniture industry.

The report also shows exports declined in December by 18% to US\$ 15.6 million. The three Southern States of Santa Catarina, Rio Grande do Sul and Paraná accounted for 85% of the total value of furniture exported in the period. A further 11% was shipped from São Paulo State.

The top furniture markets for exporters in Rio Grande do Sul state were Uruguay (17.5%), the United States (16%) and the United Kingdom (14%). A sharp increase in exports to Mexico was recorded.

### Brexit and EU wood product quotas

This year ABIMCI started a dialogue with the Brazilian Ministry of Foreign Affairs (MRE) to define the positioning of the sector due to changes in the quota system for timber products exported by Brazil to the European Union and the United Kingdom.

Because of Brexit the volumes and percentages in the existing quotas will be reassessed and may undergo changes in each timber product segment.

The MRE requested ABIMCI’s participation in the quota negotiations as the Association’s input will be useful for the Brazilian government to explain the country's position. The Association considers it important to participate in this process so that any changes that may be made for each product are as close as possible to the trade practices relating to pricing and legal concerns.

The expectation is that the changes will not happen in 2020. ABIMCI anticipates that one of the Brazilian wood products that may have its quota rearranged is pine plywood as the UK is one of the main markets for this product.

### Domestic log prices

	US\$ per m <sup>3</sup>
Brazilian logs, mill yard, domestic	200
Ipê	107
Jatoba	102
Massaranduba	106
Muiracatiara	100
Angelim Vermelho	86
Mixed redwood and white woods	

Source: STCP Data Bank

### Domestic sawnwood prices

	US\$ per m <sup>3</sup>
Brazil sawnwood, domestic (Green ex-mill)	842
Ipê	441
Jatoba	420
Massaranduba	385
Muiracatiara	372
Angelim Vermelho	245
Mixed red and white	189
Eucalyptus (AD)	127
Pine (AD)	154
Pine (KD)	

Source: STCP Data Bank

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

	US\$ per m <sup>3</sup>
Parica	518
4mm WBP	412
10mm WBP	345
15mm WBP	401
4mm MR.	293
10mm MR.	269
15mm MR.	

Prices do not include taxes. Source: STCP Data Bank

#### Prices for other panel products

Domestic ex-mill prices	US\$ per m <sup>3</sup>
15mm MDParticleboard	200
15mm MDF	241

Source: STCP Data Bank

#### Export sawnwood prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m <sup>3</sup>
Ipe	1,446
Jatoba	863
Massaranduba	841
Muiracatiara	858
Pine (KD)	170

Source: STCP Data Bank

#### Export plywood prices

Pine plywood EU market, FOB	US\$ per m <sup>3</sup>
9mm C/CC (WBP)	256
12mm C/CC (WBP)	244
15mm C/CC (WBP)	228
18mm C/CC (WBP)	222

Source: STCP Data Bank

#### Export prices for added value products

FOB Belem/Paranagua ports	US\$ per m <sup>3</sup>
Decking Boards Ipê	2,933
Jatoba	1,450

Source: STCP Data Bank

## Peru

### 8 million hectares of forest to be allocated for investors

It has been reported that this year the Government plans to award around 8 million hectares of forests to private investors. The allocations will be for logging concessions, ecotourism, conservation and for commercialising ecosystem services.

This proposal was submitted by the National Forest and Wildlife Service (Serfor) as a means to reduce persistent deforestation and combat illegal logging. It is planned that allocations of logging concessions will begin in April and will be based on the technical and financial capacity of the applicants among other requirements.

In related news, to curb migratory agriculture which, it is said, is the cause of most of the deforestation in Peru, and is practiced by some 125,000 families occupying over 1.3 million hectares Serfor needs government approval for an investment programme with the German bank KfW, a German state owned development bank based in Frankfurt.

"The German resources will allow the implementation of a range of projects for communities creating conditions to attract private investment in for example, the development of forest plantations according to Serfor.

### San Martín the first in achieving forest zoning

The San Martín Region was the first to conclude the forest zoning exercise. In San Martín it has been determined that 85% of the region's territory has the potential for development according to Serfor.

The authorities in San Martín region have delimited areas to be allocated for the various functions such as conservation concessions, ecotourism, exploitation of timber and non-timber products, wildlife, plantations as well as agro-forestry and silvo-pastoral.

The forest zoning process has the financial support of the Norwegian government in the framework of the Joint Declaration of Intent, a results-based payment agreement signed by Peru, Norway and Germany.

For more see: <http://www.bosques.gob.pe/archivo/23-apoyo-dci-wwf-pncb-norad.pdf>

#### Export sawnwood prices

Peru sawnwood, FOB Callao Port	US\$ per m <sup>3</sup>
Pumaquiro 25-50mm AD Mexican market	637-651
Virola 1-2" thick, length 6'-12' KD Grade 1, Mexican market	534-599
Grade 2, Mexican market	492-509
Cumaru 4" thick, 6'-11' length KD Central American market	973-987
Asian market	1009-1052
Ishpingo (oak) 2" thick, 6'-8' length Spanish market	552-573↑
Dominican Republic	671-681
Marupa 1", 6-11 length KD Grade 1 Asian market	552-595

#### Domestic sawnwood prices

	US\$ per m <sup>3</sup>
Peru sawnwood, domestic	-
Mahogany	269-280
Virola	342-355
Spanish Cedar	233-242↑
Marupa (simarouba)	

#### Export veneer prices

Veneer FOB Callao port	US\$ per m <sup>3</sup>
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 m <sup>3</sup>
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 m <sup>3</sup>
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 m <sup>3</sup>
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 m <sup>3</sup>
Cabreuva/estoraque KD12% S4S, Asian market	1327-1398
Cumaru KD, S4S	
Swedish market	979-1098
Asian market	1089-1119
Cumaru decking, AD, S4S E4S, US market	1199-1235
Pumaquiro KD Gr. 1, C&B, Mexican market	479-554
Quinilla KD, S4S 2x10x62cm, Asian market	544-577
2x13x75cm, Asian market	756-822

## Japan

### Bank of Japan ready to expand stimulus measures

According to Masazumi Wakatabe, Deputy Governor at the Bank of Japan (BoJ), the Bank will expand its economic stimulus measures if the economy is at risk from a contraction brought on by weakening global demand and by heightened risks from the coronavirus outbreak which is already hurting corporate sentiment around the world. Wakatabe said risks remain high especially as it is unclear how the coronavirus epidemic will affect Chinese manufacturing and imports.

While Japan's economy appears to have contracted in the final quarter of last year the BoJ expects a recover this year.

### Increase the consumption tax to contain Japan's massive debt says IMF

Reuters has reported that Paul Cashin, International Monetary Fund mission head for Japan, has warned that Japan's tourism, retail and export sectors will be affected by the coronavirus outbreak.

This has already been reported by hoteliers and retailers in Japan who saw massive hotel cancellations and a sharp drop in tourist arrivals and retail sales in February. The IMF will provide an update on economic prospects for Japan in its April global forecast.

The coronavirus outbreak, coming on the heels of the 2019 increase in consumption tax, is weighing on the economy. Household spending in Japan dipped almost 5% in December 2019 from a year earlier.

Following the 2019 tax increase to 10% household spending fell over 5% in October after the 2% decline in November. Under such circumstances consumers immediately cut back on discretionary spending and the household furniture sector is often an early victim.

In related news, the IMF has recommended that Japan incrementally raise its consumption tax to fund growing social security costs. The Fund also warned that Japan's public debt seems on track to rise to 2.5 times the size of the economy by 2030 unless the country does not have a credible fiscal policy.

The IMF said the consumption tax would need to be lifted to 15% by 2030 and to 20% by 2050 to finance surging costs because of the aging and shrinking population.

See;

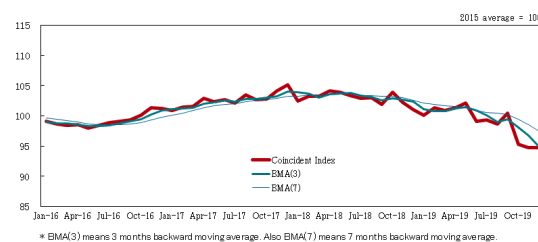
<https://mainichi.jp/english/articles/20200211/p2g/00m/0na/019000c>

### Business conditions 'worsening' says Cabinet Office

Japan's Cabinet Office data is supporting the view that the country's economy may have entered a recessionary phase after a period of growth since December 2012.

The composite index of coincident economic indicators is "worsening," according to the Cabinet Office which reported conditions were "worsening" for the fifth consecutive month.

The coincident index, which reflects current economic conditions, stood at 94.7 in December against 100 for the base year of 2015.

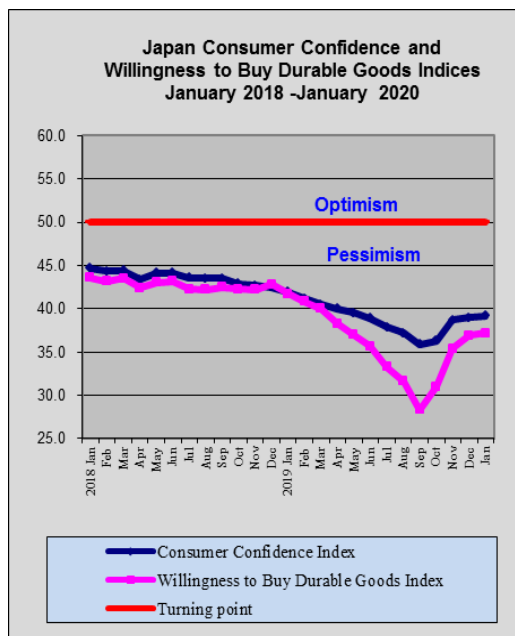


Source: Cabinet Office, Japan

**Tax and virus, a double whammy for consumption**

The Japanese Prime Minister has instructed officials to prepare plans in readiness to mitigate the effects of the coronavirus on the economy. The media has reported that the government will compile emergency plans before the end of February.

In the face of weakened consumer confidence due to the consumption tax increase and because of the prospect of an economic slow-down as a result of the virus outbreak, there is little chance of an improvement in confidence in the January to March period.

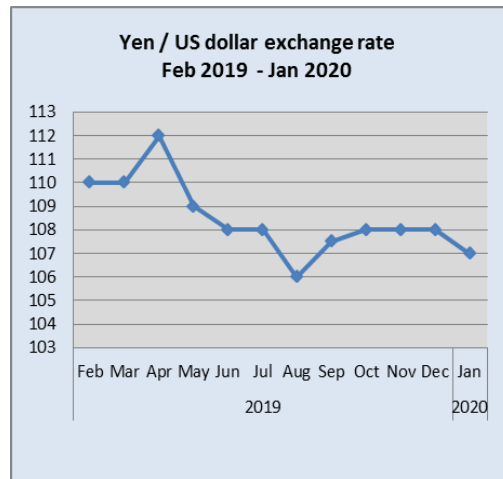


Data source: Cabinet Office, Japan

**Yen dips to 110 but likely to strengthen**

With diminished opportunities in Japan domestic investors are seeking returns outside of Japan which is putting a downward pressure on the yen/dollar exchange rate. In mid-February the yen was at around 110 to the US dollar and analysts are forecasting continued yen weakness in the short-term.

However, there is a general consensus that the yen is under-valued and that because Japan continues to have a very large current account surplus, over the medium to long-term a strengthening of the yen seems likely. The yen /dollar exchange rate is close to 110 for the dollar, the weakest it has been for many months.



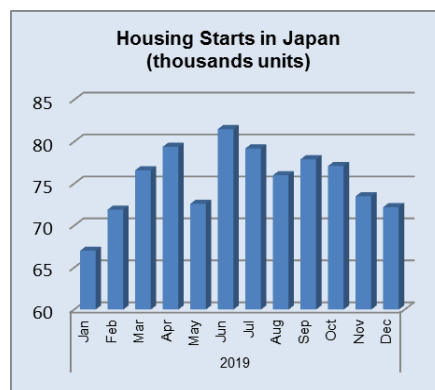
**Business model built on abandon home remodelling**

The latest survey has shown that Japan has around 8.5 million unoccupied homes and the number continues to rise as families now tend to live separately in their own homes and show no interest or cannot afford to maintain their parents empty house. The problem of abandoned homes is exacerbated where there is a drift of younger people to the cities.

For one new company in Japan, Katitas Co. this has become a business opportunity. Katitas buys old homes considered worthless in a country that spurns second hand everything, renovates them and sells them to people who have only modest incomes or as second homes to city folk.

Houses in Japan are not built to last like those in western countries and Japanese homes typically depreciated to zero over about 20 years and are often then replaced. A Ministry of Land report says sales of pre-owned houses represent just 15% of Japan’s housing market the market compared with around 80% in the US.

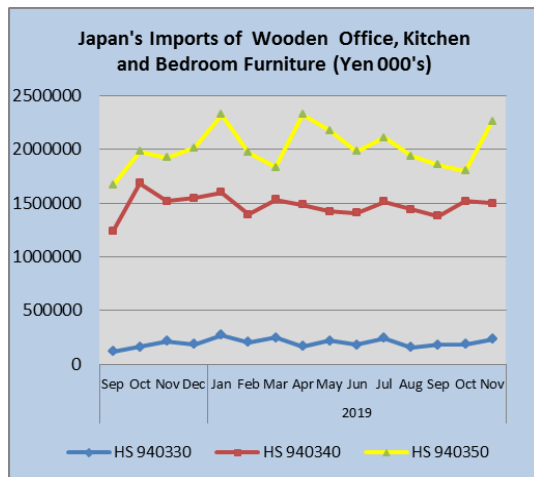
See: [https://katitas.jp/index\\_en.html](https://katitas.jp/index_en.html)



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

## Import update

### Furniture imports



Data source: Ministry of Finance, Japan

#### Office furniture imports (HS 940330)

The dominance of Chinese shippers of wooden office furniture (HS940330) to Japan extended into November 2019 where imports from manufacturers located in China accounted for around 70% of all wooden office furniture imports in the month.

The other main shippers were Poland and Italy, each contributing around 5% each to November imports. November imports from China were up over 30% adding to the 20% rise seen in October 2019.

Year on year Japan's November 2019 wooden furniture (HS940330) imports were up 8% and month on month there was a 25% rise.

#### Office furniture imports

	Imports Nov. 2019 Unit, 000's Yen
S. Korea	243
China	162,530
Taiwan P.o.C	880
Hong Kong	-
Vietnam	1,239
Thailand	3,625
Singapore	-
Malaysia	3,006
Indonesia	5,343
Cambodia	-
India	615
Denmark	1,202
UK	5,382
Netherlands	-

France	338
Germany	2,532
Portugal	9,662
Spain	-
Italy	11,093
Poland	13,170
Hungary	241
Turkey	2,149
Lithuania	-
Slovakia	2,014
Canada	213
USA	9,297
Mexico	825
<b>Total</b>	<b>235,599</b>

Data source: Ministry of Finance, Japan

#### Kitchen furniture imports (HS 940340)

	Imports Nov. 2019 Unit, 000's Yen
China	117,428
Taiwan P.o.C	2,242
Vietnam	560,595
Thailand	32,484
Malaysia	3,289
Philippines	694,124
Indonesia	13,494
Cambodia	-
India	-
Denmark	745
UK	-
Netherlands	-
France	294
Germany	50,099
Spain	-
Italy	15,879
Finland	-
Romania	2,274
Canada	5,550
USA	2,328
<b>Total</b>	<b>1,500,825</b>

Data source: Ministry of Finance, Japan



In contrast to the growth in imports of office furniture, Japan's November 2019 imports of wooden kitchen furniture were flat both year on year and month on month.

The top supplier in November was the Philippines at 46% of total monthly import values closely followed by Vietnam which contribute a further 37% to overall imports in November 2019.

Manufacturers in China are not big players in the wooden kitchen furniture segment in Japan contributing just 8% to total November 2019 imports.

#### Bedroom furniture imports (HS 940350)

	Imports Nov. 2019 Unit, 000's Yen
S. Korea	-
China	1,245,264
Taiwan P.o.C	12,535
Mongolia	971
Hong Kong	-
Vietnam	805,793
Thailand	76,502
Malaysia	46,094
Philippines	1,335
Indonesia	9,088
India	-
Pakistan	-
Sweden	468
Denmark	1,267
UK	467
Netherlands	-
Belgium	-
France	-
Germany	230
Spain	-
Italy	8,073
Finland	-
Poland	40,047
Austria	1,390
Hungary	-
Greece	-
Romania	-
Turkey	-
Estonia	-
Latvia	1,468
Lithuania	13,801
Bosnia Herzegovina	786
Slovakia	-
USA	-
Total	2,265,579

Data source: Ministry of Finance, Japan

After three months of consecutive declines November 2019 imports of wooden bedroom furniture (HS940350) reversed direction rising 26% month on month. The top two suppliers in November 2019 were China and Vietnam with shippers in Thailand and Malaysia capturing just 5% between them of November 2019 imports.

Year on year Japan's imports of wooden bedroom furniture in November 2019 were up 18% and there was a 26% increase in import values from a month earlier.

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

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

For the JLR report please see:

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

#### Hot topics of 2019

2019 is remembered as the year with series of natural disasters. Series of typhoons hit Japan in summer months. Typhoon number 15 was small in size but had very strong wind. It passed through Tokyo Bay and damaged many houses in Chiba prefecture and resulted in many blowdown trees then typhoon number 19 brought record rain fall, caused devastated flood in many places as many river banks failed and many houses were inundated and submerged in regions north and north east of Tokyo.

Another issue is increase of consumption tax from 8% to 10% since October. Orders for housing before the tax hike were expected but there was not much upsurge. Housing starts were particularly impacted continuous decrease of rental units by overbuilt. Obviously boom of investment for building apartments by record low housing loan interest busted.

After all there was not much drop for overall housing starts despite large drop of rental units. This kept precutting plants busy all through the year and domestic softwood plywood demand continued robust all through the year. Two new plywood mills started in 2019 but there was no oversupply of softwood plywood. However, labor shortage and trucking shortage become headache for plywood manufacturers.

Constructions for the 2020 Tokyo Olympic Games peaked in 2019. The New national stadium was completed and this is unique structure with many wood products are used. Economy after the games is worried as there is not much stimulus after the Olympic boom is over.

World wood products market in all through 2017 and first half of 2018 was led by two big countries of the U.S.A. and China but after the trade war started between these two countries, demand in two countries sharply receded and the market plunged.

**Development of super thick plywood**

Seihoku Plywood (Tokyo) is developing super thick plywood with thickness of more than 50 mm and it is applying to obtain JAS certificate. This will allow Seihoku to participate in the new engineered wood market.

Presently the maximum thickness Seihoku is manufacturing is 32 mm. Manufacturing of thicker panel is the same as standard panel but there is limit of thickness for press so the process after press is used LVL line. Seihoku happens to have LVL manufacturing line so through production of super thick plywood is possible.

Thickness of veneer is 3.73 mm, thicker than standard veneer to make standard plywood. Species it uses is domestic larch. Veneer goes through veneer strength measuring machine and veneer with 100E -120 E strength is recovered to manufacture super thick plywood.

Subject of plywood industry is to manufacture thicker panel and non-structural panel. Thicker panel is aimed to become as new wood products to compete with lumber, laminated lumber and structural LVL and it becomes a new market for plywood manufacturers.

Seihoku has already succeeded to manufacture 200 mm thick plywood (width of 1,000 mm and length of 2,000 mm) by plying 57 veneers. This is used as structural material for woo based eleven stories high training facility Obayashi Corporation plans to build. 200 mm thick plywood is put in between two 150 mm thick structural LVL posts and tied with drift pins.

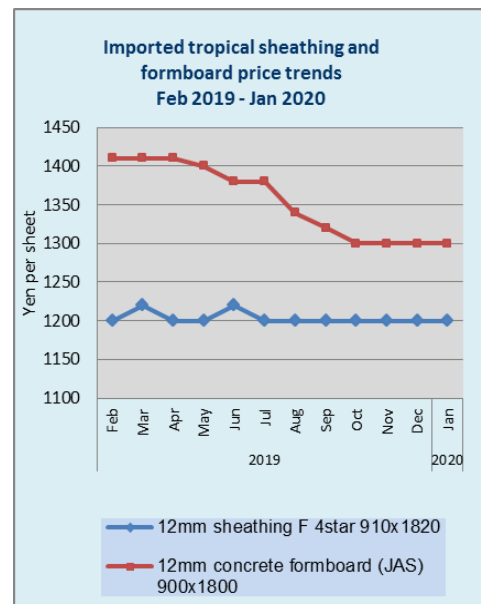
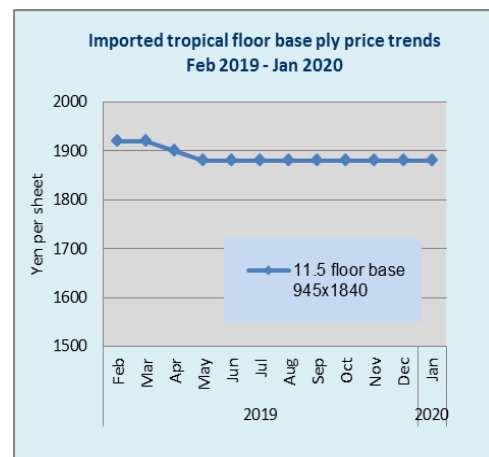
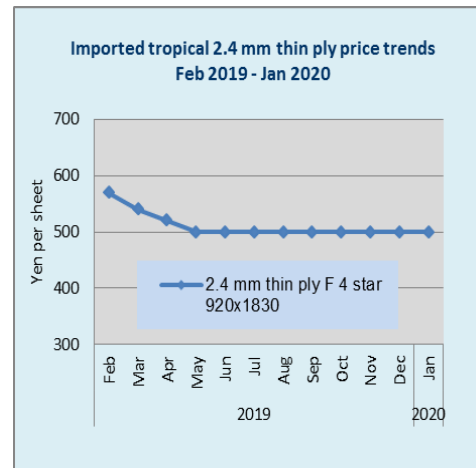
**Plywood**

Movement of domestic plywood in January continues active but that of imported plywood is getting slower and the importers are cautious in placing new orders to the suppliers in Malaysia and Indonesia.

Domestic plywood manufacturers have been experiencing very active shipments exceeding the production for last four months so that the inventories are down to minimum. The shipment continues busy in January and the users are asking quick delivery of delayed contracts and some plywood mills have started filling February orders already so the mills work hard to manage production and shipment.

Meantime movement of imported tropical hardwood plywood is getting stagnating. Up until early December last year the prices moved up on concrete forming panel and structural panel by rehabilitation demand of typhoon damages but by late December, such demand faded. Movement of coated concrete forming panels is slow by lack of demand. Some tight items are filled by arrivals during the New Year’s holidays so the market prices are barely holding and chance of price increase is very remote so the prices seem to remain in bottom range.

The importers feel that it is risky to accept high priced offers by the suppliers because of weak market in Japan so future orders are declining.



**South Sea log and lumber**

Supply and demand of South Sea hardwood logs are well balanced. Producing regions of Malaysia and PNG are in rainy season so log production is low now but users in Japan have acquired enough logs.

Chinese purchase of PNG logs remains slow due to depressed market in China.

Movement of laminated free board of merkusii pine and Chinese red pine continues sluggish after round of the demand for shops and public facilities has been done for a time being. The inventory in distributing channel is limited so there is no surplus.

#### **Domestic logs and lumber**

Since beginning of the year, lumber orders have been much slower than normal years. Normally the orders last through month of January and some items are tight in supply but in this winter, inquiries on structural materials are very little so the dealers have hard time to sell.

Meanwhile log production has been very stable by favorable weather since last November in everywhere in Japan so that log market is weakening. Demand for logs has peaked in last November and December so January trading is quiet.

In Eastern Japan, logging road system damaged by typhoons in last summer and fall have not been repaired yet but overall log supply is recovering to normal year level or slightly low then in the areas west of Tokyo log supply is ample without any tightness so log prices are generally weaker.

In Eastern Japan, 3 meter post cutting cedar log prices climbed sharply after the typhoons in last fall but they are getting back down to 12,000-13,000 yen, 1,000 yen down from the peak and there are some low prices like 11,000 yen in some areas. Also prices of sill cutting cypress logs shot up steeply but they are now back down to normal like 17,000-18,000 yen, 1,000 yen down.

Demand for domestic lumber peaked in last November and orders started slackening in December. Outlook for new housing starts in February and March is uncertain so precutting plants and dealers have started reducing purchases. As log prices are softening, lumber prices are likely to go down and they are just watching how things turn.

Sawmills are reducing the production to tighten the market as the market prices are weak but are holding yet.

Apart from new housing, there are active demand for restoration works by typhoon damaged areas and ground retaining board of cedar and red pine, girder and floor joist of Douglas fir and cypress and cedar floor board are moving well.

#### **Reduced tariffs on US wood products**

The China Customs Tariff Commission issued a notice on 6 February 2020 stating that China will halve the additional tariffs on US\$75 billion worth of some US products as of 14 February 2020 in a bid to promote the stable development of Sino-US economic and trade relations.

This decision will halve the 10% and 5% rates on a list of US products that were subject to additional tariffs from 1 September 2019.

The tariffs for 270 items listed in the first section and 646 items in the second section of Annex 1 to the Notice was adjusted to 5% from 10% and for the 64 items listed in the third section along with 737 items in the fourth section had tariffs adjusted to 2.5% from 5%.

Apart from the above-mentioned adjustment, the other measures to additional tariffs on U.S. products will continue to be implemented.

The tariff rates on most of the logs and sawnwood imported from the US have been reduced to 5% from 10%. The tariffs on poplar sawnwood and other North America sawn hardwoods have been cut to 2.5% from 5%.

The tariff rates on most imported wood-based panels, wood crafts and furniture have been halved to 2.5% from 5%. In addition, tariffs on most of the imported woodworking machinery, woodworking tools, agroforestry tools and forestry machinery from the United States will be halved to 2.5% from 5%.

Analysts write “this move is good for timber traders, wood processors and furniture manufacturers who have been suffering from trade conflict and also disrupted production and trade due to the coronavirus control measures.

Further adjustment will mainly depend on future development in the economic and trade relations between the two countries. The commission said other additional tariff measures will continue to be implemented as stipulated and they will continue to work on tariff exemptions for imports from the US.

See:

[http://gss.mof.gov.cn/gzdt/zhengcefabu/202002/t20200206\\_3466540.htm](http://gss.mof.gov.cn/gzdt/zhengcefabu/202002/t20200206_3466540.htm)

[http://gss.mof.gov.cn/gzdt/zhengcefabu/201908/t20190823\\_3372928.htm](http://gss.mof.gov.cn/gzdt/zhengcefabu/201908/t20190823_3372928.htm)

#### **Delay in restarting trade at the main timber markets**

Due to the impact of coronavirus epidemic the main timber markets in China have delayed the start of work after the New Year holidays.

When surveyed it appears the timber markets may return to normal business as soon as the end of February or the beginning of March 2020.

The timber markets surveyed include:

- Dongguan Zhongtang Yuzhu Timber Market
- Sichuan Da Southwest Timber Market
- Shanhai Furen Timber Market
- Shandong Linyi Wood-based Panel Timber Market
- Jiangxi Nankang Yuzhu Timber Market
- Zhangjiagang Timber Market
- Suifenhe Timber Market
- Foshan Jiujiang Da Zhuanwan Yuzhun Plywood Market

**Postponement of March international exhibitions**

The timber trade online journal wood365 has reported that in accordance with the government decree for prevention and control of the coronavirus epidemic all large-scale trade activities and gatherings shall be suspended during the epidemic prevention and control period.

A number of exhibition organizers issued delay. So far 6 international exhibitions will be postponed. The following exhibitions in March 2020 are postponed.

For details of postponements see: [https://www.wood365.cn/Industry/IndustryInfo\\_263807.html](https://www.wood365.cn/Industry/IndustryInfo_263807.html)

Fairs postponed include”

- 2020 The 30th China (Beijing) International Building Decorations & Building Materials Exhibition
- CIDE-2020 7th China International Integrated Custom Home Furnishing Exhibition and China International Door Industry Exhibition
- 2020 DOMOTEX asia/CHINAFLOOR)
- CBD - IBCTF (Shanghai) 2020 - China International Building & Construction Trade Fair
- China International Building and Construction Trade Fair
- 43th International Furniture (Dongguan) Fair and Furniture Machinery and Materials
- CIFF 2020 - The 45th China International Furniture Fair (Guangzhou)
- 45<sup>th</sup> China International Furniture Fair (Guangzhou)-Home Furniture.html )
- 2020 Shenzhen Creative Week & 35th Shenzhen International Furniture Exhibition

**No off-loading in Zhangjiagang Port**

Timber traders have learned that the local government in Zhangjiagang City is implementing strict measures to control the spread of the coronavirus. The resumption of business at the Zhangjiagang timber market is still uncertain. Furthermore, there are restrictions on unloading imported timber arriving at Zhangjiagang Port.

In related news all railway transport between Russia and China has been suspended except for the Beijing-Moscow international route. Under these circumstances and where contracts cannot be honoured companies may have the option of declaring *force majeure*.

Chinese companies have been advised to contact the China Council for the Promotion of International Trade (<https://www.rzccpit.com/>) for advice on declaring force majeure.

**Imported C&F price data series**

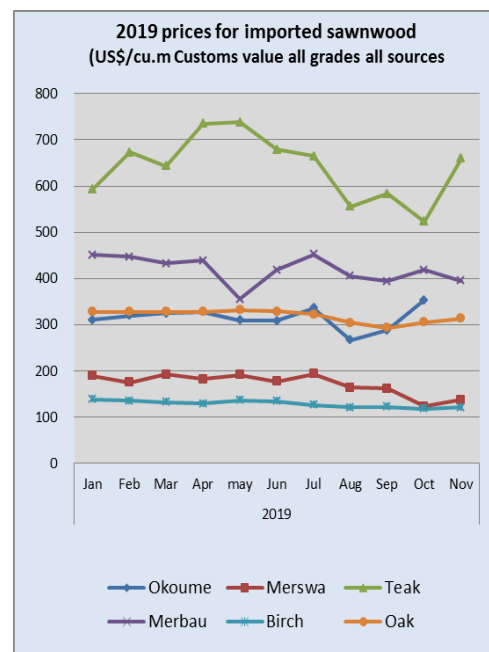
In an effort to provide more transparency on imported timber prices in China a new data set is provided below showing average prices for some key timbers imported.

It should be noted that these average C&F prices are derived from the import volumes and values as reported by China’s Customs.

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

	2019 Oct	2019 Nov
Okoume	353	
Merswa	124	137
Teak	523	659
Merbau	418	395
Birch	118	122
Oak	305	313

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

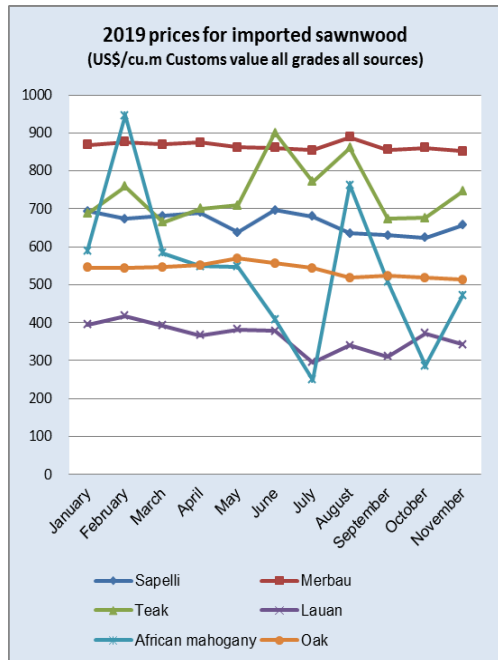


Data source: China Customs. Customs value all grades, all sources

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

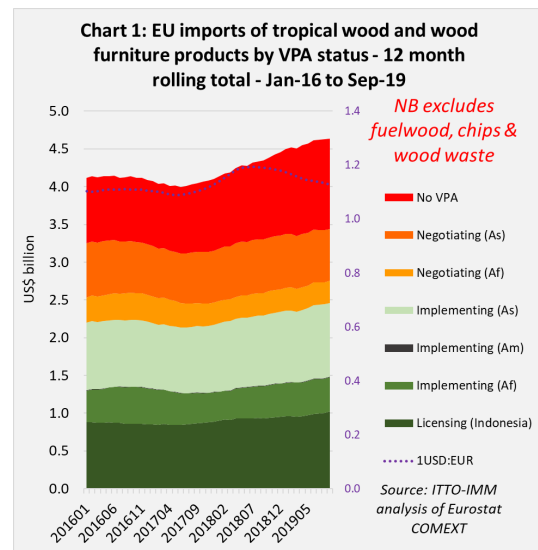
	2019 Oct	2019 Nov
Sapelli	624	657
Merbau	861	852
Teak	766	746
Lauan	372	343
African mahogany	286	472
Oak	519	513

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



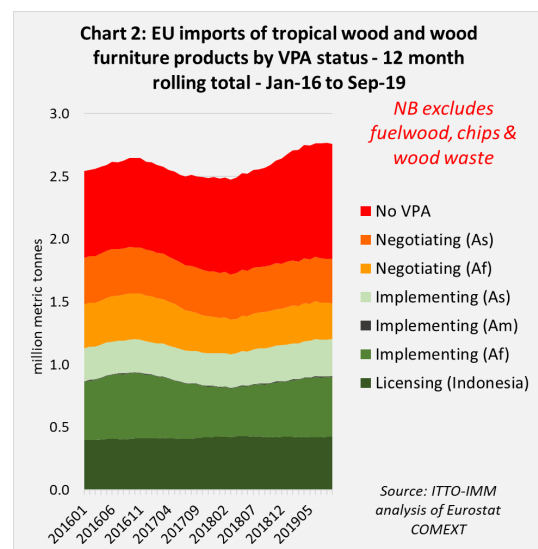
Data source: China Customs. Customs value all grades, all sources

The 12-month rolling total fell to a low of US\$3.99 billion in June 2017 but had rebounded to US\$4.35 billion by September 2018 and gained an additional US\$0.28 billion in the following 12 months to reach US\$4.63 billion by September 2019.



Initially, the recovery in the US dollar value of EU imports was driven by exchange rate fluctuations as the euro increased sharply in value against the US dollar in 2017. However, from mid-2018 to mid-2019, the euro was weakening against the US dollar and the rise in dollar import value coincided with a genuine increase in import quantity.

Chart 2 shows that the 12-month rolling total quantity of EU tropical wood and wooden furniture imports dipped to 2.5 million metric tonnes (MT) in March 2018, then increased to 2.8 million MT in June 2019, remaining at that level through to September 2019.



Indonesian Licensed products feature prominently in the league table of the largest gains in EU tropical wood product imports in the year to September 2019 (Chart 3).

**Europe**

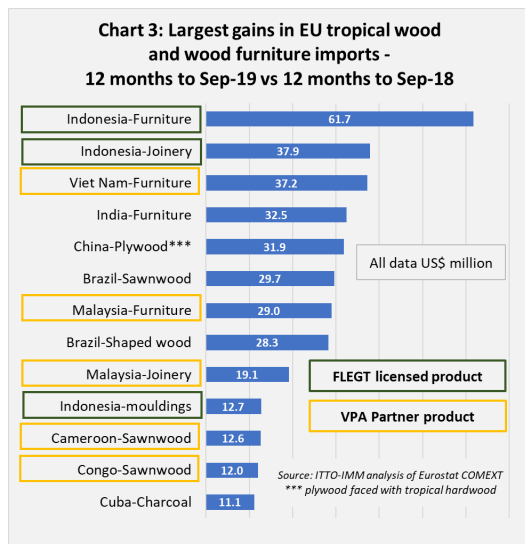
**FLEGT products biggest winners in EU tropical wood market**

An analysis of EU trade data by the FLEGT Independent Market Monitor (IMM), an ITTO project funded by the EU, shows that FLEGT licensed products from Indonesia, particularly wooden furniture and doors, were on course to be the biggest winners in the EU tropical timber market last year.

Overall the EU's trade in tropical wood and wooden furniture products was more buoyant in the first nine of months of 2019 than the same period in 2018.

Chart 1 shows twelve monthly rolling total US\$ value of imports (to iron out seasonal fluctuations) from tropical countries into the EU of all wood and wooden furniture products listed in HS Chapters 44 and 94 (excluding fuelwood, wood waste and chips).





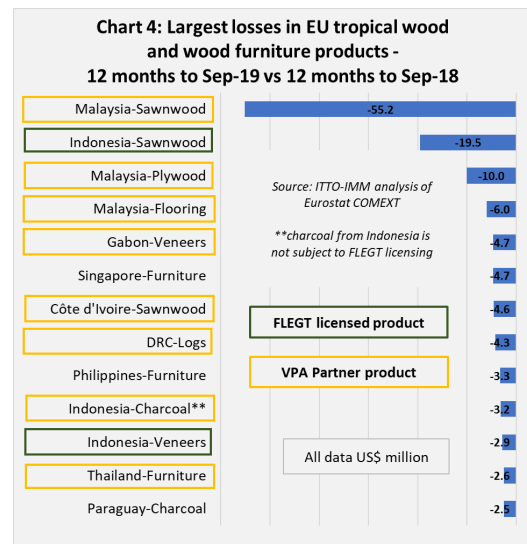
Indonesian furniture led the way with imports in the year to September 2019 being US\$61.7 million greater than in the previous 12-month period. Indonesian joinery products were in second place, gaining US\$37.9 million in the same period. Indonesian mouldings/decking made it on to the list of big gainers, adding US\$12.7 million.

There was also a small gain in EU imports of Indonesian plywood, which were US\$3.6 million greater in the year to September 2019 compared to the previous 12-month period.

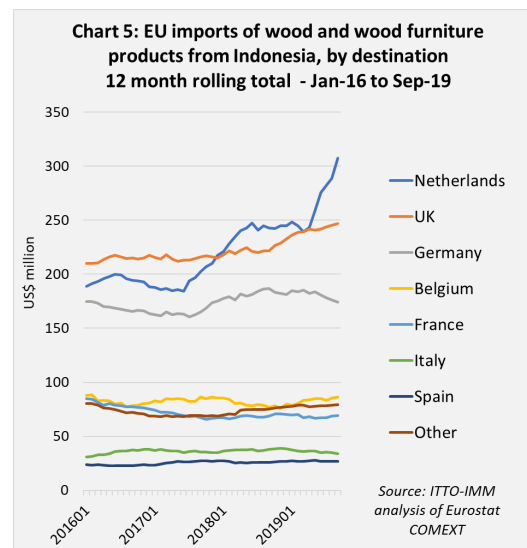
This occurred despite a background of intense direct competition from Russian birch plywood products. IMM contacts with EU plywood importers suggest that prices for Russian products are highly competitive due both to low prices for birch logs in Russia and continuing weakness of the Russian rouble.

Amongst VPA countries other than Indonesia, significant gains were also seen in EU imports of furniture from Viet Nam and Malaysia, joinery (mainly laminated wood) from Malaysia, and sawnwood from Cameroon and the Republic of Congo.

Less positive from a FLEGT perspective is that two Indonesian product groups – sawnwood and veneer - also appear in the list of the biggest losers in the year to September 2019, although the deficits are more moderate than for Malaysia which suffered a particularly sharp decline in EU imports of sawnwood (Chart 4).



Much of the recent growth in EU imports of Indonesian wood and wooden furniture products has been destined for the Netherlands and UK (Chart 5). Last year's surge in imports of Indonesian wooden furniture was destined mainly for the Netherlands. The UK is the largest growth destination for wooden doors and plywood from Indonesia. Most EU imports of decking and mouldings from Indonesia are destined for Germany and the Netherlands.



**Campaign to promote FLEGT licensed timber**

The UK Timber Trade Federation's FLEGT communication project is planning to take installations featuring FLEGT-licensed timber around the EU in 2020. The initiative is funded by the UK Department for International Development under its Forest Governance, Markets and Climate programme (FGMC).

Last year the TTF project promoted FLEGT at the Brussels Furniture Fair and several conferences and organised a Tropical Trade Forum at the TTF's London headquarters.

It also supported an installation called Momento, designed by students using FLEGT licensed balau as part of the London Festival of Architecture.

The 2020 installation will be called Conversations and will feature seating in FLEGT-licensed timber created by craft students and leading designers, intended to stimulate discussion about FLEGT and using legal and sustainable tropical timber. After a pilot in the UK it is intended to set up in prominent locations across the EU.

The TTF campaign will run more seminars, develop an e-learning resource for architects and contractors. It is also liaising on FLEGT with Chinese timber trade bodies. Under the FGMC grant, the Federation is also backing a timber marketing advisory programme being undertaken by the Global Timber Forum in Ghana and Indonesia.

**Indonesia loses GSP status in the EU**

As of 1 January 2020, Indonesia no longer qualifies for Generalised Scheme of Preferences (GSP) tariff rates on Wood and Wood Products in the EU.

The GSP system has ‘graduation mechanisms’ for ascertaining a country’s eligibility for preferential duty rates. These include the value of its exports of specific goods to the EU as a percentage of all EU GSP imports of those products. According to the EU, Indonesia exceeded the ceiling of 57% under this calculation for three years, so losing its GSP status.

It remains to be seen whether removal of Indonesia’s GSP status from 1st January 2019 will have any significant impact on EU imports.

Loss of GSP status will have no effect on trade in those products like decking/mouldings and most wooden furniture which are zero tariff for all EU imports. However, it means higher tariffs for Indonesian plywood, veneers, and planed, sanded and finger-jointed sawn timber.

For plywood, probably the most significant Indonesian wood product influenced by GSP status, the tariff has increased from 3.5% to 7%.

**EU imports from Myanmar continue despite EU prohibition**

At their December meeting, the EU Expert Group on EUTR and FLEGT, comprising representatives of the EC and government authorities from across the EU, reiterated their view that it is not possible to demonstrate a negligible risk that any timber from Myanmar is legally harvested in line with EUTR definitions.

According to the Expert Group this is due to “lack of sufficient access to the applicable legislation and documentation from governmental sources”.

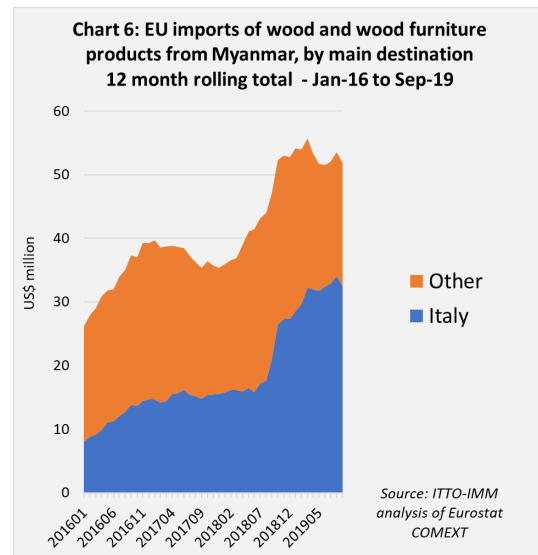
This opinion of the Expert Group, which reiterates previous conclusions made at earlier meetings in June and September, implies that any operator placing Myanmar timber on the EU market will be liable to prosecution for failure to undertake adequate due diligence under the terms of the EUTR.

Authorities in several EU member states have sanctioned operators trading in Myanmar teak. In the three years since 2017, a variety of legal cases have been brought against importers of teak in Belgium, Denmark, Germany, Netherlands, Sweden, and the UK, involving confiscation of the timber or requiring it’s return to Myanmar, and additional sanctions such as fines.

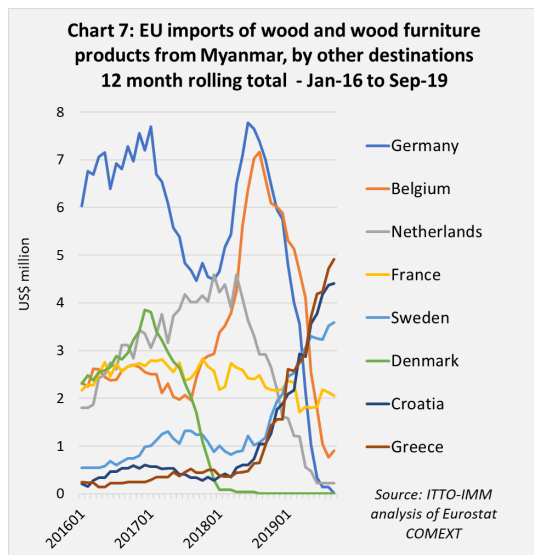
The report of the Expert Group’s December meeting indicated that additional cases are now being brought in the Czech Republic and Austria. The Expert Group observed that these enforcement activities are leading to changes in the direction of trade around the EU.

ITTO’s own analysis of trade flow data confirms that there have been significant changes in the direction of trade, but no sign of decline in overall imports from Myanmar. EU imports of wood products from Myanmar were valued in excess of US\$50 million in the 12 months to September 2019, double that of 5 years before.

During this period imports into Italy increased four-fold to over US\$30 million (Chart 6).



During the same period direct imports from Myanmar into Germany, Netherlands, Belgium and Denmark fell to negligible levels. However, in addition to Italy, there was a significant increase in imports (from a very small base), into Greece, Croatia and Sweden. Imports into France remained low but consistent at around US\$2 million per year (Chart 7).



The continuing reluctance of EU officials to accept that negligible risk of illegal harvest can be demonstrated in Myanmar comes despite additional information and wide-ranging discussion of EU due diligence requirements at a national FLEGT multi-stakeholder dialogue held in Nay Pyi Thaw, Myanmar, in November.

According to a report on the dialogue in the minutes of the EU Expert Group meeting in December, “this multi-stakeholder group (MSG) was set up in the course of the pre-preparatory process towards a VPA in Myanmar”, although “already last year it was made clear that the [VPA] process was halted”.

The MSG, which operates at national level with associated regional groups, includes representatives of government (including State-owned Myanmar Timber Enterprise, MTE), private sector and civil society organisations (CSOs). The dialogue meeting in November involved about 150 people.

The dialogue was funded and facilitated by the EU FLEGT facility and the FAO-EU FLEGT Programme. The EU Expert Group minutes go on to note that “although the VPA process is stopped, having the MSG as an interlocutor is very helpful in the strife for improved forest governance and law enforcement in Myanmar”.

The EU Expert Group minutes state that “Myanmar applied for funding from the FAO-EU FLEGT Programme for further multi-stakeholder meetings to prepare a work programme for activities that could be funded by the Programme from 2020-2021 and build capacity to submit quality project proposals”.

“The intention is to ensure ownership of the process [in Myanmar] of all stakeholders and at the same time avoid the pursuit of (often costly) activities promoted by some stakeholders predominantly interested in trade, which, in the end, do not constitute adequate measures to ensure good forest governance and legal timber harvest”, according to the EU Expert Group minutes.

The EU Expert Group meeting minutes conclude that “dialogue with Myanmar has clarified what issues must be addressed in order to outline a way forward towards good forest governance and legal timber harvest, which would provide sufficient transparency to enable operators to carry out due diligence correctly and adequately mitigate to a negligible level the risk of illegal harvested timber being placed on the internal market. It also showed avenues for working together with IMM in this context, without giving false expectations”.

The EU Expert Group also “took note of the fact that the Annual Allowable Cut (AAC) for the 2019/2020 season was made available online in November”.

However, the EU Expert Group also note that “other applicable legislation is not fully accessible for EU operators within the meaning of Article 6 (1)(a) of the EUTR, enabling operators to fully comply with Article 5 of Implementing Regulation (EU) No 607/2012, e.g. because it is declared internal or it only exists in Burmese.

Full risk assessment and choosing and applying adequate mitigation measures to address each of these risks is therefore not possible”.

#### EU invites feedback on EUTR and FLEGT Regulations

The EU Commission is calling for public feedback on the functioning of the FLEGT Regulation and EUTR, the two key legal instruments of the FLEGT Action Plan. According to the EU Commission, this “fitness check” will consider “the effectiveness, efficiency, coherence, relevance and EU added value of both regulations [and] will help assess whether the instruments are fit for purpose or need to be revised”.

Findings of the fitness check will also be considered in the assessment of demand-side measures for other commodities associated with deforestation. Commitments to this effect are embedded in a “Communication on Stepping up EU Action to Protect and Restore the World’s Forests”, which the Commission adopted in July 2019.

Comments on the EUTR and FLEGT Regulations can be submitted until 28 February 2020 at the following link: [https://ec.europa.eu/info/law/better-regulation/initiatives/ares-2020-581028-0\\_en](https://ec.europa.eu/info/law/better-regulation/initiatives/ares-2020-581028-0_en)

#### New VPA partner profiles on IMM website

The FLEGT IMM website now features detailed profiles of all VPA partner countries that have either reached the FLEGT Licensing stage (Indonesia) or are implementing a VPA (Cameroon, Central African Republic, Ghana, Guyana, Honduras, Liberia, Republic of Congo, and Viet Nam).

The profiles include overviews of countries’ forestry sectors, timber industry and trends in global trade in timber and timber products as well as more detailed analysis of trade with the European Union. The profiles also contain a summary of each country’s progress in VPA implementation.

More country reports of currently still negotiating countries will be added as soon as the VPA with the EU is signed and work to implement a FLEGT Licensing system is underway.

More details at: <https://www.flegtim.eu/index.php/vpa-countries>

### **UK plans to spearhead crackdown on illegal timber**

According to an article in the Guardian newspaper, the UK wants to spearhead “a major global crackdown on illegal timber and deforestation” by forming a coalition of developing countries against the trade as part of its hosting of UN climate talks in Glasgow in November this year.

According to the article “all countries are expected to come forward with tougher plans to reduce global emissions as part of COP 26, and experts have said this will only happen if the UK takes the lead in forming a coalition of small and big developing countries, including forested African nations and Indonesia, as well as major economies such as the US, China, India and the EU”.

The new project, still in the planning stages, will build on the UK government’s forests governance, markets and climate programme, the focus of which includes strengthening the rule of law in affected countries in the developing world, influencing international partners to increase their efforts, supporting responsible trade and helping stakeholders on the ground to act.

The article notes “in 2005, only about a fifth of Indonesia’s timber trade was legal. But today, after interventions by the UK and other partners, 100% of exports are sourced from independently audited factories and forests”.

More details:  
<https://www.theguardian.com/environment/2020/feb/13/uk-lead-global-fight-illegal-logging-deforestation-cop-26>

### **France requires public buildings to be at least 50% wood**

According to the newspaper Times of London, President Macron has ordered that new public buildings financed by the French state must contain 50% wood or other organic material by 2022 under an ambitious government plan for a greener urban life.

The government announcement, made on 5 February, is part of a drive for sustainability by Mr. Macron, who wants France to set an example in the face of climate change.

Julien Denormandie the minister for cities and housing, said the plan would promote low-carbon towns “that are capable of adapting to heatwaves and floods. To show an example by the state, I am imposing on all the public entities that depend on me and which manage development to construct buildings with material that is at least 50 percent wood or from bio-sourced material.”

According to the Times, bio-sourced material can include a vegetable component such as hemp or straw.

Building works covered by the new 50% rule include urban development projects co-financed by the state and local government in Paris and 13 other cities. According to the Times, in two decades some €9 billion has been spent on these projects, which mix housing and business premises.

The Times also reports that Paris has promised to include a high level of wood in all new construction for its 2024 Olympic games. Olympic buildings of up to eight storeys must be 100% wood and if higher contain some wood in their structure.

Elsewhere in France, according to the Times, work has begun on a 16-storey 181ft all-wood building with 98 apartments in Bordeaux, which will be France’s tallest wooden construction.

### **EU Commission urges Romania to stop illegal logging**

The European Commission issued a letter of formal notice to Romania on 12 February giving it one month to take the necessary measures to address shortcomings in forest governance identified by the Commission.

The Commission is urging Romania to properly implement the EU Timber Regulation (EUTR), which prevents timber companies from producing and placing on the EU market products made from illegally harvested logs. In the case of Romania, the national authorities have been unable to effectively check the operators and apply appropriate sanctions.

Inconsistencies in the national legislation do not allow Romanian authorities to check large amounts of illegally harvested timber. In addition, the Commission has found that the Romanian authorities manage forests, including by authorising logging, without evaluating beforehand the impacts on protected habitats as required under the Habitats Directive and Strategic Environmental Assessment Directives.

Furthermore, there are shortcomings in the access of the public to environmental information in the forest management plans. The Commission also found that protected forest habitats have been lost within protected Natura 2000 sites in breach of the Habitats and Birds Directives.

FAO statistics show that Romania is the EU’s second largest producer of hardwood sawlogs, after France, producing around 4.3 million cu.m in 2018. It is also the EU’s largest single producer of sawn hardwood, with production of 1.6 million cu.m in 2018. Much of this volume is exported, mainly to China, North Africa and the Middle East, although exports declined last year in response to cooling global demand.



At the International Hardwood Conference in Berlin in November last year, the European Sawmillers Association EOS reported that prices for Romanian sawn hardwood were falling and warehouse stocks were rising.

Efforts were being made to curtail Romanian sawn hardwood production which EOS expected to be down up to 15% overall in 2019. EOS noted that the whole wood sector in Romania is suffering from lack of access to finance and low levels of investment.

The EU’s formal letter implies that widespread illegal logging is another factor contributing to unstable market conditions in the country.

**North America**

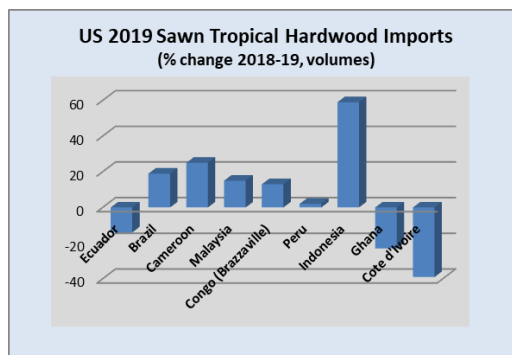
**US 2019 imports: Sawn hardwood up, finished goods down**

With import totals for 2019 now available it is known that US imports of sawn tropical hardwood increased by 12% but the good news ended there as imports of other categories of tropical hardwood products fell during the year that has just ended.

Hardwood plywood imports were down 7%. Tropical veneer imports fell by 19%. Hardwood flooring imports fell by 8% and assembled floor panels fell by 5%. Hardwood moulding imports declined by 26% and imports of wooden furniture fell by more than US\$1.3 billion. Much of the loss can be attributed to decreased trade with China

**Tropical sawnwood imports**

US imports of sawn tropical hardwood grew by 12% in 2019 to a total of 243,884 cubic metres compared to 217,401 cubic metres in 2018. December imports gained 12% from November but were nearly 5% less than the previous December.



Data source: US Census Bureau, Foreign Trade Statistics

Sawnwood imports from Brazil rose by 23% in December and ended 2019 up 19% for the year to greatly outpace Ecuador as the top source for US importers in 2019. Brazil and Ecuador were dead even in imports in 2018, but imports from Ecuador fell by 14% in 2019.

The volume of imports from Cameroon, Indonesia, and Malaysia all grew sharply in 2019, while imports from Ghana fell by nearly a quarter and imports from Cote d’Ivoire fell by more than one third.

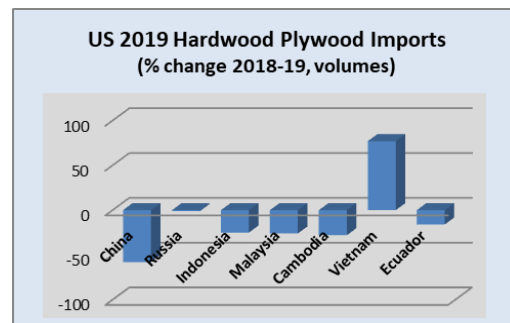
Jatoba imports fell by 24% in December but ended the year up 79% over 2018 totals. The US imported more than 50,000 cubic metres of Jatoba, more than any other tropical hardwood. Of the most-imported woods, balsa imports fell by 13% in 2019, while keruing rose by 34%, sapelli rose by 15% and ipé imports edged up 3%. cedro, meranti and mahogany imports all fell in 2019.

Canada also imported more sawn tropical hardwood last year. Canadian imports grew by 5% in 2019 with greatly increased imports coming from Cameroon, Congo and Ecuador.

Imports of sapelli and iroko both grew by more the 50% in 2019 while mahogany and meranti imports fell.

**Hardwood plywood imports**

US imports of hardwood plywood fell by 7% in 2019 from a volume of 2.66 million cubic metres in 2018 to 2.42 million cubic metres for the year just ended.



Data source: US Census Bureau, Foreign Trade Statistics

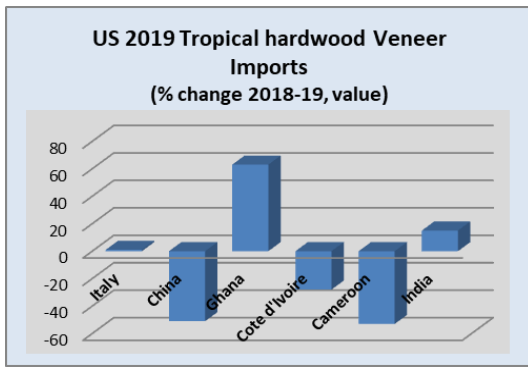
Imports from China were less than half of what they were in 2018, while imports from Indonesia, Malaysia and Cambodia all were down by about 25%.

Imports of Vietnamese plywood grew by 77% as the US market turned to new suppliers. While import volumes fell by only 7%, the overall spending by US importers on hardwood plywood fell by 20% in 2019, from US\$1.95 billion to only US\$1.56 billion. For December, import volumes were up 21% over November to a level 1% above that of December 2018.

**Tropical veneer imports**

US Imports of tropical hardwood veneer fell by 19% in 2019 as imports from China and Cameroon both declined by more than 50%. Imports from Ghana grew by 63% in 2019 and imports from India rose 15%.



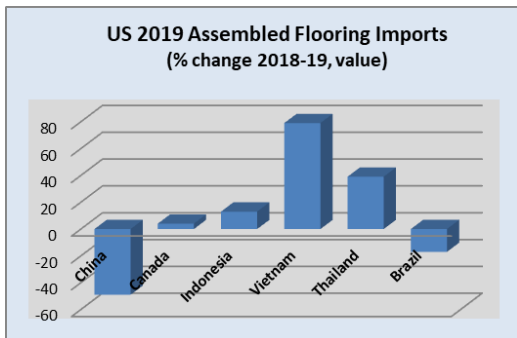


Data source: US Census Bureau, Foreign Trade Statistics

Imports from Italy, the largest supplier to the US by far, stayed flat in 2019, rising only 1%. December imports were up 20% over the previous month but trailed December 2018 imports by more than 25%.

#### Hardwood flooring imports ended down 8% in 2019

US imports of hardwood flooring fell for a fourth straight month in December and ended 2019 down 8% for the year.



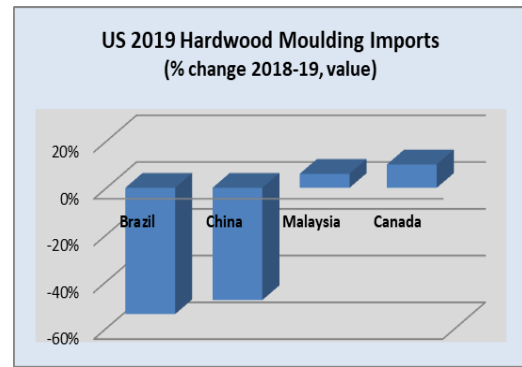
Data source: US Census Bureau, Foreign Trade Statistics

In 2019, imports from China and Vietnam were both less than one third of what they were in 2018. Meanwhile, imports from Brazil nearly doubled and imports from Indonesia and Malaysia increased by more than 20%.

Imports of assembled flooring panels were down 5% in 2019. Imports from China were down by 49%, while imports from most other countries improved. Imports from Vietnam and Thailand grew 79% and 39%, respectively.

#### Moulding imports fall again in December

US imports of hardwood moulding decreased by 26% in 2019. Imports were down 13% in December, falling for the fourth month in a row. While imports from Brazil and China were both up slightly in December 2019 totals for both were at a level about half of what they were in 2018. Imports from Canada and Malaysia both showed small gains in 2019.



Data source: US Census Bureau, Foreign Trade Statistics

#### US wooden furniture imports dropped US\$1.3 billion in 2019

The US imported US\$18.5 billion of wooden furniture in 2019, about 7% less than it did in 2018. Imports from China were down by a third, while numbers from nearly every other trading country improved.



Data source: US Census Bureau, Foreign Trade Statistics

Vietnamese and Malaysian imports both grew by nearly one third for the year. Imports rose in December by 6% over the previous month but trailed December 2018 numbers by 16%.

(Source: US Census Bureau, Foreign Trade Statistics)

#### US economy strong in final quarter of 2019

The US economy grew 2.1% in the fourth quarter, closing out a year in which gross domestic product decelerated to its slowest pace in three years amid a continuing drag in business investment.

The GDP increase matched the third quarter and met expectations of economists surveyed by Dow Jones. For the full year, the economy grew 2.3%, below the 2.9% increase from 2018 and the 2.4% gain in 2017, the first year of Donald Trump's presidency, according to the initial estimate released by the Commerce Department.

The move in 2019 was well below the White House's projections following the 2017 tax bill that cut corporate and individual rates. The administration has said the stimulus would lead to GDP increases of at least 3%, but that hasn't happened yet. Economists saw the Q4 numbers as reflective of a broader trend toward steady but slower growth.

Imports fell 8.7% in the quarter, owing to a drop in consumer goods and motor vehicles.

**Calls for ITC to investigate Chinese cabinetry import allegations**

A bipartisan group of congressmen has called for the International Trade Commission (ITC) to enforce US trade laws "and protect the American cabinet and vanity industry from alleged Chinese dumping of kitchen cabinets across the US market."

In a 5 February letter sent to ITC Chairman David S. Johanson, more than 40 members of Congress expressed their support for American wooden cabinet and vanity manufacturers and their employees. They also urged the ITC to make sure US trade remedy laws are fully enforced when examining instances of Chinese kitchen cabinet dumping. Referenced in the letter is the more than 75% rise in Chinese cabinetry imports since 2015.

The ITC has been investigating wooden cabinet and vanity trade with China and is scheduled to hold a hearing on the issue February 20.

The Commerce Department is expected to issue its final determination later this month. If affirmative, the ITC is scheduled to make its final injury determination on or about March 30.

See:  
[https://usitc.gov/calendarpad/events/usitc\\_hearing\\_wooden\\_cabinets\\_and\\_vanities\\_china.htm](https://usitc.gov/calendarpad/events/usitc_hearing_wooden_cabinets_and_vanities_china.htm)  
 and  
<https://www.woodworkingnetwork.com/news/woodworking-industry-news/bipartisan-letter-calls-itc-address-chinese-cabinetry-import>

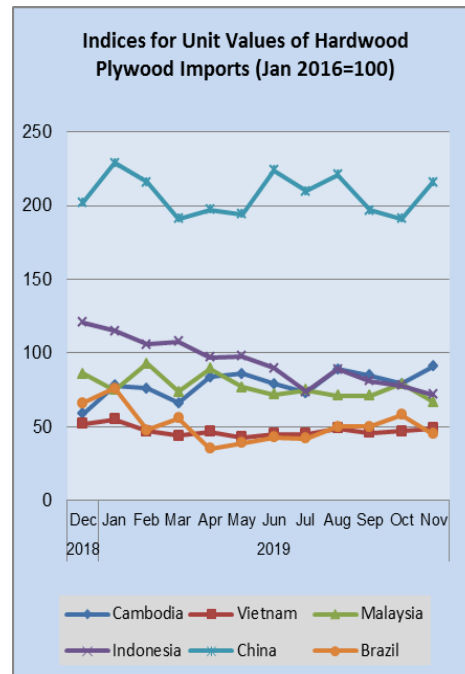
**Warnings of fake ipe decking**

One of the largest decking suppliers and manufacturers in the US, AdvantageLumber.com, is warning customers to be careful of "ipe Wood" and "Brazilian Walnut" decking products from other manufacturers - as often they're actually made of plastic.

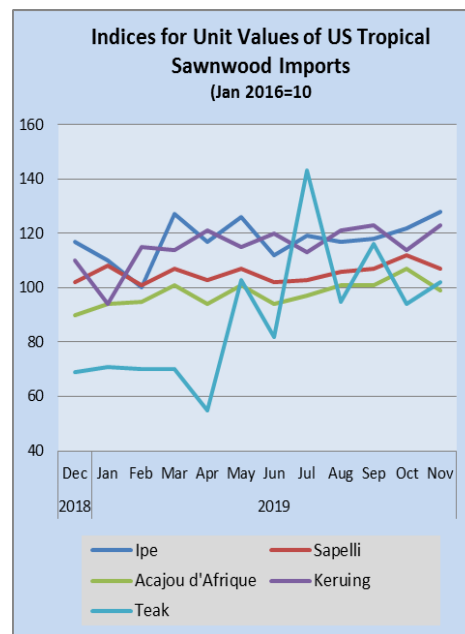
"We haven't seen this level of deception in the wood industry since the furniture manufacturers of the early 90s tried pawning off particle board furniture as 'solid wood,'" says AdvantageLumber hardwood sales manager Jon Fletcher.

AdvantageLumber says some marketers are trying to fool buyers into thinking Ipe is a type of composite, or that cheaper products are real Ipe wood. An example they give is an advertisement for "1in. x 6 in. Brazilian Ipe Solid Composite Decking Boards."

For more see:  
<https://www.woodworkingnetwork.com/news/woodworking-industry-news/advantagelumber-warns-fake-wood-decking-marketed-ipe-wood>



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



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

**US homebuilding ends 2019 at highest level in 13 years**

US homebuilding surged to a 13-year high in December as activity increased across the board, suggesting the housing market recovery was back on track amid low mortgage rates.

Housing starts jumped 16.9% to a seasonally adjusted annual rate of 1.608 million units last month, the highest level since December 2006. The percentage gain was the largest since October 2016.

Data for November was revised higher to show homebuilding rising to a pace of 1.375 million units, instead of 1.365 million units as previously reported.

Housing starts soared 40.8% on a year-on-year basis in December. An estimated 1.290 million housing units were started in 2019, up 3.2% compared to 2018.

The housing market is regaining momentum after the Federal Reserve cut interest rates three times last year, pushing down mortgage rates from last year's multi-year highs.

The 30-year fixed mortgage rate has dropped to an average of 3.65% from its peak of 4.94% in November 2018, according to data from mortgage finance agency Freddie Mac.

Single-family homebuilding, which accounts for the largest share of the housing market, jumped 11.2% to a rate of 1.055 units in December, the highest level since June 2007. Single-family housing starts rose in the Midwest and the populous South. They, however, fell in the Northeast and West.

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

### **Existing Home Sales Surge**

US home sales jumped to their highest level in nearly two years in December. The National Association of Realtors has reported that existing home sales increased 3.6% to a seasonally adjusted annual rate of 5.54 million units in December, the highest level since February 2018.

Existing home sales rose in the Northeast, West and the populous South, but sales fell in the Midwest.

Existing home sales, which make up about 90% of US home sales, surged 10.0% on a year-on-year basis in December. For all of 2019, sales were unchanged at 5.34 million units.

See: <https://www.nar.realtor/research-and-statistics/housing-statistics>

### **US created over 2 million jobs in 2019**

The US economy created 145,000 jobs in December 2019 to end 2019 with the ninth straight year in which new hires topped the 2 million mark, but workers still aren't reaping a windfall from the strong labour market through rising pay.

The increase in new jobs fell short of the 165,000 forecast by economists polled by MarketWatch. Reports show most of the new jobs are being created in the large service side of the economy.

Retailers created 41,000 jobs, hotels and restaurants boosted staff by 40,000 and the health-care industry added 28,000 workers. In contrast, construction companies hired 20,000 people.

The economy created 2.1 million jobs for the full year, down from 2.7 million in 2018. Much of the decline reflects a slower US economy and a slump in manufacturing, but the tight labour market has also made it harder for companies to fill open jobs.

See: <https://www.bls.gov/news.release/empstat.nr0.htm>

**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.**

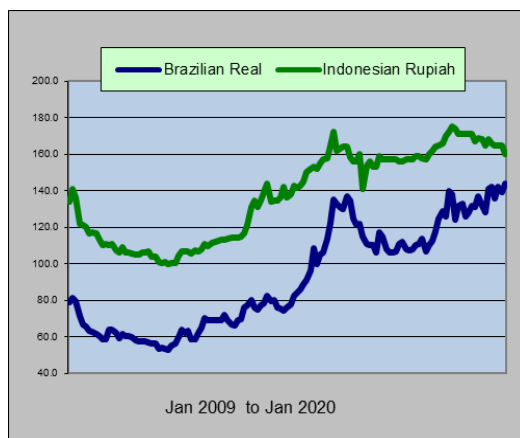
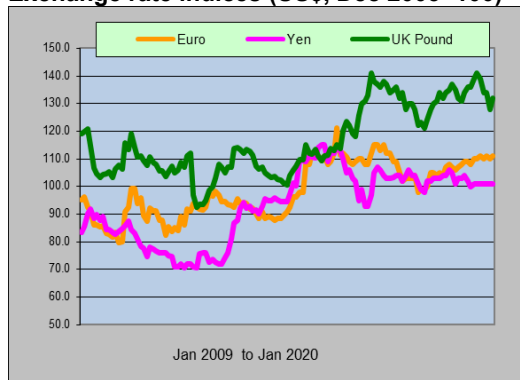
**The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.**

## Dollar Exchange Rates

As of 10th February 2020

Brazil	Real	4.29789
CFA countries	CFA Franc	605.01
China	Yuan	6.9871
EU	Euro	0.9233
India	Rupee	71.529
Indonesia	Rupiah	13675
Japan	Yen	109.77
Malaysia	Ringgit	4.1415
Peru	New Sol	3.38
UK	Pound	0.7666
South Korea	Won	1183.46

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

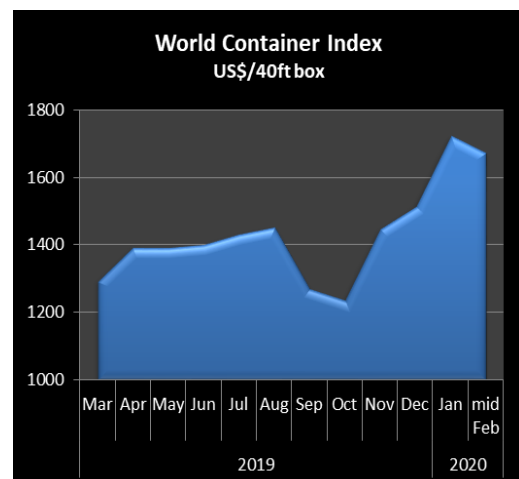


## Abbreviations and Equivalences

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

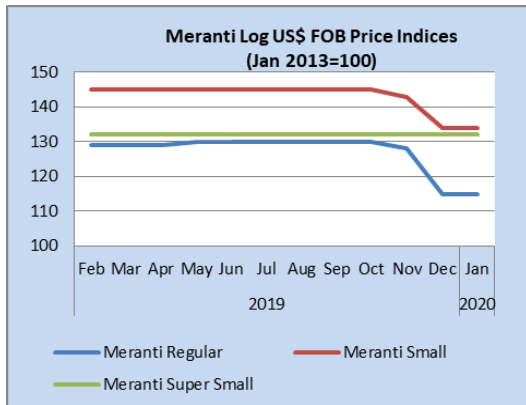
March 2019 – mid February 2020



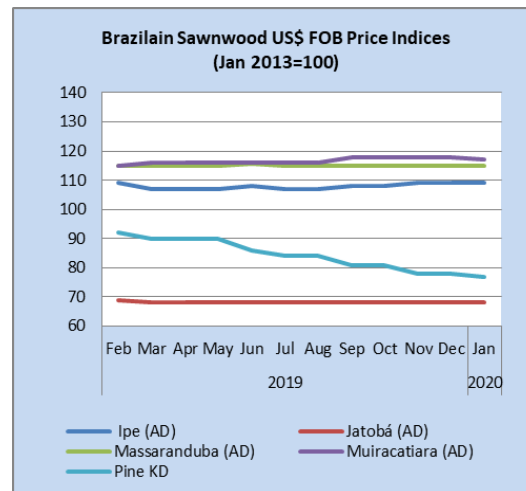
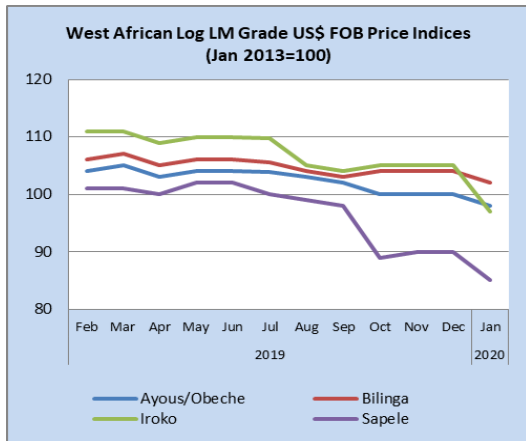
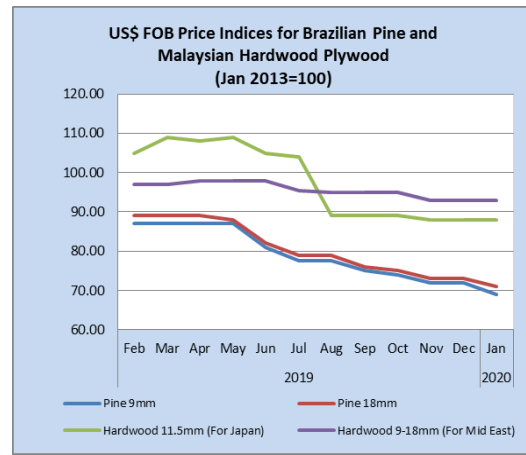
Data source Drewry World Container Index

**Price indices for selected products**

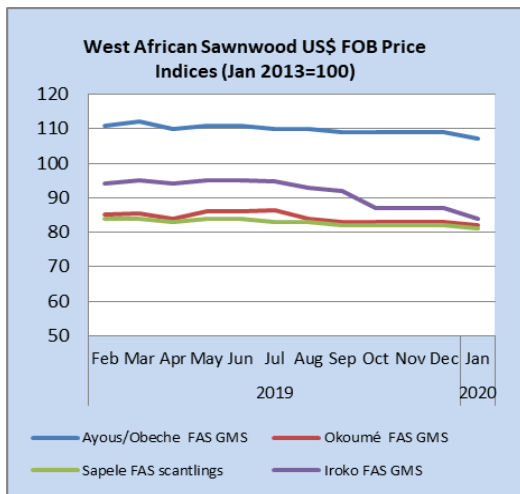
The following indices are based on US dollar FOB prices



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/)