

# Tropical Timber Market Report

Volume 24 Number 5, 1st–15th March 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).

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## Top story

### **New record for US hardwood exports to India**

2019 was a record year for US hardwood exports to India with the value of sawn hardwood and veneer exports totalling almost US\$6.5 million. Sawn hardwood exports rose 72% and exports of US hardwood veneers increased by 4%.

The top US hardwoods exported in 2019 were hickory, red oak, walnut, white oak, ash and maple.

**See page 6**

## Central and West Africa

### 2019 review

This issue provides summaries of 2019 imports by Vietnam (page 8), China (page 19) and the EU (page 21). Highlights are provided below.

#### Vietnam's imports from Africa

Africa, in general and Cameroon, in particular, has become a top supplier of roundwood and sawnwood for Vietnam. In 2019, Vietnam imported 873,700 cu.m of roundwood from African countries, 495,500 cu.m was from Cameroon.

In 2019, the volume of sawnwood imported from Africa into Vietnam was 463,000 cu.m, an increase of 50% over 2018. The increase of sawnwood import is in contrast to the decline in roundwood imports from Africa.

Tali/okan, doussie, sapelli, padouk are the 4 top imported species

#### China's tropical log imports

China's 2019 tropical log imports were 9.19 million cubic metres valued at US\$2.275 billion CIF, down 14% in volume and 27% in value from 2018, accounting for 15% of the national total import volume, down 4% on level in 2018.

China imported tropical logs mainly from Papua New Guinea (36%), Solomon Islands (26%), Equatorial Guinea (7.2%) and the Republic of Congo (7.0%). Just 11 countries supplied 95% of China's tropical log requirements in 2019.

2019 log imports from the Republic of Congo and Sierra Leone increased 18%, and 17% respectively. However, there was a decline in log imports from most countries especially Equatorial Guinea (-47%) and the CAR (-32%).

#### Second consecutive year of growth in EU tropical timber imports

Despite a downturn in the last six months of 2019, EU imports of tropical wood products last year were greater than in 2018. The slight growth in imports in 2019 was driven mainly by a recovery in imports of sawnwood from Cameroon which increased 10% to 277,600 tonnes during 2019.

After a strong start to 2019, imports from DRC were 13,100 tonnes down 5% on 2018. However there was an 8% decline in sawnwood imports from Côte d'Ivoire.

After recovering ground in 2018 and stabilising in the first half of 2019, EU imports of tropical logs slowed in the second half of 2019.

2019, EU imports of tropical logs from the Republic of Congo, the leading supplier, increased by 16% by 29% from Liberia.

However, these gains were offset by falling imports from the Central African Republic (-22%), DRC (-7%), Cameroon (-14%) and Equatorial Guinea (-64%).

### 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	540
Okoumé FAS GMS	460
Merchantable	310
Std/Btr GMS	340
Sipo FAS GMS	500
FAS fixed sizes	-
FAS scantlings	520
Padouk FAS GMS	640
FAS scantlings	675
Strips	320
Sapele FAS Spanish sizes	450
FAS scantlings	480
Iroko FAS GMS	600
Scantlings	660
Strips	350
Khaya FAS GMS	480
FAS fixed	540
Moabi FAS GMS	620
Scantlings	640
Movingui FAS GMS	420

### Rosewood committee report – strengthen inter agency collaboration

The Committee set up by government to investigate allegation of corruption in the rosewood trade in Ghana after an Environmental Investigation Agency (EIA) report has submitted its findings and the Ghana Forestry Commission (GFC) recently issued a press release on this which can be found on the GFC website. <https://www.fcghana.org/news.php?news=164>

The press release says field investigations revealed that there were some institutional weaknesses and lapses in control of the rosewood trade along the supply chain due mainly to the informal nature of the trade as communities harvest the timber for sale to agents who then aggregate for sale to traders and in turn sell to buyers.

The Committee recommended strengthening inter-agency collaboration between the Forestry Commission, the Police, Customs and the Intelligence agencies to ensure that trade in banned and endangered rosewood is eliminated.

The Committee's Report insisted that rosewood harvested between 2012 to 2019, based on Chinese import data, amounted to 489,766 trees rather than the six million mentioned by EIA, adding that Ghana did not have that quantity of merchantable rosewood trees to be harvested and exported during the period in question.

The Committee noted that significant disparities in trade are largely due to misclassification and mis-declaration. It further said that video footage and other material provided by EIA was insufficient to back its corruption claims.

Kwaku Asomah-Cheremeh, sector Minister of Lands and Natural Resources (MLNR) directed the Forestry Directorate of the Ministry to liaise with the Forestry Commission to develop modalities to enhance monitoring mechanisms in rosewood rich districts. He also declared all rosewood log stocks should be brought to a central location for auctioning.

Asomah-Cheremeh further tasked the Forestry Commission with conducting an inventory of rosewood resources to establish sustainable harvesting levels. The Minister announced an indefinite ban on rosewood harvesting, transportation, processing and export.

### Ghana soon to become second country to issue FLEGT Licenses

Ghana will probably be the second country, after Indonesia, to secure authority to issue FLEGT licenses for Ghana wood product exports.

The Director of the GFC Timber Validation Department, Chris Beeko, said this when meeting an EU working delegation to assess the country's progress in readiness for the timber legality license system implementation.

Ghana, said Beeko, has implemented measures to ensure timber exports to the EU are verified legal.

Beeko mentioned the Timber Industry Development Division (TIDD) in the GFC is the licensing authority to implement the FLEGT licensing system. In the process of developing the timber tacking system he said instances of illegal logging had fallen drastically in the 'formal' timber sector.

The implementation of FLEGT licensing is expected to increase wood product trade opportunities in the EU. In the past EU member states were the leading importers of Ghana's wood products absorbing around 60% of exports but in 2019 this dropped to about 12%.

#### 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	Euro FOB 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>
Asanfina	854
Avodire	667
Chenchen	7826
Mahogany	1018
Makore	947
Odum	1,437

#### Export plywood prices

Plywood, FOB	Euro per m <sup>3</sup>		
BB/CC	Ceiba	Ofram	Asanfina
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	Euro per m <sup>3</sup>	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afrormosia	860	925
Asanfinia	465	564
Ceiba	404	600
Dahoma	413-	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

### Economy badly shaken

The Malaysian economy has been shaken by three developments coming one after the other in quick succession: the corona virus is already impacting the domestic and international timber markets, there was a change in the Federal Government and the decline in oil prices created further uncertainties.

There is a sense among industry analysts that while it is too early to see where the timber industry is heading in the short term but prospects do not look good.

The economic stimulus package announced by the government will help lift confidence as uncertainties mount but the current package appears aimed at supporting the tourism sector but analysts say a more broad-based package of support for manufacturers and exporters needs to be considered.

Forecasts suggest Malaysia's international imports and exports will have contracted by over 5% in January resulting in a meagre RM12 bil. trade surplus for the month. Trade is usually slow at the beginning of the year but the downturn this year has been aggravated by the corona virus outbreak and the impact of this on trade with China especially.

### Competition dents Sarawak's timber exports

Sarawak's timber industry recorded a 17 % decline in export revenue to RM4.5 bil. last year compared to RM 5.4 bil in 2018, this was the lowest over the past five years. Sarawak Deputy Chief Minister, Awang Tengah Ali Hasan, said much of the downturn was due to stiff competition in international markets and the impact of anti-dumping penalties imposed by the US which pushed down exports from China.

To bolster the timber industry the Sarawak Timber Industry Development Corporation (STIDC) has engaged with the private sector to plan measures to address the immediate challenges. Sarawak's timber industry has to deal with limits on natural forest production and the higher cost of production.

### Forest certification gives Sarawak company a competitive edge

Sarawak's Ta Ann, a major plywood manufacturer, secured Malaysian Timber Certification Scheme (MTCC/PEFC) forest management certification for 149,756 ha. of forests and is using this in promoting its plywood in the Japanese market where there is now an emphasis on using certified timber products in the building and construction industries.

Ta Ann is expected to achieve certification for an additional 130,000 ha. of forest concessions to further strengthen its marketing opportunities.

In 2019 Japan reduced imports from Malaysia by 18% to 852,300 cu.m (2018:1.034 million cu.m; 2017:1.161 million cu.m) due to sluggish sales in the domestic market because of the wide difference in price between plywood from domestic resources and imports.

## Indonesia

### Sharing experiences in addressing illegal timber trade

Speaking in the Annual Session of the Enforcement Committee of the World Customs Organization Committee) in Belgium Yuri O. Thamrin, the Indonesian Ambassador to Belgium said Indonesia continues to collaborate with the European Union in combating the illegal trade in wood products and this collaboration can be an example for other countries.

The WCO Secretary General, Kunio Mikuriya, agreed saying the experience of Indonesia in addressing trade in illegally harvested wood products needs to be shared with law enforcement and Customs administrations in other countries.

During the meeting, Ambassador Yuri asked the EU to strengthen their policies so that countries that satisfy EU regulations have an advantage over others that do not. Yuri reiterated Indonesia's strong commitment to stamp out the trade in illegal wood products saying he hopes EU importers will not buy illegal wood from any country.

### Government acts to alleviate impact of corona virus on timber industry

Susiwijono Moegiarso, Secretary of the Coordinating Ministry for the Economy, announced that in cooperation with other ministries the government is preparing economic stimulus packages to address the impact of the corona virus.

A focus of measures proposed will be how to address the depletion of raw materials for manufacturers and exporters, said Susiwijono. It has been learnt that consideration is being given to simplifying the rules on export trade. These include changes to the Timber Legality Verification System (SVLK) for wood products, to phytosanitary certification and certification of origin. Also under consideration is relaxing import regulations for raw materials.

The aim of the proposed measures is to accelerate imports and reduce logistics costs.

For more see: <https://bisnis.tempo.co/read/1315308/4-paket-kebijakan-ekonomi-antisipasi-pasokan-bahan-baku-menipis/full&view=ok>

In related news the Chairman of the Indonesian Chamber of Commerce and Industry (Kadin), Rosan Roeslani, specifically said it would be desirable to ease restrictions on both raw materials and ancillary products needed during manufacturing.

Rosan pointed out that supply chains have been disrupted due to the virus and this is a serious issue for manufacturers as it is difficult, in a short time, to find alternative sources previously supplied from China which accounts for a large proportion of raw materials and auxiliary goods supply to Indonesia.

See: <https://tagar.id/imbac-corona-kadin-minta-pemerintah-relaksasi-impor>

### US decision may mean loss of market share for Indonesia

The US government's decision to exclude Indonesia from the list of developing nations can affect its current account balance according to the Institute for Development of Economics and Finance (Indef).

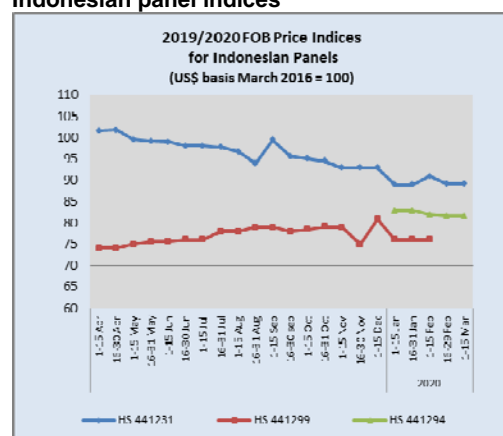
Indef has urged the government to try and reverse this decision which will make Indonesia's exports to the US more expensive and could result in failing market share in the US. The US is a major market for Indonesia's textiles, garments, footwear, rubber, furniture and electronics and exports were worth over US\$17 billion last year.

### IFEX 2020 Postponed

The Indonesian Furniture and Craft Industry Association (HIMKI) and Dyandra Promosindo has confirmed postponement of the Indonesia International Furniture Expo (IFEX) 2020.

See: <https://pressrelease.kontan.co.id/release/kepentingan-kesehatan-di-atas-segalanya-himki-dan-dyandra-tunda-pameran-ifex-2020>

### Indonesian panel indices



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

## Myanmar

### Karen National Union encouraging forest conservation

The domestic press in Myanmar has reported that one of the major ethnic groups in Myanmar, the Karen National Union (KNU), has said it will introduce conservation measures and forest demarcation and inventories to combat deforestation. The plan entails encouraging the 'taungya' system in village owned forests.

Harvesting for basic needs will be permitted but commercial scale harvesting will be prohibited. The report says the KNU Forest Department has established 39 village-owned forest plots, 29 permanent forest areas and 3 protection forests. It has been estimated that around 60-65% of forests are in ethnic minority States.

### Forestry sector contribution to the economy

According to the Ministry of Commerce, earnings generated by the forestry sector in 2018/19 totalled US\$174 million. In addition, the Myanmar Timber Enterprise, the Forest Department and private companies in the formal sector alone account for over 4% of national employment according to a Myanmar Extractive Industries Transparency Initiative (MEITI) report.

There is huge employment in the 'informal' timber sector and as investments in the forestry and wood processing sector increase so do employment opportunities.

However, companies face huge challenges in meeting current domestic and international timber production and export requirements and it has been rumoured that one of Myanmar's top timber exporters is likely to cease business by year end.

### Initiatives to support forestry sector

There are several initiatives aimed at supporting the timber sector strengthen forest management and wood product manufacturing. While not yet confirmed it is understood the World Bank is preparing a support package aimed mainly at plantation development.

In related news, the World Bank and the Korea Forest Service recently signed a forest cooperation agreement to support forest restoration, community forest conservation, ecotourism and landscape restoration. One of the first countries that could benefit from this is Myanmar.

See: <http://www.businesskorea.co.kr/news/articleView.html?idxno=41686>

### Winding down community FLEGT preparedness

Recently the Forest Department and Fauna and Flora International held a workshop to formally end the project "FLEGT Preparedness for Small Holder Timber Producers in Myanmar".

This project was supporting community forestry production of verified legal timber. There are around 200,000 ha. of recognised community forest, both natural forest and plantations, in Myanmar.



### Public events cancelled

In response to the corona virus outbreak the Myanmar government has announced restriction on mass gatherings and public events including the traditional Thingyan water festival until the end of April. The media reports that no cases of the corona virus have been detected so far in the country.

### 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 veneer but price index unchanged

The official Wholesale Price Index for 'All Commodities' (Base: 2011-12=100) for January 2020 rose to 122.9 from 122.8. The index for the group 'Manufactures of Wood and of Products of Wood and Cork' remained unchanged at 133.1 despite a slight fall in prices for veneers.

Already in January there were signs of a slow-down in manufacturing put down to the impact of the corona virus risk and analysts say the import/export trade is experiencing some slow down because shipping opportunities have fallen as shipping companies respond to the virus risk.

The annual rate of inflation based on monthly WPI in January 2020 stood at 3.1% compared to 2.6% in December 2019.

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

### State government moves to boost housing

In its 2020-21 budget the Maharashtra government reduced stamp duty on property purchases. The lower rate will apply in the areas falling under the Metropolitan Region Development Authority and municipal corporations of Pune, Pimpri-Chinchwad and Nagpur.

Currently, home buyers in Mumbai pay a stamp duty of 6% plus a 1% registration charge. In Pune, the stamp duty currently is 6%. According to Housing.com this could boost home buyer sentiment in the affected residential markets of the state.

See: [https://housing.com/news/stamp-duty-land-deals-mmrc-recovered-per-2017-18-rates/?utm\\_source=internal&utm\\_medium=email&utm\\_campaign=subscribersDigest](https://housing.com/news/stamp-duty-land-deals-mmrc-recovered-per-2017-18-rates/?utm_source=internal&utm_medium=email&utm_campaign=subscribersDigest)

### Disrupted supply chains

Indian companies are now facing disruptions of their operations as the effects of the corona virus spread. The biggest impact at present is on trade with China which has expanded to over US\$90 billion in recent years with the Indian economy becoming ever more reliant on imports from China.

Indian imports from China, at around US\$75 billion last year, are far above the roughly US\$20 billion in exports from India to China.

See: <https://www.forbes.com/sites/krnkashyap/2020/03/04/indias-economy-feels-the-pain-of-the-coronavirus-outbreak-in-neighboring-china/#15b78b50d7cc>

### New record for US hardwood exports to India

According to a presentation by the American Hardwood Export Council (AHEC) 2019 was a record year for US hardwood exports to India with the value of sawn hardwood and veneer exports totaling US\$6.448 million. Statistics were compiled from United States Department of Agriculture (USDA) data released in late February 2020.

AHEC revealed that in 2019 sawn hardwood shipped from the US to India increased by 72% in value to US\$2.356 million and by 140% in volume to 4,082 cubic metres. Exports of US hardwood veneer to India increased by 4% to US\$ 4.092 million.

According to AHEC, restricted domestic hardwood availability, together with firm growth in the retail furniture, handicraft and hospitality sectors drove demand for a wide range of species making India an attractive long-term prospective market for US hardwoods.

The top six American hardwood timbers exported in 2019 were hickory (1,229 cu.m), red oak (920 cu.m), walnut (282 cu.m), white oak (358 cu.m), ash (356 cu.m) and maple (240 cu.m).

For more see: <https://www.americanhardwood.org/en/latest/news/new-record-for-us-hardwood-exports-to-india>

### Increased import duty an issue for Ikea

In the latest budget the Indian government increased import duties on furniture from the present 20% to 25% a move aimed at supporting domestic SME furniture makers.

It has been reported that an executive of Ikea, which has stores in India, met with the government to explain the increase will impact its business which is centered on providing affordable furniture but that the company will do its best to absorb the rise in the import duty.

Ikea said, though the government's recent increase in customs duty on imported furniture will have an impact on its business it will not pass on the increase to customers.

See::

[https://economictimes.indiatimes.com/industry/services/retail/ikea-not-to-pass-on-duty-hike-impact-on-imported-furniture-to-customers/articleshow/74339902.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](https://economictimes.indiatimes.com/industry/services/retail/ikea-not-to-pass-on-duty-hike-impact-on-imported-furniture-to-customers/articleshow/74339902.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

### Domestic online furniture retailer sees earnings rise

Pepperfry, one of India's online home furniture retailers has reported solid revenue growth for 2019. Co-founded by former eBay employees the company began as with a focus on fashion and lifestyle but then moved to include furniture.

Read more at: <https://yourstory.com/2020/01/furniture-marketplace-pepperfry-financial-results>

### Plantation teak prices

Traders report that freight rates have begun to rise, an indirect response to a slowing of container traffic due to virus control measures. This has slowed down the movement of shipments. Plantation timber prices have not moved reflecting to steady but now uncertain demand prospects.

C&F rates at Indian ports for teak timbers from multiple sources continue in the range as given earlier. Importers are carefully watching exchange rate movements and the rupee has weakened a bit and is trading at around Rs.73 - 74 per US dollar.

### Plantation teak C&F prices

	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 February.

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

Prices remain as reported at the end of February.

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

With more than adequate supplies, even in the face of a modest rise in demand, prices are holding as reported at the end of February.

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 wholesale prices have not moved since the end February report despite some improvement in demand which has lasted for a few months. The main worry among manufacturers is that domestic and imported raw material costs may rise due to disruptions in production and trade brought on by responses to the corona virus.

China has emerged as a supplier of panels in the Indian market and as many plants in China have resumed production supplies have not been affected.

### 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

### Vietnam's imports from Africa

Africa, in general, and Cameroon, in particular, has become a top supplier of roundwood and sawnwood for Vietnam.

### Volume and value of round wood and sawnwood imported from Africa

imported wood	2017	2018	2019
Roundwood (cu.m)	940,066	959,025	873,761
Roundwood (US\$)	354,172,714	368,137,867	299,139,978
Sawnwood (cu.m)	283,480	309,056	463,129
Sawnwood (US\$)	141,505,922	146,702,645	193,552,350

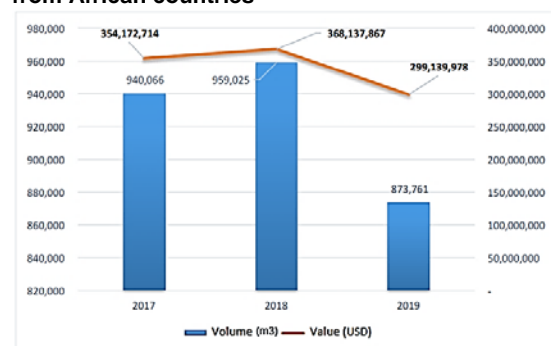
Source: VIFOREST, FPA Bình Định, HAWA, BIFA & Forest Trends using data provided by General Department of Customs, Vietnam

### Roundwood imported from Africa into Vietnam

In 2019, Vietnam imported 873,700 cu.m of roundwood from various African countries with value of US\$299 million (a decrease of 9% of volume and 19% of value over the comparable period of 2018).



### Change in volume and value of roundwood imported from African countries



Source: VIFOREST, FPA Bình Định, HAWA, BIFA & Forest Trends using data provided by General Department of Customs, Vietnam

### Cameroon top roundwood supplier for Vietnam

In 2019, Cameroon exported 495,500 cu.m of roundwood to Vietnam worth to US\$181 million.

In recent years imports of African roundwood into Vietnam has declined in both volume and value.

Of special note is the fact that Cameroon alone has been exporting around half million cu.m of roundwood to Vietnam. Though, in 2019, both the volume and value of roundwood exported by Cameroon to Vietnam has declined however, this country still remains as the top roundwood supplier for Vietnam.

### Imported wood species

Tali/okan, doussie, sapelli, padouk are the 4 top imported species.

Tali/okan, doussie, sapelli and padouk are the major imported species. In 2019, import of tali/okan roundwood amounted to 333,600 cu.m equivalent to US\$ 123.7 million.

Hoàng Diêu and Cảng Xanh in the South of Vietnam and several ports belonging to Hải Phòng City in the North are top delivery ports for wood imported from Africa into Vietnam.

### Sawn wood import volumes and values

In 2019, the volume of sawnwood imported from Africa into Vietnam was 463,000 cu.m (an increase of 50% over the comparable period of 2018) worth US\$193.5 million (an increase of 32% over the comparable period of 2018).

The increase of sawn wood import is in contrast to the decline in roundwood imports from Africa to Vietnam.

### Change of volume and value of sawnwood imported from Africa into Vietnam



Source: VIFOREST, FPA Bình Định, HAWA, BIFA & Forest Trends using data provided by General Department of Customs, Vietnam

Cameroon, Gabon, Nigeria, Angola, Ghana and South Africa are top listed suppliers of sawnwood for Vietnam in both volume and value. The volume and value of sawnwood imported from Cameroon, Nigeria, Angola and South Africa sharply increased, while from Gabon and Ghana dropped in continuum.

In 2019, in particular, the volume of sawnwood imported from Cameroon doubled over the comparable period of 2018 and the value increased correspondingly. The import of sawnwood from Gabon showed a contrary trend with a decrease of 95% and 83% in volume and value relatively as compared with the same period of 2018.

### African countries exporting round wood to Vietnam

Exporters	Volume (cu.m)		
	2017	2018	2019
Cameroon	507,391	513,861	495,526
Ghana	82,939	71,173	44,557
Equatorial Guinea	81,441	17,856	3,932
Angola	64,639	42,345	53,171
DR Congo	57,329	63,787	55,025
Nigeria	52,167	94,216	82,923
Congo	35,594	23,420	28,741
South Africa	34,996	55,764	49,259
Kenya	9,847	47,707	36,750
Namibia	4,381	6,399	3,552
Mozambique	2,589	3,431	1,422
Gabon	2,017	2,482	909
Gambia	1,706	23	809
Guinea-Bissau	1,327	3,287	960
Guinea	1,280	18	
Liberia	137	10,384	11,380
Côte d'Ivoire	135	689	1,613
Tanzania	112	24	
Sierra Leone	20	1,825	3,208
Uganda	20	100	
Benin			
Togo		235	
Mauritius			24
Total	940,066	959,025	873,761

#### African countries exporting sawnwood to Vietnam

Exporters	Volume (cu.m)		
	2017	2018	2019
Gabon	105,780	79,846	76,325
Cameroon	85,349	117,379	227,391
Nigeria	14,746	22,521	30,958
Ghana	33,236	28,020	20,034
Congo	2,145	5,875	8,321
Mozambique	13,956	9,576	6,603
Angola	6,955	11,293	47,071
South Africa	1,244	1,406	21,411
DR Congo	2,480	2,563	868
Côte d'Ivoire	2,382	2,018	5,456
Tanzania	1,021	771	148
Benin	614	1,262	23
Gambia	1,180		85
Kenya	4,606	13,341	6,575
Liberia	640	339	60
Togo	16		
Sierra Leone	60	984	492
Equatorial Guinea	935	1,628	1,034
Guinea-Bissau	80	136	93
Namibia	3,092	5,765	9,501
Reunion	2,664	4,334	180
Senegal	27		
Sudan	68		
Uganda	205		
Guinea			340
Zambia			160
<b>Total</b>	<b>283,480</b>	<b>309,056</b>	<b>463,129</b>

Each table data source: VIFOREST, FPA Bình Định, HAWA, BIFA & Forest Trends using data provided by General Department of Customs, Vietnam

#### Imported species

As with logs, tali/okan topped the imported sawnwood species. In 2019, Vietnam imported from Africa 216,300 cu.m of tali/okan roundwood equivalent to US\$104.6 million.

Following tali/okan, doussie ranked number 2 with 106,400 cu.m (US\$44.9 million) amongst sawnwood species imported from Africa into Vietnam.

In addition, mussibi/rosewood is listed as the top imported species.

It is noted that, in 2019, the import of sawnwood of various species, including tali/okan, doussie and rose wood have increased considerably. In particular, the volume of imported tali/okan sawnwood has increased by 1.4 times (1.25 times in value) against 2018.

Most of sawnwood imported from Africa into Vietnam arrives at Hai Phong City in the North of Vietnam.

#### Brazil

#### More plantations than first assessed in Minas Gerais

The Forest Industry Association of Minas Gerais (AMIF) has adopted advanced techniques for surveying and monitoring forest plantations in the state in order to facilitate traceability.

According to the most recent survey carried out by AMIF, the forest plantation area, including all species, totalled 2.3 million hectares almost 18% higher than announced after an earlier survey. Of the species planted eucalyptus still represents the highest percentage. AMIF says there is scope to introduce more species such as Australian cedar, African mahogany and rubberwood.

Wood products produced in Minas Gerais State are consumed mainly by the steel industry and pulp industries as well as being used to produce laminate flooring, wood-based panels and sawnwood.

#### Furniture industry growth in Mato Grosso State

Although the major furniture clusters in Brazil are located in the Southern Region the furniture industries in Mato Grosso do Sul State has performed well. The furniture industry anticipates a growth of up to 20% in the Gross Production Value (GPV) for 2020. If this is correct sector output would go from R\$205.5 million in 2019 to R\$246.6 million this year.

According to the Inter-municipal Union of the Furniture Industry in Mato Grosso do Sul (SINDMAD/MS), in recent years the furniture sector in the state has experienced difficulties resulting in stagnation of output and sales. However, since December 2019 the sector saw an increase in sales which has generated an expectation of growth of 20%.

The furniture industry in the State has 372 manufacturing plants which together employ 2,700 workers according to the Industries Federation of the State of Mato Grosso do Sul (FIEMS).

The challenge for the sector is to better structure the furniture industry as there are many small woodworking plants which often work in the informal sector. According to SINDMAD sales by the furniture industry are closely linked to the civil construction sector which projects growth of 2% this year.

### Wood and wood products half of Acre state exports

Acre State is one of major timber producing states in the Amazon Region together with Pará and Mato Grosso. According to the Ministry of Economy, more than half of the goods exported by the state of Acre are wood and forest products.

Exports from Acre were US\$3.3 million in February 2020 and of this 60% was of forest products. While wood products accounted for around 40% much of the balance was of Brazil nuts.

In February the markets for Acre exports were Hong Kong (US\$548,000, 17%), China with 16%, the United States with 13% and Peru with 12%.

### Forest plantation sector stable in 2019

The latest IBÁ (Brazilian Tree Industry) report, pointed out that in 2019 exports of forest products totalled US\$9.7 billion. Pulp exports earned US\$7.5 billion while paper products earned US\$2 billion and wood-base panels US\$265 million.

In 2019, China remained the main market for Brazilian pulp with exports amounting to US\$3.2 billion. In contrast, markets in Latin America are mainly for wood-based panels (US\$164 million) and paper (US\$1.2 billion).

According to IBÁ, 2019 was a year of an adjustment for the forest industry. Despite the country's sectoral challenge and economic instability the sector maintained its contribution to national exports. Looking to the future, investments of about R\$32.9 billion are anticipated. Between 2014 and 2017, investments were around R\$20 billion such that the forecast investment demonstrates the long-term and sustainable vision of the entire sector.

### Domestic log prices

Brazilian logs, mill yard, domestic	US\$ per m <sup>3</sup>
Ipê	197
Jatoba	105
Massaranduba	100
Muiracatiara	104
Angelim Vermelho	98
Mixed redwood and white woods	84

Source: STCP Data Bank

### Domestic sawnwood prices

Brazil sawnwood, domestic (Green ex-mill)	US\$ per m <sup>3</sup>
Ipê	828
Jatoba	434
Massaranduba	413
Muiracatiara	379
Angelim Vermelho	366
Mixed red and white	241
Eucalyptus (AD)	186
Pine (AD)	125
Pine (KD)	152

Source: STCP Data Bank

### Domestic plywood prices (excl. taxes)

Parica	US\$ per m <sup>3</sup>
4mm WBP	509
10mm WBP	405
15mm WBP	339
4mm MR.	394
10mm MR.	288
15mm MR.	264

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 MDP/Particleboard	197
15mm MDF	237

Source: STCP Data Bank

### Export sawnwood prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m <sup>3</sup>
Ipê	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

### Traceability and transparency - the benefits of the 'Operations Book'

Following extensive training of regional government officers in Madre de Dios, Loreto and Ucayali by the National Forest and Wildlife Service (SERFOR), on 2 March 2020 authorised forest land title holders began to use the 'Operation Book' to record harvesting.

The 'Operations Book' is of vital importance in supply chain management as it allows traceability and transparency contributing to the fight against illegal activities. The information in the 'Operations Book' will serve as an input for the preparation of the forest transport guide and to check harvesting against approved management plans.

### Support on forest fire management

For the first time, Peru has a roadmap for forest fire management that provides an inter-sectoral plan for forest fires management.

The development of the roadmap was led by the National Forest and Wildlife Service (SERFOR) with technical support from the USAID FOREST program and the US Forest Service.

The roadmap has been prepared by an inter-sectoral group made up of institutions including SERFOR, the National Service of Natural Areas Protected by the State (SERNANP), the Fire Department, the Fire Department Firefighters, the National Institute of Civil Defence (INDECI), the Ministry of Culture and the Joint Command of the Armed Forces.

An exchange of experiences is key to training of world-class forest fighters and two Peruvian brigades travelled to California during the high fire season to participate in a specialised 60-day course with elite brigades in US forest fire service.

#### OSINFOR showed progress in its management

In late February forestry sector stakeholders came together at the invitation of the Organism for the Supervision of Forest Resources and Wildlife (OSINFOR) to share experiences on progress in management in the sector.

According to OSINFOR, implementation of forest management plans has improved significantly. According to the OSINFOR Management Information System (SIGOSFC), the extent of over harvesting and under reporting harvests has fallen significantly.

In related news, an agenda for further institutional strengthening of OSINFOR has been developed with support of Hank Kashdan, the now retired Associate Chief of the US Forest Service.

The work will focus on three themes: institutional strengthening, territorial coordination, and capacity development in communities. This initiative was made as possible with the support provided to OSINFOR by the USAID FOREST program and the US Forest Service.

#### Regional independence allows for flexible budget management

It has been reported that in 2019 the forest authorities in Loreto, Ucayali and Madre de Dios successfully negotiated for additional budgets from the Ministry of Economy and Finance.

The extra money was used to strengthen activities that regional governments conducts on prevention, control and surveillance issues on activities that threaten forest and wildlife resources; forest and wildlife zoning; national forest inventory and permanent production forests; and granting rights of access to forest and wildlife resources and follow-up and verification actions.

Audits revealed that over 90% of the extra budget allocations were efficiently utilised.

The Ministry of Economy and Finance has a facility to provide extra budgetary support and in 2019 it was the first time that a forest authority requested an additional budget directly from the ministry. This was possible as beginning last year the three regions have greater independence in the administration of their own resources.

#### 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

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

#### 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 986-1119
	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 primed for action to protect economy

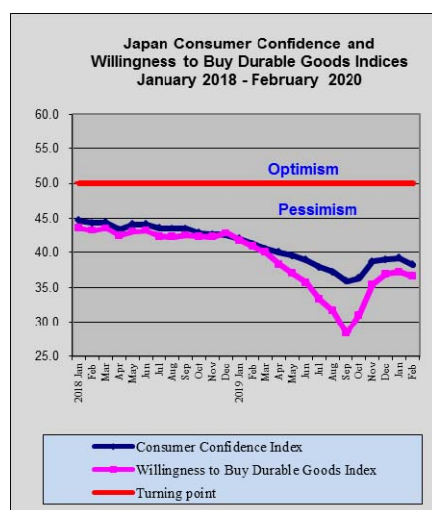
Cabinet Office data is showing that in the third quarter of 2019 Japan's economy declined almost 2% from the previous quarter. Looking ahead at the first quarter of 2020 the Bank of Japan (BoJ) Governor has said the corona virus outbreak has dented exports and consumption and could inflict serious damage on the Japanese economy. The Bank is ready to take action, he said.

The Japanese economy is already suffering the after effects of the 2019 consumption tax increase and the severe storms that lashed the country causing extensive damage to homes and infrastructure. Data for January 2020 show that household spending dropped for the fourth consecutive month, the longest stretch of contraction since early 2018.

### Consumer confidence – virus effect muted so far

The corona virus is has greatly undermined consumer confidence around the world as could be expected but the impact varies. In Japan the spread of the virus has been slow due to efforts by the public and because of measures by the government such as school closures and public event cancellations.

The impact of the corona virus on Japanese consumer sentiment has been muted mainly because Japanese households were already quite negative because of the sluggish economy and the recent consumption tax increase.



Data source: Cabinet Office, Japan

### Bankruptcies rise for the first time in more than a decade

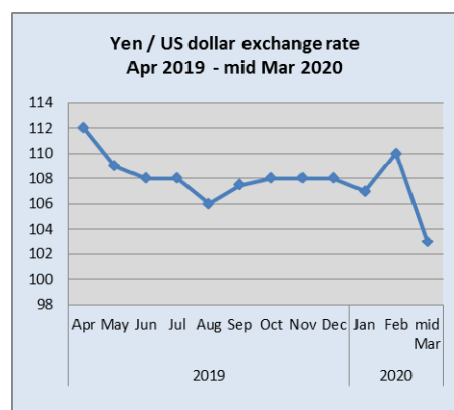
The research agency, Tokyo Shoko Research, has reported that the number of corporate bankruptcies in Japan increased in 2019 for the first time in 11 years. The agency points to the combined impact of the 2019 consumption tax hike, labour shortages and the spate of natural disasters as drivers of higher bankruptcies.

It is reported that most companies filing for bankruptcy were small firms with fewer than 10 employees. The agriculture, forestry, fisheries and mining sectors were the worst affected. Tokyo Shoko Research writes "Medium-sized and small companies have been in a difficult situation as the labour crunch has raised personnel costs and squeezed profit margins."

### Yen see-saws, volatility could undermine export competitiveness

The yen rose sharply against the US dollar in early March rising to around yen 103 yen to the dollar, the highest since November 2016.

The Ministry of Finance has raised concerns over the yen volatility pointing out swings in exchange rates, either up or down are undesirable. The fear among policy makers is that a prolonged period of yen appreciation could undermine export competitiveness.



### Firm demand for condos in Tokyo

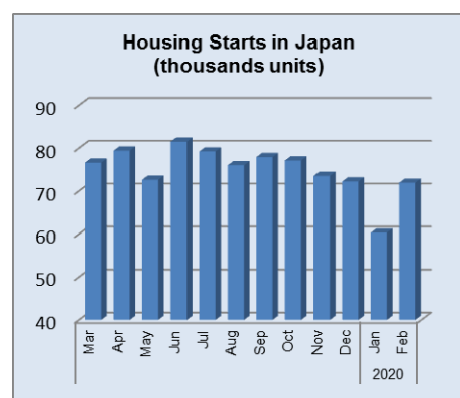
Even before the corona virus outbreak construction companies in Japan were finding it hard to attract workers and had come to rely heavily on immigrant workers now construction firms are faced with new problems of raw material issues as supply chains are being disrupted by the coronavirus outbreak.

According to the Land Institute of Japan in 2019 existing condominium sales in Tokyo rose almost 2.5% while sales of existing detached houses in Tokyo increased around 4.5% year on year. In contrast, housing starts in Japan dropped in 2019.

February housing starts rose sharply month on month largely because the weather improved allowing construction work to proceed.



Year on year February starts were slightly higher. The increase was driven mainly by construction of owner-occupied homes and condominiums.



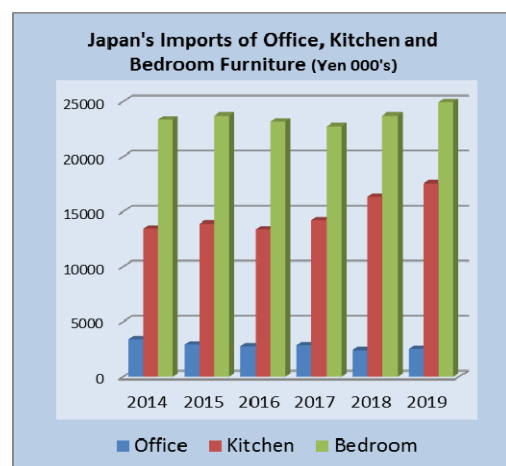
Data source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

## Import update

### Long term furniture import trend

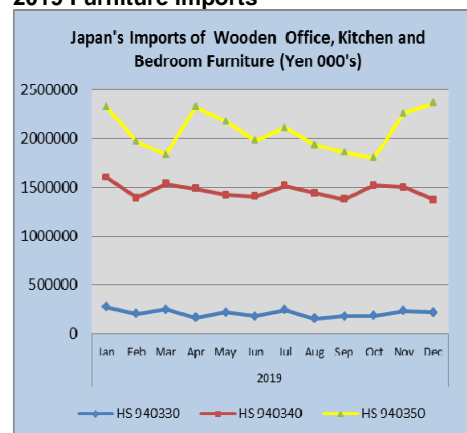
It will be seen from the graphic below that there has been a steady decline in Japan's imports of wooden office furniture. What comes as something of a surprise is that the value of imports of both wooden kitchen and bedroom furniture have shown signs of trending higher over the past three years, even in the face of a weak housing market.

Some of the upward trend in kitchen furniture could be explained by the growing interest in home renovation but this does not explain the rise in imports of bedroom furniture.



Data source: Ministry of Finance, Japan

## 2019 Furniture imports



Data source: Ministry of Finance, Japan

### Office furniture imports (HS 940330)

Year on year Japan's December 2019 imports of wooden office furniture (HS940330) were up 16% but compared to the previous month December imports dropped 8%.

China, Poland and Portugal have been the top shippers of HS940330 throughout 2019. In December shipments from manufacturers in China accounted for over 70% of all wooden office furniture imports.

Shipments from Poland, the second largest supplier in December, accounted for just 6% of imports while the third largest shipper, Portugal, added another 4%. In December 2019 Italy was not a significant supplier.

### Office furniture imports

	Imports Dec. 2019 Unit, 000's Yen
S. Korea	-
China	157,920
Taiwan P.o.C	3,402
Hong Kong	-
Vietnam	4,736
Thailand	-
Singapore	-
Malaysia	2,759
Indonesia	5,737
Cambodia	-
India	-
Denmark	1,496
UK	5,357
Netherlands	-
France	1,434
Germany	3,874
Portugal	9,279
Spain	-



Italy	3,397
Poland	12,655
Hungary	-
Turkey	2,274
Lithuania	-
Slovakia	1,005
Canada	-
USA	838
Mexico	1,625
<b>Total</b>	<b>217,788</b>

Data source: Ministry of Finance, Japan

#### Kitchen furniture imports (HS 940340)

	Imports Dec. 2019 Unit, 000's Yen
S. Korea	467
China	155,967
Taiwan P.o.C	3,481
Vietnam	507,082
Thailand	35,587
Malaysia	8,549
Philippines	616,090
Indonesia	8,859
Cambodia	-
India	-
Denmark	-
UK	662
Netherlands	-
France	296
Germany	19,089
Spain	-
Italy	7,162
Finland	-
Austria	1,070
Romania	720
Czech Rep.	274
Canada	5,269
USA	6,364
<b>Total</b>	<b>1,376,988</b>

Data source: Ministry of Finance, Japan

Exporters in the Philippines and Vietnam accounted for most of Japan's imports of wooden kitchen furniture (HS940340) in December 2019, as they did for most of the

year. Shippers in the Philippines took 45% of import demand in Japan with a further 37% being captured by Vietnam.

Exporters in China accounted for just 11% of December 2019 imports of wooden kitchen furniture. The other significant but small supplier was Thailand with a modest 3% share of December imports.

Year on year imports were down 11% and there was an 8% month on month decline in the value of imports.

#### Bedroom furniture imports (HS 940350)

Japan's imports of wooden bedroom furniture continued higher in December 2019 building on the gains in the previous month. The surge in imports of wooden bedroom furniture at year end is a pattern repeating itself over recent years.

Two shippers, China and Vietnam, accounted for over 90% of Japan's wooden bedroom furniture imports in December 2019 with Chinese shipper taking the lion's share at 52%. The other shippers of note were Thailand and Malaysia with around 2-3% each.

Year on year, December imports of wooden bedroom furniture rose 17% and month on month there was a 4% rise.

#### Bedroom furniture imports (HS 940350)

	Imports Dec. 2019 Unit, 000's Yen
S. Korea	-
China	1,219,566
Taiwan P.o.C	2,945
Mongolia	-
Hong Kong	322
Vietnam	933,387
Thailand	67,778
Malaysia	59,405
Philippines	367
Indonesia	15,787
India	-
Pakistan	-
Sweden	5,989
Denmark	720
UK	1,270
Netherlands	-
Belgium	-
France	-
Germany	-
Spain	-
Italy	2,828
Finland	-
Poland	28,824

Austria	3,884
Hungary	-
Greece	-
Romania	750
Turkey	-
Estonia	-
Latvia	235
Lithuania	17,403
Bosnia Herzogovena	393
Slovakia	-
USA	3,229
Mexico	-
Brazil	245
<b>Total</b>	<b>2,365,327</b>

Data source: Ministry of Finance, Japan

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

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

For the JLR report please see:

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

### Forest product trade of China in 2019

Despite trade war between China and the U.S.A., contrary to the expectation that forest products trade of China drops considerably in 2019, log import was only 0.9% less than 2018 and lumber import increased by 1.5%. This is the second highest import.

Log imported volume was 59,133,000 cbms and lumber was 37,165,000 cbms. Logs from New Zealand were the highest with 17,735,000 cbms, 2.0% more than 2018 while log import from other sources like Russia, U.S.A, and Malaysia declined.

Russia was the top log supplying country but because of high log export duty, it decreased by 28%. Logs from the U.S.A decreased by 41% due to duty problem by the trade war. Meanwhile lumber import from Russia was record high with 18,340,000 cbms. Lumber from Canada increased.

Plywood export by China was 10,176,000 cbms in 2019. This year's problem is outbreak of corona virus disease, which hampers smooth operation of wood products' supply chain by restriction of people's movement.

### Delayed shipment of Chilean lumber

The second ship in 2020 of Chilean radiata pine lumber will delay arrival to Japan by more than a month. Loading in Chile will be middle of April so the arrival to Japan will be late May or early June. The first ship will arrive in March so there will be more than two months interval.

One of the reasons of the delay is restoration of stagnated crating lumber market in Japan. The market in Japan has been in slump since last year with stagnated movement then the shipment to China also slowed down by recent outbreak of corona virus.

The suppliers hope that the market in Japan would restore and the inventories would be consumed during two months interval. After the third ship, plan is to arrange shipment with 50-60 days interval so total number of ships in 2020 will be six as originally planned. The export prices for the second ship are unchanged from the first ship with about US\$300 per cbm C&F on both thin board and square.

As to higher ocean freight by costly low sulfur oil, the suppliers plan to add little by little after the third ship if Japan market recovers enough to accept extra prices.

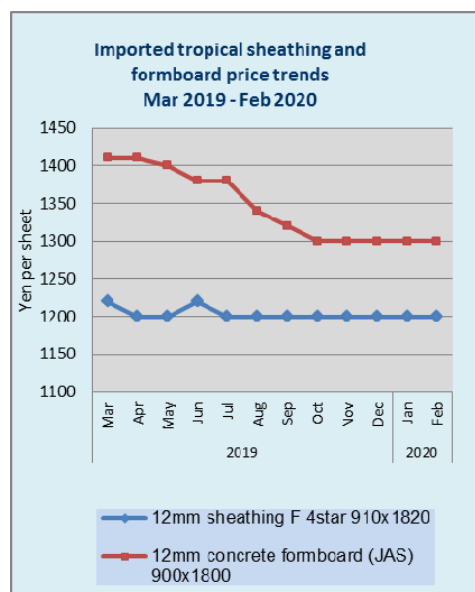
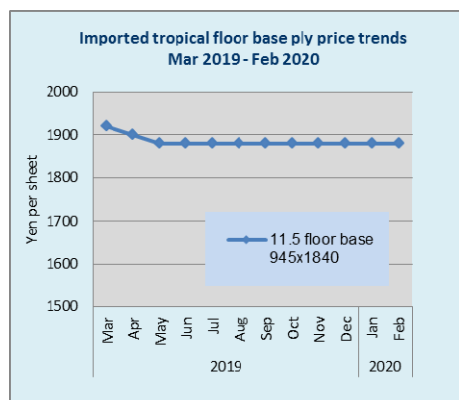
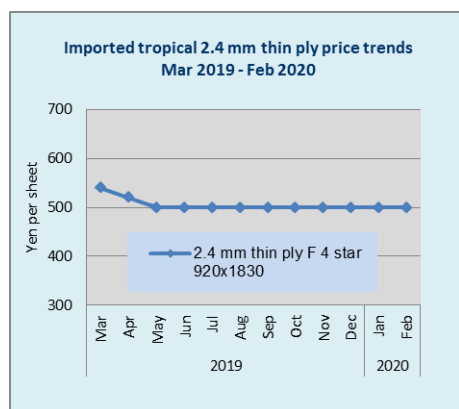
### 2019 plywood supply

Total plywood supply in 2019 is 5,859,100 cbms, 4.6% less than 2018. This is the first time that total supply decreased less than six million cbms in three years. Both production and shipment of domestic softwood plywood in 2019 recorded the highest. Meanwhile imported plywood in 2019 is the lowest in last 20 years. In particular, the supply from Malaysia dropped less than one million cbms, the lowest in last 24 years since 1995.

Share of domestic plywood is 56.7 %, 4.3 points up. It was 2016 when the total supply dropped under six million cbms. In this year domestic supply exceeded 3 million cbms and the imports was the record low and this is the year that domestic share exceeded the imports for the first time and the difference got larger last year.

Supply of imported plywood has been under three million cbms since 2015 when the supply decreased from Sarawak, Malaysia by environmental restrictions. The supply decreased down to 2,700,000 cbms in 2016 then over 2,900,000 cbms in 2017 and 2018 but in 2019, the importers reduced the purchase by high export prices and depressed market in Japan.

There are four months in 2019 with monthly arrivals are less than 200,000 cbms so total supply dropped down to 2,535,000 cbms, 13.3% less than 2018. Supply from all the major sources decreased. Malaysian supply was 874,900 cbms. Chinese supply was less than 600 M cbms, the lowest in ten years. Indonesia supply was less than 900,000 cbms.



### B.C. revises lumber export regulation

manufactured forest products regulation) since July 1, 2020. Maximum lumber size is changed from 17" square to 12" square and also cross section of lumber of less than 0.2 square meters is revised to 0.1 square meters or less. On red cedar and cypress (yellow cedar), export of only finished products is allowed.

Purpose of these revisions is to increase more processing and make value added products but industry people comment that these are not realistic, particularly on red

cedar and cypress because exporting items are large fitches, which are for re-sawing into smaller custom made lumber in Japan.

If required condition is not satisfied, it is necessary to acquire exemption certificate and pay compensation. This is practically export duty.

Majority of main export items like SPF, hemlock and Douglas fir from B.C. are satisfied with the conditions but red cedar and cypress are hard to satisfy the condition. Particularly cypress is processed into smaller order made lumber in Japan from fitches so it is not practical to export finished size.

General comment is that there is very little merit for lumber industry in B.C. by this revision. There is more than 20% duty for export to the U.S. market and value added products are imposed higher duty. Also there are not enough remanufacturing plants in B.C. and there is very little company, which is willing to invest building for remanufacturing facility.

Import of red cedar and cypress lumber for Japan from B.C. continues declining. In 2019, red cedar was 36,992 cbms, 13.3% less than 2018 and cypress was 33,927 cbms, 24.8% less. Together with declining demand in Japan, supply side is also getting frail. Western Forest Products continues more than seven months strike and Interfor closed Hammond mill at the end of last year, which was main red cedar lumber mill.

### South Sea (tropical) logs

Supply and demand of South Sea hardwood logs are balanced. PNG announced increase of log export duty since February so higher cost logs will come in since March.

Also quarantine is tightened after corona virus disease in China and log ships need to call main port in PNG, which increases sailing days and increases the freight. PNG log users in Japan say that it is tough time to swallow higher cost now. Production of Chinese made red pine free board is practically stopped by the corona virus disease as workers are ordered to stay home for two weeks.

### Cedar lumber export to the US market

Kyowa Lumber (Tokyo) looked for a chance to export Japanese cedar lumber to the US market since two years ago and has shipped some to test the market since last year. It studied quality the US market demands and introduced special processing machines.

The orders have been increasing and now it ships about 1,000 cbms a month steadily. It intends to develop the market in the US. with variety of items.

Japanese cedar has been used to substitute North American red cedar, which supply keeps shrinking and the prices are soaring. The demand has been expanding since three to four years ago.

Japanese cedar looks the same as North American red cedar but they are different so Kyowa has been investigating if the substituting demand is real or not. It is now convinced that there is certain demand and the market should last longer.

The exported lumber is displayed at DIY stores in the U.S.A. together with red cedar and redwood lumber. The main size is 1x4-6 with length of 6 and 8 feet. It is rough lumber. Kyowa introduced the same machine, which manufactures fence lumber in the U.S.A.

The lumber is mainly used as outdoor fence and decking. Kyowa thinks that the demand for lumber in Japan would keep shrinking with depopulation in future so it needs to look for outside markets.

#### **Oshika developed lignin fenol adhesive for plywood**

Oshika Corporation (Tokyo), adhesive manufacturer, has developed lignin fenol adhesive for plywood manufacturing. It has been testing this new adhesive at Niigata Gouhan Shinko and has acquired JAS certificate on January 7, 2020.

Lignin is one of ingredients wood contains with cellulose. Softwood contains 25-30% lignin and hardwood does 20-25%. When manufacturing paper and pulp, lignin is removed and is used as fuel in the past. Meanwhile lignin has function to glue fibers together.

Oshika has been studying for last ten years how to use plant originated materials as adhesive since general trend is to avoid using fossil fuels and it has been developing environmentally friendly materials.

Lignin is procured from UPM Kymmene of Finland. Kymmene has been manufacturing resin from renewable materials like wood and anxiously developing biorefinery business.

Lignin is blended with fenol resin and reacts with formalin to make lignin fenol adhesive. Acquired JAS covers low formaldehyde structural plywood, termite treated structural plywood and standard plywood.

#### **Review of 2019**

There are two different pictures on plywood market. One is booming domestic plywood and another is stagnant market of imported plywood.

Total plywood supply in 2019 was below six million cbms. Domestic plywood market continued briskness for whole year.

Plywood market used to fluctuate so often and so much that the manufacturers struggled to survive but in last four years, the demand has been robust without much dip and the plywood manufacturers have made full production. Thus, both the production and shipment in 2019 was record high.

Actually the shipment was so active that it often exceeded the production and the inventory has been in very low level like less than one month. There are two new plywood mills started in 2019 and some feared over-supply when they started but the market absorbed additional supply without any problem.

Total supply of domestic plywood in 2019 was 3,324,000 cbms, 3.3 % more than 2018 out of which softwood plywood was 3,200,000 cbms, 3.6% more while the imported plywood was 2,535,000 cbms, 13.3 % less than 2018 so that the share of domestic plywood was 56.7%.

The market in the western Japan in the first half of the year was busy by restoration demand for flood and land slide damages caused by typhoons in 2018. In the Eastern Japan, the market softened when two new plywood mills started in fear of over-supply so the market prices weakened.

The manufacturers' proposed prices were 1,050 yen per sheet of 12 mm thick 3x6 panel but the prices in the market dropped down to 1,000 yen or less so in May Seihoku group stepped up to correct extreme low prices in the market because the manufacturing cost has been climbing particularly transportation cost by shortage of truck drivers. Then the demand recovered in the second half of the year.

In September and October, series of typhoons hit the Eastern Japan and caused flood by heavy rain and many houses were damaged by extreme strong wind so emergency demand for temporary repair of roof and floor arose so the busy demand lasted through December.

Material logs like cedar and cypress are readily available. Domestic species used to be used for construction but nowadays, major members like post and beam are replaced by the European laminated lumber and KD Douglas fir lumber so major users are now plywood mills. With continuous full production of plywood mills, there is not any serious log supply shortage.

Market of imported plywood in Japan has been sluggish all through the year with the prices lower than future purchase prices.

The arrivals were record low in last twenty years. In particular, the supply from Malaysia was less than 1,000,000 cbms, the lowest since 1995.

Plywood manufacturers in Malaysia and Indonesia struggle to survive with climbing log cost and labor cost. They are forced to propose higher export prices to pass such high manufacturing cost and many have to curtail the production as Japan market cannot pay high export prices.

In last June, log supply increased temporarily and log prices dropped so that the export prices of 3x6 concrete forming panel dropped from US\$680 per cbm C&F to \$630 in late August and the market prices in Japan dropped much more than export prices.

Log prices soared in September before rainy season and in October, Shing Yang, the largest Malaysian plywood manufacturer reduced number of employees and curtailed the production. This is not temporary measures but permanent down scaling.

The market in Japan finally rebounded after bottoming out in October but the demand of end users continues dormant so it looks hard to bring the prices up to level of high export prices.

#### Outlook of 2020, Domestic plywood

Pattern of plywood market is that the demand keeps busy through February by carried over orders of precutting plants then in March, the market confuses by inventory correction as it is book closing month and the market is not stable until the fourth quarter when the demand firms up but there are some uncertain factors this year.

One is restoration demand for last year's typhoons' damages, which is much larger than 2018's western Japan damages. Structural plywood should move for repair works so it depends on how much such demand occurs in 2020.

Another factor is the Tokyo Olympic Games in summer when there are traffic restrictions around Tokyo. Construction works will be largely affected by this so construction schedule may be postponed after the Olympic Games.

On supply side, there has been strong demand for non-structural plywood like floor base but so far, the manufacturers are busy to manufacture structural panels so when the demand of structural plywood weakens, the manufacturers reduce production of structural panels and shift to produce more non-structural panels like floor base. Imported plywood – Market environment of imported plywood continues severe.

The importers are not placing enough volume since the export prices are higher than market prices in Japan so monthly arrivals continue dropping month after month. The manufacturers in Malaysia and Indonesia are determined to pass high cost onto export prices and if Japan cannot accept, they would further curtail the production by laying off workers

Log cost stay up high, minimum wage of workers is increasing and ocean freight is climbing by higher cost of fuel so further increase of export prices is inevitable.

The market in Japan is not strong enough to follow such high prices so this year is turning point for imported plywood in Japan market.

Due to shortage of virgin timber, the manufacturers have started using planted species like falcate and eucalyptus for plywood manufacturing but this is different from traditional tropical hardwood plywood so replacement is not easy.

## China

### Slight increase in log imports in 2019

China's log imports in 2019 totalled 60.57 million cubic metres valued at US\$9.434 billion (CIF), a year on year increase of just 1% in volume but there was a decline in the value of imports by 14%. The average price for imported logs was US\$156 (CIF) per cubic metre.

Of total log imports, 2019 softwood log imports rose 9% to 45.26 million cubic metres, accounting for 75% of the national total, 5% up on 2018. The average price for imported softwood logs was US\$125 (CIF) per cubic metre, down 10% on levels in 2018.

### China's log import in 2019, volume and value

	2019 mil. cu.m	% change 2018-19
<b>Total imports</b>	60.57	1
Softwood logs	45.26	9
All hardwood logs	15.31	-15
Tropical Logs	9.19	-14

Data source: China Customs

	2019 US\$ bil. CIF	% change 2018-19
<b>Total imports</b>	9.434	-14
Softwood logs	5.642	-2
All hardwood logs	3.792	-27
Tropical Logs	2.275	27

Data source: China Customs

### Average log prices, 2019

	Average CIF Price US\$/cu.m	% change 2018-19
<b>Average log prices</b>	156	-15
Softwood logs	125	-10
All hardwood logs	248	-14
Tropical Logs	248	21

Data source: China Customs

### Log imports from Czech Rep. and Germany soar

China's log imports from the Czech Rep. and Germany in 2019 soared to 4.24 million cubic metres and 2.30 million cubic metres respectively. New Zealand was the main log supplier to China in 2019 accounting for 29% of total log imports. Imports from New Zealand totalled 17.74 million cubic metres in 2019, a year on year increase of 2%.

The second ranked supplier of logs was Russia at 7.75 million cubic metres, a year on year decline 28%, accounting for about 12% of the national total, down 6% over 2018.

Average CIF prices for imported logs from New Zealand fell 9% to US\$128 per cubic metre and from Russia CIF prices fell 3% to US\$120 per cubic metre in 2019.



### Main countries shipping logs to China

	2019 mil. cu.m	% change 2018-19
New Zealand	17.74	2
Russia	7.55	-28
Australia	5.22	12
USA	4.46	-29
Germany	4.24	466
PNG	3.26	-7
Canada	2.67	7
Solomon Is.	2.37	-15
Czech Rep.	2.3	1,186
Uruguay	1.35	-37

Data source: China Customs

### Main softwood log sources in 2019

	2019 mil. cu.m	% change 2018-19
New Zealand	17.64	2
Russia	5.80	-27
Australia	4.27	4
Germany	3.805	1,842
USA	3.798	-24
Canada	2.36	1
Czech Rep.	2.29	1,255
Uruguay	1.31	-36
Japan	0.93	1
Poland	0.47	41

Data source: China Customs

### Hardwood log imports

In 2019 hardwood log imports fell 15% to 15.31 million cubic metres (25% of the national total log imports). The average price for imported hardwood logs in 2019 was US\$248 (CIF) per cubic metre, down 14% on 2018.

Of total hardwood log imports, tropical log imports were 9.19 million cubic metres valued at US\$2.275 billion CIF, down 14% in volume and 27% in value from 2018, accounting for 15% of the national total import volume, down 4% on level in 2018.

The average price for imported tropical logs was US\$248 CIF per cubic metre, down 21% on levels in 2018. The value of tropical log imports in 2019 was US\$2.275 billion CIF, reflecting a 27% decline.

Before its log export ban Myanmar was a major source of tropical logs for China. However, China's log imports from Myanmar in 2019 fell to just 11,245 cubic metres valued at US\$13.8 million (CIF), down 19% in volume and 27% in value. The average price for imported logs from Myanmar fell in 2019 to US\$1,227 (CIF) per cubic metre, down 10% over 2018.

The average price for imported tropical logs in 2019 was US\$214 per cubic metre, a year on year decline of 31%. China imported tropical logs mainly from Papua New Guinea (36%), Solomon Islands (26%), Equatorial Guinea (7.2%), Republic of Congo (7.0%). Just 11 countries supplied 95% of China's tropical log requirements in 2019.

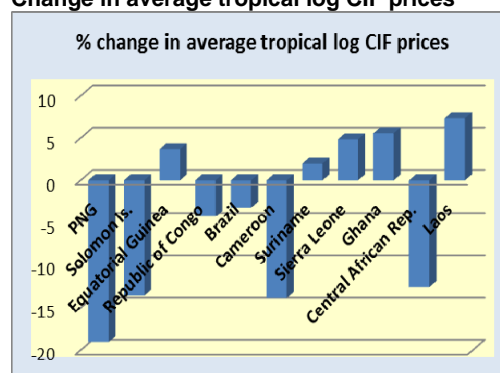
### Tropical hardwood log sources, 2019

	2019 mil. cu.m	% change 2018-19
PNG	3.26	-7
Solomon Is.	2.37	-15
Equatorial Guinea	0.66	-47
Republic of Congo	0.65	18
Brazil	0.62	190
Cameroon	0.51	-23
Suriname	0.18	-6
Sierra Leone	0.17	17
Ghana	0.1	-9
Central Africa Rep.	0.09	-32
Laos	0.08	-30

Data source: China Customs

Log imports from Brazil, Republic of Congo and Sierra Leone increased 190%, 18%, and 17% in 2019 respectively. However, most of countries from which tropical log imports declined greatly included Equatorial Guinea (-47%), CAR (-32%) and Laos (-30%).

### Change in average tropical log CIF prices

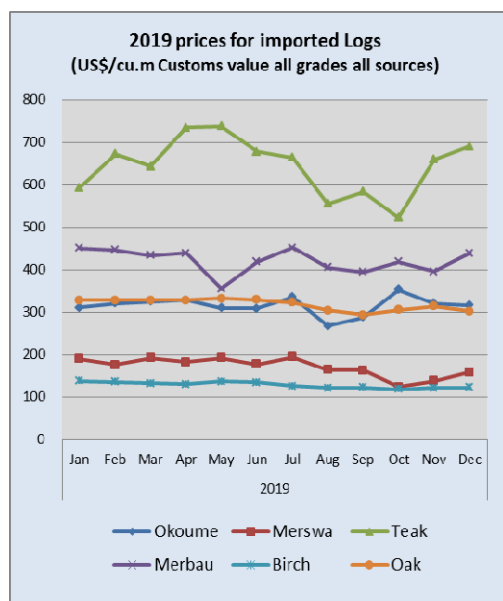


### Average imported log prices US\$/cu.m

	2019 Nov	2019 Dec
Okoume		316
Merswa	137	158
Teak	659	691
Merbau	395	439
Birch	122	123
Oak	313	302

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



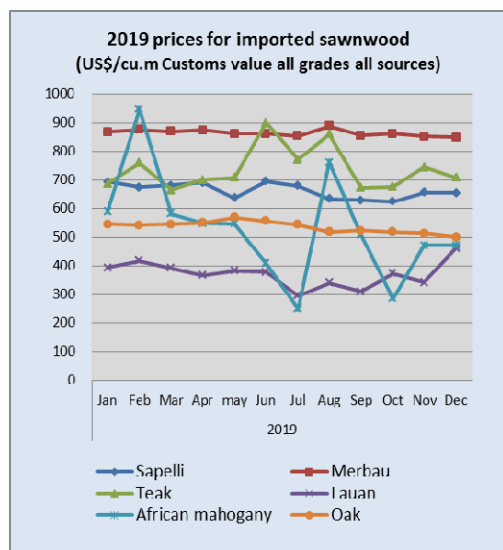


Data source: China Customs. Customs value all grades, all sources

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

	2019 Nov	2019 Dec
Sapelli	657	655
Merbau	852	849
Teak	746	709
Lauan	343	462
African mahogany	472	472
Oak	513	501

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



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

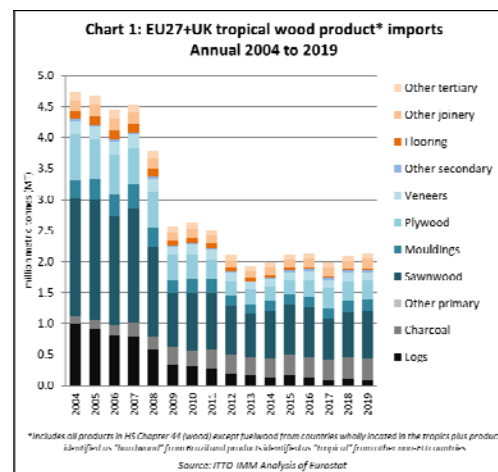
#### Second consecutive year of growth in EU tropical timber imports

Despite a downturn in the last six months of 2019, EU imports of tropical wood products last year were greater than in 2018.

In 2019, the EU28 imported 2.13 million tonnes of tropical wood products (including all those in HS Chapter 44 except fuelwood, wood waste and chips) with a total value of €2.32 billion, respectively 1.5% and 3.2% greater than the previous year. This was the second consecutive year of import growth after a dip in 2017.

The marginal growth in imports in 2019 was driven mainly by a recovery in imports of sawnwood from Cameroon and of sawnwood and mouldings/decking from Brazil, particularly into Belgium, together with rising imports of a variety of joinery products (doors and laminates) from Indonesia and Malaysia. These gains offset falling imports of tropical logs, charcoal, plywood, and veneers last year.

When considering the longer-term trend, imports in 2019 are very much in line with the overall stasis in EU tropical wood trade after hitting an all-time low in 2013 following the financial crises. Since then EU imports have fluctuated within a narrow band around 2 million tonnes (Chart 1).



Over the last seven years, total EU imports of tropical sawnwood have fluctuated in the region of 750,000 tonnes without showing any strong upward or downward trend. During this period, there has been a continuing decline in imports of tropical logs and flooring products.

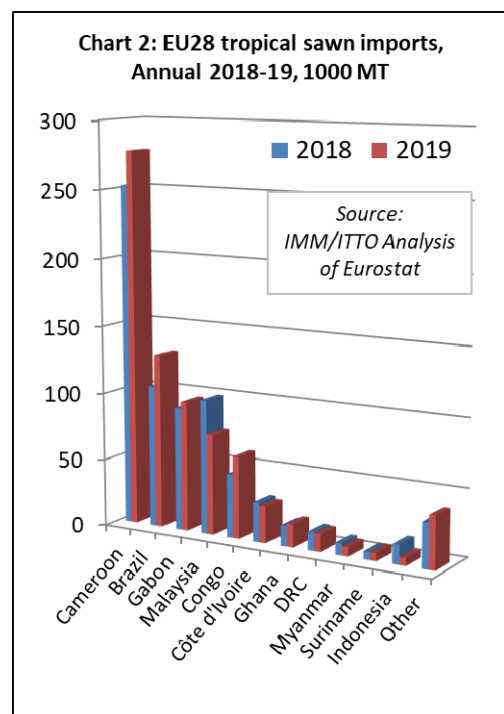
However, these losses have been offset by rising EU imports of charcoal and a variety of laminated and other joinery products from tropical countries and a recovery in imports of tropical mouldings/decking and tropical hardwood faced plywood (although the latter is increasingly sourced from China and destined for the UK, which ceased to be an EU country on 31st January 2019).

(Note that since the UK was still an EU country throughout 2019, all references to the EU in the following report on import trends last year refers to the EU28 inclusive of the UK).

#### EU imports of tropical sawnwood rise 5% in 2019

EU imports of tropical sawnwood increased 5% to 753,000 tonnes in 2019 while import value declined slightly, by 0.1% to €728.1 million. EU traders reported generally steady, in some cases strong, trading conditions for tropical timber in the first half of 2019 followed by a distinct slowdown in the second half as uncertainty mounted over the wider economic picture.

Imports from Cameroon, particularly slow in 2018, increased 10% to 277,600 tonnes during 2019. Imports also increased from several other countries including Brazil (up 23% to 129,100 tonnes), Gabon (up 5% to 96,300 tonnes), Congo (up 28% to 60,900 tonnes), and Ghana (up 12% to 17,000 tonnes). After a strong start to 2019, imports from DRC were 13,100 tonnes over the entire year, down 5% on 2018. These gains offset a 25% decline in imports from Malaysia, to 74,500 tonnes, an 8% decline from Côte d'Ivoire to 27,200 tonnes, and a 24% decline in imports from Myanmar, to 6,800 tonnes (Chart 2).



The decline in EU imports from Malaysia in 2019 was attributed by some importers to a decline in the availability of PEFC certified product following the suspension of MTCS certification in Johor and Kedar states in May 2019 which led to the total certified area in Malaysia to fall by around 25%.

This may have been a factor in the Netherlands and UK where there is a stronger preference for certified wood.

However, rising EU imports from other tropical countries with even less access to certified wood, such as Cameroon and Brazil, implies that other factors were also important for the decline in imports from Malaysia.

For example, Malaysian mills have been held back by raw material shortages and Malaysian products have come under growing competitive price pressure from Brazilian products. This is partly due to exchange rate movements. The value of the Brazilian real is currently at historically very low levels on international currency exchange markets and has lost nearly 50% against the euro in the last decade which has meant that Brazilian producers are more inclined to export. In contrast the Malaysian currency has lost less than 10% against the euro over the same period.

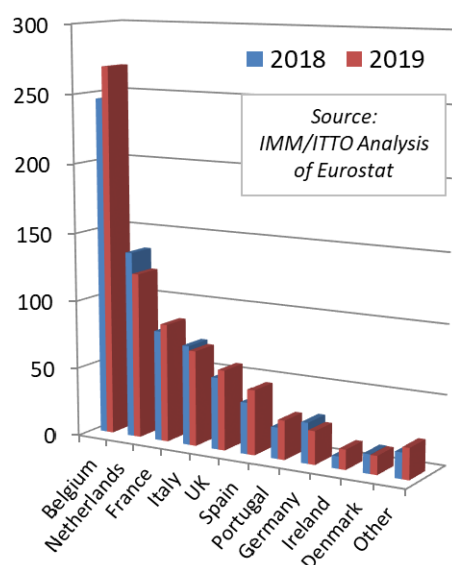
The trend towards increased concentration of tropical sawnwood imports into the EU by way of Belgium continued in 2019 (Chart 3). Belgian imports increased 10% to 269,100 tonnes last year, with the country accounting for much of the gain in EU imports from Brazil, Gabon and the Congo Republic. In contrast Belgian imports of sawnwood from Malaysia and DRC declined last year. Belgian imports from Cameroon, by far the largest supplier of tropical sawnwood, to Belgium accounting for around 45% of the total, remained stable at 120,000 tonnes last year.

Imports of tropical sawnwood into the Netherlands declined by 11% to 120,600 tonnes in 2019. There was a significant increase in Dutch imports from Brazil and Cameroon offset by a large decline in imports from Malaysia and Indonesia.

Imports of tropical sawnwood into France increased 7% last year, to 85,800 tonnes, the second consecutive year of gains after a 25% downturn in 2017. Imports increased from all four of the leading supply countries to France - Cameroon, Brazil, the Republic of Congo, and Gabon - but declined from Malaysia.

There was also a slight increase in French imports from Madagascar last year - France being the only EU country importing anything other than negligible volumes (4450 tonnes in 2019) from the country.

**Chart 3: Tropical sawn imports by EU countries, Annual 2018-19, 1000 MT**



Italy's imports of tropical sawnwood fell 4% to 69,100 tonnes in 2019, with imports down from both Cameroon and Gabon, the two leading suppliers. Italian sawnwood imports from Côte d'Ivoire recovered a little ground in 2019 after several years of continual decline but, at less than 7,000 tonnes, were still only around half the level of three years before. Italian imports from Myanmar last year were 4,400 tonnes, a slight gain on 4,300 tonnes in 2018 and double the volume of 2017.

The UK imported 57,900 tonnes of tropical sawnwood in 2019, 12% more than the previous year with significant gains in imports from Cameroon, Republic of Congo, DRC and Brazil offsetting a decline in imports from Malaysian and Côte d'Ivoire. Imports of tropical sawnwood into Ireland made even larger gains, but from a smaller base, rising 64% to 14,500 tonnes, sourced almost exclusively from Cameroon.

Tropical sawnwood imports into Spain and Portugal also made significant gains last year, respectively rising 26% to 46,600 tonnes and 25% to 28,500 tonnes. Imports into Spain and Portugal derive mainly from Cameroon and Brazil, and imports from both countries increased in both Spain and Portugal last year. Spain also recorded gains in imports from the Republic of Congo and Gabon. However, Portugal's imports from these two latter countries declined, losses only offset by a recovery in Portugal's imports from Angola.

Germany's direct imports of tropical sawnwood suffered another downturn last year, falling 18% to only 24,300 tonnes. Imports fell from both Cameroon and Brazil, partly offset by a rise in imports from Ghana. Germany is now by far the largest direct EU importer of Ghanaian sawn timber, taking 6,300 tonnes last year, nearly twice the volume of Belgium, the next largest importer.

However, for imports from other tropical countries, Germany is increasingly dependent on indirect trade via Belgium and the Netherlands.

After a continuous rise between 2014 and 2018, Denmark's imports of tropical sawnwood fell 2% to 13,600 tonnes in 2019. Nearly all the gains in recent year have been from Brazil and, to a lesser extent Peru, and Danish imports from the two South American countries continued to rise in 2019.

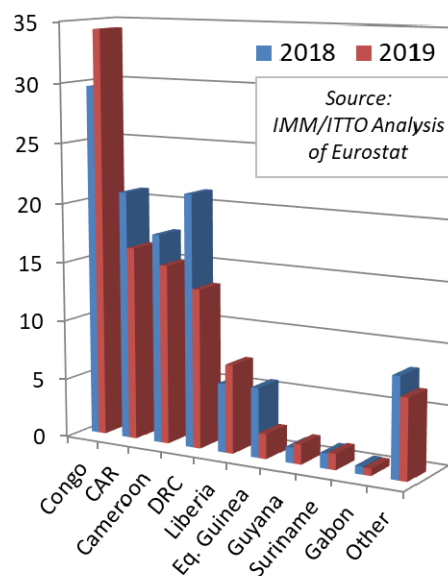
Imports from Ecuador (likely of balsa wood, possibly to supply the wind turbine industry) also increased sharply from only 336 tonnes to 1100 tonnes last year. However, these gains were offset by a fall in Danish imports from Republic of Congo and Cameroon.

#### EU imports of tropical logs slow in second half of 2019

After recovering ground in 2018 and stabilising in the first half of 2019, EU imports of tropical logs slowed in the second half of 2019. Imports of 98,600 tonnes in 2019 were 13% less than in 2018 while import value fell 14% to €48.4 million during the year.

In 2019, EU imports of tropical logs increased by 16% to 34,400 tonnes from the Republic of Congo, the leading supplier, by 29% from Liberia to 7,500 tonnes, by 7% from Suriname to 1,400 tonnes, and by 27% from Guyana to 1,700 tonnes. However, these gains were offset by falling imports from the Central African Republic (-22% to 16,300 tonnes), DRC (-37% to 13,400 tonnes), Cameroon (-14% to 15,100 tonnes), and Equatorial Guinea (-64% to 2,100 tonnes) (Chart 4).

**Chart 4: EU28 tropical log imports Annual 2018-19, 1000 MT**



After a more buoyant second quarter, imports of tropical logs slowed into France and Belgium in the second half of 2019.

By the end of the year, France had imported 36,400 tonnes of tropical logs, 8% less than in 2018, while imports into Belgium were down 23%, at 23,600 tonnes. Imports were also down 22% to 15,200 tonnes in Portugal during the year.

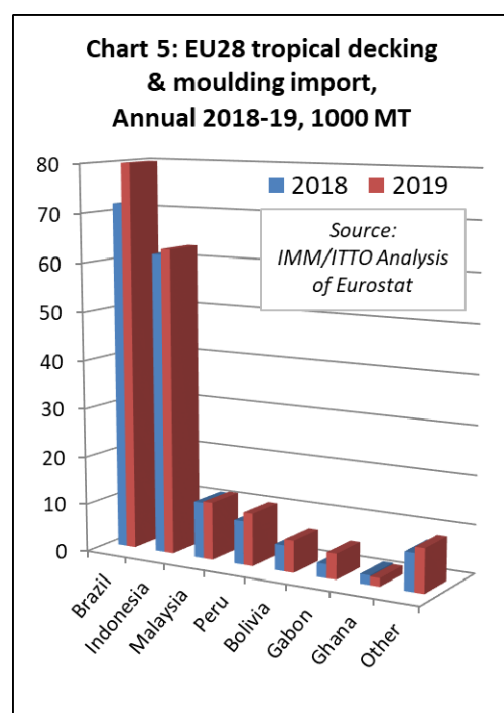
Rising log imports in some smaller markets, including Italy (+3% to 10,800 MT), the Netherlands (+18% to 2,500 tonnes), Spain (+12% to 2,600 tonnes) and Greece (+23% to 2,300 tonnes) were insufficient to offset falling imports in France, Belgium and Portugal.

#### EU imports of tropical mouldings/decking up 9% last year

Bouyant trade in the first three quarters of 2019 drove a 9% gain in EU imports of tropical mouldings (which includes both interior mouldings and exterior decking products) to 188,100 tonnes for the year as a whole despite of a sharp slowdown in the last quarter. The value of EU imports of tropical mouldings/decking in 2019 was €294.6 million, 14% more than the previous year.

EU imports of tropical mouldings/decking increased from all the leading suppliers of this commodity in 2019 including Brazil (+12% to 79,900 tonnes), Indonesia (+2% to 62,900 tonnes), Peru (+20% to 10,900 tonnes), Malaysia (+2% to 11,900 tonnes), Gabon (+85% to 5,200 tonnes) and Bolivia (+24% to 6,500 tonnes) (Chart 5).

In 2019, imports of tropical mouldings/decking increased in France (+25% to 60,100 tonnes), Netherlands (+27% to 32,500 tonnes), the UK (+8% to 11,300 tonnes), Italy (+11% to 7,900 tonnes) and Denmark (+0.4% to 4,900 tonnes). However, imports weakened in Germany, down 10% to 33,000 tonnes, and Belgium, down 12% to 25,700 tonnes.

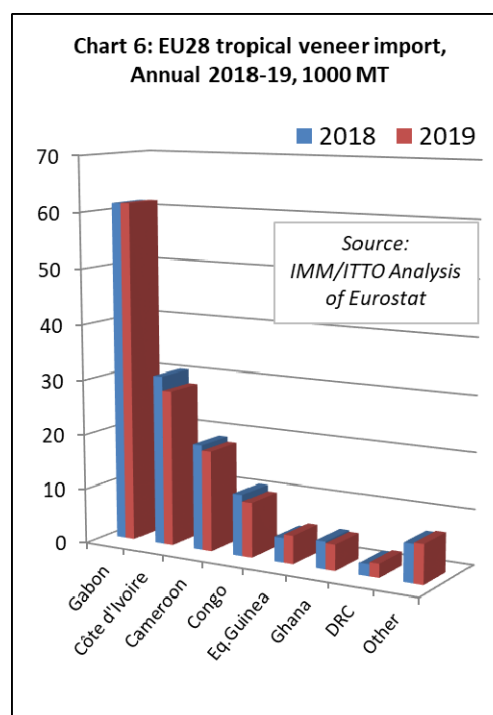


#### EU imports of tropical veneer fall 3% in 2019

Following a similar trajectory to sawn hardwood imports, EU imports of tropical veneer slowed in the second half of 2019 after a strong performance in the first six months of the year. Imports, which were up 10% on the previous year in the first half of 2019, ended the year at 137,200 tonnes, 3% down on 2018. Import value decreased 4% to €175.6 million during the year.

The EU imported 61,400 tonnes of veneer from Gabon in 2019, just 0.1% more than in 2018. Imports declined from Cote d'Ivoire (-8% to 28,300 MT), Cameroon (-5% to 18,200 tonnes), Republic of Congo (-11% to 10,000 tonnes), and Ghana (-6% to 4,700 tonnes). However, there were some gains from Equatorial Guinea (+15% to 5,100 tonnes) and DRC (+16% to 2,500 tonnes) (Chart 6).

In 2019, tropical veneer imports increased by 1% in France to 49,600 tonnes, by 7% in Italy to 35,500 tonnes, by 12% in Greece to 12,400 tonnes, and by 4% in Romania to 6,100 tonnes. However, imports fell by 18% in Spain, to 20,700 tonnes, and by 21% in Germany, to 4,000 tonnes. Imports by Belgium were stable, at 4,700 tonnes.



The downturn in tropical veneer imports in the second half of 2019 is partly allied to weakness in the European plywood and door manufacturing sectors during this period. There are also signs that tropical wood veneer is coming under pressure from temperate wood substitutes and a wide range of artificial surface materials.

It is notable that EU imports of American hardwood veneers in 2019 (21,200 tonnes) were also down by over 10%, registering significant declines in white oak and walnut in several markets including Spain, Portugal, UK and Belgium.

Imports from Ukraine, which have risen dramatically in recent years, stabilised at a high level (63,000 tonnes) in 2019, while imports from Russia (41,000 tonnes) and Serbia (25,300 tonnes) continued to rise.

#### Large Chinese suppliers dominate UK tropical plywood imports

EU imports of tropical plywood products, which were 5% up on the previous year after the first three quarters of 2019, ended the year 5% down compared to 2018 at 313,000 tonnes.

Import value was also down 5% at €278.4 million. The pace of imports fell dramatically in the face of a tightening market and highly competitive conditions, with particularly low prices for Russian birch plywood and Chinese mixed hardwood products that have been taking market share from tropical products.

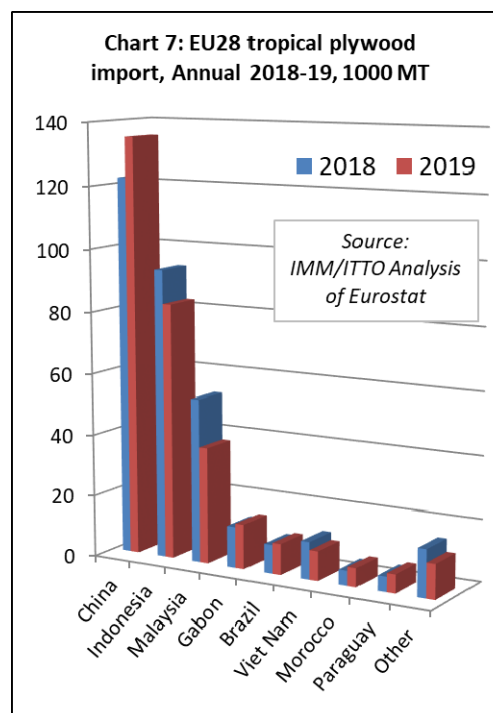
A large and growing proportion of the plywood faced with tropical hardwood imported into the EU is manufactured in China. The EU imported 135,100 tonnes of this product from China in 2019, 11% more than in 2018.

When linked with news that numerous smaller mills in China have closed in recent years due to new emissions controls, and anecdotal reports from European buyers of a greater focus on quality and species content due to EUTR and CE Marking requirements, the strong implication is that the trade is becoming more concentrated amongst a few large consolidated suppliers in China.

Although direct imports of plywood increased from a few smaller tropical suppliers in 2019, the total volume was down 14% at 166,800 tonnes. Imports increased from Gabon by 9% to 14,500 tonnes, from Brazil by 8% to 10,000 tonnes, from Morocco by 26% to 6,100 MT, and from Paraguay by 23% to 6,000 tonnes.

However, these gains were not enough offset to declining plywood imports from the two largest tropical suppliers, Indonesia and Malaysia. Imports from Indonesia declined 11% to 82,800 tonnes and fell 29% from Malaysia to 37,700 tonnes.

A brief surge in imports from Viet Nam earlier in the year also faltered in the second half so that total imports were down 21% at 9,500 tonnes by the end of 2019. (Chart 7).



In 2019, UK imports of tropical plywood products increased 6% to 174,700 tonnes, despite widespread reports of overstocking and declining plywood consumption in the country. UK imports of tropical hardwood plywood from China increased by 36% to 95,300 tonnes in 2019, while UK imports from Indonesia fell 12%, to 34,200 tonnes, and were down 27% from Malaysia to 33,000 tonnes.

In contrast to the UK, tropical plywood imports declined into all other major EU markets in 2019, including Belgium (-35% to 31,700 tonnes), Netherlands (-4% to 32,100 tonnes), Germany (-8% to 24,200 tonnes), France (-4% to 18,500 tonnes), Italy (-12% to 15,800 tonnes), and Greece (-12% to 2,800 tonnes).

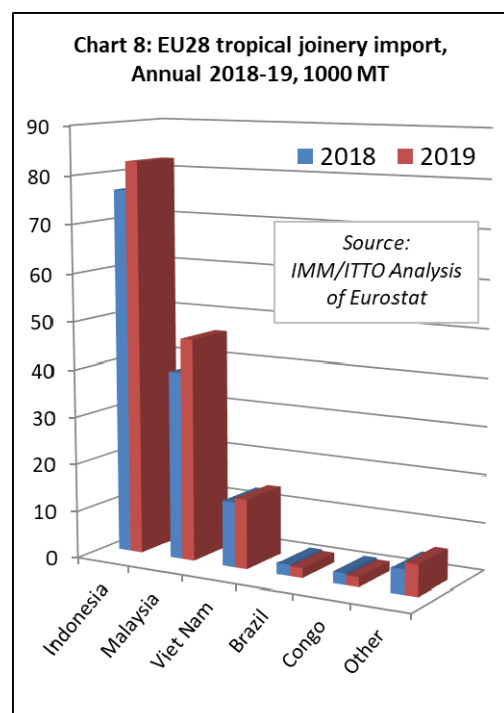
For advocates of FLEGT licensing, there was some consolation in that direct imports of plywood from Indonesia increased in 2019 into the Netherlands (+6% to 13,000 tonnes) and Germany (+5% to 17,700 tonnes) despite the overall weakness of the market. Imports of Indonesian plywood by the Netherlands last year were double those of 2016 just before licensing started. However, the gains made in these markets in 2019 were not enough offset declining imports last year into the UK and Belgium.

#### Rising EU imports of joinery from Indonesia and Malaysia

EU imports of tropical joinery products, mainly doors (from Indonesia), and laminated window scantlings and kitchen tops (from Indonesia, Malaysia and Viet Nam), increased 11% to 154,500 tonnes in 2019. Import value increased 16% to €315.8 million.



EU imports in 2019 increased from all three of the countries that dominate international trade in tropical joinery products including Indonesia (+8% to 82,500 tonnes), Malaysia (+18% to 46,600 tonnes), and Viet Nam (+6% to 14,700 MT) (Chart 8).



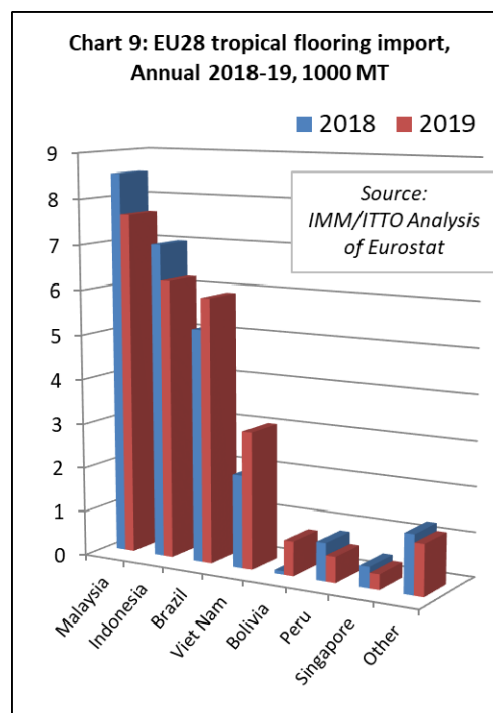
In 2019, imports of tropical joinery products increased by 4% to 63,200 tonnes in the UK and by 42% to 48,200 tonnes in the Netherlands. There were also significant gains in two smaller markets for tropical joinery products, Ireland increasing 54% to 3,000 tonnes and Poland up 17% to 1,700 tonnes. These gains offset a 5% fall in Belgium to 16,900 tonnes, an 18% fall in France to 10,500 tonnes, and a 6% fall in Germany to 7,700 tonnes.

#### First rise in EU imports of tropical flooring since the financial crises

EU imports of flooring products from tropical countries increased 0.5% to 25,690 tonnes in 2019, while import value was up 1.2% at €59.4 million. These gains are small but are significant for being the first increase in EU imports of tropical flooring since 2007 before the financial crises.

Between 2007 and 2018, EU imports of tropical flooring products fell continuously from 150,000 tonnes to only 25,550 tonnes in response to intense competition from European and Chinese manufacturers and non-wood alternatives, fashion trends favouring temperate timbers, supply constraints, and challenges of EUTR conformance.

In 2019, a continuing decline in imports from the leading suppliers – Malaysia (-10% to 7,600 tonnes), Indonesia (-11% to 6,200 MT) – was offset by rising imports from Brazil (+14% to 5,900 tonnes), Viet Nam (+48% to 3,100 MT), and Bolivia (from near zero to over 800 tonnes) (Chart 9).



In 2019, tropical wood flooring imports recovered ground in France (+36% to 7,700 tonnes) and the UK (+27% to 2,500 tonnes). However, imports fell in most other significant European markets including Belgium (-0.5% to 3,300 tonnes), Italy (-9% to 2,100 tonnes), Denmark (-28% to 2,000 tonnes), Spain (-30% to 1,900 tonnes), the Netherlands (-5% to 1,900 tonnes), and Germany (-16% to 1,700 tonnes).

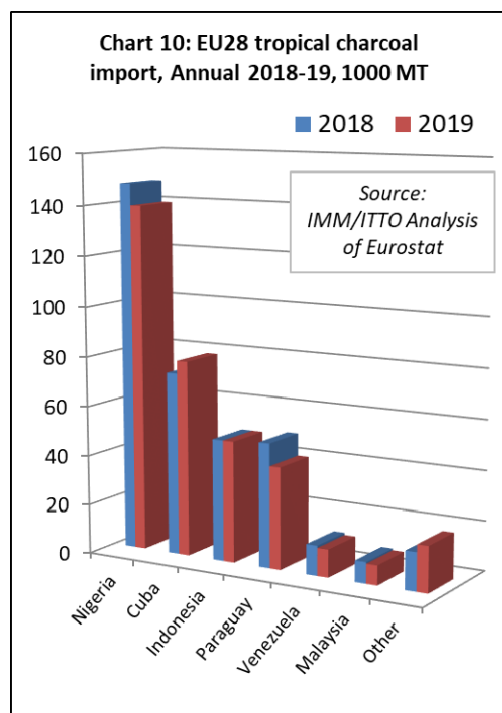
#### Slowing pace of EU imports of tropical charcoal

EU imports of charcoal from tropical countries, which were rising between 2016 and 2018, fell 3% to 345,300 tonnes in 2019. Import value was level at €141.4 million in both 2018 and 2019.

In 2019, EU imports of charcoal decreased from Nigeria (-6% to 139,400 tonnes), Paraguay (-18% to 40,900 tonnes), Venezuela (-7% to 11,200 tonnes), and Malaysia (-8% to 7,900 tonnes). However, imports from Cuba increased 7% to 78,800 tonnes. Imports from Indonesia were unchanged at 48,800 tonnes in 2019 (Chart 10).

A wide range of EU countries now import wood charcoal from tropical countries. The largest destinations (in descending order in 2019) were: Poland (-14% to 49,100 tonnes); Greece (-3% to 47,900 tonnes); Portugal (+9% to 41,400 tonnes); Spain (+21% to 37,900 tonnes); Italy (+6% to 34,000 tonnes); Germany (-38% to 30,200 tonnes); UK (+2% to 30,000 tonnes); Netherlands (+45% to 22,600 tonnes); Belgium (-39% to 17,100 tonnes), and Croatia (+137% to 6,600 tonnes).





## North America

### Department of Commerce upholds complaint – duties slapped on Chinese cabinet imports

In February this year the US Department of Commerce announced affirmative final determinations in the antidumping duty (AD) and countervailing duty (CVD) investigations of imports of wooden cabinets and vanities from China. The petitioner in this case is the American Kitchen Cabinet Alliance.

Commerce determined that producers and/or exporters from China have sold wooden cabinets and vanities at less than fair value in the United States at rates ranging from 4.37 percent to 262.18 percent.

In addition, Commerce determined that producers and/or exporters from China received countervailing subsidies at rates ranging from 13.33 percent to 293.45 percent. In 2018, imports of wooden cabinets and vanities from China were valued at an estimated \$4.4 billion.

The US Department of Commerce has recently issued final duty determinations on Chinese imports of wooden cabinets and vanities. Antidumping and countervailing duties are as follows: Dalian Meisen 269.91%, Foremost 122.1%, Ancientree 13.33%, with all others 58.89%.

This means that almost all Chinese manufacturers will now face a combined AD/CVD cash deposit rate of about 59%.

In October 2019 preliminary antidumping duties ranging from 4.49% to 262.18%, with most Chinese producers facing antidumping duties of 39.25% were imposed.

These antidumping duties are in addition to earlier countervailing duties averaging 16%, which have been in effect since August 2019. As a result of this final decision, cash deposits will continue to be required on all wooden cabinets and vanities imported from China.

See: <https://www.trade.gov/press-release/us-department-commerce-finds-dumping-and-countervailable-subsidization-imports-wooden> and <https://www.woodworkingnetwork.com/news/woodworking-industry-news/commerce-rules-favor-cabinetmakers-issue-final-duties-chinese-imports>

### Home Construction trends depending on political leaning of residents says NAHB

While the population of the U.S. is almost evenly split between “red” (Republican-leaning) and “blue” (Democratic-leaning) counties, the same is not true for the distribution of single-family and multifamily construction.

A web-release from the National Association of Home Builders (NAHB) has highlighted differences in housing trends which appear to be related to the political leaning of residents in the different counties in the US.

The NAHB data found that 61% of single-family construction is in predominantly red (Republican counties), while almost 64% of multifamily construction has been in the blue (predominantly democrat counties). The ‘blue counties tend to feature greater population density, and this, according to the NAHB could explain the difference.

Additionally, the NAHB reports growth rates for home construction differ between ‘red’ and ‘blue’ are different saying “ Looking at four-quarter moving averages of year-over-year growth rates for single-family construction as of the end of 2019, red counties posted growth of 1.7% for single-family home building, while blue counties posted a decline of 1.2%.”

See: <http://eyeonhousing.org/2020/03/red-counties-outperform-blue-counties-for-home-construction/>

### Manufacturing improved in February, but corona virus having an impact

Economic activity in the manufacturing sector grew in February and the US economy grew for the 130th consecutive month according to the latest Manufacturing ISM Report On Business.

ISM data indicates that 14 of 18 US manufacturing industries expanded in February but that there are signs of growth slowing due to heightened risks from the spread of corona virus. Leaders in growth were the wood products and furniture manufacturing industries. Manufacturing production and export orders showed growth for the month, while new orders and hiring showed a decline.

The ISM writes that disrupted supply chains are impacting US companies.

See: <https://www.instituteforsupplymanagement.org/ismreport/mfgrob.cfm?SSO=1>

### US tropical hardwood imports – a slow start in 2020

U.S. imports of sawn tropical hardwood fell by 22% in January. With only 14,520 cubic metres imported, January was the slowest month in four years and was 44% behind January 2019. Imports from Brazil held steady from December totals, but were only half of last January's. Imports from Ecuador and Cameroon were also well below last month's and last year's volume.

U.S. Imports of Balsa fell by 64% in January, the lowest level in more than 10 years. Imports of Sapelli, Cedro and Teak were also off sharply in January.

### Hardwood plywood imports up 20%

US imports of hardwood plywood rose 3% in 2019 January. The month's total was 234,113 cubic metres, a level 20% higher than that of January 2019. Imports from China grew by 78% in January, but still trail levels from a year ago by a third. Imports from Malaysia and Indonesia both rose in January and are well ahead of 2019 levels. Imports from Vietnam fell by 15% in January.

### US tropical veneer imports slide

US Imports of tropical hardwood veneer fell by 5% in January as markets became more volatile. Imports from India nearly tripled after three weak months and imports from China more than doubled.

Meanwhile imports from Ghana were down 99% and shippers in Cameroon appeared to pick up the slack, rising by 46%. Overall, January imports of tropical veneers lagged the previous year's totals by 24%.

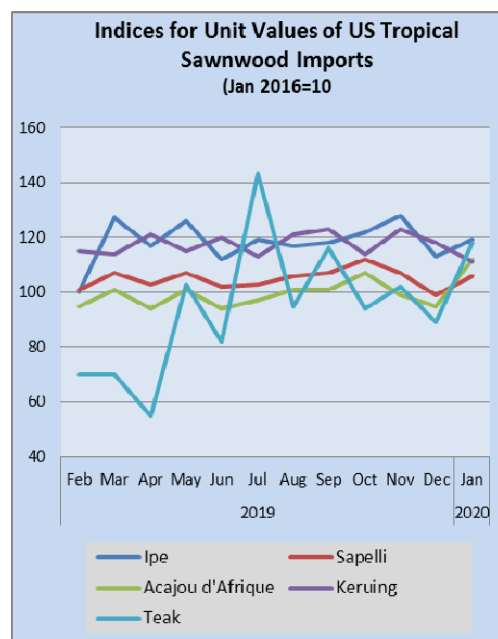
### Flooring imports recover

US imports of hardwood flooring rose by 10% in January, recovering from four straight months of decline. Despite the gain, January totals still trail January 2019 numbers by 22%. While imports from China rose 87% and imports from Malaysia grew nearly 250%, the monthly totals from those two countries are still well behind totals from a year ago.

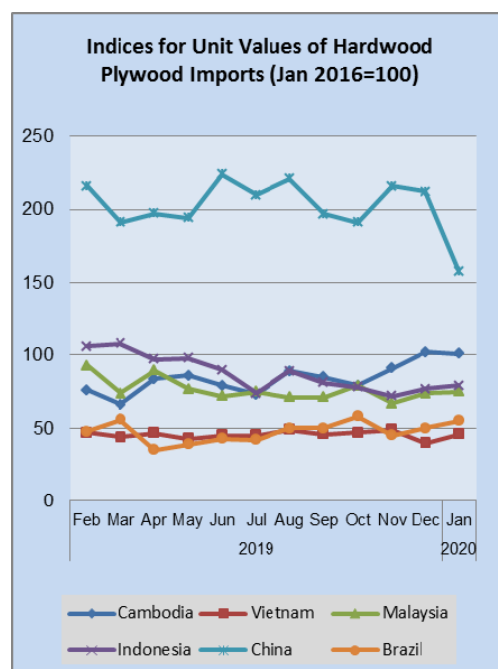
Imports of assembled flooring panels grew by 27% in January, with imports from Southeast Asia showing the strongest growth. Imports from Vietnam more than doubled in January while imports from Indonesia and Thailand both grew sharply. Imports from China rose 3% but remain 35% behind those of January 2019.

### Strong start to 2020 moulding imports

US imports of hardwood mouldings jumped 33% in January after three months of decline. Imports were slightly above numbers from last January as imports grew from nearly all trading partners. Imports from Canada grew by 39% in January and were 18% better than numbers from a year ago.



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



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Note: Unit values are based on Customs value and exclude shipping, insurance and duties

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

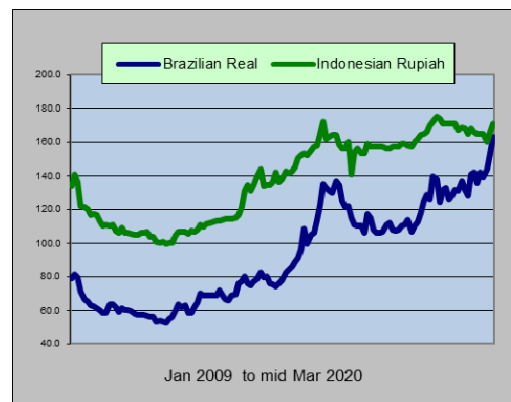
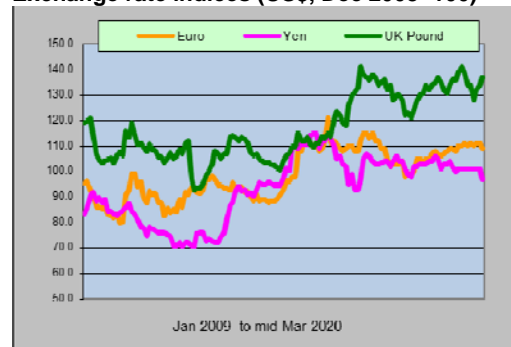
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

## Dollar Exchange Rates

As of 10<sup>th</sup> March 2020

Brazil	Real	4.7941
CFA countries	CFA Franc	583.59
China	Yuan	7.0296
EU	Euro	0.8941
India	Rupee	74.576
Indonesia	Rupiah	14522
Japan	Yen	109.59
Malaysia	Ringgit	4.2725
Peru	New Sol	3.38
UK	Pound	0.7956
South Korea	Won	1211.21

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

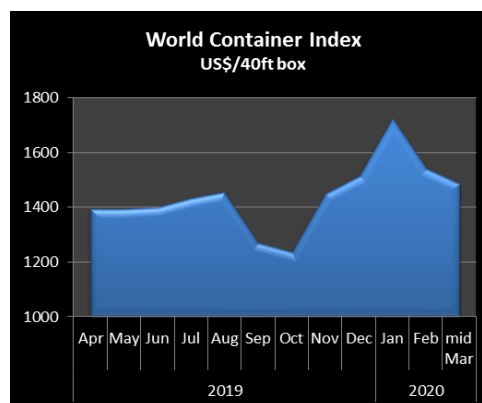


## Abbreviations and Equivalences

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

## Ocean Container Freight Index

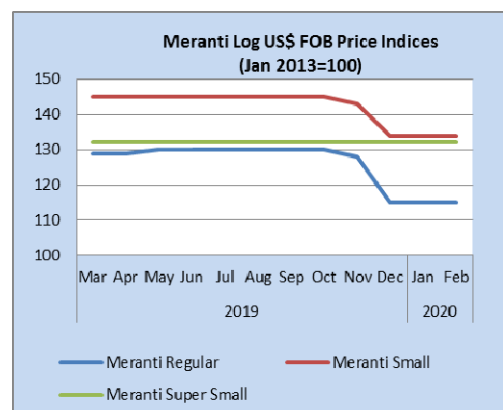
April 2019 – mid March 2020



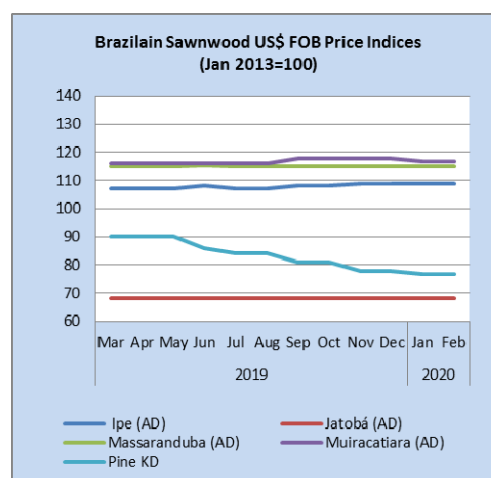
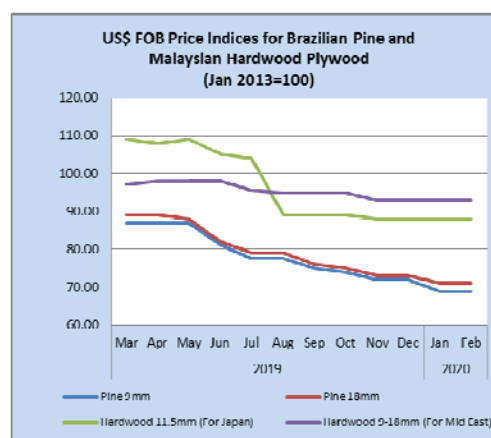
Data source Drewry World Container Index

## Price indices for selected products

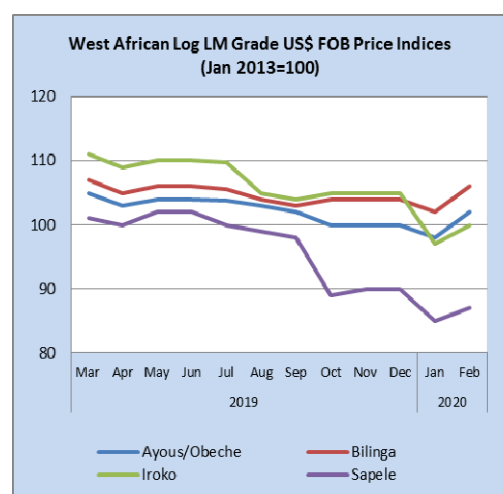
The following indices are based on US dollar FOB prices



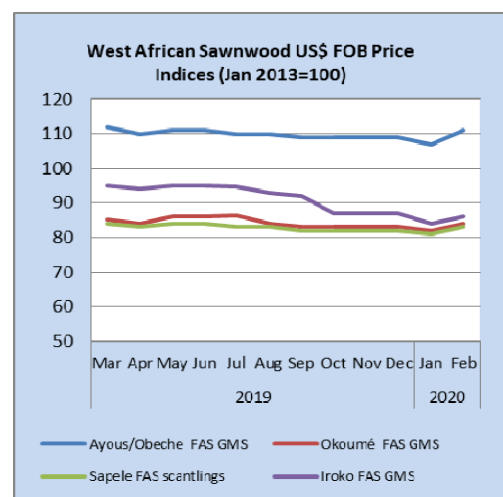
Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



The upturn shown above reflects the recent appreciation of the euro against the dollar



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