Tropical Timber Market Report

Volume 25 Number 23 1st – 31st December 2021

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.

Contents

Headlines

Top story

Association convinced EU deforestation free trade proposal will not disrupt exports

Indroyono Soesilo, Chairman of the Association of Indonesian Forest Concession Holders has said Indonesian wood product exporters believe the new draft proposal from the European Union aimed at reducing deforestation will not hamper Indonesia's exports.

He said Indonesian products meet the legality criteria determined by the EU and that the products exported to the European Union come from legal timber and are not the product of deforestation.

Page 5

This is the final Market Report for 2021. The next Report will be published on 16 January 2022.

Central and West Africa

Increase in log export duties in Cameroon

In its draft 2022 budget Cameroon included a decision to increase log export tax rates which will allow the country to generate additional revenues. The measure aligns with the CEMAC decision to heavily tax log exports to encourage domestic processing. Ranece Jovial Ndjeudja, Forest Campaign Manager for Greenpeace Africa has said the tax increase is insufficient to effectively combat deforestation and climate change.

See: https://www.businessincameroon.com/public-management/2211-12078-deforestation-cameroon-s-proposed-15-increase-in-raw-timber-export-duties-not-deterrent-greenpeace-africa-says

In related news, an initiative to combat deforestation and trade in illegal timber is being launched in the Congo Basin. The Pan African Forest Certification (PAFC) and its partners have created a regional certification scheme for the Congo Basin. The Congo Basin PAFC is implemented with contributions from the Programme for the Endorsement of Forest Certification (PEFC) and the International Tropical Timber Technical Association (ATIBT).

See: https://www.afrik21.africa/en/congo-basin-the-objectives-of-the-new-regional-forest-certification-scheme

Concession licenses to be extended

The Cameroon Minister of Forestry and Wildlife, Jules Doret Ndongo, has announced that concession holder's licenses set to expire on 31 December will be extended for 2 months. Concessionaires had requested an extension saying their operations and management has been disrupted by the coronavirus control measures and by abnormal weather conditions.

The Minister noted the extension will allow operators to prepare for the transition to the 1 January 2023 log export ban to be effective in the CEMAC region.

CEMAC has begun the process of preparing for the shift to domestic processing by conducting studies and processing investment projects leading up to the first phase of the raw timber export ban process.

Two Special Economic Zones have been identified in each of the CEMAC member countries where processing plants will be established. EMAC is also investigating the role that forest plantations can play to secure social, economic and ecological sustainability in the Congo Basin.

Massive infrastructure spending on roads and ports

The Central African Economic and Monetary Community (Cemac) has secured funds estimated at around euro 4 billion for a number of infrastructure projects to be completed over five years (2021-2025). Included is construction of :

- a bridge over the Ntem river
- the Lolabé-Campo expressway between Cameroon and Equatorial Guinea
- the Ndendé-Doussala road between Gabon and Congo
- the Kogo-Akurenam road (south-eastern Equatorial Guinea and Gabon)
- the Brazzaville-Ouesso-Bangui-N'Djamena corridor (Congo-RCA-Chad)
- the Beloko dry port (Douala-Bangui corridor)
- the dry port of Dolisie (Gabon-Congo corridor)

See: https://www.jeuneafrique.com/1246455/economie/cemac-onze-chantiers-qui-vont-changer-le-visage-de-lafrique-centrale/

Production sharing scheme proposed in Congo

The ATIBT has reported on a proposal for a methodology for Production Sharing (PS) outlined during the recent VPA-Flegt CCM (Joint Implementation Committee) meeting in Brazzaville.

The idea is included in the proposed Forest Code but few details are available other than it will be along the lines of the production sharing concept developed for the oil sector.

See: https://www.atibt.org/en/news/13096/congo-first-steps-towards-the-implementation-of-production-sharing

Gabon plymill sold

According to a press release published in L'Union in late November Corà Wood Gabon sold its forestry operations to African Equatorial Hardwoods a move which will see the departure of Corà Wood from Gabon. The company's main activities were production of veneer and plywood and logging.

See: https://www.gabonreview.com/bois-le-chant-du-cygne-de-cora-wood-gabon/

Log export prices

West African logs	FOB Euro per cu.m		
Asian market	LM	B	BC/C
Acajou/ Khaya/N"Gollon	265	265	175
Ayous/Obeche/Wawa	250	250	225
Azobe & ekki	275	275	175
Belli	300	300	-
Bibolo/Dibétou	215	215	-
Bilinga	275	275	-
Iroko	300	280	225
Okoume (60% CI, 40% CE, 20% CS) (China only)	225	225	220
Moabi	280	280	250
Movingui	180	180	-
Niove	160	160	-
Okan	210	200	-
Padouk	270	240	200
Sapele	260	260	200
Sipo/Utile	260	260	230
Tali	280	280	-

Sawnwood export prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	440
Bilinga FAS GMS	540
Okoumé FAS GMS	440
Merchantable KD	380
Std/Btr GMS	330
Sipo FAS GMS	425
FAS fixed sizes	-
FAS scantlings	520
Padouk FAS GMS	900
FAS scantlings	1,000
Strips	350
Sapele FAS Spanish sizes	420
FAS scantlings	450
Iroko FAS GMS	600
Scantlings	620
Strips	370
Khaya FAS GMS	450
FAS fixed	500
Moabi FAS GMS	530
Scantlings	550
Movingui FAS GMS	380

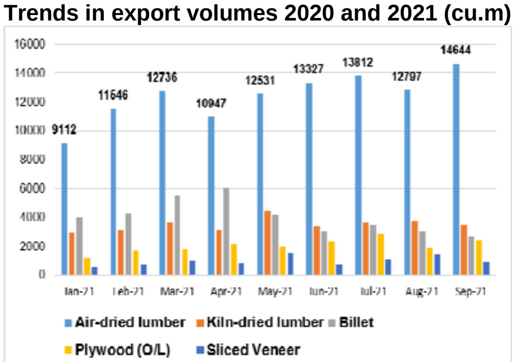
Ghana

Wood export product trends

Ghana's wood product exports are mainly air and kiln-dry sawnwood, billets (logs), sliced veneer and plywood. Plywood exports are destined for the regional market. These products accounted for 90% of total export volumes in the first three quarters of 2021, as they have for many years.

Data from the Timber Export Division (TIDD) of the Forestry Commission shows that for the period January to September 2021 export volumes of these products totalled 206,352 cu.m or 92% of the total export volume (224,599 cu.m). For the same period in 2020 the volume was 149,258 cu.m, being 90% of the total shipped (165,924 cu.m).

Trends in export volumes 2020 and 2021 (cu.m)



Data source: TIDD

Air-dried sawnwood topped the list as the most shipped product and accounted for 111,452 cu.m (54.0%) and 84,659cu.m (56.7%) of all products shipped in the first three quarters of 2021 (206,352 cu.m) and 2020 (149,258 cu.m) respectively.

The volumes shipped were stable in 2021 but this was not the case last year where export volumes dipped in April 2020, May 2020 and June 2020 due to the pandemic lockdowns.

The top species of sawnwood shipped were teak ceiba, wawa, denya and mahogany with the market destinations being mainly India, the United States, Germany, Belgium and the United Arab Emirates.

20-Year plantation initiative

Ghana plans to establish plantations of 3.5 million trees of shea (Vitellaria paradoxa) and other species in the Northern Savannah Zone (NSZ) of the country as part of its effort to address global warming.

This is part of a 20-year initiative named 'Ghana Shea Landscape Emission Reductions Project' and will involve rural communities in the region. The project will be funded by the Green Climate Fund where the Forestry Commission (FC) is the lead agency with technical support from the Global Shea Alliance (GSA) and the United Nations Development Programme.

The GSA reports the project is expected to result in the restoration of 200,000 hectares of off-reserve savanna forests and 300,000 hectares of degraded shea parklands as well as the establishment of 25,500 hectares of forest plantations in severely degraded forest reserves.

See:https://globalshea.com/gsamain/storage/img/press/file/GCF.pdf

SMEs advised to adopt good manufacturing practices from inception

The Association of Ghana Industries (AGI) has charged SMEs in the country to adopt Good Manufacturing Practices (GMPs) from the inception of their business operations which will pave the way for them to grow.

Speaking at the '10th AGI Ghana Industry and Quality Awards 2021' the Chairperson of the AGI Awards Planning Committee, Ms. Nora Bannerman-Abbott, said SME's need to do a lot to bring up their businesses and their productsup to international standards.

In a related development the Ghana Enterprise Agency (GEA) has begun disbursement of over GH¢8 million to micro, small and medium scale enterprises to help them expand their businesses to stimulate growth in the private sector post-COVID-19.

See:
https://www.businessghana.com/site/news/business/251667/AGI-challenges-SMEs-to-adopt-good-business-practices-from-inception

Businesses in the Free Zones generate billions

Manufacturing businesses in Ghana's Free Zones generated a total export revenue of US$1.09 billion in the first half of this year according to the Chief Executive of the Ghana Free Zones Authority Michael Oquaye Jnr. Oquaye. He indicated that the Authourity achieved positive results even in these difficult times.

A number of timber compaies operate in the Free Zones. Companies in the Zones enjoy 100% tax-exemption on imports of equipment and machinery. In addition, the FZEs enjoy 100% tax exemption from payment of tax on profits for a period of 10-years from inception.

See: https://gfzb.gov.gh/index.php/2021/12/08/ghana-hosts-6th-edition-of-aezo-annual-meeting/

Boule export prices	Euro per cu.m
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	567
Niangon Kiln dry	659

Export rotary veneer prices

Rotary Veneer, FOB	Euro per cu.m	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	370	441
Chenchen	540	612
Ogea	443	590
Essa	406	619
Ofram	350	435

Export sliced veneer

Sliced face veneer	FOB Euro per cu.m
Asanfina	806
Avodire	573
Chenchen	759
Mahogany	1,485
Makore	-
Odum	815

Export plywood prices

Plywood, FOB	Euro per cu.m		
BB/CC	Ceiba	Ofram	Asanfina
4mm	393	580	641
6mm	412	535	604
9mm	370	490	560
12mm	495	476	480
15mm	430	414	430
18mm	460	463	383

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

Export sawnwood prices

Ghana sawnwood, FOB	Euro per cu.m	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	465	564
Ceiba	435	600
Dahoma	334	448
Edinam (mixed redwood)	520	481
Emeri	550	577
African mahogany (Ivorensis)	1,195	776
Makore	710	800
Niangon	576	674
Odum	950	859
Sapele	800	743
Wawa 1C & Select	200	418

Malaysia

Covid update

A total of 2,726,684 people or 86.6% of adolescents aged between 12 and 17 have completed their Covid-19 vaccination. Based on the Health Ministry’s data, 2,833,870 people or 90% of the group have received at least one dose of the vaccine.

As for the adult population, 22,734,488 people or 97.1% have completed their vaccination, while 23,058,008 or 98.5% have received at least one dose of the vaccine. This brings the cumulative number of vaccine doses administered under the National Covid-19 Immunisation Programme to 54,326,199 doses.

Post pandemic market potentials

With the gradual recovery in the major market countries the Malaysian Timber Council (MTC) has assessed the opportunities for the commodity and wood processing sectors.

Tan Ting Wai, MTC Business Development Division Director said current market demand presents distinct opportunities in terms of consumer products for the West and industrial products for the East. In developed countries governments are boosting demand through a variety of ways which has led to rising demand for consumer products. Countries which rely on exports are seeing a surge in demand which has driven up their requirements for raw materials and industrial inputs.

He is of the opinion that there are opportunities in supplying value-added semi-finished and finished products like outdoor furniture to China because there raw material and labour costs are rising as are shipping costs. In addition, the production environment is becoming tough as environmental protection regulations in China are tightened.

In contrast to the situation in China, Tan pointed out the US is the major market for Malaysian furniture accounting for almost 50% of total furnitureexports. Demand in the US is driven by home building and remodelling and growth in these sectors is expected to be maintained for some time.

In Europe Malaysia’s market share for tropical wood products has dropped due mainly to supply issues during the various lockdowns and has been compounded by a severe lack of shipping containers.

See: https://mtc.com.my/images/media/941/The_Star_Epaper-undefined-_page-12-_12-8-2021.pdf

Labour shortage becoming severe

Datuk Zuraida Kamaruddin the Plantation Industries and Commodities Minister wants to initiate government to government negotiations with foreign countries to address the issue of the labour shortage in the furniture manufacturing sector.

The Minister said she has proposed to the Prime Minister and his Cabinet it is necessary to tackle the matter as the country's shortage of labour for the furniture industry was becoming severe.

See:
https://mtc.com.my/images/media/929/G2G_cooperation_to_address_labour_shortage_issues-_says_Zuraida_NST.pdf

Illegal occupation in forest reserves to be addressed

As forestry is under the jurisdiction of each Malaysian State the National Land Council is often seen as a coordinator by the Federal Government over land issues. The recent 79th National Land Council Meeting agreed to enforce actions and solutions on illegal land occupation in the permanent forest reserves of Peninsular Malaysia. It was also agreed that all State Governments should take similar actions by 1 June 2022.

It was also agreed, in principle, that a 15-year moratorium be imposed on approvals for new forest plantations in permanent forest reserves in Peninsula Malaysia. There are currently 127,050 ha. of forest plantation development zones in permanent forest reserves in the country that have yet to be allocated.

Indonesia

Association convinced new EU deforestation free trade proposal will not disrupt exports

According to the Chairman of the Association of Indonesian Forest Concession Holders (APHI), Indroyono Soesilo, exporters of wood products believe the new draft proposal from the European Union aimed at reducing deforestation will not hamper Indonesia's exports.

He said Indonesian products meet the legality criteria determined by the EU and that the products exported to the European Union come from legal timber and are not the product of deforestation.

The Association reports forest and wood product exports to the EU reached US$1.24 billion as of October 2021 exceeding both 2020 and 2019 levels.

It is Indroyono understanding that the EU draft proposal states that companies must provide geographic coordinates showing the origin of the raw material processed for export to the EU market.

The EU draft proposal would prohibit agricultural commodities and their derivatives from entering the EU market if they are produced from raw material from deforested or degraded land.

See:
https://ekonomi.bisnis.com/read/20211126/12/1470520/eksportir-produk-kayu-yakin-kebijakan-baru-uni-eropa-tidak-mengganggu.

In related news, APHI Executive Director, Purwadi Soeprihanto, said the deforestation rate was reduced to only 115,000 hectares last year which is very encouraging and the Association supports a permanent moratorium on the issuance of permits for harvesting in peatlands and primary forests.

See: https://www.tribunnews.com/bisnis/2021/11/30/aphi-deforestasi-sudah-turun-signifikan.

Prospects in the furniture and craft industries

The Indonesian Furniture and Craft Industry Association (HIMKI) Secretary General, Heru Prasetyo, expressed optimism on prospects for the furniture and handicraft industry even in the face of the COVID-19 pandemic. Between January and November 2021 production by the furniture and craft industries expanded over 30% year on year.

The HIMKI supports small scale furniture and crafts enterprises through training and developing marketing especially through participation at trade shows and exhibitions.

See:
https://www.msn.com/id-id/ekonomi/bisnis/industri-mebel-dan-kerajinan-tumbuh-32-persen-himki-prospek-yang-cerah/ar-AARibvv?ocid=BingNewsSearch

Silvicultural technique accelerates merbau growth

The Ministry of Environment and Forestry (KLHK) has released details of a silvicultural technique to accelerate the growth of merbau. The Director General of Sustainable Forest Management, Agus Justianto, said this innovation was developed collaboratively to achieve sustainable forest resource management.

He further stated that the launching of the merbau initiative will result in an increase in the productivity of the natural forest and sustainable management of forest resources, especially in Papua and West Papua Provinces.

The domestic press reports that Indroyono said "Through intensive silviculture the target for natural forest wood productivity of 120 cubic metres per hectare with a 20-year cycle for meranti and a 30-year cycle for merbau can be realised."

See: https://infopublik.id/kategori/nasional-sosial-budaya/585601/klhk-rilis-inovasi-teknik-silin-percepat-pertumbuhan-kayu-merbau

New Business approach in the forestry sector

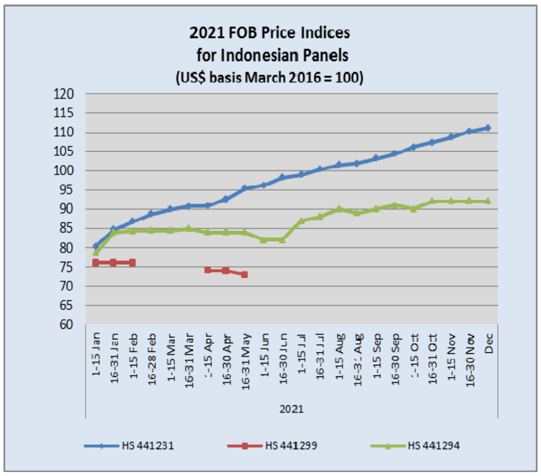
At the 2021 National Conference of Association of Indonesian Forest Concession Holders the Minister of Environment and Forestry, Siti Nurbaya, expressed her gratitude for the support of APHI members in accelerating the reorientation of businesses in the forestry sector.

She said that the government still needs support so that businesses can contribute to forestry development, especially in relation to Law No. 11/2020 concerning Job Creation.

In response the Chairman of APHI, Indroyono Soesilo, stated that APHI members will continue to support the government programmes and will encourage dialogue on how best to configure a new competitive and sustainable forestry business system to meet the requirements of the Job Creation Law.

He said that one of the ways to reorient forestry business was to harness forest ecosystem services, a concept developed by the government.

See: https://investor.id/national/273730/menteri-lhk-aphi-dorong-aktualisasi-ekosistem-bisnis-baru-sektor-kehutanan
and
https://www.dimensinews.co.id/180091/menteri-lhk-aphi-pendorong-aktualisasi-ekosistem-bisnis-baru-sektor-kehutanan.html



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

Myanmar

Fading prospects for the timber industry

2021 will be remembered as the year of the fading prospect for timber industry. In contrast to other extractive industry the entire process starting from the purchase of logs to the delivery of products to the port is regulated and controlled by the respective departments of the government. Even the container has to be sealed by Forest Department officers before leaving the factory otherwise the container will not be allowed into the port for shipment.

Timber exporters have been complaining against restrictive practices but the regulators say that a relaxation of current practices is not feasible under the current circumstances.

In addition to the tight control of export procedures inside the country there are also other challenges in importing countries such as the measures adopted by the EU and the USA against Myanma Timber Enterprise and the market concerns on the verification of timber legality.In addition to the various regulations the Covid control measures are also disrupting production.

A few mills decided to close temporarily and few ceased operations and sold-up. In most cases manufacturers had to switch production for the local market. The export of veneer and flooring to India, China and some ASEAN countries is expected to continue but the export of teak products to EU and USA will decline sharply in the coming years.

The current administration has ordered a halt to the export of the sawnwood as of 1 January 2023 which is another challenge and millers and manufacturers feel that it is the time to stop or start a new business line.

State Administration Council co-leader - the economy is suffering

According to the online Irrawaddy News, Senior-General Min Aung Hlaing admitted Myanmar's economy was suffering from the impact of Covid and the post-coup political upheaval which has forced foreign firms to leave and a boycott by the people of enterprises linked to the military.

Myanmar's foreign trade deficit reached nearly US$57 million by mid-November in mini budget period of 2021-2022 FY, according to the Ministry of Commerce.

See:https://www.irrawaddy.com/news/burma/junta-watch-coup-leaders-confession-bogus-show-of-leniency-and-more.html

Statements by the UN interfere internal affairs says Ministry

Myanmar's Ministry of Foreign Affairs (MOFA) has been reported as saying statements by the UN are interfering with the judiciary and internal affairs. The statement said everyone is equal before the court and no one is above the law. It said unilateral criticism of the decisions of a sovereign state's domestic jurisdiction is inappropriate and interferes with the judiciary and internal affairs of Myanmar.

See: https://elevenmyanmar.com/news/statements-issued-by-the-un-officials-interfere-with-judiciary-and-internal-affairs-mofa

Declaration by the High Representative Josep Borrell on behalf of the European Union on the situation

The European Union strongly condemns this politically motivated verdict, which constitutes another major setback for democracy in Myanmar since the military coup on 1 February 2021.

These proceedings are a clear attempt to exclude democratically elected leaders, including Aung San Suu Kyi and the National League for Democracy, from the inclusive dialogue process called for by ASEAN's Five Point Consensus. The European Union reiterates its full support to the ongoing efforts by ASEAN and the ASEAN Chair's Special Envoy, in close cooperation with the Special Envoy of the UN Secretary-General.

The military's actions show complete contempt for the will of the people, expressed clearly in the November 2020 elections.

Since 1 February, the people of Myanmar have overwhelmingly rejected the military coup and demonstrated their unwavering desire for a nation in which the rule of law, human rights and democratic processes are respected, protected and upheld.

The failure so far to restore democracy, compounded by the COVID-19 pandemic and widespread violence and conflict, is driving the country towards a large-scale humanitarian crisis. It is imperative that the Myanmar military authorities allow a swift return of Myanmar to the path of democracy.

The European Union reiterates its urgent calls for the immediate and unconditional release of all political prisoners as well as all those arbitrarily detained since the coup.

See: https://www.consilium.europa.eu/en/press/press-releases/2021/12/06/myanmar-burma-declaration-by-the-high-representative-josep-borrell-on-behalf-of-the-european-union-on-the-situation/

November Teak log tender prices

Grade	Hoppus Ton	Average Price US$/H.Ton
Sawing Grade 4	50.3	**No bids**
Sawing Grade 5	300.7	2,792
Sawing Grade 6	228.9	2,536
Sawing Grade 7	79	2,324

India

Economy shows signs of recovery

Data from the National Statistical Office indicates the Indian economy grew 8.4% year on year in the third quarter of this year but this was from a very low base in 2020. The good performance was supported by increased vaccination and a rise in agricultural output, public spending and a revival of the services sector.

As the number of people vaccinated rises and as the impact of the fuel duty cuts introduced by the government take effect confidence is expected to rise spurring demand howeve,r there is concern that once the effect start being seen, rising higher prices and uncertainty due the new Covid variant Omicron could slow the pace of recovery.

See: https://indianexpress.com/article/business/economy/india-gdp-q2-results-covid-economy-7648981/

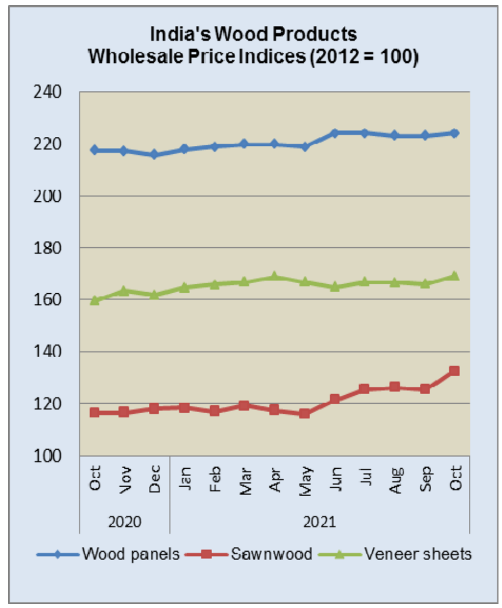
Prices for manufactured products, including wood products rising

The Ministry of Commerce and Industry has reported the official Wholesale Price Index for 'All Commodities' (Base: 2011-12=100) for September 2021 increased to 133.8 from 133.0 in August.

The annual rate of inflation was 12.5l) for October, 2021as compared to 1.31% in October, 2020. The high rate of inflation in October 2021 is primarily due to rise in prices of mineral oils, basic metals, food products, crude petroleum and natural gas, chemicals and chemical products.

For manufactured products 18 groups saw price increases, 3 groups saw decreases and for one group the price remained unchanged in October 2021 compared to September 2021.

The increase in prices is mainly contributed by manufacture of basic metals; chemicals and chemical products; electrical equipment; rubber and plastics products, textiles and wood products.



Data source: Ministry of Commerce and Industry, India

India's furniture market set to surge

According to data provided by a Bengaluru market research firm ResSeer, pent-up and deferred demand is forecast to drive furniture sales to new highs over the next 5 years. The report says online furniture sales will triple and there will be an almost doubling of annual spending on furniture.

See: https://www.business-standard.com/article/companies/india-s-furniture-home-market-to-reach-40bn-by-2026-report-121110800300_1.html

Manufacturing at 10-month high

India's manufacturing activity grew at its fastest pace in 10 months in November as companies expanded the sourcing of production inputs encouraged by strengthening demand. Data released by the IHS Markit showed Purchasing Managers' Index (PMI) rose to 57.6 in November from 55.9 in October. A reading above 50 indicates expansion in economic activity and a number below that signals contraction.

Covid school closures hurts India's 'pencil village'

One small area in Kashmir supplies almost 90% of the wood that is used to manufacture pencils but, because of school closures and lockdowns demand has collapsed. Most of the pencils in India are made from poplar timber and in addition to supplying local demand there is a thriving export business delivering pencils to more than 150 countries.

Due to the drop in demand and covid control measures the owners of pencil factories reduced their workforce by more than half. The timber suppliers and the factory workers have to wait for demand to pick up.

See: https://thepolicytimes.com/the-cost-of-covid-school-closures-effect-on-indias-pencil-village/

Prices for recent shipments of teak logs and sawnwood

	US$/cu.m C&F
Benin	359-569
Sawnwood	359-712
Brazil	345-595
Sawnwood	221-777
Cameroon	639
Sawnwood	974
Colombia	238-615
Costa Rica	263-652
Ecuador	254-495
Gabon	370
Ghana	260-559
Sawnwood	485
Guatemala	594
Ivory Coast	263-458
Sawnwood	375-752
Mexico	356-439
Sawnwood	373-585
Panama	257-539
PNG	389-595
Sawnwood	492-677
Tanzania	376-930
Sawnwood	243-1,068
Togo	259-532
S. Sudan	414-676
Sawnwood	633
Nigeria	290-630
El Salvador	349
Nicaragua	290-630
Sawnwood	385-564
Solomon Is.	248
Surinam	222
Myanmar sawn	791-980

Price range depends mainly on length and girth.

Locally milled sawnwood prices

No price increases have been reported.

Sawnwood Ex-mill	Rs per cu.ft.
Merbau	3,800-4,200
Balau	2,500-2,700
Resak	-
Kapur	-
Kempas	1,455-1,750⬇
Red meranti	1,450-1,750⬇
Radiata pine	800-900
Whitewood	800-900

Price range depends mainly on lengths and cross-sections

Sawn hardwood prices

No price increases have been reported.

Sawnwood (Ex-warehouse) (KD 12%)	Rs per cu.ft.
Beech	1,750-1,850
Sycamore	1,850-2,000
Red Oak	2,100-2,200
White Oak	2,500-2,800
American Walnut	4,050-4,500
Hemlock STD grade	1,350-1,600⬇
Western Red Cedar	2,220-2,450
Douglas Fir	1,850-2,000

Plywood

The gradual easing of Covid restrictions and a boost to the pace of vaccinations are helping plywood manufacturers recover from the effects of the pandemic control measures on the supply chain and they are anticipating resuming full production.

After a year of financial hardship the plywood industry is showing signs of recovery as real estate sales increase.

See: https://timesofindia.indiatimes.com/city/kolkata/power-ply/articleshow/87955005.cms

Domestic ex-warehouse prices for locally manufactured WBP plywood

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

Domestic ex-warehouse prices for locally manufactured MR plywood

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

Vietnam

Trade highlights

In November 2021, Vietnam's wood and wood product (W&WP) exports to the EU reached US$45 million, up 2.3% compared to November 2020. In the 11 months of 2021, W&WP exports to the EU market were estimated at US$528.1 million, an increase of 16% over the same period in 2020.

Exports of kitchen furniture in November 2021 are estimated at US$82 million raising the total export of this item in 11 months of 2021 to US$832.8 million, up 24% over the same period in 2020.

Vietnam's export of rattan, bamboo and other types of NTFPs in November 2021 reached US$70 million, up 2.5% compared to October 2021 and up 23% compared to November 2020.

Over the 11 months of 2021 Vietnam's exports of NTFPs of all kinds is estimated at US$771 million, an increase of 42% over the same period in 2020.

Wood enterprises speed up production to meet year-end orders

According to the Ministry of Industry and Trade Export and Import Department wood and wood product exports in November reached US$1.15 billion, up 21% compared to October 2021 but down 7% compared to November 2020. Exports of wood products reached US$840 million, up 35% compared to October 2021 but down 17% compared to November 2020.

Production in Vietnam has returned to normal and businesses operating in the wood industry are accelerating production to keep up with signed export orders for the last month of the year and the first half of 2022.

Export activity by the timber industry increased in October and November 2021 although the export value is still not equal to the same period in 2020.

Overall, the timber industry maintained good growth in the first 11 months of 2021 thanks to the efforts of enterprises to maintain production when the epidemic broke out in many provinces and cities across the country. Production recovered quickly after the easing of social distancing.

At the current growth rate it is estimated that exports of wood and wood products will reach US$14.3 billion in 2021, up 14% compared to 2020 and completing 98.7% of the target set for the year.

The driver of growth for the timber industry has been wooden furniture production. Exports of wooden furniture accounted for 68% of the total export value of wood and wood products in the first 11 months of 2021.

See: https://en.nhandan.vn/business/item/10873602-wood-enterprises-speed-up-production-to-meet-year-end-orders.html

Rising imports of oak from EU

Vietnam's imports of oak from the EU increased in the first 10 months of 2021 reaching 80,800 cu.m, worth US$41.8 million, up 54% in volume and 66% in value over the same period in 2020 and accounted for 30% of total oak imports imported into Vietnam.

Oak a major import species

Vietnam's imports of oak in November 2021 are estimated at 24,400 cu.m worth US$15.4 million, up 10% in volume and 10% in value compared to October 2021. Compared to November 2020 imports dropped 19% in volume and 7% in value. In general, over 11 months of 2021 oak wood imports totalled at 292,200 cu.m, worth US$164.8 million, up 12% in volume and 33% in value over the same period in 2020.

Price of imported oak

The price of imported of oak logs in the 10 months of 2021 averaged at US$557.5 per cu.m, an increase by 19% over the same period in 2020.

In particular, the average price of oak logs imported from the US increased by 24% over the same period in 2020. The price of oak logs imports from the EU increased by 8%, reaching US$516.8 per cu.m, from Ukraine the price increased by 18% to US$581.40 per cu.m.

Volume and price of imported sawn oak

According to statistics of the General Department of Customs in the 10 months of 2021 imports of sawn oak reached 182,300 cu.m, worth US$111.5, up 9% in volume and 37% in value over the same period in 2020 with the average price of US$611 per cu.m.

Vietnam to plant extra 20,000 ha coastal forest to cope with climate change

Vietnam will plant 20,000 ha of forests as part of a project to protect and develop coastal forests in response to climate change and to push green growth over the next 10 years.

It also aims to effectively promote the role and functions of forests in coastal defence, environment protection and coastal infrastructure systems as well as prevent desertification and land degradation while conserving biodiversity, reducing greenhouse gas emissions as well as creating jobs for people in coastal areas.

According to a report of World Bank, Vietnam is highly vulnerable to sea level rises and storms along the coast, highlighting the critical importance of mangrove and coastal forests.

See: https://vietnamnews.vn/environment/1057328/viet-nam-to-plant-extra-20000ha-coastal-forest-to-cope-with-climate-change.html

Cambodia, Vietnam cooperation on forest sector

Cambodia and Vietnam have expressed their commitment to strengthen forest sector cooperation, mainly combating the cross-border trade of timber and wild animals. Cooperation in the field of forest management and the prevention of deforestation and cross-border trading in illegal timber and wildlife" were the main topics the two parties discussed during a recent dialogue.

See: https://www.khmertimeskh.com/50981432/cambodia-vietnam-commit-to-cooperation-on-forest-sector/

Brazil

Sustainable use of public forests

The Environment and Sustainable Development Committee of the Chamber of Deputies has approved a proposal which will provide for the allocation of concessions in public forests. A draft bill (no. 5518/20) amends several clauses of the 2006 Public Forest Concession Law. About 20 million hectares of public forests are said to suitable for sustainable forestry. However, since the Public Forest concession law was enacted in 2006 only 1 million hectares have been under forest concession contracts.

The draft bill enables the allocation of forest concession to legal entities for conservation, restoration and sustainable harvesting. The concessionaire may, for example, have access to the forest's genetic resources for the purposes of research and development, bioprospecting and plant collections aspects prohibited in the old public forest concession law. Companies will also be able to explore trade in carbon credits for the concession area.

See: https://agenciabrasil.ebc.com.br/en/politica/noticia/2021-12/chamber-commission-expands-sustainable-use-public-forests

Domestic consumers appreciate SFM wood products

According to the Center of Producing and Exporting Industries of the State of Mato Grosso (CIPEM) the domestic market appreciates wood products manufactured from sustainably managed forests. According to the Forest Products Commercialiation and Transport System (Sisflora/MT) sales to the domestic market by enterprises in Mato Grosso have increased by 50% since 2020 and there has been a corresponding decline in exports.

From 2018 to October 2021 the volume of exported fell by 23%, from 85,183 cu.m to 65,096 cu.m. According to CIPEM prices in the domestic market have been rising and this made the domestic market more attractive.

The state of Mato Grosso has registered an annual growth varying between 200 and 300,000 ha. of forests under SFM according to CIPEM. Today, Mato Grosso has 4.7 million hectares of forests under SFM and the commitment of the State Government is to reach 6 million hectares by 2030.

Opportunities for exporters

The Brazilian Furniture Sector Project is an initiative of ABIMOVEL (Brazilian Association of Furniture Industries) and Apex-Brazil (Brazilian Export and Investment Promotion Agency) which aims to increase the participation of the Brazilian industry in the international market.

The second largest economy in Latin America, Mexico, is one of the target markets for Brazilian furniture exporters. Brazilian furniture exports to Mexico increased 89% year on year in September 2021.

In December this year the ABIMOVEL and Apex-Brazil project released a report to participating companies 'Study of Opportunities for Companies with Potential and Exporters – Mexico Edition' which was developed in partnership with IEMI – Market Intelligence.

The report identifies that furniture production in Mexico is traditionally directed to foreign markets, especially the United States as a result over 50% of the apparent consumption of furniture in Mexico in 2020 was supplied by imports and this creates an opportunity for Brazilian exporters.

See: http://www.brazilianfurniture.org.br/en/brazilianfurniture

In related news, IEMI – Market Intelligence in partnership with Abimóvel and ApexBrasil produced a comprehensive assessment of the furniture industry in Brazil for the period from 2016 to 2020. The report covers details of manufacturing units, trends in production, consumption, distribution, employment, investments, foreign trade and has profiles for 720 companies in the sector.

See: https://www.iemi.com.br/brasil-moveis-2021/

Furniture exports

Exports by the Brazilian furniture sector reached US$82.9 million in September 2021, an almost 7% increase on August 2021. In October this year there was an increase of 11% earning US$92.3 million

Three states in the Southern Region are the largest furniture exporters. Together, Santa Catarina (38%), Rio Grande do Sul (30%) and Paraná (18%) accounted for 85% of Brazilian furniture exports in 2021. Other states that have been gaining an export share are São Paulo and Minas Gerais.

Domestic log prices

Brazilian logs, mill yard, domestic	US$ per cu.m
Ipê	233
Jatoba	106
Massaranduba	96
Miiracatiara	96
Angelim Vermelho	93
Mixed redwood and white woods	76

Source: STCP Data Bank

Domestic sawnwood prices

Brazil sawnwood, domestic (Green ex-mill)	US$ per cu.m
Ipé	986
Jatoba	476
Massaranduba	487
Muiracatiara	435
Angelim Vermelho	437
Mixed red and white	286
Eucalyptus (AD)	207
Pine (AD)	150
Pine (KD)	191

Source: STCP Data Bank

Domestic plywood prices (excl. taxes)

Parica	US$ per cu.m
4mm WBP	484
10mm WBP	429
15mm WBP	346
4mm MR.	415
10mm MR.	321
15mm MR.	292

Prices do not include taxes. Source: STCP Data Bank

Prices for other panel products

Domestic ex-mill prices	US$ per cu.m
15mm MDParticleboard	226
15mm MDF	281

Source: STCP Data Bank

Export sawnwood prices

Sawnwood, Belem/Paranagua Ports, FOB	US$ per cu.m
Ipe	1,994
Jatoba	1,065
Massaranduba	1,081
Muiracatiara	1,079
Pine (KD)	288

Source: STCP Data Bank

Export plywood prices

Pine plywood EU market, FOB	US$ per cu.m
9mm C/CC (WBP)	362
12mm C/CC (WBP)	350
15mm C/CC (WBP)	337
18mm C/CC (WBP)	381

Source: STCP Data Bank

Export prices for added value products

FOB Belem/Paranagua ports		US$ per cu.m
Decking Boards	Ipê	4,265
	Jatoba	1,921

Source: STCP Data Bank

Peru

Wood exports represented 0.7% of non-traditional exports

The Association of Exporters (ADEX) has reported that wood product exports between January and October totalled US$97.7 million, a growth of 32% compared to the same period last year however, compared to 2019 there was still a decline of around 4%.

Despite the market opportunities over the ten months of this year wood product shipments represented less than 1% of total non-traditional exports (US$13 million).

The recovery of timber shipments this year was driven largely by demand in France and the US which increased orders by 175% and 61%, respectively. However, the main international market was China at US$30.2 million accounting for 31% of the total wood product exports followed by France US$16 million and the US with US$11.2 million. The other markets of note were Mexico (US$6.9 million) and the Dominican Republic (US$6.3 million).

Exports were mainly of semi-manufactured products (US$58 million) or 59% of the total. The export of mouldings was significant as were exports of sawnwood (US$25.4 million). Others included construction products (US$5.5 million), furniture and parts (US$3.5 million), veneered wood and plywood (US$2.7 million) and other manufactured products (US$1.2 million).

Exports of mouldings

The export of mouldings between January and September this year totalled US$22.5 million, a significant increase compared to 2020 (US$9.4 million) according to the ADEX Global Business and Economics Research Center.

Data from the ADEX 'Trade Business Intelligence System' shipments of mouldings in the first nine months of this year exceeded pre-pandemic levels mainly due to the higher demand in France which went from US$1.0 million in 2020 to US$8.1 million in 2021. Other markets included Denmark (US$3.5 million), Belgium (US$2.2 million), the US (US$1.5 million), Mexico (US $1.3 million) and Germany (US$1.3 million). New markets included Canada, South Africa, Martinique, Italy, Portugal and theUnited Kingdom.

Mouldings were produced and shipped from Lima (US$11.4 million), followed by Ucayali (US$6.2 million), Madre de Dios (US$3.8 million), Callao (US$1.1 million) and Tacna (US$0.3 million).

In the ADEX report 'International panorama of molded lumber', it was reported that Peru was the fourth world supplier of moulded lumber in 2020. Indonesia (61% of the total) was the main exporter of this product, followed by Brazil and Malaysia.

Assessing and improving community participation

A study carried out by the Forest Resources Supervision Agency (Osinfor) in cooperation with the USAID Pro-Bosques Project found that in only half of the forest permits granted to native communities (CCNN) in the Amazonian Region was there active community participation.

While it is not certain the study authors presumed that in the other permit areas there is a community participation as a company or employee but that there is no evidence of this participation.

The study, 'Analysis on the participation of third parties in forest activities of the CCNN' was made on the basis of information obtained in the Osinfor supervision reports on 623 qualifying forest permits for native communities throughout the Amazon. These supervisions were carried out between 2015 and 2019 and were obtained through the Osinfor Management Information System (SIGOsfc).

In order to convey the results of the study to native Amazonian communities the main findings of the research were presented in the cities of Iquitos (Loreto) and Pucallpa (Ucayali) along with proposals to empower communities in the negotiation of forest permits.

The Forest Agenda of the Native Communities, promoted by organisations such as Aidesep and Conap consider it important to evaluate the formation of a free Public Forest Regency for communities which would allow them to have adequate technical advice when they participate in business timber companies to ensure agreements are balanced and do not favour one party.

Commercial forest plantations planned for nine regions

The National Forest and Wildlife Service (SERFOR) in the Ministry of Agrarian Development and Irrigation reported that, within the framework of the investment programme 'Promotion and Sustainable Management of Forest Production in Peru' the management of natural forests and the promotion of forest plantations for commercial purposes shall be in accordance with forestry regulations in nine Regions of Peru.

Through this programme three large investment projects will be executed in the prioritised Departments. This programme has been officially presented to the Regional Governors of Loreto, Pasco and Ucayali who pledged to support the execution of the programme to strengthen the role of a Regional Forest and Wildlife Authority and instal a Consultative Committee for the programme. It should be noted that the Forestry Programme will be executed with investments from the Peruvian State and the German Development Bank (KWF).

Export sawnwood prices

Peru sawnwood, FOB Callao Port	**US$ per cu.m**
Pumaquiro 25-50mm AD	
Mexican market	671-685
Virola 1-2" thick, length 6"-12" KD	
Grade 1, Mexican market	589-615
Grade 2, Mexican market	498-523
Cumaru 4" thick, 6"-11" length KD	
Central American market	1024-1043
Asian market	1111-1139
Ishpingo (oak) 2" thick, 6"-8" length	
Spanish market	598-621
Dominican Republic	703-719
Marupa 1", 6-11 length KD	
Grade 1 Asian market	575-599⬆

Domestic sawnwood prices

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

Export veneer prices

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

Domestic plywood prices (excl. taxes)

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

Export plywood prices

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

Domestic prices for other panel products

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

Export prices for added value products

Peru, FOB strips for parquet	US$ per cu.m
Cabreuva/estoraque KD12% S4S, Asian market	1327-1398
Cumaru KD, S4S Swedish market	986-1119
Asian market	1089-1119
Cumaru decking, AD, S4S E4S, US market	1204-1237
Pumaquiro KD Gr. 1, C&B, Mexican market	479-554
Quinilla KD, S4S 2x10x62cm, Asian market	582-611
2x13x75cm, Asian market	774-831

Japan

Win the race against Omicron to secure growth

In its latest report on Japan's economic and financial situation the OECD noted that "losing the race against new variants could result in renewed states of emergency being declared delaying the recovery," despite progress in the government's vaccine rollouts. The OECD projected in its latest economic outlook that the Japanese economy will grow 1.8 percent in 2021 and 3.4 percent in 2022.

Under virus emergencies, people in Japan had been asked to refrain from making nonessential outings although the requests were nonbinding. The OECD added that the Omicron variant could "aggravate" the employment prospects of young people after graduating.

See: https://www.oecd.org/newsroom/japan-broaden-the-digital-transition-to-strengthen-economic-recovery-from-covid-19-says-oecd.htm

Economy declined 3.6% in the third quarter

The Japanese government says the country's latest economic downturn bottomed out in May 2020 during the first wave of the pandemic. A Cabinet Office expert group said Japan's economy took a turn for the worse on the back of trade disputes between China and the United States at the same time a state of emergency was in place for much of the country, hurting employment and manufacturing. The group said the downturn extended for 19 months making it the fourth longest recession since the end of World War Two.

The economy began to show signs of recovery picking up in June 2020 but the recovery remains weak with GDP dropping for three consecutive months to September 2021 and even in comparison with past recovery periods the current upturn appears to be stalling.

Japan's economy shrank slightly faster than initially reported in the third quarter, as a sharp rise in local Covid-19 cases hit private consumption and a global chip supply shortage hurt corporate sentiment. The economy declined an annualised 3.6% in the third quarter of this year mainly due to a larger than expected fall in private consumption which makes up more than half of GDP.

See: https://www5.cao.go.jp/keizai3/chiiki/chiiki.html
and
https://www.businesstimes.com.sg/government-economy/japan-downgrades-q3-gdp-on-deeper-hit-to-consumer-spending

'Shrinkflation' – Japan's contribution to economic jargon

Because consumer prices and wages in Japan have remained remarkably unchanged for the last 20 years companies now do all they can to avoid increasing prices for fear of losing out to competitors. A Japanese website (www.neage.jp) tracks price changes and hidden price hikes whereby the product is reduced in size the price stays the same and has introduced the term 'shrinkflation.

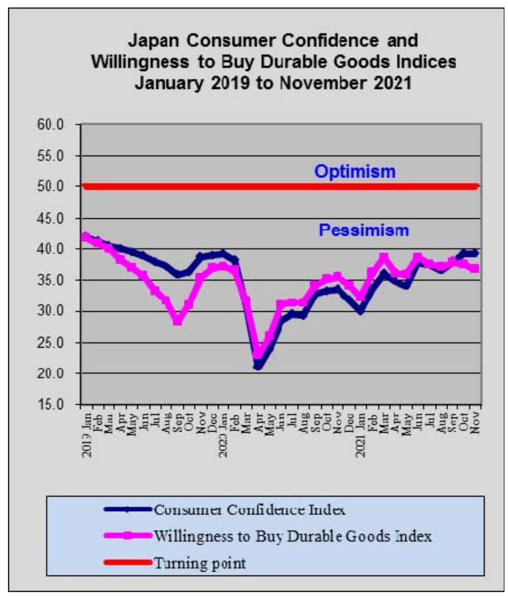
In Japan, the impact of deflation means it is difficult to raise prices directly and that is a headache for the government which wants to see modest inflation, an essential component to a virtuous spending cycle to drive economic growth.

Good news on covid – bad news on energy prices

Despite the rapid decline in the number of Covid-19 infections across the country November consumer confidence, as recorded by the Japanese Cabinet Office, was unchanged compared to a month earlier. The main concern of consumers, it appears, is rising electricity and gasoline prices.

Of the four component indicators, that for overall livelihood and willingness to buy durable goods fell for the second consecutive month. Indicators for income growth and employment improved for the third straight month in November.

See:
https://www.japantimes.co.jp/news/2021/12/04/business/economy-business/japan-shrinkflation-economy/



Data source: Ministry of Finance, Japan

Wage increases or else companies told

In an effort to boost wages and drive domestic consumption the government has threatened to deny some tax breaks to big companies that do not hike wages while boosting deductions for those that do. This proposal is included in the final draft of the government's annual tax reform plan.

Wages in Japan have stayed largely flat over the past 30 years aggravating deflation. The tax plan is part of the Prime Minister's focus on distributing wealth to households.

Large companies that raise wages by 4% from the previous year will get deductions of up to 30% of taxable income, up from the current maximum of 20%.

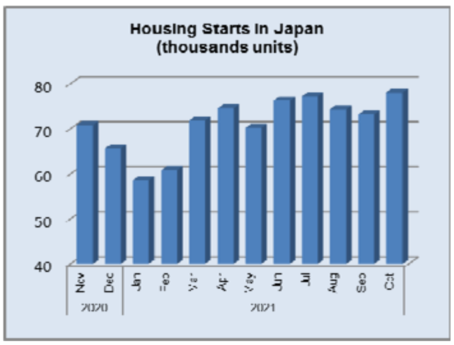
Small firms that raise wages by 2.5% will qualify for a tax deduction of up to 40% up from the current 25%. Companies that do not raise wages will not be able to claim tax deductions a wide range of expenditure.

See: https://www.reuters.com/world/asia-pacific/japan-give-massive-tax-breaks-companies-that-lift-wages-draft-plan-2021-12-08/

Title

Housing in Japan is cheap relative to that in other developed economies because of the country's almost deregulated housing policies which has allowed the number of houses to grow such that never has housing demand overtaken supply which has kept prices low.

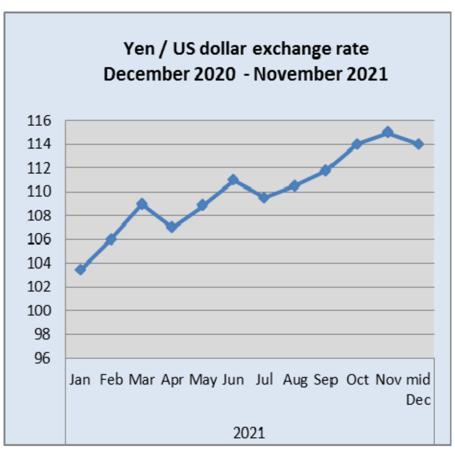
Housing starts are a barometer of the overall health of an economy; if starts rise then it means developers and their bankers are confident enough to build houses and assume there will be buyers.



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

Prices rising as weak yen pushes up import costs

For most of 2021 the yen has weakened against the US dollar mainly because of Japan's continued stuggle with Covid-19, rising commodity prices and higher US Treasury yields which pushed the dollar higher. The weak yen is behind the 9% rise in wholesale prices in November, the steepest advance for years.

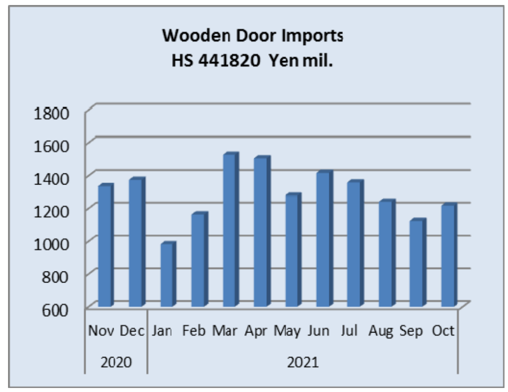


Import update

Wooden door Imports (HS441820)

As was the case in September China accounted for 53% of Japan's October 2021 imports of wooden doors. The other top shippers to Japan were; the Philippines (14%), the US (17%) and Sweden (11%). There were very few shipments of wooden doors from SE Asian producers.

Year on year, October wooden door imports (HS441820) were 6% lower than in than in 2020 and still below the value of October 2019 imports. After three consecutive monthly declines the value of Japan's wooden door imports rose in October. Theree was only a slight difference between the value of September and October 2021 imports of wooden doors.

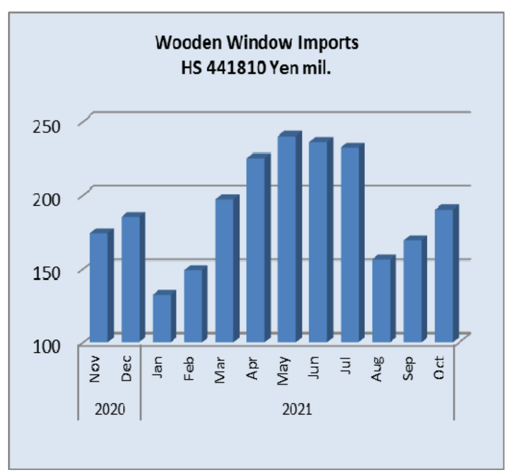


Data source: Ministry of Finance, Japan

Wooden window imports (HS441810)

After the dramatic decline in the value of August imports of wooden windows (HS441810) there was a modest recovery in September and this extended into October. Month on month there was a 12% rise in the value of October imports.

Year on year there was little change in the value of October imports. Despite the rise in October the value of imports of wooden windows is still well below the levels seen in October 2019.



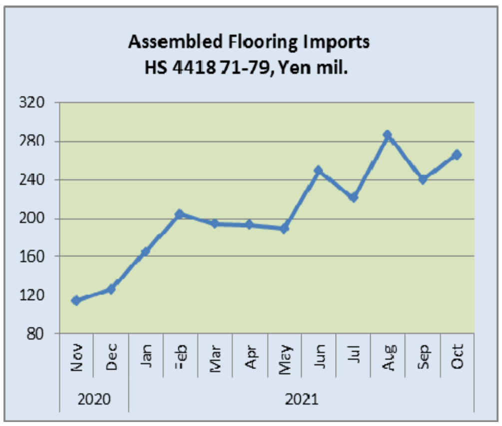
Data source: Ministry of Finance, Japan

Over 80% of Japan's imports of wooden windows in October came from shippers in just two countries, China (58%) (42% in Sept..) and the Philippines 26% (18% in Sept.). Shippers in these two countries continue to dominate Japan's imports of wooden windows.

Assembled wooden flooring imports

The value of assembled flooring (HS441471-79) imports has been erractic since mid-2021 but there is an underlying upward trend in the value of imports. Year on year, the value of Japan's imports of assembled wooden flooring in October rose a massive 72% (c.f. 22% in September and the value of imports had recovered to the level reported for October 2019.

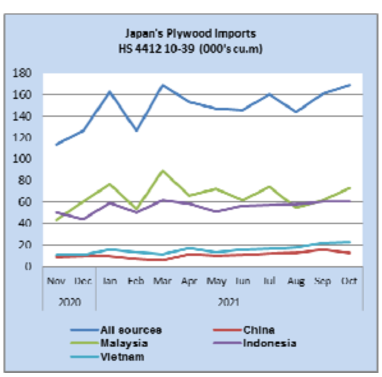
Imports of HS441875 was the main category (77% Oct. c.f. 72% in Sep.) with most coming from China (46%) and Vietnam (24%). Shipments from Thailand and Malaysia were small.



Data source: Ministry of Finance, Japan

Plywood imports

The volumes of Japan's plywood imports rose 25% in October compared to a month earlier and at 169,163 cu.m, were higher than in both 2020 and 2019. In October all four shippers of plywood, Malaysia, Indonesia, China and Vietnam posted year on year gains but compared to the volume of shipments in September shippers in China and Indonesia saw a slight decline while imports from Malaysia and Vietnam rose.



Data source: Ministry of Finance, Japan

From mid 2021, except for the dip in August, the volume of Japan's plywood imports has shown an upward trend. Shipments from Malaysia have risen for two consecutive months and there has been a steady increase in the volume of plywood imported from Vietnam.
In October 2021 it was only China that saw a drop in the volume of plywood shipments to Japan.

Of all shipments in October HS441231 accounted for over 87% while imports of HS441234 and HS441239 acounted for around 4% each.

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

		China	Malaysia	Indonesia	Vietnam
2019	Jan	14.0	91.2	66.4	11.9
	Feb	11.1	85.3	75.0	4.2
	Mar	4.4	70.1	61.2	9.8
	Apr	11.4	94.2	65.9	8.5
	May	12.4	61.8	48.9	10.6
	Jun	9.3	59.6	62.8	11.3
	Jul	9.8	65.1	59.0	12.1
	Aug	12.1	61.8	68.9	11.0
	Sep	10.0	53.0	62.0	12.0
	Oct	10.6	66.3	72.0	12.0
	Nov	13.1	69.5	68.1	12.6
	Dec	13.0	74.4	57.4	14.0
2020	Jan	13.4	61.1	81.6	17.0
	Feb	6.8	72.2	63.8	9.5
	Mar	5.8	76.5	73.0	12.2
	Apr	13.0	68.0	69.0	13.6
	May	9.6	69.7	59.0	12.6
	Jun	10.3	52.0	61.0	11.3
	Jul	10.2	40.0	54.9	8.9
	Aug	6.6	55.0	56.0	8.4
	Sep	6.8	42.2	37.8	8.7
	Oct	8.3	62.4	52.7	10.1
	Nov	8.6	43.1	50.0	10.9
	Dec	9.2	60.5	43.9	10.8
2021	Jan	9.7	76.9	59.3	15.7
	Feb	6.8	53.5	50.1	13.0
	Mar	5.7	89.4	61.5	11.5
	Apr	11.4	65.9	58.2	17.3
	May	10.3	72.0	51.0	13.0
	Jun	10.5	61.9	56.6	15.6
	Jul	11.8	74.1	57.1	16.4
	Aug	12.8	54.7	57.8	17.5
	Sep	16.0	61.8	60.4	21.8
	Oct	12.6	72.8	60.4	22.5

Data source: Ministry of Finance, Japan

Trade news from the Japan Lumber Reports (JLR)

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

For the JLR report please see: *https://jfpj.jp/japan_lumber_reports/*

Price index trend by the bank of Japan

Soaring wood products' since last spring pushed total cost. In August, wood products are number one item of inflation among other items then in September, imported wood products are number one so escalated prices of wood products are conspicuous. After spiraling wood products prices in producing regions of Europe and North America simmered down, which lasted for six months, imported cost of wood products continue high because of weakening yen's exchange rate.

It is too early to judge if this is new era of wood market but one favorable thing is that high cost imported wood products stimulated demand of domestic wood products.

The bank of Japan disclosed price index of domestic businesses in October based on average of 2015 is 100. October index is 107.8, 8.0% up from October last year. This increase is first time since January 1981, 40 years and nine months. 1981 is peak year of second oil shock. Escalation of prices is brought by confusion of geopolitics like soaring oil prices.

In this year, the prices increased by confusion of supply chain by COVID 19 epidemic, unstable supply of materials as a result of confusion of container cargo handlings. This collapsed balance of supply and demand and the prices soared. Wood products are not listed as inflation factor until last March then it started impacting price increase since last April.

In August, overall price increase is zero but wood products' contribution factor is 0.06% together with steel products, which exceeded metal and plastic. Meantime, prices of imported wood products surpassed 2015 level since last March and in July, it is 132.6 and 164.5 in October. By items, European laminated products and lumber and North American lumber.

Price escalation this year is brought by demand explosion in North America, Europe and China. Wood demand in Japan is not so bad with new housing starts of level of 800,000 units, which is more than 2020.

Higher materials' cost contributed higher corporate profit. Wood products prices are now decided by international factors and Japanese domestic wood is now becoming international since Japan exports over one million cubic meters a year, which is the largest exporting country in Asia, surpassing Malaysia.

Following chart shows trend of index month by month through October. Index of wood products compared to overall price index is getting higher in the second half of the year. Rank shows how wood products contribute among other products.

Wood price Index, 2015 = 100

	Domestic 2021	Imports 2021
Month	Index	Index
Jan	104.5	94.4
Feb	105.5	98.1
Mar	106.6	102.5
Apr	109.8	105.2
May	114.9	112.3
Jun	123.6	120.6
Jul	137.6	132.6
Aug	144.6	136.1
Sep	152.6	154.7
Oct	162.3	164.5

Data source: BoJ, JLR

Second quarter performance of housing companies

Major house builders recorded higher sales and higher profit despite inflation of building materials. Number of new starts in the same quarter last year dropped by COVID 19 epidemic then housing starts recovered. For major builders of order made houses, result is better than 2020 but lower than 2019.

Orders for builders of unit built for sale did not drop in 2020 and many gained more. In 2021, wood and steel products prices soared but many absorbed inflated portion by themselves and recoded higher profit yet.

It is rough estimate but for Sekisui house, wood prices for detached and rental units are about five billion yen more and steel prices are about two billion yen more up until last July and it started passing higher cost onto sales prices. Sekisui Chemical Housing's steel prices increased by five billion yen but it has not passed to the sales prices yet. Daiwa House says steel prices increased by almost three times and it will put it onto sales prices from now on.

Since last year, people's sense or standard of value for living and working has changed by COVID 19 pandemic. By increase of remote works, people started moving out of populated areas and demand for housing in suburban areas increased.

In Tokyo region, demand for units built for sale started increasing since May 2020. Builders of units built for sale could sell already built units without any discount and the inventory rapidly decreased.

Plywood

Supply shortage of domestic softwood plywood continues through the year and precutting plants are forced tight rope operation and very cautious of taking new orders. Other structural wooden board has no extra supply to replace plywood so there is no substitution.

The manufacturers struggle to secure material logs and imported logs like North American Douglas fir are also hard to have. Also adhesive prices are escalating so major manufacturers decided to raise the prices of 12 mm 3x6 panel by 200 yen per sheet.

Market prices of imported hardwood plywood continue climbing because the suppliers' export prices keep escalating and the yen's exchange rate is weakening. In supplying regions, rainy season started. Local plywood mills didn't have time to build up log inventory before rainy season started. Higher adhesive prices are another factor to increase the prices. Container shortage increases transportation cost.

Domestic logs and lumber

Demand of domestic lumber is weakening so the prices are declining but compared to the same period of last year, the prices are high and sawmills can make money so sawmills are anxious to produce and many mills are running fully. Lumber supply is so much that the prices are softening day after day.

This impacts log prices and A class log prices for lumber are declining while B class logs for plywood are tight in supply nationwide. B class logs are also used by laminated lumber mills, crating lumber mills and wood chip plants for power generating plants so they compete with each other to scramble necessary logs and the prices are firm.

Prices of stud and cross beam are particularly weak among lumber because supply of imported lumber increased. 3 meter KD cedar post prices were more than 100,000 yen per cbm up until last summer and in Kanto region the prices were as high as 120,000 yen but now they are down to about 90,000 yen. Post and sill are weak but the prices drop in small degree. 3 meter KD cedar 105 mm square prices are unchanged at level of 100,000 yen. 4 meter KD cypress sill 105 mm square prices are 130,000-150,000 yen.

Supply of logs is steady as it is full harvest season and November has favorable weather. Sawmills are actively purchasing but the prices of logs for lumber, which climbed sharply in last spring and summer, are weakening in the Western Japan. Since last June, cypress log prices are less than 40,000 yen, which were 40,000-50,000 yen and in November, they are 30,000-35,000 yen with some low prices of less than 30,000 yen.

Meantime, tight supplied plywood log prices are 20,000 yen on larch in the North East and 30,000 yen on cypress in Western Japan.

Panasonic developed recycled wood board

Panasonic's housing division announced that it succeeded to develop manufacturing reproduction quality of wood board by using abandoned oil palm trees. In Malaysia, waste oil palm trees are granulated then collaborated board plant in Japan makes MDF. It is called Panasonic Board and will be marketed to furniture manufacturers since 2022. After 2023, it will market it to building materials market then develop the market in Europe and North America as raw material of particleboard.

Oil palm trees are planted in large scale in South East Asian countries like Indonesia, Malaysia and Thailand. Palm oil is used for cooking and detergent. Shell is used for fuel as PKS (palm kernel shell) for wood biomass power generation plants. After 25-30 years of crop period, palm trees are abandoned in the farm and it emits methane gas when they rot.

Panasonic has started developing reproduced wood board from waste palm trees since 2017.

Since wasted palm trees have heavy moisture and easy to rot so reuse is hard. Panasonic came up with measures to remove impurities in process of rinsing and extract long fibers, which is pressed to form base material board.

Since 2022, it will supply MDF (3x6 with thickness of 2.5 mm) for domestic furniture manufacturers. It is said that methane gas is 25 times more for global warming factor compared to carbon dioxide so utilization of waste palm trees contributes reduction of green-house gas. Also using waste palm trees helps when worldwide wood resources are decreasing.

China

National standards on MDF and LVL released

National standards on Medium Density Fibreboard (GB/T 11718—2021) and Laminated Veneer Lumber (GB/T 20241—2021) will be effective as of 1 June 2022. The two new standards are revisions of the standards (GB/T 11718—2009) and (GB/T 20241—2006).

Medium density fibreboard (MDF) is one of the main types of fibreboard in China accounting for more than 80% of the national total output of fibreboards. The output of MDF was 53.47 million cubic metres in 2020 in China. Since the release of GB/T 11718-2009 MDF in 2009 it has played an important role in regulating the production of MDF in China and in improving the quality of MDF products.

In order to promote further development of MDF industry the GB/T 11718-2021 standard is partially revised according to international standards for MDF and some technical content has been revised.

Laminated Veneer Lumber (LVL) is an important structural material widely used in building I-beams and wood joists and for door frames and furniture framing.

Since the release of GB/T 20241-2006 LVL in 2006 the standard has played an important role in standardising production, improving product quality and promoting the development of wooden structural and packaging industry.

In the revision of GB/T 20241-2021 the relevant standards of ISO are adopted with full reference to the relevant standards of Japan and the EU.

See:
https://baijiahao.baidu.com/s?id=1717994881314273140&wfr=spider&for=pc

Merchants advised to stock up in advance

The Winter Olympic Games will be held soon and the Chinese government has implemented environmental control measures in many provinces where air pollution is a problem such as in Northern Western China.

All heavy industries in these provinces will be shut down before 1 January 2022 with a focus on Hebei Province (Tangshan, Shijiazhuang, Zhangjiakou and Chengde cities), Tianjin, Shandong province (Jinan, Weihai and Weifang cities), Shanxi Province (Taiyuan, Datong and Changzhi cities) and He'nan Province (Luoyang and Zhengzhou cities). The shutdown period is from January 1, 2022 to March 8, 2022.

Timber merchants have been advised to stock up in advance to guarantee their production requirements can be met during the shutdown.

See: https://www.cnzhengmu.com/news/hangye/116224.html

Decline in sawnwood imports in Q3 2021

According to China Customs in the third quarter of 2021 sawnwood imports totalled 21.91 million cubic metres valued at US$5.792 billion, down 19% in volume and 2% in value. The decline in sawnwood imports in the third quarter of 2021 was because of a drop in supplies from Russia, Canada, the USA, Finland and Germany (down 13%, 54%, 42%, 32% and 48% respectively). Imports from these suppliers accounted for over 60% of the national total.

The main reasons for the decline in sawnwood imports were the impact of the pandemic control measures on processing plants and the fact that these plants could not secure adequate raw materials. The second factor was logistic problems. Another factor was that there was strong demand in the EU, US and Japanese construction sectors where timber prices were rising.Sawn softwood imports fell 26% to 15.01 million cubic metres, accounting for 69% of the national total.

A significant decrease in coniferous log imports was responsible for the overall fall in total log imports in the third quarter of 2021.

China's sawnwood imports, third quarter of 2021 (mil. cu.m)

Volume	Q3 2021 (mil. cu.m)	% change Q3 2020-21
Total imports	21.91	-19%
Sawn softwood	15.01	-26%
All sawn hardwood	6.90	3%
(of which tropical)	4.46	1%

Data source: China Customs

China's sawnwood imports, third quarter of 2021 (mil. US$)

Value	Q3 2021 (mil. US$)	% change Q3 2020-21
Total imports	5,792	-2%
Sawn softwood	3182	-8%
All sawn hardwood	2610	7%
(of which tropical)	1421	1%

Data source: China Customs

Slight increase both in sawn hardwood and tropical sawnwood imports

Sawn hardwood imports rose 3% to 6.9 million cubic metres because of higher imports from the top sources Thailand, Russia and the Philippines (up 6%, 25% and 93% respectively) however, sawn hardwood imports from the US fell 16% in the third quarter compared to 2020.

Of total sawn hardwood imports tropical sawnwood imports were 4.46 million cubic metres valued at US$1.421 billion, up 1% both in volume and in value and accounted for about 20% of all sawnwood imports.

Main suppliers of tropical sawnwood, third quarter of 2021

Top supplier	Q3 2021 (000s. cu.m)	%Change Q3 2020-2021
Thailand	2,809	6%
Philippines	450	93%
Gabon	415	1%
Cameroon	95	-13%
Malaysia	95	-4%
Myanmar	77	-21%
Indonesia	72	-46%
PNG	51	4%
Rep. of Congo	49	-5%

Data source: China Customs

The main suppliers of tropical sawnwood imports in the third quarter were Thailand, the Philippines and Gabon. The imports from these suppliers accounted for over 80% of the national total.

The volumes from Thailand, the Philippines and Gabon rose 6%, 93% and 1% respectively in the third quarter of 2021 and this was why tropical sawnwood imports rose in the third quarter of 2021.

However, the volume from other suppliers, Cameroon, Myanmar and Indonesia fell 13%, 21% and 46% respectively in the third quarter of 2021. The Philippines has seen a sharp jump in tropical sawnwood exports to China surging to 450 000 cubic metres in the third quarter of 2021.

Rise in CIF prices for sawnwood imports but not for tropical sawnwood

The CIF prices for imported sawnwood rose 21% to US$264 per cubic metre in the third quarter of 2021. The CIF prices for imported sawn softwood and sawn hardwood increased 24% and 4% to US$212 and US$378 per cubic metre respectively over the same period of 2020.

Average sawnwood prices, third quarter of 2021

CIF price	Average prices (US$/cu.m)	% change Q3 2020-21
Total imports	264	21%
Sawn softwood	212	24%
All sawn hardwood	378	4%
(of which tropical)	318	-2%

Data source: China Customs

However, the average CIF price for tropical sawnwood imports did not rise but declined dropping 2% to US$318 per cubic metre. The CIF price for tropical sawnwood imports from PNG fell the most, dropping 24% to US$575 per cubic metre, for the Republic of Congo and Indonesia the decline was 6% and 4% respectively.

Average prices of tropical sawnwood imports, third quarter of 2021

Top supplier	Average price (US$/cu.m)	%Change Q3 2020-2021
Thailand	270	1%
Philippines	88	-1%
Gabon	422	-2%
Cameroon	553	-2%
Malaysia	360	5%
Myanmar	291	1%
Indonesia	570	-4%
PNG	575	-24%
Rep. of Congo	538	-6%

Data source: China Customs

GGSC-CN Index Report (November 2021)

In November 2021, China's PMI index registered 50.1%, an increase from the previous month. The index has been above 50% for 2 consecutive months indicating that the economy has stabilised after the corrections.

In November timber production and manufacturing of wood products contracted compared with the previous month. Orders and production fell and the inventory of finished products declined.

It is worth noting that in November the price of raw materials fell for the first time after rising for 11 consecutive months.

The GGSC-CN comprehensive index for November registered 44.7% (53.3% for last November and 55.6% for November 2019) and was below the critical value of 50%. It shows that the operations of the forest products enterprises represented by GGSC-CN index declined from last month.

Challenges faced by GGSC enterprises

Products in short supply: Cumaru, Merbau, Oak, Zingana

Commodity of which the price has been increased: fuel, waterproof agent, base material, glue, formaldehyde

Commodity of which the price has been decreased: Fibreboard, colored paper, eucalyptus board, eucalyptus fuelwood, urea and melamine

Trend in sub- indices

In the GGSC-CN index for November 2021one sub-index increased, one was flat and three dropped.

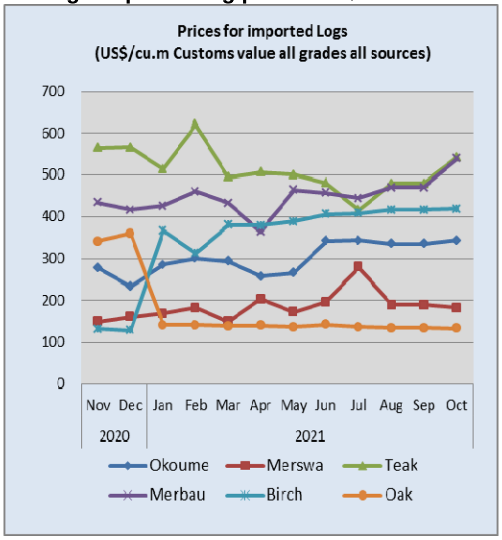
The production index registered 33.3% down from the previous month and below 50% for two months. This indicates that the production of forest products enterprises represented by GGSC CN is worse than that of last month.

The new order index registered 50.0%, a declines from the previous month reflecting the ability of enterprises to obtain orders is almost the same asOctober. The new export order index reflecting international trade registered fell as orders from abroad in November declined.

The main raw material inventory index registered 44.4%, a month on month decline signaling a drop in inventory.

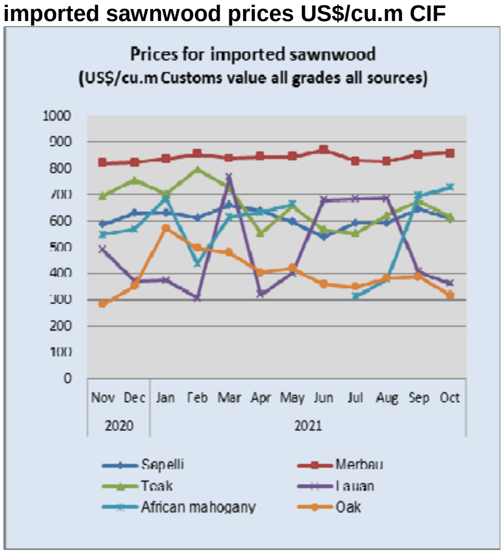
The employment index registered the same as October but the supplier delivery time index dropped even indicating that the supply time for raw materials was slower than the previous month.

Average imported log prices US$/cu.m CIF



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

imported sawnwood prices US$/cu.m CIF



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

Average imported log prices US$/cu.m CIF

	2021 Sep	2021 Oct
Okoume	304	344
Merswa	184	183
Teak	501	543
Merbau	468	539
Birch	419	419
Oak	133	132

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

Average imported sawnwood prices US$/cu.m CIF

	2021 Sep	2021 Oct
Sapelli	625	608
Merbau	851	858
Teak	674	615
Lauan	406	363
African mahogany	697	727
Oak	383	318

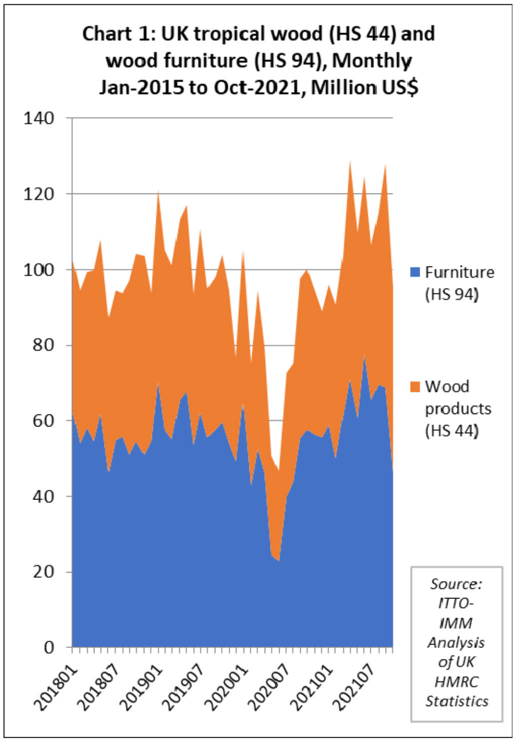
Data source: China Customs. Customs value all grades, all sources

Europe

Rebound in UK imports of tropical wood and wooden furniture

The UK imported tropical wood and wooden furniture products with a total value of USD1.1 billion in the first ten months of 2021, a 38% increase compared to the same period in 2021. Import value to end October this year was also 4% more than the same period in 2019 before onset of the COVID pandemic.

Following the sharp increase in April this year, when import value was at the highest monthly level since before the financial crises of 2008-2009, imports declined only slightly from this peak between May and October (Chart 1).



This year the UK has experienced a very robust rise in construction sector activity and in timber trade and consumption.

There has been a welcome rebound from the lows of last year in the value of wood product imports from tropical countries into the UK, and importers are benefiting from strong sales, high prices and larger margins. The main constraints to increased imports this year have been on the supply side.

The latest UK Construction Products Association (CPA) Trade Survey shows construction continued to expand during the third quarter of this year, with private housing and repairs, maintenance and improvement leading the industry. Much of the activity in these sectors has been sustained by government housing policies, an increase in the disposable income across households in the UK, and a homeworking trend that has been driving demand for greater or improved outdoor and office space.

According to the Building Merchants Building Index (BMBI), UK sales of timber were at their highest ever level and performing better than all other building material categories in the third quarter of 2021. Sales were 5% higher than the previous quarter, 44% up on the same quarter the previous year and 49% higher than the same quarter in 2019. According to the UK Timber Trade Federation, longer term prospects for timber demand in the UK are good, but short term logistical issues are putting severe strain on supply.

While UK construction activity remained robust in the third quarter, the latest UK Office of National Statistics data indicates that activity declined by 1.8% in October compared to September, the sharpest fall since the initial COVID lockdown in March 2020.

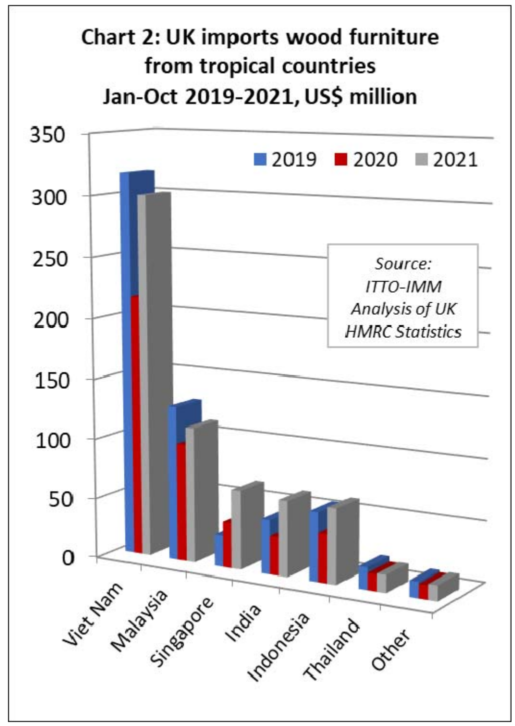
The main reason for the downturn was shortages in the supply and sharp increases in prices of key construction materials, including timber, due to a combination of ongoing COVID restrictions, Brexit delays and shipping hold-ups. The volatile price and supply environment was hindering new business as construction companies revised cost projections and some clients delayed decisions on contract awards.

However, the latest IHS Markit/CIPS UK Construction Purchase Managers Index (PMI) for November suggests that the downturn in October was short-lived. At 55.5 in November, up from 54.6 in October, the PMI signalled a robust and accelerated expansion of overall construction activity in the UK during the month (any number over 50 indicates growth).

According to Tim Moore, director at IHS Markit, "November data highlighted a welcome combination of faster output growth and softer price inflation across the UK construction sector. Commercial building led the way as recovering economic conditions ushered in new projects, which helped compensate for the recent slowdown in house building". Tim Moore also noted that "input price inflation remains extremely strong by any measure, but it has started to trend downwards after hitting multi-decade peaks this summer. The latest rise in purchasing costs was the slowest since April, helped by a gradual turnaround in supply chain disruption and a slight slowdown in input buying. Port congestion and severe shortages of haulage capacity were again the most commonly cited reasons for longer lead times for construction products and materials."

Recovery in UK furniture imports from tropical countries

The UK imported USD630 million of tropical wooden furniture in the first ten months of this year, 40% more than the same period in 2020, but just 4% more than the same period in 2019. After a slow first quarter this year, when lockdowns once again disrupted trade, imports strengthened considerably in the second quarter to reach monthly highs not seen for over a decade. The pace of imports slowed only a little in the third quarter.



Overall during the first ten months of 2021 compared to the same period last year, UK wooden furniture imports were up from all the leading tropical supply countries to this market; Vietnam (+39% to USD300 million), Malaysia (+15% to USD112 million), Singapore (+75% to USD65 million), India (+94% to USD62 million), Indonesia (+53% to USD62 million) and Thailand (+4% to USD15 million).

While gains were made across the board when compared to the depressed levels of 2020, wooden furniture import value in the first ten months of 2021 was still trailing the pre-pandemic 2019 level from Vietnam (-5%), Malaysia (-12%), and Thailand (-20%).

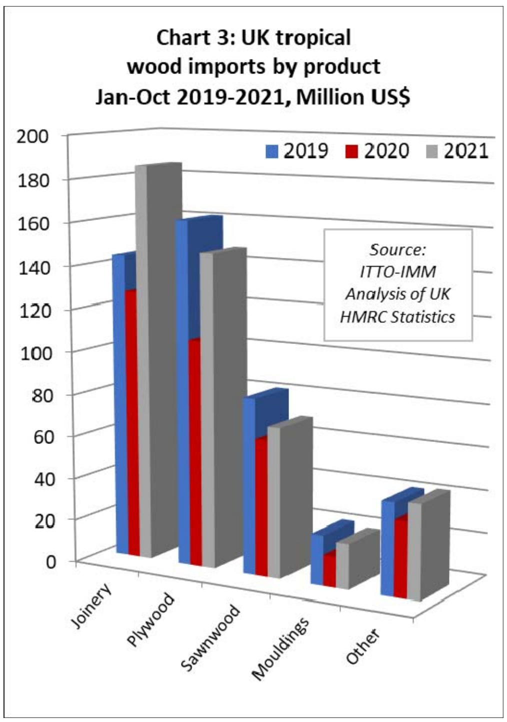
In contrast, imports were significantly higher than in 2019 from India (+40%), Indonesia (+9%), and Singapore (+148%).

Singapore has become more important as a supply hub due to logistical problems elsewhere during the pandemic (Chart 2 above).

UK tropical joinery imports exceed pre-pandemic level
UK import value of all tropical wood products in Chapter 44 of the Harmonised System (HS) of product codes was USD469 million in the first ten months of 2021, 35% more than the same period last year and 3% up on the same period in 2019.

Comparing UK import value in the first ten months of 2021 with the same period in 2020, tropical joinery was up 46% at USD186 million, tropical plywood was up 38% at USD147 million, tropical sawnwood was up 10% at USD70 million, and tropical mouldings/decking was up 47% at USD21 million.

While import value of tropical joinery in the first ten months of this year was also up 29% on the pre-pandemic level in 2019, UK import value of all other HS 44 tropical wood products was significantly behind the 2019 level, including plywood (-9%), sawnwood (-15%), and mouldings/decking (-9%) (Chart 3).

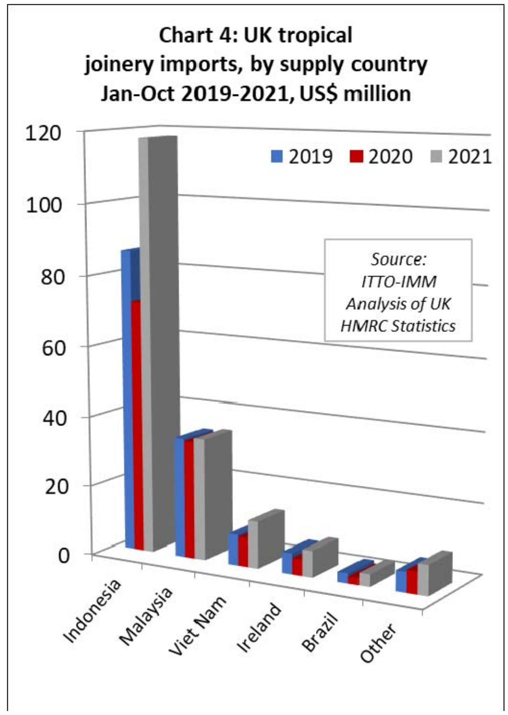


After the sharp dip in UK imports of tropical joinery products during the first lockdown period in Q2 2020, imports gradually built momentum until March this year and then surged in the second quarter.

Imports from Indonesia (mainly wooden doors) continued to rise in the third quarter but imports from Malaysia and Vietnam (mainly laminated products for kitchen and window applications) slowed during this period.

Joinery product imports from Indonesia were USD118 million in the first ten months of 2021, 64% more than the same period last year and 37% up on the same period in 2019. Imports from Malaysia were USD35 million between January and October this year, 3% more than the same period in 2020 and 2% up on the same period in 2019.

Joinery product imports of USD13 million from Vietnam were 62% more than in the same period in 2020 and 60% more than the same period in 2019 (Chart 4).



UK tropical plywood imports still at low levels
In contrast to joinery products, UK imports of tropical hardwood plywood have remained at relatively low levels this year. In the first ten months of 2021, the UK imported 250,900 cu.m of tropical hardwood plywood, which is 16% more than the same period in 2020 but still down 18% compared to the same period in 2019.

Imports from the UK's three largest suppliers of tropical hardwood plywood – China, Indonesia and Malaysia – have followed very different trajectories this year (Chart 5). The UK imported 85,800 cu.m of tropical hardwood faced plywood from China in the first ten months of this year, down 9% compared to the same period in 2020 and 48% less than the same period in 2019.

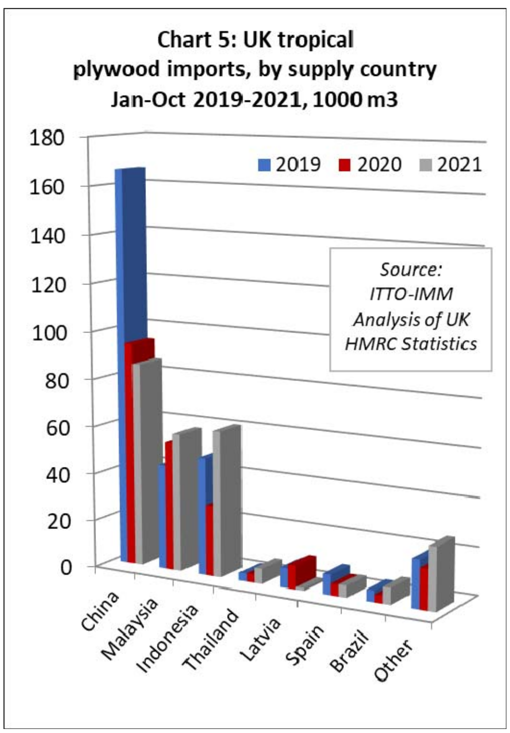
In contrast, Malaysian plywood has made gains in the UK market this year, imports of 58,000 cu.m in the first ten months being 7% more than the same period in 2020 and 31% up on the same period in 2020. But these gains are being made against historically very low levels after a long period of decline in UK imports of Malaysia plywood in the years before 2019.

This year, UK imports of plywood from Indonesia have also rebounded from the lows of 2020 this year, a trend which gained momentum in the third quarter. Plywood imports of 61,300 cu.m from Indonesia in the first ten months of this year are 106% more than the same period in 2020 and 24% more than the same period in 2019.

As for other hardwood product groups, UK demand for tropical hardwood plywood has been strong this year, driven by high levels of construction activity and shortages of competing materials. The main market challenges have been on the supply side, notably the considerable escalation in freight rates on Asian routes to the UK.

A 40ft container from Malaysia or Indonesia as late as last autumn cost US$1500-2000. By Q2 2021 UK importers were being quoted over US$15,000 and rates have remained at these record high levels in the second half of the year.

This has encouraged a partial switch to breakbulk shipments out of Southeast Asia into the UK, although this has proved a challenging option. When the breakbulk vessel Konya arrived into the port of London from Malaysia in summer this year, the first such arrival for 30 years, it took weeks to discharge the cargo, partly as the port was so busy and partly because personnel weren't used to the work.

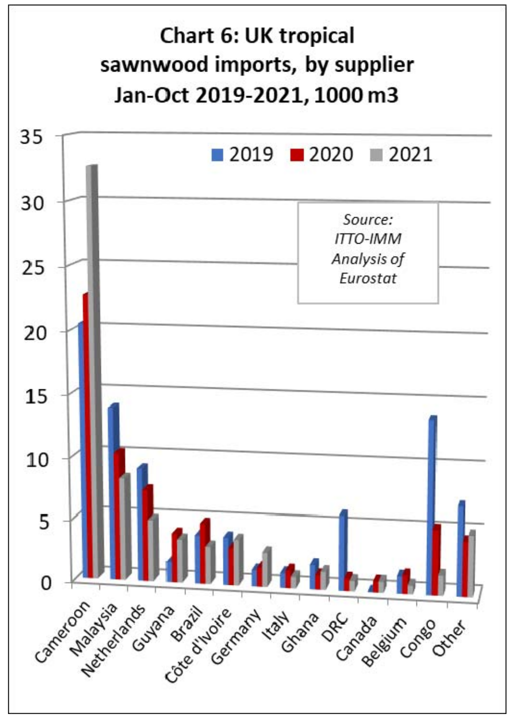


Supply issues constrain UK imports of tropical sawnwood

After falling sharply in May and June last year, UK imports of tropical sawnwood slowly increased during the course of the next 12 months, but the pace of increase began to slow again in the third quarter of 2021.

Throughout this period, the rebound in UK tropical sawnwood imports has been impaired by significant logistical problems on the supply side.

UK imports were 70,100 cu.m in the first ten months of 2021, just 1% more than the same period in 2020 and 18% less than the same period in 2019. Although imports from Cameroon, now by far the leading supplier of tropical sawnwood to the UK, were up 44% on 2021 and up 60% on 2019 during the ten month period, imports from nearly all other leading tropical sawnwood supply countries have remained weak this year (Chart 6).



The large increase in imports of sawnwood from Cameroon this year reflects the long lead time in shipment of contracts placed back in 2020. UK importers report that securing supplies for hardwoods from Cameroon and other African supply countries has continued to be very challenging.

While iroko is currently reported by UK importers to be more readily available, utile is described as 'very scarce'. There are differing views on sapele supply, with some importers reporting they have secured sufficient volume while others have been unable to do so.

UK imports of tropical sawnwood from Côte d'Ivoire were 3,700 cu.m in the first ten months of this year, 22% more than the same period in 2020 but still down 4% on the same period in 2019. The UK was previously a significant buyer of framire from Côte d'Ivoire but UK importers report that this species is proving increasingly difficult to source, both due to a lack of raw material in the forest and the challenges of obtaining assurances of legality that satisfy UK Timber Regulation requirements.

Meanwhile, UK imports of tropical sawnwood from both the Republic of Congo and DRC have fallen to a trickle since the start of the pandemic. Imports from the Republic of Congo were just 1,614 cu.m in the first ten months of the year, down 69% and 88% compared to the same period in 2020 and 2019 respectively. Imports from DRC were 836 cu.m during the 10 month period, which is 17% less than in 2020 and 86% down compared to 2019.

After an extremely slow start to the year brought on by pandemic induced production problems and extreme shortages of containers, UK imports of tropical sawnwood from Malaysia picked up a little during the summer with the arrival of breakbulk shipments of Asian meranti and keruing lumber into the UK. UK imports of Malaysian sawnwood were 8,235 cu.m in the first ten months of 2021. That is still 19% less than the same period last year and 41% down on the same period in 2019.

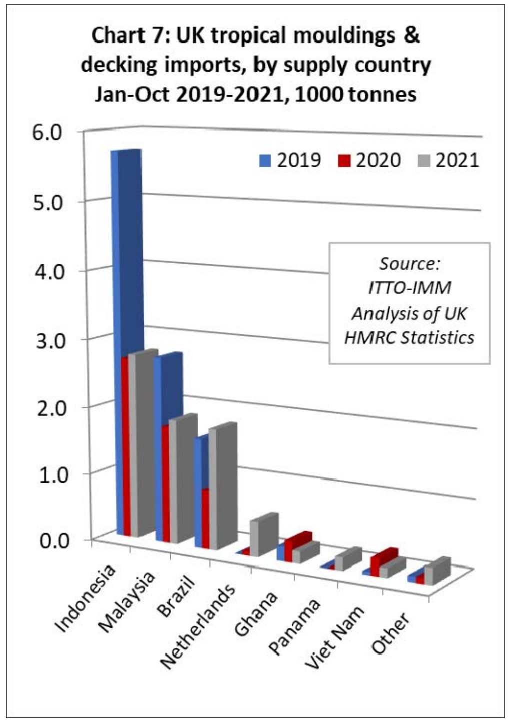
With shortages in supply from other sources, UK importers were turning more to South America in the opening months of this year. Imports from Brazil were quite good in the first quarter but ground to a halt in the second and third quarters.

By the end of the first ten months, total UK imports of tropical sawnwood from Brazil were just 3,000 cu.m, 38% less than the same period last year and 22% down compared to 2020. Imports from Guyana have been slightly more robust, at 3,500 cu.m in the first ten months this year, 12% less than the same period in 2020 but double the volume imported in the same period in 2019.

Indirect UK imports of tropical sawnwood from other EU countries have fallen dramatically this year. Total UK imports from EU countries were 11,400 cu.m in the first ten months of 2021, 16% less than the same period last year and 35% down on the same period in 2019.

The UK imported 7,700 tonnes of tropical hardwood mouldings/decking in the first ten months of 2021, 28% more than the same period in 2020 but still 26% less than the same period in 2019. The arrival of the first breakbulk shipments into the UK this year boosted imports a little from Indonesia, which at 2,800 tonnes in the first ten months were 3% more than the same period in 2020, but still down 52% compared to 2019.

Similarly, imports from Malaysia, at 1,900 tonnes, were 7% more than the same period in 2020 but 33% less than in 2019. Imports of decking products from Brazil have also picked up a little, at 1,800 tonnes in the first ten months, around twice the quantity imported during the same period last year and 11% more than in 2019 (Chart 7).



The UK market is currently suffering from severe lack of availability of tropical hardwood decking, due both to the freight hikes and also to suppliers preferring to sell the limited stocks they have available to other markets. This has encouraged some UK importers to purchase more tropical decking from importers in the Netherlands. The UK imported 520 tonnes of tropical hardwood decking from the Netherlands in the first ten months of this year when previously very little was sourced from there.

North America

Tropical sawn hardwood imports rebound

US imports of sawn tropical hardwood rebounded in October, rising 28% after two months of decline. Unlike September's low numbers, the 8,198 cubic metres imported in October is more in line with the volume we have seen most months this year. Imports from nearly all trading partners increased greatly in October.

Imports of Sapelli more than doubled in October and are up 19% year to date through October while imports of Keruing grew by 19% and are up 15% year to date. Imports of Padauk were the highest since March and Virola imports bounced back from a very weak September.

Overall imports are officially down year to date by 36%, however that is misleading since Ipé and Jatoba were removed from the official category by the US Department of Agriculture earlier this year. Counting Jatoba and Ipé, sawn tropical hardwood imports are up 21% so far this year.

Hardwood plywood imports edge upward

Imports of hardwood plywood rose 3% in October. The October import volume of 315,513 cubic metres is more than 20% above that of October 2020. Imports from Russia rose 41% from the previous month and are ahead 23% year to date.

Imports from Malaysia are also up 24% year to date despite declining by 34% in October. Overall import volume is ahead of last year by 32% through October.

Veneer imports recover

US imports of tropical hardwood veneer in October were double that of the previous month as imports recovered somewhat from an anemic September. Imports from China bounced back from no recorded imports in September to a level more than 50% higher than the previous October.

Imports from Italy also recovered strongly but were still only about half that of October 2020. Imports from Cameroon rose 203% but still lag year to date by 20%. Overall imports are down 2% year to date.

Hardwood flooring imports remain strong despite slowing

US imports of hardwood flooring retreated for the second straight month. Yet, despite a 7% month-to-month decline, imports remained 25% higher than that of the previous October. Strong increases in imports from Indonesia and Malaysia mostly made up for steep declines in imports from Vietnam, China, and Brazil. Overall imports remain well ahead of last year, up 38% year to date.

Imports of assembled flooring panels held steady in October, rising by less than 1%. Imports from China rose by 61% in October and are up 25% year to date. Imports from Indonesia and Vietnam fell 25% and 11%, respectively.

Imports from both countries remain up more than 50% for the year to date. However, all year-to-date numbers should be viewed as inflated in 2021 as the USDA added two additional categories to the Assembled Flooring Panels category in May.

Moulding imports rise to new high

Imports of hardwood mouldings rose 4% in October, setting a record for 2021. Imports from Brazil rose 34% and were more than 25% better than the previous October. After lagging most of the year, imports from Brazil are now up 2% over 2020 year to date.

Imports from China also rose, gaining 5% over last month to nearly twice that of last October. However, imports from China still trail 2020 by 45% year to date. Overall U.S imports of hardwood mouldings are up 25% year to date through October.

Wooden furniture imports – October slowest month in more than a year

US imports of wooden furniture tumbled again in October, falling 11% to a level not seen since July 2020. October imports were US$1.65 billion, well below totals that had routinely topped US$2 billion each month for most of the past year. Most of the recent decline has been due to falling imports from Vietnam, which dropped 38% in October after a similar rate of decline in September.

Despite the drop off, imports from Vietnam remain up 45% year to date due to the string of record months earlier in the year. Overall wooden furniture imports are up 38% year to date through October.

Data source: US Census Bureau, Foreign Trade Statistics

These numbers reflect the overall US furniture market. New orders for residential furniture dropped 20% in September 2021 versus September 2020, according to Smith Leonard in its latest Furniture Insights survey.

"At first glance, the September 2021 results would be alarming, but one has to look beyond the first glance," said the Smith Leonard report.

"New orders in September 2021 were down 20% from September 2020, but the look beyond showed that September 2020 orders were up 43%. So, we looked to compare 2021 with 2019 and found that September 2021 orders were up 15% over 2019." Orders were up 21% over 2020 and up 32% over the first nine months of 2019.

See: https://www.furnituretoday.com/financial/furniture-orders-drop-20-in-september/

Cabinet sales remain flat in October

US cabinet manufacturers reported an overall sales gain of less than 1% in October, according to the Kitchen Cabinet Manufacturers Association's (KCMA) monthly Trend of Business Survey. Participating manufacturers reported semi-custom sales rose 5.0% while stock sales went up 1.1%. Custom sales dropped 11.9%.

Compared with the previous October, overall cabinet sales increased by 6.7%. Custom sales rose 10.4%, but semi-custom sales dipped by 0.6%. Stock sales were up 11.2%. Sales so far this year remain healthy with overall cabinet sales up 14.7%, custom sales up 20.1%, semi-custom sales up 11.5%, and stock sales up 16.0%.

See: https://www.kcma.org/news/press-releases/October_2021_trend_of_busines_press_release

Weaker than expected jobs increase masks other good labour news

The US economy created far fewer jobs than expected in November, in a sign that hiring started to slow even ahead of the new Covid threat, the Labor Department reported.

Non-farm payrolls increased by just 210,000 for the month, yet the unemployment rate fell sharply to 4.2% from 4.6%, even though the labor force participation rate increased for the month to 61.8%, its highest level since March 2020.

While the headline number was disappointing, the household survey painted a brighter picture, with an addition of 1.1 million jobs as the labor force increased by 594,000.

The manufacturing sector added 31,000 jobs in November. Other sectors showing the biggest gains in November included professional and business services (90,000), transportation and warehousing (50,000) and construction (31,000). Meanwhile, hiring in leisure and hospitality was sluggish and retail lost jobs despite the traditional holiday hiring season.

See: https://www.bls.gov/news.release/empsit.nr0.htm

US doubles tariffs on Canadian softwood lumber

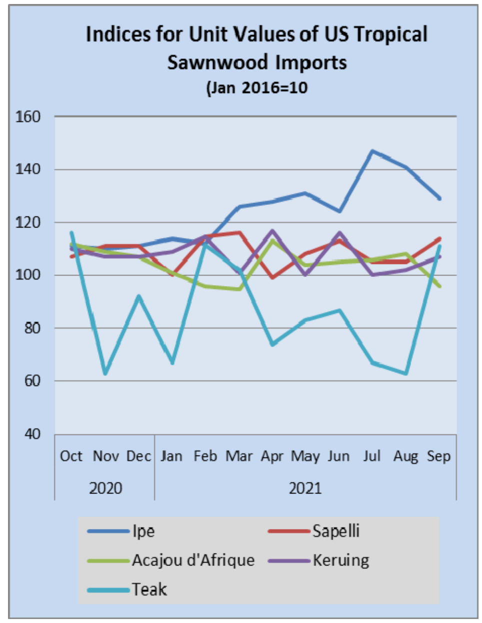
The US Commerce Department has followed through with expected increases in anti-dumping and countervailing duties on Canadian softwood lumber producers, placing tariffs of 17.99% on their imports, more than twice the rate of 8.99% during the Trump administration.

"These unjustified duties harm Canadian communities, businesses, and workers," said Mary Ng, Canada's Minister of International Trade, in a sharply worded statement.

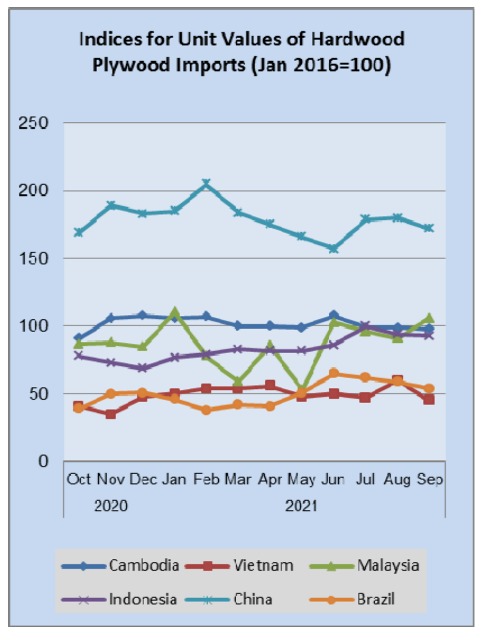
However, US lumber producers welcomed the stiffer penalties on what they have alleged for more than a decade was unfair competition due to government subsidies by Canada to its mills and producers.

This conflict goes back decades and involves stumpage fees and clean energy subsidies that the Canadian government provides companies such as government-operated electricity utilities which pass the savings along to mills in their territories. American producers insist that such subsidies create an unfair market advantage for their northern neighbours.

See: https://twitter.com/mary_ng/status/1464315252980469762



Data source: US Census Bureau, Foreign Trade Statistics



Data source: US Census Bureau, Foreign Trade Statistics

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.

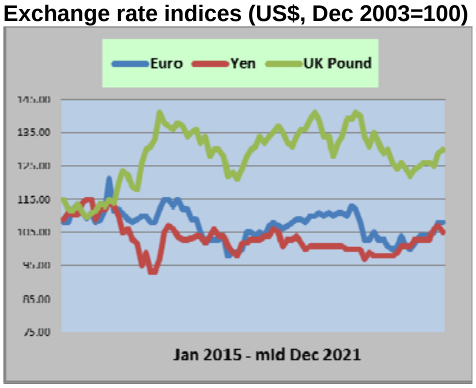
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO

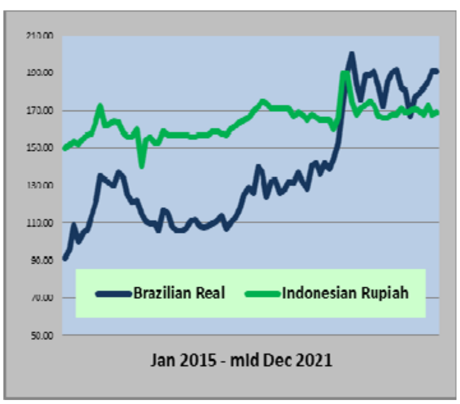
Dollar Exchange Rates

As of 10 December 2021

Brazil	Real	5.6135
CFA countries	CFA Franc	581.88
China	Yuan	6.3699
Euro area	Euro	0.8836
India	Rupee	75.793
Indonesia	Rupiah	14373
Japan	Yen	113.38
Malaysia	Ringgit	4.2125
Peru	Sol	4.10
UK	Pound	0.7535
South Korea	Won	1180.97

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



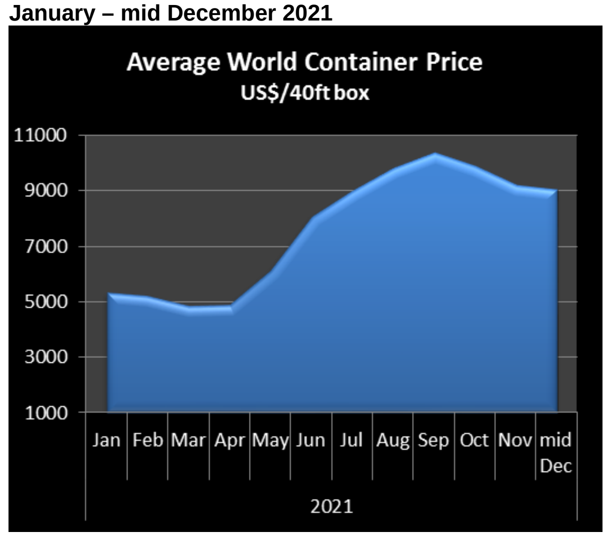


Abbreviations and Equivalences

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

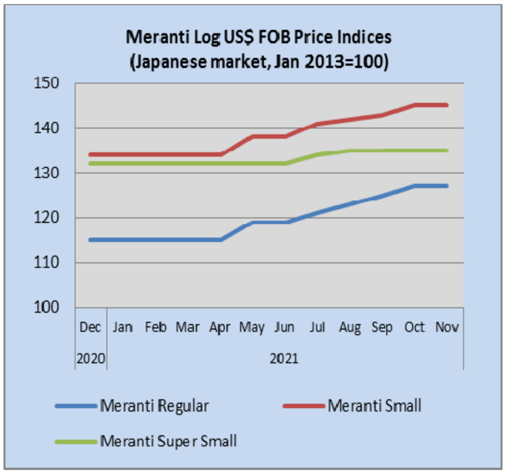
January – mid December 2021



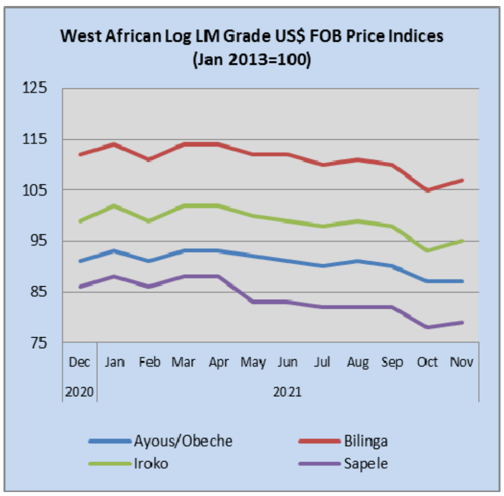
Data source: Drewry World Container Index

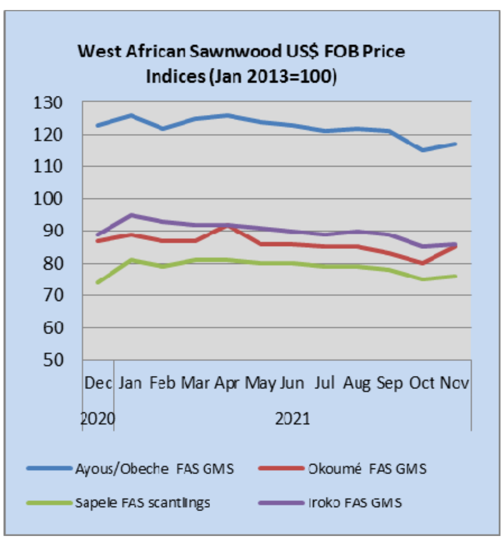
Price indices for selected products

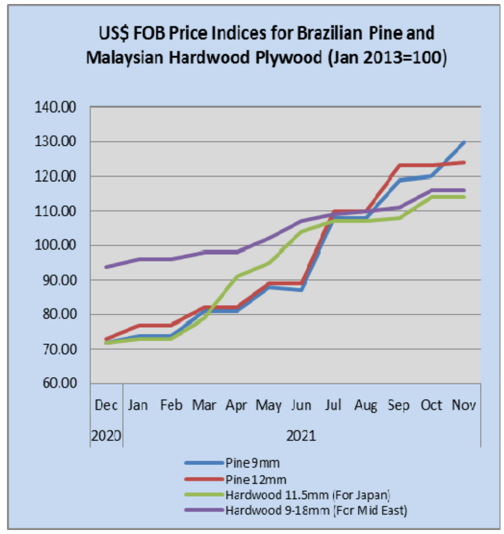
The following indices are based on US dollar FOB prices

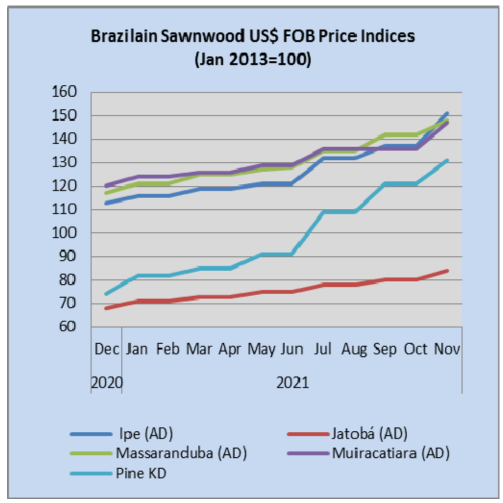


Note: Sarawak logs for the Japanese market









Note: Jatobá is mainly for the Chinese market.

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

http://www.itto.int/en/mis_registration/