

Tropical Timber Market Report

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Top story

Issues for tropical timber raised by draft EU deforestation law

Some implications of the draft EU deforestation regulation for the supply of tropical timber and other forest-risk commodities are explored in an article by Alain Karsenty.

Karsenty is a senior scientist at the French Agricultural Research Centre for International Development (CIRAD) and the article has been published on the Mongabay environmental news site.

<https://news.mongabay.com/2022/02/is-a-european-proposal-on-imported-deforestation-too-punitive-commentary/>

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Central and West Africa

Weather has improved and order books satisfactory

Producers in Gabon and Cameroon report the weather, despite being unseasonably wet, is not hampering harvesting operations. The dry season has been shorter than usual this year.

No problems have been reported with road and rail transport in Gabon or Cameroon. Mills in both countries remain in operation, however, the delivery of spare parts has been slow and disrupted by a strike by Gabon Customs officers. The covid situation in Gabon is reportedly stable and not effecting timber operations.

Producers in Gabon and Cameroon say order levels are satisfactory as they have around 2 months of orders on their books. With the end of the Chinese New Year holidays orders from buyers for the Chinese market are expected to rise. Okoume sawnwood prices have been inching up and, with the anticipated rise in orders for China, this could be sustained.

Problems for producers on many fronts in Gabon

Operators in Gabon are deeply concerned about the risk that concession agreements could be cancelled and have alerted the government on the impact this would have on employment. The issue of payment (said to be CFA 800/cu.m) to forest communities remains unresolved, however, this payment is legislated for so operators that have not paid have little choice but to pay.

In other news from Gabon it has been reported that Customs have imposed a 3% tax on logs entering the Nkok Special Economic Zone. There are unconfirmed rumours that the charges will be back dated to 2018. The 3% will be an extra charge of around CFA1500 per cu.m and on top of that the CFA1750/cu.m operators have to pay for TRACER tracking.

Shipping delays, few containers and disrupted port operations

The difficulty in securing shipping containers continues to create problems for exporters in the region as they risk missing order deadlines. Adding to the problem of shipping is port dredging which has extended vessel turn-around.

The Port Authority of Douala has a partnership agreement for the recovery, exploitation and processing of sediment recovered during dredging operations at the Douala Port. The Port Authority estimates it could earn CFA34.74 billion from the sales of sediment (sand) over thirty years and this opportunity has led to a focus on dredging.

Congo log export ban 'mothballed' for now

Producers in the Congo say trucking and transportation is smooth and there is a steady flow of products to Pointe-Noire. The President of the Republic of the Congo has inaugurated the new headquarters of the Pointe-Noire administration. At a cost of US\$43 million the headquarters were built by China Engineering.

The indications are that the planned log export ban has been shelved as economy is suffering and the government needs to capture as much revenue as possible.

AfCFTA rules of origin agreed

The Eighth Meeting of The African Continental Free Trade Area (AfCFTA) Council of Ministers Responsible for Trade agreed the rules of origin for the bloc removing a major hurdle to the roll-out of reduced tariffs under the trade agreement.

See:

https://research.hktdc.com/en/article/OTgyNDYyMTc5?utm_source=weky_edm&utm_medium=edm&utm_campaign=edm_promo_upd&DCSext.dept=12&WT.mc_id=6258596

Log export prices

West African logs Asian market	FOB Euro per cu.m		
	LM	B	BC/C
Acajou/ Khaya/N" Gollon	265	265	175
Ayous/Obeche/Wawa	250	250	225
Azobe & ekki	275	275	175
Belli	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	230↑	210↑	-
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	430-
Bilinga FAS GMS	540
Okoumé FAS GMS	480
Merchantable KD	420↑
Std/Btr GMS	370
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

Certification in the Congo Basin

Caroline Duhesme, Head of the ATIBT Certification Commission, monitors the evolution of certification in recent years. She presents the trends and perspectives of FSC and PEFC/PAFC certification in the Congo Basin.

See:

https://www.atibt.org/files/upload/news/Certification/Notes_FSC_PEFC_Congo_Basin_-_February_2022.pdf

Ghana

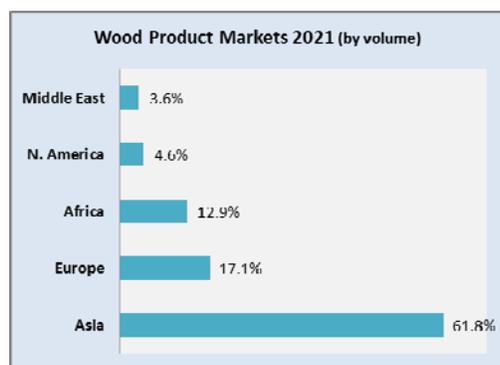
Sawnwood accounted for most 2021 exports

According to data released by TIDD of the Forestry Commission exports consisting of both the air-dried and kiln-dried sawnwood accounted for 64% of the total export volume of wood products (302,229 cu.m) in 2021.

The volumes for billets (15%), plywood (10%), veneers (7%) and processed sawnwood/mouldings (3%) together accounted for 35%, with other wood products (OWP) accounting for the balance.

The top international market destinations for wood products were Asia, America and Europe which together accounted for close to 92% of total export volumes. The balance of exports went to the Middle East and Oceania.

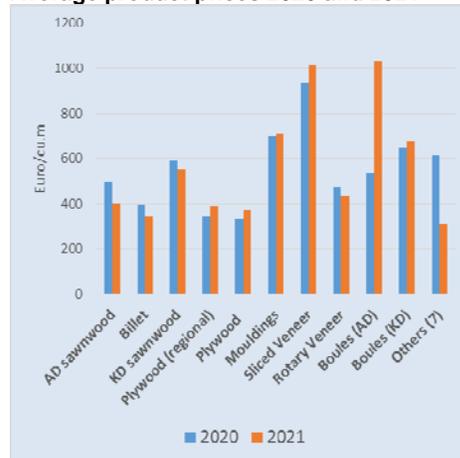
The significant export volumes to India, Vietnam and China were the major drivers which contributed to making Asia the leading market destination during 2021 at 62% of exports.



Data source: TIDD

Despite the low volume of exports of plywood, mouldings, sliced veneer and boules these products achieved higher average unit price in 2021 compared to the previous year.

Average product prices 2020 and 2021



Data source: TIDD

Tullow and Forestry MOU on forest conservation

In a press release the Forestry Commission has revealed it has signed a MOU with Tullow Oil to identify and develop carbon offset projects in the country. The idea behind the MOU is to support the realisation of Tullow's 2030 Net Zero plans and the Government of Ghana's nationally determined contributions under the Paris Agreement.

The two organisations will collaborate to develop projects which will enhance the conservation of existing forests and increase forest stocks in line with Ghana's REDD strategy. The active collaboration will not only help build a low carbon future but expected to create alternative economic opportunities for communities within the identified project zones.

The Deputy Managing Director of Tullow Ghana, Cynthia Lumor and the Chief Executive of the Forestry Commission, John M. Allotey, signed the agreement.

In a related development, Ghana's Vice President, Dr. Mahamudu Bawumia has launched a US\$54.5 million Ghana Shea Landscape Emission Reductions Project (GLSERP) for five northern regions of the country. The project seeks to mitigate the effects of climate change on the fragile ecosystem of the Northern Savannah Landscape under the REDD+ process in Ghana.

See: <https://fcghana.org/?p=3096>

Nigeria seeks to increase trade and investment with Ghana

Ghana and Nigeria, countries with largest markets in the ECOWAS sub region, are planning to deepen their trade relations within the Economic Community of West African States (ECOWAS) region.

Data from ECOWAS indicate that total annual trade in the regional market averages around US\$200 billion of which Nigeria alone accounts for approximately 75%, followed by Ghana.

Ghana Export Promotion Authority (GEPA) figures also showed that Ghana and Nigeria saw the highest level of trade relations as trade passed US\$1 billion.

Nigeria imports from Ghana included sliced veneer it was once the largest importer of Ghana plywood but has been overtaken Niger, Burkina Faso and Togo.

See: <https://www.gna.org.gh/1.21400361>

Raise manufacturing base to benefit more from AfCFTA - World Bank

A new report from the World Bank has revealed that Ghana will not be among the largest gainers from the African Continental Free Trade Area (AfCFTA) due to its small manufacturing base and underdeveloped transportation infrastructure, especially railways.

According to the report titled 'Africa in the New Trade' South Africa, Nigeria, Kenya, Senegal and Angola which have robust manufacturing sectors and developed transportation infrastructure will benefit most.

Ghana's industrial sector, according to data from the Ghana Statistical Service, has seen its growth contract for five consecutive quarters since the arrival of covid.

See: <https://openknowledge.worldbank.org/handle/10986/36884>

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	355▲	441
Chenchen	375	612
Ogea	469▲	590
Essa	405▼	619
Ofram	350	435

Export sliced veneer

Sliced face veneer	FOB
	Euro per cu.m
Asanfina	916▲
Avodire	811
Chenchen	869▼
Mahogany	1,090▼
Makore	749▼
Odum	2,083
Sapele	1,330▼

Export plywood prices

Plywood, FOB BB/CC	Euro per cu.m		
	Ceiba	Ofram	Asanfina
4mm	324▼	580	641
6mm	412	535	604
9mm	370	490	560
12mm	583	476	480
15mm	450	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 FAS 25-100mmx150mm up x 2.4m up	Euro per cu.m	
	Air-dried	Kiln-dried
Afromosia	860	925
Asanfina	465	564
Ceiba	290▲	310▼
Dahoma	408▲	464
Edinam (mixed redwood)	520	718▲
Emeri	560	634
African mahogany (Ivorenensis)	1,239	732
Makore	560	820▲
Niangon	550▼	586
Odum	491	869▼
Sapele	800	762
Wawa 1C & Select	422	437

Malaysia

Exports rising

Malaysia's international trade continues to pick up according to the Ministry of International Trade and Industry (MITI). In January 2022 external trade rose almost 25% compared to January 2021. Exports increased 24% in January 2022, the sixth month of double digit expansion, while imports increased 26%.

The Ministry said export growth was supported by high global demand especially for electrical products as well as palm oil and palm oil based products. Malaysia posted higher exports to most major markets, namely ASEAN, China, the United States, the European Union and Japan.

See: <https://www.pressreader.com/malaysia/the-borneo-post-sabah/20220219/282153589713927>

Sabah timber exports jump

Sabah's timber exports grew by 25% year-on-year between January and November 2021 contributing about 5% to Malaysia's total timber exports. The Malaysian Timber Industry Board (MTIB) said this growth was significant despite Malaysian enterprises suffering the impact of Covid control measures. Upstream timber products still dominate Sabah's timber exports.

The MTIB has programmes such as the Forest Plantation Development Programme, Bamboo Community Farming Programme and Human Capital Development which can benefit the timber industry.

See: <https://www.dailyexpress.com.my/news/186937/sabah-records-25pc-growth-in-timber-exports/>

Sarawak timber earnings edge up

Sarawak recorded RM3.89 billion from timber exports last year, a 4% increase compared to 2020 according to Sarawak Deputy Chief Minister, Awang Tengah Ali Hasan. However this was below the RM4.7 billion earned in 2019.

Plywood was the main export product in 2021 accounting for over 50% (RM2.15 billion) of total timber exports followed by logs at RM509 million, sawnwood (RM381 million), fibreboard (RM334 million) and other wood products (RM213 million).

Japan was the main importer at RM2.04 billion last year. Other significant markets were India (RM476 million), Taiwan P.o.C (RM206 million), the Philippines (RM179 million), China (RM175 million) and South Korea (RM123 million).

Awang Tengah reported the Sarawak Timber Industry Development Corp (STIDC) has drafted a 'Sarawak Timber Industry Reformation and Transformation Plan' to promote the growth of the industry. The plan is in line with 12th Malaysia Plan to achieve exports of RM8 billion by 2030.

See: <https://www.theborneopost.com/2022/02/09/awg-tengah-sarawak-timber-earning-up-4-pct-in-2021-compared-to-2020/>

Sarawak log exports

Species	2021 cu.m	2020 cu.m
Bindang	12,238	15,482
Meranti	869,161	926,790
Kapur	79,369	82,249
Keruing	52,059	57,890
Sepetir	5,813	6,905
Sel Batu	49,901	59,397
Nyatoh	25,026	26,910
Other Species	1,156,520	1,156,256
Total Hill Species	2,250,087	2331878
Assorted Swamp Species	84,823	85,222
Grand Total	2,334,910	2,417,100

Data source: STIDC

Indonesia

Forestry Ministry seeks APHI partnership for SFM

Agus Justianto, Director General of Sustainable Forest Management at the Ministry of Environment and Forestry has said it expects the Association of Indonesia Concession Holders (APHI) to become the government's partner in achieving the five pillars of sustainable forest management.

The five pillars are securing forestry areas, increasing business productivity, optimising forest land, diversifying forestry products and increasing product competitiveness.

The DG also urged forestry business to adopt the multi-business scheme set out in the government's Job Creation initiative. He reported there are 14 forest utilisation business proposals for the application of the forestry multi-business scheme.

The chairman of APHI, Indroyono Soesilo, said that facilitation of the Forest Utilisation Business Permit (PBPH) is among the association's seven strategic programmes. The other programmes include accelerating the implementation of the Job Creation Law, facilitating the fulfillment of APHI members' obligations regarding forest management and deregulating taxes and levies.

Also included is strengthening marketing of wood products, strengthening cooperation in the investment sector and facilitating overlapping PBPH implementation with non-forestry activities.

See: <https://en.tempo.co/read/1560353/forestry-ministry-expects-aphi-to-be-partner-in-sustainable-forest-management>

Concern on UK's sustainability regulations

Coordinating Minister for Economic Affairs, Airlangga Hartarto, recently met with the UK Ambassador to Indonesia and several senior UK representatives and expressed the hope of the Indonesia government is that the UK plan for implementing sustainability standards on a number of agricultural, plantation and forestry commodities will not hinder the bilateral trade. Airlangga said it is import to aligning the Indonesian timber certification system with whatever plans the UK has.

See: <https://www.merdeka.com/uang/standar-keberlanjutan-pertanian-inggris-tak-hambat-perdagangan-ke-ri.html>

Mangrove Project funding

The Indonesian government is committed to restoring and protecting mangroves, including through collaboration with various parties. One of them is the collaboration with the World Bank through the Mangrove for Coastal Resilience Program (M4CR). World Bank Managing Director for Operations, Axel van Trotsenburg, expressed his agreement that mangrove ecosystems make a significant contribution to controlling climate change.

In related news, Vice-president of the European Investment Bank (EIB) Group, Gelsomina Vigliotti said, the Bank is ready to back the Indonesian government's plans to rehabilitate some 600,000 hectares of degraded mangroves. As a leading financier of forestry projects Vigliotti said the EIB Group supports the call by Indonesian President Joko Widodo for the country to transition towards a sustainable green economy.

See: <http://ppid.menlhk.go.id/berita/siaran-pers/6413/indonesia-jalin-kerjasama-dengan-world-bank-dalam-proyek-mangrove-untuk-ketahanan-masyarakat-dan-mitigasi-iklim>
and
<https://www.thestar.com.my/aseanplus/aseanplus-news/2022/02/20/european-investment-bank-keen-to-support-indonesia-on-climate-action>

Forest biomass for power generation

The President of PT Protech Mitra Perkasa Tbk and Deputy Chairman of the Indonesian Chamber of Commerce and Industry, Bobby Gafur Umar, believes that Indonesia has great potential for biomass energy production which would help achieve national energy security.

The area of Energy Plantation Forests (HTE) in Indonesia is almost 1.3 million hectares and at least 32 business units are ready to play a role in "processing" this vast area of THE.

See: <https://ekonomi.bisnis.com/read/20220218/44/1502078/13-juta-hektar-hutan-di-indonesia-berpotensi-hasilkan-listrik>



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

Myanmar

Singapore banks tough on timber trade transactions

According to timber exporters, banks in Singapore have adopted tough measures to stop timber related financial transactions. Singapore is known as a financial hub for Myanmar businesses. Last year Singapore banks started to halt transaction to Myanmar if it believed they were payment for timber exports.

Initially, when EU and USA announced the sanction on Myanma Timber Enterprise and the Forest Joint Venture Corporation, Singapore banks stopped the transaction and asked the remitters many questions. Recently companies whose records show financial transactions related to the timber trade have been asked to close their accounts.

In related news, it has been reported that the EU has adopted further sanctions in view of the intensifying human rights violations in Myanmar. The new restrictions target companies providing substantive resources to the current administration.

The full list of the new designations is included as an annex to the implementing regulation can be found at:

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L.2022.040.01.0010.01.ENG&toc=OJ%3AL%3A2022%3A040%3ATOC>

Also see: <https://www.jdsupra.com/legalnews/eu-adopts-fourth-round-of-sanctions-6743735/>)

Oil and gas big earners

Since the coup Myanmar's economy has collapsed. The World Bank forecast that Myanmar's GDP would likely have dropped 18% in 2021 and Fitch has forecast a 4.4% decline in GDP in 2022. Myanmar relies heavily on income from exports of oil and natural gas. Gas projects are expected to deliver US\$1.4 billion or around 10% of Myanmar's revenue in 2022.

See: <https://www.myanmar-now.org/en/news/how-much-money-does-myanmars-military-junta-earn-from-oil-and-gas> and <https://www.voanews.com/a/6425156.html> .)

Myanmar urged to adopt ASEAN 'Five-Point Consensus'

The Cambodian and Malaysian Prime Ministers called for the "timely and effective implementation" of ASEAN's Five-Point Consensus on Myanmar. According to the statement, the two leaders "underscored the critical importance of ensuring the effective and timely implementation of the Five-Point Consensus," which was reached at a summit of ASEAN leaders in April last year. The consensus calls for an immediate cessation of violence in Myanmar and the facilitation of dialogue between all parties to the conflict, mediated by the regional bloc's special envoy, among other steps.

See: <https://www.irrawaddy.com/news/burma/cambodian-malaysian-pms-call-on-myanmar-junta-to-implement-asean-consensus.html>)

In related news, Japan's Foreign Minister released a statement 1 February saying "As today marks one year since the coup d'état in Myanmar on 1 February last year I express concern about the continued lack of action to improve the situation. Japan takes this opportunity to once again strongly urge the Myanmar military to take concrete actions to immediately stop the violence, release those who are detained and swiftly restore Myanmar's democratic political system.

See: https://www.mofa.go.jp/press/release/press6e_000364.html

JETRO survey - Most Japanese firms plan to stay in Myanmar

According to a Japan External Trade Organization (JETRO) report most Japanese companies that have invested in Myanmar will either maintain or expand their operations in the country. The report says 52% of Japanese companies will maintain current levels of operations in Myanmar, 13.5% will expand operations while around 28% will scale back business. The balance of companies surveyed will pull out.

See: <https://www.irrawaddy.com/news/burma/most-japanese-firms-investing-in-myanmar-remain-despite-coup.html>)

Omicron threatens to overwhelm health system

Myanmar could soon face a deadly fourth wave health experts warn reports FrontierMyanmar. However, its public health system has been weakened and barely half of the adult population is vaccinated and this is with the Chinese vaccines which are said to be less effective against the Omicron variant.

Official figures from the Ministry of Health show that around 53% of the adult population is partially or fully vaccinated and few booster doses have been administered.

See: <https://www.frontiermyanmar.net/en/omicron-wave-threatens-to-overwhelm-myanmars-health-system/>

India

Wholesale price indices for January 2022

The Office of the Economic Adviser, Department for Promotion of Industry and Internal Trade, has published wholesale price indices for January 2022. The index for manufactured products increased to 137.1 in January 2022 from 136.4 for December 2021.

Out of the main 22 manufactured products 18 groups saw increases in prices while 3 decreased in January 2022 compared to December 2021. The increase in prices was mainly contributed by basic metals, motor vehicles, trailers and semi-trailers, machinery and equipment, textiles and chemicals products. Some of the groups that saw a decrease in prices were wood and of products of wood and cork, tobacco products, pharmaceuticals along with medicinal chemical and botanical products.

The annual rate of inflation was almost 13% in January 2022 compared to 2.51% in January 2021. The high rate of inflation in January 2022 is primarily due to rise in prices of mineral oils, crude petroleum and natural gas, basic metals, chemical products and food.

See: https://eaindustry.nic.in/display_data_201112.asp



Data source: Ministry of Commerce and Industry, India

High frequency indicators showing positive signs

KPMG in India has published its latest edition of "Indian Economy Insights". In introducing this publication, Neeraj Bansal, a senior partner, provides a snapshot of the state of the economy.

He writes, "The Indian economy is gaining momentum, driven by the recovery in industrial output, growth in core sectors, coupled with fairly focused government initiatives and policies. While the economy is reviving on the back of ebbing effects of the second wave and rapid vaccination drive, it is also witnessing a gradual momentum in some of the highly distressed sectors.

Recent high frequency indicators are showing positive signs, raising both business and consumer optimism. Factors such as rail and freight activity, passenger traffic, power consumption, e-way bills and Goods and Services Tax (GST) collections are following a rising trend says KPMG.

With a revival in demand and improvement in industrial indices, the economy is observing positive sentiment among financial institutions. Both Reserve Bank of India (RBI) and International Monetary Fund (IMF) have projected a 9.5 per cent GDP growth for the country in FY22".

The full report can be found at: <https://assets.kpmg/content/dam/kpmg/in/pdf/2021/11/indian-economy-insights.pdf>

KPMG is a British-Dutch multinational professional services network and one of the big four accounting organisations.

Decorative veneer flitches in short supply

Plyreporter, the Indian trade magazine has highlighted the shortage of decorative veneer flitches from European and North America saying the demand for walnut, oak, ash and tulip in international markets has soared.

Plyreporter says "the domestic veneer industry is doing their best to procure veneers and lumber at any cost and the prices of finished products rise".

See: <https://www.plyreporter.com/article/92702/decorative-veneer-flitches-supply-short-in-the-world-short-supply-from-europe-to-impact-indian-wood-veneer-manufacturers>

Prices for recent shipments of teak logs and sawnwood

	US\$/cu.m C&F
Benin	359-712
Sawnwood	359-712
Brazil	313-600
Sawnwood	489-777
Cameroon	639
Sawnwood	974
Colombia	245-615
Costa Rica	350-652
Ecuador	246-495
Gabon	370
Ghana	270-559
Sawnwood	485
Guatemala	277-594
Ivory Coast	263-458
Sawnwood	375-752
Mexico	322-439
Sawnwood	373-585
Panama	252-539
PNG	389-595
Sawnwood	492-677
Tanzania	344-930
Sawnwood	471-1,068
Togo	259-532
S. Sudan	367-633
Sawnwood	342-633
Nigeria	290-630
El Salvador	328-520
Nicaragua	-
Sawnwood	328-564
Solomon Is.	248
Surinam	222
Myanmar sawn	791-980

Price range depends mainly on length and girth.

Locally milled sawnwood prices

Ex-mill prices have started to rise

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	1,500-1,800▲
Radiata pine	900-1,050▲
Whitewood	900-1,050▲

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	1,900-2,000▲
Red Oak	2,100-2,200
White Oak	2,700-3,000▲
American Walnut	4,500-5,000
Hemlock STD grade	1,350-1,600
Western Red Cedar	2,220-2,450
Douglas Fir	2,000-2,200▲

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: Wood and Wood Product (W and WP) trade highlights

According to Vietnam Customs in January 2022 W and WP export turnover amounted to US\$1.5 billion, up 8.3% compared to December 2021 and 14.3% compared to January 2021. In particular, the WP export reached US\$1.15 billion, up 6.8% compared to December 2021 and 6% compared to January 2021.

W and WP export to the UK in January 2022 totalled US\$30.7 million, up 11.6% compared to December 2021 and 48% compared to January 2021. The share of exports to the UK accounted for 2% of Vietnam's total W and WP export turnover, up 0.5% compared to January 2021.

In January 2022, exports of office furniture from Vietnam valued at US\$ 43 million, up 7.5% compared to December 2021, but down 10% compared to January 2021.

In January 2022, W and WP imports into Vietnam reached US\$ 250.1 million, up 13.3% compared to December 2021, but down 10.3% compared to January 2021.

In January 2022 Vietnam imported 49.2 thousand cu.m of pine wood, worth US\$ 15.3 million, down 9.3% in volume and 8% in value compared to December 2021; compared to January 2021, it increased by 6.7% in volume and 59% in value.

The imports of wood from Southeast Asia to Vietnam in December 2021 reached 87.0 thousand cu.m, worth US\$ 29.68 million, down 40% in volume and 55% in value compared to November 2021 but increased by 1.7% in value compared to December 2020. In 2021, Vietnam imported 960,330 cu.m from Southeast Asia, worth US\$338.28 million, up 5% in volume and 49% in value compared to 2020.

Imports from Southeast Asia increased slightly in 2021
Imports of wood from Southeast Asia to Vietnam in December 2021 reached 87.0 thousand cu.m, with the value of US\$ 29.68 million, down 39.9% in volume and 55% in value compared to November 2021; down 18% in volume, but increased by 1.7% in value compared to December 2020. In 2021, imports of wood from Southeast Asia reached 960.33 thousand cu.m, with the value US\$ 338.28, up 5.1% in volume and 48.8% in value compared to 2020.

Suppliers

In 2021, the increase of wood imports from Southeast Asia comes mostly from Cambodia and Laos. The growth of imports from Laos accounted for 269% of the total increase in imports of wood from this region. In contrast, imports of wood from other sources such as Thailand, Malaysia and Indonesia decreased against 2020. The imports of wood from Cambodia and Laos are risky for Vietnam's wood industry.

This risk is serious especially in the context of VPA/FLEGT implementation with Vietnam's commitment to the EU to avoid illegally sourced wood from the supply chain and the Vietnam - US Agreement to improve wood legality.

Under VNTLAS, while importing wood from risky sources, importers need to submit additional documents to prove the legality of imported wood. They have to exercise DDS to assess possible risks and take countermeasures to assure legality of imported wood.

Thailand: Thailand is one of the major suppliers of wood-based panels to Vietnam. Imports of this type of product from Thailand in December 2021 reached 54,940 cu.m, with a value of US\$13.15 million, up 5% in volume and 15% in value compared to November 2021; down 19% in volume and 3% in value compared to December 2020.

In 2021, imports of wood of various types from Thailand amounted to 504,290 cu.m, with a value of US\$119.30 million, down 12.5% in volume, but up 8.6% in value compared to 2020.

Wood imported from Thailand is mainly of fibreboard and particleboard, accounting for 96% of the total import from this market. In 2021, fibreboard imports from Thailand reached 312,200 cu.m, with a value of US\$81.39 million, down 16% in volume, but up 2% in value compared to 2020; particleboard imports volumed at 171,850 cu.m, with a value of US\$30.42 million, down 11% in volume and 19% in value.

Laos: Imports of logs and sawnwood from Laos in December 2021 were reported at 20,670 cu.m, with a value of US\$12.70 million, down 74% in volume and 75% in value compared to November 2021; up 35% in volume and 34% in value compared to December 2020.

In 2021, imports of wood from Laos reached 223,780 cu.m, with a value of US\$140.81 million, up 127% in volume and 154% in value compared to 2020.

In 2021, sawnwood imports contributed 90% of total imports from Laos reaching 201,000 cu.m, with a value of US\$136.19 million, up 152% in volume and 160.6% in value compared to 2020; imports of log reached 17,090 cu.m, with a value of US\$3.39 million up 35% in volume and 63% in value compared to 2020.

Malaysia: In December 2021 imports of wood from Malaysia were reported at 6,010 cu.m, with a value of US\$1.98 million, up 2.4% in volume and 8% in value compared to November 2021; down 45.9% in volume and 29.1% in value compared to December 2020. In 2021, imports of raw wood from Malaysia totaled at 143.56 thousand cu.m, with a value of US\$ 48.77 million, down 5.4% in volume, but up 39.6% in value compared to 2020.

Particleboard and sawnwood were the major wood products accounting for 93% of the total wood imports from Malaysia to Vietnam in 2021.

Sawnwood imports, alone from Malaysia in 2021 reached 82,280 cu.m, with a value of US\$33.52 million, up 290% in volume and 234% in value compared to 2020; particle-board imports reached 51,190 cu.m, with a value of US\$32.52 million, up 290% in volume and 234% in value.

Items of imported wood

The 3 top wood items imported from Southeast Asia to Vietnam are fibreboard, particle-board and sawn wood. In 2021, imports of wood as raw material from Southeast Asia to feed Vietnam's wood industry increased mainly due to the enlarged import of sawn wood from this region. In contrast, imports of fiber-board, particleboard, and sawn wood from Southeast Asia decreased.

Sawn wood imports: In December 2021, sawn wood imports from Southeast Asia reached 28,260 cu.m, with a value of US 15.36 million, down 67.0% in volume and 71% in value compared to November 2021; up 19% in volume and 22.7% in value compared to December 2020. In 2021, sawn wood imports from Southeast Asia reached 356,790 cu.m, with a value of US\$157.40 million, up 1312% in volume and 95% in value compared to 2020 accounting for 43% of the total increase in lumber imports from this region.

Sawn wood imports from Southeast Asia increased mainly due to the increased imports from Laos, reaching 61.08 thousand cu.m, with a value of US\$ 36.94 million, up 31,986% in volume and 30,710% in value compared to 2020.

In addition to the supply from Laos, the sawn wood imports from Malaysia, Cambodia and Thailand also increased remarkably compared to 2020.

Fibreboard imports: Imports of fibreboard from Southeast Asia in December 2021 amounted to 26,220 cu.m, worth US\$8.05 million, up 57% in volume and 57% in value compared to November 2021; down 51% in volume and 32% in value compared to December 2020.

In 2021, imports of this wood item from Southeast Asia reached 331,520 cu.m, with a value of US\$87.07 million, down 22% in volume and 5% in value compared to 2020.

There were four Southeast Asian countries supplying fibreboard to Vietnam in 2021: Thailand, Indonesia, Malaysia and Singapore. Imports from these four sources decreased against 2020. Thailand was the main supplier of fibreboard to Vietnam, accounting for 94% of total imports from this region in 2021, reaching 312,120 cu.m with a value of US\$81.39 million, down 16.5% in volume, but up 2% in value compared to 2020.

Industry sets an export target of US\$17.5 – 18 billion for 2022

Despite many challenges, the Vietnam Timber and Forest Product Association has set a target for exports of US\$17.5 – 18 billion in 2022.

The Vietnam Timber and Forest Products Association pointed out that the five main export groups of the wood industry have good growth prospects in 2022.

“In 2022, the goal of the export wood industry will reach 17.5 – 18 billion USD. To achieve the goal of exporting the wood industry in 2022, the main determined are still commodity groups, in which, wooden chair will reach 4.1 billion USD; wooden furniture will reach 10 billion USD and a number of other key commodity groups,” said Chairman of the Vietnam Wood and Forest Products Association.

According to the Ministry of Agriculture and Rural Development, in order to achieve the new export target in the face of rising raw material prices and increasing logistics costs, domestic planted forests need to improve productivity and quality to participate in the supply chain.

“The government issued Resolution 84 to implement a sustainable forestry development programme. This is the most important thing for the industry. If input is not much, it must be sourced domestically. Assessment Forest quality is important,” emphasised Deputy Minister of Agriculture and Rural Development.

In addition, the wood industry is planning to solve the problem of transportation costs by increasing the value of each container according to packaging specifications and brands. In addition, efforts to reduce the risk of origin evasion and strictly implement the Legal Timber Trade Agreement between Vietnam and the United States should also be prioritised to promote export growth.

See: [Vietnam: The wood industry sets an export target of 17.5 - 18 billion USD in 2022 - Woditex](#)

Brazil

Mato Grosso timber companies take advantage of 'hot' market

The increase in prices and demand for native timber species from sustainably managed forests has boosted the timber industry in the state of Mato Grosso, one of the main producing states of the Amazon region. Companies are expanding production to meet the demand in the region.

Additionally, companies in the furniture sector in the state of Mato Grosso are focusing on the manufacture of furniture of higher added value using wood from natural forests, mixing modern with rustic designs.

Small businesses create new jobs

A survey late last year by the Brazilian Micro and Small Business Support Service (Sebrae) indicates that micro and small businesses continue to be the main generators of new job vacancies. According to the survey this group of enterprises was responsible for 76% of job vacancies in the country. Commerce was responsible for the creation of 116,700 jobs followed by services (98,700), construction (16,700) and industry (15,200).

In the case of medium and large companies the largest number of jobs was created in the service sector (80,800 jobs), followed by commerce (21,300). Agriculture, industry and construction showed a negative balance for new opportunities.

See: https://www.nativanews.com.br/economia/id-998178/pequenas_empresas_s_o_respons_veis_por_76_dos_novos_empregos

Inflation drives furniture prices higher

According to the Consumer Price Index measured by IBGE (Brazilian Institute of Geography and Statistics) national furniture prices were driven higher because of a 2% increase in inflation in December 2021 compared to a month earlier. As a result furniture prices closed 2021 up 16% year on which is high compared to the government's inflation target.

In order to control inflation, the Central Bank of Brazil has been raising the basic interest rate, which reached 10.75% in early February 2022. However, despite the impact of inflation and slight drop in sales between January and November 2021 the IEMI (Market Intelligence Institute) reports an 8% increase in furniture retail sales in the 11 months of last year.

Export update

In January 2022 Brazilian exports of wood-based products (except pulp and paper) increased 52% in value compared to January 2021, from US\$254.4 million to US\$387.1 million.

Pine sawnwood exports grew significantly 42% in value between January 2021 (US\$5.2 million) and January 2022 (US\$49.8 million). However, export volumes fell 5% over the same period in 2020 from 191,000 cu.m to 181,200 cu.m.

Tropical sawnwood exports increased 25% in volume, from 31.100 cu.m in January 2021 to 39.000 cu.m in January 2022. In value, exports increased 25.0% from US\$12.8 million to US\$16 million over the same period.

Pine plywood exports witnessed a 58% increase in value in January 2022 compared to January 2021, from US\$51.1 million to US\$80.9 million. Also the volume of exports increased 31% over the same period, from 170,400 cu.m to 222,900 cu.m.

As for tropical plywood, exports increased in volume (68%) and in value (78%), from 3.800 cu.m (US\$1.8 million) in January 2021 to 6.400 cu.m (US\$32 million) in January 2022.

As for wooden furniture, the export value increased from US\$41.1 million in January 2021 to US\$52.1 million in January 2022, a 27% growth.

Pará and Santa Catarina State exports – 2022 off to a good start

In January 2022 timber exports from Pará State, one of the major timber producing states in the Amazon, grew 110% compared to January 2021 according to the Association of Timber Industries Exporters of Pará State (AIMEX).

AIMEX considers the growth "significant" because, although 2021 was a year of retraction for various sectors of the economy due to COVID-19, exports in early 2021 exceed those of January 2020, prior to the pandemic, when revenue from exports was around US\$18 million.

AIMEX states that export earnings for almost all products rose. In total international timber sales by companies in Pará earned about US\$37 million from more than 20,000 tonnes exported. The increase was largely the result of increased export of flooring and decking and from a surge in MDF exports.

About 70% of the products exported by the state of Pará are processed added value products such as flooring, decking, doors, windows, kitchenware among others.

Furniture export totalled US\$899 million in 2021 of which US\$354 million was from manufactures in Santa Catarina. In the state the furniture manufacturing companies of the São Bento do Sul furniture cluster accounted for 54% of these sales according to Brazilian Furniture Industry Association (ABIMÓVEL), up 31% year on year.

The US was the largest buyers of furniture from Santa Catarina (70%) followed by the UK (12%) and France (6%) according to the Federation of Industries of Santa Catarina.

According to Union of Construction and Furniture Industries of São Bento do Sul (SINDUSMOBIL) the positive export performance was the result of the high product quality combined with compliance with commercial agreements.

Domestic log prices

Brazilian logs, mill yard, domestic	US\$ per cu.m
Ipê	244▲
Jatoba	109▲
Massaranduba	99▲
Miiracatiara	99▲
Angelim Vermelho	96▲
Mixed redwood and white woods	76▲

Source: STCP Data Bank

Domestic sawnwood prices

	US\$ per cu.m
Brazil sawnwood, domestic (Green ex-mill)	1,052↑
Ipé	508↑
Jatoba	515↑
Massaranduba	460↑
Muiracatiara	456↑
Angelim Vermelho	303↑
Mixed red and white	218↑
Eucalyptus (AD)	155↑
Pine (AD)	196↑
Pine (KD)	

Source: STCP Data Bank

Domestic plywood prices (excl. taxes)

	US\$ per cu.m
Parica	491↑
4mm WBP	427↑
10mm WBP	351↑
15mm WBP	426↑
4mm MR.	321↑
10mm MR.	295↑
15mm MR.	

Prices do not include taxes. Source: STCP Data Bank

Prices for other panel products

	US\$ per cu.m
<i>Domestic ex-mill prices</i>	
15mm MDPparticleboard	234↑
15mm MDF	298↑

Source: STCP Data Bank

Export sawnwood prices

	US\$ per cu.m
Sawnwood, Belem/Paranagua Ports, FOB	
lpe	2,080
Jatoba	1,108
Massaranduba	1,127
Muiracatiara	1,117
Pine (KD)	288

Source: STCP Data Bank

Export plywood prices

	US\$ per cu.m
Pine plywood EU market, FOB	
9mm C/CC (WBP)	532
12mm C/CC (WBP)	335
15mm C/CC (WBP)	325
18mm C/CC (WBP)	352

Source: STCP Data Bank

Export prices for added value products

	US\$ per cu.m
FOB Belem/Paranagua ports	
Decking Boards Ipê	4,360
Jatoba	1,954

Source: STCP Data Bank

Peru

Exports to exceed US\$64 billion this year

The Minister of Foreign Trade and Tourism, Roberto Sánchez, said Peruvian exports could exceed US\$64 billion in 2022.

In 2021 there were 20 regions of the country that increased exports, 12 of which achieved remarkable growth including Ica, Arequipa, La Libertad, Piura, Moquegua, Apurímac, Puno, Cusco, Lambayeque, Ayacucho, Ucayali and Amazon.

For example exports from Ica were worth US\$5,625 million, Arequipa US\$5,310 million, Áncash US\$4,668 million, La Libertad US\$3,883 million and Moquegua US\$3,064 million.

In relation to non-mining exports Madre de Dios stood out as the region with the highest growth between 2020 and 2021 (+107%) and this was largely from Amazonian nuts and molded timber.

The United States (US\$5,238 million), China (US\$2,237 million), the Netherlands (US\$1,538 million), Chile (US\$1,242 million) and Ecuador (US\$863 million) are the five most important markets for Peruvian non-mining shipments.

New headquarters for regional forest and wildlife authorities

The National Forestry and Wildlife Service (SERFOR) will improve the operational capacity of Regional Forestry and Wildlife Authorities (ARFFS) in Madre de Dios, Loreto, Ucayali and Cajamarca through the investment programme "Promotion and Sustainable Management of Forest Production in Peru".

The programme has a total of US\$110 million some of which will be allocated for the improvement and expansion of forest management in the departments of Áncash, Cajamarca, Huánuco, Junín, Loreto, Madre de Dios, Pasco, San Martín and Ucayali whose combined forest area is around 69 million hectares.

The improvement of the services of the ARFFS consists of the construction of institutional headquarters (infrastructure); provision of equipment, furniture and technological tools as well as the development and strengthening of capacities in the departments of Madre de Dios, Loreto, Ucayali and Cajamarca. The aim is to optimise the management of forest planning.

Research to promote improved use of resources

In related news SERFOR and the International Center for Agroforestry Research (ICRAF) signed a cooperation agreement to coordinate efforts and promote research, development and technological innovation that help optimise the management and sustainable use of country's resources.

Each institution will promote the development of projects aimed at knowledge, management, use and conservation of forest resources and will coordinate actions to strengthen the capacities of regional authorities.

Osinfor strengthens supervision of agroforestry contracts in the Amazon

The Supervision Agency for Forest Resources and Wild Fauna (Osinfor) with technical support from the AgroFor Project strengthened the capacities and knowledge of its officials regarding the technical and regulatory aspects of the Concessions in Use contracts for Agroforestry Systems (CUSAF).

TheCUSAF contracts are a type of land use right which allows the formalization of productive forestry and agroforestry activities of family farmers in areas identified as agroforestry, silvo-pastoral or recovery production areas.

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	1121-1141▲
Ishpingo (oak) 2" thick, 6"-8" length Spanish market	599-629
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

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

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 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

Supply problems affect factory production

An article prepared for Seeking Alpha by IHS Markit discusses the issues driving the February Jibun Bank Manufacturing PMI which was at 52.9 down from 55.4 in January. Factory production levels fell in February in response to supply chain problems and these had a knock-on impact on producer input prices which jumped to the highest level in over a decade.

Seeking Alpha says "The biggest drag on the headline PMI in February was a fall in manufacturing output, as the Omicron wave of the COVID-19 virus disrupted production and supply chains".

See: <https://seekingalpha.com/article/4488809-japan-manufacturing-output-falls-prices-rise-amid-worsening-supply-situation>

Consumer spending dips

In mid-February the government lowered its assessment of prospects for the economy noting that consumer spending has dropped. This downgrade was the first in five months. Prospects for residential construction was also downgraded on the basis of fewer housing starts. On the other hand prospects for business investment were upgraded.

The government warned of risks from the impact of the Omicron variant, supply-chain disruptions and rising raw-material costs. This report was published before Russia began what appears to be a full scale invasion of Ukraine.

See: https://www3.nhk.or.jp/nhkworld/en/news/20220218_25/

Businesses wary of economic security legislation

The government will soon introduce legislation to strengthen the country's economic security. This has received mixed reaction from the private sector. While recognising the importance of economic security business leaders are concerned that government intervention may disrupt business activities.

The economic security bill is expected to address four issues:

- security of key infrastructure
- supply chain stability
- public-private development of new technologies
- securing patents on sensitive technologies

Businesses are aware this will result in a burden on them. For example the government is expected to require companies in certain sectors to report on plans to install infrastructure management systems identifying the suppliers so they can be screened.

See:
<https://www.japantimes.co.jp/news/2022/02/14/business/economic-security-law-business-worries/>

Russia sanctioned

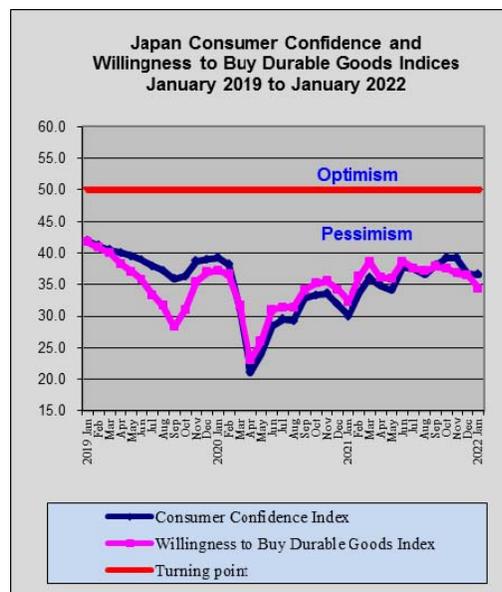
Japan imposed economic sanctions on Russia and two pro-Russian separatist regions in Eastern Ukraine after Russia recognised these two areas as independent and ordered troops to invade. Japan has condemned the latest Russian attacks on Ukraine as a violation of the sovereignty and territorial integrity of the country as well as international law.

As a result of further Russian aggression Japan joined the US and European countries in imposing additional sanctions. Russia is the second largest sawnwood supplier to Japan after the EU. There is no news as yet on whether this trade will be affected by Japanese sanctions or retaliation by Russia.

Energy prices a 41 year high

Consumer inflation rose in January from a year earlier as energy prices rose to the highest in 41 years. The Ministry of Internal Affairs says the Consumer Price Index, excluding fresh food, was up 0.2% in January from a year earlier. The index rose for the fifth straight month.

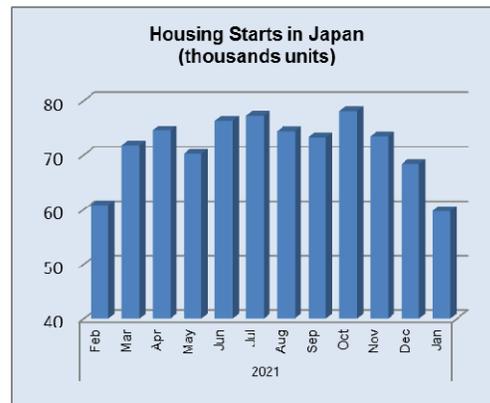
Gasoline was up 22%, electricity bills rose 15.9% and gas prices rose almost 18%. Overall, energy prices surged 17.9 percent, the biggest jump since January 1981 when Japan faced its second oil crisis.



Data source: Ministry of Finance, Japan

Housing starts

From a peak in October housing starts in Japan have been steadily falling. Construction activity always slows during the Japanese winter and the January housing starts data are much the same as in January 2020.

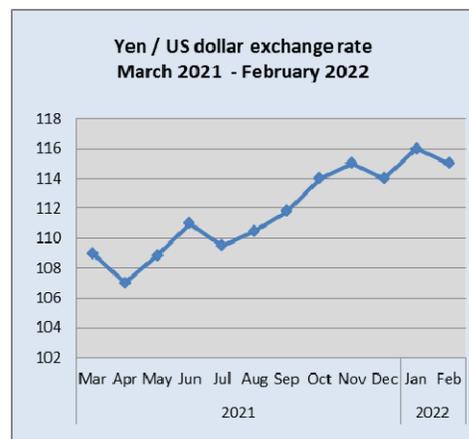


Data source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Expect currency volatility

The US dollar jumped to its highest level in nearly two years and the Russian rouble plunged to a record low after Russia launched an invasion of Ukraine as investors fled to 'safe-haven' assets.

Against other 'safe-havens' the dollar rose 1% against the Swiss franc while the Japanese yen weakened 0.52% against the US dollar to over just 115 per dollar.

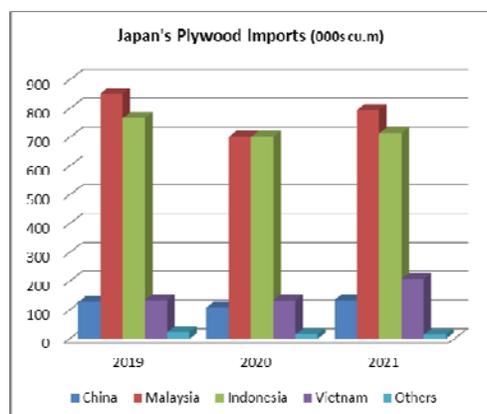
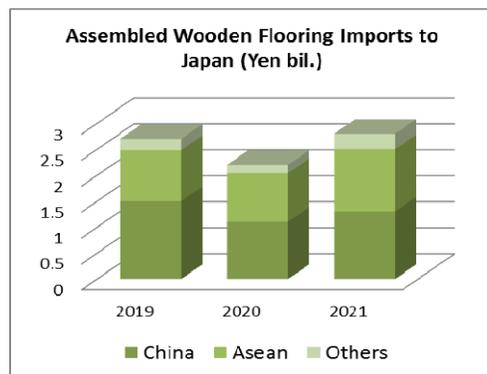
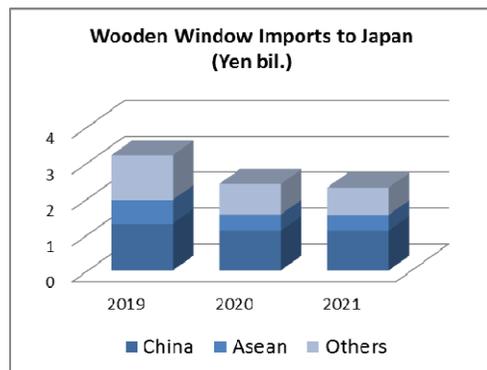
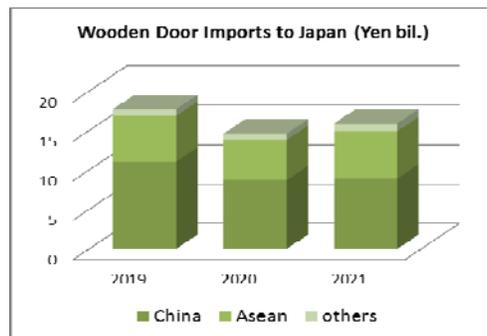


Import update

Trends in imports of builders' woodwork and plywood are illustrated below. There was a modest recovery in imports in 2021 compared to a year earlier for wooden doors, assembled flooring and plywood. Yet to catch up is imports of wooden windows the value for which still hovers at 2020 level.

However, it was only imports of assembled flooring that edged a little higher compared to levels in pre-pandemic 2019. The value of wooden door and wooden windows and the volume of plywood imports still have a way to go to get back to pre-pandemic levels.

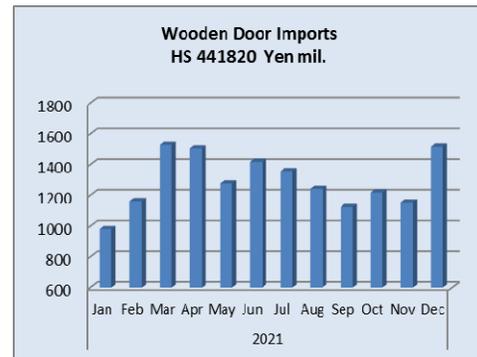
A remarkable feature of the illustrations below is that manufacturers in China and ASEAN countries dominate Japan's imports of the featured products.



December wooden door Imports (HS441820)

In December shipments of wooden doors (HS441820) from China accounted for 53% of all Japan's wooden door imports. The other main shippers in December were the Philippines (29%) and Indonesia (8%).

Year on year, December 2021 wooden door imports were 10% higher than in 2020 but 31% higher than in November 2021. The rise in December 2021 imports of wooden doors marked a major turning point in the year after a clear downward trend.

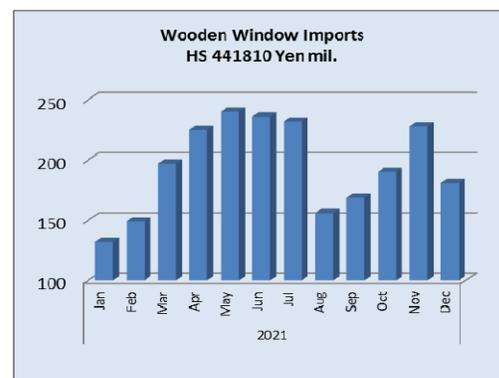


Data source: Ministry of Finance, Japan

December wooden window imports (HS441810)

Up until the December 2021 decline the value of Japan's wooden window imports (HS441810) had been steadily rising since August 2021 to reach a high in November of the same year.

The correction arrived in December 2021 when compared to the value of November imports there was a 21% decline in December. Year on year, December 2021 imports were 10% down. Around 46% of wooden window imports came from China with a further 22% from the Philippines and 12% from Sweden.



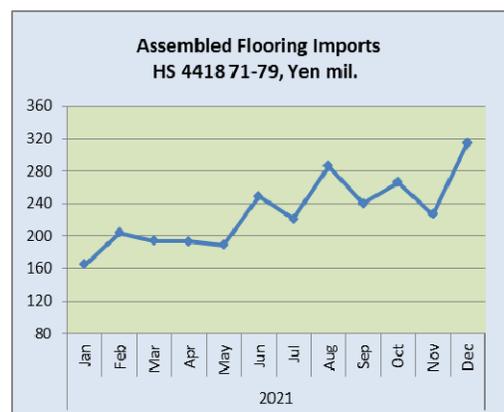
Data source: Ministry of Finance, Japan

December assembled wooden flooring imports

The value of Japan's assembled wooden flooring imports (HS441871-79) have steadily trended upwards from May 2021 and the rise in December 2021 which was more noticeable than in previous months has added to this upward momentum.

The main category of assembled flooring imported by Japan is HS441875 accounting for around 74% of December 2021 imports with the main suppliers being China and Vietnam and Malaysia. The second ranked category in terms of value of imports was HS441879 shipped mainly from China, Thailand and Vietnam.

Compared to December 2020 imports of assembled wooden flooring more than doubled in December 2021 and compared to a month earlier, December imports jumped 38%.



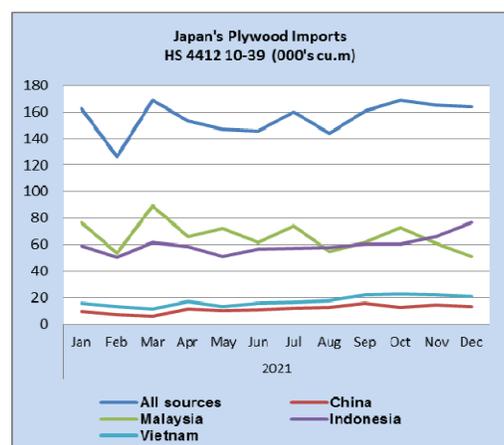
Data source: Ministry of Finance, Japan

December plywood imports

In the last quarter of 2021 Japan's imports of plywood have risen sharply as the country experienced a surge in demand for plywood and was unable to meet this demand from milling domestic logs. Year on year, the December 2021 volume of imports of plywood (HS441210-39) jumped 30% but there was little change in the volume of imports compared to November.

Indonesia and Malaysia dominate the supply of plywood to Japan and in December shipments from Indonesia rose compared to a month earlier but shipments from Malaysia dropped.

Of the various categories of plywood imported in December 2021(as in other months) HS441231 was the most common accounting for almost 90% of imports.



Data source: Ministry of Finance, Japan

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
	Nov	14.6	60.6	66.0	21.8
	Dec	13.6	51.2	76.5	21.0

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/

Total wood product imports in 2021

Here is a result of imported logs, lumber, boards and construction laminated lumber in 2021. The total volume of all categories is 4.7% more than 2020. It is recovering slightly from 2020's result. People had attention on volume of imports from North America, Europe and New Zealand because the 3rd wood shock occurred in Japan.

The grand total of logs is almost 18% increased because logs imported from Canada increased. The grand total of lumber is just only 4% decreased, not as much as people were concerned about an influence on confusions of delayed containers.

The delivery of plywood was good but construction laminated lumber decreased nearly by 9%. People had worried about the volume of imports would be over 10% decreasing due to the 3rd wood shock, but it did not.

The volume of Douglas fir logs from North America increased 25% from 2020. However, lumber was as same as 2020's. Since demands in the U.S.A. were lively, the exporting Japan decreased. There are negative factors like, supply companies were limited, a natural environment had changed and there were problems of labors at ports.

The volume of logs from the U.S.A. were almost as same as last year. However, the logs from Canada increased instead of the U.S.A. It was 460,000 cbms increased. Total volume of logs and lumber from Canada to Japan were more than the U.S.A. as a result.

Lumber from Europe decreased 7.2%. One of reasons is that time lag from contracts and actual arrivals is longer and unpredictable. Construction laminated lumber decreased by 9%, but it is nearly the average volume during 2017 and 2019 so it is not a bad situation.

Logs from New Zealand and lumber from Chili were almost same volume as 2020's. However, the importing costs in Japan could change easily by the prices of logs for China from New Zealand.

Tropical hardwood plywood and Russian logs became a level of 20,000 – 30,000 cbms. This is due to export restrictions in Russia and less demands in Japan.

The volume of imported plywood increased about 19% even though people in Japan were anxious about not enough volume. MDF was only 2 % decreasing although there were a lot of demands in overseas and confusion on transporting. OSB seemed growing market but there was a limit of supplying in overseas.

South Sea logs and lumber

Not only logs but also supply in Japan is still low. The lumbering companies in Japan have a difficulty in producing due to a delay which caused by a lack of containers. There is another reason such as not enough trucks. However, lumbering companies in Japan control on balancing product and demand even though the situation is difficult.

Malaysia and Papua New Guinea are in rainy season so the volume of shipping is low. It is not easy to book vessels because demands in Japan are not much. Some Japanese lumbering companies try to buy South Sea logs from Taiwan but the importing costs are high. .

People are hopeless for the volume of imported South Sea logs from Sabah, Malaysia. The demand will be stayed low in this year as well as last year.

Movements of South Sea hardwood lumber from China had calmed down. There are enough inventory so new orders have settled down in Japan. However, the prices in South Asia are still high because of the prices of red pine lumber from Russia and freights in China.

The movement of South Sea hardwood lumber would be slow due to a lack of trucks in South East Asia.

Demand for South Sea hardwood logs in Japan would stay low for all through this year. Movement of Chinese made laminated free board has been quiet. Red pine lumber prices are US\$1,030-1,050 per cbm C&F. Indonesian mercusii pine lumber prices are US\$960-990 per cbm C&F.

Use of domestic lumber for housing

Wooden Home Builders Association of Japan announced use of domestic lumber in 2020 of housing companies. 48.5% of domestic lumber were used. The investigation in 2017, which was as last time, was 46.2%. 2.3% increased at this time. This is the highest percentage in past six times. Domestic laminated cedar lumber and LVL increased a lot. The investigation was started in 2006, and held in every three years.

49.5% of domestic lumber were used as pos. It was 41.5% at last time. It is increase for three straight times. Laminated cedar lumber was 30.9%. It was 20.7% in last survey. Laminated redwood lumber was 36.6%, 40.3% was the last time and laminated whitewood lumber was 13.8% decreasing from 17.2% in 2017.

It was 74.6% used for foundation and increased from 69.4%. Share of KD cypress was 44.2% increased from 38.6% last time. Beams of domestic species decreased to 9.2% from 9.8% in last time. Douglas fir was 19.3% and it was 24% last time.

Laminated redwood beam lumber 52.9% decreasing from 54.1% but laminated whitewood increased to 9.2% from 4.7% in 2017. Stud from domestic species were 71.9% increased from 56.6%. Especially, LVL were 36.6% jumped from 0.3%. Brace was 17.6% and small sized lumber was 48% increasing from 43.9%.

Laminated cedar lumber was 34.8% increased from 29.6%. Laminated whitewood lumber was 11.4% increased from 8%.

North American log market

The suppliers' log purchase prices in January climbed by about US\$300 compared to last December prices so the increase of export prices would be certainly up but steep price increase at one time is hard for the buyers in Japan so it is reported that February FAS prices on IS sort are up by US\$125 a tUS\$1,275 per M Scribner.

With progressing trend of depreciation of the yen, import cost would be up by 3,000 yen per cbm CIF and with recovery of lumber of 50%, lumber cost would be up by about 6,000 yen per cbm. Douglas fir lumber manufacturers in Japanese are not ready to increase the sales prices in February yet but the supply side are likely to increase FAS prices in March to recover the difference but this is just guess.

Assuming FAS prices go up by US\$175 in March, Douglas fir lumber manufacturers may be forced to increase the sales prices. It all depends on how log market and lumber market in North America change at the time of March log price negotiations.

Future market prices of competing imported redwood laminated beam is down to 125,000 yen per cbm FOB truck port yard so Douglas fir lumber mills are worried about narrowing price difference with redwood laminated beam.

Douglas fir log prices for plywood mills are related with Douglas fir log prices for sawmills. If the prices climb same as sawlogs, February prices would be over US\$250 per cbm CIF, which costs over 30,000 yen.

China

Rise in house prices a relief for real estate companies

More mainland cities are trying to support the real estate sector by easing the requirements on down payments and mortgage financing to reverse the worst decline in home sales in a decade which economists fear could threaten the broader economy. Data from the China Real Estate Information Corp shows the top 100 real estate developers saw sales drop 40% year on year in January

China's US\$1.7 trillion housing market has begun to unravel as the economy in the fourth quarter grew at the slowest pace in 18 months.

A press release from China's National Bureau of Statistics (NBS) suggests that house prices have started to recover, a positive sign that a steep decline in the real estate sector is beginning to be brought under control following the policy adjustments in the fourth quarter of 2021.

See: <https://www.scmp.com/business/china-business/article/3167946/chinas-housing-market-gets-lifelines-cities-lenders-ease>

GGSC-CN Index, January 2022

In January 2022, China's PMI index registered 50.1%, a decrease of 0.2% from the previous month but still in the expansion range (i.e. above 50%) for 3 consecutive months. However the triple pressure of shrinking demand, supply shock and weakening business expectation still exists.

In January wood product manufacturing remained stable; new orders increased but foreign demand was relatively sluggish. The output on the supply side remained stable and the prices of the main raw materials fell for the third consecutive month.

The GGSC-CN comprehensive index for January registered 50.2 (42.9 for Jan. 2021 and 48.4% for Jan 2020) an increase of 2.7% from the previous month and above the critical value of 50. See fig below.



Challenges

Pinus sylvestris log export was banned by Russia's export which forced Chinese companies to change alternative species.

The price of chemical raw materials increased sharply, resulting in a significant increase in production costs. It has become difficult to purchase base materials.

Wood resources are scarce and the supply chain has been disrupted.

Products in short supply

Merbau, teak, base material, cumaru oak

Commodity for which the price has increased

Teak, cumaru, oak, panels, sawnwood, leather, paint and paraffin.

Commodity of which the price has been decreased

Taun, fibreboard, cloth, glass, melamine, urea, formaldehyde

As for the GGSC-CN index, in January 2022, two sub-indexes increased while three declined. The production index registered 50%, an increase of 12.5% from the previous month and above 50% after three months.

The new order index registered 53.6%, a decline of 2.7% from the previous month reflecting the ability of enterprises to obtain orders is better than last month. The new export order index reflecting international trade registered 35.7%, an increase of 4.5% from the previous month showing that orders from abroad in January improved.

The main raw material inventory index registered 39.3%, a decrease of 4.5% from the previous month.

The employment index registered 42.9%, a decrease of 13.4% from the previous month. It shows that the employment of the forest products enterprises is less than that of last month.

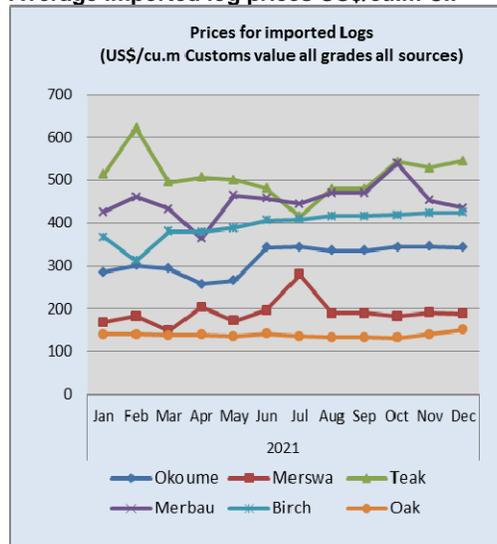
The supplier delivery time index was 60.7% an increase of 23.2% from the previous month indicating the delivery time for raw materials has improved.

Log imports

In the report on China's log imports published in the 1-15 February ITTO Market Report there were several anomalies. Some were related to the data from China Customs which shows temperate species HS codes assigned to timbers from tropical countries. This would only be possible if the countries in question trans-shipped imported temperate species to China. It has been determined that, for the countries involved, this was not the case.

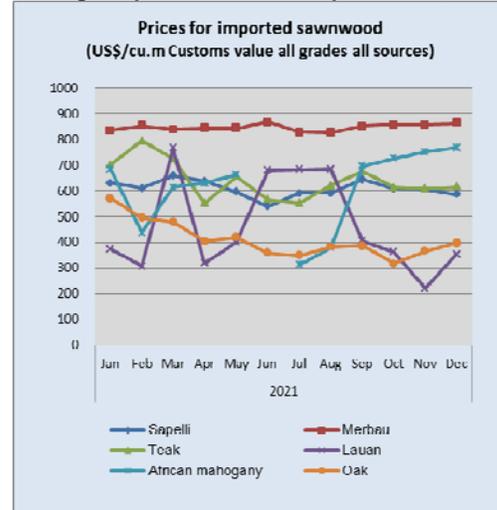
A revised report on China's log imports will be published at a later date.

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



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

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



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

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

	2021 Nov	2021 Dec
Okoume	345	343
Merswa	191	188
Teak	529	545
Merbau	453	435
Birch	423	425
Oak	140	151

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

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

	2021 Nov	2021 Dec
Sapelli	606	587
Merbau	858	863
Teak	609	617
Lauan	220	354
African mahogany	751	768
Oak	366	398

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

EU's deforestation-free regulatory proposal sparks intense debate

Intense negotiations are ongoing as the draft EU law on "deforestation-free" and "forest degradation-free" products, published by the European Commission (EC) on 17th November last year, navigates the various stages of the EU law-making process.

The draft law is planned to replace the EU Timber Regulation (EUTR) while at the same time extending regulations to a range of "forest risk" agricultural commodities, including beef, cocoa, coffee, palm oil and soy together with derived products.

To become law the final text must be adopted jointly by the European Parliament and the European Council of Ministers. At this stage, drawing on views expressed by Agriculture Ministers of Member States at their Council meeting on 21 February there seems to be broad endorsement across all EU member states of the law's objectives and agreement that due diligence by producers and importers placing regulated products on the EU market should be the basis of the regulation.

On the other hand, there is a variation in views across Member States on the details of the regulation, particularly the definitions of "deforestation" and "forest degradation" and the controversial proposal that the law should ban commodities derived from land that is legally deforested (i.e., as part of a nationally approved land use plan) as well as illegally deforested.

There is also widespread concern across Member States over the complexity of enforcement, the costs and potential discriminatory consequences for smallholders and SMEs and the impact on consumer food prices and global competitiveness of European producers in the global forest products and agricultural commodities trade.

The Agriculture Council meeting indicated that there is a way to go before Member States reach consensus on this legislation with some calling for more product specific impact assessments to extend the assessment already undertaken by the EC.

This process may take some time, despite the clear stated priority attached to passage of the law by the current French Presidency of the EU Council, which runs for the first six months of this year.

France has expressed ambitions to adopt conclusions in March while the European Parliament plans to adopt its position before July. Time is of the essence for France's Council presidency as it could be severely curtailed by April's election when President Macron is expected to seek re-election.

Further insights into the extent of EU-wide consensus on the deforestation regulation will come when EU Environment Ministers discuss the proposal at their next Council meeting on 17 March.

But as things stand, the original timetable set out by France seems optimistic. The actual timing may well hinge on the priority attached to the legislation by the countries holding the subsequent six-month rotating presidencies, the Czech Republic followed by Sweden

Major implications for FLEGT VPAs

The implications of any potential delay in the EU reaching some form of consensus on the new law, irrespective of whether the EU eventually decides to adopt something similar to the existing text, or to reject it altogether, are significant for those tropical countries that are signatories to existing FLEGT VPAs. There is now considerable uncertainty over the future policy direction in the EU raising concerns about a hiatus in implementation of existing agreements.

The uncertainty is particularly problematic for Indonesia, the only country to have achieved FLEGT licensing, and which is looking to the EU to fulfil its obligations under Article 13 of the VPA. This requires that the EU "shall promote a favourable position" in the EU market for licensed timber, including through "public and private procurement policies that recognise a supply of and ensure a market for legally harvested timber products; and a more favourable perception of FLEGT-licensed products on the Union market".

If the draft deforestation legislation is passed into law in its current form, the scope for the EU to promote "a favourable position" for FLEGT licensed timber in the EU market would be constrained.

While the regulatory proposal includes a provision declaring wood covered by a FLEGT license to have fulfilled the legality requirement there is no provision for FLEGT licenses to meet the "deforestation-free" or "degradation-free" requirement.

This creates a situation whereby EU operators could reject FLEGT-licensed timber on grounds that, while it is entirely legal, it does not fulfil the EU's definitions of "deforestation-free" or "degradation-free timber". Any suggestion that FLEGT licensed timber may not meet these definitions would contradict the EU's obligation to promote "a more favourable perception of FLEGT-licensed products on the Union market".

The draft legislation provides one potential route out of this dilemma, through the proposed country benchmarking. The draft legislation enables the European Commission to assess the risk of commodity-driven deforestation and forest degradation by country and to categorise each country (or sub-national region) as "low", "standard" and "high risk".

Operators would be permitted to implement "simplified due diligence" procedures excluding the requirement for risk assessment and mitigation for all commodities from countries assessed to be "low risk".

The far-reaching forest reform process undertaken as part of the VPA should better position Indonesia to achieve a "low-risk" status. However, according to the current draft regulation, achieving such a status would require that Indonesia demonstrates that no forest-risk commodities with potential to enter EU supply chains derive from any forest land cleared after 31 December 2020, irrespective of whether the clearance is legal or illegal.

All timber products would also be required to meet a definition of "degradation-free" which is regarded, even by some governments of EU member states, to be highly problematic and likely to conflict with national forest policies.

While the EU and Indonesia may yet negotiate a way around the looming roadblock for FLEGT licensed timber created by the new regulation it is hard to escape the conclusion that this ratcheting up of requirements only five years after FLEGT licensing became operational is not what Indonesia signed up for through the VPA, nor is it likely to be viewed in Indonesia as an adequate return in terms of a favourable position in the EU market after a decade of forest reform

The on-going negotiations around the new deforestation regulation in the EU have implications for the recent rebranding campaign for the SVLK standard, which forms the basis for the FLEGT licensing system, as a sustainable forestry standard.

The campaign developed by the Indonesian Ministry of Environment and Forestry (MoEF) through a multi-stakeholder process supported by the UK government has the expressed aim to ensure that SVLK certification meets the sustainability requirements of even the world's most environmentally sensitive markets.

The SVLK rebranding is explicitly designed to address increasing demand for sustainably produced timber products and deforestation-free supply chains. It also addresses the reluctance among the timber trade to promote the concept of "legal timber", which is now considered a basic requirement in regulated consumer markets and not an add-on that should be specifically promoted or highlighted.

Besides sustainability aspects, the Indonesian promotion campaign intends to highlight the strengths of Indonesian timber products identified through stakeholder consultations in Indonesia and other research and surveys, including trade surveys by the FLEGT Independent Market Monitor, an ITTO project funded by the EU, in EU countries and (until 2021) the UK.

To ensure that the market benefits of Indonesia's delivery of FLEGT licensing after a decade of forest reform are not lost during this period of uncertainty, there is a clear need now for dialogue between Indonesia and the EU to resolve potential differences of interpretation in relation to definitions of deforestation, forest degradation and sustainability.

FLEGT in relation to changes in wider EU policy environment

All tropical timber supplying countries need now to consider that the overall thrust of both the draft deforestation law and FLEGT Fitness Check published by the EC at the same time in November last year suggests that the concept of FLEGT licenses and of VPAs focussed on timber products may be dropped or substantially amended.

In their place, the EU has indicated an intent to promote broader Forest Partnerships to deliver on European Green Deal priorities, particularly in relation to zero carbon, as well as the EU's development cooperation objectives including poverty alleviation and human rights.

With respect to VPAs the draft deforestation regulation only states that "some VPA components might be integrated where feasible and agreed by the partners into specific cooperation programmes, like Forest Partnerships or others to further support forest governance".

The political background to negotiation of the new Forest Partnerships is also very different compared to when the FLEGT VPAs were being negotiated in the decade between 2007 and 2017. During that period, there was strong emphasis on development and trade recognition of forestry standards decided in the partner country through a stakeholder consultation process.

As noted in a recent paper for the European Centre for Development Policy Management (ECDPM), "By focusing on legality as defined by the law in producer countries rather than by imposing European standards, FLEGT ensures respect for territorial rights and World Trade Organization (WTO) rules, while avoiding politically sensitive sovereignty concerns in partner countries and thereby increasing the likelihood of their participation in the FLEGT scheme."

This consensus-based approach was combined with a positive trade incentive through provision of "green lane" access in the EUTR and other commitments by the EU to promote a favourable market position for FLEGT licensed timber.

In contrast, discussions over the new deforestation law, and negotiations towards the new Forest Partnerships, are set within the context of an EU that is becoming "more assertively defensive in its trade policy", according to POLITICO, the independent EU-based policy news organisation.

This is illustrated by a comment made by the French Agriculture Minister Julien Denormandie in January, that "Europe must impose its standards on others and not have others' standards imposed on it."

In this respect the draft deforestation regulation proposal aligns closely with another ambition of the French Presidency of the EU Council to ensure the introduction of so-called "mirror clauses" in all EU trade agreements.

As a condition of agreement these would demand that trade partners mirror the EU's own production standards and not be allowed to undercut European workers through laxer environmental rules.

The new deforestation proposal also aligns with the proposal for a Carbon Border Adjustment Mechanism (CBAM), published by the EC on 21st July last year and another priority of the French Presidency. This mechanism is seen as necessary to reduce the risk of European climate policies leading to "carbon leakage". That is a rise in offshoring of production of carbon-intensive goods outside the EU, and re-importation of these goods to the European single market.

The aim of the CBAM is that goods imported into the EU should be covered by equivalent carbon pricing to that applicable to production of the same goods within the EU, under the Emissions Trading System (ETS).

While the ultimate objective is that there should be broad product coverage in CBAM, for practical reasons, only the five emissions-intensive, trade-exposed industries under EU ETS are targeted in the current proposal: cement, fertilisers, iron and steel, aluminium, and electricity (CBAM goods).

Under the proposal EU importers must purchase CBAM certificates, where one CBAM certificate will correspond to one tonne of GHG emissions measured in the concerned CBAM goods. In essence, the number of CBAM certificates must be equal to the total embedded emissions in the CBAM goods imported.

The proposal states that the Commission will consider a broadening of the CBAM scope in terms of targeted sectors, indirect emissions, transportation services and downstream industries before 2026. Relevant to the forest sector is that pulp, paper, and paperboard, are identified as likely to be included in the next tranche of products.

In this wider context, the draft deforestation law can be seen as a measure by the EU to prevent "carbon leakage" in the agricultural and forest products sector. It's about raising barriers to products considered to have inferior environmental standards to those produced in the EU.

This is a different proposition to the FLEGT VPAs where the objective was to support partner countries in ensuring compliance with their own forest laws.

For the advocates of the new law, deforestation of any kind in third countries is unacceptable, irrespective of whether or not legally sanctioned. Nor is there scope for the EU to actively promote products from third countries inside the EU unless they explicitly contribute to achievement of the EU's zero carbon goal.

Specific issues for tropical timber raised by draft EU deforestation law

Some specific implications of the draft deforestation regulation for supply of tropical timber and other forest-risk commodities are explored in an article by Alain Karsenty.

Karsenty is a senior scientist at the French Agricultural Research Centre for International Development (CIRAD), published on the Mongabay environmental news site.

Karsenty highlights the implications of the 31 December 2020 cut-off date on deforestation which means that any product derived from an area cleared before this date is regarded as "deforestation-free". This date, much more recent than the 2015 originally proposed by the European parliament, effectively "amnesties" a lot of recent deforestation in large producing countries, such as Brazil.

However, it also potentially penalises those low deforestation countries like Gabon that may want to develop a larger agricultural area in the future.

Karsenty also notes the impact of the choice of FAO's definition of a forest as a minimum area of 0.5 hectares with 10% tree cover. This is a very broad definition which is out of step with many countries that have adopted a minimum threshold of 30% tree cover. The difference in definition has potential to create significant trade tensions.

Karsenty explains, "by setting a threshold of 10% to define zero deforestation products, commodities considered legal in the country of origin (whose conversion may have involved an ecosystem with, for example, 20% cover) will be unacceptable to the EU, and, in principle, will not be allowed to be imported".

Overall, Karsenty suggests that "the idea of having only one definition of forest for all countries... and all biomes, poses a problem of realism. It would be more appropriate to examine things on a case-by-case basis, and even biome by biome, since some countries have several forest biomes".

Karsenty goes on to discuss the far-reaching implications for tropical timber products of forest "degradation" being included alongside deforestation. He comments that the "definition of degradation is rather unclear" and that "avoiding degradation implies, by some definitions, maintaining the original species composition, age structure or distribution rate of a forest stand. All of which are changed by selective logging, even if controlled and certified".

Furthermore, the draft regulation specifies that forestry operations must not result in “loss of biological or economic productivity” or damage “the complexity of ecosystems”, criteria that will be difficult to interpret. Karsenty suggests that “few operations will be able to claim to meet them fully”.

Finally, Karsenty comments on the implications of the benchmarking proposals which, when combined with the lack of recognition for certification systems.

Another feature of the draft regulation is that it will create significant barriers for producers in some tropical countries. According to Karsenty, “The criteria for comparison should be deforestation rates, production trends for commodities at risk of deforestation, national policies, quality of governance, etc.

While this approach makes sense, it may discourage importers against sourcing from countries such as Cameroon, Cambodia or the Democratic Republic of Congo, given the effort they will have to make in terms of guarantees.

“By not wanting to trust ‘zero deforestation’ certifications to declare the product ‘negligible risk’, the Commission will penalise ‘clean’ producers in contexts of ‘difficult governance’. This is tantamount to collective punishment”, says Karsenty.

EU Member States raise reservations about new deforestation law

At the EU Agriculture Council meeting on 21 February, twenty-six Member State Agriculture Ministers (excluding France who Chaired the meeting) each made a statement setting out their position on the draft law on “deforestation-free” and “forest degradation-free” products.

While all were broadly supportive of the objectives and generally in favour of the due diligence approach set out in the draft, many Member States raised so-called “scrutiny reservations” on the entire text. In other words, there is some way to go before the Council reaches any sort of consensus on a final text.

The statements revealed that leading supporters of the existing text, or for an even more wide-ranging regulation, were Germany and the Netherlands. The strong support of France can also be assumed given the priority attached to passage of the law during the French presidency. Spain and Italy were also generally supportive, but more cautious in urging a general need for flexible and gradual implementation.

The most explicit critiques came from Sweden - who specifically rejected the notion that the law should boycott products from legal deforestation - and Finland who argued more on practical lines that there was a need for flexibility allowing some scope for legal deforestation for legitimate land use zoning/management purposes. Finland said the proposed 2020 retroactive deadline for forest conversion was “extremely problematic”.

Alongside these two countries, several other Eastern and Southern European countries (Czech Republic, Italy, Latvia, Portugal, Romania, Slovakia, Slovenia) raised objections to the definitions of deforestation and forest degradation in the law, pointing out there was no international agreement on what these terms implied. Italy noted, succinctly, “degradation in respect to what?” Portugal and Cyprus said the degradation definitions were not appropriate to fire affected forests.

Paralleling objections to the EC's recent efforts to develop a new Forest Strategy, Finland suggested that the existing draft did not go far enough in endorsing the value of active, multifunctional and sustainable management of forests to supply a range of renewable products that can substitute for non-renewable and more energy intensive products.

Eastern European countries (e.g. Czech Republic, Bulgaria) were prominent in raising objections to the costs involved, emphasising both the special challenges for smallholders and SMEs, and the complexity of enforcement processes. Estonia observed that lessons needed to be learnt from EUTR which in practice had failed to effectively remove illegally harvested wood from EU trade.

With respect to geolocation data, Finland raised questions about the potential discriminatory effect on small operators of requiring such data, while Greece questioned whether this approach was at all practicable.

There was not universal acceptance of assertions in the EC's impact assessment that costs would be manageable. There was a call (Austria, Denmark, Estonia) for more detailed sector specific impact assessments to better test these assumptions, and for phased introduction of the law to avoid overburdening operators and regulators in the early stages.

Romania and Portugal were concerned the regulation might raise costs of essential raw materials for EU agricultural producers and undermine their global competitiveness, notably by restricting supply to soy for animal feed.

Several countries (Sweden, Estonia, Greece) questioned the compatibility of the draft text with EU WTO obligations. Estonia pointed out that in order to avoid problems with WTO, the benchmarking of countries and regions would have to be carried out through an “internationally recognised risk assessment methodology”.

A number of countries explicitly called for more time and wider consideration by sectoral and legal experts to consider the full implications. Hungary concluded with the comment that “quality [of the regulation] is more important than the prompt conclusion of the negotiations”.

Industry and NGOs post conflicting statements on the new deforestation law

Various interest groups in the EU are now making known their views on the draft legislation. Particularly far-reaching objections are raised in a joint statement by COCERAL, FEDIOL, and FEFAC, representing the EU grain and oilseed trade and animal feed industry.

The three organisations suggest that "the design of the approach and several provisions of the proposed Regulation will have serious negative consequences without any real added value to meeting the objective of deforestation-free supply chains".

These range from supply shortages in the EU, leading to high prices and challenging the EU food and feed chain competitiveness, to a minimal impact on deforestation due to lack of leverage and incentives to transform practices on the ground, particularly as it will lead to "exclusion of the majority of smallholders and certain mills supplied by smallholders from supply chains".

COCERAL, FEDIOL, and FEFAC jointly propose that traceability requirements be adapted to the specificities of the different commodities instead of a one-size-fits-all approach and that they "be inclusive of smallholder farmers and compatible with local laws, instead of requiring filing geolocation coordinates".

The three organisations also suggest that operators should "not be guided by an inaccurate country benchmarking" but should instead be responsible for their own risk assessment and mitigation "verified by audits and controlled by competent authorities". They suggest that "Not only would the country benchmarking approach lead to shifting sourcing from high-risk areas to low-risk areas, a trade distortion which penalises sustainable actors in high-risk areas, but it would also imply disengagement from high-risk areas, which need most engagement and sustainable transformation".

For the timber importing industry, the European Timber Trade Association (ETTF) and the German Timber Trade Association (GD Holz) issued a statement suggesting that "the concrete definition of the impact site (geolocalisation) cannot be implemented in many cases".

The two timber trade associations felt that the approach adopted in the EUTR which requires an annually updated risk assessment for each supplier was more appropriate. They also noted "a particularly important point is that the duty of care should not be extended to larger dealers, but should remain with the first distributor, i.e. the importer, as usual".

GD Holz and ETTF also raised concerns about the definition of "deforestation" and "degradation", suggesting that the regulation "must ensure that orderly forest management according to state laws is the basis for legal logging" and that "sustainable forest management in the supplier countries must not be viewed as deforestation or degradation".

GD Holz and ETTF expressed concern that, according to current information, the "FLEGT process will no longer be continued in its current form" and that "It is still unclear how partnership agreements with FLEGT partners and negotiations with FLEGT candidates are to be handled". They noted that, irrespective, the associations are "committed to continuing the [FLEGT licensing] process in any case, as it ensures more document security and more awareness of legality and sustainability in the supplier countries".

While industry associations raised concerns about the challenges of implementing the existing provisions of the draft legislation, a statement issued by more than 100 ENGOs on 3rd February calls for a ratcheting up of the law's extent in terms of eco-system, sectoral and product coverage and obligations.

They also propose removing the "simplified due diligence" procedures which exempt smaller operators and operators from compliance in countries and regions deemed to be lower risk, while also calling for there to be no 'green lane' for certification or third-party verification schemes.

North America

Housing starts fall in January amid freezing weather

Homebuilding fell more than expected in January as many parts of the country experienced freezing temperatures, but a surge in permits suggested a rebound in the coming months was likely amid a severe shortage of homes on the market.

Housing starts dropped 4.1% to a seasonally adjusted annual rate of 1.638 million units in January the US Department of Commerce reported.

Single-family housing starts, which account for the biggest share of homebuilding, dropped 5.6% to a rate of 1.116 million units last month. Single-family homebuilding fell in the Northeast, Midwest, and South, but rose in the West.

Permits for future homebuilding in January rose 0.7% to a rate of 1.899 million units, the highest since 2006. Single-family building permits surged 6.8% to a rate of 1.205 million units. The supply of previously owned homes on the market is at record lows, which should keep builders busy.

But builders are facing challenges from soaring prices for inputs. Prices for softwood lumber, which is used for framing, shot up 25.4% in January after a 21.3% rise in December according to the U.S. Department of Labor. Last November the U.S. nearly doubled the duties on imported Canadian softwood lumber after a review of its anti-dumping and countervailing duty orders.

Canadian housing starts also fell in January as the standalone monthly seasonally adjusted annual rate of total housing starts dropped to 230,754 units, a decrease of 3% from 238,405 units in December. Multiple urban starts decreased by 9% to 144,332 units, while single-detached urban starts increased by 7% to 60,096 units.

Home sales surged as year began

Home sales unexpectedly increased in January but investors paying in cash are squeezing out first-time buyers from the housing market amid record low inventory and higher prices.

The surge in sales of previously owned homes last month reported by the National Association of Realtors likely reflected buyers rushing in to close on contracts in anticipation of mortgage interest rates rising further.

Mortgage interest rates have climbed to levels not seen since 2019 as the Federal Reserve is expected to start increasing interest rates next month to tame soaring inflation. Economists are anticipating as many as seven rate hikes this year.

Existing home sales surged 6.7% to a seasonally adjusted annual rate of 6.50 million units last month with sales rising in all four regions.

Existing-home sales in the Northeast grew 6.8% in January, posting an annual rate of 780,000, an 8.2% decline from January 2021.

Existing-home sales in the Midwest rose 4.1% from the prior month to an annual rate of 1,510,000 in January, equal to the level seen from a year ago. In the South, existing-home sales jumped 9.3% in January from the prior month, reporting an annual rate of 2,940,000, a gain of 0.3% from one year ago.

Existing-home sales in the West increased 4.1% from the previous month, registering an annual rate of 1,270,000 in January, down 6.6% from one year ago.

See: <https://www.nar.realtor/newsroom/existing-home-sales-surge-6-7-in-january>

GDP grew at a strong pace to close out 2021

The US economy grew at a better-than-expected pace at the end 2021 due to sizeable boosts in inventories and consumer spending and despite signs that the acceleration likely tailed off toward the end of the year.

Gross domestic product, the sum of all goods and services produced during the October-through-December period, increased at a 6.9% annualized pace, the U.S. Department of Commerce reported.

The increase was well above the unrevised 2.3% growth in the third quarter and came despite a surge in Covid omicron cases that likely slowed hiring and output as businesses dealt with large numbers of sick workers.

The quarter brought an end to a 2021 that saw a 5.7% increase in annualized GDP, the strongest pace since 1984 as the U.S. tried to pull away from the unprecedented drop in activity during the early days of the coronavirus pandemic.

Payrolls show surprising January gain despite omicron

Job growth increased far more than expected in January despite surging omicron cases that seemingly sent millions of workers to the sidelines, the U.S. Department of Labor reported. Non-farm payrolls surged by 467,000 for the month, while the unemployment rate edged higher to 4%, according to the U.S. Bureau of Labor Statistics. The stunning gain came a week after the White House warned that the numbers could be low due to the pandemic.

Covid cases, however, have plunged nationally in recent weeks, with the seven-day moving average down more than 50% since peaking in mid-January, according to the U.S. Centers for Disease Control and Prevention.

Most economists had expected January's number to be tepid due to the virus, though they were looking for stronger gains ahead.

For January, the biggest employment gains came in leisure and hospitality. Employment showed little change over the month in mining, construction, and manufacturing.

Along with the big upside surprise for January, massive revisions sent previous month's totals considerably higher.

"The benchmark revisions helped the numbers a bit just because it moved out some of the seasonal factors that have been at work. But overall the job market is strong, particularly in the face of omicron," said Kathy Jones, chief fixed income strategist at Charles Schwab. "It's hard to find a weak spot in this report."

Consumer sentiment falls to 10-year low

American consumers began the New Year in a sour mood, as the University of Michigan's consumer sentiment index for February showed a "stunning" drop of 8.2% from January.

The overall index now stands at 61.7, down from 67.2 a month earlier and 19.7% below what it was a year ago. The current conditions index stands at 68.5, down from 72 a month ago and more than 20% off from February 2021.

The future expectations index fell to 57.4 from 64.1, an 18.8% drop over the past 12 months.

"The recent declines have been driven by weakening personal financial prospects, largely due to rising inflation, less confidence in the government's economic policies, and the least favorable long-term economic outlook in a decade," Richard Curtin, director of the surveys, said in a statement, adding that the entire February decline was among households with incomes of \$100,000 or more.

Tension between the U.S. and Russia over Ukraine, spiking prices on everything from eggs to gas and fatigue from two years of a global health pandemic are all weighing on the minds of consumers. Domestic political divisions over mask mandates, education policy and the January 6 riot last year at the U.S. Capitol are also preying on people's feelings. Despite the mood, most economists still forecast a fairly strong economy in 2022.

See: <http://www.sca.isr.umich.edu/>

Manufacturing growth slows further

A measure of US manufacturing activity fell to a 14-month low in January amid an outbreak of COVID-19 cases, supporting the view that economic growth lost steam at the start of the year. But the survey from the Institute for Supply Management (ISM) marked the third straight month of signs of improvements in labor and supplier delivery performance.

The ISM's index of national factory activity dropped to a reading of 57.6 last month, the lowest since November 2020, from 58.8 in December. A reading above 50 indicates overall growth.

Of the 18 manufacturing sectors followed by ISM, Furniture and Related products was among the sectors with the highest gains in January.

Furniture reported growth in several categories, including new orders, production, in which it led all industries, employment, supplier deliveries, higher inventories, order backlogs, and imports. The Wood Products sector saw neither a gain nor a loss in January but did report an uptick in production.

See: <https://www.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/pmi/december/>



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.

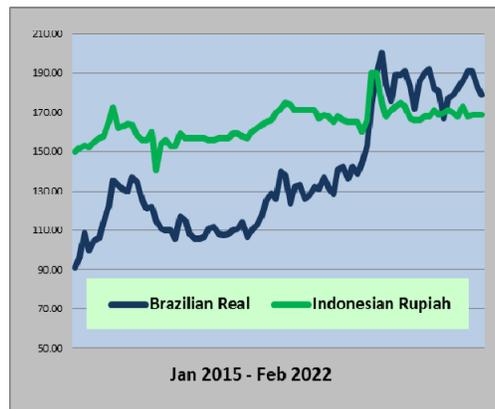
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO

Dollar Exchange Rates

As of 25 February 2022

Brazil	Real	5.1225
CFA countries	CFA Franc	587.62
China	Yuan	6.3292
Euro area	Euro	0.8931
India	Rupee	75.404
Indonesia	Rupiah	14383
Japan	Yen	115.54
Malaysia	Ringgit	4.2025
Peru	Sol	3.92
UK	Pound	0.7473
South Korea	Won	1206.11

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

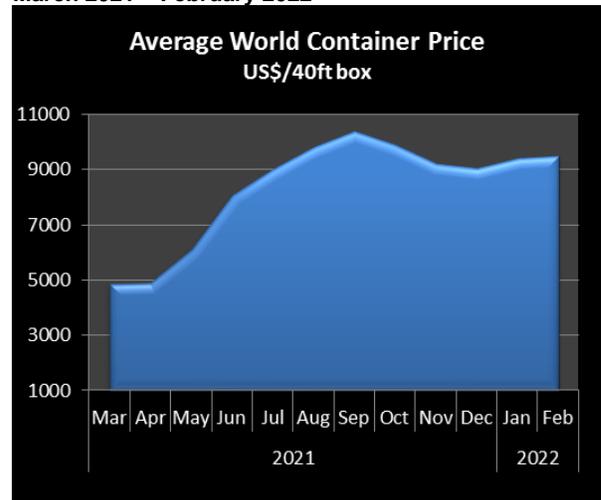


Abbreviations and Equivalences

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

Ocean Container Freight Index

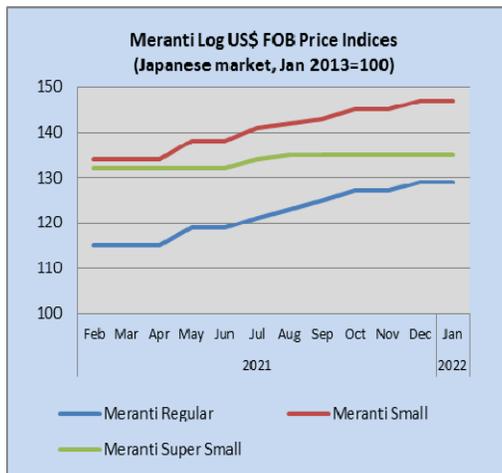
March 2021 – February 2022



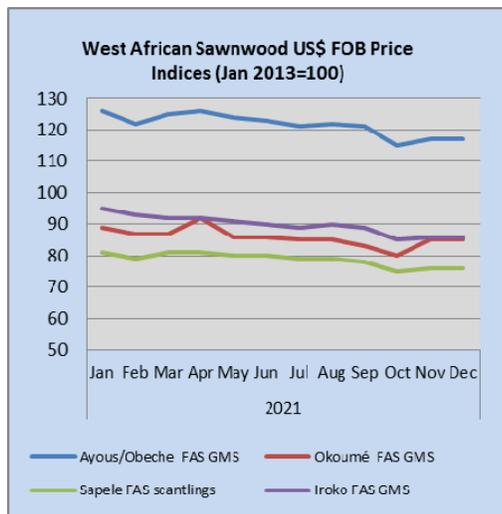
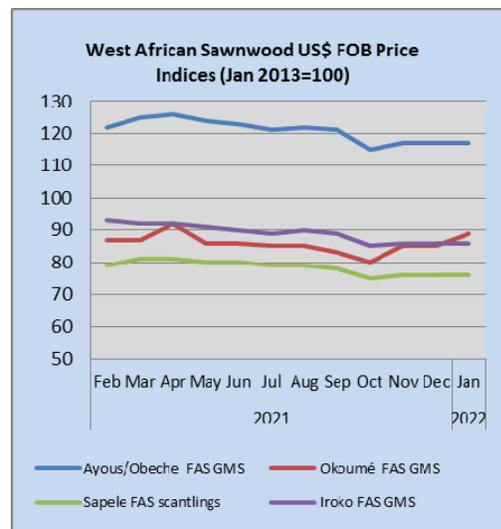
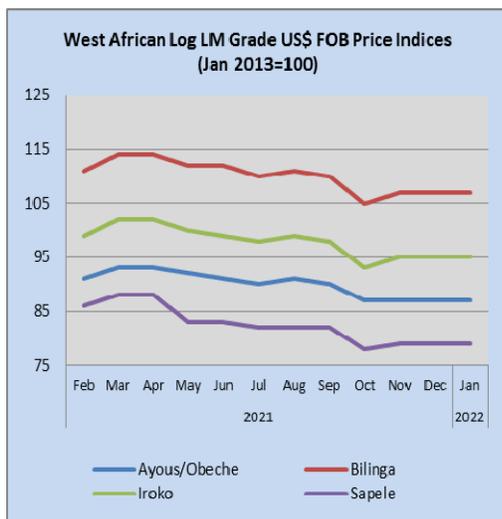
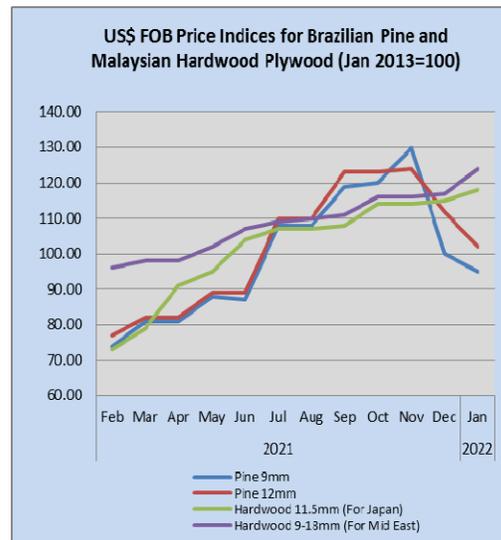
Data source: Drewry World Container Index

Price indices for selected products

The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



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