Tropical Timber Market Report

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Top story

Log and sawnwood stocks accumulating at Chinese ports

Log and sawnwood stocks have accumulated at Chinese ports and inventories of major wood market dealers are running high. The stock of logs at Taicang Port reached a record high of 1.7 million cubic metres resulting in a sharp drop in both logs and sawnwood imports compared with last year.

Between January and May log imports were 30% down year on year and sawnwood imports fell 7% and there was a steep decline in May imports.

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Central and West Africa

European buyers showing more interest in African timbers

Producers in the region are reporting firm demand for padouk, okoume, ovangkol and even gheombi, a timber that was not common in the market until a year ago. Gheombi is used for door manufacturing. The timber has dark streaks but this is apparently appreciated in the Chinese market.

As a result of the disruption to beech supplies due to the Russian invasion of Ukraine buyers for the markets in European buyers are showing more interest in African timbers especially for timbers that could be alternatives for beech.

The availability of hardwoods from traditionally suppliers in Europe has become even more challenging since Russia's invasion of Ukraine encouraging importers to look more to tropical products. Producers have noted that demand from European buyers is more active than usual for the beginning of the European holiday season.

In other news, in the first four months of 2022 Vietnam's imports of logs and sawnwood from Cameroon increased compared to the same period in 2021 with imports of sawnwood in particular reached 70,000 cu.m at a value of US$31.92 million 72% up in volume and 74% in value. (See page XX).

While Vietnam's imports of tropical timber have been rising there has been a slowing of demand for the Chinese market where it is reported there has been an accumulation of stocks. (See page XX)

National timber tracking system - a risk for the Cameroon timber industry

Launched at the beginning of 2022 Cameroon's second generation 'Computerised Forest Information Management System' (Sigif2) financed by the German government and the European Union (EU) has failed to deliver and it is now considered as putting Cameroon's international trade in wood products at risk.

Producers in Cameroon are struggling to comply with the system requirements and are facing huge additional costs. Because of this there have been suggestions that the country's export performance could suffer.

The development of Sigif2 has been the subject major disagreements between the Ministry of Forestry in Cameroon, the European Union, German authorities and KfW. Efforts to overhaul the system were largely unsuccessful to the point that the system could not meet the requirements of the European Union Timber Regulation (EUTR).

In a statement issued on 7 March the Minister of Forests and Wildlife, Jules Doret Ndongo, revealed that Sigif2 has serious problems updating the data due to access issues and instability of the internet network upon which the system depends.

Interim measures were introduced to try and ensure the flow of exports but without EUTR recognition producers rightly ask what the benefits of Sigif2 are for them or Cameroon?

For more on this issue see
https://www.prosygma-cm.com/index.php/en/news/forest-traceability-cameroon-encounters-difficulties-in-launching-the-sigif-2-application
and
https://kamerinfosplus.com/2022/05/14/filiere-bois-en-danger-jules-doret-ndongo-enterre-le-programme-sigif2/
and
https://pfbc-cbfp.org/news-partner/SIGIF-2-Eng.html

Log export prices

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

Sawnwood export prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	460⬆
Bilinga FAS GMS	580⬆
Okoumé FAS GMS	480
Merchantable KD	420
Std/Btr GMS	370
Sipo FAS GMS	425
FAS fixed sizes	-
FAS scantlings	520
Padouk FAS GMS	1,200⬆
FAS scantlings	1,400⬆
Strips	400⬆
Sapele FAS Spanish sizes	460⬆
FAS scantlings	489⬆
Iroko FAS GMS	600
Scantlings	640⬆
Strips	370
Khaya FAS GMS	450
FAS fixed	500
Moabi FAS GMS	530
Scantlings	550
Movingui FAS GMS	380

Ghana

First quarter exports - volume up, earnings down

The volume of Ghana's timber exports in the first quarter of 2022 was 74,853 cu.m, which represented close to a 10% volume increase when compared to the same quarter in 2021 (68,617cu.m) according to available data from the Timber Industry Development Division (TIDD) of the Forestry Commission (FC).

However, export earnings for the first quarter plummeted by 18% from Eur36.46 million in Q1 2021 to Eur30.04 million in Q1 2022.

First quarter export volumes cu.m

	Jan-Mar 2021	Jan-Mar 2022	% change
AD saw nw ood	33,394	33,040	1
KD saw nw ood	9,725	9,726	0
Billets	13,693	9,219	-33
Plyw ood	4,632	13,680	195
Mouldings	2,514	2,320	-8
Sliced Veneer	2,343	1,992	-15
Rotary Veneer	1,706	2,320	36
Boules (AD)	140	753	437
Others (3)	470	1,803	283
Total	68,617	74,853	9

Data source: TIDD

First quarter export earnings Eur 000s

	Jan-Mar 2021	Jan-Mar 2022	% change
AD saw nw ood	17,066	12,607	-26
KD saw nw ood	6,248	5,614	-10
Billets	5,701	2,800	-51
Plyw ood	1,793	2,686	49
Mouldings	1,844	1,753	-5
Sliced Veneer	2,620	2,398	-9
Rotary Veneer	889	1,008	13
Boules (AD)	78	545	598
Others (3)	219	628	187
Total	36,458	30,039	-18

Data source: TIDD

The volume of air-dried sawnwood exports were largely unchanged at 33,040 cu.m in the first quarter 2022 compared to 33,394 cu.m in 2021. However, air-dried sawnwood was the leading export product during the quarter under review contributing 44% to the total volume of wood product exports.

There were significant increases in the volume of plywood exports (to the regional market) and air-dried boules which registered a growth of 195% and 437% year-on-year respectively. Plywood export volumes increased from 4,632 cu.m in Q1 2021 to 13,680 cu.m in Q2 2022 accounting 18% of the total export volume for the period and these were mainly to the West Africa sub-region.

For the period under review five out of the 11 products exported namely air and kiln-dried sawnwood, billets, moulding and sliced veneer accounted for 56,297 cu.m and recorded shortfalls in their 2022 revenue against those of 2021.

According to the TIDD data the average unit price for most products was lower in Q1 2022 compared to Q1 2021. Ceiba recorded the steepest decline of -46%, with sapele the lowest at -8%. The average unit price for wawa and niangon, however, recorded +9% and +17% respectively.

Logging contracted in the first quarter of 2022

The Ghana Statistical Service (GSS) has reported a GDP growth rate of 3.3% for the first quarter of 2022 which represented a slowdown when compared to the same period in 2021. This rate is considered the lowest recorded post COVID-19. For the same period of 2021 the growth rate was 3.6%.

According to Government Statistician, Professor Samuel Kobina Anim, the Agriculture sector led growth expanding by 5.6%, followed by the Services and Industry sectors with 3.7% and 1.3% GDP respectively.

The statement, however, indicated that activity in the forestry and logging sectors for the period contracted. The sub-sector contracted (-1.7%) in 2019 after having recorded 3.4% in 2017 and 2.4% in 2018. The GSS classifies the Forestry and logging sub-sector under the Agriculture Sector.

In a related development, the Director of the Institute of Statistical, Social and Economic Research (ISSER) at the University of Ghana, Professor Peter Quartey, has said that government and relevant stakeholders must do more to support the agriculture and the manufacturing sectors to help reduce the country's rising inflation rate.

See: https://www.myjoyonline.com/economy-grows-by-3-3-in-quarter-1-2022-gss/
and
https://statsghana.gov.gh/gssmain/storage/img/marqueeupdater/Annual_2013_2019_GDP.pdf

Empowering local industries to raise self sufficiency

The government has plans to empower domestic industries so they can face the emerging market conditions and supply chain crises resulting from the current global tensions.

According to the Vice President, Dr. Mahamudu Bawimua, the ongoing global economic crisis will bring about a new phenomenon where countries will have to become more dependent on domestic industries. He reiterated the government's industrialisation vision through the localised district industries to produce raw materials for local manufacturing and for export.

Ghana is the Secretariat of the African Continental Free Trade Agreement (AfCFTA) where the Association of Ghana Industries (AGI) is offering various training and workshops on economic policy guidelines to position its members on AfCFTA and to compete globally.

See:https://presidency.gov.gh/index.php/briefing-room/news-style-2/2213-government-committed-to-empowering-local-industries-to-face-emerging-global-architecture-vp-bawumia

Collaboration with exporters is the key

The Ghana Export Promotion Authority (GEPA) has said collaboration with the exporter community is key in attaining the authority's aim of mobilising non-traditional exports to earn US$25.3billion by 2029.

At the GEPA Export Training School the Deputy CEO, Albert Kassim Diwura, said it is important for all accredited exporters to collaborate and complement efforts by the authority in attaining the revenue target through standards and procedures which are key to the global consumer market.

See: https://thebftonline.com/2022/05/30/gepa-seeks-exporters-collaboration-for-us25-3bn-ntes-target/

Boule export prices

	Euro per cu.m
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	737↑
Niangon Kiln dry	690

Export rotary veneer prices

Rotary Veneer, FOB	Euro per cu.m	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	356↓	441
Chenchen	341↓	612
Ogea	473↑	590
Essa	479↓	619
Ofram	350	435

Export sliced veneer

Sliced face veneer	FOB Euro per cu.m
Asanfina	1,371↑
Avodire	1,300
Chenchen	842↓
Mahogany	1,358↓
Makore	1,353↑
Odum	1,333↓
Sapele	1,191↓

Export plywood prices

Plywood, FOB	Euro per cu.m		
BB/CC	Ceiba	Ofram	Asanfina
4mm	376↑	580	641
6mm	412	535	604
9mm	370	504	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	Euro per cu.m	
FAS 25-100mmx150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	465	564
Ceiba	290	310↓
Dahoma	415↑	653↑
Edinam (mixed redwood)	640	733
Emeri	580↑	707↑
African mahogany (Ivorensis)	1,239	817↑
Makore	560	817↑
Niangon	629↓	871↑
Odum	500↑	888↑
Sapele	800	811↓
Wawa 1C & Select	422	445↑

Malaysia

Malaysia /Vietnam cooperation

The Timber Exporters' Association of Malaysia, the Malaysian Furniture Council, the Vietnam Timber and Forest Product Association, the Binh Duong Furniture Association, the Handicraft and Wood Industry Association of Dong Nai and the Handicraft and Wood Industry Association of Ho Chi Minh City have signed a memorandum of cooperation (MoC) to further strengthen economic cooperation between the two countries..

The CEO of the Malaysian Timber Council, Muhtar Suhaili, said Malaysia can benefit from Vietnam's high investment in furniture manufacturing and its access to EU markets through Vietnam's free trade agreements.

This Agreement will support the 'Initiative for ASEAN Integration' launched to narrow the development gap and enhance the Association's competitiveness as a region. The Agreement could also help defend the interests of both countries against external regulations that affect the interests of the timber industries.

See: https://www.thevibes.com/articles/business/63868/malaysia-vietnam-ink-moc-to-promote-timber-trade?utm_source=Newswav&utm_medium=Website

Technology and agarwood

Agarwood, also known as gaharu in Malaysia, is a fragrant dark resinous wood formed in the heart of the tree trunk that is used in the production of incense, perfume and other consumer products. It is produced either from naturally or scientifically-induced infected Aquilaria trees, which are native to South-East Asia.

A company, DAdvance Agarwood Solutions, hopes to position itself as a Malaysian agarwood plantation and product specialist having perfected the inoculation technology.

Currently, DAdvance has the capacity to produce 50,000 litres of vaccine, which is only sufficient to inoculate about 6,780 trees per month. Each cycle of new vaccine production needs about four months to mature before it is ready to be applied on the trees.

See: https://www.thestar.com.my/business/business-news/2022/06/25/bringing-tech-to-agarwood

ITTO recently organised a Validation Workshop on Agarwood in Kuala Lumpur.

See: https://www.itto.int/news/2022/06/28/itto_cites_hold_workshop_to_discuss_agarwood_report/

Rubberwood supports multi-billion-ringgit export industry

The Malaysian wood furniture industry's success owes much to rubber plantations. The rubber tree when felled for replanting represents a raw material upon which a multi-billion-ringgit export industry has been created.

With the emergence of rubberwood as an alternative source of timber for the furniture industry Malaysia is now among the leading producers and exporters of wooden furniture to more than 160 countries worldwide.

Engineered wood industry for Sarawak

The Sarawak Timber Industry Development Corporation (STIDC) will be promoting the use of engineered wood in the state's housing and building construction sector following a collaboration with Woodsfield Glulam Manufacturing and Australia's Tilling Timber.

STIDC signed a Memorandum of Understanding with the two companies which will see a feasibility study to be conducted for a joint venture investment to develop an engineered wood plant in Sarawak utilising timber from planted forests.

See: http://www.theborneopost.com/2022/06/23/stidc-to-promote-engineered-wood-in-states-housing-building-sector/

Indonesia

IFCC accreditation becomes a voluntary forestry certification system

The National Accreditation Committee (KAN) officially operates the Indonesian Forestry Certification Cooperation (IFCC) accreditation as a voluntary forestry certification scheme. IFCC is the first voluntary forestry certification scheme operated by KAN. IFCC is the national governing body of the international forestry scheme, the Programme for the Endorsement of Forest Certification (PEFC).

The Secretary General of KAN, Donny Purnomo, said KAN operates several international schemes for the private sector adding that with an agreement with the Ministry of Environment and Forestry KAN opened the IFCC for sustainable forest management.

See: https://www.beritasatu.com/news/940217/akreditasi-ifcc-resmi-jadi-sertifikasi-kehutanan-voluntary/2

Indonesian Wood Panel Association backs FOLU Net Sink 2030

The Indonesian Wood Panel Association (Apkindo) has backed the implementation of Indonesia's commitment to FOLU Net Sink 2030.

The Chairman of Apkindo, Bambang Soepijanto, said downstream producer members of Apkindo will take steps so that sustainable forest management will play its role in climate change mitigation.

Bambang said Apkindo will encourage its members to increase the yield of wood so that the utilisation of this raw materials is more efficient.

Apkindo is an organisation that accommodates industries that produce veneers and plywood including laminated veneer lumber (LVL), particleboard and other wood panel products.

Currently, Apkindo has 45 active industry members that contribute to the national export foreign exchange for timber products of an average of 11.7 billion US dollars per year.

See: https://forestinsights.id/2022/06/10/dukung-indonesia-folu-net-sink-2030-apkindo-bikin-langkah-strategis/

Digitalisation in support of sustainable forestry development

Digitalisation can play a role in helping the forestry and environmental sectors achieve the targets of Sustainable Development Goals (SDGs) according to Siti Nurbaya Bakar the Minister of Environment and Forestry. She emphasised this during a virtual discussion on the implementation of digitisation for achieving the SDG targets organised by Think 20 (T20).

T20 is one of the engagement groups within the 2022 Indonesian G20 Presidency which aims to address global problems through the application of ideas from scientists and researchers across the world.

One example of digitisation carried out by the ministry is the implementation of the National Forest Monitoring System (SIMONTANA). The system provides information regarding spatial-based forest resources data, hotspot monitoring, forest and land fire surveillance as well as water pollution monitoring.

See: https://en.antaranews.com/news/234373/digitalization-vital-for-sustainable-forestry-development-bakar

Support for peat land restoration and mangrove rehabilitation

Indonesia is taking actions to restore peatland and rehabilitate mangroves and this has attracted support from the UK government which will consider support for Indonesia through the Peat and Mangrove Restoration Agency (BRGM).

Representatives of the UK government visited a location of peatland restoration and mangrove rehabilitation in East Mempawah, West Kalimantan.

In the future the UK government's support will be directed towards peatland restoration and mangrove rehabilitation activities at the BRGM in accordance with the Indonesia FOLU Net Sink 2030 Operational Plan that has been prepared.

In related news the Indonesian G20 Presidency is encouraging the creation of a platform for the restoration and rehabilitation of mangroves and peatlands according to Sigit Reliantoro, co-chair of the Environment Deputies Meeting and Climate Sustainability Working Group (EDM-CSWG).

See: https://agroindonesia.co.id/indonesia-lakukan-restorasi-gambut-dan-rehabilitasi-mangrove-inggris-siap-mendukung/
and
https://en.antaranews.com/news/234025/g20-ri-pushes-creation-of-learning-platform-for-mangrove-restoration

Applications for commercialising environmental services

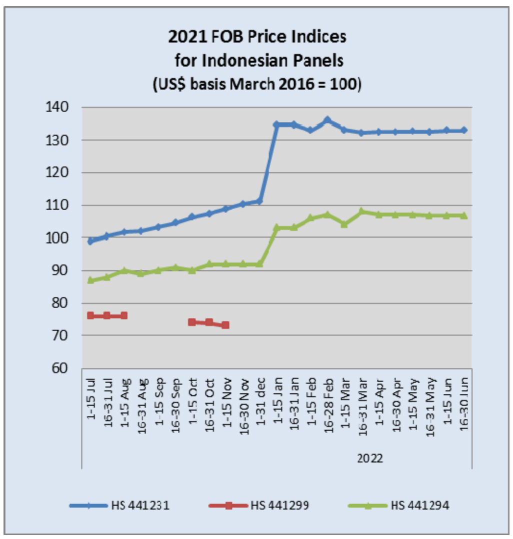
The Ministry of Environment and Forestry (KLHK) has received many applications for commercialising carbon sequestration and storage.

The Director of Forest Utilisation at the Ministry of Environment and Forestry said there is an opportunity in the Job Creation Law where forestry businesses no longer only be focused on timber and non-wood products but can accommodate environmental services.

The Director revealed that harnessing environmental services could be carried out in production and protected forest areas. Even in forest areas that are included in the Indicative Map for Postponed New Permits (PIPPIB).

The government has issued Presidential Regulation No. 98 of 2021 concerning the Economic Value of Carbon to support the development of a business system for carbon utilisation. The regulations for implementing this provision are being prepared.

See: https://forestinsights.id/2022/06/16/klhk-kebanjiran-permohonan-izin-pemanfaatan-jasa-lingkungan-regulasi-perdagangan-karbon-segera-terbit/



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

Myanmar

MTE to accept local currency as payment for logs

The long-awaited solution, which took almost three months to be announced, finally arrived. The Myanma Timber Enterprise (MTE) will accept the local currency (Kyat) as payment for logs.

After the Central Bank of Myanmar ordered all export earnings to be converted within days into the domestic currency the result was that millers could not purchase logs as the MTE maintained its requirement that payments must be in foreign currency.

Over the past three months all export earnings were converted to Kyat but could not be used to pay for logs from the MTE. MTE regulations stated the products from the logs for which payment was made in foreign currency could be exported while logs purchased in local currency, generally lower grade logs, could only to be sold on the domestic market.

It is understood that the Central Bank has set a fixed exchange rate of MMK1850/US$ while the market rate is around MMK2100/US$.

Substitution of Myanmar Teak

A US-based company, Teakdecking Systems in a press release said they have identified a source of high quality teak outside Myanmar. The press release says teak trees are grown all around the world and can be found in Central America, South America, Africa, and South East Asia.

For decades the marine industry has claimed that the highest quality of teak is only available from supplies harvested in Myanmar and the industry became dependent on this source believing no other source would do. Now however, the company has found a source of high quality teak from plantations that are FSC certified.

Action of Anti-illegal Trade Committee

According to the information released by the Myanmar Anti-Illegal Trade Committee on 5 June over 14 million kyats' worth of illegal timber of various kinds along with household goods were seized in the Yangon and Bago Regions.

The Region Forest Department under the management of Bago Region Anti-Illegal Trade Special Squad was on inspection task on 3 June and seized about 3,750,120 kyats' worth of 7.544 tons of illegal teak in the Toungoo District and again on 4 June seized almost 5 million kyats' worth of illegal timber weighing 13.9 tons.

See: https://elevenmyanmar.com/news/illegal-timber-of-various-kinds-household-goods-worth-over-ks14-million-seized-in-yangon-bago

World Bank unable to forecast growth

The World Bank has declined to issue growth forecasts for Myanmar beyond fiscal 2021 saying the economy has contracted so sharply since the military coup on Feb. 1, 2021 that the outlook remains fragile owing to sharply higher input prices, recurring electricity outages, escalating conflict and the recent introduction of trade and foreign exchange restrictions.

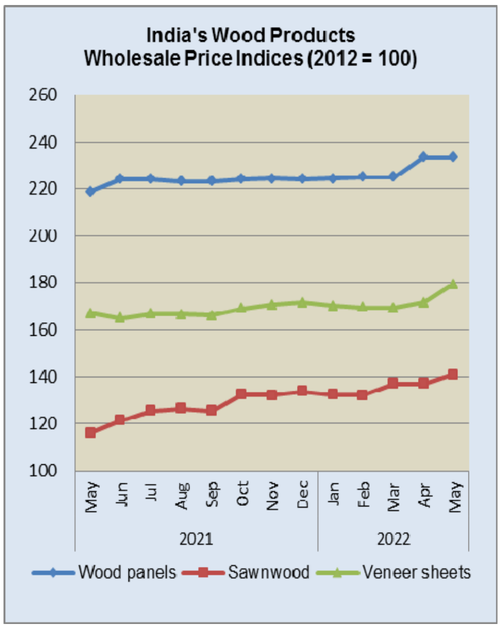
India

Wholesale price indices for May 2022
The Office of the Economic Adviser, Department for Promotion of Industry and Internal Trade has published wholesale price indices for May 2022. The index for manufactured products increased to 144.8 in May 2022 from 144.0 in April.

The annual rate of inflation rose 15.9% in May 2022 compared to May 2021. The inflation rate in May 2022 was high due to increased prices of petroleum and natural gas, food, basic metals, non-food articles, chemical products compared to the corresponding month of 2021.

Out of the 22 NIC two-digit groups for manufactured products, 19 groups have witnessed increased prices while 3 groups saw a decline. The indices for both sawnwood and veneer sheets increased sharply.

See: https://eaindustry.nic.in/pdf_files/cmonthly.pdf



Data source: Ministry of Commerce and Industry, India

Bullish demand for particleboard
Plyreporter says particleboard manufacturers have seen strong demand from furniture makers since the beginning of the year. Problems with deliveries of imported board, along with limits on the supply of domestic raw materials, are said to be behind this change in demand. There are more than 60 particleboard producers in India and they report full ordrebooks.

The orders are especially firm from big commercial companies which are back to full operation and the extra demand from e-commerce and tech start-ups is also helping drive demand.

See: https://www.plyreporter.com/article/92982/office-readymade-furniture-helping-particle-boards-demand

Prices for recent shipments of teak logs and sawnwood
Freight rates continue to be high. Shipments from Ghana, Brazil and South Sudan have been quite active.

	US$/cu.m C&F
Benin	-
Sawnwood	325-712
Brazil	313-600
Sawnwood	489-777
Cameroon	-
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	367-676
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

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

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

Price range depends mainly on lengths and cross-sections.

Plywood

Please note plywood prices are now shown free of local taxes.

Domestic ex-warehouse prices for locally manufactured WBP plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	76.00
6mm	88.00
9mm	104.00
12mm	129.00
15mm	164.00
18mm	180.00

Domestic ex-warehouse prices for locally manufactured MR plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	52.00
6mm	65.00
9mm	77.00
12mm	92.00
15mm	122.00
19mm	131.00
5mm Flexible ply	85.00

Non-brand furniture 50% of Indian market

According to a report prepared by Grand View Research, an Indian and U.S. based market research and consulting company quoted by the Business Standard, about 95% of the non-brand furniture in India is manufactured by small companies and non-brand furniture accounts for more than 50% of the India market.

As the Indian economy recovers demand for furniture is expanding fast and demand for wooden furniture, seen as environmentally-friendly, is popular among buyers of readymade furniture. Non-brand furniture makers utilise timber raw materials from Nepal, Malaysia and some African countries along with domestic timbers.

Along with other manufacturing sectors, labour shortages especially of skilled workers, is a constant problem as skilled workers are attracted by higher earnings to be made working outside of India in the Middle East and Malaysia for example.

See:https://www.tbsnews.net/economy/industry/non-brand-furniture-industry-growing-eying-huge-exports-432710
And
https://www.grandviewresearch.com/

Vietnam

Wood and product trade highlights

According to the General Department of Customs wood and wood product (W&WP) exports to Canada in May 2022 reached US$21.5 million, up 4% compared to May 2021. Overall, in the first five months of 2022 exports of W&WP to the Canadian market reached US$111.2 million, up 6.3% over the same period in 2021.

W&WP exports to the UK in May 2022 reached US$8.4 million, down 35% compared to May 2021. In the first five months of 2022 W&WP exports to the UK market reached US$119.2 million, down 1% compared to the same period of 2021.

Vietnam's wood imports in May 2022 reached 34,5000 cu.m, worth US$12.6 million, up 29% in volume and 28% in value compared to April 2022. Compared to May 2021 imports increased by 52% in volume and 51% in value.

In the first 5 months of 2022 wood imports reached 121,400 cu.m, worth US$45.9 million, up 3% in volume and 1.4% in value over the same period in 2021.

Imports of log and sawn wood from Africa in April 2022 reached 80,610 m3 at a value of US$30.34 million, up 3% in volume and 7% in value compared to March 2022 and up 0.8% in volume and 8.0% in value compared to April 2021.

In the first four months of 2022 imports of wood from Africa reached 346,460 cu.m at a value of US$27.17 million, up 3% in volume and 7% in value over the same period in 2021.

Imports of African logs and sawnwood rising

Due to a decline in supply of wood from the US and the EU and the souring prices for these two suppliers Vietnamese importers have increased imports from Africa despite the associated risks of illegality.

Although some African countries have certain areas of certified forests and some levels of forest governance, the supply of timber from Africa is complex and risky for the Vietnamese wood industry.

In the first 4 months of 2022 Africa was the largest supplier of timber for Vietnam. With the newly issued Strategy for Forestry Development 2021-2022 and the vision to 2050 and more recently the National Project on Development of the wood Processing Industry 2021-2030 the Government has acted to eliminate illegally sourced timber from the supply chain.

Importers have to intensify due diligence, submit more evidence of timber legality and practice countermeasures if risks are discovered.

Suppliers

In April 2022 imports of timber from Cameroon increased sharply rising eight fold compared to March 2022 reaching 40,420 cu.m at a value of US$17.55 million, up 83% in volume and 701% in value over March 2022 and up 35% in volume and 341% in value compared to April 2021.

Over the first 4 months of 2022 imports of timber from Cameroon amounted to 176,310 cu.m at a value of US$4.52 million, up 21% in volume and 26% in value over the same period of 2021.

Imports of logs from Cameroon in April increased sharply reaching 27,390 cu.m, with a value of US$11.34 million, up 137% in volume and 114% in value compared to March 2022 and up 56% in volume and 53% in value compared to April 2021.

In the first four months of 2022 imports of log and sawnwood from Cameroon increased compared to the same period in 2021. The imports of sawnwood, in particular reached 70,000 cu.m at a value of US$31.92 million, 72% up in volume and 74% in value.

Nigeria ranked second among African suppliers of logs and sawnwood to Vietnam in April 2022, reaching 13,370 cu.m at a value of US$3.84 million, down 19 in volume and 22% in value compared to March 2022 but up by 15% in volume and 20% in value compared to April 2021.

In the first four months of 2022 imports of log and sawnwood from Nigeria totalled 48,070 cu.m at a value of US$13.68 million, up 571% in volume and 65% in value over the same period in 2021.

In contrast to these two major suppliers imports from South Africa, Algeria, Gabon and The Republic of Congo in the first 4 months of 2022 dropped compared to the same period in 2021.

Log and sawn wood imports from Africa Jan-Apr 2022

(Volume: cu.m; Value: US$ thousands)

	Volume	Value
Total	**346,461**	**127,172**
Cameroon	176,311	74,524
Nigieria	48,070	13,678
South Africa	26,753	6,664
DR. Congo	21,178	9,525
Angola	18,164	4,710
Gabon	14,721	4,729
R. Congo	13,039	4,969
Ghana	8,442	2,790
Kenya	6,208	1,844
Namibia	4,665	1,233
Equatorial Guinea	3,027	694
Mozambique	2,290	572
Ivory Coast	1,701	600
Sierra Leone	648	174
Tanzania	513	244
Uganda	281	76
Liberia	180	50

Data source: Customs, Vietnam

Prices

The average price of logs imported from Africa to Vietnam in April 2022 stood at US$360/cu.m, up 0.4% compared to March 2022; up 0.3% compared to April 2021. In the first 4 months of 2022 the average price of logs from Africa to Vietnam stood at Ú$358/cu.m, down 1.1% compared to the same period in 2021.

The average price of sawnwood imported from Africa to Vietnam in April 2022 stood at US$403/cu.m, up 11% compared to March 2022; up 18% compared to April 2021. In the first 4 months of 2022 the average price of sawnwood from Africa stood at US$378/cu.m, an increase of 11% over the same period in 2021.

Tali, padauk and doussie topped the list of imported sawnwood from Africa to Vietnam in the first 4 months of 2022. Import of tali and doussie increased significantly while the import of padauk fell.

Vietnam to grant FLEGT licence to wood exports in 2025

Vietnam plans to grant licences under the Voluntary Partnership Agreement on Forest Law Enforcement, Governance and Trade Program (VPA/FLEGT) to W&WP exports in 2025.

This FLEGT schedule was announced at a 17 June workshop held jointly by the the Vietnam Forestry Administration (VNFOREST), the Vietnam Timber and Forest Products Association (VIFOREST) and the Association of Handicraft and Wood Industry of HCM City (HAWA).

At the event the co-chairs pointed out that, despite an annual double-digit growth rate, the country's wood industry is still facing numerous challenges.

Apart from the pandemic escalating political tensions have created more challenges to supply chains, soaring logistics costs and material prices have resulted in higher input costs. Inflation in key export markets has led to a drop in demand. Accusations of material origin fraud also threaten industry development.

To cope with these challenges the government urged domestic businesses to adhere to international market regulations, enhance their capacity and improve competitiveness so as to maintain their foothold in wooden furniture exports.

Echoing this view a HAWA spokesperson said compliance with regulations on sustainable forestry development is vital to the wood industry, not only for Vietnam but also global markets.

At the workshop the HAWA platform for proving and tracing wood origin was launched.

With support from the FAO-EU FLEGT Programme since May 2018 HAWA has worked to remove obstacles in wood origin validation. This is a necessary step to prepare Vietnamese timber and wood products to access international markets, especially the EU.

By applying HAWA system everyone can search for information to help verify the material origin.

See: https://vietnamnews.vn/economy/1252720/viet-nam-to-grant-flegt-licence-to-wood-exports-in-2025.html

Struggling with global uncertainties

With full order books Vietnamese manufacturers are facing huge challenges in terms of raw material supply, production costs and logistics.

HAWA has identified that the industry is still facing many challenges due to Covid-19 disruptions and geopolitical uncertainties.

The price of raw materials is high even though 70% of the material for Vietnam's wood furniture industry is domestically sourced. Logistics prices show no signs of cooling down and are even rising due to the Russian invasion of Ukraine.

At present, Vietnam's wood enterprises that want to keep their markets must overcome the situation together by stabilising product prices.

See: https://theinvestor.vn/wood-processing-firms-struggle-amid-global-uncertainties-d584.html

Brazil

Innovations in the Amazon forest resource management

At an event themed "Federal Forest Management Systems - Procedures and Controls" the Brazilian Institute of Environment and Natural Resources (IBAMA) presented progress of its main regulatory, technical and control tool related to the sustainable production chain for forest products from natural forests.

The agenda covered topics such as: the techniques for reduced impact logging through Sustainable Forest Management Plans (SFMP); traceability controls for forest products through the Federal systems of SINAFLOR+ (National System to Control the Origin of Forest Products) and DOF (Document of Forest Origin)+Traceability) with emphasis on the functioning of the Wood Management Analytical Panels (part of the Forest+Wood Platform / Plataforma Floresta+Madeira).

The event made an important contribution to the debate around legal timber production with regard to security and guarantees of the origin of products from forest management areas. In addition there was a presentation on the chain of custody and the timber control mechanisms.

According to IBAMA the dialogue with representatives from the main importing countries allowed an interaction and provided an opportunity for a better understanding of the permit procedures for forestry activities based on controls and audits of IBAMA.

According to the Mato Grosso Center for Timber Production and Exporting Industries (CIPEM) the debate enabled the clarification of several points related to the sustainability of the forest activity and the importance of the conservation of the Amazon.

See: https://cipem.org.br/noticias/inovacoes-a-gestao-dos-recursos-florestais-e-apresentada-a-diplomatas

Forest conservation in the Amazon

Rural producers in the Carajás region in the state of Pará in the Amazon region have been searching the Amazon rainforest for seeds of native tree species.

Over the last three years around 17 tonnes of seeds have been collected and in the process this has provided more than R$2.8 million in income for rural families. This initiative is a partnership between Vale and the Cooperative of Extractivists of Carajás' Flona (Coex).

The work of the cooperative members also increases the knowledge about the diversity of the Amazon with training for the identification and mapping of mother trees. In the germplasm rescue process (seed collection) the flowering, fruiting and seed dispersal cycle is also followed, which contributes to guarantee the variety and seeds´ quality, as they are vital to the forest restoration chain.

According to the specialist in Forest Restoration from the Federal University of Viçosa, the production of seedlings for forest restoration and the chain of seed production will generate timber and non-timber goods such as nuts, palmhearts, fruits, which will enable the commercialization generating income for small producers.

According to Coex these collected seeds are for promoting biodiversity conservation and for keeping the forest standing, for the recovery of degraded areas and permanent preservation areas and guaranteeing the conservation of the Amazon. The activity generated work and income for families undertaking the collection.

See: https://agenciabrasil.ebc.com.br/geral/noticia/2022-06/dia-mundial-do-meio-ambiente-reforca-conservacao-das-florestas

Export update

In May 2022 exports of wood-based products (except pulp and paper) increased 21% in value compared to May 2021, from US$416.2 million to US$503.2 million.

Pine sawnwood exports grew significantly by 27% in value between May 2021 (US$66.5 million) and May 2022 (US$4.6 million). In volume however, exports were flat at 298,100 cu.m compared to to 295,200 cu.m in May 2021.

Tropical sawnwood exports increased around 7% in volume, from 41,200 cu.m in May 2021 to 43,900 cu.m in May 2022. In value, exports grew 13% from US$6.6 million to US$18.8 million, over the same period.

Pine plywood exports saw a 20% decline in value in May 2022 compared to May 2021, from US$127.7 million to US$101.6 million. In volume, exports also decreased 3% over the same period, from 247,100 cu.m to 239,200 cu.m.

As for tropical plywood, exports decreased in volume (-9%) but increased in value
(6%), from 6,500 cu.m (US$3.2 million) in May 2021 to 5,900 cu.m (US$3.4 million) in May 2022.

Disappointingly, wooden furniture export earning dropped from US$69.7 million in May 2021 to US$58.9 million in May 2022, an almost 16% fall.

Brazil/US unprecedented growth in trade

According to the Brazilian-American Chamber of Commerce (AMCHAM Brasil) in the first quarter of 2022 bilateral trade between Brazil and the United States totaled US$19 billion with unprecedented growth in trade between the two countries.

In terms of states, trade between the state of Paraná (southern region of Brazil) and the US recorded a growth of almost 40% in the first three months of 2022 compared to the same period of the previous year.

See: https://forestnews.com.br/exportacoes-de-produtos-de-madeira-brasileiros-crescem-22-em-abril/

The state's exports to the US had the highest value in the historical series for a first quarter (equivalent to US$ 411.3 million), representing a 50% growth in total exports, driven by sales of processed wood products (+47 %) and pulp (+96%), among others.

Furniture sector targets international markets

The production of the furniture sector, both nationally and in the state of Rio Grande do Sul (one of the furniture clusters in Brazil) experienced a significant growth in exports increasing 50% in 2021.

International sales jumped from US$487.6 million in 2020 to US 757.3 million in 2021 with Rio Grande do Sul state representing one third of the total value in the period. A positive result was job creation which reached 2,590 (an increase of 140% in 12 months) that raised the number employed in the sector to around 37,000, the highest occupation recorded in the last five years by the furniture sector.

The Orchestra Brazil project, in partnership with the Brazilian Trade and Investment Promotion Agency (Apex-Brasil), took 17 companies to the Interzum Fair, a major fair for the furniture industries held in Colombia. Colombia purchased US$150 million in Brazilian furniture in 2021.

See:https://gauchazh.clicrbs.com.br/colunistas/marta-sfredo/noticia/2022/05/apos-explosao-de-demanda-na-pandemia-setor-moveleiro-do-rs-quer-continuar-em-alta-cl2xf68cs000w0167hfv01kyk.html
and
https://forestnews.com.br/projeto-orchestra-brasil-leva-industria-moveleira-a-feira-na-colombia/

Domestic log prices

Brazilian logs, mill yard, domestic	US$ per cu.m
Ipê	304⬇
Jatoba	137⬇
Massaranduba	124⬇
Miiracatiara	123⬇
Angelim Vermelho	118⬇
Mixed redwood and white woods	93⬇

Source: STCP Data Bank

Domestic sawnwood prices

Brazil sawnwood, domestic (Green ex-mill)	US$ per cu.m
Ipé	1,333⬇
Jatoba	651⬇
Massaranduba	638⬇
Muiracatiara	569⬇
Angelim Vermelho	565⬇
Mixed red and white	377⬇
Eucalyptus (AD)	252⬇
Pine (AD)	187⬇
Pine (KD)	230⬇

Source: STCP Data Bank

Domestic plywood prices (excl. taxes)

Parica	US$ per cu.m
4mm WBP	571⬇
10mm WBP	482⬇
15mm WBP	421⬇
4mm MR.	519⬇
10mm MR.	385⬇
15mm MR.	354⬇

Prices do not include taxes. Source: STCP Data Bank

Prices for other panel products

Domestic ex-mill prices	US$ per cu.m
15mm MDParticleboard	289⬇
15mm MDF	366⬇

Source: STCP Data

Export sawnwood prices

Sawnwood, Belem/Paranagua Ports, FOB	US$ per cu.m
Ipe	2,295
Jatoba	1,203
Massaranduba	1,210
Muiracatiara	1,221
Pine (KD)	279

Source: STCP Data Bank

Export plywood prices

Pine plywood EU market, FOB	US$ per cu.m
9mm C/CC (WBP)	386
12mm C/CC (WBP)	354
15mm C/CC (WBP)	346
18mm C/CC (WBP)	341

Source: STCP Data Bank

Export prices for added value products

FOB Belem/Paranagua ports		US$ per cu.m
Decking Boards	Ipê	4,737
	Jatoba	2,119

Source: STCP Data Bank

Peru

Imports of wooden furniture rise

In the first four months of 2022 the value of Peruvian imports of wooden furniture was US$23.6 million, an increase of 12% compared to the same period in 2021. Brazil was, as usual, the main supplier shipping US$15.7 million which represented two thirds of the total imported. The second largest supplier was China with US$4.9 million followed by Colombia which had the highest growth rate in the period.

Imports of the two main home improvement chains in the country represented 63% of the total imported wooden furniture in the first four months of 2022 compared to 57.3% in the same period of 2021.

Commercial forest plantation development

The National Forest and Wildlife Service (Serfor) and the World Bank will work together to develop initiatives that promote reforestation and the establishment of forest plantations.

The Executive Director of Serfor indicated that Serfor has a new management model that has three very important pillars: the Forest Investment Plan by 2050, the Quality and Integrity Management System and the Investment Project of the National Forest and Fauna Information System, Wild (SNIFFS).

Strategic development of the forestry and wildlife sectors

The Instituto de Investigaciones de la Amazonía Peruana (IIAP) and Serfor will join forces to promote the strategic development of the forestry sector.

In June this year Serfor and IIAP signed an inter-institutional cooperation agreement with the aim of promoting and implementing activities that support the strategic development of the forestry and wildlife sector in Peru.

The framework agreement ensures that Serfor, through the Directorate of Studies and Research (DEI) of the General Directorate of Forestry and Wildlife Policy and Competitiveness and IIAP, through the Directorate of Research on Comprehensive Forest Management and Ecosystem Services, undertake collaborative actions aimed at providing technical advice on issues related to the execution of the National Forest and Wildlife Inventory and the applied use of its results.

Recovery of wooden furniture exports

The Management of Services and Extractive Industries of the Association of Exporters (ADEX) has reported that exports of wooden furniture and parts in the first quarter of the year totalled US$965,112, a year on year growth of 13% however, it still does not match the value of 2018 (January-March) exports which were just over US$1,332,000

According to ADEX Data Trade commercial intelligence figures the US imported US$0.8 million, representing 76% of the total. Others were Chile (US$0.2 million), Italy (US$96,000) and the United Arab Emirates (US$16,000). Shipments were made to ten destinations.

The main item shipped was 'other' wooden furniture (US$0.5 million), with a 47% share this included sideboards, consoles, tables, coffee tables, shelves and desks.

Manufacturers in Lima were the main exporters at US$0.8 million or 77% of total shipments. Others were Áncash (US$100,000) and La Libertad (US$67,000).

In the first quarter of the year, wooden furniture and parts ranked fourth among shipments of wood surpassed by semi-manufactured products (US$22.1 million), sawnwood (US$12.6 million) and fuelwood and charcoal (US$1.1 million).

SERFOR management model to boost forest production

In June the National Forest and Wildlife Service (SERFOR) presented the new institutional management model to those responsible for the Technical Forestry and Wildlife administrations (ATFFS) and Functional Liaison Units (UFE), at the workshop training and integration for the development of strategies and strengthening of institutional management.

The workshop was held in Lima and made possible the identification of technical and administrative strategies. The 'Invest Forest 2050' plan will promote the production and competitiveness of the forest, forestry and wildlife research, information and forest zoning and forest governance.

Export sawnwood prices

Peru sawnwood, FOB Callao Port	US$ per cu.m
Pumaquiro 25-50mm AD	
Mexican market	682-695
Virola 1-2" thick, length 6"-12" KD	
Grade 1, Mexican market	589-615
Grade 2, Mexican market	507-538
Cumaru 4" thick, 6"-11" length KD	
Central American market	1044-1077
Asian market	1129-1147
Ishpingo (oak) 2" thick, 6"-8" length	
Spanish market	599-629
Dominican Republic	709-726
Marupa 1", 6-11 length KD	
Grade 1 Asian market	588-608

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

Economy contracts but less than expected

The Japanese economy contracted in the first quarter of 2022 but at a slower pace than estimated according to the government. The economy contracted at an annual rate of 0.5% according to Cabinet Office data. Consumer spending and other private demand was stronger than anticipated but rising costs are expected to limit further growth.

Japan imports all of its oil, much of its food and various products and has been hit by rising prices for energy and other commodities.

Bank of Japan Govovenor, Haruhiko Kuroda, has championed a policy aimed at boosting near-zero inflation to around 2% but progress was slow until global prices for oil and other commodities surged in recent months.

See: https://www.asahi.com/ajw/articles/14640207

Private sector concerned weak yen is hurting the economy

Most major firms have voiced concern over the weak yen saying this is hurting the country's economy. This was expressed in a survey by the Asahi Shimbun and was a response to the recent rapid depreciation of the yen which has driven up import costs for raw materials and oil.

The yen was trading between 110 and 120 against the dollar until mid-March. But the interest rate hike by the US Federal Reserve Board sparked a sharp depreciation of the yen. The yen fell to around 130 against the greenback in April and hit 135 on 25 June.

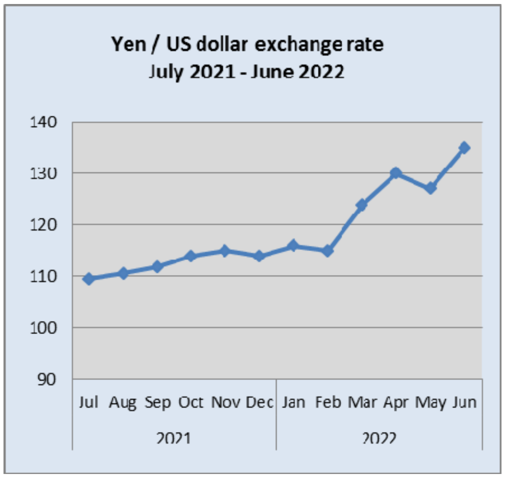
Several executives interviewed questioned the Bank of Japan's (BoJ) continuation of its monetary easing policy as the economic environment continues to slide.

See: https://www.asahi.com/ajw/articles/14649208

In related news the BoJ Governor has warned that the yen's rapid depreciation is negative for the Japanese economy, adding that volatile currency movements are undesirable and should be stable reflecting economic and financial fundamentals.

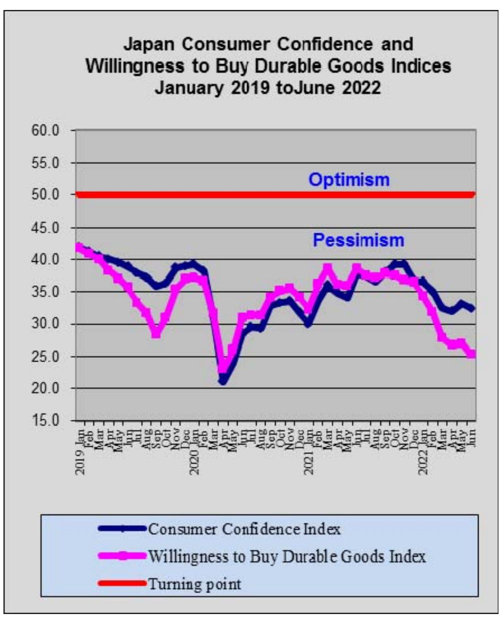
Kuroda said “the recent rapid weakening of the yen is raising uncertainty over the outlook and making it hard for companies to draw up business plans so it is negative and undesirable for the economy".

See:
https://mainichi.jp/english/articles/20220617/p2g/00m/0bu/044000c



Rising cost of energy and daily necessities dents sentiment

The latest survey of consumer sentiment conducted for the Cabinet Office shows sentiment declined in June driven down mainly by the rising cost of energy and daily necessities. Officials say the decline in corona virus cases is helping to normalise economic activities and the services sector is beginning to recover. More than 90% of the survey respondents said they think prices will be higher in a year's time.

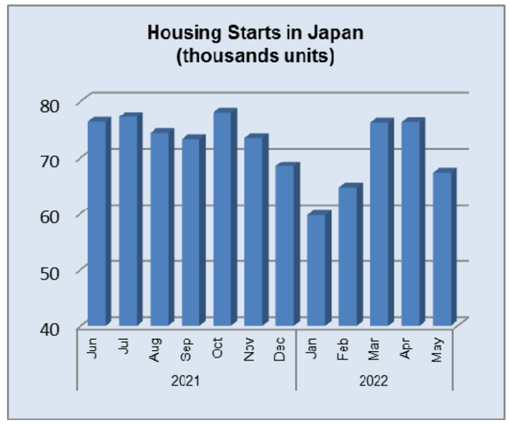


Data source: Cabinet Office, Japan

Performance of building materials trading companies

There are four major trading companies for building materials in Japan and they have recently released their annual accounts which show increased income and profits with some reporting record high profits. The rise in income and profits has come mainly from higher prices for structural sawnwood (prices tripled) and high plywood sales prices.

It will be recalled from the previous report that “profitability has become a major issue for house builders because of the high and steadily rising costs of wood products and other building materials. Builders anticipate a tough year for profits in 2022”.



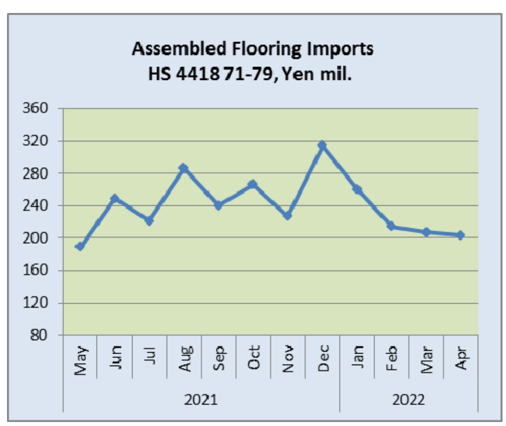
Data source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Import update

Assembled wooden flooring imports

The downward trend in the value of assembled wooden flooring imports (HS441871-79) reported in March has extended into April marking the forth consecutive monthly decline. Even with the current downtrend the average monthly value of assembled flooring imports in between January and April 2022 are about the average for the past three years.

Year on year, assembled wooden flooring imports in April 2022 were up slightly but the value of April imports was down from March.



Data source: Ministry of Finance, Japan

The main category of assembled flooring imported by Japan continues to be HS441875 and this accounted for 69% of April 2022 imports with the main suppliers being China and Vietnam. The value of imports of HS 441873 and HS 4441879 together accounted for just under 30% of the value of assembled flooring imports in April.

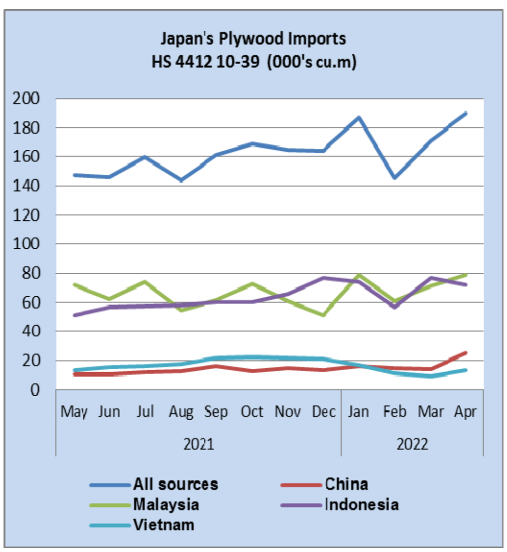
Plywood imports

The volume of plywood imports in April this year were up 12% from a month earlier, the second month on month rise.

Malaysia and Indonesia were the main plywood shippers to Japan and in April this year shipments from Indonesia fell slightly compared to the volume of March shipments, on the other hand shipments to Japan from Malaysia increased around 10%.

Tha major news in April was the doubling of plywood imports from China. At 25,000 cu.m April shipments were at a level not seen since 2014/15. The Japan Lumber Reports has explained that imports of softwood plywood from China have been climbing sharply in recent months (see page XX).

Of the various categories of plywood imported in April 2022 (as in other months) HS441231 was the most common accounting for almost 90% of total plywood import volumes.



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
2022	Jan	15.9	78.6	73.9	16.8
	Feb	14.7	61.0	56.8	11.4
	Mar	13.7	71.0	76.9	8.8
	Apr	25.0	79.3	72.0	13.1

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/

Chinese made softwood plywood

Imports of softwood plywood from China has been climbing sharply in recent months. April import is 11,800 cbms, 14 times more than April last year and doubled March volume. This is because supply of domestic softwood structural plywood has been chronically short so high level import seems to continue for some time.

Import of Chinese softwood plywood in 2019 was 10,900 cbms so the import in April exceeded one year import of 2019. Since last summer, wholesalers started purchasing Chinese products since the supply of domestic plywood has priority to direct sales to precutting plants.

Chinese plywood mills see that tight supply of softwood plywood Japan seems to continue so many try to acquire JAS certificate and present high price of over 2,000 yen per sheet is good enough to make profit. Also China can buys Russian larch veneer, which is main material for the Japanese plywood manufacturers then Russia stopped exporting for Japan, so Chinese manufacturers have plenty of raw materials.

However, there are criticism to use plywood with Russian material among house builders in Japan. The prices of Chinese plywood have gone up to 2,300 yen per sheet so the dealers are becoming cautious in buying for future.

Housing starts in Japan may decline after summer and once the demand weakens, import plywood is the first one to be dumped and this would create confusion of plywood market. Also there is some quality problem of Chinese plywood such as uneven thickness.

Monthly import volume last year was less than 2,000 cbms then since January, it increased sharply. January was 1,902 cbms, February was 3,975 cbms, March was 5,844 cbms then April was 11,853 cbms. April volume was 3,267 cbms of 6 to 12 mm thick panel then 8,519 cbms of 12 mm or thicker panel

South Sea sawnwood and logs

Demand and supply of South Sea logs are still low. The rainy season in Sarawak, Malaysia and Papua New Guinea has ended but there are not enough logs yet. Usually, there are many logs in this season. The reasons are a shortage of workers due to COVID-19 and a confusion of distribution system.The logs for Japan will be a tight supply but there are enough logs in Japan because there is limited demand. Some Japanese companies buy logs from Taiwan P.o.C recently.

There are demand and supply at South Sea lumber and Chinese lumber. Some products need to have the higher prices due to a weak yen.

The prices of laminated lumber for any size from Indonesia decreased in last month but in this month, it is US$950 C&F per cbm. Some companies in Indonesia had reduced the prices too much so they are regretting about it. Then they are going to raise the prices again.

The prices of Chinese red pine lumber are US$1,020 – 1,050 C&F per cbm. Chinese companies will not change the prices due to active demand.

JAS certified lumber volume increased

The Japan Lumber Inspection and Research Association disclosed that the volume of lumber certified JAS in 2021. Total volume certified in 2021 is 1,088,251 cbms, 7.9% or 79,397 cbms more than 2020. This is slightly higher than the result of 2018 when the volume was the highest of 1,086,452 cbms.

The volume of domestic lumber increased for four consecutive years with 387,625 cbms, 3.6% more than 2020. Meantime, certified imported lumber was 700,626 cbms, 10.4% more than 2020, first increase in two years. Share of imported lumber is 64.4% and domestic is 35.6%. Number of JAS certified lumber is 301 out of total of 496.

Closing account of four major building materials trading companies

There are four major trading companies of building materials, Itochu Kenzai Corporation, Sojitz Building Materials Corporation, Toyo Materia Corporation and SMB Kenzai Co., Ltd. Their statement of accounts in March 2022 are increased income and profits. Many companies record high profit ever. This is because of the wood shock caused by the COVID-19 in last year.

There had been a lot of housing demand in Europe and North America and a lot of confusion at distribution business. The prices of structural lumber increased double to triple. Then, the prices of plywood jumped.

The total sales of these four companies are 901 billion yen, 20.7% more than last year. The recurring profit is 15.7 billion yen and the net income is 11 billion yen. This is 2.7 times increased from last year.

- Itochu Kenzai records the highest sales, recurring profit and net income ever. The company ranks in 1st place.
- SMB Kenzai records the highest gross margin, recurring profit and net income ever.
- Sojitz Kenzai has a good result on recurring profit and net income.
- Toyo Materia records the highest profit ever.

China

Log and sawnwood stocks accumulating at ports

After the 2022 February Spring Festival both log and sawnwood stocks have been accumulating at ports but, due to slow demand, the inventory of the major wood market dealers has been running high. The ports are overstocked with logs and the stock of logs at Taicang Port have reached a record high of 1.7 million cubic metres, resulting in a sharp drop in both logs and sawnwood imports compared with last year.

According to China Customs, log imports were 18.04 million cubic metres valued at US$3.641 billion, down 30% in volume and 14% in value from January to May 2022. China's sawnwood imports fell 7% to 10.78 million cubic metres.

In May alone, China's log imports amounted to 4.23 million cubic metres valued at US$888 million, down 20% in volume and 14% in value. China's sawnwood imports declined 11% to 2.26 million cubic metres. Because of heavy rain in the south and high temperature in the north the logs are degrading especially radiata pine logs.

Mid-year is a traditional off-season for the wood products industry as many regions of China have a rain season. This year the rain season arrived earlier than in previous years.

See:
https://baijiahao.baidu.com/s?id=1736233675122212211&wfr=spider&for=pc
and
https://baijiahao.baidu.com/s?id=1736230825518354743&wfr=spider&for=pc

Depressed timber demand

It has been reported that prices for gasoline and diesel have been raised which means higher transportation costs for the timber industry and reduced profits for traders. Market demand continues to be sluggish and has been down since the beginning of the year.

The very changeable weather and the surging production costs are disturbing wood product manufacturers.

See:
https://baijiahao.baidu.com/s?id=1735842532992641788&wfr=spider&for=pc

Rise in transport cost for African timbers

A distinct trend in rising landed prices for timbers from Africa has been especially noticeable for shipments from Cameroon and Gabon and this has been put down to the increase in oil price. It is expected that the cost of imported African timber will continue to rise.

Manufacturers expect most of the increased costs to be borne by the timber dealers as there is little opportunity to raise prices for finished goods in the current depressed market.

See:
https://www.100njz.com/22/0621/13/9226937BC47DC384.html

Campaign to promote green building materials in rural areas

A campaign to promote green building material use in rural areas was launched recently by many governmental departments, associations and enterprises. The campaign will take advantage of the public information platform and JD online platform for green building materials (See: http://greenbm.cbmf.org/) this identifies the first list of products and enterprises for green building materials along with identifying the national technical support institutions and partners.

This campaign aims to create a green consumption environment nationwide, advocate the concept of green consumption, speed up the promotion of green building materials in rural areas and enhance the support for green consumption for sustainable economic development.

See:
https://baijiahao.baidu.com/s?id=1735036373257028095&wfr=spider&for=pc

China has been accelerating research and development, production and standard certification as the foundation to promote consumption of green building materials and has steadily improved the supply of green building materials.

At present eight green building material industrial zones have been designated as national industrial demonstration bases. China's supply capacity of green building materials has been greatly improved. The national output value of green building materials exceeded RMB65 billion in 2021.

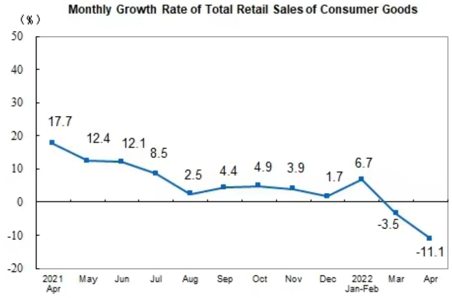
The Ministry of Industry and Information Technology and other relevant departments will actively guide the expansion of consumption of green building materials, encourage the first choice of green building materials in the renovation of rural housing, green buildings, prefabricated buildings, ultra-low energy consumption buildings and other engineering construction projects, accelerate the promotion of green building materials product certification, improve the green building materials standard system, enrich the variety of green building materials products, strengthen the supervision of product certification and production application. At present, there are 58 categories of green building materials products.

See:
https://baijiahao.baidu.com/s?id=1735108718814554549&wfr=spider&for=pc

Retail sales steady

The National Bureau of Statistics has released details of retail sales of consumer goods in the first four months of 2022. Between January and April total retail sales of consumer goods dropped very slightly year-on-year (-0.2%).

However, between January and April sales of furniture dropped 14% and sale of building and interior decoration materials fell 12%.



Source: National Bureau of Statistics, China

New standard on MDF

A new national standard on Middium Density Fibreboard (MDF) has been introduced as off 1 June 2022. The standard on MDF (GB/T 11718) was released for the first time in 1999 and revised in 2009 and in 2021 (GB/T 11718-2021) and has been implemented as of 1 June 2022.

The test method of formaldehyde emissions has been modified and the requirement of MDF for building materials is added in the new national standard on MDF.

In the new standard the test method for "physical and mechanical properties" basically refers to the relevant provisions in "Test Method for Physical and Chemical Properties of Wood-based Panels and Decorative panels" (GB/T 17657-2013) with little change in other aspects.

In addition, explanation is provided on the size of the sample that affects the test operation. In the judgment of results, the calculation of 5% quantile value and 95% quantile value is also introduced, so that each testing institution can give the conformance judgment more conveniently. In general, the new standard is more scientific.

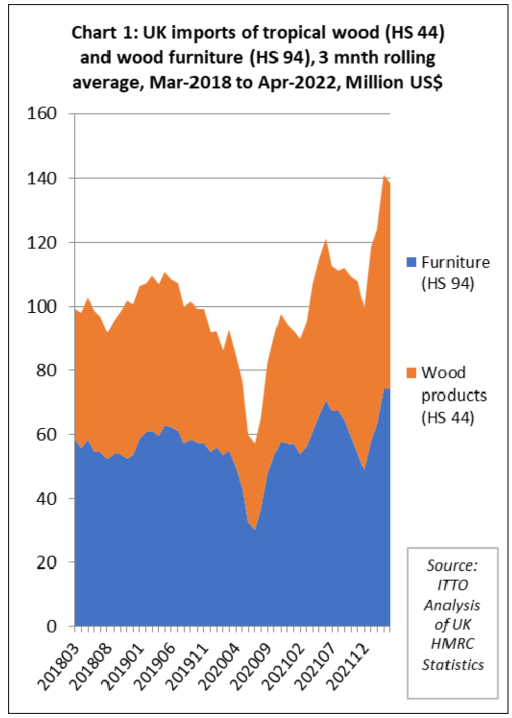
See:
https://www.wood365.cn/Industry/IndustryInfo_274213.html

Europe

Price inflation drives rise in value of UK tropical wood product imports

The import value of tropical wood and wood furniture into the UK in the opening four months of this year were at an unprecedented level of US$565 million (Chart 1). That is 36% more than the same period in 2021 when imports were also high following a strong rebound after the downturn during the first COVID lockdown in 2020.

In fact, this was by far the strongest start to the year in terms of UK import value of tropical wood and wood furniture products since at least before the 2008 financial crises. It compares to an average import value of less than US$380 million for the January to April period throughout the whole decade prior to the onset of the pandemic in 2019.



The rise in UK import quantity of tropical wood and wood furniture was much less dramatic in the first four months of this year, at 118,000 tonnes, just 10% more than the same period in 2021. This shows that price inflation was the major factor behind the rise in import value.

Significant weakening of the value of the GBP on foreign exchange markets since the end of April, combined with the wider geo-political situation, implies that price inflation will remain a key issue for UK importers in the months of ahead. It also indicates that the current boom in UK imports may well be short-lived.

Availability of hardwood and furniture products from the UK's traditionally largest suppliers in Europe has become even more challenging since Russia's invasion of Ukraine encouraging importers to look more to tropical products. COVID lockdowns have also seriously disrupted availability of manufactured wood products from China.

Hardwood product prices were declining steadily from the middle of last year to February this year. Even in February prices remained at historically high levels and the downward trend has reversed since Russia’s invasion of Ukraine. UK government figures indicate that average timber prices at point of sale to UK building firms were 30% up in the year to April 2022, compared with a year earlier.

Freight rates also declined from the heights reached in the third quarter of last year but are still at a historically very high level. For example, the cost of a 40ft container from China into the UK was US$11,000 at the start of this month, less than its peak of US$14,700 in October, but a huge rise from US$1,500 in summer 2020.

The war in Ukraine has seriously disrupted all supplies of European and Russian hardwood products, partly because of the direct effects of sanctions against Russia, partly the immediate effects of the war on Ukrainian supply, and partly because of the large numbers of Ukrainians, who contribute a disproportionately large number of truck drivers operating in Europe, who returned home during the conflict. The war has also driven up energy costs, filtering through into rising prices for all European manufactured products, including for wood and furniture.

While higher import prices were the major driver of increased UK import value in the opening months of this year, the trend was partly due to continuing high consumption in the UK, supported by post-COVID government stimulus. Demand during this period was particularly strong in housing repair, maintenance, and improvement, a major source of hardwood demand and the fastest growing part of the UK construction sector following the initial COVID lockdown.

According to the UK Construction Products Association latest survey, nearly half of materials firms in the UK said sales had jumped in the first three months of 2022 compared to the fourth quarter of last year. Increased sales were reported by around 50% of so-called “light side” manufacturers of products like windows, doors and kitchens.

However, prospects for the UK economy for the rest of this year are far from promising. Economists have said it is increasingly likely that the UK will sink into recession this year. In June, the Paris-based OECD cut its UK growth forecast for 2023 to zero, the lowest in the G20. Also in June, the Bank of England raised interest rates to 1.25 per cent to tackle fast rising inflation, which is expected to reach 11% by October.

The latest S&P Global / CIPS UK Construction Purchasing Managers Index (PMI) report for May indicates that the wider economic slowdown is beginning to filter through into declining UK construction sector activity. The report notes that "Though still offering a comfortable margin above the no change mark, the construction sector saw growth ease to a four-month low with the usual suspects taking the heat out of the recovery – elevated inflation, future uncertainty and supply-chain disruption”.

The PMI report goes on to say that “The UK housing sector in particular showed further signs of fragility with the worst performance since May 2020 and moving closer to the danger zone of negative territory. Affordability concerns will be weighing on the mind of potential house buyers grappling with escalating costs for everyday items, resulting in a postponement of big purchases until the UK economy shows more resilience”.

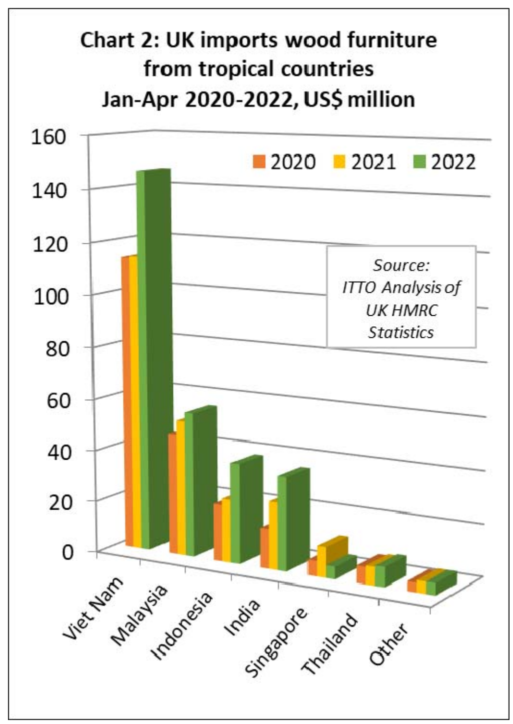
Furthermore, "The lack of positive sentiment was also reflected in construction companies’ confidence over the next 12 months, with optimism dropping to the weakest since August 2020”.

The PMI report also suggests that recent strong material purchases in the UK construction sector are partly driven by a desire to beat anticipated price increases in the months ahead as inflation rates are exceedingly high.

Indonesia leads rise in tropical wood furniture imports into the UK

The UK imported US$284 million of tropical wood furniture products in the first four months of 2022, which is 23% more than the same period in 2021. In quantity terms, wood furniture imports were 64,000 tonnes during the four month period, the same level as the previous year. This indicates that the rise in value was driven more by price inflation than strong demand.

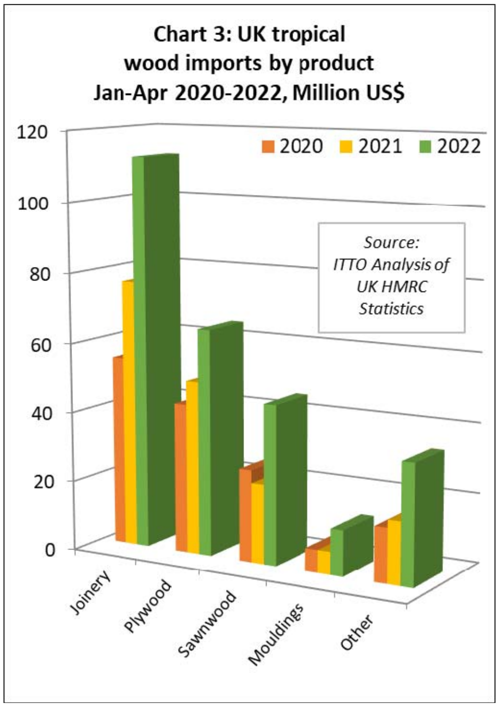
Import values increased from all four of the leading tropical supply countries to this market in the opening four months of this year compared to last including Vietnam (+28% to US$147 million), Malaysia (+7% to US$56 million), Indonesia (+59% to US$39 million) and India (+39% to US$36 million). Imports from Singapore, which increased sharply last year due to shipping problems elsewhere in Southeast Asia, fell back 59% to more a "normal" level of just US$5 million in the four month period (Chart 2).



UK tropical wood imports up 72% in the first two months of 2022

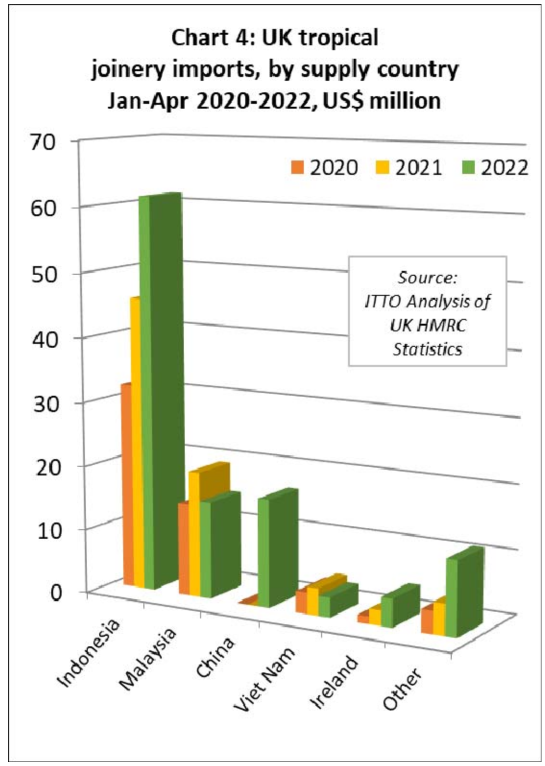
Total UK import value of all tropical wood products in Chapter 44 of the Harmonised System (HS) of product codes were US$271 million between January and April this year, 55% more than the same period in 2022. In quantity terms imports increased 16% to 118,000 tonnes during the period.

Compared to the first four months last year, UK import value of tropical joinery products increased 46% to US$112 million, import value of tropical plywood was up 30% to US$65 million, import value of tropical sawnwood increased 100% to US$46 million, and import value of tropical mouldings/decking also increased 100% to US$13 million (Chart 3).



After the sharp dip in UK imports of tropical joinery products during the first lockdown period in the second quarter of 2020, imports of this commodity group have progressively built momentum.

This trend is mainly driven by Indonesia for which UK joinery imports, mainly consisting of doors, were US$61 million in the first four months this year, 34% more than the same period in 2021 (Chart 4). In quantity terms, UK joinery imports from Indonesia were 19,000 tonnes in the first four months of this year, 6% more than the same period in 2021.

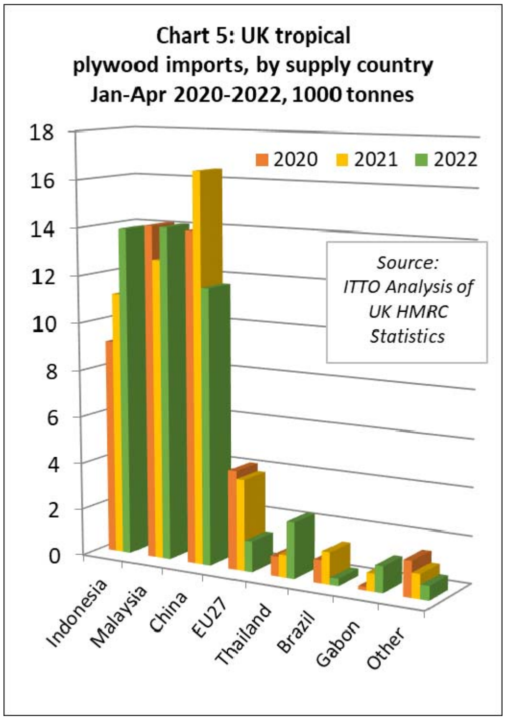


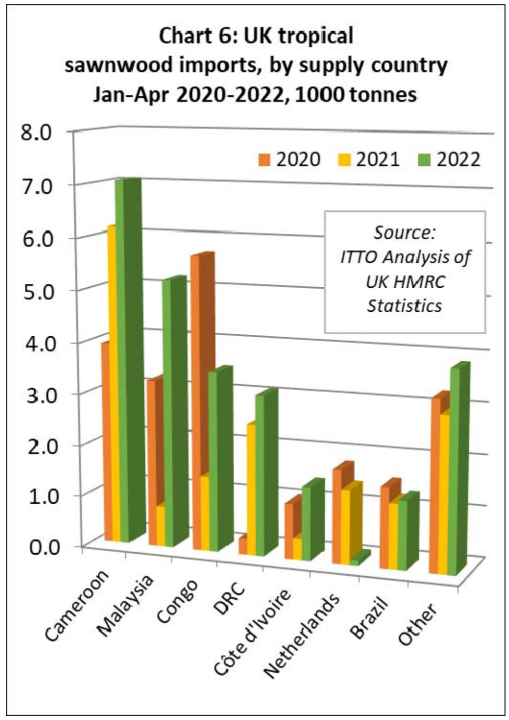
UK imports of joinery products from Malaysia and Vietnam (mainly laminated products for kitchen and window applications) started this year more slowly. Import value from Malaysia was US$15 million in the January to April period, 23% less than the same period last year. In quantity terms, imports from Malaysia were 4,800 tonnes, 35% less than the same period in 2021. Joinery imports from Vietnam of 834 tonnes valued at US$3 million were respectively 39% and 26% less than the same period last year.

UK imports of Chinese tropical joinery products, nearly all comprising doors, were 6,200 tonnes with value of US$17 million in the first four months of 2022, up from negligible levels in previous years. Due to introduction from 1st January 2022 of new product codes in the EU Combined Nomenclature (still mirrored by the UK post-Brexit) it is now possible to identify wood doors and windows manufactured using a wider range of tropical wood species in UK and EU trade statistics.

The apparent rise in imports of "tropical" wood joinery from China is very likely due to these products now being identifiable as of tropical species, whereas previously they were classified as "other non-coniferous" in the trade statistics and excluded from the figures for tropical wood imports.

In the first four months of 2022, the UK imported 45,400 tonnes of tropical hardwood plywood, 6% less than the same period last year. Tropical hardwood plywood imports from Indonesia have made gains this year, while imports from China have continued to slide (Chart 5).





The UK imported 13,900 tonnes of tropical plywood from Indonesia in the first four months of this year, a gain of 25% compared to the same period last year. Imports from Indonesia, which increased sharply in the first two months of the year, slowed in March and April.

In contrast, UK plywood imports from Malaysia were very slow in the opening two months this year but strengthened in March and April. By the end of the first four months, the UK had imported 14,100 tonnes of plywood from Malaysia, 11% more than the previous year.

The UK imported 11,700 tonnes of tropical hardwood plywood from China in the first four months this year, 29% less than the same period in 2021, trade having been affected by COVID lockdowns in China. At the same time, Brexit is impacting on UK imports of tropical hardwood plywood from EU countries which were just 1,300 tonnes in the opening four months of this year. This compares to around 4,000 tonnes during the same period in the last two years.

Shift in countries supplying tropical sawnwood to the UK

UK imports of tropical sawnwood started this year strongly. Imports were 25,600 tonnes in the first four months of 2022, 50% more than the same period last year. In addition to making major gains overall, there were big changes in the countries supplying tropical sawnwood to the UK in the opening months of this year (Chart 6).

This is indicative of the major shifts in hardwood markets since the start of the pandemic which have led to significant supply shortages and sharply increasing prices in many supply regions and continuing high levels of demand in markets like the UK.

UK imports of tropical sawnwood from Cameroon were 7,100 tonnes in the first four months of this year, 14% more than the relatively high level in the same period last year. UK imports from Malaysia, which had fallen to little more than a trickle in recent years, were 5,200 tonnes in the first four months this year, nearly a 6-fold increase compared to the same period last year.

UK imports of tropical sawnwood from the Republic of Congo (RoC) were 3,500 tonnes in the first four months of this year, nearly three times the level of last year but still well down on the pre-pandemic level. Meanwhile there has been a significant rise in UK imports of sawnwood from DRC, which were 3,100 tonnes in the first four months this year, a gain of 23% compared to the same period last year.

UK imports from DRC were negligible before the pandemic. UK imports of tropical sawnwood from Côte d'Ivoire were 1,400 tonnes in the first four months this year, a 240% increase compared to negligible imports in the same period last year.

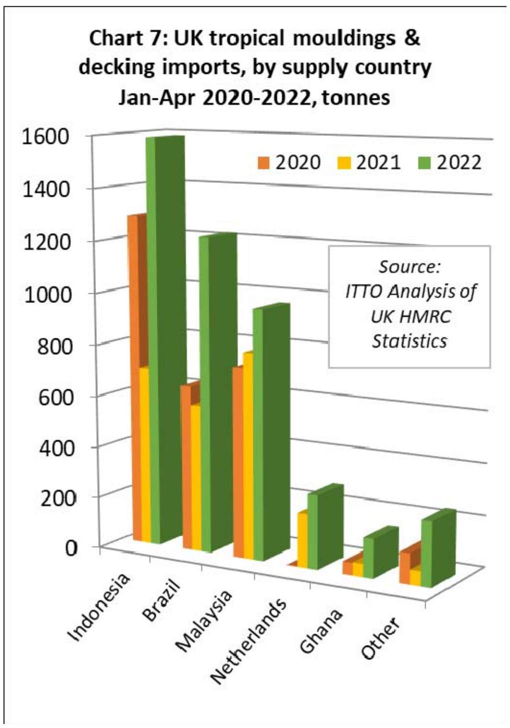
Imports of tropical hardwood sawnwood from Brazil were 1,300 tonnes in the first four months of this year, 6% more than the same period last year but still down on the pre-pandemic level.

Indirect UK imports of tropical sawnwood from EU countries have fallen dramatically since the UK's departure from the EU single market on 1st January 2021. Total UK imports from EU countries were 1,600 tonnes in the first four months of this year, 48% less than the same period last year.

UK imports of tropical hardwood mouldings/decking were relatively high in the opening four months of 2022, at 4,500 tonnes, 87% more than the same period the previous year. This is another commodity group for which there has been particularly strong demand in the UK, combined with sharply tightening supply since the start of the pandemic.

The war in Ukraine and sanctions on Russia are expected to lead to even tighter supplies of non-tropical decking products that directly compete with tropical decking in the short to medium term.

UK imports of decking/mouldings increased sharply from Indonesia and Brazil in the first four months of this year. Imports of 1,600 tonnes from Indonesia were 128% more than the same period last year. Imports of 1,200 tonnes from Brazil were 113% up on the same period in 2021. Imports from Malaysia increased 21% to 1,000 tonnes during the four month period. (Chart 7).



Leading media outlets highlight mounting concern over European wood supply

The extent of concern surrounding disruption to wood supplies in Europe due to the war in Ukraine is highlighted by this issue now being the focus of reports by mainstream media outlets in the region.

On 19 June, the London-based Financial Times (FT) published an article under the headline "Ukraine war hits global timber trade and adds to risks for forest" (https://www.ft.com/content/d6388b32-757b-4484-95ff-720b4b2319f3).

The articles notes that "The war in Ukraine has caused serious disruption to the global timber trade and increased concerns over forest destruction as exports are interrupted, environmental protections are lifted and Kyiv redirects manpower away from fighting wildfires to the front line".

The FT reports that international sanctions imposed over Moscow's invasion of Ukraine have curbed supplies from Russia, the world's largest exporter of softwood timber, and Belarus, while the conflict has severely hampered production in Ukraine.

It is noted that "the three countries accounted for a quarter of the worldwide timber trade last year, according to industry figures. They exported 8.5mn cubic metres of softwood to Europe last year, just under 10 per cent of the region's demand. Russia, the world's largest exporter of softwood, alone produces about 40mn cubic metres a year".

"Timber producing and exporting nations are taking steps to make up the shortfall, including loosening some environmental protections to increase production", according to the FT. In Ukraine itself, the FT notes that "Soon after February's invasion, Kyiv lifted a regulation that prohibits logging in protected forests during spring and early summer, as part of a bill to increase the country's defence capabilities during martial law, partly by boosting export earnings".

The FT quotes Ukraine's environmental protection ministry as stating earlier this year that "the sanctions offered the country the chance to increase its share of the European timber market in Russia's place and boost financing of post-war reconstruction efforts".

The FT goes on to suggest that "Other exporters including Estonia, Finland and the US are also seeking to increase logging volumes. In the US, the House Committee on Natural Resources in April introduced the No Timber From Tyrants bill, which would ban imports of wood products from Russia and Belarus and authorise an equivalent amount of domestic harvesting in 2021 to make up for lost imports".

According to the FT, "Earlier this month Estonia announced a relaxation of logging restrictions on state-owned land, which is home to about half of the country's forests. As a result, the area of land logged will increase by almost a quarter to 2,400 hectares" and "Finland is expected to boost harvesting volumes by 3 per cent for each of the next two years".

Another recent mainstream media article – this one in Dezeen published 17 June, one of the world's most influential architecture, interiors and design magazines (https://www.dezeen.com/2022/06/17/timber-shortage-ukraine-war-news/) states that "architects and designers are struggling to source wood for their projects as Russia's invasion of Ukraine has brought imports from the region to a standstill, threatening stocks and driving up prices across the continent".

According to Dezeen, studios in Europe are “reporting that costs for solid oak and birch plywood have doubled in the last few months, while others have seen the price of structural timber go up by around 20 per cent”. The article quotes Sean Sutcliffe, co-founder of British furniture maker Benchmark: "Everyone is really worried about their supply chains. We have projects where it would now cost me more to buy the wood that I'm charging for the whole thing." Birch plywood is "just not available anymore", Sutcliffe said.

In another quote, Signe Bindslev Henriksen of Danish design studio Space Copenhagen is reported as saying that solid oak “is almost like gold at the moment. Everybody is using up all their stock. Suppliers and manufacturers can deliver right now but in just a few months' time, it'll be all gone."

Dezeen notes that while most European wood imports from Russia, Belarus and Ukraine go to the Baltic states, Germany and Finland, “architects and designers say the knock-on effects are being felt across Europe.”

Sean Sutcliffe is reported as saying that "we didn't actually buy any Ukrainian or Russian wood. But of course, all the people that did are now crowded into Western Europe, which is where our supply chain comes from." Due to svere shortages of European oak, Benchmark are reported to be making all new products presented at Clerkenwell Design Week last month from local British ash and American red oak.

North America

Housing starts plunge to a two-year low

Construction starts on new U.S. homes fell 14.4% in May. The annual rate of total housing starts fell to 1.55 million last month from a revised 1.81 million in April. The drop is the biggest decline since April 2021 and housing starts are at the lowest level since April 2020, when the economy briefly fell into a steep recession at the start of the coronavirus pandemic.

Regionally, construction looked mixed. While the Northeast saw a 14.6% rise in the construction of new single-family homes, the South saw a massive decline of 20.7%. Construction of single-family homes rose modestly in the Midwest by 1.9%. In the West, that number dropped by 17.8%.

Permitting for new homes fell 7% to 1.7 million in May from a revised 1.82 in the prior month. The pace of permits for new homes dropped across the country, and was felt most sharply in the Northeast, which saw a 20.2% decline in single-family homes.

The trend in single-family starts is downward, said Richard Moody, chief economist at Regions Financial, as higher mortgage interest rates will likely slow demand. And expect this trend to persist through the year, Oxford Economics’ Nancy Vanden Houten said.

Canadian housing starts rose 8% in May compared with the previous month, beating analyst expectations, on a 13% jump in multi-unit urban starts. The seasonally adjusted annualized rate of housing starts was 287,257 units in May, above analyst predictions of 252,600 and a revised 265,700 units in April, Canadian Mortgage and Housing Corporation data showed.

See: https://www.census.gov/construction/nrc/index.html
and
https://www.msn.com/en-us/money/realestate/us-housing-starts-plunge-in-may-to-a-two-year-low/ar-AAYxuDs?ocid=BingNewsSearch

Existing home sales tumble while prices soar

U.S. existing home sales also tumbled to a two-year low in May as median prices jumped to a record high—topping the US$400,000 mark for the first time—and mortgage rates increased further, pushing out entry-level buyers from the market.

Despite the fourth straight monthly drop in sales and declining affordability, reported by the National Association of Realtors, the housing market remains fairly hot, with properties typically staying on the market for a record low 16 days. With supply still undesirably low, prices could remain elevated, though sellers are reducing the list price in some areas where bidding wars were prevalent.

Existing home sales fell 3.4% to a seasonally adjusted annual rate of 5.41 million units last month, the lowest level since June 2020 when sales were rebounding from the COVID-19 lockdown slump. Sales rose 1.5% in the Northeast, but declined in the Midwest (-5.3%), the West (-5.3%), and the South (-2.8%).

"Existing home sales should continue to slow over the course of the year as mortgage rates move higher," said David Berson, chief economist at Nationwide in Columbus, Ohio. "But in the absence of a deep and sustained economic downturn, home sales should not drop as they did in the housing bust—allowing prices to continue to move higher on average."

See: https://www.nar.realtor/newsroom/existing-home-sales-fell-3-4-in-may-median-sales-price-surpasses-400000-for-the-first-time

Economy added 390,000 jobs in May

Led by gains in leisure and hospitality, non-farm payroll employment increased by 390,000 in May according to the latest report from the U.S. Bureau of Labor Statistics. The unemployment rate remained at 3.6%.

President Joe Biden sought to use the report to ease the mind of Americans on inflation woes. Biden said that 8.7 million jobs have been created under his administration with more people entering the labor market, putting the United States in a stronger position to overcome inflation woes in the coming months.

Leisure and hospitality employment increased by 84,000 in May, sparked by hiring growth in food services and drinking establishments, which gained 46,000 hires. Hiring increases were also seen in transportation and warehousing (47,000) and construction (36,000).

Manufacturers report growth while furniture and wood sectors lag

Economic activity in the U.S. manufacturing sector grew in May, with the overall economy achieving a 24th consecutive month of growth, say the nation's supply executives in the latest Manufacturing ISM Report on Business.

However, the Wood Products sector and the Furniture & Related Products sector were among the laggards for the month. Of the 18 manufacturing industries, 15 reported growth in May while Furniture & Related Products was the only sector to report a decline. The Wood Products sector reported no change from the previous month.

Eleven manufacturing industries reported an increase in new orders in May. The only industry reporting a decline in new orders in May was Wood Products, while Furniture & Related Products executives reported no change.

See: https://finance.yahoo.com/news/manufacturing-pmi-56-1-may-140000919.html

Consumer sentiment darkens amid soaring gas prices

Consumer sentiment declined by 14% from May, continuing a downward trend over the last year and reaching its lowest recorded value, comparable to the trough reached in the middle of the 1980 recession. All components of the sentiment index fell this month, with the steepest decline in the year-ahead outlook in business conditions, down 24% from May.

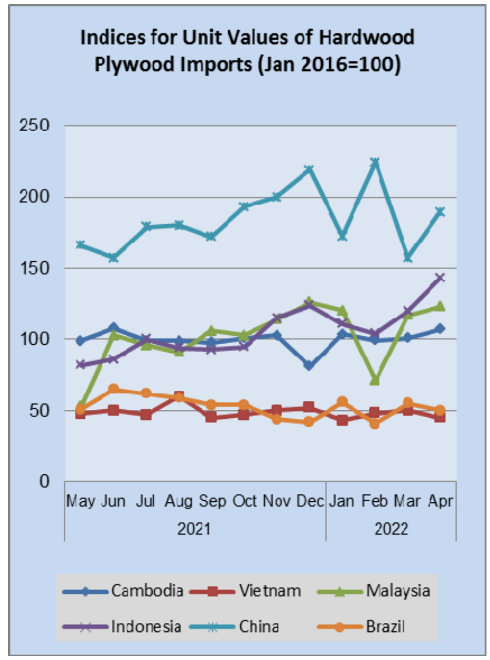
Half of all consumers spontaneously mentioned gasoline during their interviews, compared with 30% in May and only 13% a year ago. Consumers expect gas prices to continue to rise a median of 25 cents over the next year, more than double the May reading and the second highest since 2015. In addition, a majority of consumers spontaneously mentioned supply shortages for the ninth consecutive month.

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

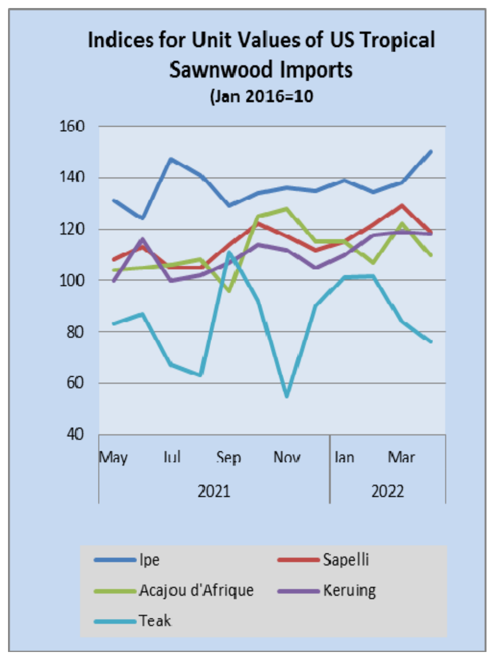
Cabinet sales fall

According to the Kitchen Cabinet Manufacturers Association's (KCMA) monthly Trend of Business Survey, participating cabinet manufacturers reported a decrease in overall sales of 13.8% in May from the previous month. Custom sales fell by 14.5%, while semi-custom sales fell 8.8%, stock sales fell 16.8% and estimated cabinet quantity was down 15.6% versus April 2022. However, compared with a year ago, sales in all categories were up by more than 10% except for estimated cabinet quantity which decreased 3.7% versus May 2021.

See: https://kcma.org/news/april-2022-trend-business-press-release



Data source: US Census Bureau, Foreign Trade Statistics



Data source: US Census Bureau, Foreign Trade Statistics

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

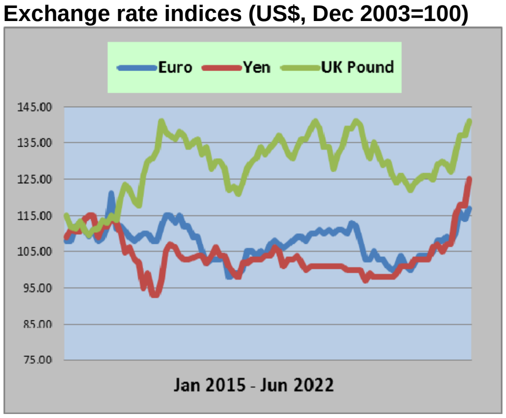
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO

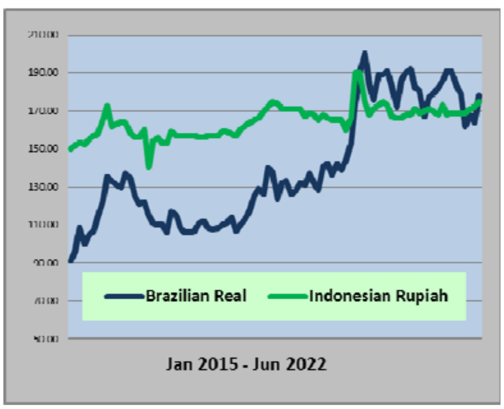
Dollar Exchange Rates

As of 25 June 2022

Brazil	Real	5.2425
CFA countries	CFA Franc	623.29
China	Yuan	6.6898
Euro area	Euro	0.9418
India	Rupee	78.25
Indonesia	Rupiah	14848
Japan	Yen	135.55
Malaysia	Ringgit	4.4020
Peru	Sol	4.38
UK	Pound	0.8148
South Korea	Won	1289.28

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



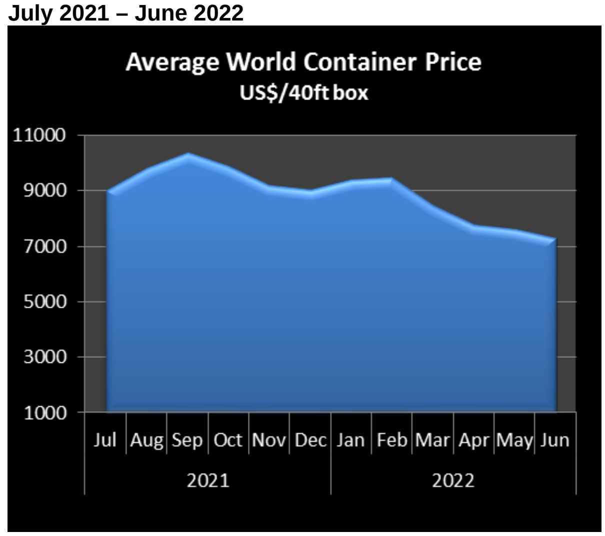


Abbreviations and Equivalences

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

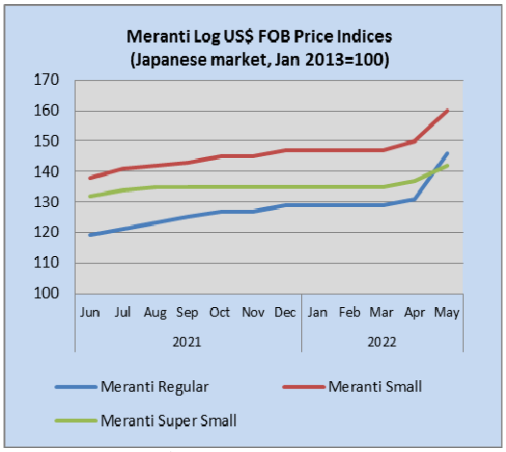
Ocean Container Freight Index

July 2021 – June 2022

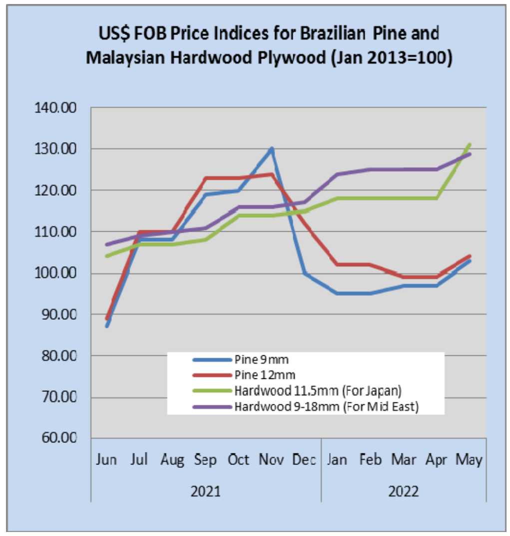


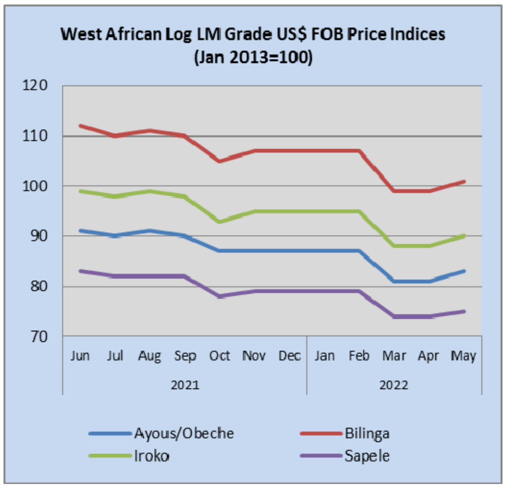
Data source: Drewry World Container Index

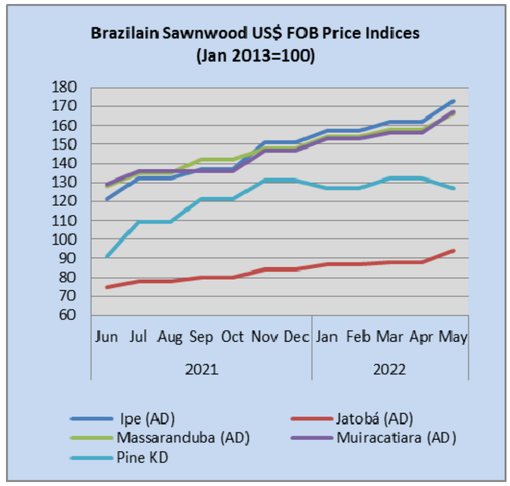
Price indices for selected products
The following indices are based on US dollar FOB prices

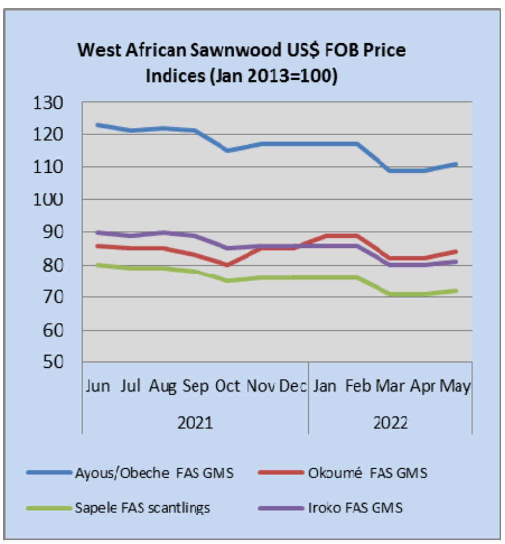


Note: Sarawak logs for the Japanese market









Note: Indices for W. African logs and sawnwood are recalculated from Euro to US dollar terms.

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