

Tropical Timber Market Report

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Contents

Central/West Africa	2
Ghana	3
Malaysia	3
Indonesia	4
Myanmar	5
India	6
Vietnam	7
Brazil	9
Peru	11
Japan	12
China	18
Europe	21
North America	24
Currencies and Abbreviations	27
Ocean Freight Index	27
Price Indices	28

Headlines

	Page
Production rates falling – in Cameroon and Gabon	2
Corona virus silences the timber trade in Ghana	3
Malaysia on lock-down – only essential services operating	3
Forest Department alone cannot prevent cross border smuggling from Myanmar	5
Documento de Origem Floresta (DOF) now sufficient authorisation for exports	10
Tokyo Olympics postponed - athlete village builders stuck with huge apartment stock	13
Rise in China's 2019 sawnwood imports - but not tropical sawnwood	18
Covid-19 puts Europe into lockdown and rewrites economic forecasts	21
Disrupted US woodworking industry	25

Top story

Game changing policies in response to corona virus impact

The Indonesian Ministry of Trade will relax export regulations and eliminate or simplify export documentation.

A Ministry of Trade Regulation, No.15 of 2020, has been issued concerning exports of wood products. Beginning May this will eliminate the mandatory V-Legal Customs Document and Surveyor Report requirement for a range of export wood products.

However, the Ministry of Environment and Forestry will maintain the V-Legal system in order to provide V-Legal documents to support those exporting to the EU.

See page 4

Central and West Africa

Production rates falling

- in Cameroon

Business activity in Cameroon has slowed dramatically as it has in most countries in the region. The process of concession re-negotiation has been stalled as a result of uncertainty due to the pandemic, many concession areas have not been taken up so are reverting back to the government.

Producers say production rates have fallen especially for those species and specifications for the EU market where ports, especially in the southern European countries, have virtually closed to arrivals except for essential goods and food. It has been reported that stocks of timbers popular in the EU such as sapelli are increasing.

It has been reported that stocks of padouk sawnwood in the Netherlands are only moving very slowly. There are suggestions that some stockists have mentioned a price of Euro 610 per cubic metre free-on-truck, a situation never before experienced.

-in Gabon

Timber trade activity in Gabon has slowed with Chinese mills which cut belli and ovankol for their home market lowering production. Production of okoume has also slowed as could be expected.

Strict control is being maintained on the kevazingo trade and the Forestry Minister has not slackened control of concession operations and has reportedly re-possessed some concessions.

Analysts report that some kevazingo has been transported and readied for shipment but it appears that the newly created kevazingo Task Force has demanded a halt to any further transport of kevazingo until yet another inspection is undertaken.

While the trade in kevazingo has slowed in Cameroon it is reported that large volumes are being shipped from Equatorial Guinea and this is pushing down FOB prices.

Indian and Chinese okoume veneer producers in the Special Economic Zone are said to be slowing log purchases despite an apparent upturn in orders from China. Producers in Gabon are thankful for the steady demand in the Philippines which is helping their cash flow as demand in the EU has fallen.

EU Port operations and shipping

At the moment Antwerp Port is fully operational and the port authorities do not foresee any insurmountable problems. The Port of Antwerp COVID-19 Taskforce, established to monitor and adapt port operations as needed, recently held its second meeting.

The taskforce now includes Infrabel (the rail track operator) and the Federal Agency for Food Safety. The Port of Rotterdam also remains open for business, despite the far-reaching impact of the corona virus.

Italian shipowner associations say vessels leaving Italian ports risk being denied berths in other countries. The associations, Confitarma and Assarmatori, reported that vessels that were berthed in Italy have been denied access to ports in Turkey, Malta, Israel, Slovenia, Albania, Cyprus, Spain, Portugal, France, the Netherlands, Tunisia, Morocco, Angola, Gabon, Equatorial Guinea, Republic of Congo, Libya, Saudi Arabia, Iraq, Brunei and the Philippines.

Log export prices

West African logs Asian market	FOB Euro per cu.m		
	LM	B	BC/C
Acajou/ Khaya/N'Gollon	265	265	175
Ayous/Obeche/Wawa	250	250	225
Azobe & ekki	275	275	175
Belli	270	270	-
Bibolo/Dibétou	215	215	-
Bilinga	275	275	-
Iroko	300↓	280↓	225↓
Okoume (60% CI, 40% CE, 20% CS) (China only)	220	220	200
Moabi	365	355	285
Movingui	210	210	-
Niove	160	160	-
Okan	200	200	-
Padouk	250↓	230↓	200↓
Sapele	260↓	260↓	200↓
Sipo/Utile	260↓	260↓	230↓
Tali	300	300	-

Sawnwood export prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	440
Bilinga FAS GMS	540
Okoumé FAS GMS	460
Merchantable	310
Std/Btr GMS	340
Sipo FAS GMS	500
FAS fixed sizes	-
FAS scantlings	520
Padouk FAS GMS	640
FAS scantlings	675
Strips	320
Sapele FAS Spanish sizes	450
FAS scantlings	480
Iroko FAS GMS	600
Scantlings	660
Strips	350
Khaya FAS GMS	480
FAS fixed	540
Moabi FAS GMS	620
Scantlings	640
Movingui FAS GMS	420

Ghana

Coronavirus silences the timber trade

In the space of three weeks Ghana recorded 100 plus virus infections the suspected source of which was returnees from Europe.

The corona virus pandemic has impacted the domestic timber sector and the flow of exports has come to a virtual standstill.

The government has introduced measures and released guidelines on containing, controlling and preventing the spread of the virus. Government officers are being encouraged to work from home, non-essential work has halted and the banks are encouraging online banking. The Ghana Ports and Harbours Authority (GPHA) has restricted berthing of vessels from high risk areas.

The disruption has crippled economic activities and affected timber manufacturing and export operation.

Request for assistance from IMF

The government has requested access to the Rapid Credit Facility managed by the IMF. This would be utilised to support the economy. The Rapid Credit Facility offers concessional financial assistance with minimal conditions when countries face an urgent balance of payments issue.

See: <https://www.imf.org/en/News/Articles/2020/03/24/pr20102-ghana-requests-rapid-credit-facility-disbursement>

The IMF says the outlook for global growth for 2020 is negative, however, a recovery is expected in 2021.

In a statement released following discussions with G20 Finance Ministers and Central Bank Governors the IMF said “The human costs of the corona virus pandemic are already immeasurable and all countries need to work together to protect people and limit the economic damage”.

Boule export prices

	Euro per m ³
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	540
Niangon Kiln dry	622

Export rotary veneer prices

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

Export sliced veneer

Sliced face veneer	FOB Euro per m ³
Asanfin	854
Avodire	667
Chenchen	7826
Mahogany	1018
Makore	947
Odum	1,437

Export plywood prices

Plywood, FOB	Euro per m ³		
BB/CC	Ceiba	Ofram	Asanfin
4mm	320	580	641
6mm	412	535	604
9mm	377	446	560
12mm	510	450	480
15mm	450	400	430
18mm	450	441	383

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

Export sawnwood prices

Ghana sawnwood, FOB	Euro per m ³	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfin	465	564
Ceiba	404	600
Dahoma	413-	424
Edinam (mixed redwood)	520	651
Emeri	465	591
African mahogany (Ivorenensis)	930	962
Makore	740	766
Niangon	620	666
Odum	649	832
Sapele	720	878
Wawa 1C & Select	420	459

Malaysia

Malaysia on lock-down – only essential services operating

A Movement Control Order (MCO) came into force from 17 till 31 March as part of the government's efforts to manage the corona virus epidemic in Malaysia.

Under the MCO the following are a crime (a) travelling from place to place unless on official duty, concerning essential services, food and/or medical care, (b) congregating for religious, sports, recreational/social or cultural activities, (c) operation of premises providing non-essential services, (d) opening a food and beverage operation without a drive through, takeout or delivery services.

The MCO has effectively locked-down the country and almost all industries and businesses have stopped. Only essential services like banks, communications, medical and food suppliers are operating.

In the second week of the lockdown, the government announced a two week extension of the MCO until 14 April. Malaysian soldiers will assist the police in enforcing a government order for people to stay at home, the nation's defense chief said Friday, as the king urged residents to cooperate with authorities amid confirmations that COVID-19 infections had surged past 1,000.

On 24 March the government announced additional initiatives to help Malaysians cope financially with the virus outbreak and the resulting movement control order. These new measures are on top of the government's RM20 billion economic stimulus package announced on 27 February. Further measures will be announced on 30 March.

Dr Mahathir, the previous Prime Minister, called Malaysia's situation "a terrible catastrophe." He said, in particular small enterprises would suffer enormously so the government should arrange financial support for them.

MTC Appoints Acting CEO

MTC appointed Wong Kah Cane as its Acting Chief Executive Officer effective 13 March 2020. Wong, who joined MTC on 1 November 2019 as Deputy CEO, takes over from Mr. Richard Yu Tuan Chong upon the expiry of the latter's contract.

Mr. Wong graduated with a degree in Business Administration from Universiti Utara Malaysia in 1992 and started his career transforming SMEs into successful enterprises by bringing in experts for training programmes which centred on strategic management, quality control, sales and marketing.

See: http://www.mtc.com.my/images/media/726/Press_Release_-_MTC_Appoints_Acting_CEO_and_New_COO-converted.pdf

Indonesia

Incentives for manufacturers - Timber industry responds

The government has introduced a fiscal stimulus package for the manufacturing sector which, while being generally welcomed, there have been some negative responses.

The Indonesian Furniture and Crafts Industry Association (HIMKI) has said the support being offered, while helping labor-intensive SMEs, it will not have an impact on export-oriented companies where the urgent problem is a lack of competitiveness in international markets.

Abdul Shobur, Secretary General of the HIMKI said the industry appreciates the initiative, although it does not answer the main problem in terms of strengthening competitiveness because it is a temporary measure.

In related news, the Director General of Small, Medium and Miscellaneous Industries, Ministry of Industry, Gati Wibawaningsih, pointed out the ministry has been developing a national strategy to increase exports of the furniture and craft industry as the furniture industry was among five industries with the highest value growth in 2019.

According to Gati, efforts are being made to ensure the supply raw materials for the manufacturing industries through development of a Material Center capable of delivering quality raw materials.

Gati said "This Material Center will be a platform for consolidating and integrating logistics activities for Small and Medium furniture manufacturers.

Commenting on the supply of raw materials the Minister for Cooperatives and SMEs, Teten Masduki, said that while Indonesia's furniture exports are still small there are opportunities for expansion as the country has domestic raw materials but he admitted raw material management supply chains need to be more efficient.

Teten emphasised that the synergy between the government, business players and associations needs to be ramped up to a higher level.

See: <https://industri.kontan.co.id/news/begini-respon-pelaku-industri-kayu-terhadap-insentif-fiskal-untuk-sektor-manufaktur?page=all>

Game changing policies in response to the corona virus impact

Agus Suparmanto, Minister of Trade, has revealed that his Ministry is to present game changing policies in response to the corona virus impact. He said the pandemic calls for national economic stabilisation and the government has new fiscal and non-fiscal stimuli to offer. The Ministry, he said, is committed relaxing export regulations and regulations on raw material imports.

To accelerate exports the Ministry has relaxed, eliminated or simplified export documentation. A Ministry of Trade Regulation No. 15 of 2020 has been issued concerning export of wood products.

This new regulation eliminates the mandatory export V-Legal Customs Document and Surveyor Report (LS) for 318 HS codes and will enter into force in May this year.

Previously, exporters of wood products were required to have V-Legal and LS Customs documents for 360 HS codes for all wood products. It is reported that the Ministry of Environment and Forestry will maintain the V-Legal system and issue V-Legal documents if requested by companies exporting to the EU.

See: <http://www.neraca.co.id/article/129340/dampak-covid-19-kemendag-terapkan-kebijakan-stimulus-ekonomi-ii>

<https://www.thejakartapost.com/news/2020/03/13/indonesia-to-relax-restrictions-to-speed-up-imports-exports-amid-virus-threat.html>

<https://www.thejakartapost.com/news/2020/03/16/indonesia-deploys-second-stimulus-amid-market-rupee-routes.html>

Civil society expresses dismay at relaxation of the V-legal requirement

Several civil society groups have expressed dismay at the relaxation of the V-legal requirement saying this undermines Indonesia's credibility in international markets. They say since it was adopted the SVLK and V-legal system has resulted in increased trade in Indonesian wood products.

In a press release, the Coordinating Ministry for Economic Affairs on March 13, 2020 stated, the policy of removing V-legal document from export requirements documents was a non-fiscal stimulus in the context of handling Covid-19. The implication is that there will be a relaxation of export restrictions including those for the timber sector.

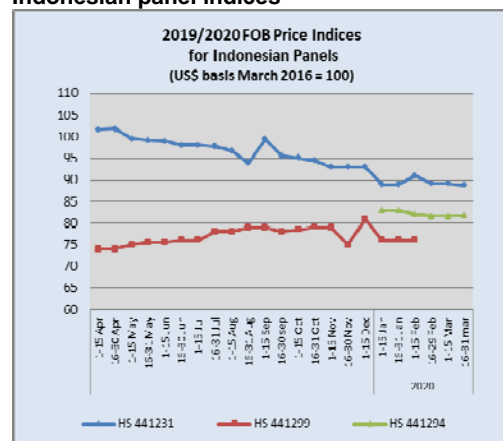
According to Muhamad Kosar of the Forestry Independent Monitoring Network (JPIK), elimination of mandatory V-legal document requirements for export products is a mistake because, in the long term, this will reduce the credibility of Indonesian wood products and make it difficult for the small-medium timber industry to establish direct business with international buyers.

See: <https://kompas.id/baca/humaniora/ilmu-pengetahuan-teknologi/2020/03/19/legalitas-kayu-diperlemah-langkah-mundur-indonesia/>

In related news, the Indonesian Civil Society Coalition has sent a letter to the President asking for the revocation of Trade Regulation No. 15 of 2020 as this change is considered detrimental to efforts of improving Indonesia's forest governance.

See: <https://kompas.id/baca/humaniora/ilmu-pengetahuan-teknologi/2020/03/20/desak-permendag-dicabut-koalisi-masyarakat-sipil-surati-presiden/>

Indonesian panel indices



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

Myanmar

Corona virus

Myanmar reported its first confirmed cases of coronavirus in two men who had recently travelled to the United States and the United Kingdom. Thousands of migrant workers have returned to villages across the country in recent days from Thailand, which has confirmed hundreds of cases, raising fears of further spread of the virus in Myanmar.

Forest Department alone cannot prevent cross border smuggling

According to the Forest Department, illegal timbers are being seized almost every day largely as a result of the Community Monitoring and Reporting System (CMRS) developed by the Forest Department to combat the illegal harvesting and transport of timber.

The identity of those reporting under the CMRS is not made public and calls can be made to the Forestry department Hot Lines. As efforts have been stepped up to apprehend those involved in illegal harvesting there have been instances when Forest Department Personnel have been attacked.

The local media has quoted the Bago Region Forest Minister, Dr. Saw Nyi Win, as saying that all unauthorised roads that are used by those involved in illegal harvesting and trade will be destroyed. Bago Yoma is the 'home' of Myanmar's natural teak and a 10-year harvesting moratorium has been in place since fiscal 2016-17.

The domestic Daily Eleven newspaper quoted a Forest Department official as saying between 2016 and 2019 160,000 tons of illegal teak was seized and 23,000 offenders including 59 foreigners were apprehended.

Speaking at a recent seminar, U Tin Aye, former director of the Forestry Department and now acting Secretary of Myanmar Forest Association said timber is smuggled to China and other neighbouring countries but the scale of the illegal activities is such that the Forestry Department alone is not capable of preventing these cross border activities.

Conflict between the government and ethnic groups and the lack of cooperation among relevant ministries is exacerbating the problem, he added.

See: <https://mmbiztoday.com/forestry-dept-unable-to-stem-timber-smuggling/>

Investment inflows in first months of year encouraging

The Myanmar Investment Commission (MIC) issued 60 foreign investment permits in the first 2 months of this year worth around US\$1.4 billion. A further 27 permits were issued to Myanmar Citizen worth US\$160 million. These investments could generate over 3,500 jobs.

March tender postponed – online offer of teak and padauk

The Myanmar Timber Enterprise (MTE) postponed the 26 March tender as a precaution against the corona virus. For the first time MTE uploaded an offer of teak and padauk logs from a stockiest. The MTE made it clear that interested buyers can directly contact the seller.

More information can be found at: <http://www.mte.com.mm/index.php/en/tenders/wood-base-industry-dept-tender/1325-2332020>

February 2020 teak log tender prices

Grade	H.tons	Average US\$/H.ton
SG-1	13.6	5,633
SG-2	28.7	4,883
SG-4	85.3	3,781
SG-5	122.5	2,998
SG-6	96.3	2,852
SG-7	805.4	1,913

India**Real estate body seeks government support for home owners**

The National Real Estate Development Council (NAREDCO-UP) has approached the Ministry of Finance suggesting deferment of housing loan instalments for 12 months, a moratorium on project loans for 2 years and the quick processing of building plans and other to support the industry.

The Haryana chapter of Confederation of Real Estate Developers' Associations of India (CREDAI) has asked the Haryana government for relaxation in rules and regulations for the developers to help the sector survive the current crisis pointing out that the real estate sector contributes to 10% of the National GDP and is the second-largest employer in the country.

The Indian residential real estate sector has suffered a severe slowdown over the past decade according to a report from PropTiger Report which says there was only a slight rise in prices across the main property markets because of weak consumer sentiment.

See: https://housing.com/news/demand-slowdown-causes-prices-to-go-down-in-indias-major-residential-markets-proptiger-report/?utm_source=internal&utm_medium=email&utm_campaign=subscribersDigest

February exports rise but prospects for March are grim

Ministry of Commerce data has shown February 2020 exports (all goods) rose almost 3% year on year, the first expansion in seven months. Imports also increased by around 2.5%.

Oil imports, an indicator of economic prospects, increased 14% in February however, March data will look very different as the government has ordered a "complete" 21 day lockdown for all of India's 1.3 billion people.

Plantation teak prices

Until the current corona virus pandemic has been overcome all businesses are facing disruption. There were few transactions in the plantation teak import sector and business confidence has been undermined by exchange rate volatility. The Indian rupee was at around Rs76 to the US dollar in late March.

Traders report that shippers in Brazil and Ghana have recently been offering higher girth logs which would normally stimulate imports but importers are waiting for the currency markets to stabilise. They are also waiting to see where freight rates are heading as there has been a rise as space availability has become an issue along with disruptions to loading and discharging.

Until businesses can get back to normal trading it is not possible to anticipate price trends. Import plantation teak prices as of the end of February are shown below.

Plantation teak C&F prices (as of end February 2020)

	US\$ per cu.m C&F
Angola logs	389-574
Belize logs	350-400
Benin logs	290-714
Benin sawn	530-872
Brazil logs	344-540
Brazil squares	333-556
Cameroon logs	405-616
Colombia logs	478-743
Congo D. R. logs	450-761
Costa Rica logs	357-780
Côte d'Ivoire logs	289-756
Ecuador squares	333-454
El-Salvador logs	320-732
Ghana logs	294-452
Guatemala logs	324-646
Guyana logs	300-450
Kenya logs	515-876
Laos logs	300-605
Liberia logs	265-460
Malaysian logs	225-516
Mexican logs	295-808
Nicaragua logs	402-505
Nigeria squares	434-517
Panama logs	335-475
PNG logs	443-575
Sudan logs	358-556
Tanzania teak, sawn	307-613
Thailand logs	511-700
Togo logs	334-590
Trinidad and Tobago logs	603-753
Uganda logs	411-623
Uganda Teak sawn	680-900

Price range depends mainly on length and girth.

Locally sawn hardwood prices

Ex-mill sawn hardwood prices were unchanged at the end of March but analysts expect these will rise, reflecting replacement costs at the new exchange rate which has driven the rupee lower against the US dollar.

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

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

Myanmar teak prices

Ex-yard teak prices will likely follow hardwood prices higher because of the weaker rupee. The extent of the change cannot be assessed at present as exchange rates are too volatile.

Sawnwood (Ex-yard)	Rs. per cu.ft
Teak AD Export Grade F.E.Q.	15,000-22,000
Teak A grade	9,500-11,000
Teak B grade	7,500-8,500
Plantation Teak FAS grade	5,000-7,000

Price range depends mainly on lengths and cross-sections.

Sawn hardwood prices

Prices are holding as reported in early March.

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

Price range depends mainly on lengths and cross-sections.

Plywood

Plywood log prices have been driven up because new mills have begun operation and competition for logs has increased. A few mills have been trying to raise plywood prices but, unless there is an industry wide move to adjust prices, the market will resist any rise.

Plywood associations from the various States are trying to negotiate a uniform price rise but these efforts have been hampered by the rapidly changing price structures for imported plywood. Until there is some stability in supply and demand listed prices remain unchanged.

Domestic ex-warehouse prices for locally manufactured WBP plywood

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

Domestic ex-warehouse prices for locally manufactured MR plywood

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

Vietnam

Wood products trade in first two months of 2020

In the first two months of 2020 wood and wood product (W&WP) exports earned US\$1.564 billion (18% up over the same period of 2019).

With the corona virus outbreak W&WP exports to 5 major destinations (US, EU, Japan, South Korea and China), which accounted for over 80% of Vietnamese W&WP export last year, are expected to decline sharply in the coming 3-4 months as transport and shipping has been disrupted.

W&WP export by top markets

Markets	2018	2019	Growth 2018-19
US	3,613,299,019	5,125,856,324	35.90%
Japan	1,119,033,609	1,308,214,808	16.30%
China	1,077,017,013	1,227,120,281	13.40%
EU	785,266,729	864,589,886	-0.10%
S. Korea	938,696,858	801,951,523	-13.90%
Australia	174,052,808	138,903,321	-8.80%
Canada	155,893,908	186,826,071	30.70%
Hong Kong	6,987,831	3,837,376	-8.90%
India	46,165,931	36,127,109	-10.20%
Taiwan	60,602,011	71,402,229	36.40%
Malaysia	100,907,198	67,913,814	11.40%
Others	398,465,751	497,768,232	-12%

Source: VIFOREST, FPA Binh Định, HAWA, BIFA & Forest Trends, Customs Vietnam

During Jan-Feb, 2020 W&WP shipped to US were valued at US\$795 million and represented 51% of all exports and were higher by 36% compared to a year earlier.

W&WP exports to US Jan-Feb, 2020

Products	Jan-Feb, 2019 (US\$)	Jan-Feb, 2020 (US\$)	Growth rate (%)
Fibre board (HS 4410)	640,726	3,815,038	495%
Plywood (HS 4412)	31,638,191	39,852,096	26%
Densified wood - HS 4413	642,318	2,035,269	217%
Builders joinery -HS 4418	11,633,588	19,008,088	63%
Other articles of wood -HS 4421	1,111,886	2,435,042	119%
Chair -HS 9401	147,086,409	221,131,634	50%
Office furniture - 94033	29,971,020	32,587,094	9%
Kitchen furniture - 94034	19,222,615	43,999,866	129%
Bedroom furniture - 94035	123,090,081	130,320,886	6%
Other articles of indoor furniture - 94036	141,926,323	185,261,950	31%
Parts of furniture - 94039	71,054,556	105,904,387	49%
Others	6,807,193	8,447,131	

Source: VIFOREST, FPA Binh Định, HAWA, BIFA & Forest Trends, Customs Vietnam

In Jan-Feb 2020 exports of wood products increased: woodchip (+21%), veneer (+25%), particleboard (+16%), chairs (+29%), indoor furniture (+20%).

In contrast, exports of some other products declined: wood pellet (-45%), sawnwood (-23%), fibreboard (-53%) and plywood (-2%).

W&WP export Jan-Feb, 2020 by products

Products	Jan-Feb, 2019 (US\$)	Jan-Feb, 2020 (US\$)	Growth 2019/2020 (%)
Woodchip	213,709,074	258,753,635	21%
Wood pellet	40,074,437	21,962,885	-45%
Sawn wood	7,917,346	6,084,286	-23%
Veneer	3,877,793	4,846,487	25%
Fibreboard	2,439,253	1,154,876	-53%
Particleboard	6,856,675	7,987,399	16%
Plywood	107,921,574	105,508,452	-2%
Chair	243,333,983	312,888,918	29%
Indoor furniture	606,007,206	727,502,816	20%

Source: VIFOREST, FPA Binh Định, HAWA, BIFA & Forest Trends, Customs Vietnam

W&WP imports

In the first 2 months of 2020 W&WP imports totalled US\$329.6 million, down 14% against the same period in 2019.

The decline of W&WP imports included declines in log/roundwood (-35%), sawnwood (-24%), particleboard (-8%) and plywood (-12%). On the other hand, imports of sliced and rotary veneers increased by 22% and 20% respectively.

W&WP import in Jan-Feb, 2020 by products

Products	Jan-Feb, 2019 (US\$)	Jan-Feb, 2020 (US\$)	Growth rate (%)
Round wood/log	125,897,279	82,159,114	-35%
Sawn wood	149,107,938	113,416,514	-24%
Veneer	19,679,556	23,933,687	22%
Fibre board	11,869,827	14,249,365	20%
Particle board	26,362,860	24,148,775	-8%
Plywood	24,320,571	21,299,630	-12%

Source: VIFOREST, FPA Binh Định, HAWA, BIFA & Forest Trends, Customs Vietnam

In Jan-Feb 2020, W&WP imports from all top suppliers dropped sharply; African suppliers - 43%; Chile - 38%; EU - 20% and US - 8%. On the other hand imports from China and Laos increased by 43% and 16% respectively.

W&WP, Jan-Feb, 2020 imports by top suppliers

Suppliers	Jan-Feb, 2019 (US\$)	Jan-Feb, 2020 (US\$)	Growth rate (%)
Africa	100,755,792	57,602,621	-43%
China	62,902,346	90,197,711	43%
US	55,434,228	51,016,013	-8%
EU	36,244,862	29,052,255	-20%
Cambodia	13,635,485	658,807	-95%
Malaysia	13,175,739	10,532,664	-20%
Thailand	14,812,257	14,253,221	-4%
Chile	14,662,363	9,087,426	-38%
New Zealand	7,988,367	7,375,275	-8%
Laos	8,650,551	10,072,611	16%
Papua New Guinea	7,275,964	5,481,048	-25%
Canada	5,210,528	2,175,708	-58%

Source: VIFOREST, FPA Binh Định, HAWA, BIFA & Forest Trends, Customs Vietnam

Import summary

US: In Jan-Feb, 2020, round wood/log import from US decreased by 45%, while sawn wood reduced by 2% comparing with that of Jan-Feb, 2019.

EU: Import of round wood/log and sawn wood from EU declined by 16% and 25% relatively.

Africa: Import of round wood/log from Africa diminished by 46 % and sawn wood - 36 %.

China: Import of wooden furniture from China recorded at 248.7 % from US\$ 5.1 million up to US\$ 17.9 million.

W&WP imports from China Jan-Feb, 2020 (US\$)

Products	Jan-Feb, 2019	Jan-Feb, 2020	Growth rate (%)
Round wood/log – HS 4403	1,713,884	1,713,435	0.0%
Sawn wood - HS 4407	2,749,241	3,237,208	17.7%
Veneer – HS 4408	16,191,039	19,186,555	18.5%
Fibre board – HS 4410	1,629,908	1,583,645	-2.8%
Particle board – HS 4411	3,204,686	5,168,371	61.3%
Plywood – HS 4412	20,590,699	18,225,434	-11.5%
Chair – HS 9401	7,924,987	17,547,430	121.4%
Indoor furniture – HS 9403	5,104,312	17,797,674	248.7%

Source: VIFOREST, FPA Binh Định, HAWA, BIFA & Forest Trends, Customs Vietnam

FDI in the timber wood industry

In 2019, there were 99 new FDI projects added to wood industry sector of Vietnam, including 56 new projects developed by Chinese investors.

W&WP export by FDI enterprises

In 2019, there were 663 FDI enterprises exporting W&WP from Vietnam (25% up compared with 2018). Export earnings by these enterprises amounted to US\$4.95 billion (48% of the total Vietnamese W&WP export revenue).

The growth rate of W&WP exports by FDI enterprises was equal to that of the number of newly setup enterprises (25% up).

In Jan-Feb, 2020, W&WP exports by other enterprises were reported at US\$652 million, 9% up year on year.

W&WP imports by FDI enterprises

In the first 2 months of 2020, import spending by FDI enterprises was recorded at US\$ 123 million, 13% up against that of 2019.

Impact of corona virus

Woodchip: Last year, woodchip exports earned US\$1.7 billion, equal to 16% of the total export revenue.

There were 3 major consumers of Vietnamese woodchips, China (58%), Japan (30%), South Korea (4%). As a consequent of the virus outbreak in these 3 markets woodchip prices fell by US\$ 2-3 per BDT to US\$127/BDT.

In the coming months, woodchip prices are expected to drop further by as much as US\$ 3-4 per BDT.

Delayed shipments add to the cost of transportation and logistic and undermine profitability.

Because of the virus outbreak in China, woodchip companies have reduced orders and pushed down prices by around 10%. This gloomy situation is a dis-incentive to commercial plantation owners many of whom are farmers and there is a danger that the well established acacia wood supply chain could be permanently disrupted.

Plywood: The export of Vietnamese plywood to the US is facing a serious issue associated with the decision by the US Department of Commerce to accept request from the Coalition for Fair Trade in Hardwood Plywood to determine whether certain plywood products that are assembled or completed in Vietnam are covered under the antidumping and countervailing duty orders on certain hardwood plywood products made in China.

The concern is that plywood made-in-Vietnam may be subjected to US antidumping and countervailing duties similar to that of China. From the beginning of March US importers have stopped ordering plywood from Vietnam.

Other W&WPs: With the corona virus spreading in the main markets, importers have asked for delayed shipment or even cancellation of orders. Consequently, most Vietnamese wood product manufacturers have to reduce production, reduce staff or just close factories and wait for a market recovery.

Maintaining the labour force to avoid social unrest and being prepared to re-activate production when the pandemic is controlled is a major challenge for both the Government and individual manufacturers.

According to Ngo Sy Hoai, Vice President and Secretary General of VIFOREST, following two decades of continued double digit growth the likelihood of non-growth or negative growth of Vietnamese W&WP exports in 2020 is very high.

Brazil

Request for extension of tax deadline

In view of the uncertainties as a result of the corona pandemic, on behalf of furniture manufacturers, the Furniture Industry Association of the State of Rio Grande do Sul (MOVERGS) has asked the State government for an extension of the deadline to pay the Circulation of Goods and Services tax.

MOVERGS has said the tax burden for the sector is an urgent issue as they fear the slowdown in sales will undermine their cash flow and put their survival at risk. MOVERGS represent companies employing around 2,700 workers.

The association also mentioned a sharp drop in production is anticipated and this will impact suppliers of other production inputs.

Monitoring Amazon logging gets a tech-boost

The Brazilian Forest Service (SFB) and the Operations and Management Center of the Amazon Protection System (CENSIPAM) recently concluded a Technical Cooperation Agreement for joint development of a methodology for the detection, mapping and monitoring of selective logging in areas under forest concessions.

The use of advanced technologies by SFB has been a boost to the management of Brazilian forest resources. However, because many technologies are franchised, the continuous monitoring of selective logging activities is limited because of the shortage of human resources and infrastructure to carry out satellite image processing of large areas like the Amazon forest.

Analysts comment that the use of optical images for the detection of selective logging can be weakened due to the often intense cloud cover in the Amazon region. The use of this new radar imaging technology will allow the monitoring of selective logging at any time of the year and would provide an opportunity for automated alerts and saving on the field monitoring processes.

Export update

In February 2020, Brazilian exports of wood-based products (except pulp and paper) declined almost 14% in value compared to February 2019, from US\$251.7 million to US\$217.3 million.

The value of February pine sawnwood exports dropped around 10% year on year from US\$44.2 million in 2019 to US\$39.9 million this year. In terms of volume, exports increased 2.6% over the same period, from 213,500 cu.m to 219,100 cu.m.

Tropical sawnwood export volumes also declined year on year in February dropping 17% from 39,600 cu.m in February 2019 to 32,700 cu.m in February 2020. The value of exports also dropped by around 9%, from US\$15.9 million to US\$14.5 million, over the same period.

Pine plywood export earnings also fell in February this year dropping a massive 32% compared to February 2019 from US\$53.5 million to US\$36.2 million. The volume of exports dropped but only by around 15% over the same period, from 194,700 cu.m to 166,300 cu.m.

The downtrend continued with tropical plywood exports which fell 50% in volume and 52% in value, from 10,800 cu.m (US\$4.0 million) in February 2019 to 5,200 cu.m (US\$2.0 million) in February 2020.

In contrast wooden furniture export earnings in February 2020 increased from US\$40.3 million in February 2019 to US\$43.3 million in February 2020.

Documento de Origem Floresta (DOF) now sufficient authorisation for exports

At the end of February, IBAMA issued an "interpretative order", suspending the Normative Instruction (n° 15/2011) which required exporters to secure specific authorisation from IBAMA for timber exports.

According to IBAMA it is now sufficient that forest products export are accompanied by a document of forest origin (Documento de Origem Floresta – DOF) as required under the National System for the Control of the Origin of Forest Products (SINAFLOR).

The export DOF serves to verify the transport of wood to the port while the Normative Instruction was the authorisation for export.

When IBAMA first issued its regulation 15/2011 it argued that the Brazilian Forest Code distinguishes between the transport and storage license (DOF) and the export authorisation. The IBAMA regulation for example stipulates inspections and other export controls that the DOF does not require.

However, timber exporters successfully argued that there is no need for the specific export authorisation because it was encompassed in the SINAFLOR process.

On its part, IBAMA understood the argument saying the Forest Transport Guide issued by the States that is a state transport document is valid instead of a export authorisation from IBAMA.

It has been reported that the president of IBAMA, Eduardo Fortunato Bim, received a note of thanks from the Center of Industries of Pará (CIP) for having agreed the export of native wood products without the need for an IBAMA authorisation.

For more see:

<https://www.terra.com.br/noticias/ciencia/sustentabilidade/madeiros-agradecem-presidente-do-ibama-por-liberar-exportacao-sem-autorizacao-especifica.c75f0124340be69b7a7979ed483c4a0536g9uwmi.html>

20% drop in exports in late March

Brazil's exports have been affected by the corona pandemic. According to the FecomercioSP International Relations Council, some companies have already postponed shipments to China and others are renegotiating import contracts due to the recent appreciation of the dollar.

Data from the Ministry of Economy revealed a 20% drop in the exports in the second week of March compared to the previous week (from US\$962 million to US\$ 770 million) as a result of a decline in exports of mainly semi-manufactured goods (-33.9%), basic goods (-21.5%) and manufactured goods (-11.6%) wood products are included.

In the current situation volatility in foreign exchange markets makes negotiations difficult. In addition, some manufactured products include imported components and the strong dollar pushes up the final price of the products.

Fecomercio SP emphasises that there is a need to monitor how the Brazilian and international markets behave during the crisis and that exporters should bank guarantees for shipments in order to minimize the risk of non-payment.

Correction:

In our previous report we stated that AMIF had undertaken a survey of forest plantations, the survey was actually undertaken by Canopy Remote Sensing Solutions and the data provided to AMIF.

Domestic log prices

Brazilian logs, mill yard, domestic	US\$ per m ³
Ipê	197
Jatoba	105↓
Massaranduba	99↓
Muiracatiara	103↓
Angelim Vermelho	98
Mixed redwood and white woods	84

Source: STCP Data Bank

Domestic sawnwood prices

Brazil sawnwood, domestic (Green ex-mill)	US\$ per m ³
Ipê	847↑
Jatoba	440↑
Massaranduba	415↑
Muiracatiara	380↑
Angelim Vermelho	373↑
Mixed red and white	244↑
Eucalyptus (AD)	188↑
Pine (AD)	126↑
Pine (KD)	153↑

Source: STCP Data Bank

Domestic plywood prices (excl. taxes)

Parica	US\$ per m ³
4mm WBP	505↓
10mm WBP	408↑
15mm WBP	341↑
4mm MR.	392↓
10mm MR.	289↑
15mm MR.	264

Prices do not include taxes. Source: STCP Data Bank

Prices for other panel products

Domestic ex-mill prices	US\$ per m ³
15mm MDParticleboard	196↓
15mm MDF	239↑

Source: STCP Data Bank

Export sawnwood prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m ³
Ipe	1,455↑
Jatoba	863
Massaranduba	841
Muiracatiara	858
Pine (KD)	170

Source: STCP Data Bank

Export plywood prices

Pine plywood EU market, FOB	US\$ per m ³
9mm C/CC (WBP)	245↓
12mm C/CC (WBP)	234↓
15mm C/CC (WBP)	224↓
18mm C/CC (WBP)	223↑

Source: STCP Data Bank

Export prices for added value products

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

Source: STCP Data Bank

Peru

Imports of composite boards 40% higher in the first month of the year

In January 2020 Peru's imports of composite boards were valued at US\$9.07 million, some 40% higher than in January 2019.

Ecuador was the main supplier recording an almost 19% year on year increase to US\$3.5 million. Chile was the second largest shipper of composite boards to Peru in January (US\$2.05 million). Shipments from Spain and Brazil also increased in January 2020.

Expanded State purchases will boost the forestry sector

An expanded forestry sector is essential for job creation and social inclusion for those living in remote forest areas of the country where there are limited job opportunities. The president of the Association of Exporters (ADEX), Erik Fischer Llanos, made a strong case for increased state purchases of wood and forest products during a workshop to explore state purchasing policies.

Fischer said the public sector has always been a wood products consumer but to spur the forestry sector and to encourage investment the state should increase its consumption. He called on companies in the sector to work towards delivering high quality legal wood products for domestic consumption.

He added that many timber enterprises focus their marketing on international markets as the domestic market is not attractive because, among other things, the competition from products manufactured from raw materials of unknown and often dubious is severe.

Purchases of wood products by the State totalled around US\$34.5 million in 2019 and consisted mainly of furniture, products for infrastructure development and sawnwood.

Exports fall during the first month of 2020

Peruvian exports in January 2020 totalled almost US\$3.7 million, down 4% year on year. Analysts point out that a decline in January exports has been observed in previous years. Export products were shipped to 124 destinations, seven fewer than in January last year. The main markets were China (26%), the USA, Canada, South Korea, Switzerland, India, Chile and the United Arab Emirates.

The most important subsector for exports was agribusiness (US\$706.6 million) where there was an increase but this was insufficient to compensate for the drop in textile exports (-34.6%), clothing (-14.7%) and wood products (-19.5%).

Export sawnwood prices

Peru sawnwood, FOB Callao Port	US\$ per m ³
Pumaquiro 25-50mm AD Mexican market	637-651
Virola 1-2" thick, length 6'-12' KD Grade 1, Mexican market	561-579+
Grade 2, Mexican market	492-509
Cumaru 4" thick, 6'-11' length KD Central American market	973-987
Asian market	1009-1052
Ishpingo (oak) 2" thick, 6'-8' length Spanish market	552-573
Dominican Republic	671-681
Marupa 1", 6-11 length KD Grade 1 Asian market	552-595

Domestic sawnwood prices

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

Export veneer prices

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

Export plywood prices

Peru plywood, FOB Callao (Mexican market)	US\$ per m ³
Copaiba, 2 faces sanded, B/C, 8mm	349-379
Virola, 2 faces sanded, B/C, 5.2mm	487-511
Cedar fissilis, 2 faces sanded, 5.5mm	766-783
Lupuna, treated, 2 faces sanded, 5.2mm	396-419
Lupuna plywood B/C 15mm	449-495
B/C 9mm	379-399
B/C 12mm	350-360
B/C 8mm	466-487
C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.	391-407

Domestic plywood prices (excl. taxes)

Iquitos mills	US\$ per m ³
122 x 244 x 4mm	512
122 x 244 x 6mm	519
122 x 244 x 8mm	522
122 x 244 x 12mm	528
Pucallpa mills	
122 x 244 x 4mm	503
122 x 244 x 6mm	511
122 x 244 x 8mm	516
122 x 244 x 8mm	521

Domestic prices for other panel products

Peru, domestic particleboard	US\$ per m ³
1.83m x 2.44m x 4mm	282
1.83m x 2.44m x 6mm	230
1.83m x 2.44m x 12mm	204

Export prices for added value products

Peru, FOB strips for parquet	US\$ per m ³
Cabreuva/estoraque KD12% S4S, Asian market	1327-1398
Cumaru KD, S4S	Swedish market 986-1119↑ Asian market 1089-1119
Cumaru decking, AD, S4S E4S, US market	1199-1235
Pumaquiro KD Gr. 1, C&B, Mexican market	479-554
Quinilla KD, S4S 2x10x62cm, Asian market	544-577
2x13x75cm, Asian market	756-822

Japan**No entry for those from, or having visited, hard hit countries**

The Ministry of Foreign affairs has announced a ban on travelers from 18 European countries and Iran in an effort to control the spread of the corona virus pandemic.

The announcement says any person arriving in Japan who has been in any of the 18 countries listed within 14 days of their arrival in Japan will be refused entry.

For more see:

https://www.mofa.go.jp/ca/fna/page6e_000199.html

Warnings of a severe recession

Japan's economy faces its biggest challenge in more than a decade with analysts warning of a severe recession made worse by the postponement of the Tokyo Olympics. With the Bank of Japan having already exhausted its arsenal the government must turn to state finances for budgetary stimulus.

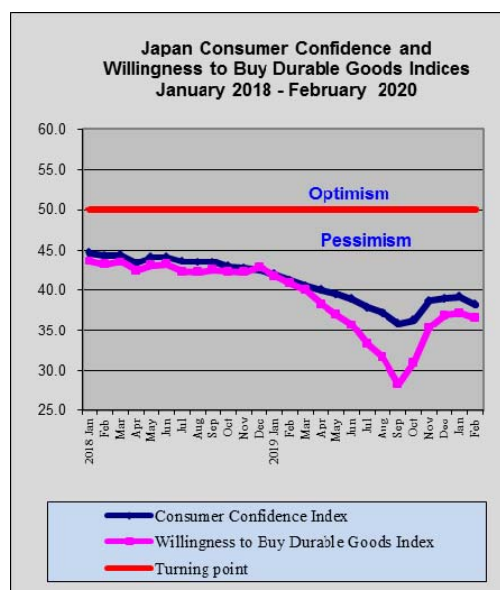
In March the government released its bleakest assessment of prospects for the economy for almost a decade, saying conditions in March were "severe" as the corona virus pandemic has driven down factory output and undermined consumer spending. Early projections suggest February manufacturing output dropped sharply and that retail sales continued to decline.

Japan's exports declined for the 15th consecutive in February as shipments to its two main markets, the US and China fell this is now the longest stretch of declining exports since the collapse of the 1987 real estate bubble.

As of 28 March, Japan has recorded 2,113 cases of the virus and 57 deaths prompting the Bank of Japan to expand fiscal stimulus measures while the government works to finalise a supplementary budget of around US\$135 billion the main purpose of which is to support businesses until domestic and global demand starts to recover.

The stimulus budget could involve providing cash and gift certificates to the public as well as subsidising domestic travel to boost the tourism sector which is suffering badly. It would also offer financing for small and medium sized companies so they maintain employment.

As of 31 March Japan's consumer confidence indices for March had not been released.



Data source: Cabinet Office, Japan

Surprising yen weakness in these times of crisis

One possible outcome of the corona virus pandemic could be a permanent change to the continual rush to the yen as a 'safe-haven' currency in times of crisis. In a game changing moment towards month end the yen weakened close to 10% against the dollar as fears spurred a rush to the dollar.

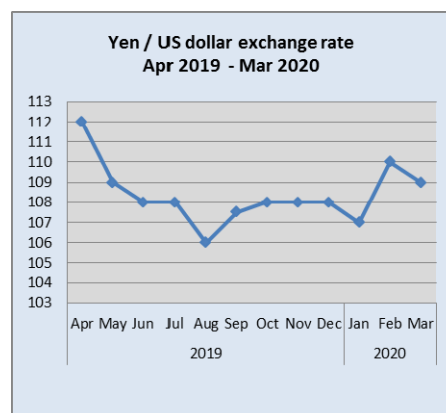
Japanese policy makers have for the past decade repeatedly tried to find ways to weaken the exchange rate as a strong yen puts the export-reliant economy at risk.

The Japanese government, in concert with other major countries, is preparing a massive stimulus to both cushion and rebuild the economy when the pandemic is under control.

This will require the government to issue more bonds pay for the spending boost. However some analysts warn against undoing the fiscal discipline in Japan that has kept the economy afloat and further warn that the yen risks crashing to lows never seen before.

There are already signs that investors are hoarding dollars and there has been a huge outflow of cash from China. In the worst case scenario it could be that Japan has to intervene in the market to stem a decline in the yen against the dollar as it did in the 1997 domestic banking crisis.

The Institute for International Finance has reported that nearly US\$42 billion has been shifted from emerging economies since the beginning of the pandemic, the largest outflow they have ever recorded.

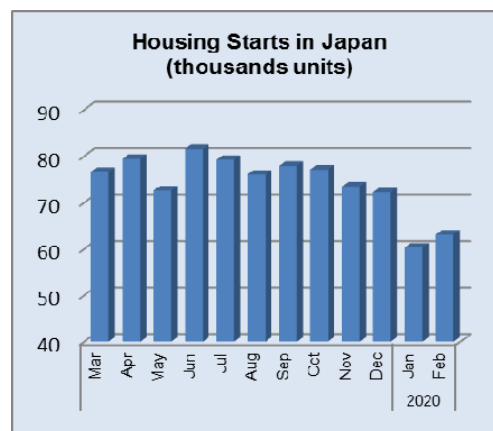


Tokyo Olympics postponed - athlete village builders stuck with huge apartment stock

One of the major issues for developers involved in the construction of the athlete's Olympic village, built to accommodate around 11,000 competitors, is how to now renegotiate the deals done to sell the apartments now that the games have been postponed.

The Olympic village is on a prime site in Tokyo and has attracted private investment as the deal was to refurbish and sell luxury apartments the selling prices of which are close to US\$1 million for many apartments.

Some 900 buyers are said to have already committed to a purchase but real estate analysts have commented that many prospective buyers may try and pull out of the deal given the uncertainty surrounding the games.



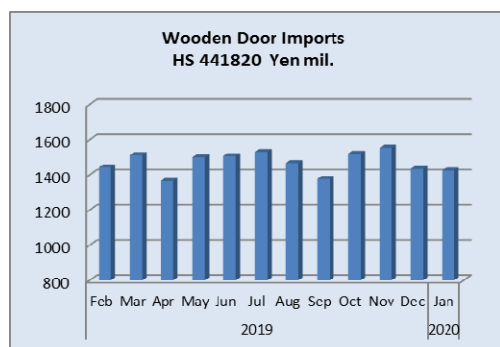
Data source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Import update

Wooden door imports

As in previous months four shippers accounted for over 90% of Japan's January 2020 imports of wooden doors (HS441820). The main shipper was China with over 65% of January arrivals followed by the Philippines (19%), Indonesia (7%) and Malaysia (5%).

Year on year, January 2020 imports were down 9% but compared to the value of imports in December there was little change in January 2020.

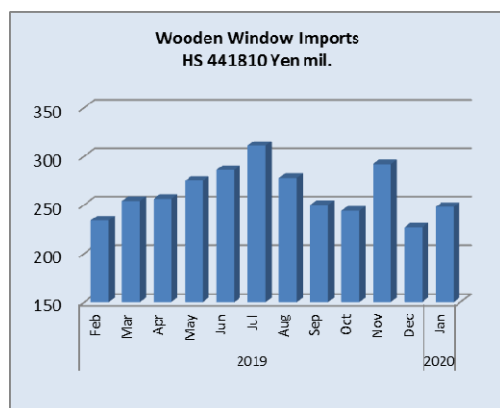


Data source: Ministry of Finance, Japan

Wooden window imports

In the second half of 2019 the value of Japan's imports of wooden windows (HS441810) were more volatile than in the first half of the year. Year on year, January 2020 import values were down 17% but there was a 9% rise in the value of January imports relative to a month earlier.

Just four shippers, China, US, the Philippines and Sweden provided over 90% of the value of Japan's wooden window imports in January 2020. Manufacturers in China accounted for over 40% of January 2020 shipments of wooden windows to Japan followed by the US (24%), the Philippines (15%) and Sweden (11%).

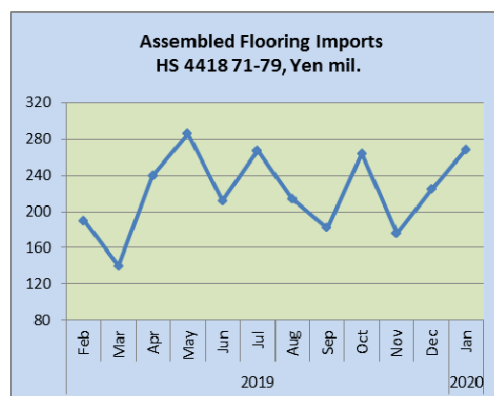


Data source: Ministry of Finance, Japan

Assembled wooden flooring imports

Japan's imports of wooden assembled flooring rose sharply in January 2020 compared to a month earlier but year on year the value of imports was almost unchanged. Of the four categories of flooring tracked HS441875 made up around half of Japan's January imports followed by HS441879 which added a further 23% to the total value of assembled wooden flooring imports.

There were no imports of HS441871 in January and imports of HS441874 made up just 3% of imports. China and Indonesia were the main suppliers of HS441875 while the US and Indonesia shipped most of HS441879.



Data source: Ministry of Finance, Japan

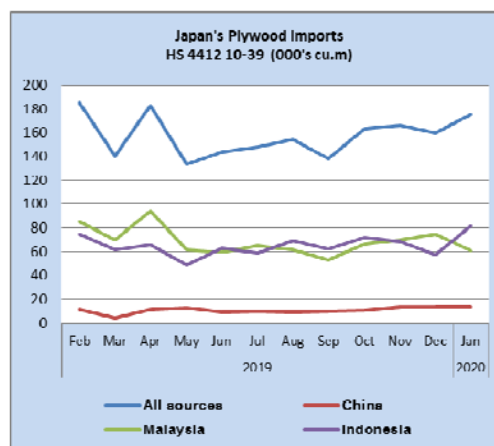
Plywood imports

Apart from the slight dip in the volume of plywood imports in September 2019 there has been a steady increase in the volume of imports since the beginning of the second quarter 2019. However, the rise has not benefitted all of the main shippers, Malaysia, Indonesia, China and the new entrant into the market, Vietnam.

Monthly shipments from China have been around 10-12,000 cu.m throughout 2019 but shipments from the top suppliers, Malaysia and Indonesia have not been consistent with the occasional marked decline in shipments from one and then the other.

In January 2020 Indonesia was the largest supplier accounting for 47% of Japan's plywood imports by volume. Malaysia contributed a further 35% with around 18% being the combined shipments from China and Vietnam.

Beginning in the second half of 2019 shipments from Vietnam have exceeded those from China.



Data source: Ministry of Finance, Japan

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

		China	Malaysia	Indonesia
2017	Jan	16	130	80
	Feb	7.5	93.3	59
	Mar	11.5	99	76.5
	Apr	11.2	92.6	58
	May	12.9	99.2	73.8
	Jun	11	74.8	65.0
	Jul	10.6	100.0	54.8
	Aug	12.3	91.8	64.5
	Sep	9.9	86.7	56.6
	Oct	12.2	86.4	63.7
	Nov	10.7	112.4	82.0
	Dec	12.0	95.2	50.0
2018	Jan	12	100.5	80.0
	Feb	12.5	83.0	69.0
	Mar	4.9	79.4	66.5
	Apr	13.4	92.4	84.4
	May	15.2	94.0	82.0
	Jun	12.4	77.5	79
	Jul	14.3	79.2	58.3
	Aug	12.4	86	70.5
	Sep	9.7	68.6	62.6
	Oct	12.3	108.2	75.6
	Nov	14.5	97.1	81.1
	Dec	13	68	74.7
2019	Jan	14	91.2	66.4
	Feb	11.1	85.3	75
	Mar	4.4	70.1	61.2
	Apr	11.4	94.2	65.9
	May	12.4	61.8	48.9
	Jun	9.3	59.6	62.8
	Jul	9.8	65.1	59
	Aug	12.1	61.8	68.9
	Sep	10	53	62
	Oct	10.6	66.3	72
	Nov	13.1	69.5	68.1
	Dec	13	74.4	57.4
2020	Jan	13.4	61.1	81.6

Data source: Ministry of Finance, Japan

Trade news from the Japan Lumber Reports (JLR)

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

For the JLR report please see:

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

Corona virus disrupts supply chain

Japanese house builders are having shortage of housing materials since many are supplied from China and the supply is disrupted by wide spread of corona virus disease in China. Since workers away from home have not returned works by restriction of people's movement to prevent from spreading virus after they visited old homes during Chinese New Year's holidays in late January

House builders in Japan are having problem to supply contracted items. Houses may not be completed in time for promised delivery period. Short items are parts of toilet, IH heater for kitchen, built-in dish washer, wash basin and air circulating fan.

Three or four major building materials companies assemble kitchen, bath and wash basin but they are able to assemble without parts. Delivery time is approaching so builders are negotiating with house buyers if substituting items are acceptable.

Without completion certificate issued by the official organizations, house buyers are not able to receive subsidy and housing loan without performance evaluation or conformity agreement so the Ministry of Land, Infrastructure,

Transport and Tourism instructed designated inspection organizations and Housing Finance Agency to issue completion certificate even if some of facilities are not completed with house buyers' consent. Delay of deliveries also influences cash flow of house builders.

Request for plant quarantine certificate

The Ministry of Agriculture, Forestry and Fisheries reported infiltration of new breed of harmful insects has been found one after another recently and it is urgent matter to reduce or stop risk of such invasions. It requests to attach plant quarantine certificate issued by country of origin.

According to the plant quarantine law issued in 1950, importing plants and containers have to have the certificate issued by exporting country to prove that it has no quarantine harmful insect or plant attached by the inspection but actually for many years, import has been allowed without such certificate if it is passed by the Japanese quarantine inspection.

The request this time is to apply the rule on all the importing plants even for the plants traditionally imported without the certificate. Actually all the plants sent by mail or brought in as hand baggage of travelers need to attach the certificate.

The Ministry will analyze past examinations on items traditionally imported without the certificate to see degree of risk of having harmful insects and if the risk seems high, the certificate is necessary.

As to imported wood products, KD lumber, laminated lumber, plywood and wooden board are not object of inspection but some logs, cants and custom cut lumber, which have some bark left partly need to have the certificate.

Imported debarked logs have low risk so they are likely to be free of the certificate. For imported logs fumigated at exporting countries, the certificate is necessary or fumigation in Japan would be necessary.

Main log exporting countries like the U.S.A., Canada, Russia, New Zealand and South East Asian countries have experience to attach the certificate for China, which strictly demands the certificate. When this request will start is not known yet but it would be sometime this year.

North American lumber import in 2019

Total volume imported in 2019 is 1,757,142 cbms, 15.0% less than 2018. Decline has been for six consecutive years. Compared to recent peak of 2013, it is 38.7% less or more than one million cbms drop in six years. Species of the largest decline are hemlock and SPF.

By source, supply from the U.S.A. is 246,236 cbms, 0.8% more than 2018. Canadian supply is 1,510,906 cbms, 17.1% less. Reasons of decrease from Canada is strike of WFP since July 2019, which is the main supplier of hemlock lumber and drop of SPF lumber market in the North American market, to which the Japanese users reduced purchase volume with prospect of further price drop for coming months. This is why volume of hemlock and SPF decreased from Canada.

On SPF lumber, North American lumber market soared to record high prices of #2 & better in middle of 2018 then the prices plunged by more than half and bearish mood prevailed. At the same time, starts of rental units in Japan have kept falling month after month, which is main market for 2x4 lumber. Therefore, import of the first half of the year was 27.7% less than 2018.

By drop of market prices, many sawmills either shutdown the operation or closed for good so in the second half of the year, supply reduction was feared so that the prices bottomed out and the orders increased. Hemlock supply was 155,431 cbms, 30.7% less than 2018 because of lengthy strike of WFP.

At the same time, the demand in Japan declined because of high export prices in 2018. The strike is over in February after more than seven months. The supply of hemlock resumes but future of hemlock market in Japan is uncertain as users in Japan are tired of high export prices and supply disruption by strike.

Douglas fir lumber was 374,498 cbms, 3.4% less than 2018. The supply from the U.S.A. remained unchanged but Canadian supply decreased by WFP' strike.

Considering the fact that withdrawal of second largest Douglas fir lumber manufacturer in Japan, Toa in late 2018 and disruption of hemlock lumber supply, there should have been more demand for imported Douglas fir lumber but there was no shortage in Japan market as others like laminated lumber and domestic lumber filled the gap.

Radiata pine logs and lumber imports in 2019

Import of New Zealand radiata pine logs was 354,502 cbms, 9.1% less than 2018. The market has steadily shrinking year after year. Radiata pine log cutting mills are also cutting domestic cedar logs and adjust production by the crating lumber market and log cost.

China is now dominant radiata pine log user. China market turned weak since March and April of 2019 by trade war with U.S.A. and the export log prices weakened before summer and the log prices for Japan dropped more than \$10 but after China market rebounded, the prices for Japan also climbed together with climbing ocean freight.

Chilean radiata pine lumber import was 314,068 cbms, 5.8% less than 2018. Because of depressed demand of crating lumber, there was no supply shortage.

In August, two ships arrived with short interval so that the port inventories swelled up. Chilean lumber export prices dropped since last fall but due to active other markets and higher ocean freight, the Chilean lumber suppliers are considering to increase the export prices.

In Japan, use of domestic cedar for crating lumber was topic of the market in 2019. Cedar is more flexible in pricing.

Russian logs and lumber imports in 2019

Russian log import in 2019 was 109,860 cbms, 11.8% less than 2018. Declining speed is accelerating. Red pine logs for lumber manufacturing increased but larch logs for plywood manufacturing decreased. Log import outlook for 2020 is shadowy as log export duty rate increases and harvest volume declines.

By species, whitewood logs increased by 9% but the volume was only 5,600 cbms. Sawmills cutting whitewood logs in Japan are limited and the main material shifted from logs to genban so future looks unpromising.

Red pine logs increased by more than 50% as sawmills use more logs since genban's supply and the quality are unstable. Log export duty on larch logs from the Far East Russia was 40% so the supply side was discouraged with dropping profit.

Japanese plywood mills are using more Russian made veneer and domestic species so plywood mills are losing interest in Russian larch logs. The duty is raised to 60% in 2020 so larch log export would decline further. Supply of high and medium grade red pine lumber was tight in 2019 but total volume was almost the same as 2018 due to increase of lower grade lumber.

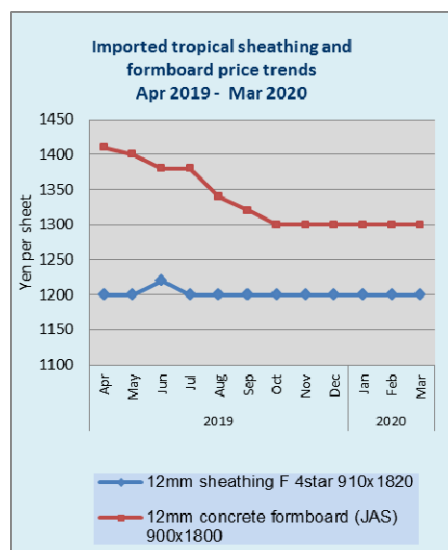
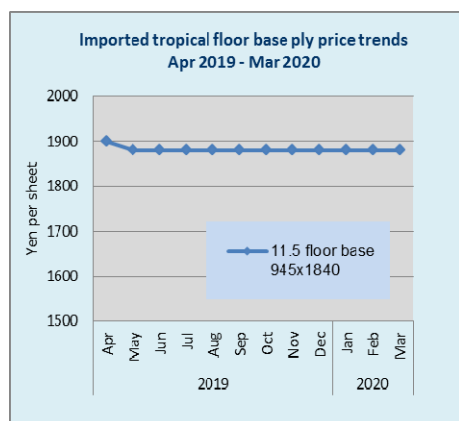
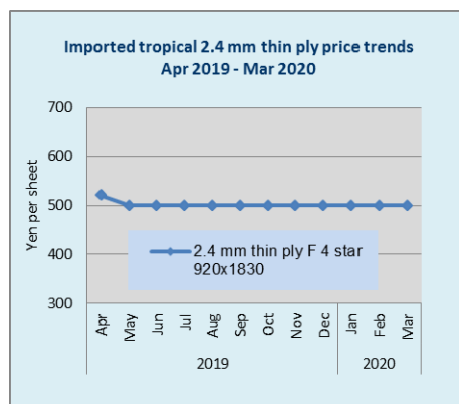
Plywood

Movement of plywood is getting stagnating on both domestic and imports. Orders by precutting plants for domestic softwood plywood is slowing and upward momentum of imported plywood is disappearing and dealers are warning of price drop in the market.

Operations of precutting plants are peaking out and wholesale dealers now have ample inventories so no hurry to purchase. Another negative factor is delay of construction by wide spread of corona virus. Housing starts are dropping and deliveries of contracted houses are largely delayed by shortage of necessary parts from China.

March is book closing month and normally dealers try to make more sales or to reduce on-hand inventory so that the market is often confusing with spotty low offers.

Imported South Sea hardwood plywood market in Tokyo is weak with slower movement. The importers are not able to place future orders because of high export prices than the market prices in Japan and at the same time, they need to reduce the inventory and order balance. There was some move to increase the market prices in the fourth quarter last year but such vividness is now fading with weakening demand. Particularly commodity items such as 12 mm concrete forming are sluggish and there will not be any recovery of the demand so severe market will continue.



Domestic logs and lumber

Because of abnormal warm winter weather, log production has been very active everywhere in Japan. Orders for domestic lumber has been weakening since late February so that sawmills slow down log purchase. Therefore, log prices are weakening.

Sawmills prefer winter harvested logs as they can store winter cut logs for several months so logs harvested are all purchased by sawmills. 3 meter post cutting cedar log prices are 11,100-12,500 yen, 500 yen lower than February. 4 meter sill cutting cypress log prices are 17,000-18,000 yen, 1,000-2,000 yen down. If the lumber demand stays stagnant, further drop of log prices is likely.

Larch and red pine log demand is active for both lumber and plywood so the market prices are holding steady. Particularly red pine log demand by plywood mills is strong since Douglas fir log supply from North America has been low so the demand for domestic species is increasing.

Lumber demand continues slow. Reason is that orders for new housing are slowing after corona virus epidemic and such slowness may prolong. Lumber inventories are increasing and the lumber market prices are softening. In Tokyo market, 3 meter KD cedar 105 mm post prices are about 49,000 yen and 120 mm post are about 44,000 yen.

Buyers are watching the market and cautious purchase continues because of bearish future, which accelerate slower trend.

Largest wood three stories school building

The largest wooden three stories grade school building will be built at city of Nagareyama, Chiba prefecture. This will have the largest floor space as grade school in Japan. The construction will start in May 2020 and will be completed in February 2021 so the school will be opened in April 2021.

Nagareyama's population has been increasing and new grade school is necessary to cope with growing number of children. Main materials are locally produced cedar and larch from its sister city in Nagano prefecture. The wood volume used for the school is the largest as single school building.

The new school has two buildings in North wing and two buildings in South wing plus gymnasium. The first phase is three school buildings with total floor space of 9,000 square meters, which are one hour quasi fire proof structure plus 1,200 square meters of gymnasium. This is the first wooden school buildings with floor space of over 10,000 square meters in Japan.

Total construction cost would be about 4.735 billion yen. In Chiba prefecture, use of locally produced wood products is a part of stipulations so LVL produced by Keytec, which has manufacturing plant at Kisarazu, Chiba prefecture can be used.

Post of both North and South wing school buildings and beam of third floor are E60 cedar LVL and beams of first and second floor are E120 larch LVL. Also E60 cedar LVL is used for truss and beams of gymnasium. Total of 1,500 cbms of LVL is all produced by Keytec. For floor, roof and ceiling panels, 750 cbms of spruce LVL supplied by Metza Wood of Finland are used.

This will be the largest single unit of building with structural LVL in Japan. Thickness of LVL for post and beam is either 150 or 240 mm with width of 120-540 mm. Truss thickness for gymnasium is all 120 mm with width of either 180 or 240 mm.

China

Rise in 2019 sawnwood imports – but not tropical sawnwood

According to data from China's Customs, 2019 sawnwood imports totalled 38.11 million cubic metres valued at US\$8.591 billion, a year on year increase of 4% in volume but a decline of 15% in value.

Of total sawnwood imports, sawn softwood imports rose 15% to 28.62 million cubic metres accounting for 57% of the national total, down 11% on 2018.

Sawn hardwood imports fell 19% to 9.5 million cubic metres because China's sawn hardwood imports from the top sources, Thailand and USA, fell 19% and 44% respectively.

Of total sawn hardwood imports, tropical sawnwood imports were 6.05 million cubic metres valued at US\$2.126 billion, year on year a drop of 16% in volume and 21% in value and accounted for about 25% of the national total, up 5% on 2018 levels.

China's sawnwood imports in 2019

Volume	2019 mil. cu.m	% change 2018-19
Total sawnwood imports	38.11	4
Sawn softwood	28.62	15
All sawn hardwood	9.5	-19
of which tropical	6.05	-16

Data source: China Customs

Value	2019 US\$ bil.	% change 2018-19
Total sawnwood imports	8.591	-15
Sawn softwood	4.921	-1
All sawn hardwood	3.67	-29
of which tropical	2.126	-21

Data source: China Customs

Decline in the average prices for sawnwood

The average price for imported sawnwood in 2019 was US\$225 per cubic metre, a year on year decline of 18%. The average price for imported sawn softwood was US\$172 per cubic metre, down 14% year on year.

The average price for imported sawn hardwoods was US\$386 per cubic metre, a year on year decrease of 11%. The average price for imported tropical sawnwood was US\$352 per cubic metre, down 5% year on year.

Average sawnwood prices, 2019

	2019 Av. Price US\$/cu.m CIF	% change 2018-19
Average sawnwood price	225	-18
Sawn softwood logs	172	-14
All sawn hardwood logs	386	-11
of which tropical	352	-5

Data source: China Customs

Rise in Russian sawn softwood imports

Russia was the main sawn softwood supplier to China in 2019 and China's sawn softwood imports from Russia rose 9% to 17.03 million cubic metres and accounted for 60% of the national total, down 3% year on year.

In the meantime, China's sawn softwood imports from Belarus, Germany, Sweden and Ukraine surged 393%, 349%, 136% and 101% respectively, however, imports from the US fell 34% mainly due to the China-US trade conflict.

Average prices for all sawn softwood suppliers fell at different rates. Average prices for imported sawn softwood from Sweden and Germany declined 65% and 22% respectively.

Main countries shipping sawn softwood to China

	2019 imports (thousand cu.m)	%change 2018-19
Total	28620	15%
Russia	17030	9%
Canada	4390	5%
Sweden	1680	136%
Finland	1240	7%
Ukraine	840	101%
Germany	690	349%
Chile	660	-9%
New Zealand	390	8%
USA	310	-34%
Belarus	300	393%

Data source: China Customs

Average sawn softwood prices from top 10 suppliers

2019	Average price US\$/cu.m	%change 2018-19
Russia	169	-8
Canada	176	-17
Sweden	92	-65
Finland	222	-13
Ukraine	175	-10
Germany	177	-22
Chile	223	-13
New Zealand	226	-14
USA	177	-18
Belarus	170	-14

Data source: China Customs

Surge in sawn hardwood from Canada

China's 2019 sawn hardwood imports from the top sources declined and hardwood imports from Indonesia declined (44%). However, China's sawn hardwood imports from Canada surged 56% to 170,000 cubic metres and from the Philippines and Germany imports rose 18% and 8% respectively.

Main countries shipping sawn hardwood to China

	2019 imports (thousand cu.m)	% Change 2018-19
Total	9500	-19
Thailand	3590	-19
USA	1318	-44
Russia	1317	-8
Gabon	550	-5
Philippines	380	18
Romania	240	-11
Malaysia	210	-22
Germany	200	8
Indonesia	190	-44
Canada	170	56

Data source: China Customs

Average sawn hardwood prices from top 10 suppliers

2019	Average price US\$/cu.m CIF	% change 2018-19
Thailand	317	-9
USA	640	-9
Russia	258	3
Gabon	530	-9
Philippines	137	-12
Romania	418	-3
Malaysia	382	-5
Germany	434	-21
Indonesia	805	-15
Canada	685	-1

Data source: China Customs

China's tropical sawnwood imports from Thailand continue to decline

Thailand still is the main source of tropical sawnwood for China and 2019 tropical sawnwood imports from Thailand totalled 3.59 million cubic metres valued at US\$1.038 billion, a year on year decline in volume of 19% and a 26% decline in value. Thailand's market share for tropical sawnwood exports to China was 59% but this was down 3% year on year.

The head of the Rubber Authority of Thailand, Nakorn Takkavirapat, said many rubberwood entrepreneurs are in financial difficulties because of a sudden drop in China's imports due to the outbreak of Covid-19.

Most of Thailand's rubberwood exports are destined for China. The value of rubberwood exports in 2017 was Bt49.44 million but the figure dropped to Bt29.4 million in 2019.

See: <https://www.thestar.com.my/news/regional/2020/03/25/thai-rubberwood-makers-in-crisis-as-chinese-market-evaporates>

Eight countries supplied 91% of China's tropical sawnwood requirements in 2019, namely Thailand (59%), Gabon (9%), Philippines (6.3%), Brazil (4.9%), Malaysia (3.4%), Indonesia (3.1%), Cameroon (2.4%) and Vietnam (2.2%).

Tropical sawnwood imports from Myanmar, Mozambique and Philippines rose 24%, 23% and 18% year on year respectively but imports from Indonesia, Brazil, Malaysia, Cameroon, Vietnam and Gabon fell 44%, 25%, 23%, 13%, 12% and 5% year on year respectively.

Except for slight increase of 2% in the average prices for China's tropical sawnwood imports from Vietnam, average prices for China's tropical sawnwood imports from the top 10 countries generally declined but at different rates in 2019 for example there was a 14% decline in prices for sawnwood from the Philippines and an 11% decline in prices for sawnwood from Indonesia.

Main countries shipping tropical sawnwood to China

	2019 imports 000's cu.m	% change 2018-19
Total	6050	-16
Thailand	3590	-19
Gabon	550	-5
Philippines	380	18
Brazil	300	-25
Malaysia	210	-23
Indonesia	190	-44
Cameroon	150	-13
Vietnam	130	-12
Myanmar	80	24
Mozambique	60	23

Data source: China Customs

Average tropical sawnwood prices from top 10 suppliers US\$/cu.m CIF

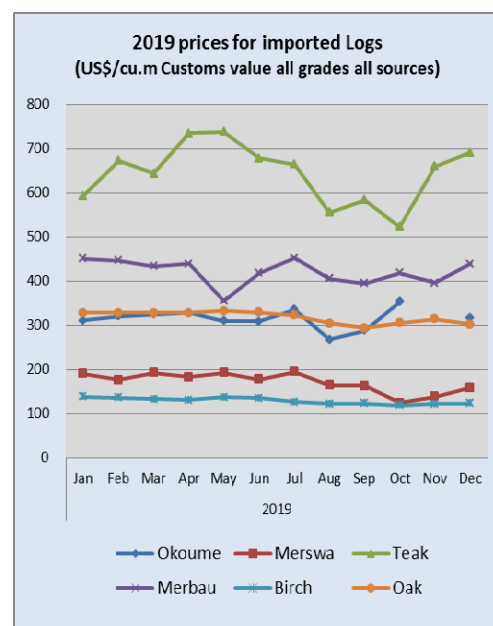
	2019 Average price US\$/cu.m CIF	% Change
Thailand	289	-9
Gabon	483	-9
Philippines	122	-11
Brazil	245	-9
Malaysia	368	-4
Indonesia	692	-14
Cameroon	562	-7
Vietnam	416	2
Myanmar	334	-5
Mozambique	620	-2

Data source: China Customs

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

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

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

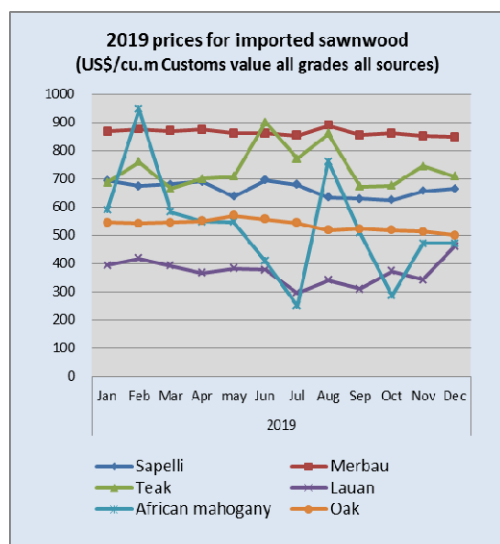


Data source: China Customs. Customs value all grades, all sources

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

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

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



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

Europe

Covid-19 puts Europe into lockdown and rewrites economic forecasts

Economic forecasts issued only a few weeks ago in Europe, which projected continuing slow increase this year in GDP and business activity in sectors critical to the timber industry, such as construction and furniture, will need to be completely revised in the face of the Covid-19 outbreak.

Issues like Brexit, enforcement of EUTR, the slowing pace of manufacturing in Germany, and the US-China trade dispute, that only a few weeks ago seemed likely to lead the narrative of changing demand for tropical wood products in Europe during 2020, have taken a back seat in response to the transformative effects of the pandemic.

In the last two weeks, large parts of Europe have been put into lockdown to control spread of the virus. Schools and universities, and most shops, bars, restaurants and other public venues have been forced to close. People are being ordered to remain at home. Public transport is being reduced to a skeleton service for essential workers.

Manufacturing and construction activity is continuing in Europe but at much reduced levels and pressure is mounting to stop altogether to prevent any further spread of the virus.

Governments in Europe, as elsewhere, face a tough choice to strike the right balance for the health and welfare of the population. If they bring industry and construction to a halt along with the entertainment and travel sectors already shut down, the resulting recession could inflict lasting damage on their economies; if they do not, commuters and workers could fall ill and continue to spread the virus, prolonging the health crisis and the economic downturn.

The response to the pandemic has varied to some extent across Europe, dependent partly on differences in political culture and regulatory and enforcement regimes, partly on the timing and extent of the spread of the virus, and partly on the capacity of health services to respond.

Lockdown in Italy since 9 March

The lockdown began in Italy with an emergency decree on 9 March covering the Lombardy region, Italy's financial and industrial powerhouse and home to much of the country's design and fashion sectors, together with 14 other northern provinces including Venice, Parma and Treviso. The lockdown was extended to the whole of Italy on 21 March.

All population movement in Italy has been banned except for health and other urgent reasons. Schools, universities and all non-essential businesses have been required to close — with supermarkets, banks, pharmacies and post offices the only businesses allowed to remain open.

The economic shutdown in Italy is not absolute, Giuseppe Conte, the Italian Prime Minister having stated that “we will slow down the country’s productive engine, but we will not stop it”. However, his government has ruled that any business or factory that was not “strictly necessary, crucial or indispensable” must shut until April 3 when the decision will be reviewed.

Italian trade unions have argued that these measures are not strict enough to protect workers. But Confindustria, the business confederation, wrote to Mr. Conte to ask him to ensure essential supply chains and support services that allow companies to keep working were maintained.

General confinement order in Spain

Similar measures have been progressively extended into other European countries. The Spanish government issued a general confinement order for more than 46 million people on 14 March.

Initially the regulations in Spain were less stringent than in Italy, with Nadia Calviño, Spain’s deputy prime minister for the economy, emphasising the need to “safeguard [labour] activity and employment so that there is an adequate base to return to growth when we leave this health crisis behind”.

This emphasis has allowed construction work to continue in some areas in Spain, but as the number of Covid-19-related deaths and cases have mounted, there has been rising pressure from trade unions and some regional administrations for an Italian-style comprehensive stay-at-home order for all workers except those providing key services.

France aims to avoid complete stoppage of economy

The lockdown in France started on 17 March when the government banned all public gatherings and told the country’s 67 million residents to stay inside except for grocery shopping and other essential tasks.

Unlike Italian Prime Minister Giuseppe Conte, the French government has repeatedly called on companies to stay open and on workers to show up for their jobs even if they are not in essential services such as food supply.

The French government has also reached an agreement with trade unions in the construction sector, an important driver of the economy that accounts for 1.5m jobs and nearly 6 per cent of GDP, to continue operations “to avoid a complete stoppage of building sites, which would not only undermine the businesses involved but also the whole economic supply chain”. This is subject to measures being put in place to protect workers.

Belgium and Netherlands keep ports open

Belgium has been in lockdown since March 18 and implemented tough enforcement measures. The country's 11.4 million residents have been ordered to stay at home and to avoid outside contact as much as possible.

People are only allowed to leave home to visit the doctor, buy food or assist others in need. Police are patrolling the streets and have the power to enforce fines on those not abiding by the restrictions.

However, the Belgian prime minister asked for important sectors of industry to keep their activities going. The port of Antwerp, a major hub for imports of wood and other commodities into the whole of the EU, subsequently confirmed that the entire port is fully functional and will remain so in the future.

Unlike most other European countries, the Netherlands has so far stopped short of ordering people to remain at home. Instead, in a series of measures issued on 12 March, the Dutch government has asked that people stay at home as much as possible, banned gatherings except those “necessary to ensure the continued daily operations of institutions, businesses and other organisations”, and is encouraging other social distancing measures.

Since the Netherlands plays a vital role in European supply chains, the Dutch government has specifically identified air and sea freight chains, road transport, as well as food and medical supply chains as vital processes in view of Covid-19. Government support is being provided to ensure employees vital to the operation of these chains can go to work without interruption.

Germany progressively tightening restrictions

The German federal government has not so far implemented a nationwide lockdown in response to Covid-19, although state governments across the country have progressively tightened restrictions on movement, prohibiting large gatherings, calling on people to stay at home, and asking that they observe other social distancing measures in an effort to stop spread of the virus.

On 22 March, the German state of Saxony joined Bavaria and the Saarland in prohibiting residents from leaving their dwellings except for good reasons.

However, the German government has stressed the need to keep key sectors of the national economy functioning. The three largest contractor associations in Germany – ZDB, HDB and BVMB - have jointly welcomed a German government decree for construction to continue despite the crisis and, on 25 March, stated that they “are currently making great efforts to maintain construction site operations”.

UK lockdown from 23 March

The British government ratcheted up Covid-19 controls from mid-March, culminating in an order for a lockdown on 23 March, limiting people to trips outside the home solely for grocery shopping, medical needs and traveling to work if working from home is not an option. All non-essential businesses were ordered to close.

However, the UK government also said that builders on sites should continue to work but that they must practice social distancing. Some construction companies, arguing that this is impractical, have shut down all sites, while others are continuing.

The UK government has also stated that work carried out to repair and maintain houses should continue, and that “hardware shops” can stay open, allowing some large DIY chains to remain operational.

An initial insight into the impact of Covid-19 on the timber sector in the UK can be derived from a Timber Trade Federation member survey published on 20 March. Around two thirds of the respondents reported a drop in demand for timber as the sector prepares for six to twelve months of disruption.

The impact on businesses was reported as ‘medium’ by half of the respondents, while a quarter reported the impact as minimal and the remainder as high.

UK timber businesses are reporting they are taking precautionary measures, including cancelling physical meetings and switching customers visits with phone calls and other digital technologies. More than 80% of businesses have limited travel for staff, and a third are reporting some impact to their operation from employees who have needed to self-isolate as a precautionary measure.

Currently UK timber businesses are reporting that they expect these containment measures to run for three months and projecting that demand be restored between Q3 2020 and Q1 2021.

First indications of scale of European downturn

The first clear indications of the wider economic effects of Covid-19 across Europe came with publication of the IHS Markit ‘flash’ composite purchasing managers’ index on 24 March. The index has dropped to its lowest reading since the series began in the 1990s in both the eurozone and the UK.

The eurozone index fell from 51.6 in February to 31.4 in March, while in the UK the index dropped from 53 to 37.1. A reading below 50 indicates the majority of businesses reported a deterioration compared with the previous month.

The 'flash' PMI data were based on responses collected in mid-March, before the most severe elements of national lockdowns had been implemented, which means the data for April are likely to be even worse.

Chris Williamson, chief business economist at IHS Markit, said the survey data for mid-March is consistent with an annualised 8% decline in eurozone and UK GDP, and that the expanding lockdowns means "it is unlikely that the index has hit rock bottom yet".

The most severe downturns in activity recorded by the PMI were in consumer-facing sectors, notably hotels, restaurants and other leisure-based activities, while there were record falls in the transport and travel sectors. The index for the eurozone's services sector dropped from 52.6 in February to 28.4 in March, also the lowest ever recorded. The PMI for UK services plunged to 35.7, another unprecedented low.

Although contracting at a marginally slower pace, the eurozone manufacturing activity index fell over nine points, from 48.7 to 39.5, the largest monthly contraction since April 2009. Britain's manufacturing activity PMI fell by less, to 48.0 from 51.7.

IHS Markit said that even these figures under-estimate the decline in manufacturing because they reflect an upward distortion due to the positive impact on the index of lengthening delays from suppliers, usually a sign of a sharp rise in demand, but in this case caused by Covid-19.

European governments act to mitigate economic effects of pandemic

European countries have engaged in unprecedented and swift fiscal measures to tackle the economic crisis caused by Covid-19 and the preventive measures to "flatten the curve". To date, European governments have committed at least \$1.5 trillion in spending and loan guarantees in a desperate bid to protect business, workers and families from the worst of the pandemic-induced pain.

National measures have taken a similar form across Europe and have included a combination of direct fiscal stimulus, short-time work schemes, and guarantees and liquidity support for companies with financing problems. According to Eurogroup President Mario Centeno, eurozone member states have, on average, adopted fiscal stimulus measures of some 2% of GDP and guarantee schemes of some 13% of GDP.

The rise in national spending has been facilitated by an unprecedented decision of EU member states on 23 March to suspend the Stability and Growth Pact obligations.

EU finance ministers approved the Pact's 'general escape clause' to pause the structural adjustments that countries must implement to meet their fiscal targets. The clause can be activated only in response to a "severe economic downturn" in the eurozone or the EU as a whole.

The decision was taken on condition that actions by EU countries are "timely, temporary and specific" and that additional spending is dedicated only to fighting the pandemic and relaunching the economy, especially in support of SMEs and the most affected sectors and their workers.

On 19 March, the European Central Bank announced a huge increase in quantitative easing within the eurozone in an effort to keep the financial system liquid when investors are running scared. The 'Pandemic Emergency Purchase Programme (PEPP)' mandates the ECB to buy up to an additional €750 billion government and corporate bonds.

The PEPP brings the ECB's planned purchases for this year to 1.1 trillion euros, its biggest annual amount ever, with the newly agreed buys alone worth 6% of the euro zone's GDP.

Meanwhile negotiations between EU finance ministers are on-going on an EU-wide fiscal stimulus package that would come on top of the national initiatives to address the economic fallout of the virus. Essentially, ministers are trying to decide on the role, if any, of the European Stability Mechanism (ESM) in tackling in the economic fallout from the pandemic.

The ESM has €410 billion available financed by members of the eurozone set aside to address the European sovereign-debt crisis and help euro area countries in severe financial distress. It provides emergency loans to countries committed to reform programmes.

One option would be for the ESM to issue common debt in the eurozone in the form of bonds to mitigate the economic impact of Covid-19. These temporary eurobonds, or 'coronabonds', would particularly help countries with higher borrowing costs that are also most affected by the pandemic, such as Italy and Spain.

However, this option still seems unlikely given staunch resistance from some member states, including Germany, the Netherlands and Austria. More likely is that the ESM will be used to provide precautionary credit lines for member states requesting temporary help.

In the last week of March, discussions were on-going on the countries that might qualify for such help and the conditionality attached.

Companies advised to prepare for the long haul

The combined effect of the pandemic and the wide-ranging policy response on the future direction of the European economy, and the fallout for the timber and associated industries, is impossible to assess at this time.

However, some insight into the possible range of outcomes can be derived from McKinsey, the global management consultancy company, who are publishing free and regularly updated briefings on the implications of the Covid-19 pandemic for businesses.

See: (<https://www.mckinsey.com/business-functions/risk/our-insights/covid-19-implications-for-business>).

The McKinsey briefings set out scenarios for how the Covid-19 pandemic might develop and the consequences for the wider global economy. The scenarios are constantly being updated and revised as more data comes available. In their briefing published 25 March, McKinsey was able to consolidate and simplify their analysis into just two likely scenarios, one which is relatively “optimistic”, the other less so.

The more optimistic ‘Delayed Recovery’ scenario projects that new case counts in the Americas and Europe rise until mid-April, Asian countries peak earlier, and epidemics in Africa and Oceania are limited. The scenario assumes successful roll out and implementation of social distancing and testing practices and that the virus proves to be seasonal, further limiting its spread.

Even in this scenario, McKinsey expect large-scale quarantines, travel restrictions, and social-distancing measures to drive a sharp fall in consumer and business spending until the end of the second quarter of 2020, producing a worldwide recession that would continue at least until the end of the third quarter.

In this scenario, it would take until the fourth quarter of 2020 for European and US economies to see a genuine recovery and total global GDP this year would fall, but only slightly. Nevertheless, unemployment levels would rise sharply, business investment would contract, and corporate bankruptcies would soar, putting significant pressure on the banking and financial system.

The other scenario, equally plausible and more pessimistic, is for “Prolonged Contraction” in which the global economic impact is severe, approaching the global financial crisis of 2008–09. If this scenario plays out, global GDP is projected to contract significantly in most major economies in 2020 and recovery would not begin until the second quarter of 2021.

In the ‘Prolonged Contraction’ scenario, it is assumed the epidemic does not peak in the Americas and Europe until May, as delayed testing and weak adoption of social distancing stymie the public-health response. Also, the virus does not prove to be seasonal, leading to a long tail of cases through the rest of the year.

In this scenario, Africa, Oceania, and some Asian countries also experience widespread epidemics, though countries with younger populations experience fewer deaths in percentage terms.

Even countries that have been successful in controlling the epidemic (such as China) are forced to keep some public-health measures in place to prevent resurgence.

In the case of ‘Prolonged Contraction’, demand would suffer as consumers cut spending and the number of corporate layoffs and bankruptcies in the most affected sectors rises throughout the rest of this year, feeding a self-reinforcing downward spiral. Fiscal and monetary-policy responses would prove insufficient to break this spiral.

McKinsey suggest that a full-scale banking crisis would be averted even in the case of ‘Prolonged Contraction’, because of banks’ strong capitalization and the macroprudential supervision now in place, but the financial system would suffer significant distress.

McKinsey conclude with some hard-nosed guidance to companies on the best way to respond to the pandemic emphasising, for example, that “facing up to the possibility of a deeper, more protracted downturn is essential, since the options available now, before a recession sets in, may be more palatable than those available later”.

Companies involved in all sectors are strongly advised to ensure they have a business continuity plan in place and to monitor developments closely.

North America

Coronavirus response – a patchwork of escalating precautions

With no firm national guidance on how to respond to the corona virus pandemic the precautions taken by individuals and institutions across the United States at the beginning of the crisis varied widely as the various state and local officials have taken the lead. Analysts comment this is largely because of the federal system of government in the US that puts considerable authority in the hands of the states and local governments.

For example, in California, the state with the largest population and an economy larger than all but four sovereign nations, Governor Gavin Newsom called on all Californians to stay at home except for essential reasons.

Meanwhile, on the same day on the other side of the US, throngs of college students enjoyed their annual spring break at the beaches and in bars that remained open in several Florida and Texas communities.

The US media note that in many respects the outbreak’s early stages unfolded very differently in Republican and Democratic leaning parts of the country, a disconnect that is shaping the nation’s response to this unprecedented challenge.

National polls from mid-March reveal that, while anxiety about the disease is rising on both sides of the partisan divide, Democrats consistently express much more concern about it than Republicans do. Government responses have followed these same tracks.

The media in the US has suggested that, with a few exceptions, states with Republican governors have been less likely than those run by Democrats to impose restrictions on their resident's movements.

One exception is in Republican Kansas where officials have closed schools for the remainder of the school year. Universities across the country are closing their campus classrooms. In some cases, online instruction is being offered for a limited period, or through the semester.

Responses to the pandemic have been changing at a rapid pace. First the White House encouraged Americans to go on with their lives, now it is urging them to work from home and not meet in groups of more than 10 as well as calling on local officials to close schools, bars and restaurants.

This change was due to the spread of infections to all 50 states, shifting public opinion and models showing dire consequences, including a worst-case scenario, where America, if no action was taken, could see 1.1 million deaths.

Disrupted woodworking industry

As the pressure for social distancing mounts, restaurants, gyms, bars, and a host of other businesses are either suspending, postponing or cancelling operations entirely. Companies, for which work-at home is feasible, are allowing employees to work remotely.

The woodworking industry is not immune to the impact of measures to control the spread of the virus. Company operations, expositions and conferences are all being affected. A comprehensive and updated list of changes has been released. Forest and wood product industries have been identified as critical infrastructure in Federal Guidelines.

This guidance is not mandatory for States and localities to follow but increasingly many states have incorporated this in their work-stop orders. The sparing of the timber sector is to ensure that critical building and paper supplies continue to be produced during the crisis.

See:

<https://www.woodworkingnetwork.com/news/woodworking-industry-news/woodworking-industry-disruptions-and-cancellations-coronavirus-update>

and

<https://www.cisa.gov/identifying-critical-infrastructure-during-covid-19>

Year-long relief on mortgages and a halt on foreclosures

US homeowners who have lost income or their jobs because of the corona virus outbreak will get some relief. Depending on their situation, they should be eligible to have their mortgage payments reduced or suspended for up to 12 months.

Federal regulators, through the mortgage giants Fannie Mae and Freddie Mac, are ordering lenders to offer homeowners flexibility. The move covers about half of all home loans in the U.S. — those guaranteed by Fannie and Freddie. But regulators expect that the entire mortgage industry will quickly adopt a similar policy.

This is not a forgiveness of debt or free money. Homeowners will work out a repayment plan once they recover financially, most likely by extending the term of the loan.

Additionally, the Department of Housing and Urban Development announced that all single-family homeowners with Federal Housing Administration-backed mortgages would be shielded from foreclosure or eviction until mid-May.

See:

https://www.hud.gov/press/press_releases_media_advisories/HUD_No_20_042

Focus addressing economic impact of pandemic

The President signed into law a corona virus relief package and discussions are underway for additional support to deal with the economic fallout from the pandemic. While goods may still move freely within the US, the government has placed restrictions travel to 27 countries in Europe.

The United States border with Canada and Mexico has been temporarily closed to 'non-essential traffic' which will affect tourism, but not trade or workers involved in so-called 'essential work'.

New-home construction slipped in February — even before corona virus

Builders started construction on new homes in the US at a pace of 1.6 million units in February according to the Commerce Department. This represented a 1.5% decline from an upwardly revised 1.62 million in January. However year on year there was a 39% increase in starts.

The number of permits for new homes in February, meanwhile, fell 5.5% from January's 13-year high to a seasonally adjusted annual rate of 1.46 million. This figure is nonetheless 14% higher than a year ago. Economists polled by MarketWatch had anticipated housing starts and building permits to have come in at 1.49 million 1.5 million respectively.

This all could change soon though as the corona virus outbreak disrupts economic activity nationwide.

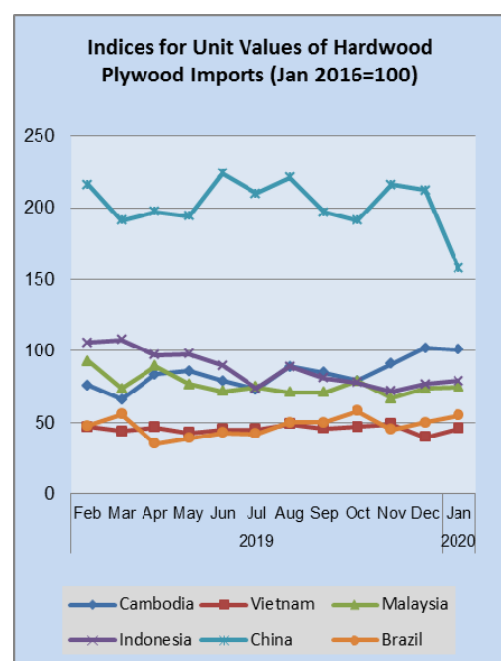
Home sales increased in February

Representing the last full month before the coronavirus became a global pandemic, February saw the third consecutive month of year-over-year increases in U.S. home sales – a streak not seen since 2015. At the same time, inventory across the report's 53 metro markets plunged 15.8%, marking the fourth successive month of double-digit percentage, year-over-year declines.

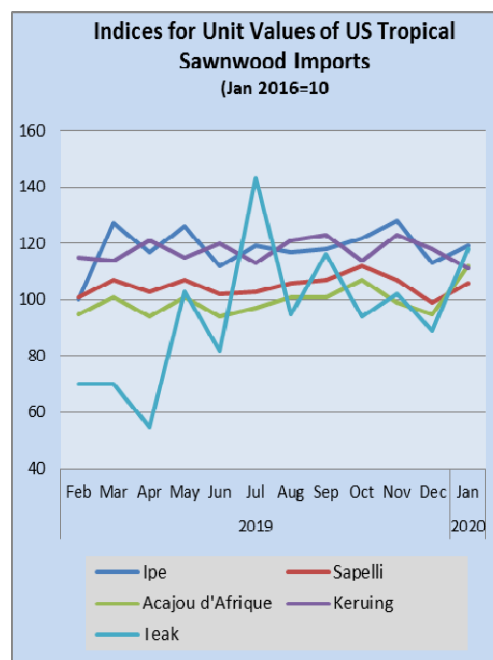
Before the corona virus affected the US home sales in February, which enjoyed an extra weekend day for Leap Year, increased 7.5% year on year following strong increases of 13.5% and 10.5% in December 2019 and January this year.

The previous streak of increasing year-on-year sales of three months or longer began in December 2015 and continued seven months into June 2016. That was also a period of large inventory declines like the current stretch of year-on-year falling inventory which has extended for eight months.

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



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



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

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.

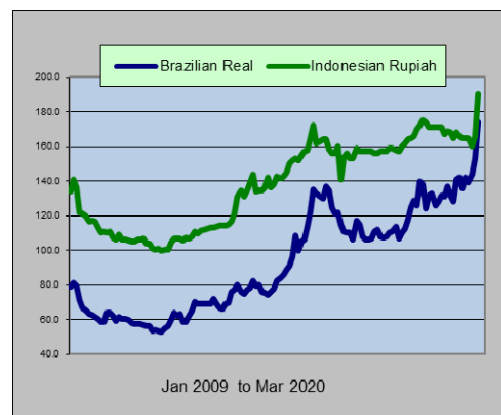
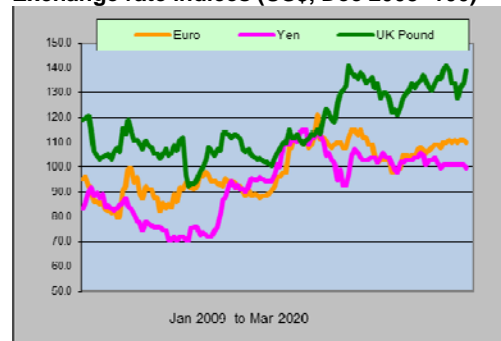
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

Dollar Exchange Rates

As of 25th March

Brazil	Real	5.0998
CFA countries	CFA Franc	597.58
China	Yuan	7.0964
EU	Euro	0.8978
India	Rupee	75.472
Indonesia	Rupiah	16140
Japan	Yen	107.94
Malaysia	Ringgit	4.3276
Peru	New Sol	3.38
UK	Pound	0.8034
South Korea	Won	1212.73

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

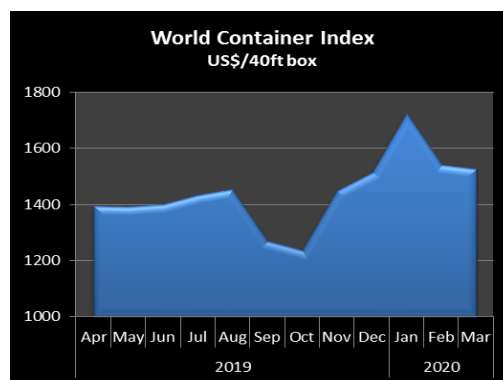


Abbreviations and Equivalences

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

Ocean Container Freight Index

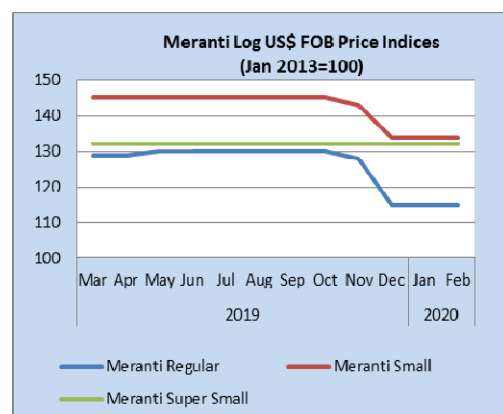
April 2019 – March 2020



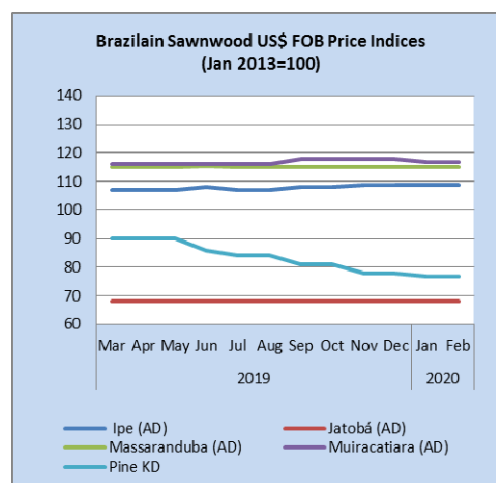
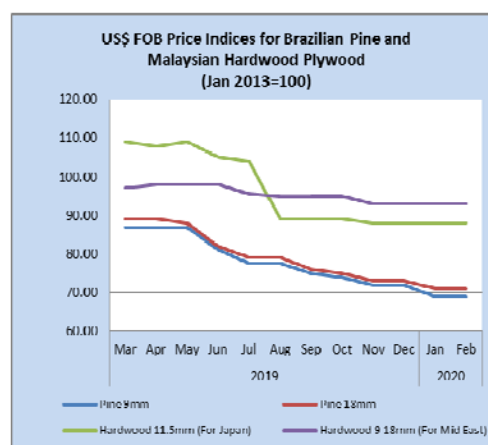
Data source Drewry World Container Index

Price indices for selected products

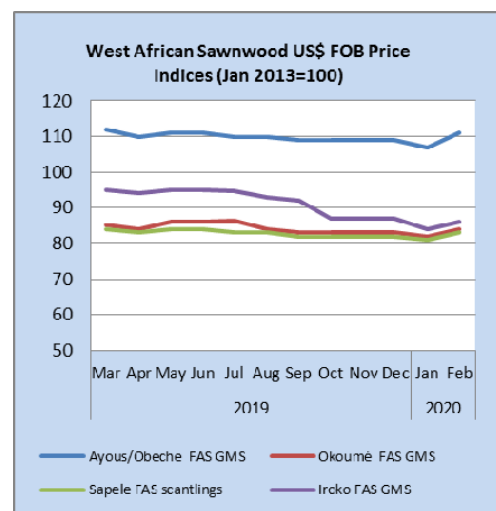
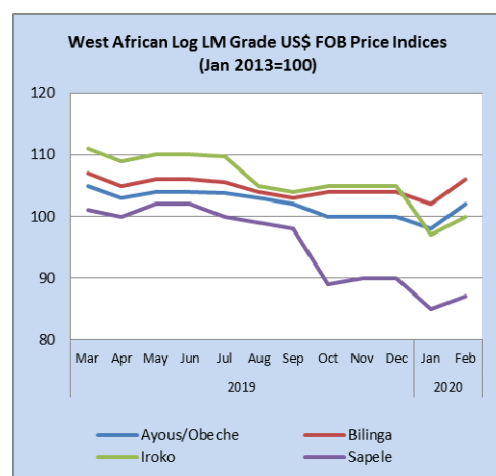
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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