

# Tropical Timber Market Report

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The ITTO *Tropical Timber Market (TTM) Report*, an output of the ITTO Market Information Service (MIS), is published in English every two weeks with the aim of improving transparency in the international tropical timber market. Its contents do not necessarily reflect the views or policies of ITTO. News may be reprinted provided that the ITTO *TTM Report* is credited. A copy of the publication should be sent to [ti@itto.int](mailto:ti@itto.int).

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## Top Story

### **Addressing declining competitiveness in international markets**

Sarawak plywood industry discussed critical issues especially the declining market share for Malaysian plywood in the Japanese market, the biggest market for Sarawak plywood. The meeting heard that Sarawak is losing market share to shippers who are more price competitive.

#### **See page 4**

The Indonesian government plans to provide some relief on the Value Added Tax and on the legality requirements for downstream wood product exporters in order to support price competitiveness in international markets.

#### **See page 5**

### **Bold ambitions and concrete Action Plan from Shanghai Timber Supply Chain Forum**

**See ITTO home page [itto.int](http://itto.int) for the press release and Key Outcomes.**

## Central and West Africa

### Output drops due to rains but still prices weakening

Exporters report there has been a decline in the prices being offered by importers even as short term availability has fallen due to poor weather conditions among other issues.

FOB offer prices for several species have dropped due to lower demand and the high level of stocks in some markets. Particularly impacted are doussie, padouk, sapelli, sipo and iroko. Prices being suggested by French importers for bosse are also said to be under pressure as are prices for sapelli and iroko for the Dutch market.

Producers say that in Belgium, a significant market for doussie and padouk, it is rumoured that some of the big importers have stated to mark down prices in an effort to clear stocks.

### Worst rains since 2012 disrupt production

Heavy rains and floods, the worst since 2012, have left around 70,000 people homeless in northern Cameroon and disrupted harvesting operations across the country. The Logone River in northern Cameroon burst its banks and forecasts suggest the heavy rain will not end until mid-December.

Analysts report some mills are already low on log stocks and will have to cut production if the weather does not improve. It is at times like this that mills that do not have a concession suffer first.

Producers in Cameroon are anxiously awaiting news on likely changes to the forestry regulations which, they fear, could do away with the system allowing the log export of so-called promotional species and changes to the log export authorisation procedures for other species.

It has been reported that around 30,000 cubic metres of logs destined for China, some of which are deteriorating, are held up in Douala Port due to a lack of shipping opportunities.

### Industry buckling under stain of heavy fines and rising off-book costs

Gabon has also experienced heavy rain which has meant some mills have cut production because logs are not arriving. Producers comment that 20 years ago heavy rain would last for just 4 or 5 days, quite different from today when it has been raining for weeks.

The other issue raised by operators in Gabon relates to the level of fines now being imposed. They say, previously, fines for infringement of forestry regulations ranged from 1-5 million CFA but now some companies say they have been required to pay fines at much higher levels.

## 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	280	280	-
Bibolo/Dibétou	215	215	-
Bilinga	275	275	-
Iroko	330	320↓	250
Okoume (60% CI, 40% CE, 20% CS) (China only)	220	220	200
Moabi	365	365	-
Movingui	210	210	-
Niove	160	160	-
Okan	220	200	-
Padouk	300	280	230
Sapele	290↓	290↓	260↓
Sipo/Utile	300↓	300	265
Tali	330	330	-

## 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	520
FAS fixed sizes	560
FAS scantlings	560
Padouk FAS GMS	650↓
FAS scantlings	675↓
Strips	350↓
Sapele FAS Spanish sizes	500
FAS scantlings	520
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

### Export up-date

According to the Timber Industry Development Division (TIDD) wood product exports in the first 7-months of 2019 totalled 176,062 cu m earning Euro 89.62 million. Of this, the export of kiln dried boules recorded an impressive year-on-year growth compared to the same period in 2018.

### Export volumes for the first seven months, 2019 and 2018

	JanJul.2018	JanJul.2019	Y-O-Y % Change
Sawnwood (AD)	143,272	106,446	-25.7
Sawnwood (KD)	29,560	25,624	-13.32
Plywood *	14,372	14,333	-0.27
Billets	21,900	13,868	-36.68
Sliced Veneer	7,299	5,551	-23.95
Mouldings	5,097	4,637	-9.02
Rotary Veneer	3,953	2,321	-41.29
Boules (AD)	623	521	-16.37
Plywood	543	1,045	92.45
Boules (KD)	61	218	257.38
Others	1,572	1,498	-4.71
<b>Total</b>	<b>228,252</b>	<b>176,062</b>	<b>-22.87</b>

Plywood\* to regional markets, Data source: TIDD

Air dried sawnwood topped the list of export products at 106,446 cu.m, but sliced veneer exports declined to 5,552 cu.m. The export of air and kiln-dried sawnwood together accounted for around 75% of total export volumes.

### Value of export products for the first seven months, 2019 and 2018

	JanJul.2018	JanJul.2019	Y-O-Y % Change
Sawnwood (AD)	85,129	53,747	-36.86
Sawnwood (KD)	18,295	15,285	-16.45
Plywood *	5,271	4,820	-8.56
Billets	8,463	5,010	-40.8
Sliced Veneer	7,858	5,419	-31.04
Mouldings	3,237	3,225	-0.37
Rotary Veneer	1,524	1,090	-28.48
Boules (AD)	338	286	-15.38
Plywood	197	417	111.68
Boules (KD)	37	138	272.97
Others	1,639	425	-74.07
<b>Total</b>	<b>131,988</b>	<b>89,862</b>	<b>-31.92</b>

\* Plywood to regional markets, Data source: TIDD

### Demand in African markets picks up

The major export markets for Ghana's wood product in the 7-months of 2019 were Asia (69%), Europe (14.5%) and Africa (12%) with America and Middle East accounting for the balance.

Demand in African markets has grown in the current year and now accounts for around 12% of total exports compared to 9% in the same period in 2018.

### Main export markets in the first seven months, 2019 and 2018



Data source: TIDD

Wood products exported to the ECOWAS regional block increased to a record 17,287 cu.m in the year to July 2019. However, there was a slight drop in the average unit price of export products to African markets, from euro 369/cu.m in 2018 to euro 344/cu.m this year. Senegal and Burkina Faso were the leading importers of Ghana's wood products in the first 7 months of 2019.

The main species exported included plantation teak, wawa, ceiba, black ofram and denya.

### Regulatory framework for Savannah woodlands

The Forestry Commission has developed a regulatory framework to ensure the sustainable management and use of Savannah woodlands. The Technical Advisor at the Forestry Commission, Dr. Kwakye Ameyaw, said the framework, which would come into force in 2020, was part of Ghana's Forestry Development Master Plan.

According to Dr. Ameyaw, the Commission was enacting this legislation to build institutional capacity to ensure that wood fuel from forest reserves as well as from private and communal lands were managed according to the national forestry development objectives and resource owners' priorities.

### Ghana's business ranking dips

Ghana rank in the latest World Bank 'Ease of Doing Business' report dropped four places to 118 for 2020 from 114 in 2019.

The Ghana's decline in rank was because the Bank determined that tax structures had become more complicated and more costly. This was caused by converting a portion of the recoverable Value Added Tax into two new levies – the Ghana Education Trust Fund and the National Health Insurance Levy.

### Boule Export prices

	Euro per m <sup>3</sup>
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	550
Niangon Kiln dry	624↑

### Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m <sup>3</sup>	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	370↑	445
Chenchen	431	542
Ogea	508	590
Essa	511	691↓
Ofram	350	435

### Export Sliced Veneer

Sliced face veneer	FOB Euro per m <sup>3</sup>
Asanfina	926↑
Avodire	721
Chenchen	1,156↑
Mahogany	1,142↑
Makore	1.433↓
Odum	1790

### Export Plywood Prices

Plywood, FOB	Euro per m <sup>3</sup>		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	339	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 Sawwood Prices

Ghana Sawwood, FOB	Euro per m <sup>3</sup>	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afromosia	860	925
Asanfina	465	564
Ceiba	404	487
Dahoma	417	484
Edinam (mixed redwood)	520	597
Emeri	465↓	557↓
African mahogany (Ivorenensis)	930	908
Makore	740	831↑
Niangon	620	633
Odum	649	917
Sapele	715	846↓
Wawa 1C & Select	420	463

## Malaysia

### Malaysian Wood Expo 2019

The first Malaysian Wood Expo 2019 will run 19 to 21 November 2019 at the Putra World Trade Centre in Kuala Lumpur. The organisers are promoting the event for its strength in networking, accessing developments in technology and brand building.

This Expo will be jointly organised by the Malaysian Timber Council and the Panels & Furniture Group of timber magazines. It is endorsed by the Malaysian Wood Industries Association (MWIA), The Timber Exporters' Association of Malaysia (TEAM), The Malaysian Panel-Products Manufacturers' Association (MPMA), Malaysian Furniture Council (MFC), Malaysian Wood Moulding & Joinery Council (MWMJC) and Association of Malaysian Bumiputra Timber and Furniture Entrepreneurs (PEKA).

### Plywood industry seeks help from State to address falling competitiveness

The Sarawak Timber Association (STA) plywood members and the Sarawak Timber Industry Development Corporation (STIDC) recently met to discuss issues facing the timber industry and how best the State government and STA members can work together to overcome these challenges.

One issue raised was the declining market share for Malaysian plywood in the Japanese market, the biggest market for Sarawak plywood. Participants at the meeting also noted that Sarawak is losing market share around the world to shippers in Indonesia, Vietnam and China who are more price competitive.

It was also noted that domestic logs are now more widely used for plywood production in Japan due to incentives offered by the Japanese government.

Over the past few years plywood production cost in Sarawak have risen due to increases in log costs and labour. It was stated that log cost have risen over 20% since 2017 because of increases in the Hill Timber Premium from RM0.80/cu.m to RM5.00/cu.m, increases in the Timber Premium (Rehabilitation & Development) from RM0.60/cu.m to RM5.00/cu.m; rising adhesive cost (+12%) and increased logistic costs per unit volume because of the reduction in harvest and hence production levels.

Added to this has been the rise in the minimum wage in Sarawak from RM9200 to RM1,100 per month in 2019. Also, from January 2018 employers are required to bear the cost of the levy for foreign workers at RM1,010 per worker. Previously, the cost was borne by employees themselves.

STA plywood producers reported they are unable to pass on the added costs to their buyers and that the only way the sector will survive is if the industry works with the authorities to restore the competitiveness of the industry.

### Sarawak - one million hectares of planted forests by 2025

Sarawak Deputy Chief Minister, Datuk Awang Tengah Ali Hasan, said Sarawak will focus on planted forests and high value-added products for its timber industry in view of declining resources from natural forests. He also said the state was targeting one million hectares of planted forests by 2025 which will become the main source of raw materials for the timber industry.

He noted there was a 12% decline in Sarawak's timber export revenues in the first three quarters of this year. Exports from the State were worth RM3.48 bil. between January to September this year, down from RM3.96bil in the same period last year.

In the first three quarters of 2019 plywood, the state's main timber export product, saw a 21% decline in export earnings to RM1.76 bil., down from the RM2.25 bil. in the same period in 2018.

Japan remains Sarawak's main plywood export market, worth RM1.7 bil. between January to September this year but this is a year on year drop of around 13%. Other major markets are India (RM394mil), the Middle East (RM327mil), Taiwan P.o.C (RM239mil) and South Korea (RM193mil).

#### Timber industry 'umbrella body' for Sabah

The Sabah State Government is looking into setting up a platform where all timber players can come together with relevant State departments and agencies to discuss and plan the development of the industry, as well as seek solutions to issues affecting the sector.

This platform will serve as an umbrella body for the Sabah Timber Industry Association (STIA), Timber Association of Sabah (TAS), Sabah Furniture Association and Sabah Bumiputera Furniture Association. Sabah, Chief Minister, Mohd Shafie Apdal, said the industry has considerable potential if it is well managed which will require commitment from the private sector and the State.

#### Major mangrove planting exercise

As part of the Mangrove and Suitable Tree Species Planting Programme, over 6 million trees have been planted along the Malaysian coastline. The planting programme involved collaboration between the Forestry Department of Peninsular Malaysia and Forest Research Institute Malaysia. This was announced during events held at the national-level commemoration of the International Day for the Conservation of the Mangrove Ecosystem.

#### Plywood prices

Traders based in Sarawak reported the following export prices:

FB (11.5 mm)	US\$610 C&F
CP (3' x 6')	US\$470–480 C&F
UCP (3' x 6')	US\$560–570 C&F
Standard 4x8 panels	
Middle East	US\$420FOB
South Korea	
(9mm and above)	US\$420 C&F
Taiwan P.o.C	US\$390 C&F
Hong Kong	US\$430 FOB

## Indonesia

#### Indonesia's lightwood potential for export to Europe

During the fourth Indonesian Lightwood Cooperation Forum (ILCF) which involved stakeholders and academics from various universities, Marolop Nainggolan, the Director for Export Development Cooperation in the Ministry of Trade said Indonesia has the potential to meet the demand of lightwood for the international market, especially in the European countries.

Marolop urged the private sector and the universities to work together to determine what the market will accept and how to competitively manufacture products for export.

#### Government relief on VAT and SVLK for exporters

The government plans to provide some value added tax (VAT) relief as well as relief on legality requirements for wood products in order to boost exports. Indonesia's Minister of Trade has reported that, on instructions from the President, he will prepare proposals for relieving some of the burden of SVLK certification which the timber industry has been requesting for some time.

The approach being considered is to require SVLK certification only of upstream segments of the timber industry and eliminate the SVLK requirement for downstream industries. Airlangga Hartarto, Minister of Trade indicated a revision of the VAT will be made for the benefit of wood product exporters. According to the Minister this new policy is intended to boost the competitiveness of the furniture industry.

The Ministry of Industry also plans to offer incentives for wood product exporters.

See:

<https://ekonomi.bisnis.com/read/20191017/12/1160313/pemerintah-siapkan-insentif-keringanan-ppn-dan-svlk-untuk-ekspor-produk-kayu>

#### Strong performance of non-wood sector

The Production of non-timber forest products (NTFPs) between January and August this year increased sharply. Data from the Directorate General of Sustainable Management of Forest Products (PHPL) in the Ministry of Environment and Forestry, NTFP production in the eight month to August increased over 80% to 263,000 tonnes, compared to the same period last year.

Johan Utama Perbatasari, Director of Environmental Services and Non-Timber Forest Products Business, said that the increase of the NTFP production was supported by application of an information system linking producers and end-users.

See:

<https://ekonomi.bisnis.com/read/20191014/99/1158626/produksi-hasil-hutan-nonkayu-indonesia-melejit>

#### Forging links between furniture designers and manufacturers

The Ministry of Industry has launched a programme to encourage the development of the Indonesia's furniture manufacturing sector. Abdul Rochim, Director General of Agro Industry in the Ministry of Industry said government support will focus on creative and innovative design concepts for the industry.

The programme will seek to bring together designers, for example those associated with the Indonesian Furniture Designers Association (HDMI), with businesses. An extensive support pack is envisaged covering compiling furniture design catalogues, conducting market assessments through prototyping and market intelligence.

See:

<https://www.gatra.com/detail/news/452770/ekonomi/pengembangan-desain-agar-furnitur-rambah-pasar-global>

## Businesses welcome news of second term for Forestry Minister, Siti Nurbaya

Siti Nurbaya Bakar's appointment as Minister of Environment and Forestry for a second term has been widely welcomed by businesses. The Association of Indonesian Forest Concessionaires (APHI) Executive Director, Purwadi Soeprihanto, commended her contribution to forestry and the timber industries over the past 5 years saying she laid the foundation for improving forest governance and provided direction for accelerating investment, especially the development of industrial timber plantations.

## 2019 forest fires more than in 2018

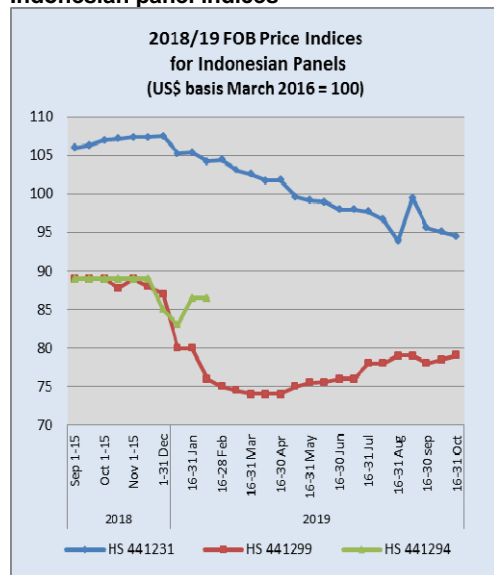
The area in Indonesia consumed by fire up to September this year has exceeded the total burnt during all of 2018 according to official data.

Raffles Panjaitan, Forest Fire Management Acting Director in the Ministry of Forestry and Environment reported that by the end of September 2019 a total of 857,756 hectares had been destroyed.

See:

<https://www.channelnewsasia.com/news/asia/indonesia-forest-fire-area-burned-haze-exceeds-2018-12020974>

## Indonesian panel indices



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

## Myanmar

### Illegal chainsaw felling an issue in Kayah State

According to the Forest Department, some 44,000 tons of illegally harvested teak and other hardwoods were seized over the past 11 months.

Of the total, over 11,250 tons, mostly teak, were seized in Kayah State in eastern Myanmar. Kayah State is bounded on the north by Shan State, on the east by Thailand's Mae Hong Son Province and on the south and west by Kayin State.

Ohn Win, Minister of Natural Resources and Environment, has urged the Forest Department to take effective measure against illegal logging especially that carried out by small time operators with chainsaws. He encouraged greater use of the Community Monitoring and Reporting System.

### Thilawa Special Economic Zone promoted at investment forum in Japan

During a recent visit to Japan, State Counsellor Daw Aung San Su Kyi, attended the Second Myanmar Investment Conference. In her address to the meeting she cited the example of a major Japanese automobile manufacturer that recently announced its intention to invest in an assembly plant within the Thilawa Special Economic Zone which she said demonstrates investor confidence in Myanmar.

Since its opening in 2015 there have been 113 investment projects approved and 76 companies have started commercial operation according to the Myanmar-Japan Thilawa Development Ltd, which oversees development of the zone.

In August, Myanmar, Japan and the US jointly announced efforts to promote responsible and ethical investment for the benefit of all the people of Myanmar and for the county's economic development.

### AMRO's 2019 Annual Consultation Report on Myanmar

Myanmar's economy picked up in the 2018/19 financial year after slowing during the six-month transition in FY18. The turn-around was supported by an improvement in business sentiment amid renewed reform momentum according to the ASEAN+3 Macroeconomic Research Office (AMRO), a regional macroeconomic surveillance organisation that aims to contribute to macroeconomic and financial stability in ASEAN.

However, AMRO says on its website risks to growth stem mainly from continued ethnic tensions, uncertainties in the global economy related to trade protectionism, geopolitical risks and energy prices.

The weak banking system remains a key vulnerability in the economy. At the same time, Myanmar also stands to gain from investment inflows due to the accelerating relocation of manufacturing into the country. AMRO concludes "Sustaining reform momentum with timely implementation is crucial".

See: <https://amro-asia.org/amros-2019-annual-consultation-report-on-myanmar/>

## Myanmar log tender prices for September 2019

### Teak logs

Grade	H.tons	Average US\$/H.ton
SG-1	-	-
SG-2	-	-
SG-4	57.75	na
SG-5	112.4	na
SG-6	120.1	na
SG-7	837.6	1,492.2

Na – not available

### Other hardwood logs

Species	Quality	H.ton	US\$ Average/H. ton
Kanyin	1st	-	-
Kanyin	2nd	1,547.8	534.3
Pyinkado	2nd	1,030.2	818.7
Ingyin	2nd	263.3	327.2

## India

### An all-out effort to boost growth – tax cuts welcomed by industry

The Indian government is considering changing the personal tax structures which, along with the recent cut in corporate taxes, the lowering of levies on foreign funds, relaxed foreign investment rules and reorganisation of state run financial institutions is aimed at boosting growth which has dropped to the slowest pace in nearly six years.

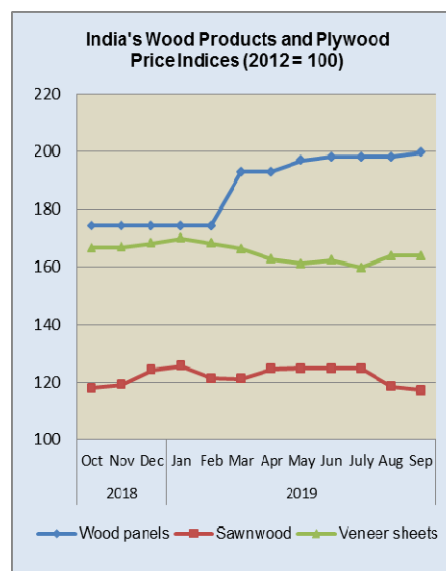
The IMF regional representative for India has said the Fund is optimistic that India's economic growth will rebound in the next financial year in response to the measures introduced by the government.

### Benign inflation makes for dull trading

The official Wholesale Price Index for 'All Commodities' (Base: 2011-12=100) for September 2019 declined to 121.3 from 121.4 for the previous month. The index for the group 'Manufactures of Wood and of Products of Wood and Cork' declined to 134.0 from 134.1 for the previous month due to lower price of composite panels and sawnwood.

The annual rate of inflation based on monthly WPI in September 2019 stood at 0.33% compared to 5.22% in September 2018.

The press release from the Ministry of Commerce and Industry can be found at: [https://eaindustry.nic.in/pdf\\_files/cmonthly.pdf](https://eaindustry.nic.in/pdf_files/cmonthly.pdf)



Data source: Ministry of Commerce and Industry, India

### Imported plantation teak

Analysts report that the timber sector has become resigned to the fact that their efforts to have the government lower the GST rates for wood products have failed for the time being.

Under the present economic conditions in the country the government and the GST Committee is in no mood to do anything that will cut government revenues, particularly as a raft of tax cuts and other measures have been implemented to try and boost growth prospects.

C&F prices for imported teak at Indian ports from various other sources continue within the same range as given earlier.

	US\$ per cu.m C&F
Angola logs	389-574
Belize logs	350-400
Benin logs	290-714
Benin sawn	530-872
Brazil logs	344-540
Brazil squares	333-556
Cameroon logs	405-616
Colombia logs	478-743
Congo D. R. logs	450-761
Costa Rica logs	357-780
Côte d'Ivoire logs	289-756
Ecuador squares	333-454
El-Salvador logs	320-732
Ghana logs	294-452
Guatemala logs	324-646
Guyana logs	300-450

Kenya logs	515-876
Laos logs	300-605
Liberia logs	265-460
Malaysian logs	225-516
Mexican logs	295-808
Nicaragua logs	402-505
Nigeria squares	434-517
Panama logs	335-475
PNG logs	443-575
Sudan logs	358-556
Tanzania teak, sawn	307-613
Thailand logs	511-700
Togo logs	334-590
Trinidad and Tobago logs	603-753
Uganda logs	411-623
Uganda teak, sawn	680-900

Price range depends mainly on length and girth.

#### Locally sawn hardwood prices

Prices have been maintained as previously reported. Recent statements by the Malaysian Prime Minister on the Kashmir issue have attracted criticism from the Indian government which has hinted of possible retaliatory economic measures aimed at Malaysia. While such measures have not been introduced, analysts report that Indian importers have cooled on imports from Malaysia.

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

While demand is at best only stable traders report that there have been improvements in that they are now more able to secure loans and credit facilities.

In addition interest rates have fallen and the recent round of economic stimulus measures could boost consumer spending and drive up demand.

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 remain unchanged.

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

Imports of competitively priced plywood manufactured in China continue to rise as mills in China seek alternative markets for plywood which previously went to the US.

Indian mills that rely on log imports for plywood manufacturing have begun to look for alternative sources shunning Malaysia because of comments made by Malaysia's Prime Minister. Analysts say local mills are looking to other South East Asian suppliers for logs.

On the business front, in an interview with the Indian press Keshav Bhajanka, Executive Director of Century Ply said his company is anticipating double-digit growth this fiscal year. He said the MDF and particleboard sectors of the business have been doing well and that the new MDF plant in Hoshiarpur is now operational. Bhajanka commented that demand for woodbased panels will depend on an improvement in the real estate sector.

Analysts note that, until recently, the Indian plywood industry was dependent on Myanmar, Indonesia and Laos for its face veneer requirements but that today the industry is turning to African shippers.

See:

<https://www.thehindubusinessline.com/companies/century-plyboards-looking-at-double-digit-growth-this-fiscal/article29774729.ece#>



### Domestic ex-warehouse prices for locally manufactured WBP plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	74.00
6mm	98.00
9mm	123.00
12mm	153.00
15mm	200.00
18mm	215.00

### Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	37.50	53.50
6mm	55.50	70.50
9mm	70.50	86.50
12mm	87.00	102.00
15mm	102.00	123.00
19mm	119.00	141.00
5mm Flexible ply	75.00	

### 'Bamboonomics' – an initiative to provide jobs

The Minister for Tribal Affairs, Arjun Munda, said his ministry will launch an initiative aimed at boosting employment in rural areas.

The focus will be on bamboo cultivation and utilization and will be managed by the government's Entrepreneurship Development Programme through the Pradhan Mantri Van Dhan scheme. The Van Dhan Scheme, launched by the Prime Minister in 2018, aims to establish skill development centres for the so-called tribal groups.

## Vietnam

### Growing opportunities to forge new business links in the US

Vietnam's exports of wood products increased significantly in the first 9 months, most notably exports to the US rose by a third. The General Department of Customs has reported exports of wood products in September reached US\$862.2 million, up 21% over the same period in 2018.

The cumulative value of wood product exports in the first three quarters of 2019 was US\$7.52 billion, up nearly 18% over the same period in 2018. The United States, Japan, China, South Korea and the United Kingdom are the major export markets for Vietnam's wood and wood products.

Vietnam's wood processing industry is taking advantages of US demand for wood products from sources other than China in an effort to minimise the impact of tariffs. Exports to the US topped US\$3.64 billion between January and September this year.

### Export earnings from wood products (First 9 months of 2019)

	US\$ 000s
USA	3,648,679
Japan	971,376
China	842,482
S. Korea	599,532
UK	235,644
Canada	128,587
Australia	108,976
France	90,035
Germany	80,661
Taiwan P.o.C	58,214
Others	758,802
Total	7,522,988

Data source: Dept. of Customs, Ministry of Industry and Trade

### Greater US surveillance of trade practices likely

Opportunities to promote exports of wood and wood products to the US market continue but so do the challenges in eliminating commercial fraud. The Vietnamese timber sector is concerned that the growing trade deficit between the US and Vietnam will lead to the US increasing its surveillance of trade practices in to protect its domestic timber industry from unfair competition.

There has been an increase in Vietnam's wood products exports to other markets such as Japan (+17.5%), the UK (+12.5%), Canada (+11%), Germany (+13%) and Taiwan P.o.C (+26%).

### Foreign investments surging ahead

According to the Foreign Investment Agency (Ministry of Planning and Investment) foreign investment into Vietnam in the first 9 months of 2019 was US\$29 billion, up 4.3% compared to the same period in 2018. Of this, some US\$16 billion has already resulted in new capacity being installed. 3,094 new projects were granted investment registration certificates, an increase of 26% year on year.

FDI flows from China and Hong Kong increase sharply in the year to September with investments from China doubling and those from Hong Kong quadrupling compared to the same period last year due, say analysts, mainly to the impact of the US-China trade conflict.

For the year to September the number of delegations visiting Vietnam was up 30% with most being from Japan, South Korea, China, Hong Kong and Singapore.

**Steady year on year increase in output from forest plantations**

According to a survey on the extractive sectors by the Brazilian Institute of Geography and Statistics (IBGE) the value of Brazilian forest production was R\$20.6 billion in 2018, an increase of 8% compared to 2017. There has been a steady year on year increase in the value of output driven by forest plantation output. However, extraction from natural forests fell 2.7% year on year in 2018.

The area of Brazil's planted forests totalled 9.9 million hectares in 2018 comprising 7.5 million hectares of Eucalyptus and 2.0 million hectares of pine, the balance being a range of species.

Wood product output expanded 8.5% in 2018 compared to a year earlier. There was a decline in 2018 output values for wood for energy generation. However, there was a rise of about 19% in the value of charcoal production.

**Export update**

In September 2019, the total Brazilian exports of wood-based products (except pulp and paper) decreased 21.6% in value compared to September 2018, from US\$ 269.6 million to US\$ 211.3 million.

The value of Pine sawnwood exports in September 2019 fell 35% year on year to US\$32.5 million from US\$50.4 million in September 2018. In terms of volume, exports declined 31% over the same period, from 237,700 cu.m to 164,300 cu.m.

Tropical sawnwood exports in September 2019 declined 38% in volume, from 55,700 cu.m in September 2018 to 34,400 cu.m in September 2019 and the value of exports dropped 47% from US\$23.5 million to US\$12.5 million, over the same period.

The value of pine plywood exports declined 49% in September 2019 in comparison with September 2018, from US\$63.7 million to US\$32.4 million. At the same time export volumes dropped 24% from 188,200 cu.m to 142,800 cu.m.

As for tropical plywood, exports decreased in volume (-56.4%) and in value (-58.2%), from 11,700 cu.m (US\$ 5.5 million) in September 2018 to 5,100 cu.m (US\$ 2.3 million) in September 2019.

**Furniture exports – 85% wooden**

The Brazilian Furniture Industry Association (ABIMÓVEL) and the Brazilian Trade and Investment Promotion Agency (APEX-BRAZIL) recently released furniture export data. This shows there was a year on year 3% fall in export earnings in September.

Between January to September 2019 export earnings grew by 0.6%, year on year but on an annualised basis there was an over 4% rise in export earnings. Over 85% of Brazil's furniture exports are of wooden furniture. The main markets for furniture exports are the United States followed by the United Kingdom and Uruguay.

**Brazil/ Mexico business round**

During the mid-September 'International Timber Week' held in Curitiba, the Brazilian Association of Mechanically Processed Timber Industry (ABIMCI), in partnership with the Brazilian Export and Investment Promotion Agency (Apex-Brazil) and the Paraná Federation of Industries (FIEP), organised business contacts for a trade mission from Mexico seeking to develop partnerships with Brazilian wood product manufacturers.

This type of event provides an opportunity for direct communication between the customer and the vendor making the path easier and speeds up the trade expansion process. Brazil's relationship with Mexico has grown. There are high expectations from both parties for expanded trade as Mexico's domestic production of wood products is not high so must import much of its timber requirements.

The National Association of Mexican Forest Products Importers and Exporters expressed a keen interest in strengthening its relationship with Brazilian companies exporting wood products.

ABIMCI intends to replicate this experience with other countries such as South Africa and countries in the Caribbean. Marketing internationally has become a challenge given the state of the global economy but such events can help forge new business links.

**Domestic Log Prices**

	US\$ per m <sup>3</sup>
Brazilian logs, mill yard, domestic	200↓
Ipê	109↓
Jatoba	102↓
Massaranduba	106↓
Muiracatiara	101↓
Angelim Vermelho	86↓
Mixed redwood and white woods	

Source: STCP Data Bank

**Domestic Sawnwood Prices**

	US\$ per m <sup>3</sup>
Brazil sawnwood, domestic (Green ex-mill)	811↓
Ipê	424↓
Jatoba	407↓
Massaranduba	371↓
Muiracatiara	360↓
Angelim Vermelho	237↓
Mixed red and white	183↓
Eucalyptus (AD)	131↓
Pine (AD)	154↓
Pine (KD)	

Source: STCP Data Bank

**Domestic Plywood Prices (excl. taxes)**

	US\$ per m <sup>3</sup>
Parica	511↓
4mm WBP	407↓
10mm WBP	332↓
15mm WBP	398↓
4mm MR	289↓
10mm MR	263↓
15mm MR	

Prices do not include taxes. Source: STCP Data Bank

**Prices For Other Panel Products**

Domestic ex-mill Prices	US\$ per m <sup>3</sup>
15mm MDParticleboard	204↓
15mm MDF	242↓

Source: STCP Data Bank

### Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m <sup>3</sup>
Ipe	1,423
Jatoba	866
Massaranduba	841
Muiracatiara	858
Pine (KD)	178

FOB Belém/PA; Paranaguá/PR; Navegantes/SC and Itajaí/SC Ports. High quality wood (no cracks / without knots) / Measuring 2,50 m in length; 15 cm wide; and 30 mm thick.

Source: STCP Data Bank

### Export Plywood Prices

Pine Plywood EU market, FOB	US\$ per m <sup>3</sup>
9mm C/CC (WBP)	277
12mm C/CC (WBP)	262
15mm C/CC (WBP)	244
18mm C/CC (WBP)	239

Source: STCP Data Bank

### Export Prices For Added Value Products

FOB Belem/Paranagua Ports	US\$ per m <sup>3</sup>
Decking Boards Ipê	2,828
Jatoba	1,450

Source: STCP Data Bank

## Peru

### Timber exports to Mexico rising steadily

According to the Association of Exporters (ADEX), in the first eight months of the year Peru's wood product exports totalled US\$80.1 million (FOB), unchanged from the same period in 2018.

China continues to be the main market for the wood products industries with a 39% share of all wood product exports but this year exports to China fell just over 9%. Mexico was the second export market accounting for 11% of exports and in the first eight months there was an almost 9% rise in the value of exports to this market.

Other markets include France and the US. In both markets demand fell in the first eight months of the year compared to a year earlier.

### Dominican Republic and Mexico the main markets for sawnwood

Sawnwood exports between January and August of this year were valued at US\$14.5 million (FOB), down around 2% year on year. The main markets for sawnwood was the Dominican Republic with a 37% share of total sawnwood exports followed by Mexico with a 34% share.

Exports of sawnwood to the Dominican Republic expanded 17% year on year in the first eight months of 2019 and there was a 9% rise in exports to Mexico over the same period. China ranks third in terms of sawnwood exports.

### SERFOR presents guide on wood products

The National Forest and Wildlife Service (SERFOR) has published an 'Explanatory Guide and Catalogue for the Identification of Wood Forest Products'.

This contains an updated list of wood products classified in terms of the origin of the product, the level of manufacturing and the suggested end-uses.

The Guide is divided into six groups: fuel and wood waste; round, squared and rough wood; sawn wood, sheets and boards based on wood; semi-finished products and other manufactured products.

This Guide was prepared with the technical support of the FOREST, USAID programme and the US Forest Service with participation of regional governments, the National Superintendence of Tax Administration (SUNAT), the Ministry of Production (PRODUCE) and the private sector.

### Seminar addresses due diligence in international timber trade

Last month ADEX and the NGO NEPCon held a seminar on "Legality in International Trade in Wood". The seminar address issues such as the system of due diligence of the wood, international timber market regulations, presenting supply chain information and evaluations, risk assessments of illegality in Peru and how these can be mitigated.

The seminar was based on the due diligence system of NEPCon which NEPCon says is recognised by the European Union (EU).

### Export Sawnwood Prices

	US\$ per m <sup>3</sup>
Peru Sawnwood, FOB Callao Port	
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1570-1655
Spanish Cedar KD select North American market	958-977
Mexican market	946-965
Pumaquiro 25-50mm AD Mexican market	637-651↑

Peru Sawnwood, FOB Callao Port (cont.)	US\$ per m <sup>3</sup>
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	534-599
Grade 2, Mexican market	489-502
Cumaru 4" thick, 6'-11' length KD	
Central American market	966-984
Asian market	1009-1052↑
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	547-568↑
Dominican Republic	671-681
Marupa 1", 6-11 length KD	
Asian market	551-591

### Domestic Sawnwood Prices

Peru sawnwood, domestic	US\$ per m <sup>3</sup>
Mahogany	-
Virola	266-295
Spanish Cedar	342-355
Marupa (simarouba)	228-238

### Export Veneer Prices

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

### Export Plywood Prices

Peru plywood, FOB Callao (Mexican Market)	US\$ per m <sup>3</sup>
Copaiba, 2 faces sanded, B/C, 8mm	349-379
Virola, 2 faces sanded, B/C, 5.2mm	478-508
Cedar fissilis, 2 faces sanded.5.5mm	766-783
Lupuna, treated, 2 faces sanded, 5.2mm	389-412
Lupuna plywood	
B/C 15mm	449-495
B/C 9mm	379-399
B/C 12mm	350-360
C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.	370-393

### Domestic Plywood Prices (excl. taxes)

Iquitos mills	US\$ per m <sup>3</sup>
122 x 244 x 4mm	508
122 x 244 x 6mm	513
122 x 244 x 8mm	522
122 x 244 x 12mm	523
Pucallpa mills	
122 x 244 x 4mm	503
122 x 244 x 6mm	511
122 x 244 x 8mm	513

### Domestic Prices for Other Panel Products

Peru, Domestic Particleboard	US\$ per m <sup>3</sup>
1.83m x 2.44m x 4mm	282
1.83m x 2.44m x 6mm	230
1.83m x 2.44m x 12mm	204

### Export Prices for Added Value Products

Peru, FOB strips for parquet	US\$ per m <sup>3</sup>
Cabreuva/estoraque KD12% S4S, Asian market	1327-1398
Cumaru KD, S4S	
Swedish market	97991098
Asian market	1085-1119
Cumaru decking, AD, S4S E4S, US market	1188-1222
Pumaquiro KD Gr. 1, C&B, Mexican market	479-554
Quinilla KD, S4S 2x10x62cm, Asian market	544-577
2x13x75cm, Asian market	756-822

## Japan

### Impact of typhoon damage on economy clouds other issues such as tax increase

A press release from Markit Economics says the Japanese economy is at risk of contracting as business activity slumped in October following the 1 October sales tax increase. However, analysts at Makit say the extent to which the tax change has pulled down economic activity has been clouded as a result of the recent typhoon related disasters which has impacted the economy.

The latest Markit survey indicates October business activity declined for the first time in three years and prospects for the year ahead are not bright.

In the October issue of its World Economic Outlook, the International Monetary Fund kept its forecast for Japan's economic growth at 0.9 percent this year and predicted that it will slow to 0.5 percent next year.

Japan's Cabinet Office downgraded its assessment of economic fundamentals to "deteriorating" after data showed that exports and production were faltering as a result of an economic slowdown in major overseas markets.

See:

<https://www.markiteconomics.com/Public/Home/PressRelease/dfd100b9b404ca994338a9d25cf0280>

### Bank of Japan ready to counter risks to growth prospects

While there is some hope that the US and China will move their 'first stage' trade deal further and news that UK will not crash out of the European Union the continued level of uncertainty in global demand suggests the US may move to cut interest rates for a third time.

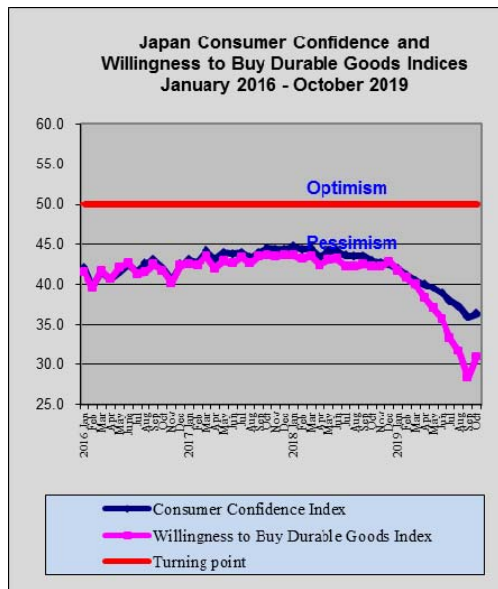
In Japan the governor of the Bank of Japan (BoJ) has said the Bank will not hesitate to lower interest rates further if it needed to ease monetary policy to counter the growing risks to Japan's growth prospects.

The stance of the BoJ governor underlines concerns on global demand prospects due to the US/China trade war. The pronouncements from the BoJ governor are clear signals that the Bank is ready to act pushing short term interest rates even lower. What the Bank fears is a strengthening of the yen against the dollar which would be bad news for exporters and the economy.

### Retail sales surge - furniture and home furnishing snapped up before tax hike

Department store sales in Japan soared 23% in September from a year earlier as consumers were out in force for last-minute shopping before the consumption tax was raised and this pushed up retail sales for the second consecutive month according to the Japan Department Stores Association.

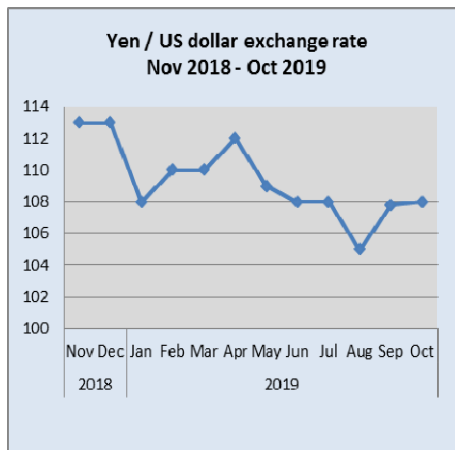
High priced items were in demand and there was a doubling of monthly sales of art, jewelry and precious metals and furniture and home furnishing also sold well. While the sales tax was one issue driving September sales, the huge year on year rise in September sales was partly because 2018 September sales were depressed due to the effect of a series of natural disasters according to the Association.



Data source: Cabinet Office, Japan

### Exchange rate remarkably stable

The Japanese yen exchange rate against the US dollar has been remarkably stable for the year to date and analysts anticipate that the yen/dollar exchange rate will be between yen 105-110 for the balance of the year. As optimism for a lowering of tensions between the US and China grow and as the UK will no longer crash out of the EU this stability should be reinforced. The current exchange rate of around 108 to the US dollar is supporting exporters who suffer when the yen strengthens.



### Another catastrophic typhoon – extensive damage to homes reported

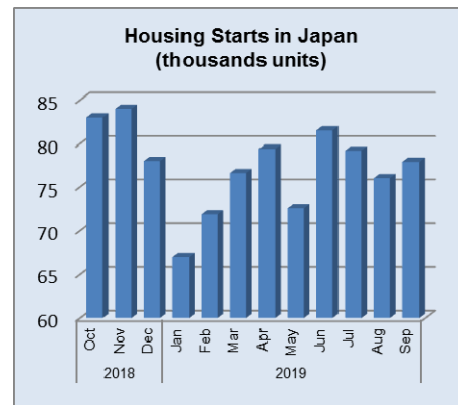
The 21st typhoon of 2019 thunder across Japan in October adding to the damage left by typhoon number 19 and inflicting damage on new areas across the country, areas that are unaccustomed to severe typhoons.

Japan's Fire and Disaster Management Agency reported on 20 October that 56,753 homes were damaged by Typhoon Hagibis (the 21<sup>st</sup> of this year) exceeding the 51,110 houses that were damaged by flooding in Western Japan in July last year.

The number of houses submerged above floor level in the 21st typhoon of the year is over four times that in July 2018 when around 7,000 houses suffered similar damage. Typhoon Hagibis was one of the severest natural disasters in recent years.

The Ministry of Agriculture has estimated the damage to the farming, forestry and fishery industries at US\$1.5 billion.

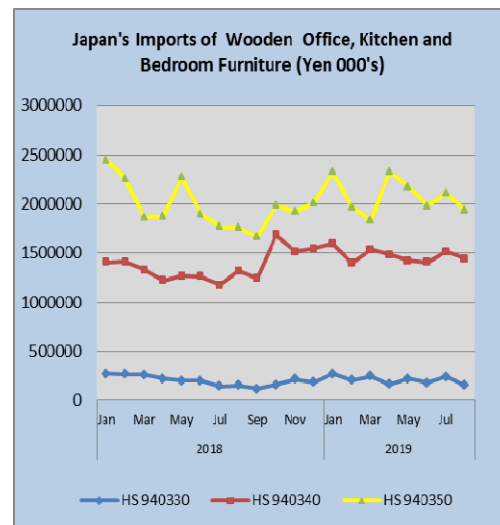
Japan's housing starts fell again year on year in September despite a slight month on month uptick.



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

### Import update

#### Furniture imports



Data source: Ministry of Finance, Japan

Japan is a major importer of wooden furniture and parts but what is often overlooked is that the country is also a significant exporter of wooden furniture shipping around US\$3.2 bil. in 2018. The table below shows exports to major regions of the world.

	2017	2018
Asia	2,824	3,259
Europe	474	535
N. America	456	423
S. America	8	0
Pacific	167	191
Others	15	12

Data source: Ministry of Finance, Japan

Shipments to Asian markets account for over 70% of all shipments of wooden furniture from Japan. China represents the largest Asian market taking a quarter of all shipments to Asian countries followed by South Korea (16%), Hong Kong (14%) and Taiwan P.o.C (13%). The second main market region is Europe where shipments enter via Denmark, Holland and Belgium.

#### Office furniture imports (HS 940330)

After the sharp year on year rise in the value of imports of wooden office furniture (HS 940330) in July, August year on year imports were flat but month on month they rose just over 35%.

#### Office furniture imports

	Imports August 2019 Unit, 000's Yen
S. Korea	-
China	114,563
Taiwan P.o.C	3,163
Hong Kong	629
Vietnam	1,481
Thailand	773
Malaysia	2,033
Indonesia	1,699
India	3,100
Denmark	-
UK	2,447
Netherlands	-
France	-
Germany	1,659
Portugal	5,494
Spain	-
Italy	676
Poland	9,448
Turkey	-
Lithuania	1,835
Slovakia	3,232
Canada	-
USA	3,338
Mexico	777
<b>Total</b>	<b>156,347</b>

Data source: Ministry of Finance, Japan

Shipments of office furniture from China surged in August and accounted for almost 75% of all wooden furniture imports. The other two significant shippers were Poland (6% of import values) and Portugal (4% of import values). Shipments of wooden office furniture from shippers outside of Asia accounted for just 28% of August arrivals.

#### Kitchen furniture imports (HS 940340)

Exporters of wooden kitchen furniture to Japan have great difficulty capturing market share from the top two suppliers, the Philippines and Vietnam which accounted for 44% and 41% respectively of all August arrivals of wooden kitchen furniture.

Year on year August import values were up 9% but month on month August imports dropped 5%. As in previous months China is not a major supplier of wooden kitchen furniture for the Japanese market neither are shippers in Europe or North America.

#### Kitchen furniture imports

	Imports August 2019 Unit, 000's Yen
China	135,964
Taiwan P.o.C	808
Vietnam	586,083
Thailand	24,757
Malaysia	10,445
Philippines	628,095
Indonesia	3,790
Cambodia	-
India	-
Denmark	-
UK	-
Netherlands	-
France	319
Germany	24,725
Spain	-
Italy	14,360
Finland	-
Romania	2,919
Slovenia	-
Czech. Rep.	-
Canada	4,725
USA	1,048
Australia	4,734
<b>Total</b>	<b>1,442,772</b>

Data source: Ministry of Finance, Japan

### Bedroom furniture imports (HS 940350)

China's dominance of Japan's imports of wooden bedroom furniture (HS 940350) extended into August as around 55% of all arrivals of wooden bedroom furniture in the month were from China.

#### Bedroom furniture imports

	Imports August 2019 Unit, 000's Yen
S. Korea	-
China	1,069,049
Taiwan P.o.C	4,302
Hong Kong	-
Vietnam	657,130
Thailand	75,266
Malaysia	58,635
Philippines	-
Indonesia	17,473
India	-
Pakistan	-
Sweden	1,501
Denmark	1,051
Netherlands	-
Belgium	-
France	-
Germany	-
Spain	-
Italy	6,211
Finland	-
Poland	29,994
Austria	-
Hungary	741
Greece	-
Romania	8,719
Turkey	1,835
Estonia	-
Latvia	876
Lithuania	2,596
Bosnia Herzogovena	-
Slovakia	-
USA	2,125
Mexico	-
Total	1,937,504

Data source: Ministry of Finance, Japan

August shipments of bedroom furniture from China were about 5% up on the value of July shipments. Exporters in Vietnam held onto their second rank in term of the value of shipments to Japan and in August accounted for 34% of all wooden bedroom furniture imports into Japan.

Year on year value of shipments of wooden bedroom furniture to Japan in August were up 10% but there was an 8% decline month on month.

#### 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>

#### Inflating ocean freight

New rule to use low sulphur oil regulated by the International Maritime Organization will be applied since January 1, 2020. This is for marine and air pollution prevention and the rule is applied worldwide.

Some shipping companies have started switching to low sulphur content fuel. The new rule regulates present sulphur content of fuel oil from present 3.5% or less to 0.5% or less. Price difference between present oil and new regulated oil is almost US\$200 per tonne so this extra cost will be added on ocean freight.

Changing to low sulphur content oil is the most convenient measure for shipping companies. Another option is to install exhaust gas purification equipment named scrubber on a ship, which is costly and takes time about a month for installation or switching fuel from oil to LNG, which means to build a new ship.

Oil prices fluctuate daily but as of October 16, price of oil of sulphur content of 3.5% or less is \$355 per ton but of oil of sulphur content of 0.5% or less is \$533 so difference is US\$180 per tonne.

For instance, in case of hauling Canadian wood pellet (loading of 25,000 tonne) with oil consumption of 700 tonne, additional cost would be about US\$5 per tonne, about more than 10% higher than present freight.

However, ocean freight fluctuate not only by oil cost but other factors like demand and supply of cargo ships and availability of return cargoes so freight is decided by individual negotiations but shipping companies are determined to pass additional oil cost onto freight.

In case of North American wood pellet, long term contract of more than ten years is normal and this additional freight factor is counted in but imported biomass fuel like wood pellet and PKS from South East Asia is largely affected by this change. Indonesian PKS freight is now US\$24-30 per tonne (full load with one port loading and one port discharging) then after fuel change, additional cost would be about US\$3-6 per tonne.

On other cargoes, shipping companies and charterers set freight once a year and to cover fluctuation of oil market, they use bunker adjustment factor (BAF) like fuel surcharge airlines use for jet fuel.

All the charterers agreed to accept BAF for cargoes like coal and iron ore for which long term contract for several years. Container ships are normally set the rate once a year in spring time.

#### **Liaison meeting for CLT use promotion**

Relative government offices held liaison meeting to discuss promotion of CLT use on September 30. Domestic CLT production increased to 80,000 cbms but the demand is about 18,000 cbms with very little growth. Buildings which use CLT were 18 in 2014, 25 in 2015, 47 in 2016, 89 in 2017, 113 in 2018 and 116 in 2019.

Number of building has been increasing steadily but amount of use of CLT is limited so total number of building does not necessarily mean increase use of CLT. Target of CLT production is 500,000 cbms by 2025 so the production continues to grow. Challenge is how to increase the demand.

Immediate issue is to reduce the cost of CLT down to yen 70,000-80,000 cbms, which is about half of present cost, which is competitive with other structures. The Forestry Agency, the Ministry of Land, Infrastructure and Transport, the Ministry of Environment continue to give subsidy to the building with CLT.

In 2019, buildings with CLT will be total of 116. By the area, Kochi prefecture has 13, Okayama prefecture has 11, Tokyo 8, Hokkaido 7, Kagoshima 6, three prefecture of Aichi, Fukushima and Ehime has 5 each. Type of building with CLT is office, multi family unit, public housing, store and warehouse. Public hall and assembly hall have been increasing since 2017. As of last July, there are confirmed 52 buildings with CLT after 2020.

#### **South Sea (tropical) logs**

With steady supply from PNG, the Japanese plywood mills carry ample log inventories as the demand for South Sea hardwood plywood does not grow. However, the log supply from South Sea countries always has uncertain factors so the plywood mills and South Sea hardwood log users always look for substituting supply of different species.

Market of free board is pausing now but demand for shop interior finishing should show up in later this year so it should get busy again. The market of imported LVL for crating and condominium stud is slow. Chinese LVL for building materials is relatively busy.

#### **Decreasing Russian log import**

Russian softwood log import for the first eight months of this year was 77,894 cbms, 15.8% less than the same period of last year. Decrease of Far Eastern larch logs is the largest after log export duty increased to 40%.

Red pine logs from Siberia were 25,808 cbms, 51.3% more and whitewood from Far East was 4,268 cbms, 26.5% more. Larch logs from the Russian Far East was 45,962 cbms, 36.2% less.

Reason of red pine log import increase is that sawmills in Japan bought more logs because of quality and shipment time of genban is uneven and soaring prices. Red pine log import in May was 6,633 cbms and 7,956 cbms in June, which were more than larch logs.

On Far East larch logs, preferred log export quota is allocated to forest products companies, which satisfy certain amount of wood processing but log suppliers which have no such processing are imposed 40% export duty.

The duty rate would be raised by 20 points more in 2020 so availability of Far East larch logs will be much tighter. Import of larch logs was almost 100,000 cbms in 2018 but it will be far less this year. The export prices have not changed much at about US\$190 per cbm CIF on red pine and US\$190-200 on larch.

Meanwhile, lumber import for the first eight months was 446,597 cbms, 0.4% more but low grade lumber is getting larger in volume so the market is divided into two of high to medium grade and low grade. Low grade market is weak with heavy inventory.

#### **Import of European lumber through polar route**

Tomakomai wharf and port management union in Hokkaido has done trial shipment of European lumber through polar route. Chinese shipping company, Cosco group's ship sailed Helsinki, Finland on September 13 and arrived Tomakomai's container terminal on October 9 through Arctic Ocean and unloaded 20 40 feet containers of European lumber.

Voyage through Arctic Ocean from Europe is more than 10 days shorter than the route through Suez Canal but the Arctic Ocean is not navigable in winter time with solid ice so the navigable season is limited from July through October.

Cosco makes about 50-60 times of the trip a year by this route from Europe to China and Tomakomai Port considers to use this route not only import but also export business. This is newly developed route after ice is reduced by global warming and advanced ice breaking ship.



### **Global wood products network to encourage green supply chains**

Forest enterprises, timber associations, governments and intergovernmental organizations agreed during the recent forum “Together Towards Global Green Supply Chains – A Forest Products Industry Initiative” held in Shanghai 22-23 October 2019 to create a voluntary network among forest managers, producers, traders, the processing industry and consumers to add value to forests through the recognition of their economic, social and environmental values and the incorporation of legality and sustainability in all forestry operations.

The Global Green Supply Chain (GGSC) Network a Chinese private sector initiative, which will be maintained by a coalition of forest companies and other wood-industry stakeholders committed to legal and sustainable supply chains, pledged to help build “a collaborative network of global green supply chain to promote the sustainable development of forest industries and contribute to the conservation and sustainable use of global forest resources”.

The Network is open to all interested parties worldwide, including stakeholders in producer countries, companies along the supply chain and consumer groups.

For more see:

[https://www.itto.int/news/international\\_forum\\_creates\\_network\\_to\\_encourage\\_global\\_green\\_timber\\_supply\\_chains/](https://www.itto.int/news/international_forum_creates_network_to_encourage_global_green_timber_supply_chains/)

### **Value of China's forest industry output set to rise**

According to the State Forestry and Grassland Administration (SFGA) the output of high-quality forest products will increase significantly, the trade in forest products will expand and the total value of forestry industry output in China will increase by more than 50%. Output of the main commercial forest products in 2025 has been forecast to be 250 million tonnes worth US\$240 billion.

The total value of China's forestry sector output in 2018 was RMB7.33 trillion and the value of China's forest products trade reached US\$160 billion. The forestry sector in China is making a significant contribution to the national economy.

### **Industry to face soaring logistics costs**

The recent devastating collapse of the Wuxi overpass in Jiangsu Province has highlighted the problem of overloaded vehicles thought to be the main cause of the collapse. The authorities have begun a campaign to crack down on overloaded vehicles and trains.

Road and rail transportation is a critical cost centre for the timber industry and until now there has been little enforcement of transport regulations which has encouraged transport companies to exceed load limits in order to boost income.

Analysts point out that road transportation cost in Jiangsu Province have been rising fast and that many industries have come to rely on rail freight car transportation and will now face soaring logistics cost if load limits are enforced.

See:

[https://www.wood365.cn/Industry/IndustryInfo\\_262667.html](https://www.wood365.cn/Industry/IndustryInfo_262667.html)

### **Regional furniture manufacturing centres**

China's main furniture manufacturing centres are distributed across four provinces, namely Guangdong, Zhejiang, Jiangxi and Liaoning Provinces.

The China Redwood furniture manufacturing base, the capital of China furniture materials, the first town of China furniture export and the famous town of China Classical furniture are in Guangdong Province.

The hometown of the China chair industry and China European style classical furniture manufacturing base are in Zhejiang Province.

The China metal furniture industry base is in Jiangxi Province and China wood furniture manufacturing base is in Liaoning Province.

### **Increased subsidies for timber enterprises**

The Guangxi government has formulated a package of support to promote stable growth of ten major industries including iron and steel, nonferrous metal, cement, petrochemical, cinnamon wine, grain and oil processing, thermal power, wood processing, electronic information and repair and shipbuilding.

The financial support includes RMB200,000 to support enterprises as they increase their output value; RMB200,000 to support new projects and RMB100,000 to support enterprise participation in exhibitions and marketing activities.

### **Pollution emission permit for particleboard plant in Fujian Province**

Furen Wood Industry (Fuzhou) Co., Ltd. recently received the environmental emission permit for particleboard production as it met the latest standard (HJ1032-2019) from the Ministry of Ecological Environment. After strict evaluation the company was the first to secure an environmental pollution emission permit for wood-based panel production in Fujian Province.

Furen Wood Industry (Fuzhou) Co., Ltd. has invested in environmental protection measures in recent years especially in the area of pollutant discharge. The factory has retooled its dust removal equipment and added wet electrostatic tail gas treatment technology. The pollutant particles discharged are now less than the limit value which has been confirmed by the Ministry.

### Guangzhou Trading and Distribution Center to be completed in 2020

It has been reported that Ganzhou Trading and Distribution Center is expected to be completed in early 2020. The total investment of this centre is RMB600 million and it occupies 9 hectares.

The total built-up area is 53,000 square metres and it will be the first centre integrating supply chain finance, import and export trade, logistics and a timber trading platform. The project is expected to handle over 1 million cubic metres of wood products annually.

### Guangzhou Yuzhu International Timber Market Wholesale Prices

	Logs	Yuan/Cu.m
Merbau	dia. 100 cm+	4000-6000
Bangkirai	dia. 100 cm+	3200-4600
Kapur	dia. 80 cm+	2700-3000
Ulin	All grades	6500
Lauan	dia. 60 cm+	
Kempas	dia. 60 cm+	2000-3000
Teak	dia. 30-60 cm	8500-8600
Greenheart	dia. 40 cm+	2300-2400
Purpleheart	dia. 60 cm+	3000-4500
Pau rosa	dia. 60 cm+	2800-3000
Ipe	dia. 40 cm+	3200-3400
<b>yuan per tonne</b>		
Cocobolo	All grades	40-70000

	Logs	yuan/cu.m
Merbau	dia. 100 cm+	4-6000
Bangkirai	dia. 100 cm+	3200-4600
Kapur	dia. 80 cm+	2700-3000
Ulin	All grades	6500
Lauan	dia. 60 cm+	-
Kempas	dia. 60 cm+	2000-3000
Teak	dia. 30-60 cm	8500-8600
Greenheart	dia. 40 cm+	2300-2400
Purpleheart	dia. 60 cm+	3000-4500
Pau rosa	dia. 60 cm+	2800-3000
Ipe	dia. 40 cm+	3200-3400
<b>yuan per tonne</b>		
Cocobolo	All grades	40-70000

### Sawnwood

	Sawnwood	yuan/cu.m
Makore	Grade A	9800-11800
Zebrano	Grade A	9500-12500
Walnut	Grade A	9500-15000
Sapelli	Grade A	5000-7500
Okoume	Grade A	3700-4700
Padauk	Grade A	15000-18000
Mahogany	Grade A	6500-7500

Sawnwood		yuan/tonne
Ulin	all grades	9000-10000
Merbau	special grade	7500-9500
Lauan	special grade	4300-4700
Kapur	special grade	5000-6000
Teak	special grade	14000-22000

### Zhangjiagang Timber Market Wholesale Prices

Logs, All grades	Yuan/tonne
Sapelli	3000-4000
Kevazingo	8000-32000
Padouk de afric	2400-3100
okoume	1400-1800
Okan	2400-2800
Dibetou	2200-2500
Afromosia	5500-6500
Wenge	4700-5500
Zingana	3400-4800
Acajou de afica	3000-3500
Ovengkol	3100-3600
Paorosa	5900-6600
Merbau	3500-5800
Lauan	1800-2020
Kapur	2020-2500
Keruing	1700-2200
Geronggang	1600
kauri	1700-1850
Amoora	1900-2080
Calophyllum	2150-2350
Red ganarium	1300-1400

Sawnwood		yuan/cu.m
Cherry	FAS 2 inch	9000-10000
Black walnut	FAS	15000-18000
Maple	FAS	8200-10000
White oak	FAS	7500-13000
Red oak	FAS	6500-8300
Finnish pine	Grade A	2600-2900
Maple	Grade A	9000-9500
Beech	No knot	9000-9500
Ash	No knot	5600-6300
Basswood	No knot	2800-3300
Oak	No knot	5300-5700
Scots pine	No knot	2100

## Europe

### Brexit uncertainty dampens UK demand for tropical timber

After a reasonable start to the year, UK tropical timber importers report a marked slowdown in business in recent months which they attribute to market nerves surrounding the country's still unresolved future relationship with the EU.

Despite a "do or die" pledge by the prime minister to ensure the UK left the EU by 31st October 2019, the end of the most recent extension period granted by the EU27 in March, this deadline has been missed as the UK parliament again failed to ratify the withdrawal agreement in time.

The EU27 has now agreed to a further Brexit extension until 31 January 2020, while the UK will hold parliamentary elections in December in the hope that there will be sufficient support in the country for a new government capable of breaking the deadlock.

But there's no certainty that this will be achieved through an election, or of the new government's likely policy in relation to Brexit. The main parties are entirely split on this issue, the Conservative party being in favor of pushing on with the withdrawal process, the Labour party expected to campaign on a platform supporting a new referendum, and the Liberal Democrats wanting to stop the withdrawal process in its tracks and return to the EU.

This highly uncertain political situation has contributed to a wider economic slowdown in the UK, characterized by declining business and consumer confidence and rising risk aversion.

### UK economic sectors contracted in the third quarter of 2019

UK economic volatility is reflected in the variation in forecasts for GDP growth. PricewaterhouseCooper predicts 1.4% for 2019, similar to growth in 2018, falling to 1.3% in 2020.

However, the National Institute for Social and Economic Research expects growth to be 1.2% this year and 1% next, revising those figures down to 1% and 0% in the event of a no-deal Brexit.

According to IHS Markit and the Chartered Institute of Procurement and Supply (CIPS), all main UK economic sectors, services, manufacturing and construction, contracted in the third quarter of 2019, while unemployment rose, principally due to redundancies in retail and manufacturing.

The UK's trade gap did improve over the summer, but this was attributed to companies slowing down or ending their pre-Brexit stockpiling, which saw imports rise earlier in the year.

With a fall of 1.2% in September, the British Retail Sales Consortium reported that average monthly consumer sales growth over the year was just 0.2%, the worst since 1995, with Brexit related political and economic uncertainties again cited as a factor.

Construction and property repair, maintenance and improvement, the key sectors for the timber industry, including tropical, have also both seen overall performance declines this year.

According to the Construction Products Association's (CPA) latest autumn forecasts, overall construction output in 2019 will contract 0.1% compared to growth of 0.3% in 2018. Since the summer it has also revised down predictions for growth for 2020 and 2021, from 1% and 1.4% to 0.5% and 0.9% respectively.

The CPA also cites the IHS Markit/CIPS UK Construction Purchasing Managers Index (PMI) which fell in September to 43.2 (and any figure below 50 indicates a decline in activity). This was the fifth consecutive monthly fall and the second sharpest since 2009.

Commercial construction was the worst performing sector, according to the PMI – and the CPA predicts it will shrink through 2021. But investment in retail construction and shop fitting, an important market for tropical timber, has also shown decline. This is partly attributed to the wider fall in consumer sales, but also increased online shopping.

Public and private sector housing is predicted to contract 0.1% this year and grow 0.5% in 2020 and 0.9% in 2021. Infrastructure growth is expected to do better, albeit falling from 11.2% this year, to 3.7% in 2020, before recovering to 4.1% in 2021. The repair, maintenance and improvement market (RMI) for private sector housing is predicted to contract 2% in 2019, then remain flat in 2020 and 2021. Public sector RMI is also forecast to stagnate over the three years.

### Economic downturn slowing tropical timber sales

Interviews with UK timber importers indicate that the wider economic downturn is now feeding into a slowdown in tropical timber sales.

“The usual post-holiday period market pick-up just does not seem to have materialised,” said one UK importer/distributor. “People have become very aggressive for business and at the same time we’re seeing less forward ordering and increasing late payment from customers. We’ve had more bad debt in the last three months than in the last three years. I know fellow importers have cut back their buying as a result.”

He went on, “there’s perhaps a delayed reaction in terms of tropical wood coming into the market due to the long lead times – reducing your African supply especially is like slowing down an oil tanker, it takes time. However, we have heard of other importers taking the short cut and renege on tropical contracts.”

A continental based tropical supplier to the UK took a similar view. “General UK trade has become very competitive, with some UK businesses offering African timbers at very low prices that will be difficult to replace going forward,” they said.

“We’re seeing orders becoming more just-in-time, with customers buying little and often,” said an importer. “Others have just told us they’re putting projects – and orders – on hold.”

High levels of tropical timber stock currently on the ground in the UK are attributed to this wider slowing of the economy, but also importers, like their counterparts in other industries, stockpiling in advance of the original March Brexit date. This was to hedge against customs and port delays anticipated immediately afterwards

One company said this tactic was largely the preserve of larger tropical operators. “To increase your stock, you’ve got to be able to access the supply, have the money to pay for it and somewhere to put it,” they said. “In hardwood, that’s a limited number of businesses.”

But analysis of the latest Eurostat Comext data does show an overall increase in UK tropical timber and wood products imports, including furniture, in the first half of 2019. Importers believe pre-Brexit buying, notably in tropical plywood and furniture, is one reason for it.

#### **UK tropical wood product imports up in the first half of 2019**

Total UK tropical wood product imports in the first half of 2019 were up 13% to 312,000 tonnes. Biggest increases were seen in mouldings and decking, 56% ahead at 6,900 tonnes, flooring, up 42% to 1,500 tonnes, sawn timber, up 20.6% to 36,000 tonnes, wood furniture up 15.4% at 108,620 tonnes and plywood 13.8% at 104,000 tonnes.

Decreases came in tropical log imports, 64% down to 1,040 tonnes and sleepers, 18.4% lower at 1,150 tonnes.

In terms of supplier country, greatest growth came in tropical wood imports from China (mainly plywood), ahead 79.8% at 54,970 tonnes.

Imports from the Republic of Congo were 25% up at 5,810 tonnes, Brazil 19.3% at 6,630 tonnes, India 16.5% at 7,870 tonnes and Cameroon 16.1% at 9,330 tonnes. Of the other top three suppliers, Vietnamese imports were 8.3% ahead at 52,530 tonnes, Malaysian 2.7% at 68,180 tonnes and Indonesian 0.9% at 59,000 tonnes.

Considering just tropical sawn wood, the largest UK suppliers in the first half of 2019 were Cameroon, with sales up 23.4% at 9,080 tonnes, Malaysia, 1.9% down at 5,250 tonnes, Republic of Congo, up 22.8% at 5,690 tonnes, and the Democratic Republic of Congo, up 61.4% at 3,230 tonnes. Imports from Brazil were up 117.1% to 2,350 tonnes. Indirect imports from the Netherlands also increased, up 58.1% at 3,200 tonnes.

In tropical plywood, biggest suppliers to the UK during the six month period were China, up 80.6% at 54,960 tonnes, Malaysia, down 32% to 16,810 tonnes and Indonesia, down 14.2% to 17,810 tonnes.

UK importers generally expect that tropical imports will plateau in the second half of 2019, or even contract due to weakening economic conditions, increased market caution and the high stock levels built up over the preceding six months.

Looking to the longer term one importer suggested that, due to the pent up demand for housing in the UK and RMI work, “once Brexit is resolved and the market settled, business could recover quite quickly”. The question, said another, is when that will be. “A pickup is not on the cards as far as I can see ahead,” he said.

#### **UK to extend timber legality requirements after Brexit**

UK tropical and other timber importers were urged to evaluate the impacts for their businesses of a no-deal Brexit and prepare accordingly at October’s UK Construction Week (UKCW) exhibition.

At the UKCW, the biggest UK building industry show, the UK Timber Trade Federation (TTF) and the country’s EU Timber Regulation and FLEGT Competent Authority, the Office for Product Safety and Standards (OPSS), teamed up to present on the implications of Brexit for importers’ responsibilities under the EU Timber Regulation, or the UK Timber Regulation (UKTR) as it will be known after the country’s EU departure.

Representing the TTF, head of sustainability Xiao Ma said importers should prepare for a no-deal Brexit and the UK trading under World Trade Organisation rules as there was currently no certainty that a deal would be struck at present, or what repercussions it might have for UK timber importing.

While the UK is assimilating the EUTR, as the UKTR, into post-Brexit UK law, Ms Ma said that, under its terms, all timber imports from the EU, whether they are transiting the latter or originate from EU countries, will have to undergo UKTR due diligence.

Currently, she said, just 12.62% of UK timber imports are sourced from outside the EU and subject to EUTR due diligence.

“That means that a lot more UK timber importers after Brexit will have to undertake due diligence, many of them for the first time,” said Ms Ma.

Running through the due diligence procedure, she said, it requires full product information, including product type, timber species, quantity, supplier name, plus information on the country of origin and details of the supply chain. Supporting documentation is required and a summary of risks of illegality involved. If the risk is greater than negligible, importers must detail mitigating action.

“The key for UK companies is to liaise with EU suppliers as soon as possible,” said Ms Ma. “EU companies need to know the information required of them and UK importers if the supplier is willing to share it. Some EU suppliers may regard details of their supply chains, as commercially sensitive and confidential and be reluctant to divulge them.”

Importers, she advised, should also ‘prioritise engagement’ with EUTR/UKTR issues, focusing first on more complex supply chains.

Bhaven Bhatt, enforcement team leader at the OPSS, stressed that the meaning of the term ‘operator’ for UK importers will also change on Brexit. Previously the ‘operator’ was the importer who ‘first placed’ timber on the EU market. Under the UKTR that will be ‘first placed on the UK market’.

Similarly the definition of a ‘trader’ will change from a company that buys or sells a product already placed on the EU market to one who buys and sells goods already placed on the UK market.

Under those terms, operators will have to undertake due diligence on their suppliers, and traders to identify operators or traders who have supplied them, and, where applicable, the traders to whom they sell.

Likewise, EU companies which buy timber products from the UK will be classed as ‘operators’ and have to undertake due diligence on their suppliers under the EUTR.

In terms of its implementation of the UKTR, the OPSS says it will operate as it did with the EUTR on the basis of illegality risk assessment of product, source of supply and supply chain. The difference will be that this risk assessment will now be extended to EU countries and suppliers.

OPSS Environmental Enforcement & Compliance Team Manager Deanne Hughes said that initially post Brexit, some allowance would be made for companies undertaking due diligence for the first time to enable them to bed systems in. It will also provide guidance on UKTR observance.

“Of course we will enforce the regulation, but we will also focus in the early days on supporting companies’ compliance with its requirements,” she said. “However, we will expect others who import from outside the EU and are already experienced in due diligence, to immediately apply the same processes to the same standard to imports from the EU.”

The OPSS said it is also focused on continuing improvement of its administration of the EUTR/UKTR.

“We are sharing information with other stakeholders, developing relationships with NGOs and other bodies and advancing scientific testing of timber,” said Bhaven Bhatt. “We’re currently working with London’s Kew Gardens, the Department for Environment (DEFRA) and other stakeholders to create a collection of timber samples that include GPS tracking to increase capacity for origin testing.”

The OPSS also reports its third successful prosecution of a company for breaching the EUTR. The business is a Birmingham-based furniture importer, although further details were not available at the time of publication.

Earlier this year, the UK also pledged continued commitment to developing its relationship with and imports from Indonesia under the Forest Law Enforcement, Governance and Trade initiative (post-Brexit, as part of a bilateral economic, environmental and development cooperation).

The official statement from talks was that the two would work together to ‘maintain FLEGT timber trade once the UK leaves the EU’.

This agreement builds on a ‘statutory instrument’ introduced by the UK Government last year, making ‘minor and technical amendments to the existing [EU FLEGT] legislation to ensure it is operable after exit from the EU’. These changes included amending references to the EU, EU institutions and EU administrative processes to UK equivalents and updating legal references to refer to relevant UK legislation.

“The intention is to have a UK Timber Regulation (UKTR) and UK Forest Law Enforcement Governance and Trade regulation (UK FLEGT) that tackle illegal logging and ensure the demand for, and supply of, legally harvested timber for the UK market,” stated the government memorandum on the instrument. This also involves a UK/Indonesia FLEGT Partnership Agreement replicating the EU FLEGT VPA.

However, the OPSS points out that there will be a difference in UK administration of FLEGT post-Brexit. “While FLEGT-licensed goods imported direct from Indonesia will be able to be imported without further due diligence [under the UKTR], if they enter the UK via EU and EEA countries, the UK importer will be responsible for carrying out due diligence,” it stated.

Some feel the increased administrative burden resulting from UK companies having to put all timber imports from the EU through UKTR due diligence, including FLEGT-licensed goods transiting the EU, could lead to a narrowing of the importer pool.

“We saw this when the EUTR was introduced, with smaller operators in particular opting to become ‘traders’ to avoid doing due diligence and minimise their risk. Instead, they sourced from larger UK importers with more resources and know-how in this area,” said one company. “We may see another wave of this after Brexit.”

At the same time, others saw EU and UK Timber Regulations ultimately operating smoothly alongside one another and also the UK continuing to work with the EU on the development of EU/UK FLEGT initiatives.

“First most timber, including tropical, coming from the EU is likely to be considered low risk under a UK timber regulation because EU importers will have put it through their own due diligence,” said an importer-distributor.

“Also the UK was a major advocate of both EUTR and FLEGT and it won’t want to put at risk what’s been achieved with either in terms of combating illegal timber trade. There may be initial teething problems immediately after Brexit, but both sides will want to see continued close collaboration in this area. That should include, for instance, ongoing liaison and intelligence sharing between competent authorities in the UK and the EU. After all, we ultimately share the same ambition, to keep illegal timber out of our markets.”

## North America

### **Largest hardwood mill closes as trade war impacts industry**

Tacoma, Washington-based Northwest Hardwoods will close its Mount Vernon, Washington and Maury River, Virginia mills in November, laying off 100 employees. The largest US hardwood supplier said the decision was made “as prospects dimmed for a quick resolution to the US/China trade dispute”.

According to the White House a “phase one” agreement with China has been reached. This halted a proposed October tariff hike. Both sides are working toward a deal for November’s Asia-Pacific Economic Cooperation summit in Chile. But any possible trade deal with China now being negotiated might not be broad enough to save US hardwood timber companies from layoffs, cutbacks and closings, say analysts.

Chinese tariffs imposed on exports of red oak, walnut and other hardwoods have cut almost 50% of the revenue in the industry since 2017, according to the American Hardwood Export Council.

Lumber companies have responded by closing sawmills and eliminating shifts. Since the trade war with China commenced, the value of exports of US hardwood lumber dropped by almost 57% to US\$54 million in August, from US\$124.8 million in August 2017, according to AHEC.

### **Housing starts decline in September, but indicators suggest slowdown is temporary**

Construction of new houses in the U.S. fell more than 9% in September, but a recent surge in permits suggests the decline in so-called housing starts is just a brief pause in a real estate market recently reinvigorated by lower mortgage rates. Housing starts slid to an annual rate of 1.26 million last month from a revised 1.39 million in August, the government said Thursday.

The slowdown was concentrated in new buildings with five units or more that typically get rented. Permits to build new houses, meanwhile, fell about 3% to a 1.39 million annual pace. The number of permits filed was nearly 8% higher compared to a year earlier, however.

Work on new houses slowed in all four regions, with the Northeast and Midwest experiencing the biggest declines. Construction of apartments, condominium complexes and other projects with five units or more sank 28% in September. That type of new construction can swing sharply from month to month.

New construction on single-family homes rose slightly to an annual rate of 918,000, marking the highest level since the start of 2019. Single-family starts have risen for four months in a row and are 2.8% higher compared to a year ago.

Construction has perked up following a steep decline in interest rates. A 30-year fixed mortgage, for example, has tumbled to as low as 3.5% from more than 5% a year earlier.

Industry observers believe builders still aren’t producing enough new houses to satisfy demand, however, and they are unlikely to dramatically scale up construction in light of fresh worries about the health of the U.S. economy. That’s keeping home prices higher than they otherwise would be and effectively capping overall sales.

Existing-home sales in the U.S. receded in September following two consecutive months of increases, according to the National Association of Realtors. Total existing-home sales declined 2.2% from August to a seasonally adjusted annual rate of 5.38 million in September. Despite the decline, overall sales are up 3.9% from a year ago (5.18 million in September 2018).

Existing-home sales in September dropped in every region compared to the month prior. Compared to last year, September sales increased in three of the four major regions, while neither growing nor declining in the Midwest. Median home prices in every region increased from one year ago.

**US job growth continues to slow**

U.S. job growth slowed a bit in September, with 136,000 new jobs added to the U.S. economy, compared to 168,000 (revised) positions created in August, according to the latest jobs report from the U.S. Bureau of Labor Statistics.

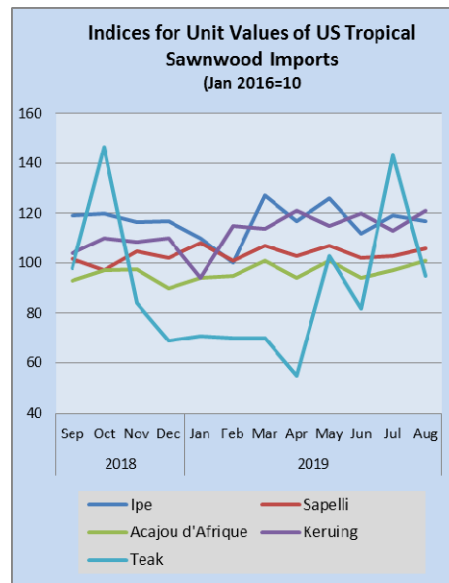
The unemployment rate dropped to 3.5%. That’s the lowest rate of unemployed Americans recorded since December 1969. However, the U.S. economy lost 2,000 factory jobs and 11,400 retail positions. This suggests that the U.S. trade war with China is hurting industries that depend on exports and imports.

**US Manufacturers Report - new orders, production and employment contracting**

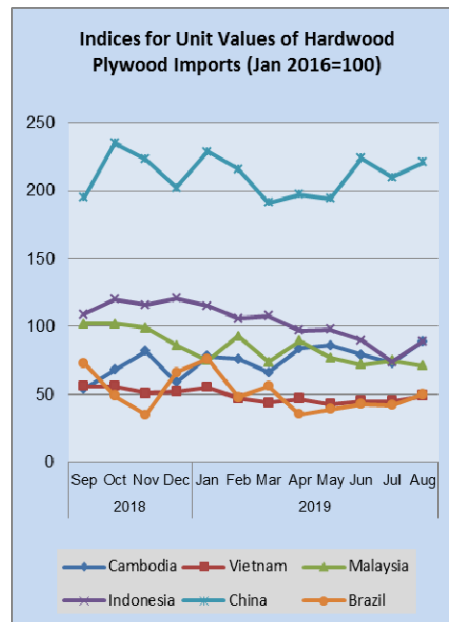
Economic activity in the manufacturing sector contracted in September, and the overall economy grew for the 125th consecutive month, say the nation’s supply executives in the latest Manufacturing Institute for Supply Management (ISM) Report on Business.

The ISM’s measure of the health of the U.S. manufacturing industry fell for the sixth straight month, to a level not seen since June 2009, the last month of the Great Recession. Manufacturing employment, new orders, and production all contracted in September. Wood products manufacturers also reported contraction in all three areas.

“Global trade remains the most significant issue, as demonstrated by the contraction in new export orders that began in July 2019. Overall, sentiment this month remains cautious regarding near-term growth,” the ISM report said.



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.

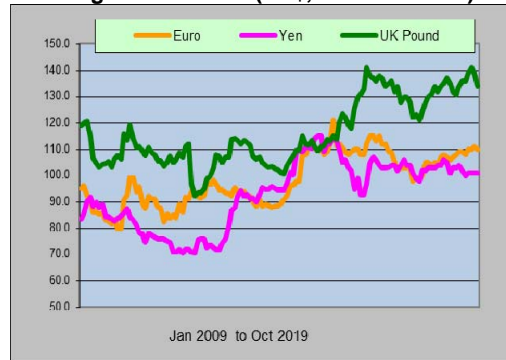
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

## Dollar Exchange Rates

As of 25th October 2019

Brazil	Real	3.9992
CFA countries	CFA Franc	591.22
China	Yuan	7.0658
EU	Euro	0.90
India	Rupee	70.89
Indonesia	Rupiah	14025
Japan	Yen	108.88
Malaysia	Ringgit	4.1831
Peru	New Sol	3.38
UK	Pound	0.7771
South Korea	Won	1167.55

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

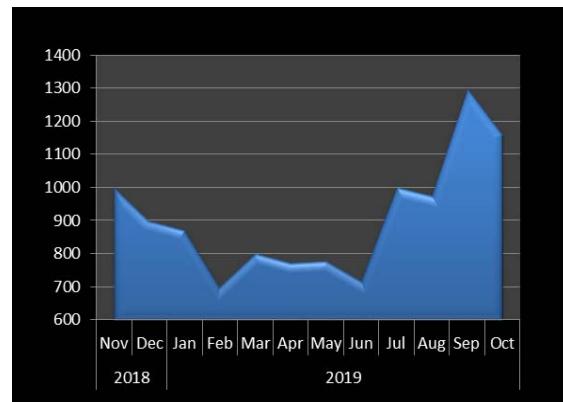


## Abbreviations and Equivalences

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 Freight Index

Baltic Supramax Index  
November 2018 – October 2019

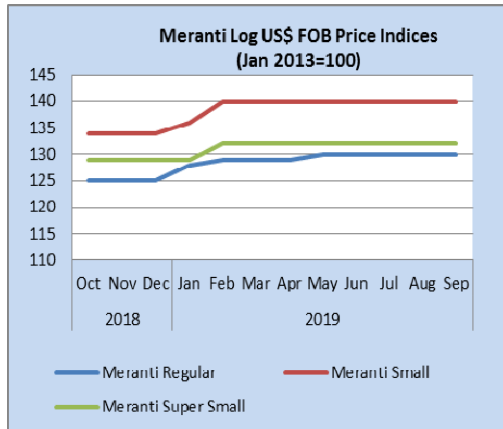


The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

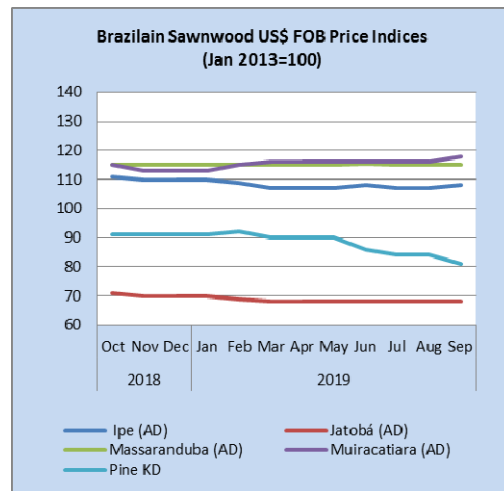
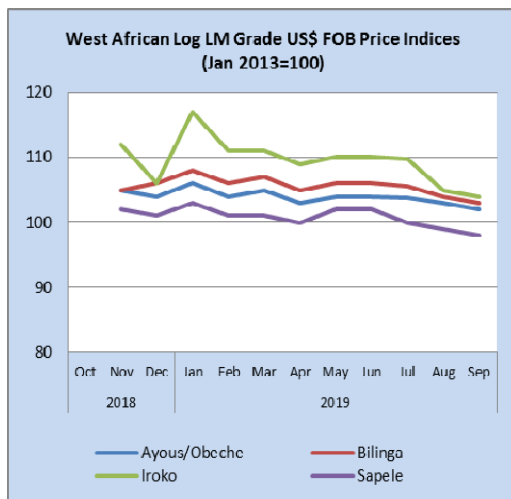
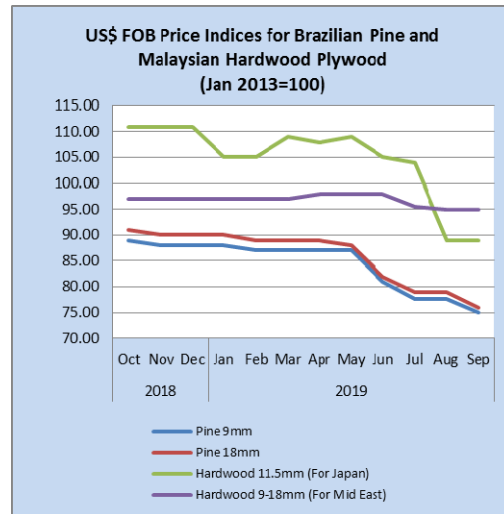


**Price indices for selected products**

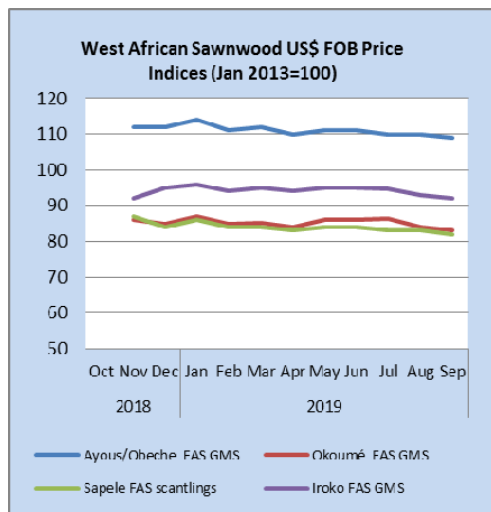
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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