

# 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

### **PNG raises log export taxes**

The PNG Forest Industries Association issued a sharp response to the increase saying "This is the second time the Government has breached the agreement reached with industry to limit export tax to 28.5% of sales value. The new rates of tax announced of up to 50% are unsustainable and threaten the very survival of any forest industry in the country."

See

[http://www.fiapng.com/PDF\\_files/BUDGET\\_FAILS\\_OBJECTIVES.pdf](http://www.fiapng.com/PDF_files/BUDGET_FAILS_OBJECTIVES.pdf)

The ITTO Annual Market Discussion was held 3 December in conjunction with the 55th International Tropical Timber Council meeting in Lome, Togo.

The report on the Market Discussion can be found on page 23.

## Central and West Africa

### Downward pressure on FOB prices continues

Despite the production cuts in Cameroon FOB prices remain relatively stable but there has been continued downward pressure on prices of sapelli, sipo and padouk sawnwood and logs and tali sawnwood prices have also fallen further.

Traders report that there have been large shipments of kevazingo logs from Equatorial Guinea to China and this has pushed landed stocks in China to a high level which has brought down prices. This information cannot be confirmed and may be intended to mislead and lower the price expectations from sales of seized kevazingo in Gabon.

### Further scandals in Gabon unsettle businesses

The news in Gabon has been dominated by the recent arrest of several senior people including the former Energy Minister, the former Oil Minister and other government officials.

The arrests are reportedly in relation to money that disappeared from the Gabon Oil Company. While this, fortunately, does not involve the timber sector the arrests have unsettled businesses in the country.

On a more mundane note, producers report it is not possible to transport timber or wood products on Highway 1 between kilometer 27 and 80 as the road is blocked for repairs.

### Cameroon producers moth-ball logging equipment citing weak demand

Analysts report that in Cameroon several Chinese concession holders did not renew their concession agreements citing the weak market conditions in China and in other markets.

However, the large foreign owned companies are operating as usual but have reduced harvest levels and have withdrawn much of their harvesting machinery to the workshop.

The mood is such that producers are not adding to stocks but simply producing to meet current orders. It is rumoured that one large operator has 'moth-balled' 70 dozers and loaders along with 40 trucks.

## Log export prices

| West African logs<br>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  | 340               | 320  | 250  |
| 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                                       | 280               | 260  | 230  |
| Sapele                                       | 280               | 200  | 250  |
| Sipo/Utile                                   | 280↓              | 280↓ | 250  |
| 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                   | 350               |
| 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

### Forest plantation MOU with Swedish company

The Ghana Forestry Commission (GFC) has agreed a memorandum of understanding with a Swedish firm Greenland Resources for investment in forest plantations to feed a pulp and paper plant.

The plantation component envisages planting in three different forest reserves identified in the Savannah region. The propose paper mill will be set up in the southern part of the country to produce paper for export to the West African sub-region. Torbjorn Johansson, president of Greenland Resources said he estimates about 200,000 hectares of plantations would be planted in the first seven years.

The CEO of the GFC, Kwadwo Owusu-Afriyie, who signed for Ghana said the project would be a game-changer in Ghana's forestry management. He added the project will radically transform the whole forestry sector and enable the sector to contribute substantially to the GDP of Ghana. Ghana currently imports paper and paper products at a cost of around US\$2590 million annually.

Meanwhile, as part of the Forestry Development Master Plan (FDMP), the GFC has developed a comprehensive regulatory framework for the sustainable management and use of Savannah woodlands which will come into force next year

See: <https://www.fcghana.org/>

and

<https://newsghana.com.gh/greenland-resources-to-build-us2-5-billion-pulp-business-complex-in-ghana/>

### Commission has clearance to purchase weapons to arm Forest Officers

The Forestry Commission says it has obtained security clearance to begin the purchase of weapons to arm its officers so they can protect themselves when dealing with illegal loggers operating in the country's reserved forests and wildlife sectors.

### Natural gas power generation to ease power disruptions

Ghana has switched to the use of natural gas from the Atuabo Gas Processing Plant for the 450-megawatt Karpowership which was initially designed to use heavy fuel oil.

President Akufo-Addo, who commissioned the conversion, said this was to promote the use of gas as the primary fuel for power generation in the country. The conversion of the Karpowership from heavy fuel oil use to natural gas for power generation is expected to save the country and electricity users an amount of US\$170 million per year.

### Call to reduce tax exemptions

An Associate Professor at the University of Ghana Business School, Godfred Bokpin, has suggested that parliament consider the serious challenges associated with granting tax exemptions and act quickly with a review.

Bokpin said the financial losses to the government from tax exemptions undermines government finances and that the taxes, if recovered, could be put to better use.

Prof. Bokpin advanced this suggestion at a forum organised by the Ministry of Parliamentary Affairs for the Joint Committee on Finance and Constitutional, Legal and Parliamentary Affairs.

A senior minister had earlier announced plans were being developed to limit the value of tax concessions. It is estimated that exemptions had grown from cedi 392mil. in 2010 to cedi 4.66 bil. or 1.6% of GDP in 2018.

### Boule export prices

|                      | Euro per m <sup>3</sup> |
|----------------------|-------------------------|
| Black Ofram          | 330                     |
| Black Ofram Kiln dry | 420                     |
| Niangon              | 595                     |
| Niangon Kiln dry     | 670                     |

### Export rotary veneer prices

| Rotary Veneer, FOB | Euro per m <sup>3</sup> |             |
|--------------------|-------------------------|-------------|
|                    | CORE (1-1.9 mm)         | FACE (>2mm) |
| Ceiba              | 362                     | 440         |
| Chenchen           | 540                     | 628         |
| Ogea               | 521                     | 590         |
| Essa               | 540                     | 691         |
| Ofram              | 350                     | 435         |

### Export sliced veneer

| Sliced face veneer | FOB Euro per m <sup>3</sup> |
|--------------------|-----------------------------|
| Asanfina           | 888                         |
| Avodire            | 667                         |
| Chenchen           | 998                         |
| Mahogany           | 899                         |
| Makore             | 1,979                       |
| Odum               | 1,437                       |

### Export plywood prices

| Plywood, FOB | Euro per m <sup>3</sup> |       |          |
|--------------|-------------------------|-------|----------|
|              | Ceiba                   | Ofram | Asanfina |
| BB/CC        |                         |       |          |
| 4mm          | 319-                    | 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 <sup>3</sup> |            |
|-----------------------------------|-------------------------|------------|
|                                   | Air-dried               | Kiln-dried |
| FAS 25-100mm x 150mm up x 2.4m up |                         |            |
| Afrormosia                        | 860                     | 925        |
| Asanfina                          | 465                     | 564        |
| Ceiba                             | 404                     | 600        |
| Dahoma                            | 417                     | 465        |
| Edinam (mixed redwood)            | 520                     | 597        |
| Emeri                             | 465                     | 557        |
| African mahogany (Ivorensis)      | 930                     | 967        |
| Makore                            | 740                     | 836        |
| Niangon                           | 620                     | 660        |
| Odum                              | 649                     | 1,035      |
| Sapele                            | 720                     | 905        |
| Wawa 1C & Select                  | 420                     | 453        |

## Malaysia

### Malaysian furniture to penetrate South Korean market

South Korea's largest furniture exhibition, KOFURN 2019, the 2019 Korea International Furniture and Interior Exhibition concluded recently. This was the 30th event since the fair was first organised.

Given that ASEAN countries are major furniture producers the ASEAN-Korea Centre (AKC) organised an ASEAN Pavilion in KOFURN 2019 which exhibited furniture and interior items from 84 companies in eight ASEAN member states namely Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam. Ten Malaysian furniture companies were invited.

The ASEAN/Korean Centre is an international organisation established in March 2009 to increase trade, accelerate investment flows, invigorate tourism and enrich cultural exchanges between ASEAN member states and South Korea.

#### **Tenfold rise in forest fines proposed**

A massive RM5mil fine is being proposed for those found to have unlawful possession of forest products. The maximum fine at the moment RM500,000. For trespassing the government plans to increase the fine from RM10,000 to RM30,000.

Water, Land and Natural Resources Minister, Dr. Xavier Jayakumar, said the proposed fines would be included in the amendments to the National Forestry Act 1984. The ministry had discussed the matter with several states and the proposed amendments would be presented to parliament. The changes would only be in effect in Peninsula Malaysia as Sabah and Sarawak have their own Forest Ordinances.

#### **Advanced technology can boost Sabah furniture production**

Sabah is aggressively promoting automation and smart manufacturing in the wood processing industries. Mohd. Shafie Apdal, Sabah's Chief Minister, said that advanced technology for manufacturing can expand the output of high value wood products while holding down costs.

The Chief Minister said research, development and innovation can deliver highly competitive products for the global market. Sabah has established about 226,000 ha. of forest plantations of which around half are of high-value commercial species. The plantation species include acacia (66%), albizia falcataria (16%), rubber (11%) and teak (4%).

#### **Sarawak - No more oil palm plantations**

The Sarawak Chief Minister, Abang Johari Tun Openg, has announced a new land use policy under which the Sarawak State Government will no longer approve new oil palm plantations.

Read more: <https://www.theborneopost.com/2019/12/03/no-more-new-oil-palm-plantations-focus-is-on-conserving-environment/>

This move is in response to global concerns that Sarawak is allowing forest clearing for oil palm plantations. In a recent meeting with officials from the EU the Chief Minister explained the efforts being made to protect the forest in Sarawak.

The EU Parliament recently adopted the 'Delegated Regulation' under the European Union Renewable Energy Directive II to effectively ban palm oil in biofuel by 2030 claiming cultivation has led to deforestation.

The Malaysian government has refuted this claim calling it misleading and economically detrimental to the industry, especially to the some 650,000 smallholders in the country.

## **Indonesia**

#### **Monitoring timber production and trade**

The civil society organization, Jurnal Celebes recently released a report "Strengthening Indonesia's Independent Forestry Monitoring Network to Ensure a Credible Timber Legality Verification System (SVLK) and Effective VPA Implementation".

Between October 2018 and December 2019, Jurnal Celebes monitored the management, distribution and trade of timber in the provinces of North Maluku, Central Sulawesi and Southeast Sulawesi and in the provinces of South Sulawesi and East Java.

Their report raises concerns related to forest harvesting and extraction such as logging outside concession areas and subsequent conflict with communities; selling wood products obtained from outside concession areas and undertaking harvesting without first conducting environmental impact assessments.

The report also identifies infringements by companies including misreporting timber species on transport documents and loaning SVLK certificates to uncertified businesses.

Commenting on the report, Stephen Rudgard, FAO Representative of Indonesia, said the regulations should be reviewed to provide for prosecution of illegal forestry activities and there should be an expansion of joint supervision between civil society and law enforcement officials in the field to limit environmental impacts and conflict with local communities.

*The Environmental Advocacy Journalists Association or JURnaL Celebes, consists of NGO activists and journalists in South Sulawesi. The institution is committed to drive the process of solving environmental problems, natural resource management and social problems through mentoring and capacity building.*

See: <https://en.tempo.co/read/1280041/recommendations-to-improve-legal-timber-production-and-trade>

#### **Indonesia seeks to learn from Vietnam's success**

The Indonesian Furniture and Crafts Industry Association (HIMKI) recently visited furniture plants in Viet Nam to understand how the furniture industry in Vietnam was able to improve its exports in recent years. Also, as many companies from China are relocating their factories to Viet Nam, a HIMKI spokesperson said they want to understand how Viet Nam supports incoming businesses.

#### **Indonesia-South Korea trade worth US\$20 billion**

The Indonesian Ambassador to South Korea, Umar Hadi, recently highlighted the increase in bilateral trade between Indonesia and South Korea over the past five years.

In 2018 trade between the two countries was worth around US\$20 billion with Indonesia exporting some US\$11 billion.

He noted that Indonesian products with potential to penetrate South Korean markets include wood products, food, beverages, processed seafood products, automotive components and electrical items. He also referred to the number of South Korean companies that have invested in Indonesia.

#### Sengon residues in demand in South Korea

Sengon (the trade name for *Paraserianthes falcataria*) processing waste such as sawdust and chips is in demand in South Korea and one company in South Korea, Inakor, imports both products from Indonesia.

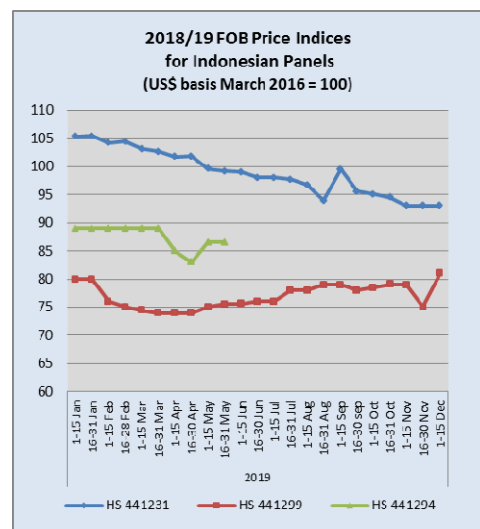
Ari Satria, Director of Export Product Development in the Ministry of Trade said, after visiting the South Korea factory, that sengon sawdust can be used as animal bedding while sengon chips can be used as a medium for mushroom cultivation. Inakor has reportedly imported around 48 containers of sengon residues last year.

#### Community forests urged to link with larger companies

Indonesia's Minister of Cooperatives and SMEs, Teten Masduki, has urged community forest owners and managers to consider greater cooperation to raise their competitiveness and open the way into the global value chain. One of the support mechanisms being developed by the ministry is for partnerships with large businesses.

Teten hopes that the community forest sector can generate foreign exchange by establishing cooperatives and making deals with larger companies as this could improve the livelihood of remote communities and farmers.

#### Indonesian panel indices



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

## India

#### Growth prospects dip for 2019-20

The Reserve Bank of India (RBI) revised GDP growth down to 5% for 2019-20 from the 6.1% projected in October 2019. At the same meeting the RBI kept the key policy rate unchanged at 5.15% and decided to continue easing efforts to support growth while ensuring that inflation remains within the target set.

Markets had widely expected a sixth rate cut from the RBI because of the slow growth in the Indian economy.

#### Smuggling attempt - Red sanders shipped as auto parts

Indian police have broken a red sanders export smuggling ring that used forged documents submitted to Customs authorities and shipped around 58,000kg of red sanders worth an estimate US\$14 million over the last year. The ring reportedly obtained the red sanders from the forests of Andhra Pradesh and smuggled the timber to various countries.

The illegally exported timber was declared as 'auto parts' on Customs documents. The authorities said there is a huge demand for red sanders in China and to avoid detection the red sanders shipment was routed through Malaysia, Dubai, Vietnam and Hong Kong from where it was sent on to its final destination.

See:

[http://timesofindia.indiatimes.com/articleshow/72080893.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](http://timesofindia.indiatimes.com/articleshow/72080893.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

#### Developers see growth in 'senior living space' housing market

The Indian residential market recovered modestly in 2018 after a disastrous 2017 with residential sales growing by over 40% year on year and the recovery of sorts extended into the first nine months of 2019 with sales increasing by 14% compared to the same period in 2018.

Despite the improvement sales do not match levels achieved in the pre-demonetisation period which, say analysts, indicates a growth potential that the residential market has if consumer sentiments improves.

On the supply front, new projects have declined almost 10% year on year in the first three quarters of 2019 as compared to the same period last year. The liquidity crunch continues to hold back developers' decisions to launch new projects.

According to JLL Research, an increasing number of developers are venturing into the senior living space of the Indian real estate market. There has been a marked increase in the number of senior living projects since 2010. It is estimated that the population above 60 years of age in India will rise to approximately 170 million by 2025.

The report says “seniors are also evolving as a customer segment and have demands different from seniors in earlier times. A significant section of seniors today are independent, financially stable, well-travelled, socially connected and as a result, have well developed thoughts of how they want to spend time after retirement.”

Since land prices in the major cities are very high senior living has more potential in tier-2 cities where land prices are lower.

See: <https://www.jll.co.in/en/trends-and-insights/research/india-real-estate-market-update-q3-2019-residential>

#### Plantation teak prices

|                          | 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.

C&F prices for plantation teak landed at Indian ports continue within the same range as given earlier reflecting the stable rupee/US dollar exchange rate. Analysts report the GST Council is working on re-aligning the GST rates and this news has buoyed the hopes of timber trade for a reduction

#### Teak logs from Colombia

Recent offers of large size and good quality teak logs from Colombia are in direct competition with teak from Myanmar. Also, there have been several offers of good size and quality teak from Nicaragua and Ghana. However, with consumer demand being flat there have been few contracts agreed.

Price proposed by shippers in Colombia.

| Girth range | US\$/Cu.m FOB |
|-------------|---------------|
| 90-99 cm    | 420           |
| 100-109 cm  | 460           |
| 110-119 cm  | 490           |
| 120-129 cm  | 530           |
| 130-139 cm  | 555           |
| 140-149 cm  | 580           |

FOB Cartagena. Shipments would be of approximately 18-20 cu.m per 40ft container.

#### Locally sawn hardwood prices

Prices have been maintained as reported previously. Demand and import volumes remain well balanced.

Analysts sense a modest improvement in demand for wood products and the government is trying to help the manufacturing sector through tax adjustments. This, along with news that GST rates may be adjusted, has been welcomed by the timber industry. However, the rise in demand for engineered wood products like WPC, MDF, particleboard is undermining markets for solid wood in many enduses.

| 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

The availability of good quality hardwoods such as merbau and iroko is impacting demand for Myanmar teak in some enduses. Importers have mentioned that shipments of teak from Myanmar are slow due to the conditions prevailing there.

| 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 price increases

Container freight rates have risen pushing up the cost of imported veneers, chemicals and logs. As a result of the increased freight charges plywood manufacturers have raised prices for plywood.

### 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

### Be proactive to take advantage of trade deals says industry expert

Viet Nam has the opportunity to increase exports of wood products to other Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) member countries. This was the message conveyed by Nguyễn Thị Thu Trang, Director of the Viet Nam Chamber of Commerce and Industry's WTO and Integration Centre.

To take full advantage of the opportunities said Nguyen Thị Thu Trang the products must meet the CPTPP's rules of origin and conform with sanitary and phytosanitary requirements and meet technical standards in the partner country.

"If we do not meet their requirements, we cannot utilise the preferential tariffs that CPTPP member countries offer to us."

Japan, Malaysia, Singapore, Australia, New Zealand and Chile are countries that Viet Nam has bilateral or multilateral FTAs with. The CPTPP creates another preferential tariff scheme for businesses, who, depending on which FTA offers more advantages, should choose that to export under, she said.

"We export a lot to CPTPP member countries, but our market share remains modest, for instance at 2-2.9 per cent of their footwear imports and 0-6 per cent of garment and textile imports.

There is still much more room for Vietnamese firms to boost exports. "Canada, Mexico and Peru are countries that Viet Nam does not have free trade agreement with, thus CPTPP offers great opportunities for Vietnamese firms to access these markets through preferential tariffs."

Read more at <http://vietnamnews.vn/economy/569444/vn-exporters-can-only-take-advantage-of-cptpp-with-preparation.html#q0yu6Vv5WVLUGMYA.99>

### **More action on relabeling**

Vietnam's exporters have benefitted from the US/China trade war and have been forced to address the issue of US-bound China made products being transported through its territory to evade US tariffs as this threatens the reputation of domestic manufacturers.

Recently the government prepared a list of products that are reputedly at risk of re-routing from China through Viet Nam.

In another bid to assuage US concerns of Chinese re-routing, Viet Nam's Ministry of Industry and Trade announced it will suspend exports of some plywood goods to the US from late December as it has been discovered that products made in South Korea and Taiwan P.o.C have been shipped to Viet Nam for minor processing before being re-packaged and shipped as "Made in Vietnam" products.

### **Is the rise of FDI in Viet Nam's timber industry of benefit or concerning?**

Although FDI is seen as a key driving for the development of the Vietnam's wood processing sector some government agencies have stressed that this also brings many challenges and risks such as the illegal trade in raw materials, unfair competition as well as socio-economic negative impacts.

Dien Quang Hiep, Chairman of Binh Duong Timber Association (BIFA) has pointed out that the rapid increase of FDI in Vietnam's wood processing sector especially by Chinese enterprises has created fierce competition for labour, raw materials and market share. There has also been a rise in product origin fraud and price transferring.

This, said Dien Quang Hiep, requires attention to three issues. First, a nationally-wide review of all three types of investment is required looking at new investments, capital raising projects and business cooperation contracts. Secondly, the national authorities should closely coordinate with local timber associations to limit 'informal' investment arrangements and thirdly, the Ministry of Industry and Trade and functional ministries, government bodies should strengthen border control and trade security.

The main countries investing in Viet Nam are China, Japan and South Korea. By the end of September 2019, Vietnam's wood processing industry attracted almost 70 new investment proposals worth over US\$58 million. This was around two and a half times higher than before the beginning of the US/China trade dispute.

See:  
<https://haiquanonline.com.vn/vua-mung-vua-lo-khi-gia-tang-fdi-vao-nganh-go-117013.html>

### **South Korea investigating dumping of plywood by Viet Nam**

In December the Korean Trade Commission announced an anti-dumping investigation on plywood imported from Vietnam. This came about as Korea's domestic manufacturers complained that imports from Viet Nam are damage the domestic industry.

According to the Korean news agency, Vietnam's wood products have a 40% market share in Korea, a market worth around US\$650 million.

It has been reported that the Korean Wood Production Association is proposing an anti-dumping duty of 93.5% on Vietnamese plywood in stark contrast to the anti-dumping rate from 3.96% to 38.1% for plywood imported from Malaysia and China.

See: <http://vietfores.org.vn/tin-tuc/han-quoc-dieu-tra-chong-ban-pha-gia-van-ep-nhap-tu-viet-nam/>

## **Brazil**

### **Not illegal but difficult to verify- timber sector works to reduce uncertainty**

Entrepreneurs and representatives from five states in the Amazon region (Acre, Amazonas, Mato Grosso, Pará and Rondônia) attended the 'First National Meeting of the Forest Based Sector' which was held in Cuiabá, Mato Grosso. The aim of the meeting was to discuss issues related the native species timber segment and to consider strategies to improve the organisation of this sector throughout the country.

The meeting was supported by the National Forum for Forest-Based Activities (FNBF), with the support of the Center for Timber Producers and Exporters of Mato Grosso State (CIPEM).

The timber industry was unanimous in identifying verification of legality as one of the main problems to expanded trade in native timbers. This, it was agreed, stems largely from the numerous and sometimes divergent laws and regulations applied to the sector.

The meeting participants consider that the native timber sector applies strict control and is subject to careful monitoring but that there are legal provisions that open the way for excessive and unwarranted scrutiny by public officers and that this causes inconvenience and undermines the business operations of those entrepreneurs which are working diligently and obeying the law.

A representative from the Association of Timber Industries Exporters of Para State (AIMEX) mentioned that the company he represents is headquartered in Europe and stated "We buy wood from Brazil and often receive inquiries abroad about the legality of timber products. Observing the sector's commitment to sustainable production through forest management has been satisfactory."



### Environmental Rural Registry – the basis for policy decisions

In early December the director of the Brazilian Forest Service (SFB) attended a board meeting of the Parliamentary Agricultural Front (Frente Parlamentar da Agropecuária - FPA) of the Lower House to present data from the Environmental Rural Registry (CAR).

During the presentation, the director highlighted the importance of the Rural Environmental Registry as an effective tool in agribusiness and forestry planning and its role in policy development, support programmes, projects and activities for control, monitoring, environmental and economic planning and combating illegal deforestation.

The SFB intends to provide the CAR platform to States and the Federal District in early 2020 for updating and based on the updated information it will be able to properly plan public policies for sustainable development of rural properties, combining productivity and environmental conservation.

The president of the FPA, said "It is an opportune time to bring together the Ministry of Agriculture, the Brazilian Forest Service, the Brazilian Institute for Environment and Renewable Natural Resources (IBAMA), the Chico Mendes Institute for Biodiversity Conservation (ICMBio), the National Institute of Colonization and Agricultural Reform (INCRA) and the rest of the public sector to build together the legal certainty that will ensure sustainability."

### Furniture production on the rise

Furniture production in the state of Rio Grande do Sul was 8 million pieces in September 2019, up 4.8% compared to the previous month according to Market Intelligence Institute (IEMI).

In the year-to-September industrial production in the state of Rio Grande do Sul grew 2.5% compared to the same period of 2018. This was higher than that registered in the national furniture industry over the same period. Over the past 12 months the furniture industry expanded by 4.0% in Rio Grande do Sul State while at a national level the sector contracted.

In October 2019, furniture exports increased 1.6% and were worth US\$16 million. The three states in the southern region, Santa Catarina, Rio Grande do Sul and Paraná accounted for over 80% exports followed by the State of São Paulo, with 14%.

The major markets for furniture exports from Rio Grande do Sul State were the United States, 16%, Uruguay, 14% and Peru, 12%. Exports to Argentina increased month on month by over 45%.

### Log export of native species under discussion

Media reports say the authorities in Brazil are considering allowing the export of Amazon native tree species in log form. The authorities are considering this after being lobbied by timber businesses.

Current regulations establish that only exotic plantation species such as eucalyptus and pine can be exported as logs. The export of logs of native species is prohibited. The current legislation requires that native timbers must be processed in Brazil before export.

According to the Estadão newspaper the export of roundwood of native species is being evaluated by the Brazilian Institute for Environment and Renewable Natural Resources (IBAMA). IBAMA, an agency under the Ministry of the Environment (MMA), has already been quizzed on this by representatives of the National Forum for Forest-Based Activities, an organization made up of 24 institutions of the timber sector.

If the proposal for roundwood export is approved IBAMA plans to recommend exports be limited to logs of native species harvested in areas with sustainable management plans.

See: <http://www.remade.com.br/noticias/16494/exportacao-de-arvores-nativas-pode-ser-autorizada>

### Domestic log prices

|                                     | US\$ per m <sup>3</sup> |
|-------------------------------------|-------------------------|
| Brazilian logs, mill yard, domestic |                         |
| Ipê                                 | 200                     |
| Jatoba                              | 108                     |
| Massaranduba                        | 102                     |
| Muiracatiara                        | 106                     |
| Angelim Vermelho                    | 102                     |
| Mixed redwood and white woods       | 87                      |

Source: STCP Data Bank

### Domestic sawnwood prices

|   | US\$ per m <sup>3</sup> |
|---|-------------------------|
| Brazil sawnwood, domestic (Green ex-mill) |                         |
| Ipê                                       | 813                     |
| Jatoba                                    | 436                     |
| Massaranduba                              | 418                     |
| Muiracatiara                              | 382                     |
| Angelim Vermelho                          | 370                     |
| Mixed red and white                       | 244                     |
| Eucalyptus (AD)                           | 187                     |
| Pine (AD)                                 | 128                     |
| Pine (KD)                                 | 155                     |

Source: STCP Data Bank

### Domestic plywood prices (excl. taxes)

|          | US\$ per m <sup>3</sup> |
|----------|-------------------------|
| Parica   |                         |
| 4mm WBP  | 519                     |
| 10mm WBP | 409                     |
| 15mm WBP | 343                     |
| 4mm MR.  | 407                     |
| 10mm MR. | 292                     |
| 15mm MR. | 268                     |

Prices do not include taxes. Source: STCP Data Bank

### Prices for other panel products

|                         | US\$ per m <sup>3</sup> |
|-------------------------|-------------------------|
| Domestic ex-mill prices |                         |
| 15mm MDParticleboard    | 203                     |
| 15mm MDF                | 243                     |

Source: STCP Data Bank

### Export sawnwood prices

|                                      | US\$ per m <sup>3</sup> |
|--------------------------------------|-------------------------|
| Sawnwood, Belem/Paranagua Ports, FOB |                         |
| Ipe                                  | 1,446                   |
| Jatoba                               | 868                     |
| Massaranduba                         | 843                     |
| Muiracatiara                         | 861                     |
| Pine (KD)                            | 171                     |

Source: STCP Data Bank

#### Export plywood prices

|                             | US\$ per m <sup>3</sup> |
|-----------------------------|-------------------------|
| Pine plywood EU market, FOB |                         |
| 9mm C/CC (WBP)              | 266                     |
| 12mm C/CC (WBP)             | 252                     |
| 15mm C/CC (WBP)             | 235                     |
| 18mm C/CC (WBP)             | 230                     |

Source: STCP Data Bank

#### Export prices for added value products

|                           | US\$ per m <sup>3</sup> |
|---------------------------|-------------------------|
| FOB Belem/Paranagua ports |                         |
| Decking Boards Ipê        | 2,860                   |
| Jatoba                    | 1,457                   |

Source: STCP Data Bank

## Peru

### First three quarter 2019 exports

The Association of Exporters (ADEX) has reported that up to September 2019 Peru's timber exports were valued at US\$90.9 million FOB. This represents a 4% increase on the same period in 2018.

Of the US\$90.9 million exported China continued to be the main export market with a 39% share, down slightly from 2018. Mexico was the second ranked market accounting for around 12% of exports and in Mexico demand increased almost 8%.

Other significant markets included France (10% of exports) up almost 50% year on year while in the case of the US there was an almost 10% drop in the value of exports.

### Sawnwood exports

Sawnwood exports in the first eight months of the year were worth US\$16.5 million FOB and much of this was shipped to the Dominican Republic (35%) and Mexico with 35% share.

### Alliance to combat deforestation in the Peruvian Amazon

Toyota's office in Peru has announced an Alliance to combat deforestation in the Peruvian Amazon. The Toyota del Peru website has details and says:

"With the objective of contributing to the conservation and protection of Amazonian forests, Toyota del Perú signed an alliance with the Yamino native community and the NGO Cima to carry out joint actions in favor of a more sustainable Amazon and thus counteract the effect gases greenhouse."

The initiative includes joint actions to combat deforestation caused by monoculture of oil palm and illegal logging in the Cordillera Azul National Park, Ucayali region, where the Yamino community is located.

Toyota del Perú acquired 900 carbon credits from the Cordillera Azul National Park to compensate for the ecological footprint of its operations, also contributing to the preservation of this Amazonian forest.

Yehude Simon, Manager of Public Relations and Social Responsibility at Toyota del Perú said Toyota is committed to consolidating itself as an agent of change for

society, so the environmental issue is one of our priorities. While Toyota has been promoting the use of vehicles with hybrid technology in order to transform the car into a more friendly one with the planet, we want to go further and, therefore, we will work with other actors who are committed to these objectives."

Toyota explained that the strategy is to provide technical and economic support for local families to develop productive activities that promote eco-sustainable tourism in the area, as well as enhance the production and marketing of handicrafts and textiles representative of the Kakataibo culture.

See:

<https://www.toyotaperu.com.pe/noticias/toyota-del-per%C3%BA-forma-alianza-para-frenar-la-tala-ilegal-en-la-amazon%C3%ADa-peruana>

### Financial mechanisms for the forestry sector

The National Forest and Wildlife Service (SERFOR) recently held a workshop on Sustainable Finance for the Forestry Sector involving the participation of public and private organisations from Guatemala, Colombia and Costa Rica. The workshop aimed at exchanging experiences and analysing financial mechanisms for access to credit and forest investment as well as payments for eco-system services.

The event was able to identify mechanisms, tools and public policies that would help boost investment in forests for sustainable production in the Peruvian Amazon which minimise social and environmental risk levels.

### Forestry delegation on technical exchange to US

Thirteen public servants, researchers, teachers and representatives of the private forestry sector recently participated in an exchange visit to Oregon and Wisconsin. The aim was to gain experience of the United States Forest Service model for forest research management and its articulation to the private sector.

The Peruvian delegation was made up of members of SERFOR; the National Council of Science, Technology and Technological Innovation (CONCYTEC); the Technological Institute of Production-CITE Forestal Maynas; the National Institute of Agrarian Innovation (INIA); the Forest Executive Board of the Ministry of Economy and Finance; the National Agrarian University La Molina (UNALM); the National University of the Peruvian Amazon (UNAP); and a private sector representative.

This visit was conducted with the technical support of the USAID FOREST program and the United States Forest Service in collaboration with Oregon State University (OSU).

### Export sawnwood prices

| Peru sawnwood, FOB Callao Port                                 | US\$ per m <sup>3</sup> |
|--|-------------------------|
| Pumaquiro 25-50mm AD<br>Mexican market                         | 637-651                 |
| Virola 1-2" thick, length 6'-12' KD<br>Grade 1, Mexican market | 534-599                 |
| Grade 2, Mexican market  | 489-502                 |
| Cumaru 4" thick, 6'-11' length KD<br>Central American market   | 966-984                 |
| Asian market   | 1009-1052               |
| Ishpingo (oak) 2" thick, 6'-8' length<br>Spanish market        | 547-568                 |
| Dominican Republic   | 671-681                 |
| Marupa 1", 6-11 length KD<br>Asian market                      | 551-591                 |

### Domestic sawnwood prices

| Peru sawnwood, domestic | US\$ per m <sup>3</sup> |
|-------------------------|-------------------------|
| Mahogany                | -                       |
| Virola                  | 269-280                 |
| Spanish Cedar           | 342-355                 |
| Marupa (simarouba)      | 238-239↑                |

### Export veneer prices

| Veneer FOB Callao port | US\$ per m <sup>3</sup> |
|------------------------|-------------------------|
| 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 <sup>3</sup> |
|---|-------------------------|
| 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<br>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 <sup>3</sup> |
|------------------|-------------------------|
| 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 <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 979-1098         |
|  | 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

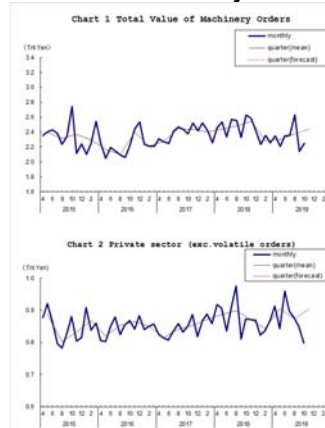
### Dip in machinery orders signals economic slowdown

Signalling a likely slowdown in growth, orders for machinery placed with Japanese companies fell in the final quarter of the year according to Cabinet Office data.

Capital expenditure driven by orders for machinery has been resilient until recently as companies at home and abroad invested in new equipment and in automation by Japanese companies because of the tightening labour market, the result of a shrinking and rapidly aging population.

Policymakers had been hoping business investment would remain robust to off-set the dip in consumer spending as a result of the sales tax hike in October. Private-sector machinery orders, excluding those for ships and electric power companies, declined by 6.0% in October.

### Cabinet Office Survey results for machinery orders



See: <https://www.esri.cao.go.jp/en/stat/juchu/1910juchu-e.html>

### Massive economic stimulus package to support growth

Japan's economy is highly sensitive to exports so the US/China dispute and now the Japan/Korea trade dispute are undermining export growth. To counter slowing growth the government has put together a massive stimulus package worth over yen 25 trillion yen (around US\$ 230 billion).

This is the first stimulus package in three years and is focused on lifting consumer spending by promoting "cashless sales". Public infrastructure will also be targeted.

### Business sentiment in Japan

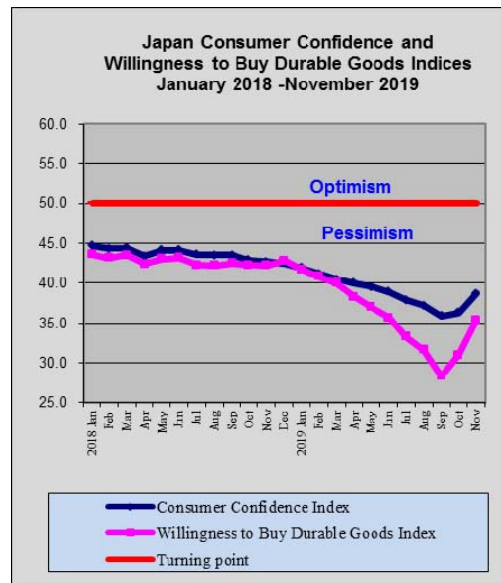


Source: <https://www.esri.cao.go.jp/en/stat/di/di-e.html>

### Consumer confidence continues upward momentum

November consumer confidence data from the Cabinet Office showed a remarkable reversal, climbing to a five month high.

The overall consumer confidence index rose and the index reflecting household's inclination to buy durable consumer goods also rose in November. In contrast the Tankan survey conducted by the Bank of Japan showed Japanese manufacturers had again turned pessimistic about business prospects. Analysts put this down to the continuing US/China trade dispute and weakening global demand.

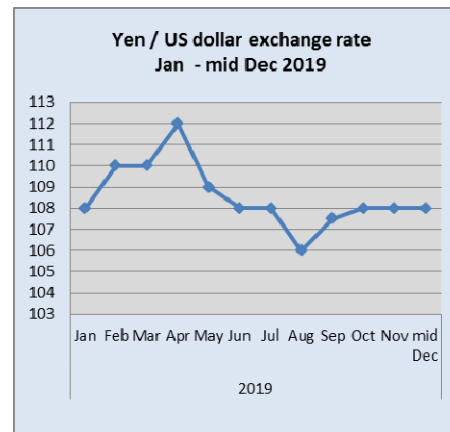


Data source: Cabinet Office, Japan

### Long period of yen stability could about to be rocked

The US Federal Reserve has announced it is maintaining its current monetary policy and this allowed the US dollar/yen exchange rate to maintain the approximate US dollar to 108 yen that has been in place for several weeks.

The yen is the third most commonly used currency in the world, behind the US dollar and euro. While the Chinese RMB is growing in importance its managed status and lack of flexibility means the yen is still the preferable Asian reserve currency.



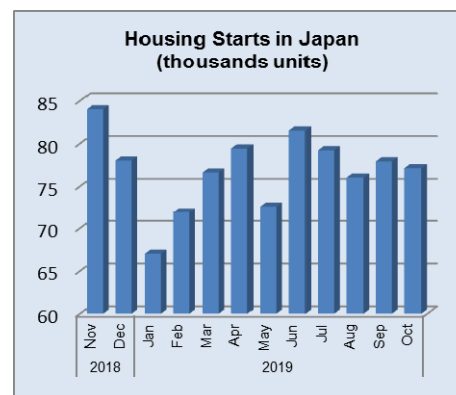
### Popularity of wooden housing drops

Interest in wooden housing among Japanese has been steadily declining since 1989 according to a Cabinet Office survey. The reasons cited by respondents to the survey include high maintenance costs and vulnerability to fire.

The share of respondents preferring to build or buy wooden homes dropped to just over 73%, down from the over 80% polled 30 years earlier. Homes made of reinforced concrete and steel frames the main alternative mentioned. The Japanese Forestry Agency has said "We need to promote the positive (environmental) aspects and the safety of wooden housing,"

### Apartment prices in Tokyo up 4.5%

The average price of existing condominiums in Tokyo rose by 4.46% during the first three quarters of 2019 and the average price of new apartments in Tokyo surged almost 14% in the same period in contrast to the decline of over 6% a year earlier.



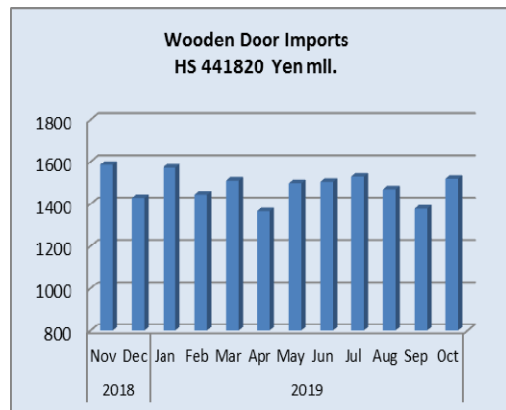
Data source: Ministry of Land, Infrastructure, Transport and Tourism

## Import update

### Wooden door imports

As has been the pattern in previous months, two shippers, China and the Philippines, accounted for over 80% of October imports of wooden doors (HS 441820). The other significant shippers in October were Indonesia and Malaysia. Of the non-Asian suppliers the US topped the ranking

The value of Japan's imports of wooden doors in October was almost the same as in October a year earlier but there was a 10% month on month increase in imports.



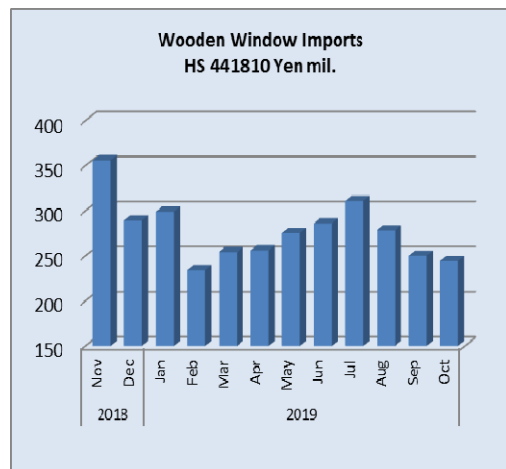
Data source: Ministry of Finance, Japan

### Wooden window imports

October marked the third consecutive decline in the value of Japan's wooden window (HS 441810) imports.

Year on year the value of wooden window imports was unchanged but there was a 2% month on month decline. The value of Japan's wooden window imports peaked in July but from there steadily declined. There was a 22% drop in the value of wooden window imports between July and October.

Three suppliers accounted for over 90% of October wooden window deliveries, China (53%) the Philippines (20%) and the US (18%).



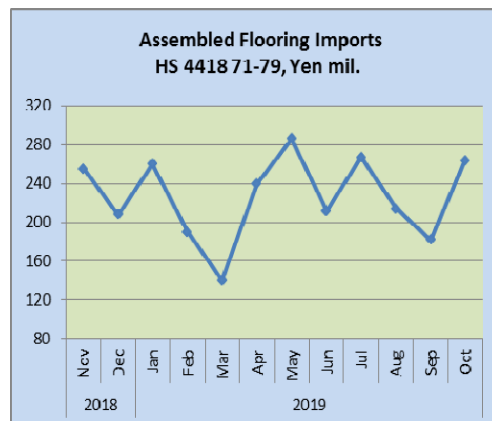
Data source: Ministry of Finance, Japan

### Assembled wooden flooring imports

The value of Japan's assembled wooden flooring imports continued its 'see-sawing' between peaks and dips and the sharp increase in October import values off-set the double dip seen in August and September.

Year on year wooden flooring imports (HS441871-79) in October rose 13% and month on month there was a 45% increase in the value of imports.

As in previous months most of the October assembled wooden flooring imports were of HS441875 and China and the US were the main shippers followed by Malaysia and Indonesia.



Data source: Ministry of Finance, Japan

### Plywood imports

Imports reported as HS 441231 dominated Japan's October plywood imports accounting for almost half of all import categories. Malaysia and Indonesia continue to be the main suppliers accounting for around 80% of all plywood imports by volume. The other significant supplier is China.

Year on year, Japan's October 2019 plywood imports dropped 25% but there was a rise (25%) in the volume of imports in October 2019 compared to September levels.

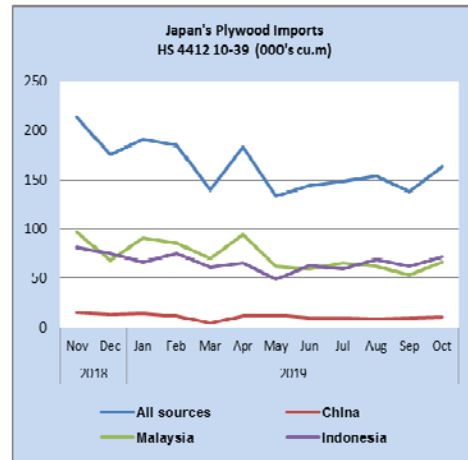
October shipments from Malaysia dropped 39% year on year in October and there was a year on year decline of 17% in the volume of imports from China.

Indonesia's October 2019 shipments were around the same as in October 2018. Despite the sharp decline in imports from a year earlier both Malaysia and Indonesia saw plywood shipments rise in October.

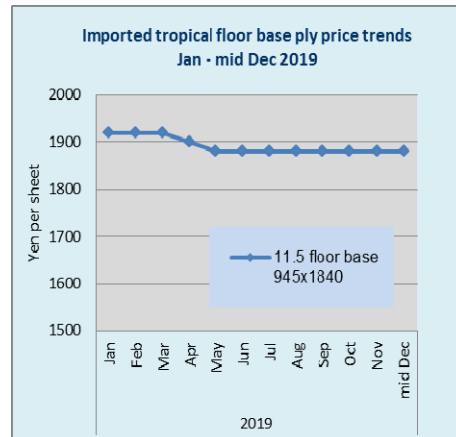
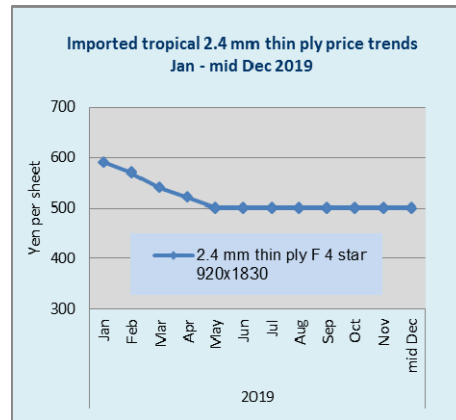
**Main sources of Japan's plywood imports (000's cu.m)**

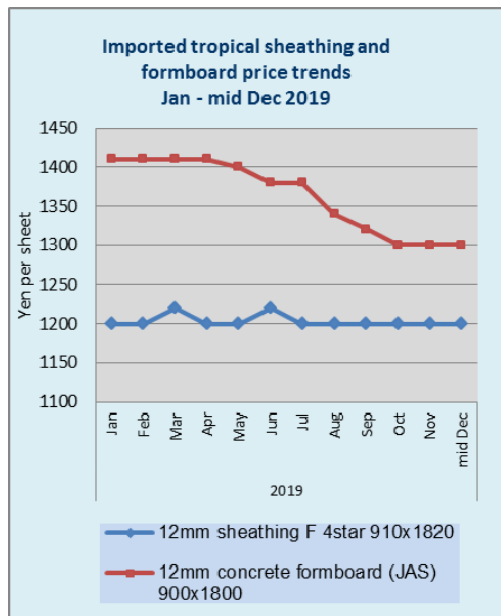
|      |     | China | Malaysia | Indonesia |
|------|-----|-------|----------|-----------|
| 2017 | Jan | 16    | 130      | 80        |
|      | Feb | 7.5   | 93.3     | 59        |
|      | Mar | 11.5  | 99       | 76.5      |
|      | Apr | 11.2  | 92.6     | 58        |
|      | May | 12.9  | 99.2     | 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        |

Data source: Ministry of Finance, Japan



Data source: Ministry of Finance, Japan





### National Conference to Advance the Use of Wood

The Japan Lumber Journal has reported on the inaugural meeting of National Conference to Advance the Use of Wood held in early November. The aim of the group is to revitalise rural areas through encouraging greater domestic wood use which will stimulate harvesting and replanting.

Through seminars and information and activities highlighting the environment benefits it is hoped that greater use will be made of domestic resources. The group also aims to promote the values of wood use for the environment and society and promote productivity improvement and spread of new technologies in the forestry sector.

See: <https://jlj-news-english.jimdofree.com/>

## China

### New quarantine regulations for wood-based panels

In order to promote the development of China's wood-based panel sector the State Forestry and Grassland Administration (SFA) has amended the scope of quarantine regulations for wood-based panels. The amended regulations will be effective as of 1 January 2020.

See: <http://www.forestry.gov.cn/main/201/20191126/091143620447593.html>

The new regulations take account of the various production technologies for wood-based panels. It has been decided that some types of wood-based panels where the manufacturing process involves hot pressing quarantine regulations will be suspended. The specific categories are listed in Annex 1 in the above mentioned document and include particleboard, fibreboard plywood, decorative veneer over a wood-based panel base.

All provincial forest authorities are required to improve and innovate management methods and to strictly enforce the quarantine regulations.

### China's timber processing industry

According to the local press, the China Green Times, the output value of China's timber processing and wood products industries in 2018 was RMB1.3 trillion, accounting for 17% of the total output value of China forestry sector.

#### Wood-based panel industry

There are about 10,000 wood-based panel enterprises with 3 million direct and indirect employees in China. The total output of the national wood-based panel sector was almost 300 million cubic metres in 2018, a year-on-year increase of 1.4%. Twenty five provinces in the country have wood-based panel enterprises of which production the capacity in seven provinces exceeded 10 million cubic metres.

The wood-based panel sector in China has undergone transformation and out-dated production methods have been phase-out. More than 3,000 plywood enterprises have been closed across the whole country and around 600 fibreboard plants have ceased operation along with over 1,000 particleboard plants. The number of large and medium-sized wood-based panel enterprises has increased and the technological base has been strengthened. The application of new low-toxicity or non-toxic environment-friendly adhesives has accelerated and the quality of output has improved.

#### Wood flooring industry

There are nearly 3,000 wood flooring enterprises with around 1 million employees in China. The total output of wood and bamboo flooring in 2018 was 789 million cubic metres.

The process of consolidation in the wood flooring industry has accelerated in recent years with a concentration towards dominant brand enterprises. The output of the top ten large-scale enterprises accounts for more than 30% of the total output of the sector.

More and more wood flooring enterprises regard innovation as their development strategy and have invested heavily in R&D to continuously improve their technological innovation. Chinese wood flooring enterprises have over than 8,000 patents.

#### Wooden furniture industry

As the largest wood processing sector there are nearly 80,000 wooden furniture enterprises with 5 million employees in China. Five major furniture industrial clusters have been established, the Pearl River Delta, Yangtze River Delta, Ring Bohai Sea, the Northeast and the West regions. These account for 90% of the national furniture production capacity.

The wooden furniture industry is consolidating and some of small and medium-sized enterprises have withdrawn such that the total output and sales by the sector has dropped.

On the other hand, the custom/tailor made furniture sector has become a new growth point in the furniture industry to meet increasing demand for individuality.

This sector has expanded at around 20% annually for many years. The size of the domestic customised furniture market was about RMB290 billion in 2018.

#### Wood door industry

The output of China's wooden door sector is said to be the highest in the world and China is also the main wooden door consumer market. The total output value of the national wooden door sector was about RMB140 billion in 2018, an increase of 11% over the same period in the previous year. There are more than 10,000 wooden door enterprises in China and these are found mainly in the Pearl River Delta, Yangtze River Delta, Ring Bohai Sea, Northeast, Southwest and Northwest regions. Growth in the wooden door sector is slowing and the pace of consolidation is growing.

Analysts expect production will be further concentrated in large-scale, mechanised plants. More and more wooden door enterprises have increase R&D and introduced automation.

#### Wooden building sector

Demand for wooden framed buildings is growing and the wooden building sector is expanding fast especially for the leisure, agricultural, tourism, real estate and landscape markets. There have also been developments in the multi-story wooden structures and the public building market.

It has been estimated that the wood structure market will be around 4.5 million square metres annually over the next three years. There are around 1,200 wooden structure enterprises in China found mainly in Eastern China, Northern China and the Northeast regions. Tourism development projects, residential buildings and garden landscaping are the most important three major markets for wooden structures.

#### Slowdown in China's wood products exports

According to China Customs the total value of China's wood product exports in 2018 was US\$61.6 billion, a year on year increase of 2%.

The value of wood-based panel exports rose about 7% to US\$6.775 billion. The volume of plywood exports accounted for 80% of the national total volume of wood-based panel in 2018. The value of China's wooden flooring exports was US\$45.64 billion and was shipped mainly to the US and European markets.

For more see:

[https://www.wood365.cn/Industry/IndustryInfo\\_263215.html](https://www.wood365.cn/Industry/IndustryInfo_263215.html)

### 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  |
| Afrormosia       | 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

### European plywood market pressure persists

At the time of the last update on the European plywood market (ITTO TTMR Volume 23 Number 16, 16 -31 August 2019), the sector was experiencing a tightening market and competitive conditions. In the intervening four months, according to leading importers, not a lot has changed.

There have been indications that prices from some sources are starting to come off the floor. Overall, however, they remain depressed compared to 2018 and 'rock bottom offers' from Russia are felt by some to threaten any significant wider increase and to be actually squeezing product from other countries out of the European market.

The US-China trade dispute continues to destabilise the sector and UK companies say that continuing uncertainty surrounding Brexit, politics and the economy generally has seriously undermined market confidence.

A slowdown in European manufacturing, notably in Germany, is also impacting demand, and although overall construction consumption is reported to have held up reasonably well to date, it is forecast to slow and stagnate over the next two years.

In recent weeks, Brazilian elliotti and Malaysian plywood prices have both seen rises of US\$10-15/cu.m. However, these prices are still reported down 33-40% and 28% respectively on 18 months ago. Chinese prices are still down around 15% and Russian film-faced plywood and raw plywood prices are down 30% and 25% respectively during the same period.

"We are still far away from 2018 levels, but these increases [in Brazilian elliotti and Malaysian plywood prices] may be signs of a recovery and we'd hope to see them embed and continue as we move into 2020," said an importer/distributor. "Malaysian suppliers also report log shortages, so that may also underpin further increases."

Import volumes of Brazilian plywood are expected to get slightly better in January, mainly due to the new duty-free quota coming up in Europe. "But, like price, volumes are still way off 2018 figures," said an importer. "I also wonder what will happen later in 2020 after the first duty free volumes have been shipped."

Prices out of China are reported to be stable at present although it's felt a range of factors may add some upward pressure here too.

"Chinese plywood has already become a bit more expensive again on FOB terms due to the exchange rate of the RMB versus the dollar," said a continental-based importer. "As usual, this is also driving up container rates. But we expect Chinese trade for January/February to be slower too due to weather conditions."

Another factor for China, said a UK importer, has been the continued impact of new environmental regulation on manufacturers.

“Efforts to clean up the industry in the Linyi/Pizhou area has resulted in a lot of plywood and peeling mills closing as they couldn’t afford the new equipment required to reduce emissions. Others have suffered in excess of 70 days lost production as the government tries to improve air quality and the impact on peeling mills has put price pressure on poplar core veneer” said the UK importer.

“But while there may be less Chinese availability”, the importer continued, “I believe [quality] is improved, with manufacturers better understanding the demands of the EU Timber Regulation (EUTR) and our UK Timber Trade Federation Responsible Purchasing Policy and also meeting EN quality standards.”

Another European importer felt that diversion of Chinese production to Europe due to US tariffs had not been a significant issue due to different market requirements. “Factories geared up for the US don’t find it easy to meet European specification,” he said.

European importers also report no stand-out trends for FLEGT-licensed product from Indonesia. Indonesia’s film-faced plywood, said one company, is “still too expensive for Europe” although raw board ‘is trading more or less OK’.

The FLEGT licensing system itself is said by plywood importers to be working well, although the consensus remains that, to gain market traction and wider awareness, more licensed product is needed from more sources.

“The sooner more countries engaged with the FLEGT Voluntary Partnership Agreement complete the process and start licensing, particularly Malaysia, the better, given that the responsibility for product legality under the EUTR on non-FLEGT licensed goods remains on the importer, who cannot know 100% what the product mix is even if we ask all the right questions and gather the paperwork,” said one UK company.

A fellow UK importer said that getting more VPA countries to FLEGT licensing stage could also open up new sources of supply. “We’ve had interesting offers from Gabon, for instance. The product looks good and could represent a real business opportunity for us and the supplier,” he said. “But currently it can’t meet our requirements on legality assurance.”

An added ongoing issue for some European importers is their inability to use the bonded warehousing system for FLEGT licensed goods. This system allows import consignments to be broken up and duty paid piecemeal on each order as it goes out to spread the cost.

“As the licence applies to the entire shipment, it cannot be divided, so duty has to be paid all at once,” said an importer.

“That needs resolving as it effectively puts licensed goods at a competitive disadvantage and it has a particular impact on smaller companies needing to spread duty payment for cash flow purposes.”

A related issue for FLEGT-licensed goods customs handling was flagged up by another importer. “We had an instance of an agent selling some of a shipment to us and some to another importer where only one licence had been issued for the whole amount exported from Indonesia,” he said.

“We couldn’t use the FLEGT licence unless we also customs cleared the other consignee’s goods and recharged them the duty. So the agent had to present the licence in their own name and sell to both buyers as landed duty-paid stock. Not ideal all round.”

Another “real headache” for the European plywood import sector, in the words of one company, continues to be cut-price Russian material.

“Russian birch plywood prices have dropped again after some slight increases a few months ago and it looks like this situation will continue for some time as the Russians seem to be quite happy with it,” he said.

“Their logs are extremely cheap and, as is the case with gas, they don’t put any value on their natural resources”, continued the importer. “They need foreign income, and that’s all that seems to count. I’d advocate putting a fat import duty on Russian imports as they are destroying the business for others who are trying to do the right thing, such as Indonesian producers, and are actually being pushed out of the market at the moment.”

Adding to market competition is a new softwood plywood mill now on stream in Belarus run by the Krono group. “This will put a lot of pressure on European factories like Thebault and others,” said an importer.

### **Slowdown in European manufacturing and construction**

On the state of demand, an ongoing slowdown in European manufacturing is reported to be particularly affecting plywood consumption in the automotive and packaging sectors.

According to financial commentators, Germany remains the big drag on the Eurozone economy, with its manufacturing exports reported hit particularly hard by global slowdown in investment resulting from the US-China trade dispute.

Improved survey data for German production in October and forecasts for November had led to predictions that the worst was over, but Commerzbank said a turnaround is ‘not yet in sight’, with manufacturing output forecast to show a 5% year on year fall end of November. German car production in October was also down 14.4% on the year and the sector is reported to be set to shed tens of thousands of jobs.

“The automotive slowdown worldwide is clearly a concern for the plywood trade and the contraction in European manufacturing is inevitably impacting the important packaging sector,” said an importer.

The eurozone economy did expand faster than expected in the third quarter of 2019, up by 0.3%, giving annual expected growth of 1.1% according to Eurostat and the European Central Bank. However, this compares with 1.8% in 2018 and the forecast is just 1.2% in 2020, leading Morgan Stanley to comment that the zone was “nearly stagnating”.

The Economic Sentiment Indicator – a composite of European surveys on business and consumer confidence – also fell to 100.8 for October, the lowest level for five years. Capital Economics consequently predicted that the European economy would ‘continue to expand at a feeble pace’.

According to the latest Euroconstruct data, European construction output growth is projected at around 2.3% for 2019, down from 3.2% in 2018. However, Euroconstruct now forecast annual growth of only 1% between 2020 and 2022. All areas of building will slow, although repair, maintenance and improvement is expected to perform better than new build.

Best performing European building markets are expected to be Ireland, Hungary and Poland, while the sharpest slowdown is predicted for Finland and Sweden. Germany and France are expected to see construction market contraction of around 2% over the next three years.

One European plywood importer commented that their general construction sales were still going well currently, but others acknowledged the uncertain outlook in the sector.

As for the UK economy, it “flatlined” in the third quarter of 2019 and October to October growth was just 0.7%, the slowest pace since June 2012. “This confirmed a loss of momentum in the economy since the summer due to Brexit-related uncertainty and slower global growth,” said advisory firm PwC.

UK construction is also contracting, with new orders falling further in November as the market-depressing effect of Brexit, combined with election uncertainty and bad weather led to more civil engineering and commercial projects being delayed.

The IHS Markit/CIPS UK purchasing managers’ sub-index for construction new orders fell to 43.95 in November, from 44.61 the previous month. This was the eighth consecutive month of contraction and the longest phase of decline since 2013, with Brexit once more implicated in the downturn.

#### **Brexit “awful for the UK plywood market”**

“Brexit has been awful for the market, with uncertainty affecting demand, projects delayed and households

deferring spending,” said a UK plywood importer. “Merchants are saying it’s quieter, which in turn affects us as importers.”

UK plywood companies say they are also keeping a ‘watching brief’ on the potential impact of Brexit on EUTR and EU FLEGT regulation administration. Both are being assimilated into UK law, to be known respectively as the UKTR and UK FLEGT when the country leaves the EU.

The Brexit date is now scheduled for 31<sup>st</sup> January and, following the UK parliamentary election on 12<sup>th</sup> December which delivered a large majority for the ruling conservative party, seems to certain to take place as planned under the revised withdrawal agreement negotiated between Boris Johnson’s government and the European Union in 2019.

Under the terms of this withdrawal agreement, the UK will enter a transition period after 31<sup>st</sup> January to provide time for the UK and the EU to negotiate on what their future relationship will look like. During the transition period the UK won’t be a member of the EU but will still have to abide by its rules.

The end date for the transition period is currently set for 31<sup>st</sup> December 2020 but could be extended for one or two years. During the election campaign, the conservative party stated that it would not seek an extension to the transition period.

However, the EU has suggested that the timeline for negotiations to be completed before the end of 2020 is unrealistic. The size of the government’s majority after the election also gives the UK prime minister leeway within his own party to reset the timetable to be more manageable. The terms of any extension would have to be agreed with the EU before 1st July 2020.

While Brexit now seems a certainty, the risk of a “no deal” Brexit has receded. The risk has not completely disappeared since there is no guarantee that negotiations towards a future arrangement with the EU will be successful. A “no deal” departure could still theoretically occur at the end of 2020, or 2022 at the very latest. After that, if no future relationship deal was agreed, then the UK’s trading relationship with the EU would be on WTO terms.

In the event of “no deal”, all plywood imported into the UK, from EU countries as well as other sources, would have to undergo UKTR due diligence. However, the agreement eventually reached with the EU might include mutual recognition arrangements so that imports from EU countries might not require due diligence.

From January to August, latest analysis of Eurostat Comext data shows UK imports from the rest of the EU at 90,400 tonnes, an increase of 8.3% (which some attribute to an element of stockpiling prior to the original Brexit deadline at the end of March).

This compared with 454,400 tonnes from outside the EU, down 6.7% on the same period in 2018.

Plywood imports across the EU as a whole for the eight months were down 3% to 3.165 million tonnes, with intra-EU trade 4% lower at 1.3 million tonnes and extra-EU imports down 2%.

Among the biggest falls were seen in Germany, with total plywood imports down 12% to 602,000 tonnes, Italy, down 14% to 184,700 tonnes, Latvia down 15% to 57,000 tonnes and Poland down 5% to 154,300 tonnes.

Strongest increases in plywood imports in the January to August period included those of the Netherlands, up 6% to 325,000 tonnes, Belgium up 9% at 245,300 tonnes, France up 4% at 237,400 tonnes, Denmark up 2% to 99,600 tonnes, Sweden up 20% at 92,700 tonnes (with extra EU imports up 61% at 43,000 tonnes) and Spain up 11% at 79,100 tonnes.

#### **China drives rise in EU imports of tropical hardwood plywood**

For the nine months to the end of September 2019, total tropical plywood imports into the EU were ahead 4% by volume and 7% by value to 250,000 tonnes and €221 million respectively.

The biggest tropical plywood volume increase came from China, up 32% at 110,000 tonnes in the first nine months of 2019. Other increases were posted by Gabon (+12% at 11,100 tonnes), Brazil (+8% at 8,700 tonnes) and Paraguay (+30% at 4,200 tonnes).

However, imports of plywood from Indonesia were down 5.6% at 64,500 tonnes, imports from Malaysia were down 28.8% at 29,700 tonnes, and imports from Vietnam declined 20.3% to 8,100 tonnes.

The UK accounted for the vast bulk of the increase in EU imports, with its tropical plywood imports ahead 18.5% to 140,300 tonnes, with pre-Brexit stock piling considered once more to have played a part. Most of the gain in UK imports was not due to direct imports from the tropics, but to a rise in tropical hardwood faced plywood manufactured in China.

Imports of tropical plywood declined in all other leading EU markets in the first nine months of 2019 including Belgian (-21% at 26,300 tonnes), Netherlands (-11% at 24,200 tonnes), Germany (-7% to 18,600 tonnes), France (-3% to 14,700 tonnes) and Italy (-4% at 12,300 tonnes). However, Greek imports increased 4% to 23,000 tonnes).

Total EU imports of temperate hardwood plywood in the nine-month period were down 1% at 1.11 million tonnes. Of the lead suppliers, Russia recorded a 5.3% EU sales increase to 586,800 tonnes and Ukraine a rise of 8.3% to 62,300 tonnes.

However, these gains failed to offset declining imports of temperate hardwood plywood from China (-8% to 374,300 tonnes), Belarus (-15% to 77,000 tonnes), Uruguay (-15% to 5,900 tonnes) and Bosnia-Herzegovina (-15% to 4,300 tonnes).

EU softwood plywood imports from January to September were 8.8% lower at 655,900 tonnes. Brazilian product was down 3.1% at 451,700 tonnes, Chilean down 18.1% at 75,800 tonnes, Russian down 7.2% at 64,800 tonnes, Chinese down 19.9% at 36,900 tonnes and Canadian down 20% at 5,500 tonnes.

Looking forward, a UK importer pinned their hopes on “some post-election Brexit clarity and demand picking up as the government works to avoid recession”, although he still anticipated prices “continuing to bounce off the floor”.

A continental plywood importer was also cautious. “We don’t foresee any significant improvement for six months or so, unless the US settles all its trade disputes and the UK finally leaves the EU (or not). That could give some positive signals and incentives.”

## **North America**

#### **US, Mexico and Canada agree to trade deal changes**

On 10 December negotiators from the US, Mexico, and Canada met in Mexico City to sign an agreement making changes to the so-called US-Mexico-Canada Agreement (USMCA) to update the North American Free Trade Agreement. The changes were the result of negotiations in the US between the Trump Administration and key Democrats in the House of Representatives and were seen as necessary to win approval from the House Democratic Caucus.

While the text of the changes is not yet available a Fact Sheet from the US House of Representatives Committee on Ways and Means outlined changes to the environmental provisions in the agreement. These include a new commitment that all parties adopt, implement, and maintain seven multilateral environment agreements, new mechanisms to monitor whether environmental protections are being applied, and enhancements to mechanisms that ensure only legally harvested and taken flora and fauna are traded through Mexico.

See:

<https://waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/USMCA%20win%20factsheet%20.pdf>

#### **Sawn tropical hardwood imports continue upswing**

US imports of sawn tropical hardwood expanded 18% in October, rising to 22,080 cubic metres for the month. Imports were 10% higher than October of last year. For the year to October imports are up on 2018 by 17%.

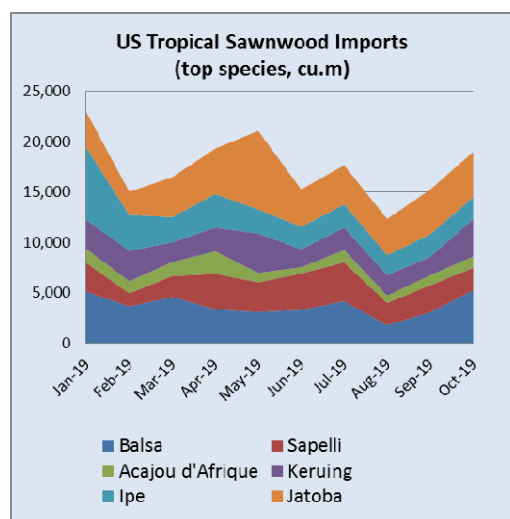
Imports from Ecuador continue to grow, rising by 74% month on month in October but are still at a level slightly below that of October 2018. Total imports from Ecuador for the year to October are down 8%.

Sawnwood imports from Brazil and Cameroon both fell by more than 20% in October but remain well ahead of 2018.

Jatoba imports remained steady at a level well above previous years. Jatoba imports are more than double that of 2018 and are the highest volume tropical hardwood imported by the US year to date.

Balsa, the traditional import leader, saw a 71% increase in volume in October to a level roughly even with October 2018 and is now down 8% from last year to date.

Keruing imports more than doubled in October and are now up 37% year to date. Teak and padauk also saw stronger imports in October and are well ahead of last year's volume to date.



Data source: US Census Bureau, Foreign Trade Statistics

Canadian imports of sawn tropical hardwood grew by 30% in October. The month saw the highest dollar value of imports since May 2017. The strong monthly performance boosted year to date imports to 5% ahead of last year's totals, with imports of sapelli up 39% and iroko up 67% year to date.

#### Hardwood plywood imports climbing

US imports of hardwood plywood rose by 18% in October to reach one of its highest levels of the year. The more than 246,000 cubic metres of plywood imported was 16% higher than that of October 2018 and now year to date totals are just 7% below those of the same period last year.

Imports from Russia saw its strongest month since 2012 after increasing by 39% in October. Imports from China and Indonesia both fell in October and are down 52% and 29% respectively year to date.

Imports from Vietnam continue to grow; they were up 18% in October and are up 83% year to date.

#### Rebound in Tropical veneer imports

US imports of tropical hardwood veneer rebounded sharply from a dismal September, rising 58% in October to a level 16% better than that of October 2018. However, 2019 imports still trail last year by 18% year to date.

Imports from Italy came back strong in October after suffering its slowest month in three years to now outpace 2018 year to date by 4%. The Italian imports offset monthly declines of more than 10% from all other major supplying countries.

Imports from China and Cameroon were both down by nearly half in October and are behind 2018 year to date totals by more than 50%.

#### China and Indonesia only winners as flooring imports drop

US imports of hardwood flooring fell by 12% in October to a level more than 25% below that of October 2018. The decline leaves overall imports only slightly ahead of last year, up 3% year to date. Imports from China and Indonesia held steady in October, while imports from all other major trading countries fell by at least 10% for the month.

Imports of assembled flooring panels fell by 3% in October and are within 1% of 2018 year to date. Imports from China were down 4% in October and are off by 41% year to date. Imports from Vietnam and Thailand were both down in October, but still greatly exceed numbers from October 2018. Year to date imports from Vietnam are up 114% and imports from Thailand are up 38%.

#### Sharp decline in moulding imports from Malaysia and China

US Imports of hardwood moulding fell by 14% in October, led by sharp declines in imports from China and Malaysia. Malaysian imports declined by 34% and Chinese imports fell by 25%. Year to date imports are down 24% overall with imports from China and Brazil both at around half of last year's totals.

#### US Wooden furniture imports, China down others up

US imports of wooden furniture grew by 9% in October but were still 10% less than that of the previous October. Slowing imports from China was the main reason for the decline. Imports from China were down by 3% in October and are lagging 2018 by 27% year to date.

Imports from are other leading trading partners were up in October and are ahead of last year's year to date totals.

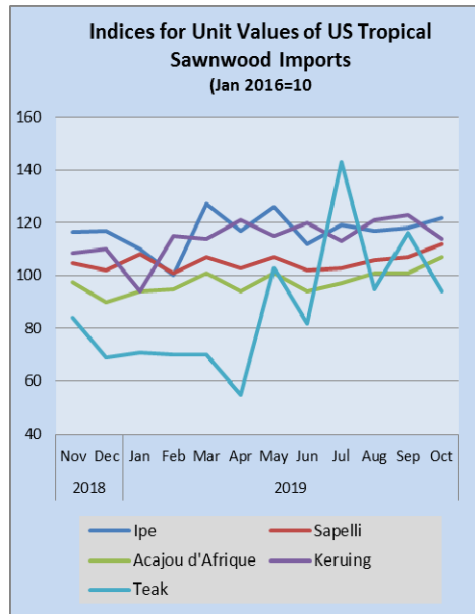
#### US unemployment matches half-century low

US job gains roared back in November as unemployment matched a half-century low and wages topped estimates. This provides the Federal Reserve with more reason to hold interest rates steady after three straight cuts.

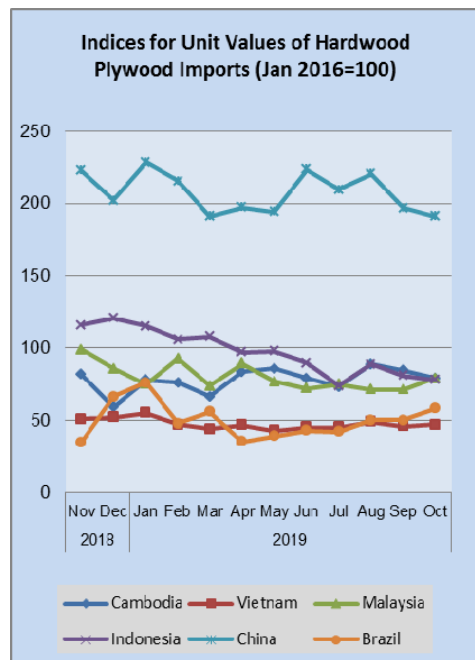
Payrolls jumped 266,000, the most since January, after an upwardly revised 156,000 advance the prior month, according to a US Department of Labor release.

That topped all estimates in a Bloomberg survey calling for 180,000 jobs. It was the first full month that General Motors Co. workers returned to work after a 40-day strike, adding 41,300 to automaker payrolls following a similar drop the prior month.

The jobless rate dipped to 3.5%, matching the lowest since 1969. Average hourly earnings climbed 3.1% from a year earlier, exceeding projections, and the prior month was revised higher. Private employment jumped by 254,000.



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.

## Report of the 2019 ITTO Annual Market Discussion

The theme of the 2019 Annual Market Discussion organized by the ITTO Trade Advisory Group (TAG) was: “Added Value Processing in Africa—The Opportunities and Challenges”.

For decades, efforts have been directed at encouraging domestic added-value tropical timber production for export, but this has not happened to any significant extent in Africa. As it was 20–30 years ago, today’s trade by ITTO member countries in West and Central Africa is dominated by log exports and primary wood production. The changing dynamic of African production and demand for wood products, and what is needed to spur development of the wood-processing sector, were the issues addressed by speakers at this year’s ITTO Annual Market Discussion.

Five speakers spoke on the manufacturing of added-value wood products in Africa. Other speakers examined value chains from smallholder teak plantations in Togo, and one presented recommendations from the ITTO Regional Workshop on Smallholder Forest Landscape Restoration in West Africa, held on 27–29 November 2019 in Lomé. The speakers, and the titles of their presentations, were as follows:

- Pyoabalo Alaba  
Ingénieur des Eaux et forêts, Directeur Général de l’office de développement et d’Exploitation des forêts-Odef  
“Forestry and wood processing in Togo: challenges and opportunities”
- Ayite Gaba  
Co-Founder Togo Timber S.A  
“Value chains from smallholder teak plantations in Togo”
- Ms Fifonsi Ayélé Dambo  
“Recommendations from the ITTO Regional Workshop on Smallholders Forest Landscape Restoration in West Africa”
- Labode Popoola  
President, West African Research and Innovation Management Association, Pioneer Director, Centre for Sustainable Development, University of Ibadan, Nigeria.  
“The dynamics of intra-Africa wood trade markets and implications for sustainable development”
- Roy Southey  
Executive Director, Sawmilling SA]  
“Wood processing in South Africa—successes and setbacks”
- Rik Sools  
Managing Director, Form International  
“Industrial forestry plantations in Africa and their importance for developing timber industries – the case of Form Ghana”
- Mafa Chipeta  
Retired FAO Subregional Coordinator for Eastern Africa and FAO Representative to the African Union, the UN Economic Commission for Africa (UNECA) and Ethiopia.  
“Dreams to industrialize—how can Africa achieve its long-postponed ambitions?”

The Annual Market Discussion ended with a statement prepared by the TAG. Presentations and the TAG statement are available at [www.itto.int/itc-55/presentations](http://www.itto.int/itc-55/presentations)

### Summary of presentations

Pyoabalo Alaba said that the forest sector in Togo contributes to the country’s economic development but, despite the many goods and services provided by forests, this contribution to national wealth is poorly defined and underappreciated. He pointed out that the low level of development of sectoral statistics has contributed to this lack of understanding of the economic potential of the forest sector.

Mr Alaba reported that logs account for around 65% of Togo’s timber exports; some sawnwood is exported, but there is virtually no secondary or tertiary product production for export. Industrialization of the timber sector remains a major concern, and there is a need to provide incentives for the development of the forest industry, address traceability and establish a legal framework for promoting industrialization.

The major challenges, according to Mr Alaba, include strengthening the institutional framework to support industrialization, raising the technical capacity of stakeholders, strengthening the statistical framework to provide a sound basis for policy decisions, and addressing standardization and legality verification. Mr Alaba concluded by saying that demand for wood products in Togo is expanding rapidly, and efforts are needed to increase domestic production to meet this demand.

Mr Ayite Gaba, a Togolese entrepreneur and teak exporter, opened his presentation by pointing out that the global market for teak is worth around USD 500 million annually and that India is the largest market for teak (followed by Thailand and China). Mr Gaba said that Togo exports most of its high-quality teak logs and sawnwood to India, and dependence on one market poses a risk.

Mr Gaba made four recommendations: 1) teak growers in Togo should improve the quality and productivity of plantations to command higher prices; 2) the government should provide incentives to drive domestic processing to diversify the pool of buyers for small growers; 3) ITTO should develop support mechanisms for small teak growers and processors; and 4) local manufacturers should offer benefit-sharing mechanisms to growers to raise their income and ensure the continuous supply of raw materials.

Ms Fifonsi Ayélé Dangbo provided a summary of recommendations from the ITTO Regional Workshop on Smallholders Forest Landscape Restoration in West Africa. She pointed out that smallholders are usually classified according to their size, which can vary from less than 1 hectare up to 10 hectares and more. The common characteristics of smallholders in West Africa include: limited access to land; low financial capital; a general focus on subsistence; the application of only simple technologies for production; and dependence on others for marketing, which creates a high level of vulnerability and risk of exploitation.

Of the workshop's five recommendations, two are particularly interesting:

1) governments need to establish land and tree tenure for the effective empowerment of smallholders undertaking forest landscape restoration as well as create incentive mechanisms and management support for smallholders; and 2) smallholders should be supported to improve the growth, quality and productivity of plantations and in the development of markets.

Ms Dangbo concluded with the statement, arising from the workshop, that, "if a smallholder has technical support and capital for a modest investment, tree plantations and woodlots can serve as a 'tree bank' offering secured interest and acting as a personalized 'pension fund'".

Dr Labode Popoola illustrated the timber resource flows in the West African subregion, noting that Africa is still one of the world's least-connected continents in terms of ease of movement of people, trade, information and finance, both within and across borders. He pointed out that intracontinental trade is still limited in Africa at 10–13 percent, which is much lower than in other continents.

Dr Popoola said although the forest product export industry is significant it is poorly integrated with national economies, and this has a negative effect on both the patterns of economic growth and the satisfaction of domestic regional demand. An imbalance in purchasing power between international and domestic markets and the resulting overconcentration on profiting from the export trade is leaving domestic demand unaddressed. In rapidly urbanizing economies such as Ghana, Gambia, Nigeria and post-conflict Sierra Leone and Liberia, the result of the emphasis on exports is a domestic market that is sourced almost entirely illegally.

Dr Popoola called for a common strategic framework to generate meaningful data on local, national and transboundary trade and their impacts in the subregion. This will make for proper valuation and accountability in the forest sector. He provided an analysis of regional agreements, saying that the benefits to be derived from an expanded intra-African timber trade will only be achieved if stakeholders are fully committed and look to the long term.

Roy Southey, Executive Director of Sawmilling SA, outlined the development of South Africa's forest industry, from the last century to today. Three factors driving development of wood processing in the country seemed especially important, he said: 1) a strong mining industry, which brought skilled workers to the country and created domestic demand for timber; 2) a timber shortage, which created impetus for the country to develop plantations with the view to achieving timber self-sufficiency; and 3) a period of international isolation, which forced investment to create a domestic wood-processing industry.

Today's South Africa has a number of government incentive schemes to encourage investment and development in the forest products industry, notably those offered by the Industrial Development Corporation, a government-owned finance institution. This support played a major role in aiding private afforestation and the establishment of processing facilities, including sawmills, pulp plants and even small-pole-treating facilities.

Rik Sools, Managing Director of Form International, spoke about his company's experiences in developing teak plantations in Ghana, addressing the question of why there is so little teak processing in Ghana.

The timber industry in Ghana, he said, is focused mainly on natural forest logs, and the large mills have not yet seriously considered plantation sources, which are still maturing. Most currently traded teak is 12–15 years old. Quality would be improved if the trees were allowed to mature, but there is pressure, especially on the part of small plantation owners, to take early returns, which leads to the harvesting of small-sized trees and, consequently, low prices for growers. This, said Mr Sools,



is discouraging small growers and could drive them to use the land for cash crops such as cashew.

Mr Sools emphasized the role of the public sector in providing an enabling environment, for example through direct support for sustainable private-sector projects, human resource development and research and development. Governments could facilitate land access, improve plantation regulations and provide subsidies and tax incentives for reforestation.

### **Feature address**

Mafa Chipeta spoke provocatively on the issue of Africa's lagging forest industries, beginning with the challenge, "What can be done to get better outcomes?". He said that, even though the Annual Market Discussion was a private-sector forum, most answers to questions about making a real difference must be directed at government policy and action rather than the private sector.

He said Africa's development has been weak in all areas, and a culture of laying blame on others instead of finding its own solutions has taken root. In his opinion, the failure of private investment in Africa has almost certainly been mostly due to a failure of government policy, commitment and discipline.

Given that industrialization has failed in many sectors, including where Africa has abundant natural resource endowments, Mr. Chipeta set out what he perceives to be the key policy changes and accompanying investments that could unlock the industrialization potential.

He said that, because of the increasing inaccessibility of many natural forests, especially in humid Central Africa, countries should promote the establishment of industrial wood plantations to support processing industries and trade based on them. They should also establish well-managed, corruption-free accessible sources of funds dedicated to promoting value-added forest industries.

Mr. Chipeta said that, "domestic entrepreneurs must stop glorifying small and medium enterprises and seize the ambition for some of them to become giants and champions of their countries' forest industries. The serious sector development efforts cannot forever be subcontracted to foreign companies so the domestic companies introspect and organise themselves to move forward". African countries, he said, should take heart from the success of other regions but develop solutions specific to their own situations rather than trying to copy what those who have already succeeded did.

### **Discussion and interventions**

In the ensuing discussion, a delegate from Peru commented that it is very appropriate to recognize the efforts and contributions made by small and medium-sized enterprises (SMEs) in the forestry and timber sector, and he welcomed the inclusion of presentations on the community forest sector and would like to see more such participation in Council discussions.

The delegate from Peru said he was surprised to see that many of the problems in Africa are similar to those facing some Latin American countries. Issues such as industrial economies of scale, deforestation, the low level of added-value production and a disorganized domestic market are very familiar.

While recognizing the advantages of certification, the delegate from Peru said this is achievable only by large enterprises because SMEs do not have the financial resources or skills to achieve certification. He asked, "Why pursue certification when ITTO has an alternative tool, the C&I for SFM?". This, he said, took years to develop, has been updated and revised but seems out of fashion now. It should be relaunched because it is especially useful for small operators as could be a recognizable "green stamp".

A delegate from Viet Nam provided information on how, over a period of 20-30 years, his country has created an industry capable of exporting wood products worth around USD 11 billion this year, with the aim of increasing this to USD 20 billion by 2025.

Behind this success, said the delegate, is land reform that began in the 1990s. At that time, the government began allocating land to farmers, privatizing state enterprises and encouraging plantations. Viet Nam banned the logging of natural forests in 2016.

The delegate reported that Viet Nam currently has around 3 million hectares of acacia plantations and around 1 million hectares of rubberwood plantations, and there has also been extensive tree planting by farmers, who receive payments for forest services funded by downstream water users. Farmers have been encouraged to reforests their lands. Viet Nam has around 5000 wood-processing enterprises, most of which are exporting. The country is actively pursuing SFM and responsible management and hopes to be shipping FLEGT-licensed wood products by 2021.

**Trade statement**

ITTO should focus on the positive relationship between trees and carbon sequestration according to the TAG, which delivered the Trade Statement at the conclusion of the Annual Market Discussion.

The Statement says “the Inter-Governmental Panel on Climate Change has clearly recognised the role of wood products, both from natural and planted forests, as significant in the fight against climate change. This is a critical statement of fact which TAG wants ITTO to communicate freely and widely”.

“Council should be aware of the increasing interest shown globally to establish tree plantations and more importantly, Council should know the struggle by investors and other stakeholders to plant trees. There is probably enough biological science and knowledge available on how to grow trees, with enough care to biodiversity, but what is holding back plantations of significant scale?”

The TAG suggested that ITTO could play an important role in unlocking obstacles to the creation of tree plantations, especially in the context of ecosystem restoration. “There is already a lot of expertise in member countries and elsewhere,” says the statement, “but ITTO needs to show leadership and harness this collective expertise into a practical way forward.”

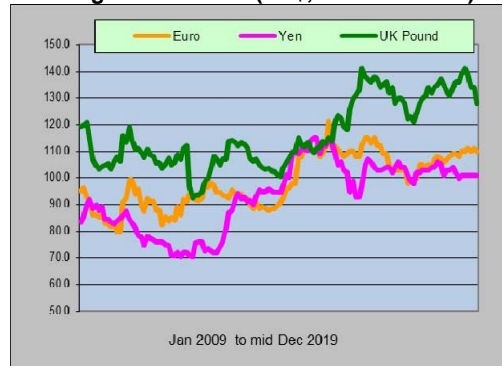
The TAG requested the Council to fund an international meeting of experts on facilitating commercially viable plantations in the tropics, or the development of an international tropical timber plantations strategy. It posed the question, “Are we capable to ignite a tree plantation revolution to save the climate”?

## Dollar Exchange Rates

As of 10th December 2019

|               |           |         |
|---------------|-----------|---------|
| Brazil        | Real      | 4.1083  |
| CFA countries | CFA Franc | 587.04  |
| China         | Yuan      | 6.9729  |
| EU            | Euro      | 0.8992  |
| India         | Rupee     | 70.69   |
| Indonesia     | Rupiah    | 13985   |
| Japan         | Yen       | 109.34  |
| Malaysia      | Ringgit   | 4.1345  |
| Peru          | New Sol   | 3.38    |
| UK            | Pound     | 0.7502  |
| South Korea   | Won       | 1174.23 |

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

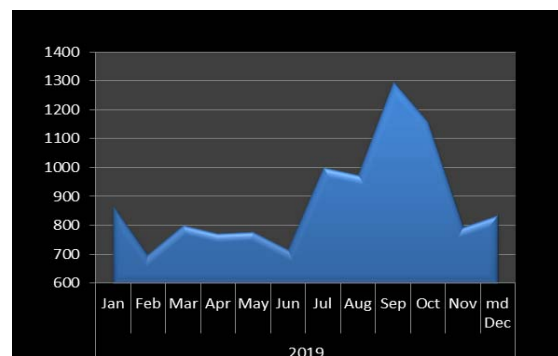


## Abbreviations and Equivalences

|            |   |
|------------|---|
| 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

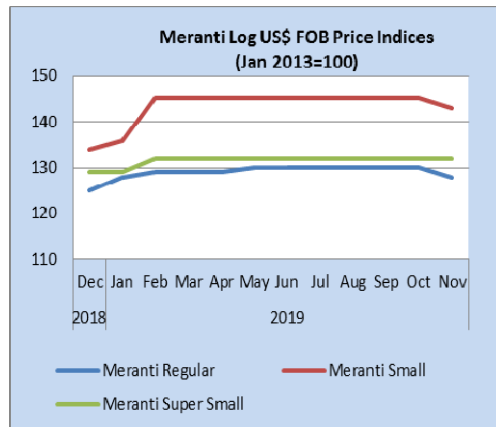
Baltic Supramax Index  
January - December 2019



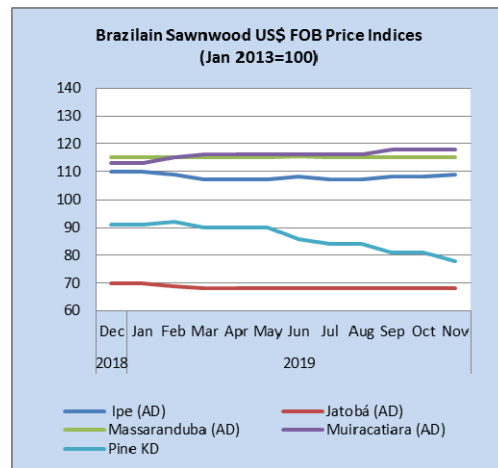
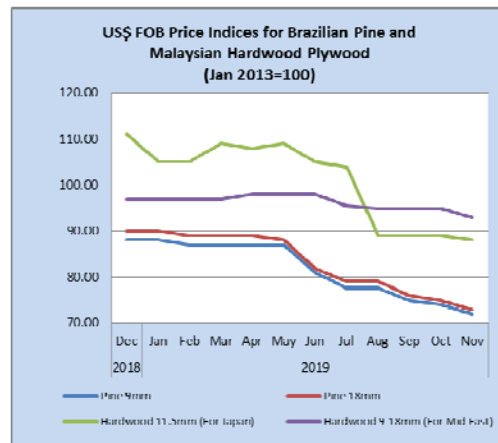
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

**Price indices for selected products**

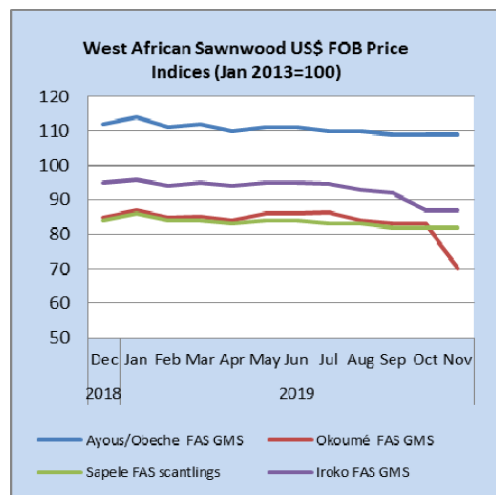
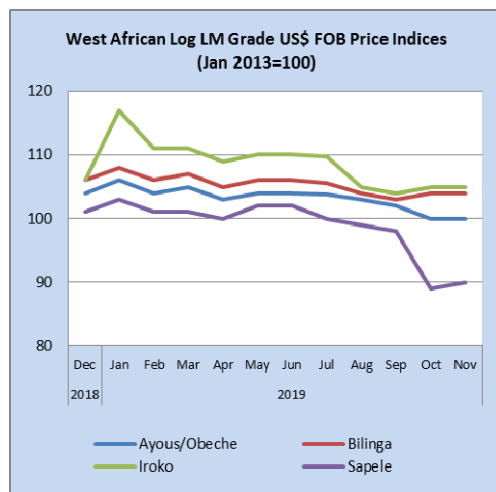
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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