# Tropical Timber Market Report

Volume 23 Number 18, 16th – 30th September 2019



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## Headlines



## Top Story

**First timber legality certificate issued in Myanmar**

The Myanmar Forest Certification Committee (MFCC) has announced that the first MTLAS Legality Certificate has been issued.

Barber Cho, Secretary of MFCC, said getting to this point was the result of two-years of hard work and that the MFCC has built a reliable MTLAS with limited resources.

The major challenge going forward is accreditation in Myanmar said Cho.

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## Central and West Africa

### Suppressed Chinese demand to linger into next year

At a recent business forum in Amsterdam a director of KHLL Gabon said he is not expecting any recovery of demand from mills in China between now (Sept. 2019) and May next year.

A company profile of KHLL says around euro 37million has been invested in Gabon specifically in logging equipment and processing plant in the Nkok special economic zone

Wood processing enterprises in China have been hit hard by the strict enforcement of environmental regulations and many companies have closed finding it too expensive to re-tool to meet the environmental standards or too expensive to re-locate. Also, a major factor suppressing demand is the high import tariffs on Chinese goods entering the US as well as China's tariffs on imports from the US.

### Exports to Vietnam slow

Producers in the region report that the growth in exports to Vietnam has stalled despite efforts by Vietnamese manufacturers to ramp up production to fill the void left by China in the US market. On the other hand, exporters of okoume sawnwood are satisfied with the steady demand from Philippine importers.

Businesses in Europe have started work after the summer holidays but producers are of the opinion that stock levels in France, Spain and Germany are adequate for the coming months so do not see any opportunity to raise prices on the back of expanding demand.

### Rain, slow demand and tough regulations impacting mills

Logging and sawmills operations in Cameroon are currently affected by heavy rain which, along with sluggish demand, growing competition from other countries and tough enforcement of forestry regulations, is making life tough for businesses. Logs of primary species can now only be exported under a strict quota system depending on the volume of sawnwood exported.

### Management of Douala Port to change hands

Local analysts report that Douala Port still has a stock of around 20-25,000 cubic metres of logs which have been on the ground for some time and are showing signs of deterioration. Kribi Port is now open only for container shipments with conventional vessels having to load at Douala Port.

The international media has reported that Terminal Investment Limited (TIL) has been chosen to manage Douala Port beginning 2020. It appears that Bollore, the French company that had been managing the port since 2015, lost in a bidding process. TIL has port operations in Togo and Ivory Coast.

See: https://www.hellenicshippingnews.com/cameroon-taps-terminal-investment-limited-to-run-douala-port/

### Cash for reducing deforestation

At a recent environmental conference attended by Gabon's Forestry Minister, Norway announced it will, in partnership with the Central African Forest Initiative (CAFI), provide US$150 million over 10 years to help Gabon "reduce greenhouse gas emissions from deforestation and degradation".

See: https://3news.com/gabon-to-get-150m-for-preserving-its-rainforests/

### Truckers fear being shut out

Some trucking companies in Gabon have raised concerns over rumours that the operator of the Special Economic GSEZ is planning new regulations which may affect their businesses in trucking into the zone. This comes at a time when the trucking sector is seeing slow business.

### Kevazingo scaling continues

It is reported that the scaling of the seized Kevazingo logs continues in advance of the logs being hammer stamped and given a bar code. When the measurement and recording is completed it is anticipated an auction will follow. The industry is expecting those buying the logs will be required to process them but at the moment it is not clear if primary or secondary processing will be required before export.

### Prices stable even as demand softens

Producers report that, overall, prices remain stable despite the slowing of orders. Minor changes in the price of azobe have been reported as the outdoor market for azobe items slowed as summer ends.

There are reports of a growing interest in padauk by buyers for the Chinese market possibly because prices have weakened as orders from Belgian importers have eased due to a build-up in their stocks of padauk.

### Log export prices

| West African logs | FOB Euro per cu.m | | |
|---|---|---|---|
| Asian market | LM | B | BC/C |
| Acajou/ Khaya/N'Gollon | 265 | 265 | 175 |
| Ayous/Obeche/Wawa | 250 | 250 | 225 |
| Azobe & Ekki | 275 | 275 | 175 |
| Belli | 280 | 280 | - |
| Bibolo/Dibétou | 215 | 215 | - |
| Bilinga | 275 | 275 | - |
| Iroko | 330 | 340 | 250 |
| Okoume (60% CI, 40% CE, 20% CS) (China only) | 220 | 220 | 200 |
| Moabi | 365 | 365 | - |
| Movingui | 210 | 210 | - |
| Niove | 160 | 160 | - |
| Okan | 220 | 200 | - |
| Padouk | 300 | 280 | 230 |
| Sapele | 310 | 310 | 265 |
| Sipo/Utile | 325 | 300 | 265 |
| Tali | 330 | 330 | - |

**Sawnwood export prices**

| West African sawnwood | FOB Euro per cu.m |
|---|---|
| Ayous FAS GMS | 440 |
| Bilinga FAS GMS | 540 |
| Okoumé FAS GMS | 460 |
| Merchantable | 310 |
| Std/Btr GMS | 340 |
| Sipo FAS GMS | 520 |
| FAS fixed sizes | 560 |
| FAS scantlings | 560 |
| Padouk FAS GMS | 720 |
| FAS scantlings | 850 |
| Strips | 650 |
| Sapele FAS Spanish sizes | 500 |
| FAS scantlings | 520 |
| Iroko FAS GMS | 640 |
| Scantlings | 720 |
| Strips | 400 |
| Khaya FAS GMS | 480 |
| FAS fixed | 540 |
| Moabi FAS GMS | 620 |
| Scantlings | 640 |
| Movingui FAS GMS | 420 |

## Ghana

**First half exports decline**

The Ghana Timber Industry Development Division (TIDD) of the Forestry Commission (FC) has reported the volume of wood products exported for the first six months of 2019 tumbled by almost 13% year on year.

First half export volumes dropped to 151,397 cubic metres in 2019 from 173,899 cubic metres in the same period of 2018. See table below.

**First half 2019 export volumes (cu.m)**

| | 2018 1st half | 2019 1st half | YoY % change |
|---|---|---|---|
| AD sawnwood | 110,971 | 92,309 | -16.8 |
| KD Sawnwood | 21,301 | 21,750 | 2.1 |
| Plywood (regional) | 10,464 | 12,316 | 17.7 |
| Billets | 17,762 | 12,622 | -28.9 |
| Sliced Veneer | 5,672 | 4,119 | -27.4 |
| Mouldings | 3,553 | 3,968 | 11.7 |
| Rotary Veneer | 2,607 | 1,900 | -27.1 |
| Others | 1,569 | 2,413 | 53.8 |
| Total | 173,899 | 151,397 | -12.9 |

Data source: TIDD

The corresponding export revenue for the first half 2019 also declined from Euro 102.99 million in 2018 to Euro 77.45 million in 2019, a year-on-year drop of almost 25%. While export volumes were small there was a sharp rise in exports of boules in the first half of this year.

**First half 2019 export values (Euro 000s)**

| | 2018 1st half | 2019 1st half | YoY % change |
|---|---|---|---|
| AD Sawnwood | 67,678 | 47,152 | -30.3 |
| KD Sawnwood | 13,407 | 13,033 | -2.8 |
| Plywood (regional) | 3,895 | 4,166 | 7.0 |
| Billets | 6,935 | 4,598 | -33.7 |
| Sliced Veneer | 6,246 | 3,895 | -37.7 |
| Mouldings | 2,279 | 2,745 | 20.4 |
| Rotary Veneer | 962 | 918 | -4.5 |
| Others | 1,585 | 943 | -40.5 |
| Total | 102,987 | 77,448 | **-24.80** |

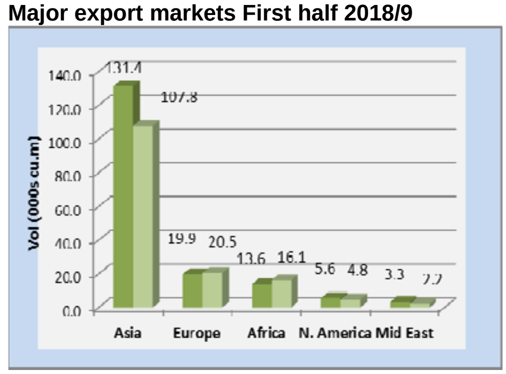
Data source: TIDD

**Asian market maintains the lead in spite of shortfall**

Ghana's wood product exports go to five major markets of which the largest in the first half of 2019 was Asia (71%) but exports to Asia, particularly China have fallen compared to the first half of 2018 (76%). Analysts write that this could be a reflection of the rosewood export ban in Ghana.

The European and African markets accounted for around 13% and 11% respectively with the balance of first half exports going to America and Middle East.

**Major export markets First half 2018/9**




Data source: TIDD

The leading species exported were teak, wawa, ceiba, mahogany and denya for the top markets of India, China, Germany, USA and Burkina Faso.

**Ghana ready to launch REDD+ Strategy**

Ghana now has the appropriate policies in place for the launch the Ghana National REDD+ Strategy which will help address ensure a measures for the sustainable use of natural resources.

See: Source:
https://www.myjoyonline.com/news/2019/september-26th/ghana-to-launch-strategic-options-to-address-deforestation.php

**Healthy second quarter growth**

Ghana's economy grew 0.4% to 5.7% in the second quarter of 2019 and the annual inflation rate fell to 7.8% in August 2019 from 9.4% in the previous month according to Ghana Statistical Service data.

The industrial sector output performed well, expanding around 6.5%, followed by the services sector (6.1%). Growth in the agricultural sector was disappointing. The services sector now accounts for almost 50% of the economy with the industrial sector at 36%.

The industrial sector includes wood manufacturing companies which register with the Association of Ghana Industries (AGI), a voluntary business association of small, medium and large scale manufacturing and services industries.

**Boule Export prices**

| | Euro per $m^3$ |
|---|---|
| Black Ofram | 330 |
| Black Ofram Kiln dry | 420 |
| Niangon | 550 |
| Niangon Kiln dry | 614↓ |

**Export Rotary Veneer Prices**

| Rotary Veneer, FOB | Euro per $m^3$ | |
|---|---|---|
| | CORE (1-1.9 mm ) | FACE (>2mm) |
| Ceiba | 333- | 445 |
| Chenchen | 431 | 542 |
| Ogea | 508 | 590 |
| Essa | 511↓ | 733 |
| Ofram | 350 | 435 |

**Export Sliced Veneer**

| Sliced face veneer | FOB Euro per $m^3$ |
|---|---|
| Asanfina | 841↑ |
| Avodire | 721 |
| Chenchen | 1,031↓ |
| Mahogany | 643↓ |
| Makore | 2033↑ |
| Odum | 1790- |

**Export Plywood Prices**

| Plywood, FOB | Euro per $m^3$ | | |
|---|---|---|---|
| BB/CC | Ceiba | Ofram | Asanfina |
| 4mm | 339↑ | 580 | 641 |
| 6mm | 412 | 535 | 604 |
| 9mm | 400 | 446 | 560 |
| 12mm | 510 | 450 | 480 |
| 15mm | 450 | 342↑ | 430 |
| 18mm | 450 | 441 | 383 |

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

**Export Sawnwood Prices**

| Ghana Sawnwood, FOB | Euro per $m^3$ | |
|---|---|---|
| FAS 25-100mm x 150mm up x 2.4m up | Air-dried | Kiln-dried |
| Afrormosia | 860 | 925 |
| Asanfina | 465 | 564 |
| Ceiba | 404↓ | 487 |
| Dahoma | 417↓ | 484 |
| Edinam (mixed redwood) | 520 | 597↓ |
| Emeri | 475↓ | 580↑ |
| African mahogany (Ivorensis) | 930 | 908- |
| Makore | 740 | 810 |
| Niangon | 620 | 633 |
| Odum | 649 | 917↑ |
| Sapele | 700 | 885↑ |
| Wawa 1C & Select | 420 | 463↓ |

## Malaysia

**MTCC sets new goals**

The Malaysian Timber Certification Council (MTCC) recently celebrated its 20th anniversary. Since the establishment of MTCC in October 1998, much has been done to implement the Malaysian Timber Certification Scheme (MTCS) with priorities given to planning, creating awareness, building trust and confidence among the various stakeholders as well as gaining international recognition for the scheme.

As of March 2019 a total of 22 forest management units (FMUs) have been certified under the MTCS. Of these, 15 FMUs are for natural forests covering around 4.5 million ha. the remaining seven FMUs are forest plantations extending over almost 121,000 ha. Additionally, a total of 364 timber companies have been certified under the MTCC's chain of custody scheme.

With its successes to date the MTCC has reviewed the progress and set a path up to 2025 with seven major goals outlined in a publication /MTCC Strategy 2020-2025:

- greater uptake of MTCS certification, from 22 to 40 FMUs and CoC certification from 364 to 600 timber companies
- MTCS is mainstreamed and its position further enhanced in national policies related to sustainability
- expansion of scope of certification under the MTCS to also cover non-timber products, including ecosystem services
- greater acceptance and recognition of MTCS certified products both domestically and internationally
- closer collaboration with stakeholders and increase effort on communication, education and public awareness
- embracing innovation and technological advances
- MTCC is strengthened institutionally

See: http://mtcc.com.my/mtcc-20th-anniversary-conference/

**Trade conflict to expand immediate opportunities and create long lasting market ties**

Former Malaysian Furniture Council President, Chua Chun Chai, is optimistic that Malaysian furniture exports to the US could grow substantially over the next few years having got a boost from the high tariffs on Chinese exports and through expanded business ties with US importers.

Chua has said Malaysian manufacturers need to recognise that the furniture supply chain, once dominated by China, is evolving with Vietnam, Indonesia and Malaysia vying for a greater share of international demand.

In the first five months of 2019, Malaysian furniture exports to the US grew year on year by almost 21% to RM1.55 billion.

Between January and May 2019 Malaysia's share of the markets was 38% in the US, around 8% in Japan and Singapore and almost 6% in both Australia and the UK.

See: https://www.thesundaily.my/business/us-china-trade-war-augurs-well-for-furniture-exporters-MA1121482

**Sabah log ban an boon for furniture makers**

Malaysia Furniture Council Vice Chairman Cha Hoo Peng has said the log export ban in Sabah is benefitting the downstream industry in the State, particularly the furniture sector which has seen sales increase.

The issue now, said Cha, is that while raw materials are adequate there is an acute shortage of skilled workers for the furniture sector.

**One country, three forest policies**

Malaysia has three different forestry policies and sets of laws one for each of Peninsular Malaysia, Sarawak and Sabah and recently Dr. Xavier Jayakumar, the Federal Ministry of Water, Land and Natural Resources, has suggested there would be advantages in bringing all three forest policies into a common Malaysian Forestry Policy.

Dr. Xavier stressed that the suggestion did not mean that the ministry was considering amendments to any of the current policies as he knows forest policy is a matter for each State and the Federal government does not have any right to demand changes. The Minister invited all concerned parties to consider this so it can be discussed at a later date.

**Malaysian exhibitors did well at Shanghai Fair**

In a press release the Secretary-General of the Ministry of Primary Industries Dato' Dr. Tan Yew Chong, congratulated the Malaysian Timber Council (MTC) for its successful Malaysia Pavilion at the 25th China International Furniture Expo. In 2018 Malaysian furniture manufacturers exhibiting at MTC's pavilion recorded sales of RM10.92 million but this year's sales are expected to be around RM28 million.

The MTC has been supporting participation in this fair for the past five years and this year19 Malaysian furniture companies exhibited and promoted sales.

The MTC has said this fair is a useful venue to boost business as it not only attracts buyers from within China but also other international buyers from countries such as the United States, Canada, United Kingdom, South Africa, Spain, Japan, France, India and Italy.

See:http://www.mtc.com.my/images/media/691/Furniture_China_Press_Release_2019_-Bernama-.pdf

**Plywood prices**

Plywood traders based in Sarawak reported the following July export prices.

| | |
|---|---|
| FB (11.5mm) | US$ 610 C&F |
| CP (3'x 6') | US$ 470-490 C&F |
| UCP (3'x 6') | US$ 570-590 C&F |
| Middle East | US$ 425 FOB |
| South Korea (9mm and up) | US$ 430 C&F |
| Taiwan P.o.C (9mm and up) | US$ 405 FOB |
| Hong Kong | US$ 440 FOB |

## Indonesia

**Major effort to capture market share in the US**

The Indonesian President recently met with timber industry representatives to discuss how to take advantage of the US/China trade friction specifically on how to push Indonesian furniture exports to the US.

The government has introduced incentives such as the value-added tax exemption for logs and a partial relaxation of the timber legality assurance system (SVLK) for exports to countries where SVLK certification is not mandatory.

Indonesia's exports of wood products were worth US$2.2 billion in the first seven months of this year down around 14% year on year. On the other hand furniture exports rose 9.4% year-on-year to US$1.12 billion in the first seven months of this year.

The Chairman of the Association of Indonesian Forest Concessionaires (APHI) Indroyono Soesilo, said value added tax exemption for log (currently at 10%) is good news for the domestic downstream wood industry.

But serious hurdles are yet to be overcome one of which is the high cost transportation and logistics according to the Director General of Small, Medium and Miscellaneous Industries of the Ministry of Industry, Gati Wibawaningsih. She pointed out that compared to China and Vietnam. Indonesian exporters face very high logistic costs which undermines competitiveness.

**Proposed simplification of the mandatory SVLK**

Companies are eager to hear how the SVLK has been simplified. Gunawan Salim, International Relations and Marketing Manager of Indonesian Wood Panel Association (Apkindo), said a simplification would help small companies become more competitive in markets where SVLK is not mandatory.

See:
https://ekonomi.bisnis.com/read/20190912/99/1147485/pebisnis-kayu-nantikan-penyederhanaan-mandatori-svlk#

Not everyone is keen on a simplification of the SVLK however' Asmindo (Indonesian Furniture and Handicraft Industry Association) Executive Director, Indrawan, said that there must be consistency in implementing the SVLK to ensure good forest governance.

According to Indrawan, every business in the timber sector should have a business license and a business permit as required by the SVLK. However, he did point out that for small and medium businesses need help in meeting the requirements of the SVLK.

Also adding a word of caution, Dwi Sudharto, Head of the Center for Research and Development of Forest Products at the Ministry of Environment and Forestry (KLHK), said the SVLK has eliminated the negative image of Indonesia timber sector and that lowering the SVLK standard is being promoted by businesses that do not want to follow the regulations.

See:
https://news.trubus.id/baca/31778/jpik-nilai-revisi-svlk-hancurkan-reformasi-tata-niaga-kayu

**SMEs targeted for assistance on SVLK**

The Ministry of Environment and Forestry (KLHK) is targeting 400 groups of micro, small and medium enterprise groups for assistance in satisfying the national Timber Legality Verification System (SVLK).

The Director of Processing and Marketing of Forest Products in the KLHK more SMEs will be assisted this year. In 2018, 152 groups of SMEs comprising 3,172 industrial SMEs and 247 private forest owners. This year the KLHK will spend Rp20 billion from the state budget for this exercise.

**Prices for domestic logs being undermined by weak international demand**

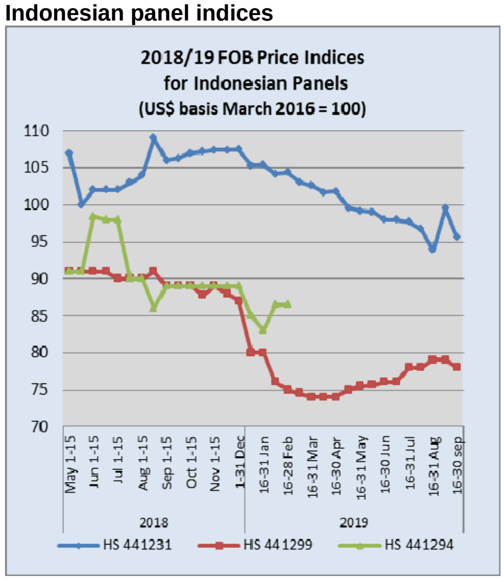
Weakening international demand for processed wood products is beginning to impact the domestic market for logs. Purwadi Soeprihanto, Executive Director of the Asssociation of Indonesian Forest Concessionaires, (APHI) has reported that in the first seven months of 2019 log sales were 25.2 million cubic metres compared to the 26.1 million cubic metres in the same period 2018.

The decline is the result of sluggish international demand largely the result of the escalation of the trade frictionbetween the United States and China. The immediate impact of softening demand has been a fall in plywood prices which feeds back into the prices offered for domestic logs.

Purwadi indicated there are about 14 million cubic metres of raw material available but if prices fall owners will reduce harvests.

See:
https://ekonomi.bisnis.com/read/20190919/99/1150184/produksi-kayu-bulat-tergerus-lemahnya-permintaan

**Indonesian panel indices**




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

## Myanmar

**First timber legality certificate issued**

The Myanmar Forest Certification Committee (MFCC) has announced that the first MTLAS Legality Certificate has been issued providing details on the shipper, the type of products and species among other details.

See: http://www.myanmarforestcertification.org/certificates/

Barber Cho, Secretary of MFCC, said getting to this point was the result of two-years of hardwork. Cho continued saying that the MFCC has built a reliable MTLAS with limited resources.

Over the past two years the Certification Committee and supporters compiled the certification standard and provided auditors training for certification bodies. Currently the MFCC recognises three certification bodies and will soon announce approval of others.

The major challenge going forward is accreditation in Myanmar. The Department of Research and Innovation (DRI) under Ministry of Education is currently the official Accreditation Body but the DRI is not yet a member of the International Accreditation Forum (IAF).

The IAF is the world association of Conformity Assessment Accreditation Bodies and other bodies interested in conformity assessment in the fields of management systems, products, services, personnel and other similar programmes of conformity assessment.

Because the DRI is not accredited to IAF it has little international standing in the accreditation of Myanmar's certification bodies. As an interim measure, MFCC has assumed the role of accreditation body but it is the priority of the MFCC to solve this accreditation issue as soon as possible.

With the issuance of the first MTLAS legality certificate, Cho, on behalf of the MFCC, put on record the gratitude to PEFC which provided assistance in the development of the legality certification process in Myanmar. The MTLAS process began in 2009 and the PEFC began to provide assistance in 2017/18 for which everyone in Myanmar is grateful.

The MTLAS is a uniquely Myanmar effort but has built upon the experiences of other countries and the PEFC expertise in building capacity in the MFCC, training auditors and introducing the PEFC chain of custody system. The MFCC looks forward to further cooperation with the PEFC to strengthen and promote Myanmar's forestry and wood products sectors.

The MFCC anticipates that as soon as the accreditation issue is resolved the MTLAS certificates will benefit importers in the EU in meeting the due diligence requirements of the EUTR. Cho said he is well aware that there is much to do to overcome the concerns on allegations of corruption in Myanmar, on improving transparency and a host of other domestic issues of concern to the international community.

**Memorandum of understanding with RECOFTC**

Myanmar's Forestry Department signed a memorandum of understanding with RECOFTC (The Center for People and Forests) an international not-for-profit organisation that focuses on capacity building for community forestry in the Asia Pacific region.

The agreement is the second between the Forestry Department and RECOFTC. The organisations signed the first agreement in 2013. Since the beginning of the partnership, Myanmar has achieved important milestones in forestry. The most notable being the formation of a Community Forest National Working Group (CFNWG) in 2014 and the establishment of a community forest database.

Maung Maung Than, Director of RECOFTC Myanmar, said this agreement is an important milestone in the history of community forest development in Myanmar as it will continue to address challenges that face the country's forests and the communities that depend on forests.

Work under the new agreement will focus on the development a plan for Myanmar's Community Forest National Working Group. The working group aims to establish 14,000 hectares of community forest a year. The working group will also strengthen community forest enterprises.

**Belt and Road plan being discussed**

The governments of China and Myanmar are negotiating a five-year plan on economic and trade cooperation under the Belt and Road Initiative.

Investment in infrastructure in Myanmar is expected to increase over the next 18 months as a result of projects including those under the China-Myanmar Economic Corridor (CMEC) such as the New Yangon City, Kyaukphyu Deep Sea Port and the Kyaukphyu-Kunming Railway projects.

**Foreign investment flows improving**

Myanmar's economy is forecast to expand 6.4% in the current fiscal year and to 6.8% in the next according to the Institute of Chartered Accountants in England and Wales (ICAEW). The report said that the forecast for Myanmar's economy is positive as the country opens to foreign investment. The ICAEW report mentioned that the infrastructure, manufacturing and wholesale and retail services sectors are expected to be the greatest beneficiaries.

According to the Myanmar Investment Commission after a 14% decline in foreign investment to US$5.7 billion in 2018 foreign investment inflows are now rising improving.

**Log Tender Prices for August 2019**

**Teak logs**

| Grade | H.tons | Average US$/H.ton |
|---|---|---|
| SG-1 | - | - |
| SG-2 | - | - |
| SG-4 | 61.47 | 3,465 |
| SG-5 | 67.25 | 2,857 |
| SG-6 | 185.57 | 2,414 |
| SG-7 | 767.88 | 1,679 |

**Other hardwood logs**

| Species | Quality | H.ton | US$ Average/H. ton |
|---|---|---|---|
| Kanyin | 1st | 273.18 | 655.00 |
| Kanyin | 2nd | 10,947.7 | 560.00 |
| Pyinkado | 2nd | 673.49 | 762.00 |
| Ingyin | 2nd | 153.25 | 334.00 |

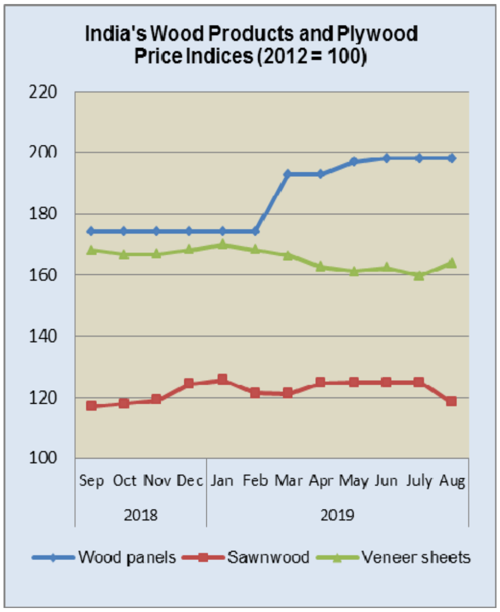
## India

**Modest rise in wood product price indices**

The official Wholesale Price Index for 'All Commodities' (Base: 2011-12=100) for August 2019 rose to 121.4 from 121.2 for the previous month. The index for the group 'Manufactures of Wood and of Products of Wood and Cork ' declined to 134.1 from 134.2 for the previous month due to lower price of wooden splints, sawnwood and wooden boxes/crates. However, the price of veneer sheets and wooden blocks moved higher.

The annual rate of inflation based on monthly WPI in August 2019 stood at 1.08% compared to 3.27% in August in the previous year.

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




Data source: Ministry of Commerce and Industry, India

**Tax cuts and boost to housing**

The Indian government has reduced taxes for manufacturers in an effort to revive the economy. It has been reported that the Finance Minister, Nirmala Sitharaman, announced a reduction in the country's corporate tax rate from around 35% to 25%. For companies that do not benefit from any other incentive the effective tax rate would be just 22%.

In addition she revealed that firms incorporated after October this year will be taxed at 15% instead of 25%. These decisions resulted in a slight strengthening of the rupee against the US dollar. However, some analysts have raised concern on the impact of these cuts on government finances.

The current economic slow-down is mainly due to weak consumer demand so analysts say there is little reason for companies to invest even if their tax falls. Indian consumers are not spending because of unemployment risks and falling wages. Under these conditions expanding investment in housing projects or manufacturing is risky.

To further boost growth prospects action is being discussed to kick-start completion of stalled housing projects through easier borrowing terms for affordable home buyers.

See: https://housing.com/news/rbi-monetary-policy-interest-rates/?utm_source=internal&utm_medium=email&utm_campaign=subscribersDigest

**Plantation teak imports**

At the most recent meeting of the Goods and Services Tax Committee over 100 cases were considered and most provided with relief but the GST on wood products has not been reduced.

The rupee rose in late September after forex trading sentiment was boosted by the government decision to lower corporate taxes. C&F prices for imported plantation teak products remain unchanged from two weeks earlier.

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

Price range depends mainly on length and girth.

Price range depends mainly on lengths and cross-sections.

### Locally sawn hardwood prices
Ex-mill prices have been maintained despite demand being flat.

| 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 timber sector has accepted that for the medium term the GST Committee is unlikely to recommend reduced GST for wood products. The economic stimulus from the government may boost demand but it is not only demand that is an issue the other concern of manufacturers is the difficulty in securing credit.

Traders are reporting that there are signs that demand for Myanmar teak may be firming but this has not yet translated into an opportunity to raise prices.

| 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 |

### Plywood
Plywood manufacturers continue to face problems related to the rising cost of log raw materials and other inputs. It has been learnt that the main plywood associations have been discussing when the next round of prices increases should be introduced.

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

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

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

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

## Vietnam

### Vietnam's wood products trade
According to the General Department of Customs, Vietnam's exports of wood (especially chips) and wood products in August 2019 continued to rise reaching US$935 million, up 8.2% compared to July 2019.

Exports of manufactured wood products totalled US$671 million in August an almost 6% increase from July. Cumulative export earnings for the first 8 months of 2019 totalled around US$6,613 billion, a 17% rise year on year.

The major export markets were the USA, Japan, China, South Korea and UK. The top 5 markets accounted for around 85% of total exports.

**First 8 months 2019 exports**

| | US$ |
|---|---|
| USA | 3,184,880 |
| Japan | 872,880 |
| China | 744,486 |
| South Korea | 537,939 |
| UK | 213,156 |
| Top 5 total | 5,553,341 |

Data source: General Department of Customs, Vietnam

Turning to wood and wood product imports, the General Department of Customs reports that imports in August 2019 dropped for the second consecutive month to US$219 million, an almost 2% fall compared to July 2019.

However, in the first 8 months of 2019 imports totalled US$1.675 billion, up 14.4% over the same period in 2018. The main suppliers in order of rank were China, USA, Thailand, Chile and Brazil.

See: http://goviet.org.vn/bai-viet/muc-tieu-xuat-khau-go-11-ti-usd-nam-2019-tren-duong-ve-dich-9033

**Industrial expansion driving up labour costs**

Vietnam's Foreign Investment Agency has reported that total foreign investment has increased sharply this year with about 60% of this investment going into the wood processing sector.

The surge in investment has put pressure on labour supply and Nguyen Quoc Khanh, Chairman of Ho Chi Minh City Handicraft and Wood Processing Association (HAWA) said the number of new factories processing wood has led to labour shortage and is driving up labour costs. He reported that labour costs in the industrial zones have risen by 10-20% but enterprises are still finding it difficult to recruit people.

**Productivity in timber sector below ASEAN levels**

According to the Vietnam National Economics University, labour productivity in Vietnam's wood processing industry is significantly lower than in most other ASEAN countries.

The university report says Vietnam's labor productivity is just 7% of that in Singapore; 18% of that in Malaysia and 55% of that in the Philippines. The report cites industrial structure and organisational management as substantial contributing factors.

The study identified the main problems as poor time management, low entrepreneurship and weak corporate management. Only through raising labour productivity will Vietnam's timber processors be able to maintain competitiveness said Nguyen Ton Quyen, Secretary General of Viforest (Vietnam Timber and Forest Product Association).

An MOU has been agreed between three parties; the Handicraft and Wood Industry Association of Ho Chi Minh City (HAWA), the Taiwan (P.o.C) wood processing Association and Ho Chi Minh Technical Education University aimed at lifting the productivity of labour in the wood processing sector.

All industries in Vietnam are facing fiercer competition at home and in international markets and much of this stems from the inflow of advanced processing and skilled management in foreign companies that have set up operations in Vietnam.

See: https://baodautu.vn/hop-tac-3-ben-nang-cao-nang-suat-lao-dong-nganh-go-d107519.html

## Brazil

**Furniture production back into positive territory**

In July 2019, furniture production picked up in the two main producing states, Rio Grande do Sul and Paraná marking the first rise in production for the past six months. In Rio Grande do Sul there was an almost 34% rise in production compared to a month earlier while in Paraná there was a 15% increase. In June this year production in Rio Grande do Sul dropped 13% month on month and in Paraná there was an 8% decline.

Although the July production figures in Paraná were good they were not enough to compensate for the downturn in the first seven months of 2019. The annualised rate of Paraná´s furniture production remained at -4.5%.

Cumulative furniture production in Rio Grande do Sul in the first seven months of this year rose by almost 5% compared to a year earlier.

**Brazilian Forest Service prepares for COFO**

The Brazilian Forest Service (SFB) participated in the 31st FAO Latin America and the Caribbean Forestry Commission (LACFC) meeting held in the first week of September, in Montevideo, Uruguay. SFB participated in the panel discussions on Restoration of forests and landscapes; Forest Protection: Integrated fire management, Forest health and invasive species, Preventive approach to illegal logging and Forests and Bio-economics.

LACFC was established in 1948 and aims to provide a technical and political forum for member countries of Latin America and the Caribbean to discuss forest-related issues and their contribution to food security.This event discussed the forest agenda of the countries of the region and was a preparatory meeting for the FAO World Forestry Committee (COFO) meeting to be held in Rome in 2020.

At the meeting, the SFB Director detailed the activities of the Brazilian Forest Service especially the Environmental Rural Registry (CAR), forest concession control and the work developed by the National Forest Inventory.

The Director also highlighted the importance of these projects for the establishment of the Brazilian Forest Code, for the promotion of sustainable use of Brazilian forests and for planning of government policies related to the country's forest management.

**Export update**

In August 2019, Brazilian exports of wood-based products (except pulp and paper) fell 22% in value compared to August 2018, from US$282.4 million to US$219.7 million.

The value of pine sawnwood exports declined 30% between August 2018 (US$47.1 million) and August 2019 (US$32.8 million). In volume terms exports dropped around 20% over the same period, from 204,800 cu.m to 164,200 cu.m.

Tropical sawnwood exports also dropped (-16%) in volume, from 45,800 cu.m in August 2018 to 38,500 cu.m in August 2019. The value of exports also dropped (-29%) from US$20.2 million to US$14.4 million over the same period.

The value of pine plywood exports fell 41% in August 2019 in comparison with August 2018, from US$64.2 million to US$37.6 million. In volume terms pine plywood exports dropped just 9% over the same period, from 182,800 cu.m to 166,000 cu.m.

Following the same trend export volumes of tropical plywood fell (-57%) and in value (-59%), from 12,900 cu.m (US$ 6.1 million) in August 2018 to 5,600 cu.m (US$ 2.5 million) in August 2019.

To complete the depressing picture, wooden furniture exports declined from US$51 million in August 2018 to around US$45 million in August 2019, a 12.4% decline year on year.

**First half 2019 plantation sector performance**

The IBÁ Bulletin from the Brazilian Tree Industry reports a 2.9% first half 2019 increase in the value of sector exports in comparison with the first half of 2018. In the first six months of the year overseas trade topped US$5.6 billion. Pulp exports increased 1% in the period, while paper exports increased by 4.1%.The trade balance for the sector reached US$5.1 billion, a 3.3% year on year increase.

In the first half 2019 China was the main market for Brazilian pulp accounting for US$1.9 billion of all pulp exports. Latin American countries were the main market wood panels (US$ 89 million) and paper (US$ 592 million).

**Domestic Log Prices**

| Brazilian logs, mill yard, domestic | US$ per $m^3$ |
|---|---|
| Ipê | 211⬆ |
| Jatoba | 116⬇ |
| Massaranduba | 108⬇ |
| Miiracatiara | 112⬆ |
| Angelim Vermelho | 107⬇ |
| Mixed redwood and white woods | 91⬇ |

Source: STCP Data Bank

**Domestic Sawnwood Prices**

| Brazil sawnwood, domestic (Green ex-mill) | US$ per $m^3$ |
|---|---|
| Ipé | 857⬆ |
| Jatoba | 448 |
| Massaranduba | 430⬆ |
| Muiracatiara | 392⬆ |
| Angelim Vermelho | 381⬆ |
| Mixed red and white | 250⬆ |
| Eucalyptus (AD) | 193⬇ |
| Pine (AD) | 139⬇ |
| Pine (KD) | 162⬇ |

Source: STCP Data Bank

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

| Parica | US$ per $m^3$ |
|---|---|
| 4mm WBP | 540 |
| 10mm WBP | 430⬆ |
| 15mm WBP | 351 |
| 4mm MR | 421⬆ |
| 10mm MR | 305⬆ |
| 15mm MR | 278⬆ |

Prices do not include taxes. Source: STCP Data Bank

**Prices For Other Panel Products**

| *Domestic ex-mill Prices* | US$ per $m^3$ |
|---|---|
| 15mm MDParticleboard | 216⬇ |
| 15mm MDF | 256⬇ |

Source: STCP Data Bank

**Export Sawnwood Prices**

| Sawnwood, Belem/Paranagua Ports, FOB | US$ per $m^3$ |
|---|---|
| Ipe | 1,423⬆ |
| Jatoba | 866⬆ |
| Massaranduba | 841 |
| Muiracatiara | 858⬆ |
| Pine (KD) | 178⬇ |

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

Source: STCP Data Bank

**Export Plywood Prices**

| Pine Plywood EU market, FOB | US$ per $m^3$ |
|---|---|
| 9mm C/CC (WBP) | 277⬇ |
| 12mm C/CC (WBP) | 262⬇ |
| 15mm C/CC (WBP) | 244⬇ |
| 18mm C/CC (WBP) | 239⬇ |

Source: STCP Data Bank

**Export Prices For Added Value Products**

| FOB Belem/Paranagua Ports | | US$ per $m^3$ |
|---|---|---|
| Decking Boards | Ipê | 2,828 |
| | Jatoba | 1,450 |

Source: STCP Data Bank

## Peru

**Budget increase for forestry authorities**

Regional forestry authorities have two ways to generate the income necessary to finance their operations: the first is allocations from the Ministry of Economy and Finance (MEF) and the second is through directly collected fees and charges levied on companies.

For many years regional forestry authorities have been pointing out that their operational budgets were insufficient to properly supervise forest management. To address this the regional governments of Loreto, Ucayali and Madre de Dios determined that they should make an effort to increase allocations from the central government.

These efforts have paid off as recently the MEF approved the transfer of additional resources to the three regional forestry authorities in the amount of around US$2.5 million.

This effort was possible because the regional authorities could articulate their needs. To achieve this they had the technical support of the USAID Forest Program and the United States Forest Service (USFS).

Analysts write that this is the first time that a forestry authority has requested and received an additional budget from the Ministry of Economy and Finance.

### Capacity building for forestry sector transparency

As transparency is a fundamental of governance a process of capacity building in transparency and access to public information in the forestry sector is being promoted.

The first step has been a workshop in Lima attended by the National Forest and Wildlife Service (SERFOR), the Agency for Supervision of Forest Resources and Wildlife (OSINFOR) and the Regional Governments of Loreto and Ucayali. Members of the Ombudsman's Office and the Digital Government Secretariat also participated.

According to Eduardo Luna, Director General of Transparency, Access to Public Information and Protection of Personal Data in the Ministry of Justice, this process which has just started could result in improved directives, guidelines and a policy on transparency for the forestry sector initially and then other sectors.

### Trends and solutions in plantation establishment and management

Because of the increase in forest plantations, especially in the Amazon, the "First Peruvian Meeting of Forest Plantations" was recently organised by the Research and Conservation Circle in the Forestry Area - CICAF, in coordination with the Faculty of Forest Engineering of the National Agrarian University - La Molina.

The event brought together stakeholders from the Peruvian forestry sector to discuss trends and solutions in plantation establishment and management through exchange between professionals, companies and institutions in the forestry sector. In the presentations the emphasis was on management of nurseries, forestry, biomass, harvest, forest transport and technologies supporting forest production.

### Advances of Amazon forest zoning

With technical assistance of the National Forest and Wildlife Service (SERFOR), the Ministry of Agriculture and Irrigation, the Amazonian Regional Governments of San Martín, Ucayali, Loreto, Amazonas, Junín, Madre de Dios and Huánuco are successfully advancing forest zoning.

This was reported by the Executive Director of SERFOR, Alberto Gonzales-Zúñiga Guzmán, who explained that the first region that would have ready the forest zoning of its entire territory would be San Martín.

Ucayali, with some 3 million hectares of forest has advanced its forest zoning in support of ecological protection and conservation; reserves for indigenous peoples and has prioritised ecosystems for conservation. Work will shortly begin in Loreto.

### Plan for national bamboo development

At the first International Bamboo Congress held in the city of La Merced a national plan for bamboo was proposed in order to enhance the development of the cultivation of this non-timber resource that has enormous economic potential.

Stakeholders in the bamboo sector from all 18 regions in the country actively participated in this event and shared experiences on bamboo plantation management, handicraft development, food production, architecture and sustainable construction with bamboo.

Experts from Mexico, Colombia, Ecuador, Brazil, Argentina, Uruguay and France exchanged experiences with their Peruvian counterparts.

The Congress heard that in the mixed forests of the departments of Ucayali, Madre de Dios and Cusco there are almost eight million hectares of native bamboo forests, commonly called "paca" and northeastern Peru has more than 3,000 hectares of bamboo plantations distributed in the regions of Cajamarca, Piura, Amazonas and San Martín.

### Export Sawnwood Prices

| | US$ per $m^3$ |
|---|---|
| Peru Sawnwood, FOB Callao Port | |
| Mahogany S&B KD 16%, 1-2" random lengths (US market) | 1570-1655 |
| Spanish Cedar KD select | |
| North American market | 958-977 |
| Mexican market | 946-965 |
| Pumaquiro 25-50mm AD | |
| Mexican market | 631-649⬆ |

| Peru Sawnwood, FOB Callao Port (cont.) | US$ per $m^3$ |
|---|---|
| Virola 1-2" thick, length 6'-12' KD | |
| Grade 1, Mexican market | 534-599 |
| Grade 2, Mexican market | 489-502 |
| Cumaru 4" thick, 6'-11' length KD | |
| Central American market | 966-984 |
| Asian market | 999-1049 |
| Ishpingo (oak) 2" thick, 6'-8' length | |
| Spanish market | 542-561 |
| Dominican Republic | 671-681 |
| Marupa 1", 6-11 length KD | |
| Asian market | 551-591 |

**Domestic Sawnwood Prices**

| Peru sawnwood, domestic | US$ per $m^3$ |
|---|---|
| Mahogany | - |
| Virola | 266-295 |
| Spanish Cedar | 333-352 |
| Marupa (simarouba) | 228-238 ⬆ |

**Export Veneer Prices**

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

**Export Plywood Prices**

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

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

| Iquitos mills | US$ per $m^3$ |
|---|---|
| 122 x 244 x 4mm | 508 |
| 122 x 244 x 6mm | 513 |
| 122 x 244 x 8mm | 522 |
| 122 x 244 x 12mm | 523 |
| Pucallpa mills | |
| 122 x 244 x 4mm | 503 |
| 122 x 244 x 6mm | 511 |
| 122 x 244 x 8mm | 513 |

**Domestic Prices for Other Panel Products**

| Peru, Domestic Particleboard | US$ per $m^3$ |
|---|---|
| 1.83m x 2.44m x 4mm | 282 |
| 1.83m x 2.44m x 6mm | 230 |
| 1.83m x 2.44m x 12mm | 204 |

**Export Prices for Added Value Products**

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

## Japan

**Bank of Japan sees external factor as risk to growth**

The Economy, Trade and Industry Minister, Yasutoshi Nishimura, said at a news conference that he relies on the Bank of Japan (BoJ) to make appropriate decisions to maintain the economy on its growth track.

The BoJ has given an explicit signal that it was concerned about risks to the economic recovery and promised to review what action is required at its next meeting due after the consumption tax rises.

At a press conference, Haruhiko Kuroda, BoJ Governor said "With the slowdown in overseas economies continuing and downside risks on the increase, we judged it's becoming necessary to pay closer attention to the possibility of losing momentum towards our price stability goal."

He went on to say the cut in US interest rates may drive yen appreciation thus undermining exports. Fortunately for the BoJ the US Federal Reserve did not signal further cuts leaving the yen/dollar exchange rate at around yen 108 to the dollar, a rate the BoJ is comfortable with.

**Some relief in Japan after trade agreement with US**

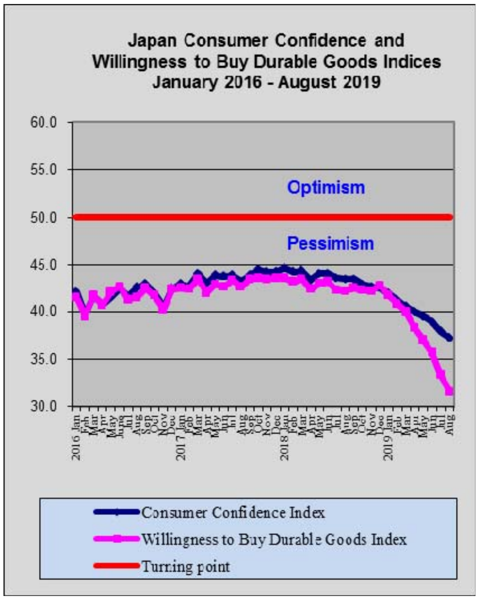
A 'limited' trade deal between US and Japan which cuts tariffs on US farm goods coming into Japan has been signed. This could expand trade between the US and Japan by around US$7 billion say analysts as Japan will lower tariffs on US farm goods and the US will lower tariffs on Japanese machine tools .

The Japanese government and Japanese business leaders have welcomed this interim agreement which offers short-term security for Japanese auto exports. But, given the unpredictability of the current US administration all remain cautious.

**Consumers bracing for the 1 October tax hike**

The Japanese economy has grown for the past three quarters, though the pace was slower than initially estimated in April-June period as business spending slipped but the latest assessment is positive as strength in domestic demand is counterbalancing weakness in international trade. However, the question is will the increase in consumption tax from 8% to 10% on 1 October herald in another downturn as happened after the past rise?

In this latest tax change food and drink (with the exception of alcohol and eating out) will stay at an 8% tax rate. But daily use products will attract a 10% tax.

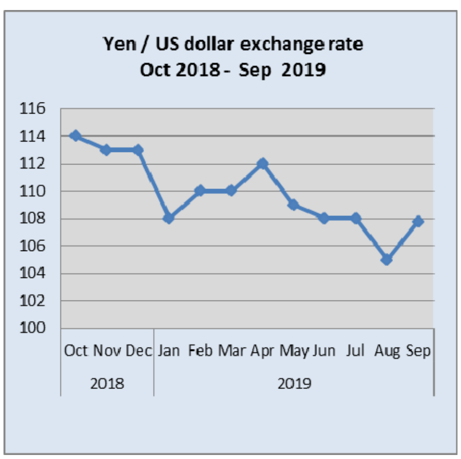



Data source: Cabinet Office, Japan

**Yen steady at 107-8 to the US dollar**

According to the latest Cabinet Office Economic Report it is the government's view that the economy is recovering at a moderate pace but weakness in exports is of concern. Exports in August dropped 8% year on year according to Ministry of Finance data.

While the report maintained its positive outlook there were cautionary words on the housing sector where growth prospects were downgraded for the first time in more than 18 months due to the decline in new home construction.



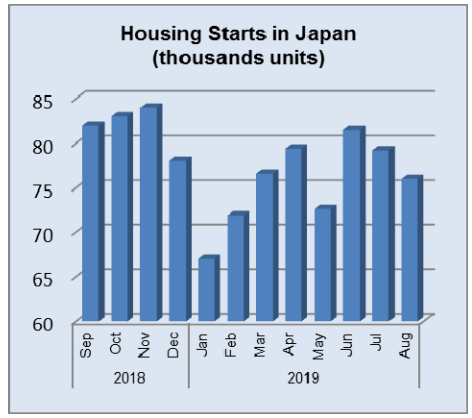

**20,000 homes damaged in typhoon**

A powerful typhoon, the 15th of the year in Japan, hit the Tokyo area in September and it is only recently that the full extent of the damage to homes and businesses has been known.

Chiba Prefecture, encompassing Tokyo's eastern outskirts and the rural Bōsō Peninsula, was worst affected and the local government has reported that over 20,000 homes sustained damage. In addition over 500 public schools in Chiba Prefecture (some 40%of the total) have confirmed damage.

The Japan Lumber Reports (see page 18) says many warehouses along Tokyo Bay were affected by the storm surge and inundated in salt water and goes on to say the renovation and rebuilding work will require large volumes of wood products.

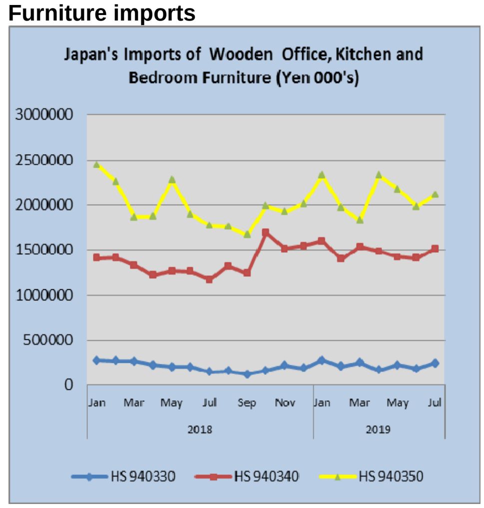
August marked the third consecutive decline in housing starts. Year on year August starts were down around 7% while month on month there was a 4% drop.




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

**Import update**

**Furniture imports**




Data source: Ministry of Finance, Japan

As anticipated Japanese consumers have been on a spending spree in advance of the 1 October consumption tax increase and it could be that it was in preparation for the rush to buy furniture items that imports of furniture rose so sharply in July. When August figures become available a further rise in imports it is likely these will show further increases in imports before a September decline.

Many families have made last-minute purchases while the tax is still 8%, but this strategy may not be as sound as it appears as retailers are joining a government-sponsored reward point system that smart shoppers can use to receive discounts on goods and services that may be even lower than the current tax rate.

In the month before the last tax increase spending on household soared but early sales figures from some major retailers are signaling that the extent of rush buying is not so pronounced this time.

**Office furniture imports (HS 940330)**
Year on year, the value of July imports of wooden office furniture (HS 940330) rose a dramatic 64% and month on month, July were up 34%.

As was the case for most of the year three shippers accounted to over 80% of Japan's imports of wooden office furniture. China was the top supplier at 68% of all July shipments followed by the US (9.5%), a new comer to the top league of wooden office furniture suppliers. The third ranked supplier in terms of value shipped was Poland.

**Office furniture imports**

| | Imports July 2019<br>Unit, 000's Yen |
|---|---|
| S. Korea | 1,027 |
| China | 165,142 |
| Taiwan P.o.C | 5,393 |
| Vietnam | 1,101 |
| Thailand | - |
| Malaysia | 6,070 |
| Indonesia | 4,177 |
| India | - |
| Denmark | - |
| UK | 2,441 |
| Netherlands | - |
| France | 2,448 |
| Germany | 3,037 |
| Portugal | - |
| Spain | - |
| Italy | 5,396 |
| Poland | 15,015 |
| Turkey | 1,091 |
| Lithuania | 2,115 |
| Slovakia | 205 |
| Canada | 5,112 |
| USA | 23,037 |
| Total | 242,807 |

Data source: Ministry of Finance, Japan

**Kitchen furniture imports (HS 940340)**
In July exporters in the Philippines and Vietnam maintained their huge share of Japan's imports of wooden kitchen furniture. For the second consecutive month shipments from the Phillipines were marginally above those from Vietnam. Over 90% of Japan's July imports of wooden kitchen furniture came from 3 suppliers, the Philippines (48%), Vietnam (38%) and China (8%).

Year on year July wooden kitchen furniture imports were up 29% while compared to June imports rose 8%. For the first time in several months arrivals of wooden kitchen furniture from German manufacturers jumped above those from Malaysia.

**Kitchen furniture imports**

| | Imports July 2019<br>Unit, 000's Yen |
|---|---|
| China | 116,375 |
| Taiwan P.o.C | 5,066 |
| Vietnam | 575,778 |
| Thailand | 9,612 |
| Malaysia | 28,723 |
| Philippines | 696,870 |
| Indonesia | 6,090 |
| Cambodia | - |
| India | - |
| Denmark | - |
| UK | - |
| Netherlands | - |
| France | 733 |
| Germany | 54,565 |
| Spain | 547 |
| Italy | 15,042 |
| Finland | 939 |
| Romania | 712 |
| Slovenia | 219 |
| Czech. Rep. | - |
| Canada | 2,037 |
| USA | 824 |
| Total | 1,514,132 |

Data source: Ministry of Finance, Japan

**Bedroom furniture imports (HS 940350)**
The year on year value of shipments of wooden bedroom furniture into Japan in July expanded 19% but month on month the rise was more modest at 6.5%.

**Bedroom furniture imports**

| | Imports July 2019 Unit, 000's Yen |
|---|---|
| S. Korea | - |
| China | 1,192,401 |
| Taiwan P.o.C | 5,345 |
| Hong Kong | - |
| Vietnam | 665,624 |
| Thailand | 92,192 |
| Malaysia | 64,516 |
| Philippines | - |
| Indonesia | 10,827 |
| India | - |
| Pakistan | 235 |
| Sweden | 1,801 |
| Denmark | 1,399 |
| Netherlands | - |
| Belgium | - |
| France | 4,080 |
| Germany | - |
| Spain | - |
| Italy | 7,398 |
| Finland | - |
| Poland | 40,964 |
| Austria | 4,070 |
| Hungary | - |
| Greece | 806 |
| Romania | 1,432 |
| Estonia | - |
| Latvia | - |
| Lithuania | 12,283 |
| Bosnia Herzogovena | 393 |
| Slovakia | - |
| USA | 2,973 |
| Mexico | 335 |
| Total | 2,109,074 |

Data source: Ministry of Finance, Japan

China's dominance of Japan's imports of wooden bedroom furniture continued into July as over 50% of all wooden bedroom furniture was shipped from Chinese suppliers.

Manufacturers in Vietnam held onto their second rank in term of the value of shipments to Japan and in July accounted for 32% of all wooden bedroom furniture imports. The other two significant but small shippers in July were Thailand (4%) and Malaysia (3%).

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

*For the JLR report please see:*
*http://www.n-mokuzai.com/modules/general/index.php?id=7*

**South Sea logs and lumber**
Supply and demand of South Sea log are well balanced. Log supply from PNG has declined due to rainy season but log users in Japan carry two to three month inventory so there is little influence.

Movement of laminated free board is firm. Harvest of mercusii pine is delayed by foul weather so free board production did not increased as much as initially expected so forecasted over supply did not happen. In Japan, demand for interior works of commercial facilities has been active so the prices have not changed much.

In imported LVL, demand for Chinese popular LVL is steady for use of core of interior fittings but movement for crating and stud of condominiums is not growing.

**Revision of JAS rules**
The Ministry of Agriculture, Forestry and Fisheries made an official announcement of revision of JAS rules on CLT, lumber, flooring and structural panel on August 15. They will be effective since November 13, 2019. New grading method by quality management record in manufacturing process is added on top of former method of random sample check of finished products.

Former inspection of random sample of finished products takes time and until result is cleared, inventories pile up so the manufacturers have been demanding grading by quality management record in manufacturing process.

Regarding CLT, use of waney lamina is allowed. To correspond to standard strength set by the Building Standards Act, bending strength is revised and shear capacity is classified by species.

The point of lumber rules revision is to allow up to 1 mm in length of difference between indicated size and actual size.

Regarding young modulus, it is measured by machine on kiln dried lumber for grading and green lumber is now excluded. On hardwood lumber, split on the end was allowed as 50% of length but now whole length of split is taken.

As to flooring, board by shrinking process is excluded as it may swell up by moisture so data of swelling is necessary. Decorative composite flooring needs to show used species. Bark seam, pitch pocket and pitch steak used to be considered defect but now they are considered decorative factor so as long as it is used as decorative sheet, they are not considered as defects. 455 mm is added as standard width of composite floor to deal with demand for wider flooring.

**Distribution system of domestic wood products**

The Ministry of agriculture, forestry and fisheries announced the investigation of domestic wood products in 2018.

On domestic logs, percentage of logs sold to sawmills through trading firms and wholesalers is 63.1%, 4.9 point more than 2016.On plywood, percentage sold through trading firms and wholesalers is 80.1%, 23.1 points more.

On laminated lumber, the volume sold through distributors is 40.6%, 17.3 points more. In short, trading increased through using intermediate dealers. On domestic lumber, volume through auction market and wholesalers decreased to 50.2%, 11 points less. The Ministry investigates once every five years through domestic mills and wholesalers on purchase and sales volume.

Domestic logs sold without going through auction market doubled, which means logs go direct to sawmills without going through public auction market but through large trading firms then also logs shipped to auction market are sold without auction direct to sawmills. The volume handled by large trading firms increased.

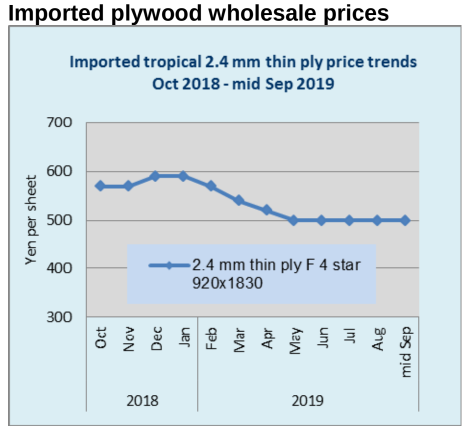
Purchase and sales amount of logs direct to sawmills from national forest and private log supplier took 33.5% in total while the volume was 36.9% so average prices are low.

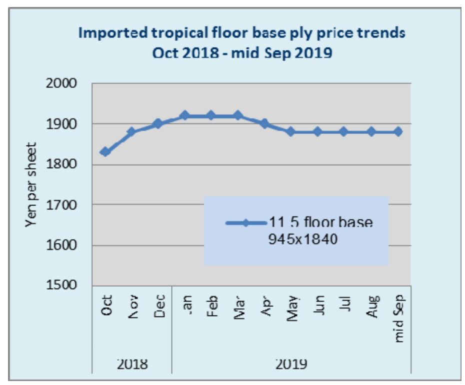
Meanwhile, the volume through intermediate dealers was 43.2% in total but the amount was 47.5% so sales through trading firms is higher than direct deals. Distribution of laminated lumber through public market increased by about seven times but direct sales from the manufacturers to precutting plants decreased. One thinkable factor is that laminated lumber took some share of solid wood lumber.

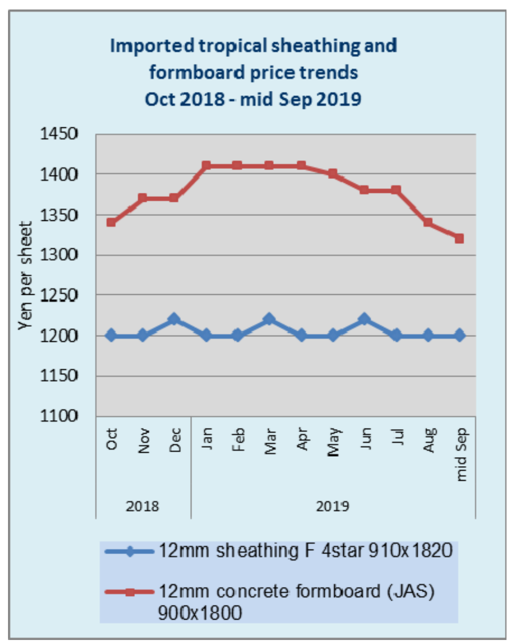
Increase of domestic wood laminated lumber manufacturing influences distribution of domestic solid wood lumber. Direct sales from sawmills to precutting plants remain almost unchanged but sales to laminated and CLT manufacturing plants increase by 1.5 times. This means lamina manufacturing by sawmills has been increasing. CLT volume was 14,000 cbms, seven times more than 2016.

Sales used to be direct to builders but now 8.5% of sales is going through trading firms. Wood chip sold to the most to paper manufacturing plants with 61.8% then others are for power generation and for heat utilisation.

**Imported plywood wholesale prices**



**Wood pellet production**

The Forestry Agency announced production of domestic wood pellet in 2018. Total production was 131,401 ton, 3.8% more than 2017.Demand increased by small scale biomass power generation, wood stove for heating and vinyl house for agricultural products. Compared to imported wood pellet, growth is small.

By use, 126,127 ton for fuel, 3.4% more and 2,422 ton for agriculture, 14.5% more. Number of manufacturing plant is 154, 7 more than 2017 and workers are 396, 58 more.

By prefecture, Okayama is the top with 27,651 ton, 4% less. Miyazaki with 12,756 ton, 8.8% less. Kochi with 6,747 ton, 34.1% more. Hokkaido with 6,305 ton, 0.3% less.

Raw materials are 66,601 ton of lumber mills' residue, 17% more than 2017. This takes 51% in total. Second is leftover fiber in the woods with 40,326 ton, 12.2% less and building scrap wood with 21,831 ton, 0.8% more.

Imported wood pellet in 2018 was 1,059,542 ton, 109.2% more so share of domestic wood pellet is down to 11%. It was 56.6% in 2014 then it has been decreasing year after year by rapid increase of imported wood pellet. Imported wood chip for fuel increased by 2.5 times from 2017. t will keep increasing this year and next.

Number of operating wood biomass power generation plant approved by FIT as of end of 2018 is 110, 29 more than December 2017. Total power output is about 1,230,000 kw, 330,000 kw more.

The Forestry Agency announced that use of domestic thinning and fiber left in the woods are about 2,740,000 BDton, 4.2% more than 2017. This is equivalent to about 6,040 M cbms in log volume. Pitch of increase is slowing compared to 2015-2017. This type of fiber is mainly consumed by the plants classified as user of unused resources but number of approved plant of this type is not increasing because of difficulty of acquiring this type of fuel and license of some approved plants is cancelled because the plants have not started up yet.

Meantime, volume of building scrap and pruned branches decreased. Building scrap was over-supplied and purchase was restricted by the buyers.

Imported wood chip was about 330,000 BD ton, 145.4% more. Main of imported wood fuel is wood pellet. Last year's import was 1,060,000 ton, 109.2% more. Imported PKS was about 1,270,000 to, 11.2% more. Both surpassed one million ton.

**Strong typhoon hit Tokyo Bay**

Typhoon number 15 hit Tokyo region on September 9. This was one of the strongest recorded typhoons to hit the region. Chiba prefecture, east side of the Tokyo Bay is the hardest hit and fell many electric poles and even high steel power transmission towers so power outages in many areas.

Many trees are fallen and block the road or lean onto electric lines. Since the damaged area is so extensive and with limited manpower to make repairs, blackout continues and more than 60,000 households in Chiba prefecture are still without power after ten days. Water supply stations also lost power so that water supply is also disrupted.

Removing blowdown trees in remote area is not progressing as heavy machines like cranes are needed but road is blocked with fallen electric poles and blown down trees.

The power company has been working hard to restore electricity supply and complete repair will take another week so many people still suffer life without electricity and water.

Warehouses along Tokyo Bay also suffer floor by high tide and cargoes are inundated in salt water. Detail of how much damages local forests suffer is unknown yet.

There is no serious landslide this time as rain fall was not much but the damage of blowdown by strong wind is the main. Many houses' roof tile were blown away. Building materials manufacturing plants did not have much damage by rain or wind but power outage is the main problem. There will be restoration demand for damaged houses of plywood, lumber and roof tiles.

## China

**Estimates suggest 70% of wood processing mills closed**

Because of the new environmental regulations many wood processing mills in the Manzhouli, Suifenhe and Erlianhot areas have stopped production. Some have closed their business entirely while others have relocated and this has altered wood product distribution channels.

The focus of attention of the environmental regulators has, according to media reports, turned to cabinets and panel factories in 34 provinces, municipalities and autonomous regions. Nearly 3,000 panel factories in Wenan County, Langfang City, Hebei Province have been told to cease operation. This will seriously affect the domestic panel market and the jobs for the around 10, 000 employees.

At present, Hebei Province is investigating the many small scattered and polluting enterprises. Small panel factories are given the option of relocating or upgrading to satisfy the environmental regulations. It is reported that 1,274 panel enterprises were told to cease operation.

Local experts have confirmed that a large number of small and medium-sized panel factories across Jiangsu and Zhejiang Provinces have closed because they could not afford to retool or relocate.

## Decline in China's tropical sawnwood imports in 2019 half

Data from China Customs shows that there was a slight rise in sawnwood imports in the first half of 2019.

China's first half sawnwood imports totalled 18.83 million cubic metres valued at US$4.43 billion, a year on year increase of 4% in volume but an 8% drop in value.

Of total sawnwood imports, sawn softwood imports rose 17% to 14.12 million cubic metres and accounted for 75% of the national total. However, sawn hardwood imports fell 22% to 4.71 million cubic metres.

Of total sawn hardwood imports, tropical sawnwood imports were 2.74 million cubic metres valued at US$1.0 billion, down 22% in volume and down 28% in value. Tropical sawnwood imports accounted for 15% of the national total.

China's tropical sawnwood imports from Thailand were 1.784 million cubic metres valued at US$528 million, down 24% in volume and down 31% in value. Tropical sawnwood imports from the Republic of Congo rose 87% in volume and 71% in value in the first half of 2019. However, China's tropical sawnwood imports from Vietnam, Indonesia and Malaysia fell sharply by 69%, 51% and 30% respectively.

### Top 10 tropical sawnwood suppliers in the first half of 2019

| | Cu.m 000s | % Change | US$ Millions | % Change |
|---|---|---|---|---|
| Thailand | 1,784 | -24% | 528 | -31% |
| Gabon | 264 | 5% | 129 | -4% |
| Philippines | 143 | 11% | 19 | 4% |
| Malaysia | 92 | -30% | 34 | -33% |
| Indonesia | 88 | -51% | 65 | -57% |
| Cameroon | 76 | 25% | 43 | 16% |
| Myanmar | 37 | 11% | 13 | 5% |
| Vietnam | 29 | -69% | 14 | -63% |
| Mozambique | 29 | 22% | 18 | 20% |
| Rep. of Congo | 28 | 87% | 16 | 71% |

Data source: China Customs

## Sharp decline in China's wood furniture exports to US

As a result of weakening global demand the value of China's wooden furniture exports fell 10% to US$9.8 billion in the first half of 2019. Of the total, the value of China's wooden furniture exports to USA was US$3.807 billion, a year on year decline of 18%.

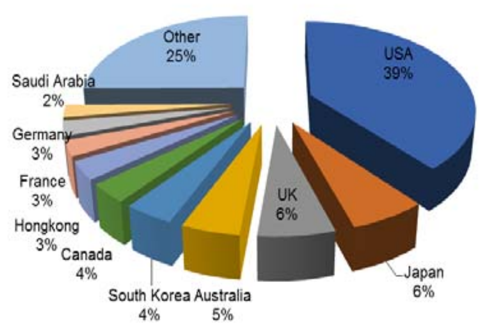
The proportion of China's wood furniture exports value to USA dropped to 39% in the first half from 42% in the first half of 2018. It is anticipated that the value of China's wooden furniture exports to the USA will fall further in the second quarter. The United States imported 55 percent of wood furniture from China in 2018.

### Top 10 markets for China's wooden furniture exports (1st half 2019)

| | Exports US$ mil. | % Change |
|---|---|---|
| USA | 3,807 | -18% |
| Japan | 618 | -2% |
| UK | 614 | 2% |
| Australia | 467 | -8% |
| South Korea | 400 | -6% |
| Canada | 333 | -5% |
| Hong Kong | 324 | -23% |
| France | 273 | -5% |
| Germany | 261 | 11% |
| Saudi Arabia | 220 | 18% |

Data source: China Customs

### Market for China's wooden furniture (1st Half 2019)




Data source: China Customs

## China/Italy cooperation in high tech processing

A cooperation agreement was recently signed between Lanshan District government in Linyi city of Shandong Province and the Italian IMAL & PAL Group. The focus of the agreement is on wood machinery R&D to drive technological updating of the wood industry in Lanshan District. The two parties agree to establish a strategic cooperation partnership to enhance transformation and upgrading of medium and small scale panel processing mills and to jointly establish a China-Italy Wood Machinery Scientific Innovation Center.

Lanshan District is the largest panel production base in China accounting for 30% of the national panel output with more than 3,200 wood based enterprises. Annual production is of more than 20 million cubic metres of wood products and exports amount to around 1.5 million cubic metres of wood products mainly to Europe and the USA.

Italian IMAL & PAL Group and its Chinese partner will work together to build a major high-end panel distribution facility.

See:
http://baijiahao.baidu.com/s?id=1644462385988051863&wfr=spider&for=pc

**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 |
| **yuan per tonne** | | |
| 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 |
| **yuan per tonne** | | |
| 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

**EU tropical wood trade up 16% in the first half of 2019**

The EU's trade in tropical wood products was more buoyant in the first half of this year compared to the same period in 2018.

Total imports of all wood products (classified in HS Chapter 44) from tropical countries in the first half of 2019 were 1.24 million metric tonnes (MT), 16% more than the same period in 2018. Import value increased 15% to €1.26 billion.

This growth is surprising given that the wider economic situation in the EU has continued to deteriorate this year. In the European Central Bank (ECB)'s latest projections, published in September 2019, the euro-area is forecast to grow only 1.1% in 2019 and 1.2% in 2020. This compares to the ECB's December 2018 forecast of 1.7% growth in both 2019 and 2020.

According to ECB, "recent data and forward-looking indicators – such as new export orders in [eurozone] manufacturing – do not show convincing signs of a rebound in growth in the near future and the balance of risks to the growth outlook remains tilted to the downside….The longer the weakness in manufacturing persists, the greater the risks that other sectors of the economy will be affected by the slowdown".

The ECB observe that the trade war and other geopolitical factors are affecting European output and economic confidence, especially the manufacturing sector. As a result, Germany is "one of the euro area members most affected by the slowdown", given the importance of its manufacturing sector which contributes 39% of German GDP (compared to the eurozone average of 28%).

In response to the latest slowdown, in September the ECB unveiled a package of stimulus measures including: a cut in interest rates charged on bank deposits at the ECB, to -0.5% to encourage lending; a pledge to maintain the ECB's headline borrowing interest rate at zero indefinitely and at least until there is a robust rise in inflation; and a commitment to restart the ECB's quantitative easing programme with €20bn of bond purchases each month from November 2019.

For long-standing political reasons, Germany has a strong commitment to a balanced budget and is very reluctant to implement any stimulus measures leading to additional government borrowing.

However, on 20 September Germany unveiled a euro 54 billion (US$60 billion) package over the next four years, ostensibly to speed up the country's transition to renewable energy and reduce carbon emissions, but widely interpreted as part of underlying effort to support the ailing growth.

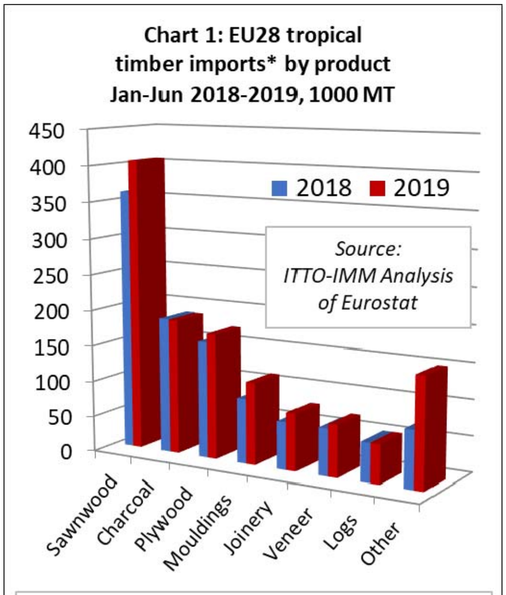
The German package, which contains a mechanism for monitoring progress on reaching emissions goals, may provide new opportunities for timber products, but that depends on the industry investing time and effort in acquiring the necessary carbon footprint data and getting its carbon messaging right.

At present, prospects for the UK economy appear no better than in euro-zone countries, in fact likely even worse given on-going political challenges. On 16 September, the British Chambers of Commerce (BCC) released its latest economic forecast, downgrading growth expectations for the UK in 2019 to 1.2% (from 1.3% forecast in June 2019) and to 0.8% (from 1.0%) for 2020.

While the BCC expects the UK economy to avoid a technical recession and return to modest growth in the third quarter, downgrades to its GDP growth forecast for 2019 and 2020 reflect a weaker outlook for investment, trade and productivity amid a continued lack of clarity over the outcome of Brexit and deteriorating global economic conditions.

To some extent the rise in EU tropical wood imports in the first half of 2019 is only a reflection of just how poor the market was last year when imports for several commodities barely exceeded the record lows of the 2008-2009 financial crises.

Nevertheless, it is encouraging that the rise in EU imports so far this year has been consistent across nearly all tropical wood product groups (Chart 1). It also accords with anecdotal reports, from interviews with European importers, of generally robust trading conditions in the first six months, at least in some sectors, notably sawn hardwood.




*Includes all products in HS Chapter 44 (wood) with the exception of chips from countries wholly located in the tropics plus products identified as "tropical" from Brazil and all other non-EU countries

The latest upturn in imports is also quite well distributed across the EU with imports of tropical wood products higher during the first quarter in all the leading EU markets except Germany and Poland.

In the first half of 2019 compared to the same period in 2018, total imports of tropical wood products increased in Belgium (+20% to 257,400 MT), the UK (+14% to 187,600 MT), Netherlands (+12% to 154,000 MT), France (+13% to 164,700 MT), Italy (+42% to 128,800 MT), Spain (+28% to 62,400 MT), Portugal (+38% to 46,700 MT) and Greece (+8% to 38,300 MT).

In contrast, total first half 2019 imports of tropical wood products in Germany declined 9% to 42,400 MT and 7% in Poland to 34,900 MT. The decline in Germany is partly driven by increasing reliance on indirect imports of tropical wood products from other EU countries by German distributors.

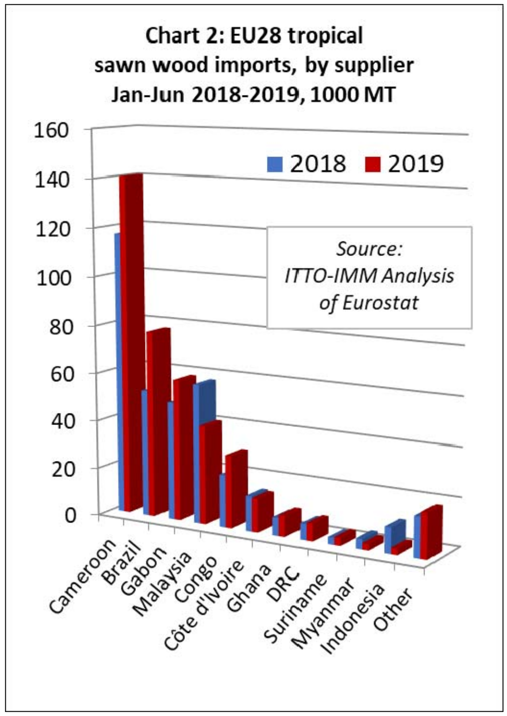
**Rise in EU imports of tropical sawnwood**

EU imports of tropical sawn wood increased 12% to 405,600 MT in the first half of 2019 compared to the same period in 2018. Import value increased 7% to €388.4 million. This aligns with market commentary earlier in the year, with sawn hardwood importers reporting generally steady, in some cases strong trading in 2019 including in tropical timber, despite some slowdown in economic activity and increased downside concerns about the medium-term outlook.

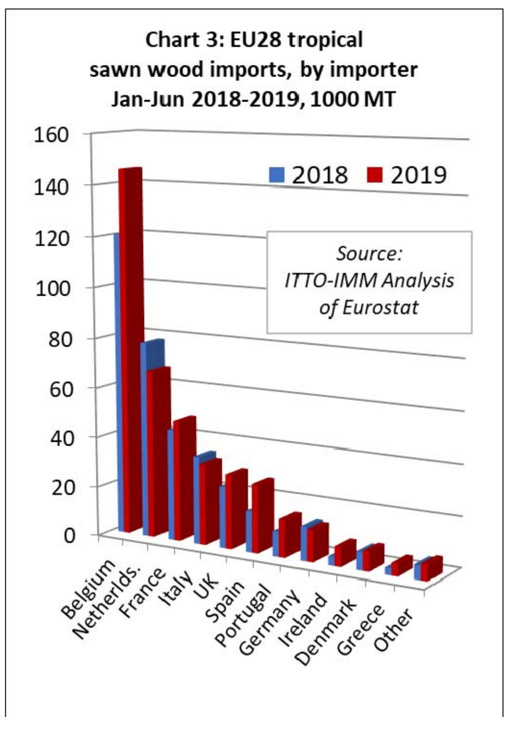
During the first half of 2019, EU businesses reported some issues with supply, but overall consumption was holding up while sawn hardwood prices were steady to firm with demand underpinned by construction sector consumption.

Imports from Cameroon, particularly slow in the first half of last year, increased 20% to 141,000 MT during the first six months of 2019.

Imports also increased sharply from several other countries including Brazil (up 47% to 77,600 MT), Gabon (up 20% to 58,600 MT), Congo (up 38% to 30,200 MT), Ghana (up 17% to 8,800 MT) and DRC (up 32% to 7,300 MT). These gains offset a 29% decline in imports from Malaysia, to 40,900 MT, and a 4% decline from Côte d'Ivoire, 14,200 MT. (Chart 2).




The trend towards increased concentration of tropical sawn wood imports into the EU by way of Belgium has continued this year. In the first half of 2019 compared to the same period in 2018, imports into Belgium increased 21% to 145,900 MT. Imports also increased in France (up 9% to 48,200 MT), the UK (up 21% to 29,800 MT), Spain (up 67% to 27,570 MT) and Portugal (+53% to 15,200 MT). However, imports fell 14% to 67,100 MT in Netherlands, 8% to 32,500 MT in Italy, and 7% to 12,600 MT in Germany. (Chart 3).



The decline in EU imports from Malaysia this year was attributed by some importers to a decline in the availability of PEFC certified product following the suspension of MTCS certification in Johor and Kedah states led to the total certified area in Malaysia to fall by around 25%.

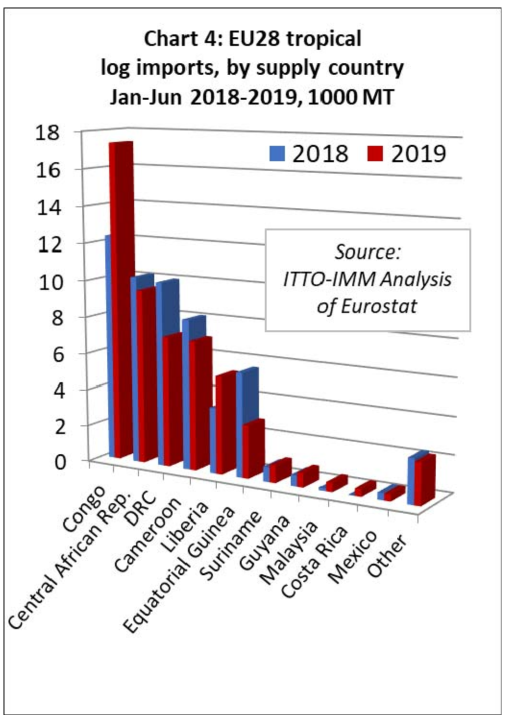
According to MTCS, both states are now working to regain their MTCS certificates.

There was a 40% fall in imports of Malaysian sawn hardwood in the Netherlands, the leading EU destination for Malaysian timber where there is also a particularly strong emphasis on sourcing certified product.

**Republic of Congo increasing focus for EU log imports**

After recovering a little ground in 2018, EU imports of tropical logs maintained the level of the previous year in the first half of 2019. Imports of 54,400 MT during the first half of the year were 0.3% more than the same period in 2018. Import value fell 3% to €26.2 million during the period.

While EU imports of tropical logs increased by 41% to 17,400 MT from Congo, the leading supplier, and by 48% from Liberia, to 5,300 MT, these gains were offset by falling imports from the Central African Republic (-7% to 9,500 MT), DRC (-29% to 7,100 MT), Cameroon (-14% to 7,000 MT), Equatorial Guinea (-49% to 2,900 MT), and Suriname (-19% to 1000 MT) (Chart 4).




After a slow start to the year, tropical log imports picked up pace in France and Belgium in the second quarter of 2019. By the end of the first half, France had imported 22,800 MT of tropical logs, 3% more than the same period in 2018, while imports into Belgium were up 9%, at 14,600 MT.

However, in the first six months of 2019, imports were down 15% to 6,800 MT in Portugal, 12% to 4,800 MT in Italy and 78% to 1,700 MT in the Netherlands.

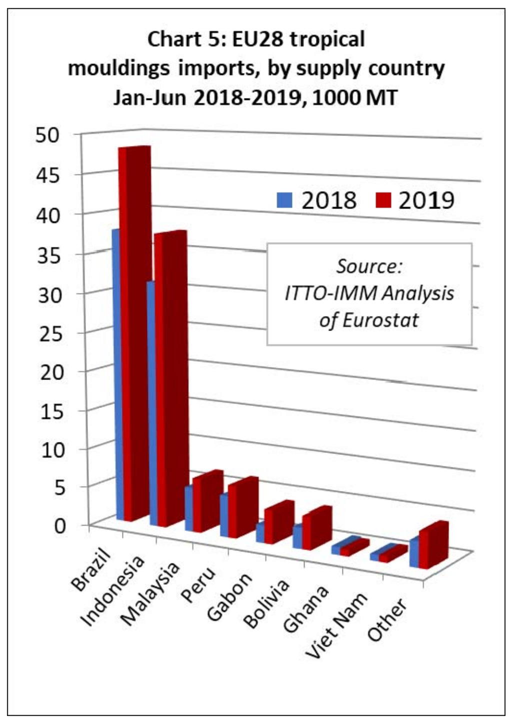
**Sharp rise in EU tropical moulding imports**

EU imports of tropical mouldings (which includes both interior mouldings and exterior decking products) increased sharply, by 26%, to 114,100 MT in the first half of 2019. Import value increased 37% to €173.5 million.

EU imports of tropical mouldings increased from all the leading suppliers of this commodity in the first half of 2019 including Brazil (+28% to 48,200 MT), Indonesia (+19% to 37,600 MT), Peru (+27% to 6,700 MT), Malaysia (+23% to 6,900 MT), Gabon (+85% to 4,200 MT) and Bolivia (+55% to 4,200 MT) (Chart 5).

Although most of the Brazilian hardwood moulding product imported into the EU is likely to consist of tropical hardwood, a proportion will be “lyptus”, comprising plantation grown eucalyptus, which some European importers are known to stock and to offer as a PEFC certified product.

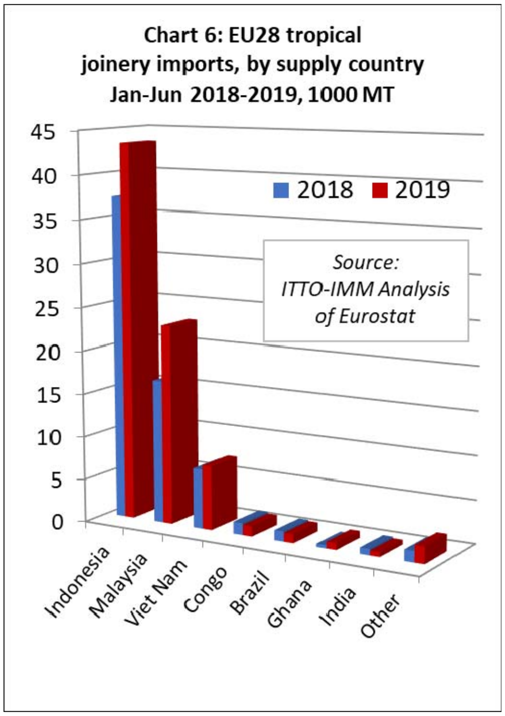
In the first half of 2019, imports of tropical mouldings increased in all the leading EU markets including France (+37% to 36,500 MT), Germany (+9% to 20,800 MT), Netherlands (+51% to 19,400 MT), Belgium (+1% to 16,000 MT), the UK (+56% to 6,900 MT), and Italy (+20% to 4,900 MT).



**Tropical Asian suppliers make gains in EU joinery market**

EU imports of tropical joinery products, mainly doors (from Indonesia), and laminated window scantlings and kitchen tops (from all leading tropical suppliers), increased 21% to 79,500 MT in the first half of 2019. Import value increased 33% to €166 million.

EU imports of tropical mouldings increased in the first half of 2019 from all three of the countries that dominate international trade in tropical joinery products including Indonesia (+16% to 43,500 MT), Malaysia (+39% to 23,000 MT), and Viet Nam (+7% to 7,400 MT) (Chart 6).



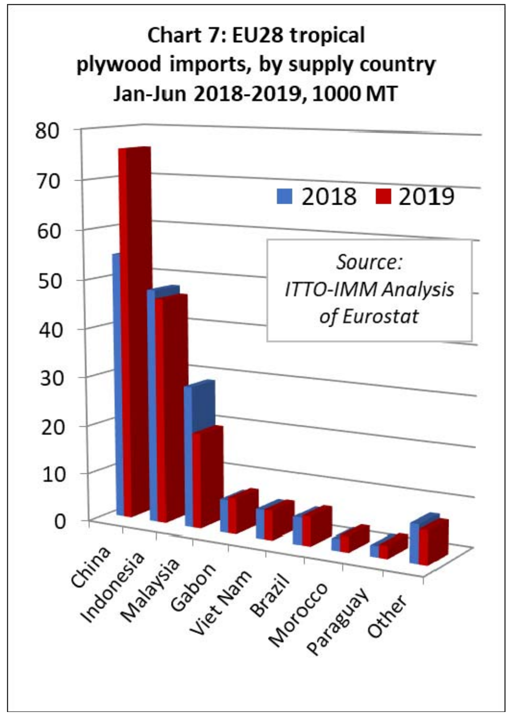

In the first half of 2019, imports of tropical joinery products increased by 5% to 32,400 in the UK, by 129% to 24,800 MT in the Netherlands, and by 4% to 9,600 MT in Belgium. There were also significant gains in two smaller markets for tropical joinery products, Ireland increasing 87% to 1,600 MT and Poland up 58% to 800 MT. These gains offset a 26% fall in France to 5,300 MT, and a 24% fall in Germany to 3,300 MT.

**EU imports of tropical plywood made in China continue to increase**

EU imports of tropical plywood products were 174,200 MT in the first half of 2019, 8% more than the same period last year. Import value increased 14% to €154.4 million.

A large and growing proportion of the plywood faced with tropical hardwood imported into the EU is manufactured in China. The EU imported 76,100 MT of this product from China in the first half of 2019, 39% more than during the same period in 2018.

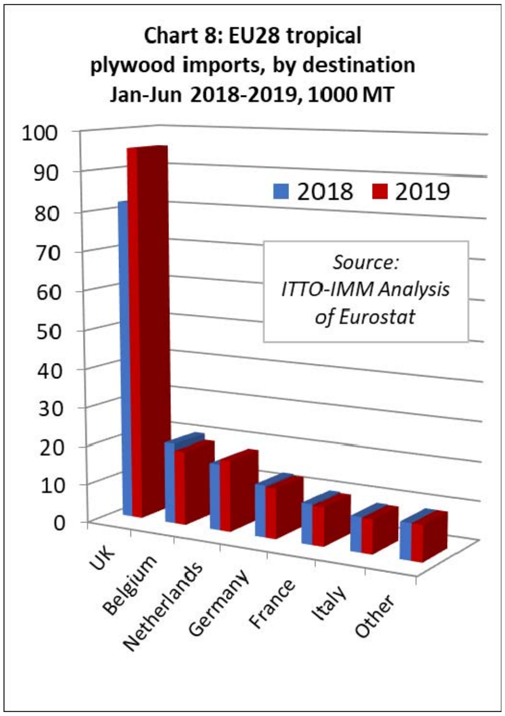
Imports also increased from Gabon, by 9% to 7,400 MT, Viet Nam, by 3% to 6,100 MT, and Brazil, by 9% to 6,000 MT. These gains offset a 4% fall in imports from Indonesia, to 46,300 MT, and 32% fall from Malaysia, to 19,700 (Chart 7).




EU imports of tropical hardwood plywood during 2019 are being strongly influenced by market issues elsewhere in the world, notably the US-China trade dispute which has led to a dramatic decline in Chinese hardwood plywood exports to the United States and increasing diversion of Chinese product to the EU, mainly destined for the UK.

In the first half of 2019, UK imports of tropical plywood products increased 17% to 95,400 MT, despite widespread reports of overstocking and declining plywood consumption in the country. UK imports of tropical hardwood plywood from China increased 81% to 55,000 MT in the first six months of 2019, while UK imports from Malaysia fell 32%, to 16,800 MT, and were down 14% from Indonesia to 17,800 MT.

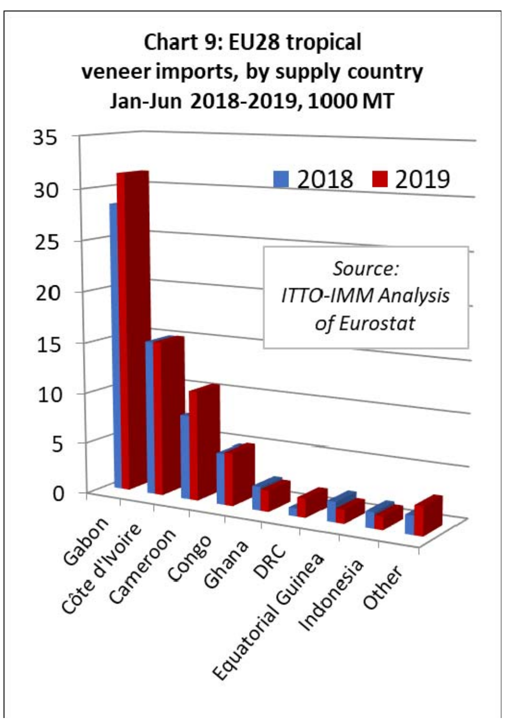
Tropical plywood imports into other EU countries were less volatile in the first half of 2019. Moderate declines in imports in Belgium (-8% to 19,100 MT), Germany (-3% to 13,000 MT), France (-3% to 10,100 MT) and Italy (-2% to 8,800 MT) were offset by an 8% rise in imports in the Netherlands, to 18,500 MT. (Chart 8).




## EU imports of tropical veneer up 11%

EU imports of tropical veneer increased 10% to 71,900 MT in the first half of 2019 compared to the same period last year. Import value increased 9% to €92.3 million.

The EU imported 31,300 MT of veneer from Gabon in the first half of 2019, 10% more than in the same period in 2018. Imports from Cameroon rose sharply, by 30% to 10,700 MT, after a poor year in 2018. There was also a significant increase in imports from DRC, by 143% to 1,900 MT in the first half of 2019. (Chart 9)




Imports from the Congo Republic were up 3% during the same period, at 5,200 MT. Imports from Cote d'Ivoire were stable at 15,200 MT, while imports from Ghana declined 10% to 2,100 MT and imports from Equatorial Guinea fell 31% to 1,400 MT..

In the first half of 2019, tropical veneer imports increased by 20% in France, to 27,400 MT, by 22% in Italy, to 18,900 MT, and by 48% in Greece to 5,500 MT. However, imports fell by 17% in Spain, to 9,600 MT.

The recent slight recovery in EU imports of tropical hardwood veneer and logs may be linked to a minor recovery in EU domestic production of plywood with a tropical hardwood face.

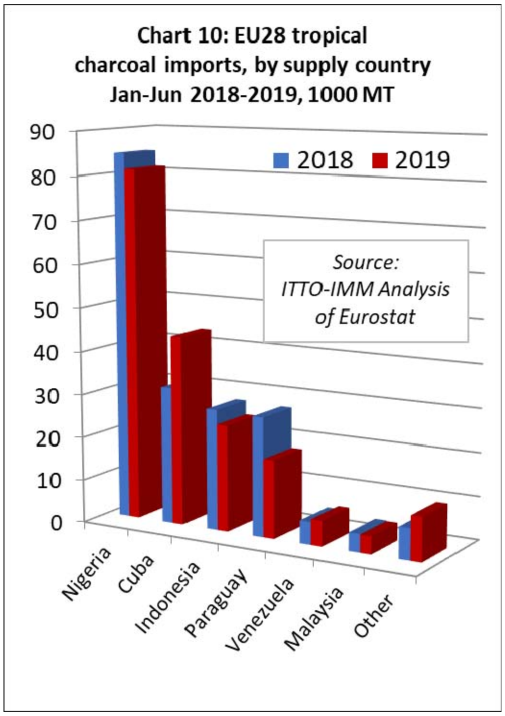
Although EU manufacturing of this product fell sharply in the 2005-2015 period as controls on log exports were introduced in Gabon and other African countries, and with the influx of large volumes of cheap product from China, there is evidence of a small upturn in production since 2015.

According to Eurostat, EU production of tropical hardwood plywood increased from 315,000 m3 in 2016, to 409,000 m3 in 2017 and 446,000 m3 in 2018. This comprised 177,000 m3 in Spain (10% less than in 2017), 114,000 m3 in France (+6%), 123,000 m3 in Italy (+54%) and 31,000 m3 in Estonia (+32%).

## EU imports of tropical charcoal level off in 2019

Between 2015 and 2018, the value of EU charcoal imports increased from around €225 million to US$280 million, almost exactly half of which derives from tropical countries. However, the rising trend slowed in the first half of 2019, with EU import value of tropical charcoal reaching €74 million, only 3% more than the same period in 2018.

EU import quantity of tropical charcoal declined 0.3% to 187,900 MT in the first half of 2019. While there was a 38% increase in imports from Cuba, to 43,800 MT, and a 13% gain from Venezuela, to 5,900 MT, this was offset by declining imports from Nigeria (-4% to 81,200 MT), Indonesia (-12% to 24,600 MT), and Paraguay (-34% to 18,000 MT) (Chart 10).




A revealing study of the charcoal market in the UK was recently published by the Earthworm Foundation (formerly known as The Forest Trust). This involved the use of wood identification techniques to establish the actual content, in terms of wood species and likely origin, of the charcoal contained in bags bought from major retailers in the UK and comparing this with the claims on origin made.

The study showed that, in 2018, 100% of the analyzed charcoal bags in the UK contained tropical or subtropical charcoal, 81% of the bags were certified FSC, and only 38% had a declared country of origin, with only Namibia or South Africa being identified.

The report concludes that "consumers cannot make an informed choice, because in a majority of cases, information on the country of timber origin is not mentioned on charcoal bags…. Retailers highly rely on FSC charcoal, giving additional guarantee to consumers…There is still an important opacity in the UK charcoal industry; steps need to be taken to move towards greater transparency".

The report also observed that charcoal is not included in the EU Timber Regulation and recommended that it should be included.

See: https://www.earthworm.org/uploads/files/European-charcoal-market_UK_2019_190606_093634.pdf

## North America

**Bill could ban timber imports from Brazil**

On 10 September thirteen Democrats in the US House of Representatives introduced H.R. 4263, the Act for the Amazon Act.

This proposal seeks to prohibit the importation of several products from Brazil, including timber products classified under heading 4403 of the Harmonized Tariff Schedule of the United States, and prevent the Trump Administration from negotiating a free trade agreement with Brazil due to Brazil's "failure to aggressively fight the fires in the Amazon rainforest and deforestation tactics more generally."

The bill also targets imports of beef, soy, sugar, pulp and paper, tobacco, corn, and energy products.

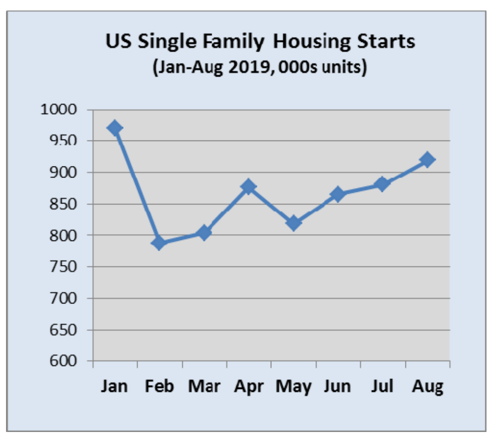
See: https://www.congress.gov/bill/116th-congress/house-bill/4263/text?q=%257B%2522search%2522%253A%255B%2522hr4263%2522%255D%257D&r=1&s=1

**US housing starts soared to a 12-Year high in August**

US homebuilding surged to more than a 12-year high in August as both single- and multi-family housing construction increased, suggesting that lower mortgage rates were finally providing a boost to the struggling housing market.

Housing starts jumped 12.3% to a seasonally adjusted annual rate of 1.364 million units last month, the highest level since June 2007, the Commerce Department reported. Data for July was revised to show homebuilding falling to a pace of 1.215 million units, instead of decreasing at a rate of 1.191 million units as previously reported.

Single-family homebuilding, which accounts for the largest share of the housing market, increased 4.4% to a rate of 919,000 units in August, the highest level since January. Single-family housing starts increased in the West, Midwest and the populous South, but fell in the Northeast.




Data source: US Department of Housing and Urban Development, The housing market, the most sensitive sector to interest rates, had until now shown few signs of benefiting from the Federal Reserve's monetary policy easing, which has pushed down mortgage rates from last year's multi-year highs.

### Sales of existing homes edge up

Existing-home sales inched up in August marking two consecutive months of growth according to the National Association of Realtors. Three of the four major regions reported a rise in sales, while the West recorded a decline last month.

Total existing-home sales rose 1.3% from July to a seasonally adjusted annual rate of 5.49 million in August. Overall sales are up 2.6% from a year ago (5.35 million in August 2018).

Lawrence Yun, NAR's chief economist, attributed the increase in sales to falling mortgage rates. "Sales are up, but inventory numbers remain low and are thereby pushing up home prices," said Yun. "Homebuilders need to ramp up new housing, as the failure to increase construction will put home prices in danger of increasing at a faster pace than income."

See: https://www.nar.realtor/newsroom/existing-home-sales-increase-1-3-in-august

### Manufacturing growing but at a slower pace

While the overall US economy grew for the 124rd consecutive month, economic activity in the US manufacturing sector contracted in August for the fifth straight month according to the nation's supply executives in the Manufacturing ISM Report on Business.

Comments from the ISM panel reflected a notable decrease in business confidence. Manufacturing supply executives reported contracting exports and imports, with executives from the wood products industry reporting the largest decrease in imports among the 16 ISM sectors. However, the wood products sector did show growth in August.

US wood product distributors and manufacturers saw sales rise in line with firm single-family housing starts which have been given a boost by low mortgage rates.

See:
https://www.instituteforsupplymanagement.org/ismreport/mfgrob.cfm?SSO=1

### NAFTA split ruling in US-Canada softwood dispute

A "Chapter 19" dispute panel convened under the North American Free Trade Agreement issued a decision in part upholding the US International Trade Commission's findings on imports of softwood sawnwood from Canada.

The panel upheld the finding that Canadian imports are causing adverse impact on US industry while also remanding the ITC's final determination due to how it addressed elements that address the business cycle and condition of competition, interim 2017 data, substitutability conclusions, volume analysis, price effects analysis and specific aspects of the price suppression analysis.

The panel instructed the ITC to submit its redetermination within 60 days.

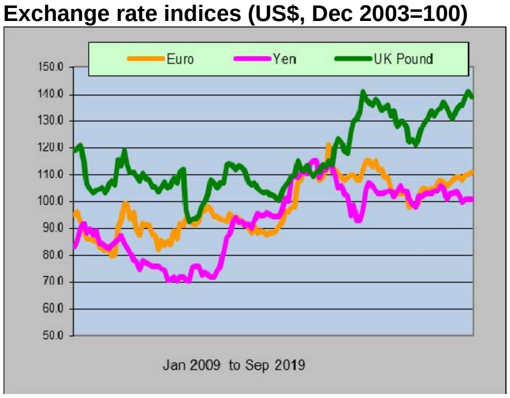
See:
https://www.federalregister.gov/documents/2019/09/10/2019-19533/north-american-free-trade-agreement-nafta-article-1904-binational-panel-review-notice-of-nafta-panel

## Dollar Exchange Rates

**As of 25th September 2019**

| | | |
|---|---|---|
| Brazil | Real | 4.1656 |
| CFA countries | CFA Franc | 597.14 |
| China | Yuan | 7.1185 |
| EU | Euro | 0.9095 |
| India | Rupee | 70.769 |
| Indonesia | Rupiah | 14085 |
| Japan | Yen | 107.54 |
| Malaysia | Ringgit | 4.181 |
| Peru | New Sol | 3.32 |
| UK | Pound | 0.8044 |
| South Korea | Won | 1195.04 |

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



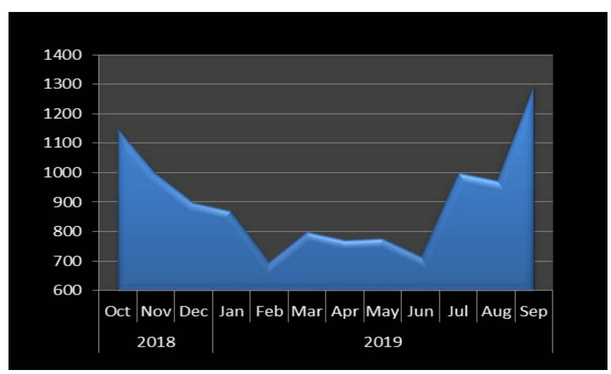


## Abbreviations and Equivalences

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

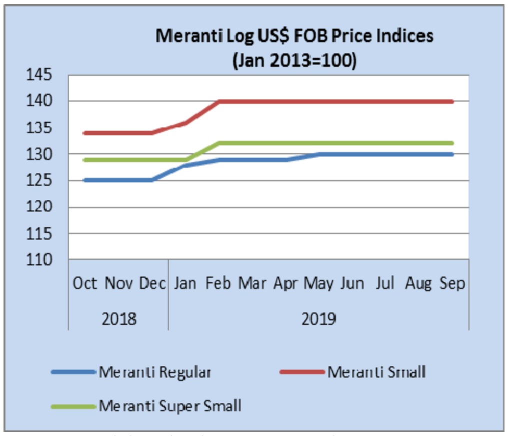
**Baltic Supramax Index**
**October 2018 – September 2019**



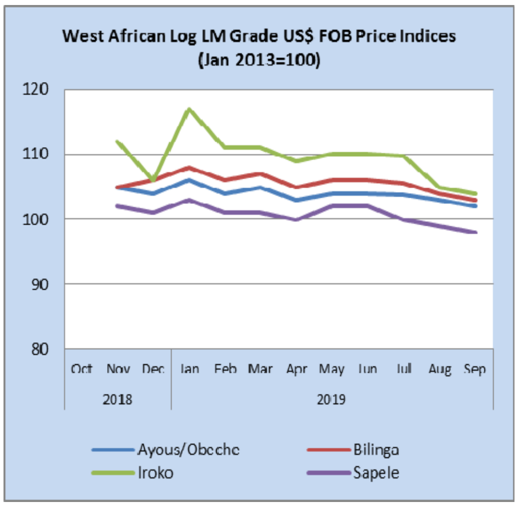

The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

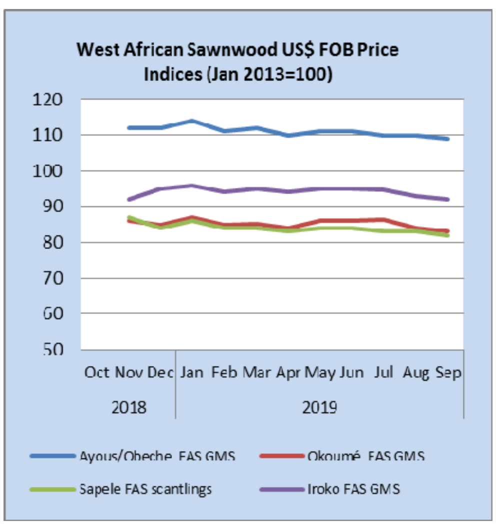
**Price indices for selected products**

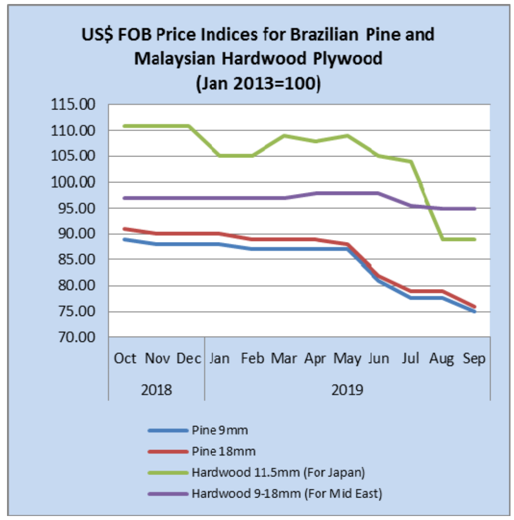
The following indices are based on US dollar FOB prices

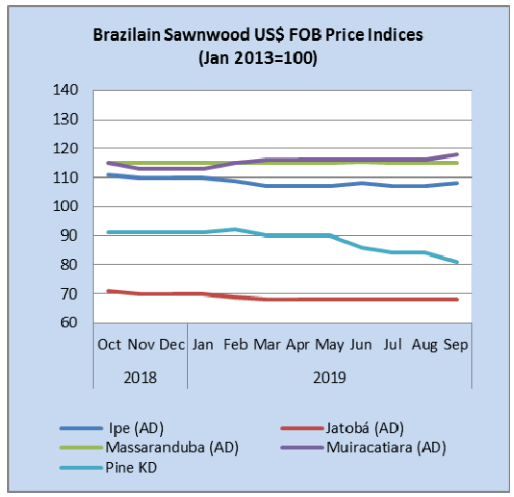



Note: Sarawak logs for the Japanese market




Note: Jatobá is mainly for the Chinese market.

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