

# Tropical Timber Market Report

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## Contents

Central/West Africa	2
Ghana	2
Malaysia	3
Indonesia	4
Myanmar	5
India	6
Vietnam	7
Brazil	9
Peru	10
Japan	11
China	16
Europe	19
North America	23
Currencies and Abbreviations	25
Ocean Freight Index	25
Price Indices	26

## Headlines

	<i>Page</i>
<b>First legality certification in 8 years in DRC</b>	<b>2</b>
<b>Ghana industry - Crippling hike in utility charges</b>	<b>3</b>
<b>Attracting Chinese investment in Indonesia's furniture manufacturing</b>	<b>4</b>
<b>Myanmar Multi-Stakeholder Group still active but no apparent engagement with EU</b>	<b>5</b>
<b>Concerns raised in Vietnam over raw material availability</b>	<b>8</b>
<b>Re-allocation of Peru's non performing forest concessions</b>	<b>10</b>
<b>Netherlands' rising influence in EU tropical timber trade</b>	<b>19</b>

## The International Forum "Together Towards Global Green Supply Chains –A Forest Products Industry Initiative" is approaching!

The Forum will be held on 22-23 October 2019 in Shanghai aiming to promote the advancement of legal and sustainable supply chains, incentivising good production and responsible purchasing practices while delivering additional benefits to poverty alleviation through the creation of employment, economic growth and income generation, as well as contributing to climate change mitigation and adaptation.

To download the FINAL announcement, detailed agenda, invitation by ITTO Executive Director and flyer see [www.itto.int](http://www.itto.int)

Specifically, the Forum intends to:

- Raise the profile of productive forests and their contribution to climate change mitigation and sustainable development;
- Review the role of private sector for climate change and development;
- Identify issues relating to legality and sustainability in global wood supply chains and define the need for building capacities for sustainable forest management and deforestation-free practices;
- Discuss challenges and opportunities in demand and supply in global wood supply chains;
- Encourage the international trade in legal and sustainable timber and wood products supply chains globally;
- Make recommendations for promotion of partnerships in global green wood supply chains.

The Forum will enhance communication between timber producers, buyers, the processing industry and stakeholders in the national and international markets.

## Central and West Africa

### First legality certification in 8 years in DRC

Legality certification for West African timbers was advanced recently when Compagnie Forestière de Transformation (CFT) in the Democratic Republic of the Congo (DRC) secured third-party legality certification for their forest management and logging operations in three concessions near Kisangani in Tshopo Province. NEPcon, the agency which undertook the work said CFT is the first forestry company in the DRC to obtain third-party legality certification in eight years.

See: <https://www.nepcon.org/newsroom/first-legality-certification-democratic-republic-congo-eight-years>

### New processing capacity in Gabon

Wood processing in Gabon to a step forward recently with a major company planning the installation of processing capacity which includes a new sawmill as well as 1,000 cu.m kiln drying capacity. Woodbois Ltd, have in announcing these developments say they aim to have the new mill and kiln capacity installed before year end.

See: <https://www.woodbois.com/about/production>

### Training on timber identification for Customs officers

Training for Cameroon Customs officers in the recognition of timber species was recently provided by ATIBT specialists from the 'Program for the Promotion of Certified Forest Operations' (PPECF). This training was initiated by the government after requests were received from forestry companies in the country.

See: <http://www.ppecf-comifac.com/>

### Congo basin peatland project funded

Last month the French and Congolese Presidents finalised arrangements for the release of around US\$65 million to support activities to be undertaken in the framework of the Central African Forest Initiative (CAFI) in the Congo. The aim of CAFI is to recognise and preserve the value of the forests in the region to mitigate climate change, reduce poverty, and contribute to sustainable development.

The funds will be used to sustainably manage and protect of peatlands by prohibiting any drainage or activities which will dry the peatland. These peatlands are vitally important in the fight against climate change as they have captured and retained nearly three years of global greenhouse gas emissions.

See: <https://www.cafi.org/content/cafi/en/home/all-news/republic-of-congo-and-cafi-sign-65-million-dollars-letter-of-int.html>

## Log export prices

West African logs Asian market	FOB Euro per cu.m		
	LM	B	BC/C
Acajou/ Khaya/N'Gollon	265	265	175
Ayous/Obeche/Wawa	250	250	225
Azobe & Ekki	275	275	175
Belli	280	280	-
Bibolo/Dibétou	215	215	-
Bilinga	275	275	-
Iroko	330	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	650↓
FAS scantlings	700↓
Strips	400↓
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

### 2018 agriproduct exports to EU set new record

Ghana achieved an almost 50% increase in its 2018 exports (all agriproducts) to the EU and earned just over Euro 3 billion. This earned the country recognition from the International Trade Centre under its West Africa Competitiveness Programme (WACOMP).

Ghana is a participant in the ECOWAS partnership with the European Union (EU) through the WACOMP initiative which aims to assist participating countries to add value to raw materials.

The EU is the second largest market after Asia for Ghana's wood products. But raw materials (logs and sawnwood) account for a major share of exports with processed products accounting for less than 5%.

For more information see <http://www.intracen.org/country/ghana/>

Ghana has been listed among the fastest-growing economies in the world according to World Bank, the other countries being Ethiopia, Rwanda and Côte d'Ivoire. These four countries along with Ghana are currently experiencing about 7% growth, which makes them some of the fastest growing economies in Africa.

**Ghana urged to invest in reforestation**

Ms. Diana Acconcia, the EU Ambassador to Ghana, has encouraged Ghana to be more active in restoring degraded forest and increasing tree cover to contribute to climate change mitigation.

Ms. Acconcia was speaking at the European Union Climate Diplomacy Week Ghana 2019 themed 'Re-greening Ghana'.

According to Ms. Acconcia, the approximately 25-30% tree cover in Ghana is far too low so she urged the government to take action to reverse the trend emphasising 'what is needed is collaboration and commitment to promote a green world' to achieve this it is imperative that investment in re-afforestation is encouraged.

At the beginning of the century Ghana had over 8 million hectares of forest cover but currently has only 1.6 million hectares according to Forestry Commission statistics.

**Crippling hike in utility charges**

The Public Utilities Regulatory Commission (PURC) recently announced new charges for power and water raising electricity charges by almost 6% and water charges by over 2%.

Daniel Acheampong, president of the Ghana Employers Association (GEA), said the high cost of power is a disincentive for manufacturers as competitiveness is undermined as production costs rise.

In its Quarterly Business Barometer Report the Association of Ghana Industries (AGI) identified the high cost of power as key in the collapse of many local manufacturing industries.

**Boule Export prices**

	Euro per m <sup>3</sup>
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	550
Niangon Kiln dry	614

**Export Rotary Veneer Prices**

Rotary Veneer, FOB	Euro per m <sup>3</sup>	
	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 <sup>3</sup>
Asanfina	841
Avodire	721
Chenchen	1,031
Mahogany	643
Makore	2033
Odum	1790

**Export Plywood Prices**

Plywood, FOB BB/CC	Euro per m <sup>3</sup>		
	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 <sup>3</sup>	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afromosia	860	925
Asanfina	465	564
Ceiba	404	487
Dahoma	417	484
Edinam (mixed redwood)	520	597
Emeri	475	580
African mahogany (Ivorenensis)	930	908
Makore	740	810
Niangon	620	633
Odum	649	917
Sapele	700	88
Wawa 1C & Select	420	463↓

**Malaysia**

**MTIB support for Bumiputera entrants to furniture manufacturing sector**

According to Mohd. Kheiruddin, Malaysian Timber Industry Board (MTIB) Director General, Malaysia exported RM12.5 billion's worth of wood products between January and July this year. In 2018, the timber industry contributed 1.6% to the Gross Domestic Product and the export value of timber products recorded a 4% decline to RM22.29 billion, compared to RM23.22 billion in 2017.

In related news, Mohd. Kheiruddin said the government remains committed to encourage more participation of Bumiputera companies in the furniture industry explaining that MTIB manages the Bumiputera Furniture Entrepreneur Scheme and provides training and guidance for new entrants to the sector through the Wood Industry Skills Development Centre.

## **MTCC Conference - certification as a driver for innovation**

Over 200 participants including some from Singapore and Indonesia joined a dialogue on certification as a driver for disruptive innovation and the future of certification in a digital economy as part of an MTCC conference to celebrate its 20th anniversary.

Themed “Pushing Boundaries Advancing Sustainability”, the one-day conference addressed development and progress of timber certification in Malaysia as well as looking to the future of certification beyond 2030.

The conference provided a platform for industry and the MTCC to discuss how Malaysia’s certification scheme and processes could remain credible, effective and efficient in delivering market access.

The first shipment of 732 cu.m of MTCS-certified sawnwood was exported to the Netherlands in July 2002.

For more see:

<https://mtcc.com.my/mtcc-organises-conference-to-bridge-present-and-future-outlook-for-certification-beyond-2030/>

In related certification news, the Malaysian Palm Oil Board has said estates of more than 40 hectares with palm oil mills that fail to obtain the Malaysian Sustainable Palm Oil (MSPO) certification or begin the process of certification before 1 January 2020, will be penalised under the Malaysian Palm Oil Board (Licensing) 2005 regulation number 15. The MSPO certification will be mandatory from 1 January.

## **Bamboo plantations - time to explore new sources of commodity income**

The Malaysian Government intends to provide soft loans to encourage the bamboo plantation sector. Teresa Kok, Minister of Primary Industries, said the loan could be up to RM10,000 per hectare with repayments to begin after seven years.

Currently the Malaysian government provides loans under the Forest Farm Development Programme but these are primarily for rubber plantations. The Minister said the time has come for Malaysia to explore additional sources of commodity income so should seize on the growing opportunities in the international bamboo trade.

## **Indonesia**

### **Attracting investment in Indonesia’s furniture manufacturing**

A delegation, led by the Chairman of the Investment Coordinating Board (BKPM), Thomas Lembong, travelled to China in an effort to boost investments from China in Indonesia’s furniture manufacturing sector.

Indonesia has recognised that China’s furniture exports, at over US\$20 billion a year, dwarf Indonesia’s exports which are less than 10% of that.

This business promotion exercise has been well prepared and involved discussions on incentives that could be offered to Chinese companies that wish to invest in Indonesia.

See: <https://www.tubasmedia.com/ri-tawarkan-insentif-fiskal-untuk-relokasi-industri-mebel-china/#.XZIMXfkzbiU>

### **Expanding market share in the US furniture market**

Abdul Sobur, Chairman of the Indonesian Furniture and Crafts Industry Association (HIMKI), has said his Association is teaming up with the Indonesian Furniture Designers Association (HDMI) in an effort to develop furniture designs to suit the requirements of individual markets.

Through this approach, said Sobour, it will be possible for local companies to expand market share in the main importing countries in particular the US. The association has an export target of US\$1.8 billion for this year with around a third being exports to the US.

See:

<https://ekonomi.bisnis.com/read/20191001/257/1154043/indonesia-siap-ambil-pangsa-mebel-china-di-as>

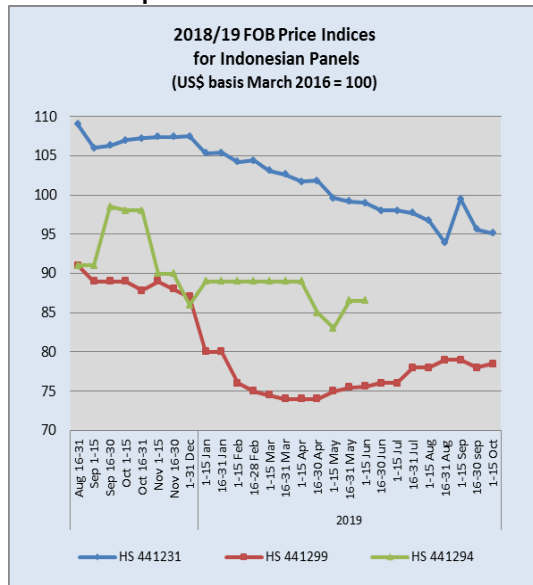
### **Environmental Fund Management Agency established**

In a joint statement the Coordinating Ministry for Economic Affairs, the Ministry of Environment and Forestry (KLHK) and the Ministry of Finance officially launched the Environmental Fund Management Agency (BPDFLH) within the Ministry of Finance.

The Minister of Environment and Forestry, Siti Nurbaya, said the BPDFLH will be one of the financing mechanisms for environmental protection and management that can be utilised by various parties.

BPDFLH will secure and distribute funds for environmental protection. BPDFLH funding will be sourced from public and private sources both domestic and foreign said the Minister. Disbursements by the Fund will focus on small grant, green investment projects and capacity building for communities and also for officials.

## Indonesian panel indices



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

## Myanmar

### Multi Stakeholder Group still active but no apparent engagement with EU

Analysts in Myanmar are not clear on the current status of the VPA/FLEGT negotiations between Myanmar and the EU as the UK Department for International Development (DFID) suspended its financial support for the negotiations about one year ago.

Some commentators have said that Myanmar is no longer considered a VPA country but the EU VPA website says “Currently, Myanmar is in a preparation phase. The purpose of this phase is to prepare and establish strong foundations for a successful negotiation should Myanmar and the EU decide to negotiate a VPA.” While the Myanmar Multi Stakeholder Group (MSG) is still active there is no apparent engagement with the EU.

It has been learnt that recently an assessor from NepCon, a non-profit organisation that builds commitment and capacity for mainstreaming sustainability, recently visited Myanmar to assess the timber legality framework in the country and spent time with the MSG, the Forest Department, the Myanmar Timber Enterprise and the Myanmar Forest Certification Committee (MFCC).

Barber Cho, Secretary of the MFCC, confirmed the visit explaining this was planned with Palladium, DiFID and the European Timber Trade Federation (ETTF) before DiFID suspended support for Myanmar’s VPA negotiation process.

Palladium is an international advisory and management business and was the fourth-largest private sector partner for the UK Government’s Department for International Development (DFID).

The NepCon assessor focused on Myanmar’s ‘CoC Dossier’ and the Myanmar Timber legality Assessment System (MTLAS) and Cho said the authorities in Myanmar were completely frank and transparent with the assessor.

### Manufacturers applaud investment plans for energy sector

The energy sector has been allocated a massive amount of funds in the Budget for fiscal 2019-20, which commenced October 1. This is the first time the energy sector has attracted the highest portion of government spending. The energy sector has been under funded for years causing in hydropower and other power generation projects.

Electricity prices have been raised in Myanmar and the government will benefit and can therefore invest more in power supplies which will encourage investment in manufacturing.

### Log Tender Prices for September 2019

#### Teak logs

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

Na – not available

#### Other hardwood logs

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

## India

### Manufacturing could get boost from rate cut

India’s GDP growth dropped to a six-year low of 5% in the second quarter and according to the Reserve Bank of India (RBI) the economy is likely to face more risks in the near term from a combination of domestic and global issues.

Over the past few months domestic manufacturers have experienced subdued demand which prompted a cut back in production, efforts to reduce inventories and fewer purchases from suppliers. This says analysts was partly why the RBI to cut interest rates in early October. The October cut was the fifth cut in 2019 and it had an immediate impact on the rupee/dollar exchange rate which dipped below 71 to the US dollar.



The quarter percent cut in rates is aimed at kick-starting the economy lifting it from its six-year low. Borrowing rates have been lowered to 5.15% which should help boost the housing market.

However, a CREDIA spokesperson recently commented that the government's US\$1.4 billion fund to finance stalled housing projects is unlikely to succeed as the sector is facing its worst crisis in decades because consumer and business confidence are at a low level.

See: [http://economictimes.indiatimes.com/articleshow/71132591.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](http://economictimes.indiatimes.com/articleshow/71132591.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

### Procedures for export of red sanders

A recent Indian government announcement sets a timeline for red sanders producing States to finalise the procedures for the export of this valuable timber.

See: <https://dgft.gov.in/policies/notifications>

The text reads as follows:

Subject: Export of Red Sanders wood by Directorate of Revenue Intelligence (DRI), State Governments of Andhra Pradesh, Maharashtra, Tamil Nadu and Karnataka - Extension of time regarding.

1. In exercise of powers conferred by Section 3 of the Foreign Trade (Development & Regulation) Act, 1992 read with Para 1.02 of the Foreign Trade Policy (2015-2020), the Central Government hereby makes the amendments in Notification No. 47 (RE-2013)/2009-2014 dated 24.10.2013 read with Notification No. 6/2015-2020 dated 06.05.2015, Notification No. 24/2015-2020 dated 29.08.2016, Notification No. 25/2015-2020 dated 02.09.2016, Notification No. 40/2015-20 dated 27.11.2017, Notification No. 08/2015-20 dated 23.05.2017 and Notification No. 48/2015-20 dated 03.01.2019.

2. Directorate of Revenue Intelligence (DRI) and State Governments of Andhra Pradesh, Maharashtra, Tamil Nadu and Karnataka shall finalize the modalities including allocation of quantities to various entities, as applicable, for export of the balance quantity of Red Sanders wood and shall complete the whole process of export latest by 31st December, 2019.

3. Other provisions of Notification No. 47 (RE-2013)/2009-2014 dated 24.10.2013 read with Notification No. 24/2015-2020 dated 29.08.2016 (for Andhra Pradesh and DRI), Notification No. 25/2015-2020 dated 02.09.2016 (for Tamil Nadu and Maharashtra) and Notification No. 40/2015-20 dated 27.11.2017 (for Karnataka) shall remain unchanged.

See also: [https://dgft.gov.in/sites/default/files/Noti%2012%20dt%2029.07.2019%20Eng\\_0.pdf](https://dgft.gov.in/sites/default/files/Noti%2012%20dt%2029.07.2019%20Eng_0.pdf)

### Imported plantation teak

The Goods and Services Tax Committee at its last meeting did not consider the requests from the timber sector for a reduction in GST rates for raw material inputs to the industry. Manufacturers continue to push for a downward revision of the 18% GST on wood products.

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

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

Price range depends mainly on length and girth.

### Locally sawn hardwood prices

Prices have been maintained as reported last time. Demand and imports are stable.

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

With due care necessary to maintain revenue, GST council has not been able to offer any relief. Markets have accepted the situation. The general conditions are improving and loans and credit facilities are started afresh and hope demand will improve.

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

Price range depends mainly on lengths and cross-sections.

### Sawn hardwood prices

Prices remain unchanged.

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

Price range depends mainly on lengths and cross-sections.

### Plywood

The ex-warehouse prices have not been raised and continue as previously reported. Manufactures complain that there is now a shortage of good quality peeler logs and that recovery rates are suffering. The diminishing availability of the traditional peeler log species has encouraged millers to turn to other species which are more readily available.

The presence of Chinese made plywood is growing in the Indian market as Chinese manufacturers seek alternative markets to the US to avoid high US tariffs.

### 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

### Surge in foreign investment from China

The surge in the number of new FDI projects into Vietnam's wood processing sector continues. Most of the investment is in woodchip production, processing industry services, wooden pallet production and composite panel products.

Xuan Phuc,(Forest Trends) has reported that most of the incoming investment is from China. In the first 5 months of 2019 there was a total investment of over US\$50 million from China, 1.7 times the amount in the same period in 2018.

Tran Quoc Khanh, Deputy Minister, in the Ministry of Industry and Trade has called for a registration system so the ministry can track investment and exports in critical sectors such as panel products as there is a need to effectively manage the export supply chain. This he said would aid Customs in eliminating fake labelling and prevent fraud.

Vietnam's exports of wood products to the US are around about US\$3-4 billion annually and Vietnam is the second largest supplier to the US after China. In the first 7 months of 2019, China's market share of the US furniture market fell sharply while Vietnam gained market share. Tran Quoc Khanh said this is an opportunity for Vietnamese firms to fill the gap in US imports but will require companies to address their productivity, marketing and procurement policies.

Dien Quang Hiep, Chairman of Binh Duong Wood Processing Association (BIFA) has pointed out that one of the biggest drawbacks at present is that there are no production clusters and networks among Vietnamese companies which is allowing new entrants in the sector to gain an advantage.

In related news, Le Trieu Dung, Director of the Chamber of Commerce and Industry, said that it is necessary for the authorities to be on the lookout for signs of fake relabeling of exports especially in the plywood sector.

In 2018 and the first 6 months of 2019, the Vietnam Chamber of Commerce and Industry (VCCI), in conjunction with the Customs Department, Vietnam Chamber of Commerce and Industry (VCCI), inspected a number of the Vietnam based enterprises from which there was a sudden and sharp increase in export volumes.

The survey was intended to uncover fake export labelling. The US Customs service also had a team in Vietnam to investigate the sudden rise in wood product exports seemingly originating in Vietnam which raised suspicions of cross-border trade between Vietnam and China for re-export.

See:

<https://nongnghiep.vn/khuyen-khich-phat-trien-trong-rung-go-lon-post250769.html>

<https://saigondautu.com.vn/kinh-te/ngan-chan-gian-lan-thuong-mai-trong-xuat-khau-go-72903.html>

#### **Concerns raised over raw material availability**

Concerns have been raised over the rapid increase in wood chip production and export which, say analysts, could threaten raw material availability for the domestic solid wood processing industry. In response the authorities in Quang Nam Province are seeking the development of technical standards for forest management and harvesting for chip plantations.

In Quang Nam Province there are about 200,000 ha of plantations, mainly acacia. Most of this area is of small scale household plots and harvesting is done when the trees are around 3-4 years old. The harvested timber is chipped and shipped to China from Dung Quat Port.

Currently Quang Nam harvests about 1 million tonnes of acacia annually. There are 16 chip processing plants in the Province but there are fears that the local supply will soon be insufficient and that the chip mills will turn to neighboring provinces such as Da Nang and Quang Ngai. Analysts point out that local raw material suppliers could be vulnerable should China introduce restrictions on imports.

There are more than 100 major wood processing plants in Binh Dinh and they are exporting to over 80 countries and territories. The wood processing sector contributes a lot to provincial development but companies are finding it a problem to secure raw materials,

Every year local manufacturers import more than 200,000 cu.m of wood raw materials of which sawnwood accounts for around 85% with the balance being logs and composite panels.

According to the Department of Industry and Trade, in the first 9 months of this year, the Province's wood furniture manufacturing industry index rose by nearly 7% year on year and the index for 'other' wood products jumped around 27%. In the same period furniture exports reached over US\$340 million, up 20% over the same period last year and accounting for 51% of the total exports of the province.

Mr. Le Minh Thien, Chairman of Binh Dinh Timber and Forest Products Association, said "despite the high export growth rates, the production of export wood processing enterprises in the province faced many difficulties in raw materials supplies. The local producers and exporters had to import more than 80% of raw wood materials with many risks about legality and origins".

He pointed out that under these circumstances it is very challenging to manage production costs and maintain competitiveness in the global market.

In responding to these comments Ngo Van Tong, Director of Department of Industry and Trade, said there are plans to develop large scale timber plantations forests in the province by 2025 to meet 50% of raw wood materials demand for the province's wood processing industry. Investments in plantations would continue until they are contributing around 80% of the raw material requirements of factories in the province.



### Results of ABIMCI forestry sector study announced

The Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI) launched its 'Sectoral Study 2019' which addresses national forestry issues and provides profiles of the timber and furniture industry including socioeconomic indicators, market statistics such as production, consumption, export and import data. The final report provides crucial information for planning and promotion of sectoral development.

This study highlights the importance of planted forests in Brazil which, in 2018, extended over an estimated 8.1 million hectares with 73% eucalyptus (5.92 million ha.), 20% pine (1.59 million ha.) and 7% with other timber species (591,000 ha.). Out of the 591,000 ha. rubber tree accounts for 39%, acacia (27%), paricá (15%) and teak (15%).

Hardwood species such as paricá, teak and poplar are traditionally used in the production of sawnwood and veneer. Other timber species that have been planted include African mahogany (*Khaya senegalensis*) and Australian cedar (*Toona ciliata*).

In Brazil, sawnwood and plywood from native hardwoods is produced mainly in the northern and central western regions of the Amazon. According to the ABIMCI study, production and consumption of Amazon hardwoods has declined in recent years.

Over the past decade production of hardwood sawnwood fell by almost 13% annually in the period 2009-2018. In 2018, Brazil produced 2.4 million cu.m of hardwood sawnwood, while in 2009 it produced 8.4 million cu.m.

Brazilian production of hardwood plywood has also fallen. In 2018, Brazil produced 249,000 cu.m of hardwood plywood from Amazon species while in 2009 national production was around 587,000 cu.m (an almost 60% decline in 10 years).

The decline in production is due, says the ABIMCI report, to environmental controls and bureaucratic hurdles in the approval process for forest harvesting and management permits.

### Trends in hardwood plywood and sawnwood exports

According to the ABIMCI study, in 2018 Brazilian exports of hardwood sawnwood totaled about 556,000 cu.m and earned US\$222 million. This was the highest level of hardwood sawnwood exports for the last 8 years.

However, between 2009 and 2018, Brazilian export volumes of hardwood sawnwood fell by 2.5% and the value of exports dropped almost 14% in the same period.

Over the same period there was a decline in the value and volume of hardwood plywood exports. In 2009 exports amounted to 97,000 cu.m (US\$54 million) but in 2018 this dropped to 61,000 cu.m (US\$ 30 million).

### Bento Gonçalves exports continue to increase

Export earnings by the Bento Gonçalves' furniture cluster rose 13% between January and August this year compared to the same period of 2018. This performance surpassed the results of the furniture industry of the state of Rio Grande do Sul and Brazil as a whole.

According to the Ministry of Economy/Foreign Trade Secretariat (SECEX), local companies exported US\$29 million in the first eight months of 2019.

The main buyers of furniture manufactured in the Bento Gonçalves furniture cluster were Uruguay, followed by the United States, Saudi Arabia, Chile, Colombia, Mexico, Panama, Paraguay and Peru. It is noteworthy that the US went from the 4th main buyer to 2nd place, and the United Kingdom, which was not even among the top 10 destinations, now ranks 6th.

The Bento Gonçalves furniture cluster increased its exports by 13% compared to a growth of only 2.5% in Rio Grande do Sul State exports.

The Bento Gonçalves Furniture Industry Union (Sindmóveis) estimates that furniture exports will increase in the coming months.

### Domestic Log Prices

	US\$ per m <sup>3</sup>
Brazilian logs, mill yard, domestic	
Ipê	211
Jatoba	116
Massaranduba	108
Muiracatiara	112
Angelim Vermelho	107
Mixed redwood and white woods	91

Source: STCP Data Bank

### Domestic Sawnwood Prices

	US\$ per m <sup>3</sup>
Brazil sawnwood, domestic (Green ex-mill)	
Ipê	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)

	US\$ per m <sup>3</sup>
Parica	
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

	US\$ per m <sup>3</sup>
Domestic ex-mill Prices	
15mm MDParticleboard	216
15mm MDF	256

Source: STCP Data Bank

### Export Sawnwood Prices

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

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

Source: STCP Data Bank

### Export Plywood Prices

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

Source: STCP Data Bank

### Export Prices For Added Value Products

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

Source: STCP Data Bank

## Peru

### Amazon business congress

Business and government representatives from the Amazon Regions recently participated in the first business congress which was inaugurated by the President of the Republic, Martín Vizcarra Cornejo. The President was accompanied by the Ministers of Foreign Affairs and Transportation and Communications; Gustavo Meza-Cuadra and Edmer Trujillo.

The President confirmed his government's commitment to the Amazon and the Governor of Ucayali, Francisco Pezo Torres, said that the Amazon represents 60% of the Peruvian territory and through applying Sustainable Development Goals (SDGs) has great potential. The event sought to identify the economic and social contributions that development of the Amazon could bring.

Businessman Samuel Dyer of the Pro Ucayali group said that the full potential of the Amazon can be released if there is a private/public alliance. Entrepreneurs want to invest, he said, but putting in place supportive infrastructure must be a priority.

Dyer reminded participants that there is an estimated 10 million hectares of deforested land in Peru's Amazon and this offers an opportunity for investment in reforestation. Dyer suggested half of this area could be reforested with an investment of around US\$25 billion. To achieve this, he said, would require that the rapid completion of a National Competitiveness Plan.

### Regional governments move forward in Amazon zoning

With technical assistance from the National Forest and Wildlife Service (SERFOR) the Amazon regional governments of San Martín, Ucayali, Loreto, Amazonas,

Junín, Madre de Dios and Huánuco are moving forward with the process of forest zoning.

This was reported by the Executive Director of the SERFOR, Alberto Gonzales-Zúñiga Guzmán, who said that forest zoning will open the potential and identify the limitations for the direct or indirect use of forest and other natural resources.

Ucayali, with 3 million hectares of its territory categorised as advanced in forest zoning. The areas define protection and conservation zones; land reserves for indigenous peoples in isolation or initial contact and prioritised ecosystems for biodiversity conservation.

The zoning plan for Loreto could be approved this year as progress has been good helped by the transfer of funds from the central government.

### Strengthen supervision of cedar marketing

Next year, the implementation of action to strengthen the control of the marketing of cedar will begin in support of the conclusions of the Eighteenth Meeting of the Conference of the Parties to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) in respect of trade in cedar. Peru has ten species of cedar and of those four are endemic.

The Deputy Minister of Strategic Development of Natural Resources, Gabriel Quijandria, stressed the importance of informing the public, private and specialist on the latest decisions taken by CITES.

### Timber concessions study in the final stage

A study on the operation of the timber forest concession model from the social, economic sustainability and legal perspectives is expected to provide a means for development of new sustainable concession management systems for Peru.

This study is being led by SERFOR and is already in the final stage of development. It is being undertaken with the technical support of the USAID FOREST Program and the United States Forest Service (USFS) along with a Peruvian NGO.

Information has been collected dating back 15 years on the forest concessions in Loreto, Ucayali and Madre de Dios. This will reveal what has happened in the past and how to improve the ecological sustainability of the forest in the future. The study and recommendations will be presented at the end of this October.

### Re-allocation of non performing forest concessions

Inactive forest concessions in Ucayali and Loreto allocated more than 15 years ago are being brought into operation because the regional forestry and wildlife authorities have introduced a legal device termed the 'Abbreviated Procedure'. This procedure allows cancellation of a concession agreement and re-allocation to a new concessionaire.

Through this procedure more than half a million hectares of none performing concession agreements have been reallocated in Ucayali and Loreto. Some of the concession areas have suffered illegal logging and encroachment.

In September the Regional Government of Loreto approved 13 forestry companies as qualifying to take advantage of 63 timber forest concessions which will be valid for 40 years.

In Ucayali, last month the Regional Government launched the Abbreviated Procedure for the granting of 26 concessions.

Currently, the authorities in Loreto are evaluating applications in accordance with the Guidelines for granting forest concessions for timber purposes by the Abbreviated Procedure published by SERFOR.

It is estimated that over 600,000 hectares of production forests in Ucayali and Loreto will be brought into production.

#### Export Sawwood Prices

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

Peru Sawwood, FOB Callao Port (cont.)	US\$ per m <sup>3</sup>
Virola 1-2" thick, length 6'-12' KD Grade 1, Mexican market	534-599
Grade 2, Mexican market	489-502
Cumaru 4" thick, 6'-11' length KD Central American market	966-984
Asian market	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 Sawwood Prices

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

#### Export Veneer Prices

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

#### Export Plywood Prices

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

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

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

#### Domestic Prices for Other Panel Products

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

#### Export Prices for Added Value Products

Peru, FOB strips for parquet	US\$ per m <sup>3</sup>
Cabreuva/estoraque KD12% S4S, Asian market	1327-1398
Cumaru KD, S4S Swedish market	9799-1098
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

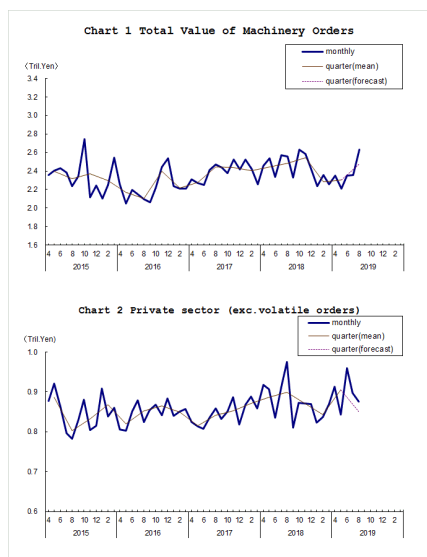
## Japan

#### Trade disputes weigh on corporate sentiment

Data from Japan's Cabinet Office showed that August machinery orders, an indicator of capital spending in the coming six to nine months, fell 2.4% from the previous month adding to other gloomy data suggesting businesses are experiencing the effects of global trade friction. The US/China trade dispute has weakened global demand and has set back the modest recovery in the Japanese economy.

#### Machinery orders

One encouraging piece of news has been the increase in capital expenditure by companies investing in automation to address the tight labour market which has helped offset weak spending by manufacturers. Analysts now expect the Bank of Japan (BoJ) to further ease monetary policy when it meets late October.



Source: Cabinet Office, Japan

While businesses are holding back household spending rose for the ninth consecutive month in August. But all eyes will be on October data as the impact of the rise in consumption tax will become clear.

**First economic downgrade by government in four months**

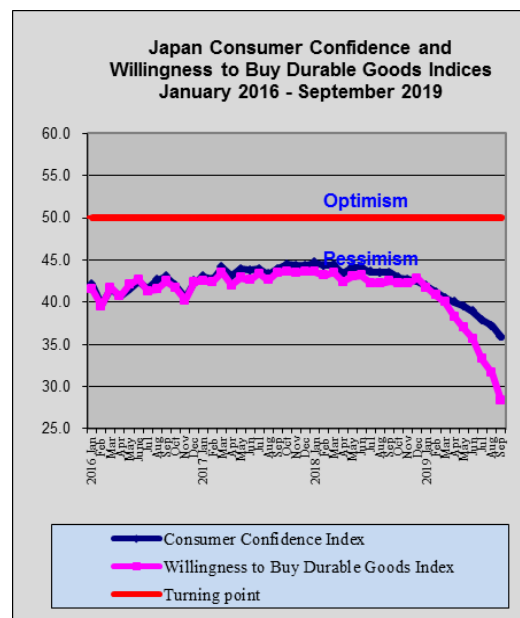
Weak industrial output, shipments and employment data for August resulted in the government downgrading its assessment of the economy, the first downgrade in four months. A Cabinet Office statement said the economic prospects are “worsening” because of sluggish production and exports. After using the word “worsening” in March and April the Cabinet Office reported that this weakness had been overcome in May only to find it had dipped again.

As “worsening” hints that a recession is possible the assessment seems to contradict the government's view in its monthly economic report that the economy has been recovering at a moderate pace.

**Economy relying more heavily on personal spending**

Data from Japan’s Cabinet Office for September is showing consumer confidence fell again, dropping to the lowest level in more than eight years. The decline was not unexpected coming just before the 1 October consumption tax increase.

The question is, for how long will the tax increase hold down personal consumption? Personal expenditure is a key driver of Japan’s economy and growth prospects rely heavily on personal spending as export earnings have been falling because the US and China cannot agree on ways to address the trade deficit which would open the way for a lifting of tariffs.

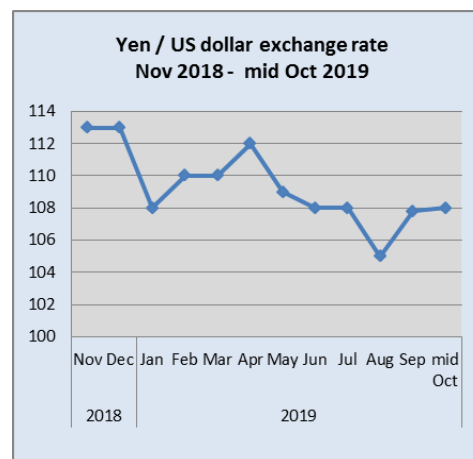


Data source: Cabinet Office, Japan

**Early trade deal fails to lift dollar – yen unmoved**

The US dollar failed to gain any upward momentum from the announcement that the US and China had agreed a ‘first stage’ trade deal. A downward pressure on the dollar was reinforced by weaker than expected US consumer inflation which could mean another US interest rate cut.

The Japanese yen strengthened immediately after the trade deal news but soon reverted back to around 107/108 to the US dollar.



**Second catastrophic typhoon of 2019 – extensive damage to homes reported**

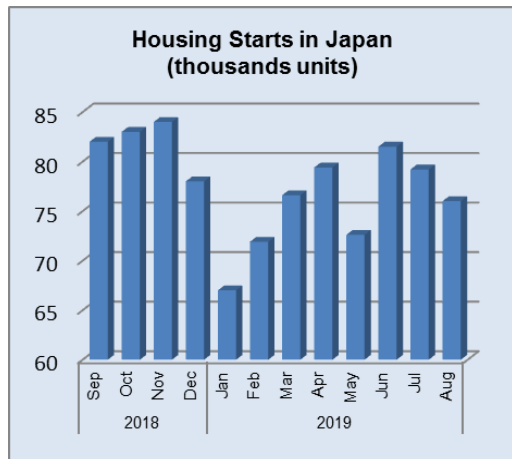
The 19th typhoon of 2019 made landfall in Japan’s main island of Honshu on the 12 October with winds of over 200 km/hr. Intense and extremely heavy rain caused water levels in dozens of rivers to rise and many burst their banks and flooded residential areas.

Especially affected were the prefectures of Saitama, Miyagi and Niigata, prefectures that rarely experience such severe storms.

As of Sunday 13 October more than 200,000 households in eastern and central Japan were without power. Among those, about 86,100 households in Chiba Prefecture, which was heavily damaged by Typhoon number 15 last month, were also without power. The home repair costs for affected households will be staggering.

For images see:

<https://www.japantimes.co.jp/news/2019/10/13/national/photo-gallery-typhoon-hagibis/#.XaPDB0IzbIU>

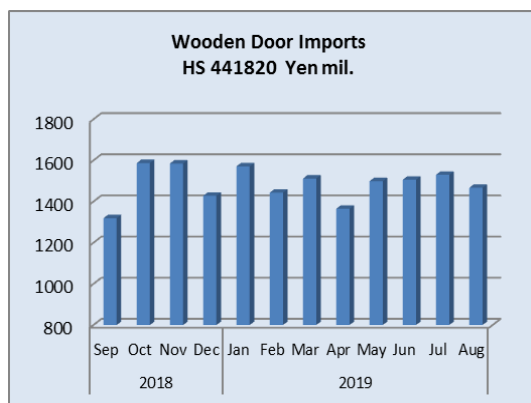


Data source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

**Import update**

**Wooden door imports**

After 3 months of gains the value of Japan’s imports of wooden doors (HS441820) dipped in August compared to July dropping around 4%. In August the top two shippers, China and the Philippines, accounted for over 80% of arrivals. The other major shippers in August were Indonesia and Malaysia.

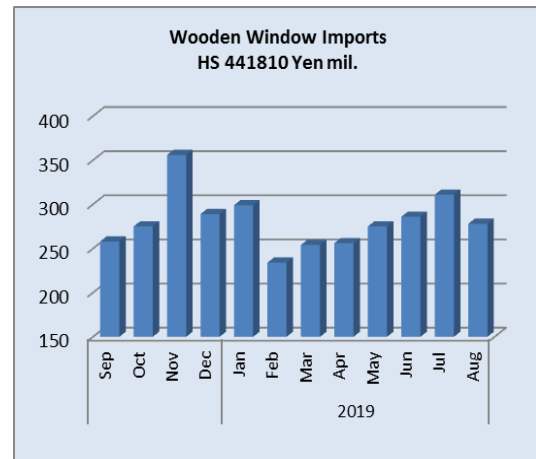


Data source: Ministry of Finance, Japan

**Wooden window imports**

The steady rise in imports of wooden windows (HS 441810) which began in May this year came to an end as August imports dropped almost 11% month on month but compared to August 2018 there was an increase of about 18%.

The top three shippers in August were China (44% of imports) the US (20%) and the Philippines which contributed a further 18% to August window imports.

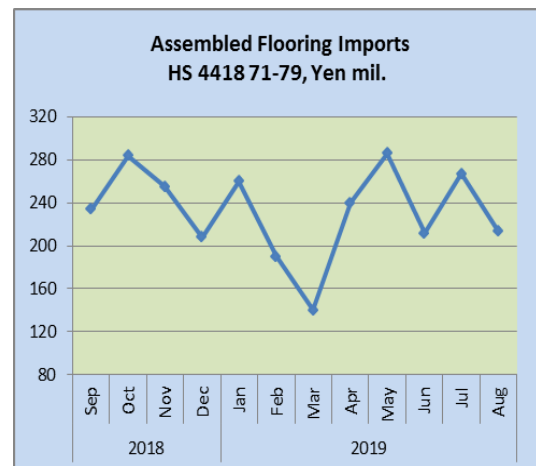


Data source: Ministry of Finance, Japan

**Assembled wooden flooring imports**

The value of Japan’s assembled wooden flooring imports continued the see-saw trend witnessed for the entire year. In August the value of imports dipped back to the same level seen in June.

The bulk of August assembled wooden flooring imports were of HS441875 with China and Malaysia being the main shippers in August. In previous months Indonesia had been a more prominent shipper but not so in August this year.



Data source: Ministry of Finance, Japan

**Plywood imports**

As in previous months HS 441231 dominated Japan’s plywood imports. In August HS 441231 accounted for around 90% of all plywood imports by volume, most of which was shipped by suppliers in Malaysia and Indonesia.



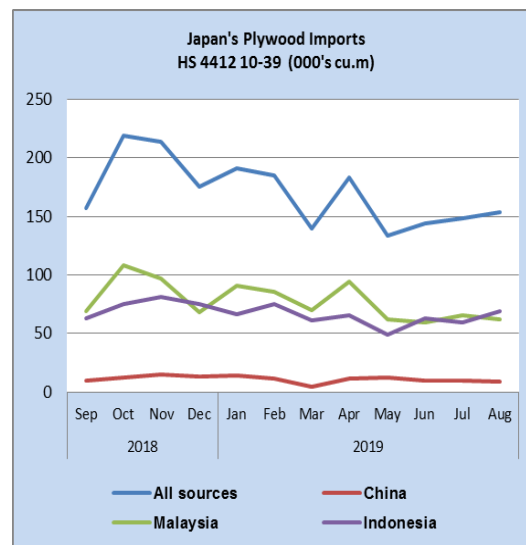
### Main sources of Japan's plywood imports (000's cu.m)

		China	Malaysia	Indonesia
2016	Jan	16	101	75
	Feb	10	81.5	70.8
	Mar	8	84	64
	Apr	12	85	72
	May	12	95	62
	Jun	11.6	95.6	66
	Jul	10.7	92.8	71.3
	Aug	11.9	82.3	52.8
	Sep	10.3	79.9	79.3
	Oct	12.9	98.3	72
	Nov	14.9	80	71
	Dec	13.7	85	65
2017	Jan	16	130	80
	Feb	7.5	93.3	59
	Mar	11.5	99	76.5
	Apr	11.2	92.6	58
	May	12.9	99.2	73.8
	Jun	11	74.8	65.0
	Jul	10.6	100.0	54.8
	Aug	12.3	91.8	64.5
	Sep	9.9	86.7	56.6
	Oct	12.2	86.4	63.7
	Nov	10.7	112.4	82.0
	Dec	12.0	95.2	50.0
2018	Jan	12	100.5	80.0
	Feb	12.5	83.0	69.0
	Mar	4.9	79.4	66.5
	Apr	13.4	92.4	84.4
	May	15.2	94.0	82.0
	Jun	12.4	77.5	79
	Jul	14.3	79.2	58.3
	Aug	12.4	86	70.5
	Sep	9.7	68.6	62.6
	Oct	12.3	108.2	75.6
	Nov	14.5	97.1	81.1
	Dec	13	68	74.7
2019	Jan	14	91.2	66.4
	Feb	11.1	85.3	75
	Mar	4.4	70.1	61.2
	Apr	11.4	94.2	65.9
	May	12.4	61.8	48.9
	Jun	9.3	59.6	62.8
	Jul	9.8	65.1	59
	Aug	12.1	61.8	68.9

Data source: Ministry of Finance, Japan

Japan's imports of tropical hardwood plywood from Malaysia and Indonesia have fallen dramatically. Year on year August arrivals from Malaysia were down 28% and there was a month on month decline of around 5% in arrivals from Malaysian shippers.

In contrast, August arrivals from Indonesia were at almost the same level as in August 2018 and compared to July arrivals there was a 17% rise.



Data source: Ministry of Finance, Japan

### Trade news from the Japan Lumber Reports (JLR)

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

For the JLR report please see:

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

### Self-sufficiency rate in wood products in 2018

In wood products supply and demand, industrial wood demand, particularly for lumber declined so total demand for industrial wood was 73,180 M cbms, 0.8% less than 2017 but demand for fuel increased to 9,020 M cbms, 15.6% more so total demand maintained over 8,000 M cbms. Self-sufficiency rate was 36.6%, increase for eight straight years.

The rate of industrial wood increased by 0.8 point from 2017 because of decline of imported wood while the rate of wood for fuel decreased by 8.1 points because imports increased by 1.5 times. By increase of biomass power generation plants by FIT particularly since 2014, total demand increased by increase of fuel wood.

Self-sufficiency rate in total exceeded 30% for the first time in 2014 to 31.2% (2.4 points more from 2013). 33.2% in 2015 (2 points more). 34.8% in 2016 (1.6 points more). 36.1% in 2017 (1.3 points more). 36.6% in 2018 (0.4% more) so the increase was kept but growth rate is dropping.

The rate of fuel wood was 69.3%. As share of imported fuel wood continues growing, self-sufficiency rate would continue declining in coming years.

While demand of industrial wood decreased, the rate climbed because of decrease of imported logs and lumber and increase of domestic logs for plywood manufacturing.

In 2018, the prices of North American logs and lumber and European lumber soared and the supply was unstable so log import for lumber manufacturing dropped down to 13,150,000 cbms, 4.3% less than 2017.

Domestic log supply was 12,560,000 cbms, 0.5% less than 2017 so the rate of logs for lumber moved up to 48.9%. However, it is uncertain if the rate would hit 50% in 2019 because the prices of foreign logs and lumber dropped and the supply is becoming stable now.

Demand of logs for plywood expanded as new plywood mill started in 2018 and LVL is newly added in the statistics so the rate increased. The rate of logs for plywood would move up further as two more new plywood mills and one LVL plant start in 2019.

**Oversupply of wood recycled chip**

Kanto Wood Resource Recycle Association announced estimated wood chip demand for fuel in Kanto (Tokyo) region. This is to forecast supply and demand balance by comparing association members’ chip supply and 15 major fuel users’ demand.

According to the announcement, supply of fuel wood in October would exceed the demand by 3,300 ton and total supply for both thermal and material would surpass demand by 47,000 ton.

The forecast is based on members’ supply, which covers 70-80% in total including non-members. Considering non-members’ supply and inventory of wood chip plant and users, the balance seems to be way off with heavy supply.

Building scrap supply is over supply nationally because there have been so much waste wood as a result of natural disasters such as flood and landslide in many areas besides normal building scrap by torn down houses.

Total supply is excessive but good quality wood chip to manufacture wooden board is tight. In Kanto region, fuel chip demand for the fourth quarter 2019 is 465,400 ton while total supply would be 525,900 ton then for the first quarter 2020, the demand would be 494,600 ton while the supply would be 481,000 ton.

**Nisshin resumes long panel supply**

Nisshin group Ltd. (Tottori prefecture) stopped long length plywood production after rotary lathe was damaged by fire in last August at its Sakai Minato plant. It restarted running the lathe on October 1 after the repair.

Initially restart was scheduled in middle of October but by machinery company’s full support, repair was done by the end of September. Nisshin produces 4,000-5,000 cbms of 9 feet and longer plywood.

In Japan, there are only three other manufacturers have long plywood manufacturing lines. By this accident, supply shortage was feared but by other manufacturers’ effort, there was no serious shortage. There was a chance that other substituting materials like particleboard and MDF replace long length plywood but supply disruption was only for two months so there is not much change in the market.

**Plywood**

There is difference of market reaction between domestic and imports. Domestic softwood plywood market continues active and manufacturing mills’ October production is almost all sold out.

Meanwhile imported plywood market continues slow with dull movement and there is no sign of getting out of such depressed situation.

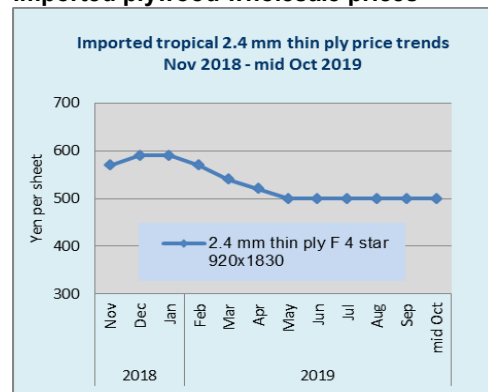
Precutting plants’ operations in August and September were very firm and orders from precutting plants continue rushing in. Trucks are now hard to secure so that there are delays of deliveries so not only thick panel but standard 12 mm panel’s delivery takes a week to ten days. However, due to delay of construction works by labour shortage, there is no panic of short supply yet.

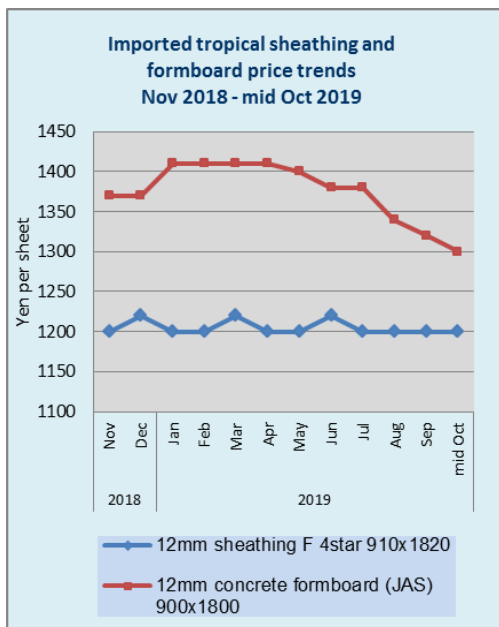
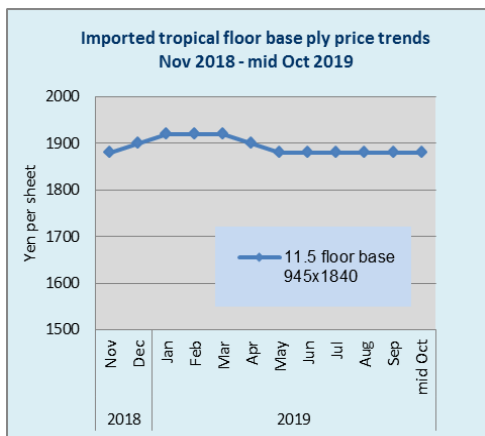
If this shortage of trucks continues serious supply shortage may occur since orders from precutting companies are very active in October.

Bearish mood continues on imported plywood market. In port inventories, there are some short items but the dealers are not able to place future orders to the suppliers because of large gap of prices between export prices and market prices. August arrivals from Malaysia were only about 60,000 cbms, which proves there are no new orders.

September is book closing month for mid-term so normally to reduce inventory, dumping sales are often seen and the market prices would be down but this year is different with limited inventory with high cost. With uncertain futures, buyers are cautious and maintain purchase restraint.

**Imported plywood wholesale prices**





### Changing floor base materials - tropical plywood edged out by domestic softwood

In composite floor production in July, percentage of domestic softwood plywood used as base material is 32.2%, 7 points more than July 2018. The percentage in 2015 was less than 10% so there is big change of floor base material in last three years.

Production of composite floor with domestic softwood plywood and MDF in last May exceeded for the first time production of traditional imported hardwood plywood and MDF.

The Japan Forest Journal made survey through questionnaires to major floor manufacturers and found out that use of domestic softwood plywood would further increase. Daiken Corporation, the largest composite floor manufacturer, reports that percentage of domestic softwood plywood with MDF is now 33%, 3 points more than last survey in March 2018.

Falcata plywood with MDF decreased by 3 points to 27%. Tropical hardwood plywood base is 19%, one point down. Target to use domestic materials is 45% by 2021.

Eidai Co., Ltd. reports that use of domestic base material is 35%, 3 points more than last survey so percentage of South Sea hardwood plywood with MDF decreased to 39%, 3 points less. Target of use of domestic materials is 50% by 2025.

Noda's domestic base is 50%, 17 points more so single MDF base is 26%, 8 points less and single tropical hardwood plywood base is 24%, 9 points less.

Ikuta's use of domestic base is the largest with 80% which was 30% in last survey and balance of 20% is tropical hardwood plywood, which was 60%.

Asahi Woodtech's use of domestic base is only 5% now but the plan is to increase domestic softwood plywood with particleboard to 35%. At present other base materials are 50% of single meranti plywood and combination of tropical hardwood plywood with MDF, 10 points less than last survey.

Single particleboard base is 25% and planted species plywood like falcate and eucalyptus with MDF is 20%, both 5 points more.

Up until 2000, base material was mainly imported tropical hardwood plywood but by climbing export prices of South Sea plywood and unstable supply, floor manufacturers started looking for substituting materials.

In early 2000, planted species for plywood like falcate increased then since 2013, domestic softwood plywood base started growing.

Major house builders changed specifications to domestic materials after price hike of composite floor with tropical hardwood plywood in last spring.

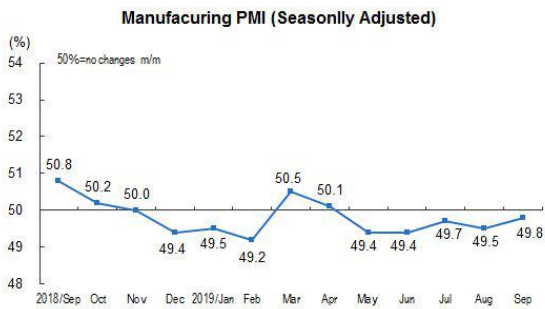
## China

### Manufacturing Purchasing Managers Index

China's official manufacturing Purchasing Managers' Index inched up in September to 49.8 according to the National Bureau of Statistics from 49.5 in August.

The index has been below 50 for almost six months indicating activity was still cooling amid uncertainty caused by the protracted trade dispute between China and the US. The 50-point level separates contraction from expansion.

A sub index measuring total new orders received by manufacturers in China rebounded to above 50 in September, the first time the new order sub index showed an expansion since May.



Data source: National Bureau of Statistics, China

### China-Russia timber processing centre established

A China-Russia timber processing and trading centre was recently established in Suifenhe City, Heilongjiang Province. The centre occupies an area of 380,000 square metres and cost around RMB600 million.

The aim is for the Centre to be an industrial cluster for the timber industry and become a timber distribution centre bringing together e-commerce, supply chain finance, logistics, cross-border trade as well as production and processing.

It is estimated that the total annual log volumes required for enterprises in the Centre will be around 2 million cubic metres and the value of imports will be as much as RMB2.2 billion.

### Trial production of pre-fabricated buildings

Yuan Niu Wood Industry in Hubei Province will begin trial production of pre-fabricated buildings later this year. This project covers 5.6 hectares with a total investment of RMB200 and has 20 production lines with annual output of about 9 million building components. After completion, the project will provide around 300 jobs and will generate an annual output of RMB300 million.

The wooden components produced by the company are mainly for modern building construction.

### 'Vanuatu' National Forest Wood Processing Project

An investment agreement for a 'Vanuatu' National Forest Wood Processing Project was recently signed between the Guangxi Beihai Municipal Government and Vanuatu National Forest Resources Industrial Co., Ltd. (a wholly Chinese entity). The facility will be in the Beihai Tieshan East Port Industrial Zone, Guangxi Province. The total investment is said to be around RMB1.53 billion.

This wood processing project will comprise a log yard, sawmill and veneer mills and a redwood processing plant. Also planned is a biomass fuel processing plant.

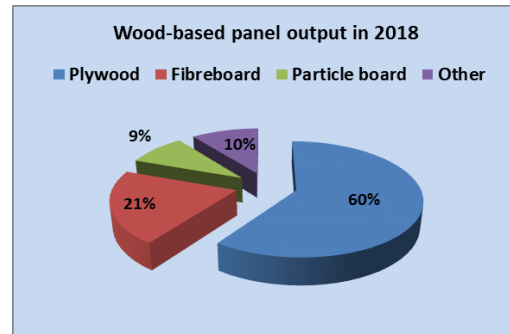
See:

[https://www.wood365.cn/Industry/IndustryInfo\\_262572.html](https://www.wood365.cn/Industry/IndustryInfo_262572.html)

### Output of wood-based panels rise slightly

It has been reported that the output of wood-based panel products in China was about 299 million cubic metres in 2018, a year on year increase of 1.43%.

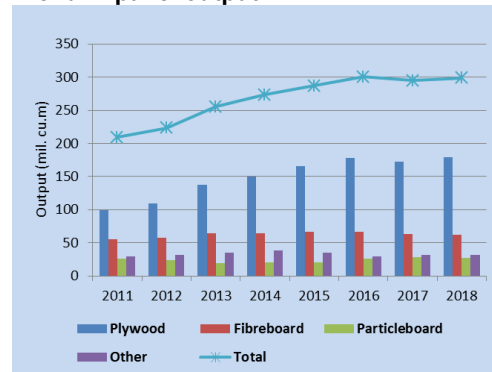
Of the total, output of plywood, fibreboard, particleboard and other wood-based panel was 179 million cubic metres, 62 million cubic metres, 27 million cubic metres and 31 million cubic metres respectively, accounting for 60%, 21%, 9% and 10% in 2018.



Data source: China National Wood-based Panel Association

The average annual growth rate of wood-based panel consumption in China was about 13% over the past 10 years and growth in consumption is still positive but the pace of growth has slowed. While consumption of plywood increased slightly in 2018 consumption of other wood based panels declined.

### Trend in panel output



Data source: China National Wood-based Panel Association

### Development of panel sector continues

In 2018 the volume of China's wood-based panel exports totaled 14.23 million cubic metres, an increase of 2.1% over the previous year. The value of China's wood-based panel exports was about US\$6.773 billion, up 6.8% over the previous year, reversing the declining seen in the previous three years.

The export volume and value of plywood products account for 80% and 82% respectively of the total volume and value of wood-based panel exports. There has been rapid development of the wood-based panel sector in China and this continues with a number of large enterprises investing in production capacity.

From the point of view of products, most leading enterprises have expanded the range of wood-based panels produced and developed into multi-product enterprises making plywood, fibreboard and particleboard.

See: [https://www.wood365.cn/Industry/IndustryInfo\\_262600.html](https://www.wood365.cn/Industry/IndustryInfo_262600.html)

and

[https://www.wood365.cn/Industry/IndustryInfo\\_262456.html](https://www.wood365.cn/Industry/IndustryInfo_262456.html)

**Guangzhou Yuzhu International Timber Market Wholesale Prices**

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

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

**Sawnwood**

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

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

**Zhangjiagang Timber Market Wholesale Prices**

Logs, All grades	Yuan/tonne
Sapelli	3000-4000
Kevazingo	8000-32000
Padouk de afric	2400-3100
okoume	1400-1800
Okan	2400-2800
Dibetou	2200-2500
Afromosia	5500-6500
Wenge	4700-5500
Zingana	3400-4800
Acajou de africa	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

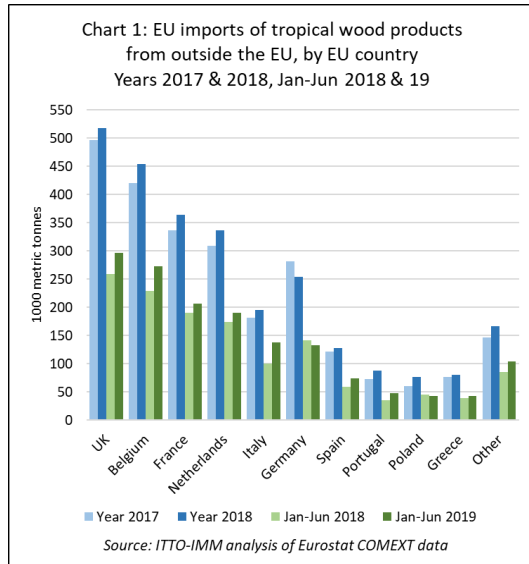


**Netherlands' rising influence in EU tropical timber trade**

The Netherlands has traditionally played an important role as a driver of tropical timber demand in the EU. In addition to relatively large timber consumption for water protection works, and a long-term preference for Asian meranti for window frames, the Netherlands acts as a hub for distribution of tropical wood products to other parts of the EU. The Dutch government and private sector have also been influential in development of environmental procurement practices throughout the continent.

This influence looks set to continue as the Netherlands has been one of the few bright spots for tropical wood imports in Europe in the last two years. At the same time, Dutch traders and agencies, notably the Dutch sustainable trade initiative IDH which is the main backer of the European Sustainable Tropical Timber Coalition (STTC), continues to support far-reaching policies designed to ensure that importers and buyers in the EU give preference to FSC and PEFC certified products.

For direct imports, the Netherlands is the fourth largest importer of tropical wood products in the EU, after the UK, Belgium, and France (Chart 1). In 2018, the Netherlands accounted for 12.8% of all EU imports of wood-based products in Chapters 44 (Wood) and 94 (Furniture) of the internationally harmonised system (HS) of product codes, up from 12.3% the previous year.

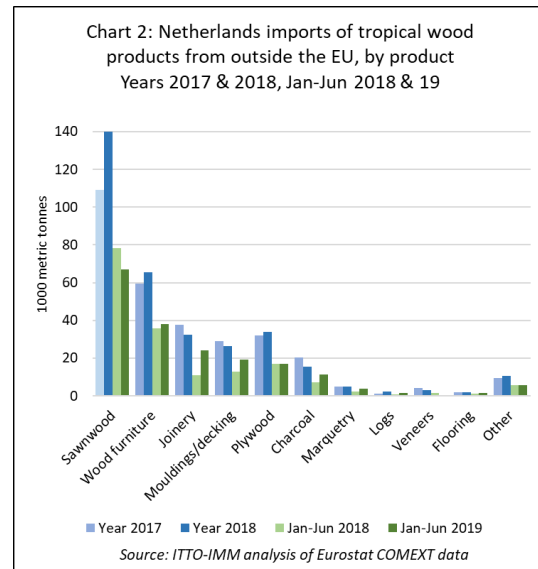


Total imports of tropical wood products into the Netherlands from tropical countries were 336,000 tonnes in 2018, 9% more than in 2017. Import growth continued in the first half of 2019, with imports of 190,000 tonnes, another 9% gain on the same period last year.

Much of the gain in Netherlands tropical wood imports in 2018 was in sawnwood, for which imports increased 29% to 140,000 tonnes (Chart 2).

However, this growth stalled in the first six months of 2019, with imports of 67,000 tonnes 15% less than the same period in 2018.

Growth in Dutch imports of wood furniture from the tropics has been more consistent, rising 10% in 2018 to 65,000 tonnes and reaching 38,000 tonnes in the first 6 months of 2019, 6% more than the same period last year.



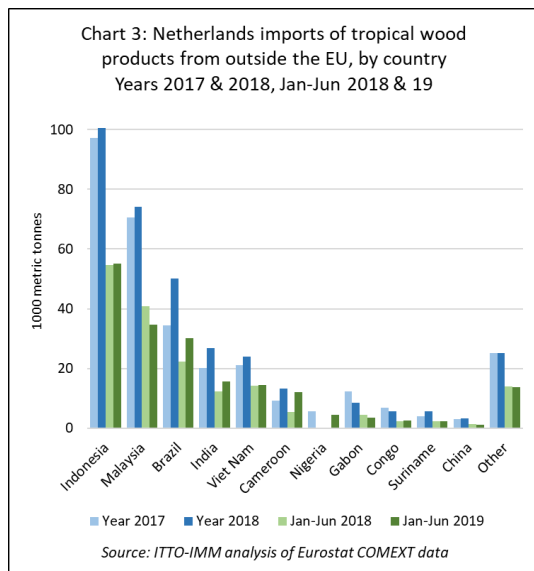
Dutch imports of joinery products from the tropics have been quite volatile, falling 14% to 32,000 tonnes in 2018 but rebounding by over 120% to 24,000 tonnes in the first half of 2019. This volatility is all due to trade in glulam (mainly window scantlings from Malaysia), which declined very sharply in 2018 but staged a significant recovery this year. Imports of doors from tropical countries into the Netherlands, mainly from Indonesia, have been increasing more consistently.

Dutch imports of mouldings and decking products from tropical countries – mainly Indonesia - fell 9% to 26,000 tonnes in 2018 but increased by over 50% to 19,000 tonnes in the first half of 2019. In contrast, plywood imports increased 6% to 34,000 tonnes in 2018 and were stable, at 17,000 tonnes, in the first half of 2019. Imports of plywood from Indonesia are rising, offset by a decline in imports from Gabon.

Indonesia overtook Malaysia to become the largest single supplier of tropical timber products to the Netherlands, with quantity just exceeding 100,000 tonnes in 2018, 4% more than the previous year. Imports from Indonesia in the first half of 2019 were level at 55,000 tonnes. Imports from Malaysia increased 5% to 74,000 tonnes in 2018, but were down 15%, at 35,000 tonnes, in the first half of this year.

Imports from Brazil increased sharply, by 45%, to 50,000 tonnes in 2018, and were up another 35% to 30,000 tonnes in the first half of 2018. Imports from Viet Nam and India, in both cases mainly of wood furniture, are also rising.

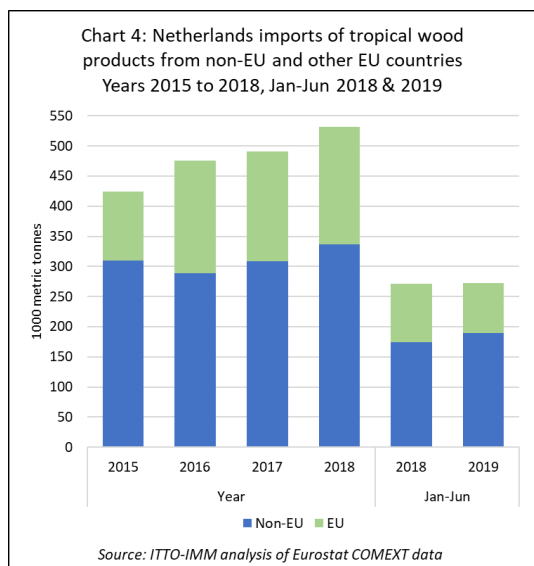
Imports of sawn wood from Cameroon, volatile into other EU countries in recent years, were recovering ground in the Netherlands in both 2018 and 2019. Nigeria recently emerged as a significant supplier of charcoal to the Netherlands (Chart 3).



**Netherlands as a timber distribution hub**

To some extent, the focus on direct imports underestimates the role of the Netherlands in overall EU trade for tropical wood products. If imports from other EU countries are included, total imports of tropical wood products into the Netherlands were 532,000 tonnes in 2018, a gain of 8% compared to 2017. Imports in the first half of 2019 were 272,000 tonnes, unchanged from the previous year (Chart 4).

Much of the tropical wood entering the Netherlands from other EU countries comprises logs and sawnwood sourced via Belgium and Germany and veneer sourced via Poland.



The Netherlands also distributes large quantities of tropical wood products to other parts of the EU. In 2018, the Netherlands exported 92,000 tonnes of products

known to contain tropical wood to other EU countries, mainly sawnwood, logs, and plywood with a smaller volume of decking, joinery and veneer. The leading EU destinations were Belgium, Germany, the Czech Republic, France, the UK, and Italy.

**Continuing potential for market growth in the Netherlands**

The national report on the Dutch timber market issued in advance of the 77th session of the ECE Committee on Forests and the Forest Industry (COFFI), due to be held from 4 to 7 November 2019 in Geneva, Switzerland, highlights continuing potential for market growth in the Netherlands, in contrast to other European countries where market conditions appear to be deteriorating.

According to CPB (Netherlands Bureau for Economic Policy Analysis), the Dutch economy will grow by 1.8% in 2019 and 1.5% in 2020. Although the uncertainty created by external issues such as US trade policy and Brexit has undermined confidence, business investment growth has been robust so far this year and the disposable income of Dutch households continues to increase on the back of tax cuts, rising wages and high levels of employment.

At 3.3% of the work force, the level unemployment in the Netherlands is now lower than before the financial crisis and amongst the lowest in the EU.

After the sharp 40% decline in house completions between 2008 and 2012, residential construction has been recovering due to low mortgage rates and government stimulus measures. House completions in 2018 were 6% up on the previous year.

The number of residential building permits continued to rise in the Netherlands in 2018, although at a slower rate than in 2017 due to lack of available land for new construction and the constrained capacity of municipalities and private developers. Building contractors are suffering from a lack of skilled workers while projects are being delayed by shortages in the supply of concrete. This year housing completions are expected to be slightly down on last year.

While the pace of new housing construction is slowing slightly, there is still strong activity in the Netherlands timber industry in 2019, particularly in sectors involved in finishing and remodelling activities, such as joinery and furniture. According to Statistics Netherlands, total timber industry turnover increased in the second quarter of 2019 by 9.0% compared to the same quarter of 2018. Dutch timber companies also anticipate profitability to be enhanced by declining material prices on the back of the slowing global economy.

According to the COFFI report, the positive market prospects in the Netherlands extend to tropical products, for which consumption is benefitting from strong construction activity and from associated good demand for joinery, garden decking and furniture products.

However, the report also cautions that consumption levels were insufficient to absorb larger tropical wood import levels in 2018, leading to a build-up in stocks.

Demand for tropical timber for water protection works, a particularly significant market in a country with large areas reclaimed from the sea, has remained more consistent than the construction sector over the long term. The sector suffered less during the financial crises, propped up by government investment, and has grown only slowly since.

There is also some expectation that timber might benefit in other sectors from increased environmental awareness amongst consumers and architects. Although competition with other building materials is intense, there are indications that timber is recovering some market share. For example, there are signs of wood being preferred over PVC plastic in renovation projects.

Concerted efforts to reinforce this trend in the Netherlands are being made by private sector timber promotion activities led by Centrum Hout, a collaboration between the Netherlands Timber Trade Association (NTTA) and Dutch Timber Industry Association (NBvT).

Centrum Hout has developed campaigns targeting specific end use applications. For example, one plan which aims to increase use of certified tropical timber in water protection works is supported by 12 companies. All are provided with detailed technical and environmental guidance.

Communication activity is also targeted at the most influential decision makers in the specification and procurement process. Civil engineers have been identified as a particularly crucial target group and there is a strong focus on direct contact with the largest engineering firms to identify their concerns and the information they need.

Centrum Hout has also commissioned work on life cycle assessment (LCA) and full life cycle costing studies to assess the relative environmental impact and costs of using different materials on a cradle to grave basis  
Netherlands proactive support for green supply chains

Alongside this promotion work, the Dutch timber trade and industry has taken a proactive approach to develop the green supply chain, setting ambitious sustainability criteria for all members of the Netherlands Timber Trade Association (VVDH) that together account for 80% of tropical timber imports. Through development and communication of this policy, the trade is recognised by government and NGOs as a credible partner.

According to the latest annual trade report issued by VVDH, association members have already achieved their original target that 90% of wood traded be certified by either FSC or PEFC by 2020. However, this target has been met primarily through Netherlands heavy reliance on softwoods and sheet materials from supply regions, particularly in Europe, where there is widespread availability of certified wood.

The trade report, which covers VVDH's 216 members and was prepared by the consultancy firm Probos, indicates that 91.9% of the 1.8 million m<sup>3</sup> of softwood, hardwood and sheet materials imported by VVDH companies in 2018 was backed with an FSC or PEFC certificate, about the same level as 2017.

The highest proportion of certified imports came in softwood, up from 98.4% in 2017 to 99.1%. Certified sheet materials showed an increase in the certified total from 93.5% to 94.5%, while certified temperate hardwood imports were up from 46.6% to 59.6%. But the proportion of certified tropical timber imported into the Netherlands fell from 66.1% in 2017 to 63.6% last year.

VVDH Director Paul van den Heuvel said that there were various factors involved in this decline. "Members earlier reported that it was becoming increasingly difficult to get verified sustainable tropical wood. Now this is also reflected in the figures," he said. "Among the causes is that some certified forest concessions are in conflict areas, making them no longer accessible. Also implicated is increasing tropical timber demand in Asia, where sustainability is hardly ever a purchasing criterion."

In addition, Jan Oldenburger from Probos added; "Malaysia is the most important supplier of certified material for the Dutch market and if the certified sustainably managed forest area there decreases, it will impact the market share."

In the Netherlands, leading timber and associated trade associations, construction and retail sector bodies, unions, conservation organisations and various government ministries have signed a 'Covenant' to make "verified sustainable" the norm across the supply chain.

Mr Van den Heuvel, chairman of the Covenant board, said the VVDH and the other 23 signatories needed to step up their efforts in supporting sustainable tropical timber demand, which in turn supports sustainable tropical forest management.

"One thing is clear," he said. "If the market for verified sustainable wood doesn't lead quickly to a better business case for sustainable forest management in the tropics, we will probably lose even more certified concessions, with over-harvesting or deforestation as a result. In short, the remaining challenges are great and all parties must work hard to meet Covenant objectives".

#### **Limitations of Netherlands "verified sustainable" monitoring**

There are several limitations to the VVDH assessment of certified timber trade in the Netherlands. Although the exact methodology of the assessment is not made clear (at least in English translation) the report seems to be based primarily on self-declarations by importing companies, so there is no guarantee of accurate reporting of certified volume in trade.

The report also seems to consider all “certified product” as alike, without consideration of the extent to which companies might be using “mixed content” labels with differing proportions of wood derived ultimately from certified forest.

The report is also comprehensive with respect only to trade by VVNH members. Although an effort has been made to assess the overall Dutch market, the report acknowledges technical problems in acquisition of data from companies that are not members of the association.

The report only covers roundwood, sawnwood, veneer and plywood, the principle products traded by VVNH members, and does not assess the proportion of secondary and tertiary products that may be certified.

This last fact is particularly relevant in relation to the handling of FLEGT licensed timber from Indonesia. VVNH do not include FLEGT licensed timber from Indonesia, which is all SVLK certified, in their definition of “verified sustainable”, but instead record it separately as “verified legal”. If this is included, the proportion of verified tropical wood in the Dutch market, according to the VVNH analysis for 2018, rises by only 10.2%, to 73.8%.

This approach of labelling FLEGT licenses as no more than “verified legal” seems to significantly undervalue the actual and potential role of such licensing to facilitate market access for tropical timber products in the EU. From a purely technical perspective, a large and growing proportion of EU tropical timber imports now constitute composite secondary and tertiary products, like furniture.

Due to the complexity of supply chains, these products have always been much more challenging to certify by way of the FSC and PEFC frameworks. This is particularly true in tropical countries like Indonesia, Viet Nam and Thailand, where much wood material for furniture in exports is derived from smallholders.

A key feature of national systems of certification like SVLK, the basis for FLEGT licensing, is that it provides a framework for verification of these more complex products from tropical countries, which also offer significant sustainability benefits in terms of value-added production and rural livelihoods.

The “verified legal” label also fails to differentiate the FLEGT process and all it entails in terms of broad stakeholder engagement in governance reform, development of comprehensive nationwide wood tracking systems, independent monitoring, and procedures to ensure equitable access for all producers, from the much narrower forms of “legality verification” offered for specific supply chains by several auditing companies.

### **STTC to report on EU importers views of tropical timber**

A new survey of leading importers’ views on growing the EU market for tropical timber will be unveiled at the Sustainable Tropical Timber Coalition (STTC) annual conference in Berlin.

Key findings from the survey, undertaken by the Dutch consultancy Probos, will be presented and delegates invited to discuss and share their ideas on the issue. This will be just one focus at the conference titled “Exploring pathways to verified sustainable tropical timber” to be held 20 November.

According to STTC, “the background to the event will be continuing contraction in overall use of tropical timber in the European market at a time when there is growing urgency to increase sales of verified sustainable tropical material”.

“The whole supply chain has a role, responsibility and interest in reversing this downward trend, and market-wide effort is vital for success,” states the STTC. “Growth of the EU tropical timber market and the share of verified sustainable timber will incentivise tropical suppliers to introduce sustainable forest management.”

“We need to find ways to improve the business model of certified forest companies and to the best of our ability to make them stronger,” added Benoît Jobbé-Duval managing director of ATIBT, the International Tropical Timber Technical Association, which runs the STTC partner tropical timber branding campaign Fair&Precious.

According to the STTC announcement of the event, one conference session will be headlined “Promoting tropical timber- a new urgency” which STTC indicates will focus on developing markets for third party certified tropical timber products in Europe.

A spokesperson from the City of Berlin will also describe its work to promote timber via its procurement process and leading European companies will present their marketing initiatives.

In a session on “Navigating the journey from the EU Timber Regulation through to verified sustainable”, STTC state that “speakers will examine the stepwise approach to sustainability certification, including through building on existing regional and national forest management initiatives, such as the EU Forest Law, Enforcement Governance and Trade initiative and Verified Sourcing Areas. There will be presentations on trends in sustainable tropical timber market share and the impact of certification on landscapes”.

STTC note that a significant part of the day will be given over to delegate participation and feedback using the table talks format and discussions will be initiated under the themes “The sustainable verification journey” and “Tropical timber promotional imperatives and activities”.



According to STTC, “the overarching message of the Conference will be the importance of building scale in the verified sustainable tropical timber market to achieve real impact in tropical forest governance and management...the day will close on a rousing note, with a ‘call to arms’ for the tropical timber sector, including an address from a leading tropical timber country figure, highlighting the key role of forests, trees and timber to their future development”.

The Conference is the day before the two-day International Hardwood Conference in Berlin, giving delegates the opportunity to attend both. After the STTC conference, there will be an opportunity to network with fellow delegates and participants of the International Hardwood Conference.

The STTC is expecting a capacity audience drawn from across the tropical timber sector, with delegates already signed up from the spectrum of timber businesses, trade federations, the research sector, international agencies, NGOs and government.

For more details see: <http://www.europeansttc.com/20-november-2019-conference-exploring-pathways-to-verified-sustainable-tropical-timber/#tab-id-1>

## North America

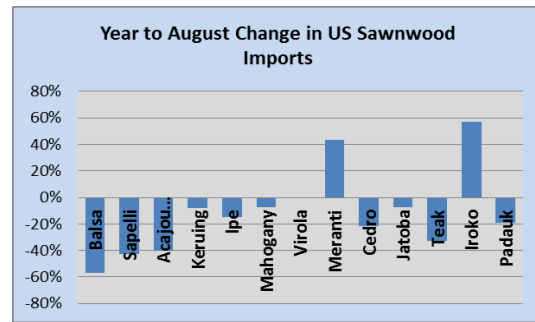
### Tropical sawnwood imports fell in August

US imports of sawn tropical hardwood slowed in August, falling 25% from July’s strong volume. Imports dropped to 15,970 cubic metres in August, 3% lower than that of August 2018. Despite the decline, imports remain ahead of 2018 by 19% year to date.

Imports from Ecuador fell by 56% in August and are now down 11% from 2018 year to date. Imports from Ghana and Cote d’Ivoire also declined sharply in August and are now down by about one-third year to date. Despite also seeing weaker volume in August, imports from Brazil, Cameroon, and Malaysia remain well ahead of 2018 year to date.

Weaker Balsa and Sapelli imports drove the decline. Balsa imports fell by 57% in August and lag 2018 volume by 11% year to date. Sapelli, acajou d’Afrique, and teak imports also slowed in August, but still lead their 2018 pace year to date. Jatoba imports fell slightly in August but continue to more than double 2018 volume year to date.

In contrast, Canadian imports of sawn tropical hardwood in August more than doubled compared to July, rising to their highest level in 12 months. The surge, which saw strong gains among most wood types, helped bring 2019 imports more in line with last year’s numbers. Import volumes, year to date, are now down only 6% from 2018.



Data source: US Census Bureau, Foreign Trade Statistics

### Hardwood plywood imports fail to sustain growth

After impressive gains in July, US imports of hardwood plywood retreated by 17% in August to a level still better than most of this year, but about 20% lower than August 2018.

Imports from Russia rose by 10% in August but declined by more than 10% from every other major trading partner.

Imports from Indonesia fell by 41% in August and are now down 35% year to date. Year-to-date imports from China have fallen to just above half of what they were in 2018. Total import volume is down 9% year to date and the value of imports is down by 19% in US dollars terms.

A group of US plywood producers have filed a lawsuit against two certifying entities and the accrediting agency responsible for certifying 35 Brazilian mills as meeting structural grade requirements for plywood panels.

According to the suit, tests commissioned by the plaintiffs and carried out by the American Plywood Association showed that the panels experience high failure rates when tested under the PSI-09 standard.

See: <http://nahbnow.com/2019/09/u-s-plywood-producers-file-suit-over-brazilian-wood-certifications/>

### Tropical veneer imports from China and Cameroon falling

Imports of tropical hardwood veneer fell by 16% in August despite a rare bounce in imports from China. While imports from China more than doubled in August versus July, numbers have fallen off so steadily throughout 2019 that imports were still more than 40% below August 2018.

Imports from China are down 60% year to date. Imports from Cameroon have also been falling steeply this year and continued to do so in August, down 88%. Imports from Ghana also fell in August but remain 46% ahead of 2018 year to date.

Imports from Italy fell by 17% in August and now stand roughly even with 2018 year to date. Total US imports of hardwood veneer are down 19% year to date.



**Flooring imports from Vietnam down over 60%**

US imports of hardwood flooring fell by 20% in August, declining for a third straight month. Imports fell from nearly all trading partners with imports from Vietnam slipping 73%. Imports from Vietnam are down 63% year to date. Imports from China are down 58% year to date after falling 11% from July to August.

Despite a drop of 16% in August, imports from Brazil remain more than double that of 2018 year to date. Overall imports are ahead of 2018 by 6% year to date, due to a strong spring.

Imports of assembled flooring panels stayed level in August and remain up 4% year to date. Gains in imports from Indonesia and Thailand were offset by lower imports from China, Canada and Vietnam.

	Year to August % change
<b>Hardwood flooring</b>	
Total imports	6%
China	-58%
Malaysia	46%
Indonesia	10%
Vietnam	-63%
Brazil	118%
Other	24%
<b>Assembled flooring</b>	
Total imports	4%
China	-35%
Canada	-1%
Indonesia	77%
Vietnam	123%
Thailand	37%
Brazil	-49%
Other	-2%

Data source: US Census Bureau, Foreign Trade Statistics

**Across the board decline in year to date moulding imports**

US imports of hardwood mouldings rose by 15% in August, fueled by a 40% gain in imports from China. Despite the one-month rebound, imports from China trail 2018 by 49% year to date.

Imports from Brazil trail 2018 by 54% year to date but gained 2% in August. Overall US imports of hardwood moulding are down 27% year to date.

**Cabinet sales dip**

US cabinet manufacturers reported a decrease in cabinet sales of 3.4% for August 2019 compared to the same month in 2018. According to the Kitchen Cabinet Manufacturers Association (KCMA)'s monthly Trend of Business Survey, participating custom sales increased slightly at 1.2%, but both semi-custom and stock sales were down 7.6% and 1.3% respectively.

Year-to-date cabinet sales are up just 0.3% with custom sales down 1.2%, semi-custom sales down 4.8%, and stock sales up 4.5%.

See <https://www.kcma.org/news/press-releases/august-2019-trend-of-business>

**Sustainably top green features for millennials**

According to the National Association of Home Builders' recent "What Home Buyers Really Want" report, it was components using certified sustainably harvested timber that was among the top 'green' features that millennials want in a home. 53% of respondents rated components built using sustainably harvested lumber as either "essential/must have" (17%) or "desirable" (36%).

Energy efficiency certifications such as Energy Star-rated appliances and Energy Star ratings for the whole home were the most in-demand features, desired by 75% and 71% of respondents, respectively.

See: <http://eyeonhousing.org/2019/10/top-green-features-millennials-want-in-a-home/>

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

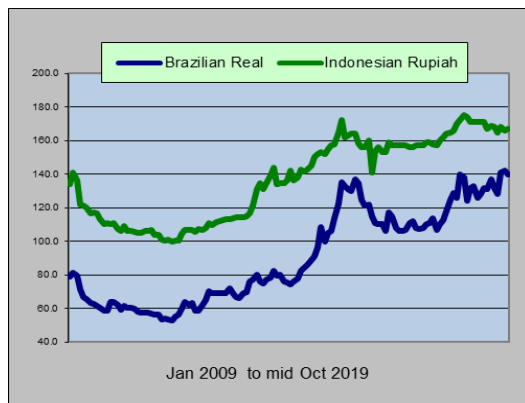
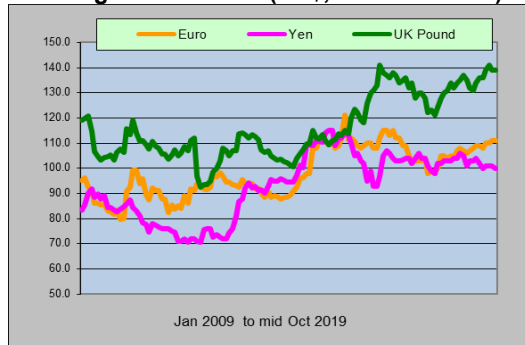
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

## Dollar Exchange Rates

As of 10th October 2019

Brazil	Real	4.1082
CFA countries	CFA Franc	594,70
China	Yuan	7.1165
EU	Euro	0.9087
India	Rupee	70.99
Indonesia	Rupiah	14152
Japan	Yen	107.97
Malaysia	Ringgit	4.191
Peru	New Sol	3.39
UK	Pound	0.8036
South Korea	Won	1190.46

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

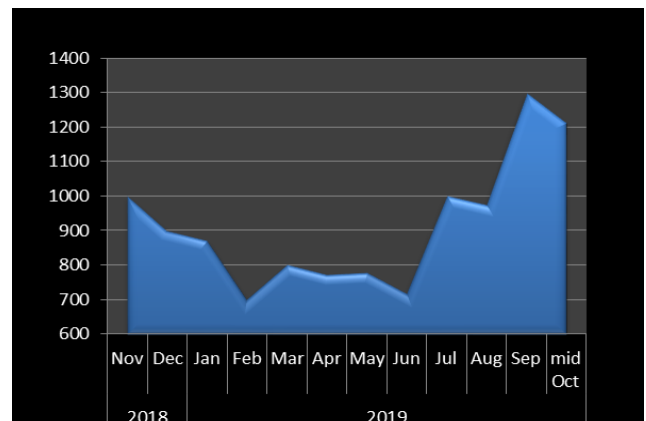


## Abbreviations and Equivalences

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

## Ocean Freight Index

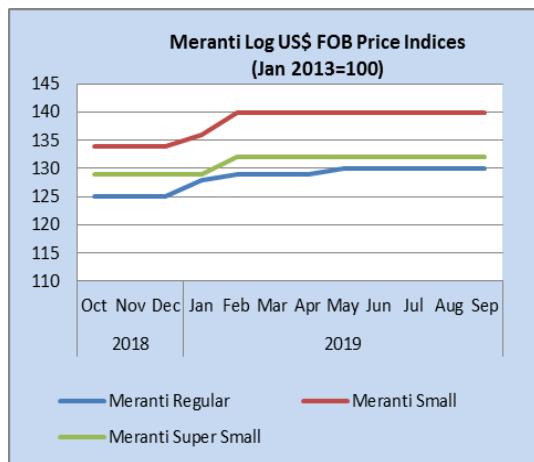
Baltic Supramax Index  
November 2018 – mid October 2019



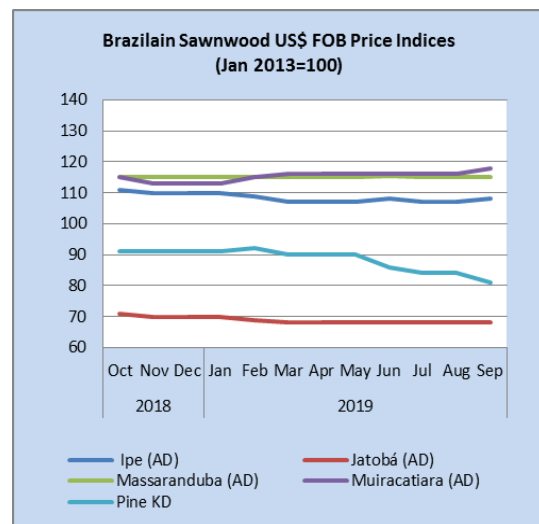
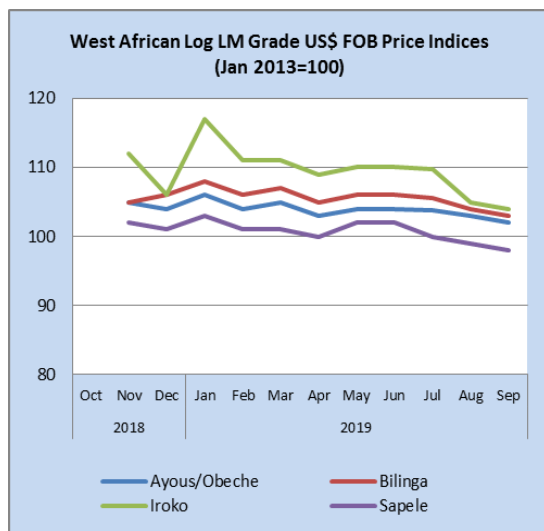
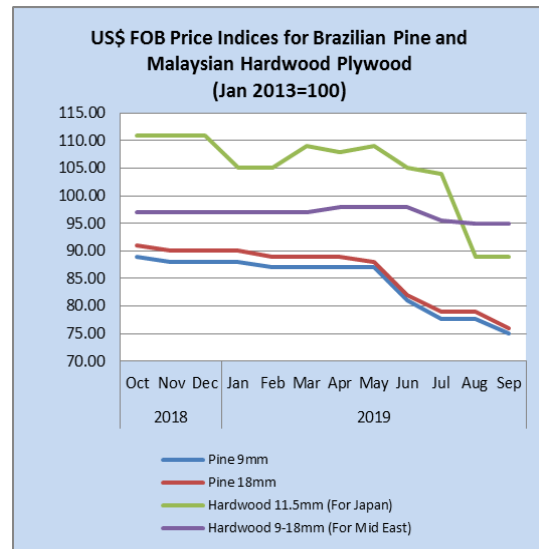
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

**Price indices for selected products**

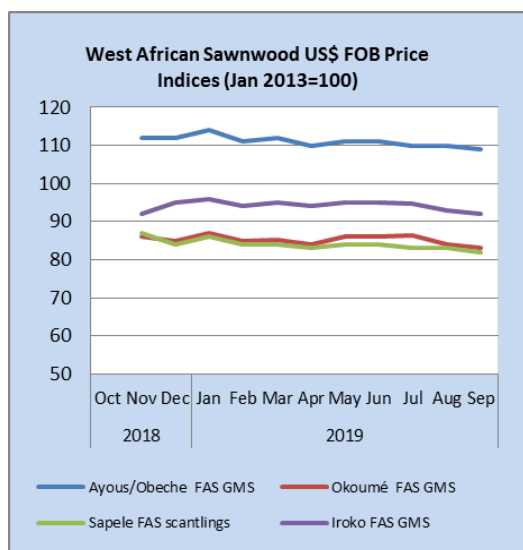
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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