

# Tropical Timber Market Report

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

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## Top story

### Far-reaching "deforestation-free" regulatory proposal from the EU

The European Commission announced a proposal for a new regulation to reduce global deforestation and forest degradation driven by EU consumption of certain commodities.

If enacted the law would have a profound effect on EU trade in wood products and would represent a very significant extension of state intervention in the European wood products trade even compared to the existing controls imposed through the EUTR.

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### The ITTO Annual Market Discussion was held on 30th November

The proceedings can be viewed at:

<https://www.youtube.com/watch?v=sgqKghLpUTk>

### Premiums paid to secure containers!

There are reports of sawnwood and log stocks increasing as shippers struggle to secure containers. Some producers are complaining that, to be sure of getting containers, they have to pay premiums of as much as 15%.

### Assamela/iroko mix up

It appears that an importer in Belgium received a consignment with assamela mixed with iroko. The two timbers are similar in appearance but assamela (afroscia) is CITES listed. This infraction cost the importer a fine of almost 20,000 euros.

### New investment ahead for Cameroon

The domestic press in Cameroon has published news on an environmental compliance certificate for an integrated industrial wood processing complex (Ciblo) issued to Naaz Trading Cameroon, a subsidiary of the Dubai-based trading company Naaz Trading DMC. This approval has been pending for several years.

According to Gerard Lomié, mayor of the town where investment is planned, Naaz will invest CFA50 billion in the timber complex with the first being CFA2.5 billion for the construction of the primary processing line, a large capacity dryer and a solid wood panel manufacturing unit.

See: <https://www.businessincameroon.com/public-management/1611-12063-naaz-trading-cameroon-obtains-environmental-compliance-certificate-for-wood-processing-complex-project-ciblo>

### New DG for UFIGA, Gabon

Mr. Jean-Marie Ntoutoume has recently taken up the post of Director General of the Union des forestiers et industriels du bois Gabon (UFIGA). He has a degree in wood processing from Laval University in Canada and was an officer in the Ministry of Water and Forests where he held several positions, including Director of Wood Industries and Trade and Director General of the Agency for the Execution of Activities of the Forest-Wood Sector.

See: <https://www.atibt.org/en/announcements/82/atibt-welcomes-mr-jean-marie-ntoutoume-new-general-delegate-of-ufiga-in-gabon>

### Some details from the Gabon Forest Code

Some details of the new Forest Code adopted in Gabon have become available showing the sustainable management of the national forest domain will be based on 14 general principles and 26 aims. When a source of the entire Code is available this will be reported.

With regard to the sustainable management of the national forest and the wood industries there are 26 aims the first of which is to promote rational and sustainable management of forest resources in order to increase their contribution to the economic, social and cultural development of present and future generations.

Another significant aim is “promote the exploitation of forest resources in accordance with international certification standards and standards to ensure their sustainability”

On traceability the Code says “The forestry administration (shall) establish a national system of traceability and verification of legality for the monitoring of the exploitation, processing and marketing of logs and processed wood products. The traceability system is the set of tools and procedures implemented for the purpose of monitoring and controlling the flow of forest products from cutting to marketing or final destination”.

### 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	300	300	-
Bibolo/Dibétou	215	215	-
Bilinga	275	275	-
Iroko	300	280	225
Okoume (60% CI, 40% CE, 20% CS) (China only)	225	225	220
Moabi	280	280	250
Movingui	180	180	-
Niove	160	160	-
Okan	210	200	-
Padouk	270	240	200
Sapele	260	260	200
Sipo/Utile	260	260	230
Tali	280	280	-

### Sawnwood export prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	440
Bilinga FAS GMS	540
Okoumé FAS GMS	440
Merchantable KD	380
Std/Btr GMS	330
Sipo FAS GMS	425
FAS fixed sizes	-
FAS scantlings	520
Padouk FAS GMS	900
FAS scantlings	1,000↑
Strips	350
Sapele FAS Spanish sizes	420
FAS scantlings	450
Iroko FAS GMS	600
Scantlings	620
Strips	370
Khaya FAS GMS	450
FAS fixed	500
Moabi FAS GMS	530
Scantlings	550
Movingui FAS GMS	380

### First 9 month exports

Data published by the Timber Industry Development Division (TIDD) of the Forestry Commission (FC) for the first nine months of 2021 showed that wood product exports registered a 41% and 27% year-on-year growth in volume and value respectively.

The cumulative volume of the fifteen product categories exported for the period January to September 2021 was 224,599 cu.m, compared to 159,432 cu.m for the same period in 2020. Details of export volumes for the three quarters of 2020 and 2021 are below.

### Exports, January to September cu.m

	Jan-Sep. 2020	Jan-Sep. 2021	Y-O-Y % Change
AD Sawnwood	80,247	111,452	39
Billets	13,555	36,151	167
KD sawnwood	26,470	31,670	20
Plywood (regional)	16,460	18,311	11
Plywood	724	2,818	289
Mouldings	7,719	8,009	4
Sliced Veneer	6,233	8,760	41
Rotary Veneer	6,630	6,283	-5
Boules (AD)	1,028	678	-34
Boules (KD)	159	34	-79
Others (5)	207	433	109
<b>Total</b>	<b>159,432</b>	<b>224,599</b>	<b>41</b>

Data source: TIDD

Products that recorded significant export volume growth for the period under review included plywood, billets, sliced veneer, air-dried sawnwood and kiln-dried sawnwood. The export of air and kiln-dried boules dropped during the period under review.

The TIDD report also showed that for rotary veneer exports the leading companies were Samartex and Timber Plywood Company Ltd and John Bitar and Company Ltd.

Ghana earned Eur103.29 million from wood products in the first 9 months of 2021 compared to Eur 81.39 million in 2020. Most products registered significant increases in export value year-on-year.

The main species processed were teak, ceiba, wawa, denya, mahogany, essa, ceiba, otie, wawabim and ohaa. The main markets were India, USA, Germany, Belgium and United Arab Emirates.

### Processed wood products 80% of exports

Exports of primary products, mainly billets, earned the country Eur12.83 million from the export of 36,151 cu.m between January to September this year, this was a year on year increase.

### Processed timber exports, Jan-Sep 2020, volume

	cu.m	Eur 000s
<b>Primary</b>	13,555	5,168
<b>Secondary</b>	138,157	70,732
<b>Tertiary</b>	7,719	5,485
<b>Total</b>	<b>159,431</b>	<b>81,385</b>

Data source: TIDD

### Processed timber exports, Jan-Sep 2021, value

	cu.m	Eur 000s
<b>Primary</b>	36,151	12,824
<b>Secondary</b>	180,366	84,724
<b>Tertiary</b>	8,082	5,741
<b>Total</b>	<b>224,599</b>	<b>103,289</b>

Data source: TIDD

Secondary wood products comprising lumber, plywood, veneer, boules and briquettes formed the bulk of the country's wood export. These generated Eur 84.72 million from a volume of 180,366 cu.m for the first three quarters of 2021. Exports of tertiary wood products, mainly mouldings, contributed Eur 5.74 million (5.56%) from a volume of 8,082 cu.m for 2021.

### Restoring forest cover

Ghana planted around 558,000 hectares of plantations between 2002 and 2020 under the National Forest Plantation Development Programme and the Ghana Forest Plantation Strategy. Species include cassia, cedrela, emire, eucalyptus, gmelina, kokrodua, mahogany, ofram, teak and wawa.

The Minister for Finance, Ken Ofori-Atta, made this known during the reading of the 2022 budget statement to Parliament. The statement added the Forest Law Enforcement Governance and Trade (FLEGT) Licensing System would be fully implemented in 2022 to assure the international markets that timber produced from Ghana is legally compliant under the Ghana Legality Assurance Scheme.

Rapid response teams will be deployed and conservation education carried out to reduce illegalities in forest reserves and wildlife protected areas.

### Central Bank raises policy rate

For the first time since 2015 the Ghana's Central Bank raised its benchmark interest rate. The rate is now 14.5%. The Monetary Policy Committee (MPC) of the BoG raised rates citing inflationary risks, exchange rate volatility as well as debt sustainability challenges.

This increase in rates will push up the cost of borrowing which will affect manufacturing industries but may help stem the recent pressures on the cedi and rapid rise in the price of goods and services.

<b>Boule export prices</b>	Euro per cu.m
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	567
Niangon Kiln dry	659

#### Export rotary veneer prices

Rotary Veneer, FOB	Euro per cu.m	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	370▲	441
Chenchen	540	612
Ogea	443	590
Essa	406▼	619
Ofram	350	435

#### Export sliced veneer

Sliced face veneer	FOB Euro per cu.m
Asanfina	806▼
Avodire	573
Chenchen	759▼
Mahogany	1,485
Makore	-
Odum	815▼

#### Export plywood prices

Plywood, FOB BB/CC	Euro per cu.m		
	Ceiba	Ofram	Asanfina
4mm	393▼	580	641
6mm	412	535	604
9mm	370	490▼	560
12mm	495	476	480
15mm	430	414	430
18mm	460	463	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 FAS 25-100mm x 150mm up x 2.4m up	Euro per cu.m	
	Air-dried	Kiln-dried
Afromosia	860	925
Asanfina	465	564
Ceiba	435	600
Dahoma	334▼	448▼
Edinam (mixed redwood)	520	481▼
Emeri	550▲	577▼
African mahogany (Ivorenensis)	1,195	776▼
Makore	710	800
Niangon	576▼	674▲
Odum	950	859▼
Sapele	800	743▼
Wawa 1C & Select	200▼	418▼

## Malaysia

#### Covid-19 update

Almost 96% of the adult population in the country has completed their Covid-19 vaccination and almost 88% of adolescents in the country have received at least one dose of the vaccine. Meanwhile, booster shots are now being administered.

See: <https://covidnow.moh.gov.my/>

#### Digital transformation drive

Digital transformation has emerged as a new opportunity for all businesses and this is behind the Digital Marketing Entrepreneurship Programme (DMEP) and TimbeReality conducted by the Malaysian Timber Council (MTC).

The programme aims to encourage digital marketing as well as e-commerce in the timber industry. The latest contribution to the digital transformation initiative is the digital gallery, TimbeReality. Another, TIMB3R DIP, will help manufacturers upgrade designs and brand image in order to differentiate Malaysian products and face the intense global competition.

#### Deforestation free

The Malaysian Plantation Industries and Commodities Minister, Zuraida Kamaruddin, has responded to the European Union's policy draft aimed at eliminating the import into the EU of products linked to deforestation saying the policy, if implemented, will have limited impact on Malaysian shipments to the EU.

See: <https://www.bloomberg.com/news/articles/2021-11-21/malaysia-sees-little-impact-from-eu-s-deforestation-curbs>

#### Return of foreign workers

The Bangladesh Association of international Recruiting Agencies and the Bureau of Manpower, Employment and Training are anticipating an announcement from the Malaysian government on the resumption of foreign worker travel.

In related news, the Head of the National Chamber of Commerce and Industry of Malaysia (NCCIM) has urged local employers to quickly legalise all undocumented foreign workers.

A survey by the NCCIM revealed that the plantation industry needs 70,000 foreign workers, the rubber glove industry 25,000, furniture 30,000, construction 200,000, services 45,000.

See:

<https://www.dhakatribune.com/business/2021/11/14/bangladesh-waiting-for-malaysia-to-green-light-labour-export>

#### Nature Conservation Agreement in Sabah stirs controversy

The domestic press in Sabah has reported on a recently agreed Nature Conservation Agreement (NCA) over a reported 2 million Ha. of Sabah forest. According to the press the aim stated by the group involved is to restore and protect the forests from mining, logging and industrial agriculture and monetise a natural assets, carbon.

A large group of NGOs has called on the State government to make public the details of the (NCA) as some have raised questions on its jurisdiction and scale.

See: <https://www.theborneopost.com/2021/11/19/make-carbon-deal-details-public-wwf/> and

<https://www.malaymail.com/news/malaysia/2021/11/10/report-two-million-hectares-of-sabahs-forests-earmarked-for-carbon-trading/2019816>

### Strengthening sengon timber network

The Ministry of Trade has plans to expand sengon (Albizia - lightwood) exports by facilitating business meetings between sengon timber producers (mainly small farmers in Central Kalimantan) as well as producers throughout Indonesia.

At a recent meeting of stakeholders 25 sengon farmers assisted by Fairventures Worldwide and member companies of the Indonesia Light Wood Association (ILWA) discussed the ministry plans. At the same meeting a 'Letter of Intent' was signed between Fairventures Worldwide and ILWA as a commitment by both parties to develop a lightwood value chain especially in Central Kalimantan.

Fairventures Worldwide works in partnership with communities and small farmers in Central Kalimantan to take advantage of vacant land by planting fast-growing trees such as sengon, which can provide an alternative income for local communities. Sengon production is sustainable in line with current market requirements.

In 2020, Indonesia's lightwood exports reached US\$ 1.74 billion with Japan, the United States, South Korea, Saudi Arabia and Taiwan as the main markets.

See: <https://infopublik.id/kategori/nasional-ekonomi-bisnis/582714/indonesia-berpeluang-kuasai-pasar-kayu-global>

### No more permits for primary and peat forest harvesting

The policy of stopping the new permits issuance in primary forest and peat has been shown to contribute in reducing deforestation and forest degradation. Deputy Minister of Environment and Forestry, Alue Dohong, stated that the policy of terminating new permits in primary natural forests and peat affects in drastically reducing in the rate of deforestation.

In an official statement Alue said "Indonesia has succeeded in reducing the deforestation rate by 75% compared to the previous year to 115,000 hectares in the 2019-2020 period."

See: <https://nasional.sindonews.com/read/597627/15/hentikan-izin-baru-dan-perkuat-tata-kelola-hutan-gambut-indonesia-turunkan-deforestasi-1636715488/10>

### APHI to support carbon sink target

The Association of Indonesian Forest Concessionaires (APHI) has indicated its members are ready to support the achievement of the target of higher carbon absorption than greenhouse gas (GHG) emissions from the forest and land use sector (Net Sink FoLU) in 2030 as decided by the government.

To support the achievement of the FoLU Net Sink, businesses will implement forestry multi-business according to the Chairman of APHI, Indroyono Soesilo.

Under this multi-business scheme forest owners and companies will not only focus on timber but also on the utilization of non-timber forest products and environmental services. According to Indroyono, with a multiple forestry businesses the value of forest will rise which will reduce the pressure for land use conversion.

See: <https://www.antaraneews.com/berita/2518245/aphi-siap-dukung-pencapaian-target-net-sink-folu>

### Indonesian cooperation with Brazil and Congo

During discussion held at the Secretariat of the Delegation of the Republic of Indonesia at the UNFCCC COP-26 cooperation with Brazil and the Democratic Republic of the Congo was agreed in forest management and climate change.

The three countries have management over a huge area of tropical forest and it was agreed there are many areas for collaboration according to the Deputy Minister of Environment and Forestry, Alue Dohong. Specifically the three countries shared ideas on each other's strengths in climate action and forest management. They also identified each other's capabilities that could be combined.

In this collaboration, Indonesia offered expertise in reducing deforestation, controlling and handling forest and land fires as well as its experience in social forest management for communities.

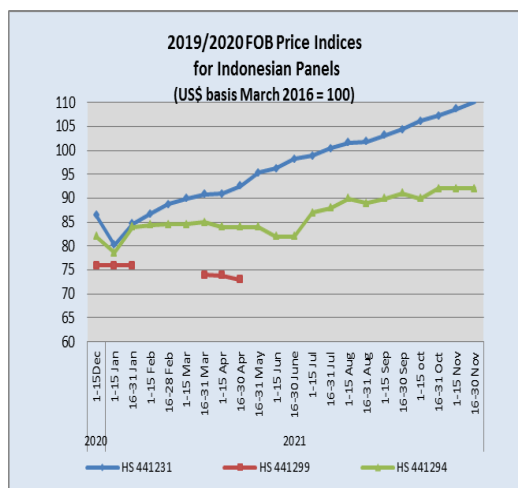
Brazil has extensive experience in implementing payments for ecosystem services (PES), managing climate funds through the Amazon Fund as well as cooperating with low-emission agricultural and livestock management practices, waste management and sanitation which, said Alue, will be valuable for Indonesia.

See: <https://www.medcom.id/nasional/politik/yKXjaVEb-indonesia-kerja-sama-dengan-brasil-dan-kongo-terkait-pengelolaan-hutan>  
and  
<https://nasional.kontan.co.id/news/indonesia-brasil-dan-kongo-jajaki-kerja-sama-pengelolaan-hutan?page=2>

### Law enforcement key to curbing forest fires

Law enforcement is a potent tool to curb land and forest fires in Indonesia according to Prof. Bambang Hero Saharjo of the Bogor Agricultural University (IPB University). If fires can be eliminated this will help achieve the target of lowering greenhouse gas emissions said the professor during a discussion at the Indonesia Pavilion at the COP-26.

See: <https://en.antaraneews.com/news/199293/law-enforcement-is-tool-to-curbing-forest-fires-professor>



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

## Myanmar

### Violence condemned

On November 26 a statement was released by the US State Department, Office of the Spokesperson. The following is the text of a joint statement signed by the governments of Australia, Canada, New Zealand, Norway, the Republic of Korea, the United Kingdom and the United States.

“We reiterate our grave concern over reports of ongoing human rights violations and abuses by the Myanmar Security Forces across the country, including credible reports of sexual violence and torture, especially in Chin State, Sagaing Region and Magwe Region.

In Chin State, it is reported the military has burned homes, churches and an orphanage in Thantlang village, and has targeted humanitarian organizations. More than 40,000 people are reported to have been displaced in Chin State and 11,000 in Magwe Region as a result of recent violence.

Reports of internet shutdowns and other methods of communication in Chin State and other areas of the country are also troubling. Communities impacted by violence need access to information to keep themselves safe.

We are concerned about allegations of weapons stockpiling and attacks by the military, including shelling and airstrikes, use of heavy weapons and the deployment of thousands of troops accompanying what security forces assert are counter-terrorism operations, which are disproportionately impacting civilians. We also note our increasing concern at armed clashes in Rakhine State in early November”.

See: <https://www.state.gov/joint-statement-on-increasing-violence-in-myanmar/>

Myanmar’s Ministry of Foreign Affairs raised strong objections on 27 November to the ‘biased’ joint saying it “contained sweeping and groundless accusations against the Tatmadaw (army ) such as human rights violations and the disproportionate use of force.”

### Teak log prices stable

The Myanmar Timber Enterprise (MTE) offered around 735 tons of teak logs for tender sale recently and the prices bid were little changed from previous sales. However, all lots of Sawing Grade 4 logs received no bids.

Generally, Sawing Grade 4 logs are processed to high quality products for niche markets in the EU and USA. The EU announced trade restrictions targeting the MTE in June this year and before these became effective manufacturers tried to stock- up on logs and have switched to alternative markets but these markets may not require the top quality timber from Sawing Grade 4 logs.

### November Teak log tender prices

Grade	Hoppus Ton	Average Price US\$/H.Ton
Sawing Grade 4	50.3	<b>No bids</b>
Sawing Grade 5	300.7	2,792
Sawing Grade 6	228.9	2,536
Sawing Grade 7	79	2,324

## India

### India’s response swift and substantial says IMF

In October the International Monetary Fund concluded consultations on the economy with India. A recent press statement says “India’s economy is poised for a rebound after enduring a second wave of COVID-19 infections this year that further constrained activity and took a heavy toll on its people“.

New infections have fallen significantly and vaccination rates have risen to surpass a billion doses, although a resurgence is possible even if it seems unlikely today. The IMF says India was among the fastest-growing economies in the world in the decade before the pandemic which created unprecedented challenges. The two COVID-19 waves caused health and economic crises however, the economy is gradually recovering.

The IMF note that the authorities’ economic response, was swift and substantial as it included fiscal support such as scaled-up support for vulnerable groups, monetary policy easing, liquidity provision and accommodative financial sector and regulatory policies.

According to the IMF growth is projected at 9.5% in the financial year 2021/22 and 8.5% the following year. However, taming inflation, projected at 5.6% in FY2021/22 will be a challenge.

See: <https://www.imf.org/en/News/Articles/2021/11/02/na111121-indias-economy-to-rebound-as-pandemic-prompts-reforms>

### Still a way to go to recover housing market

According to the results of a survey by Deloitte Touche Tohmatsu India LLP (Deloitte India) the pandemic has altered home buyer preferences. The report from Deloitte sets out the key trends that are expected to contribute to the revival of the Indian real estate sector.

The impact of the pandemic control measures had a very varied impact with the hospitality and manufacturing sectors being badly affected and since restrictions were eased the rebound has been equally uneven.

A revival of government infrastructure projects is helping the manufacturing and construction sectors but consumer anxiety is holding back a recovery of the services sector. However, a recovery is taking root as witnessed by recent high-frequency data but there are some challenges such as high inflation, the need for more job creation, poor wage growth and reduced asset values and these will affect consumer purchasing power.

Despite the anticipated rebound in 2022 output levels are likely to remain much below the pre-pandemic GDP levels according to the results of the survey.

The authors of the survey write “With industries showing immense resilience through innovative ways during the pandemic and India now gradually making its way toward recovery, growth sustainability in 2021 will depend on widespread vaccine deployment and effective government measures”.

See: <https://www2.deloitte.com/global/en/insights/economy/asia-pacific/india-economic-outlook-01-2021.html>

### Prices for recent shipments of teak logs and sawnwood

	US\$/cu.m C&F
Benin	359-569
Sawnwood	359-712
Brazil	345-595
Sawnwood	221-777
Cameroon	639
Sawnwood	974
Colombia	238-615
Costa Rica	263-652
Ecuador	254-495
Gabon	370
Ghana	260-559
Sawnwood	485
Guatemala	594
Ivory Coast	263-458
Sawnwood	375-752
Mexico	356-439
Sawnwood	373-585
Panama	257-539
PNG	389-595
Sawnwood	492-677
Tanzania	376-930
Sawnwood	243-1,068
Togo	259-532
S. Sudan	414-676
Sawnwood	633
Nigeria	290-630
El Salvador	349
Nicaragua	290-630
Sawnwood	385-564
Solomon Is.	248
Surinam	222
Myanmar sawn	791-980

Price range depends mainly on length and girth.

### Locally milled sawnwood prices

No price increases have been reported.

Sawnwood Ex-mill	Rs per cu.ft.
Merbau	4,000-4,200
Balau	2,500-2,700
Resak	-
Kapur	-
Kempas	1,550-1,750
Red meranti	1,550-1,750
Radiata pine	800-900
Whitewood	800-900

Price range depends mainly on lengths and cross-sections

### Sawn hardwood prices

No price increases have been reported.

Sawnwood (Ex-warehouse) (KD 12%)	Rs per cu.ft.
Beech	1,750-1,850
Sycamore	1,850-2,000
Red Oak	2,100-2,200
White Oak	2,650-2,800
American Walnut	4,050-4,500
Hemlock STD grade	1,350-1,600
Western Red Cedar	2,350-2,450
Douglas Fir	1,850-2,000

### Plywood

A survey of panel retailers conducted and reported by Plyreporter says market demand has been recovering steadily since September despite the earlier panel price increases. With rising costs of imported and domestic raw materials for the panel sector further price increases cannot be ruled out.

### New ply mill gets approval

Andhra Pradesh State Investment Promotion Board (SIPB) has approved investment proposals from five industries worth almost US\$300 million. Century Plyboards India, one of the investors, will establish a plywood unit at Badvel with an investment of around US\$100 million and the industrial unit is expected to generate over 2,000 jobs. The mill will utilise eucalyptus grown by local farmers. Vietnam's pine sawn wood

See: <https://www.thehindubusinessline.com/news/national/ap-govt-clears-5-new-industry-investments-worth-2134-cr/article37529125.ece>

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

Plywood Ex-warehouse	Rs. per sq.ft
4mm	86.00
6mm	122.00
9mm	144.00
12mm	181.00
15mm	238.00
18mm	260.00

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

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	57.00	72.00
6mm	81.00	102.00
9mm	103.00	125.00
12mm	125.00	149.00
15mm	149.00	181.00
19mm	176.00	202.00
5mm Flexible ply	110.00	

## Vietnam

### Wood and Wood Product (W&WP) trade highlights

According to the General Department of Customs W&WP exports to Japan in October 2021 reached US\$121 million, increasing 4% compared to October 2020. In the first 10 months of 2021 W&WP exports to Japan reached US\$1.16 billion, up 10.6% over the same period in 2020.

In October 2021, exports of W&WP to Germany reached US\$9.8 million, down 21% compared to October 2020, but compared to September 2021, they increased by 60%. The recovery in production from the end of September 2021 boosted export growth in October 2021 and in the 10 months of 2021 exports to Germany reached US\$101 million, up 7% over the same period in 2020.

### Imports

Imports in October 2021 are estimated at 130,800 cu.m worth US\$36.6 million, up 10.6% in terms of volume and 11.3% in value compared to September 2021.

Compared to October 2020, imports of pine sawn wood increased by 40% in volume and 77% in value. In general, in the first 10 months of 2021 pine wood imports reached 1.246 million cu.m worth US\$300.8 million, up 75% in volume and 98% in value over the same period in 2020.

Imports of wood from China in October 2021 reached 33,000 cu.m with a value of US\$18.5 million, up 11.8% in volume and 12% in value compared to September 2021 but down 56% in volume and 36% in value compared to October 2020.

In the first 10 months of 2021 imports of raw wood from China reached 892,860 cu.m with a value of US\$57.08 million, up 60% in volume and up 59% in value over the same period in 2020.

### Exports starting to recover

Demand in international markets continues to grow creating a solid foundation for recovery of the Vietnamese furniture processing and exporting industry.



Speaking at a webinar "Strategy to revive the supply chain of the furniture industry in Vietnam" Mary Tarnowka, Managing Director of AmCham Vietnam said the recent period of implementing social distancing to fight the pandemic has been a huge challenge for businesses, including American furniture manufacturers in Vietnam with a large number of orders that have been affected.

The fourth quarter is a very important period for the US market especially during the Christmas and Thanksgiving holidays so companies are doing their best to prepare to meet orders for these holidays.

Ms. Tarnowka also said demand for Vietnamese wood and furniture products will continue to grow in 2022 and 2023. However, in the next six months while orders will increase manufacturers in Vietnam will continue to struggle to recover 100% capacity.

"This will have a negative impact on US buyers, in addition to the high freight rates. There are a number of US businesses that have moved orders to China and it will be difficult to call them back to Vietnam. It is important to reopen quickly, resume manufacturing operations, rebuild supply chains and promote sustainability and innovation in the industry," said Ms. Tarnowka.

The same opinion was voiced by Alain Cany, President of EuroCham who acknowledged: "The time to implement social distancing is a bad time for European businesses in Vietnam, because this is the time when many orders are received. While orders from Germany, France and the Netherlands are "booming", everything in Vietnam has stopped."

Accordingly, businesses there are still many difficulties and challenges such as shortage of raw materials, increases in raw material prices, labour shortages which holds down factory capacity. Worst of all shippers cannot find containers.

Deputy Director of the General Department of Forestry (Ministry of Agriculture and Rural Development) Bui Chinh Nghia said "Vietnam's wood industry is ready to recover and speed up after the Covid-19 pandemic" .

He said 95% of wood workers have been vaccinated against Covid-19 with the 1st dose and 60% have received the 2nd dose. The Ministry of Agriculture and Rural Development is making efforts to coordinate with the Ministry of Health to prepare 136,000 doses of the vaccine for further vaccination of workers to gain immunity.

The labour issue he said the local People's Committees also support enterprises in recruiting workers. Along with that, the Government and localities have also implemented solutions to actively support businesses in ensuring supply chains, finding outputs, building operating models, transportation, travel and financial problems for enterprises to restore production.

The recovery of the timber industry will be in three phases in which the adaptation phase will take place over three months with employment being maintained and factories operating. The goal of this phase is to restore 70% of the production with sales estimated at US\$900 million to US\$1.2 billion per month.

The recovery period will last for 3-6 months to prepare for the new production season with new orders. The goal of this phase is to restore 90% of factories and expect revenue of US\$1.2-1.4 billion per month. An acceleration phase is expected to begin in 6 months with investment in opportunities and growth with an expected growth rate of 15% compared to 2021.

Nguyen Hoai Bao, Deputy General Director of Scansia Pacific Company (Dong Nai province) said that Dong Nai province has now allowed workers to live in green areas or if they have received one dose of the Covid-19 vaccine to returning to work. This helps the company have more workers and workers can also return home instead of staying at the factory as before.

From the perspective of the association, Do Xuan Lap, Chairman of the Vietnam Wood and Forest Products Association, said that despite difficulties, opportunities for Vietnam's furniture industry are still wide open. Enterprises themselves are aware of the great opportunities so they have been looking for ways to adapt to the new conditions from retaining workers, finding a stable source of raw materials to applying machinery and modern equipment to reduce dependence on human resources and to improve product quality.

See: <https://wtocenter.vn/chuyen-de/18379-export-of-wood-furniture-ready-to-recover-speed-up-after-the-pandemic>

## Brazil

### Bio-economy essential for Amazon security

The Sustainable Amazon Forum (Fórum Amazonia Sustentável - FAS) coordinated by the Ethos Institute and eight other organisations that make up the Organising Committee comprises a multi-sectoral initiative aimed at securing a sustainable Amazon.

At COP-26 a FAS document "10 points for a bioeconomy in the Amazon," set out how to create a circular economy and low-carbon model that keeps the forest secure, protects local communities and effectively eliminates deforestation.

The 10 points considered to be priorities for the region are:

- Actions to combat deforestation
- Land regularisation
- Environmental protection and inspection
- Fair and sustainable value chains
- New forest economies
- Social and economic inclusion of local communities
- Infrastructure and energy

- Financial instruments and incentives
- Business environmental impacts
- Multi-sectoral governance.

According to Institute Ethos the FAS initiative is a valuable contribution as it gives relevance to regional voices pointing out the true priorities capable of reconciling the preservation of biodiversity with the well-being of local populations. Adding, the complex scenarios in the Amazon demand multi-sectoral action and this document provides ideas to advance a consensus on how to move forward with concrete proposals for the sustainable development of the region.

See: <http://www.madeiratotal.com.br/forum-amazonia-sustentavel-lanca-nesta-quinta-na-cop26-o-documento-10-pontos-para-uma-bioeconomia-da-floresta-em-pe/>

#### **‘Green Brazil consortium’ seeking resources for the Amazon plan**

At COP-26 State Governors from Brazil launched the ‘Green Brazil Consortium’ (Consórcio Brasil Verde) setting out how States can advance their climate agendas. The focus of the ‘Green Brazil Consortium’ is to secure greater technical inputs so credible proposals can be developed to attract financing.

The creation of the Consortium was promoted as a single entity aimed at raising funds for climate action and the generation of renewable energy. This Consortium is timely in light of Brazil’s Nationally Determined Contributions (NDC) commitment and marks an important step articulation of subnational climate and socio-environmental governance in the country.

The priority now is for the States to draft carbon neutral plans. As an example of the effort of Brazilian states with carbon neutrality, the state of Mato Grosso, one of the largest tropical timber exporting states, is working with an environmental agenda aiming at zero carbon emissions by 2035.

See: <https://www.riotimesonline.com/brazil-news/brazil/governors-launch-green-brazil-consortium-at-cop26/>

#### **Export update**

In October 2021 Brazilian exports of wood-based products (except pulp and paper) increased 26.5% in value compared to October 2020, from US\$293.9 million to US\$372.0 million.

Pine sawnwood exports grew 58% in value between October 2020 (US\$47.1 million) and October 2021 (US\$74.4 million). In volume, exports increased slightly over the same period, from 267,900 cu.m to 268,900 cu.m.

However, tropical sawnwood export volumes fell 30% from 40,200 cu.m in October 2020 to 28,000 cu.m in October 2021. In value terms exports declined by the same amount (30%) from US\$15.8 million to US\$11 million over the same period.

The value of pine plywood exports saw an almost 5% increase in October 2021 compared to October 2020 from US\$60.5 million to US\$63.3 million. But in terms of volume exports decreased 26% from 207,900 cu.m to 154,400 cu.m.

As for tropical plywood, exports increased in volume (54.8%) and in value (124.0%), from 6,200 cu.m (US\$2.5 million) in October 2020 to 9,600 cu.m (US\$5.6 million) in October 2021.

The value of wooden furniture exports increased from US\$57.2 million in October 2020 to US\$78.1 million in October 2021, an almost 37% increase.

#### **Brazilian furniture exports growing**

Brazil's main trading partner is the US but other markets are also gaining in importance as opportunities for Brazilian furniture exports in different parts of the world expand.

In the first nine months of 2021 there was a 59% increase in the value of furniture exports compared to the same period in 2020. In September 2021 Brazil exported furniture worth around US\$79.6 million (FOB). All segments showed increased exports.

The main importing countries of wooden furniture in September were the United States followed by Chile and the United Kingdom. Other countries such as Paraguay and Panama, among other countries, have been attracting the exporters attention.

See: <http://www.megamoveiros.com.br/author/admin/>

In related news, overall timber exports are on the rise. In the first six months of the year exports were 86% of the full year 2020 totalling 1.18 million tonnes to AgroExport.

The Santa Catarina State Association of Forestry Companies has indicated that the expectation is that in the second half of 2021 the average of the first half will be maintained. Positive numbers are expected to remain until the end of the year. A slight reduction in exports may be caused as the price of freight remains high and shipping containers are not readily available.

As inflation rises and the currency slips against the US dollar there have been increases in the cost of inputs for the industry such as for wood, paint, glue and also basic inputs such as electricity, diesel oil and others.

The timber industry in the State is doing its best to get around these problems. Major companies are getting organised and together, they are carrying out the reverse logistics of containers. In other words to fulfill the pre-established contracts they are paying the freight for containers to come empty.

The Paranaguá Container Terminal (TCP) is used for exporting wood products and has a strategy to help its customers with this problem offering customers the option to export in break-bulk which offers a huge saving in freight costs. The freight in this operating model is approximately US\$ 40/cu.m cheaper than the container said the TCP.

Between January and August 2021, the terminal exported 23,118 containers, an increase of 3% over the same period in 2020. Since the beginning of the year, TCP have exported 25,262 units to date.

See: <https://www.portosenavios.com.br/noticias/portos-e-logistica/exportacao-de-madeira-cresce-no-brasil>

#### Domestic log prices

	US\$ per cu.m
Brazilian logs, mill yard, domestic	
Ipê	233▲
Jatoba	106
Massaranduba	96
Muiracatiara	96▼
Angelim Vermelho	93
Mixed redwood and white woods	76

Source: STCP Data Bank

#### Domestic sawnwood prices

	US\$ per cu.m
Brazil sawnwood, domestic (Green ex-mill)	
Ipê	986▲
Jatoba	476▲
Massaranduba	487▲
Muiracatiara	435▲
Angelim Vermelho	437▲
Mixed red and white	286▲
Eucalyptus (AD)	207▲
Pine (AD)	150▲
Pine (KD)	191▲

Source: STCP Data Bank

#### Domestic plywood prices (excl. taxes)

	US\$ per cu.m
Parica	
4mm WBP	484▲
10mm WBP	429▲
15mm WBP	346▲
4mm MR.	415▲
10mm MR.	321▲
15mm MR.	292▲

Prices do not include taxes. Source: STCP Data Bank

#### Prices for other panel products

	US\$ per cu.m
<i>Domestic ex-mill prices</i>	
15mm MDParticleboard	226▲
15mm MDF	281▲

Source: STCP Data Bank

#### Export sawnwood prices

	US\$ per cu.m
Sawnwood, Belem/Paranagua Ports, FOB	
Ipê	1,994▲
Jatoba	1,065▲
Massaranduba	1,081▲
Muiracatiara	1,079▲
Pine (KD)	288▲

Source: STCP Data Bank

#### Export plywood prices

	US\$ per cu.m
Pine plywood EU market, FOB	
9mm C/CC (WBP)	362▼
12mm C/CC (WBP)	350▼
15mm C/CC (WBP)	337▼
18mm C/CC (WBP)	381▼

Source: STCP Data Bank

#### Export prices for added value products

FOB Belem/Paranagua ports		US\$ per cu.m
Decking Boards	Ipê	4,265▲
	Jatoba	1,921▲

Source: STCP Data Bank

## Peru

#### Exports to recover to pre-pandemic levels by the end of 2021

Peru's wood product exports for the third quarter of this year totalled US\$86 million, 35% more than the same period in 2020 but still far from the more than US\$100 million in 2019. However, the Association of Exporters (ADEX) and ComexPerú are projecting that that this year's timber exports may exceed pre-pandemic levels.

Rafael Zacnich, Manager of Economic Studies at ComexPerú, pointed out that this year wood product export earnings could reach the levels of 2019 however, he indicated that this does not mean a sign of recovery in general but more evidence of the declining trend in export earnings since the US\$230 million in 2008.

He explained that the country has around 73 million hectares of forests but with only a little more than one million ha. certified and the risk of deforestation persists.

Against this background he commented that one of the most critical problems is the lack of forest supervision and control since the State allocates barely US\$3.2 million annually for that work but that the budget is often underspent.

Erick Fisher, president of ADEX, noted that 95% of deforestation in Peru is due to illegal logging by subsistence farmers in the Amazon. He urged a greater development of the 'formal' wood industry so that the country can implement sustainable policies in forestry.

#### SERFOR roadmap to strengthen forest management

In order to strengthen strategic alliances with the Loreto Regional Government the Executive Director of the National Forest and Wildlife Service (SERFOR), Levin Rojas, held a working meeting with the Regional Governor of Loreto. The meeting focused on reducing the gaps in the sustainable use of forest and fauna resources in the region, identifying opportunities for improvements that can lead to action.

Levin Rojas presented the KFW Forestry Programme which will provide support to strengthen the capacities of technical teams and users of forestry and wildlife services as well as promoting greater investment in forestry projects and review of goals to promote sustainable forest production in the natural forests of Loreto.

## International public tender for the 'Program for the Promotion and Sustainable Management of Forest Production in Peru'

On 24 November 2021 a prequalification notice was posted for an International and Open Public Service to contract Technical Assistance Services to Support the Implementation of the Program for the Promotion and Sustainable Management of Forest Production in Peru.

For details see: <https://www.gtai.de/gtai-en/trade/tenders/peru/consulting-services-sustainable-management-of-forest-production--759616>

### Export sawnwood prices

Peru sawnwood, FOB Callao Port	US\$ per cu.m
Pumaquiro 25-50mm AD Mexican market	671-685 ↑
Virola 1-2" thick, length 6"-12" KD Grade 1, Mexican market	589-615
Grade 2, Mexican market	498-523
Cumaru 4" thick, 6"-11" length KD Central American market	1024-1043
Asian market	1111-1139
Ishpingo (oak) 2" thick, 6"-8" length Spanish market	598-621
Dominican Republic	703-719
Marupa 1", 6-11 length KD Grade 1 Asian market	569-598

### Domestic sawnwood prices

Peru sawnwood, domestic	US\$ per cu.m
Mahogany	-
Virola	247-269
Spanish Cedar	340-349
Marupa (simarouba)	239-246

### Export veneer prices

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

### Domestic plywood prices (excl. taxes)

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

### Export plywood prices

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

### Domestic prices for other panel products

Peru, domestic particleboard	US\$ per cu.m
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 cu.m
Cabreuva/estoraque KD12% S4S, Asian market	1327-1398
Cumaru KD, S4S Swedish market	986-1119
Asian market	1089-1119
Cumaru decking, AD, S4S E4S, US market	1204-1237
Pumaquiro KD Gr. 1, C&B, Mexican market	479-554
Quinilla KD, S4S 2x10x62cm, Asian market	582-611
2x13x75cm, Asian market	774-831

## Japan

### Another huge stimulus budget

Japan's Cabinet has approved a record Yen 36.0 trillion supplementary budget for fiscal 2021 to put the pandemic-stricken economy on a recovery track. The government also plans to use 6.1 trillion yen that was carried over from the fiscal 2020 budget.

See:

<https://mainichi.jp/english/articles/20211126/p2g/00m/0na/041000c>

and

<https://www.japantimes.co.jp/news/2021/11/19/business/stimulus-plan-record/>

In related news, the government has met with employer groups and urged them to encourage their members to raise wages by 3% or more next spring to achieve a virtuous cycle of growth and wealth distribution. This is part of the Prime Minister's 'new capitalism' strategy. A government panel has recommended raising the pay welfare workers, nurses and care-givers by 3% .

See: <https://asia.nikkei.com/Politics/Japan-s-Kishida-urges-companies-to-raise-wages-3-or-more>

### Economy contracts

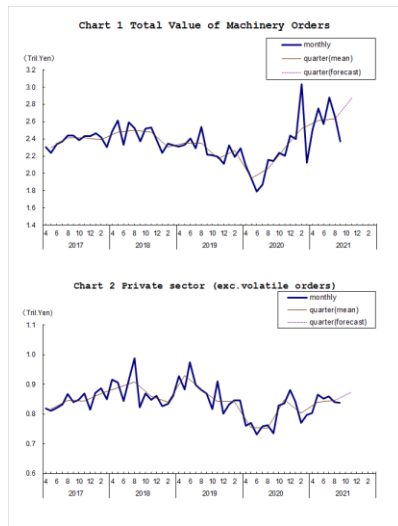
Japan's economy contracted in the third quarter as global supply chain disruptions hit exports and business spending plans. The expectation is that the economy has expanded in the final quarter as virus infection rates fall. But, supply issues pose increasing risks to the economy which is export-dependent.

The Japanese economy shrank an annualised 3% in the second quarter following the (revised) 1.5% gain in the first quarter. The weak GDP growth contrasts sharply with that of other advanced economies.

### Machinery orders dip

The value of machinery orders received by the main manufacturers operating in Japan declined by 10% in September from the previous month. In the July-September period it increased by just 1% compared with the previous quarter.

In the last quarter of 2021 the value of machinery orders has been forecast to increase by 9% and private-sector orders, excluding volatile ones, are expected to rise by 3% from the previous quarter. But this was before new travel restrictions for foreigners were introduced to try and stop the spread of the Omicron variant.

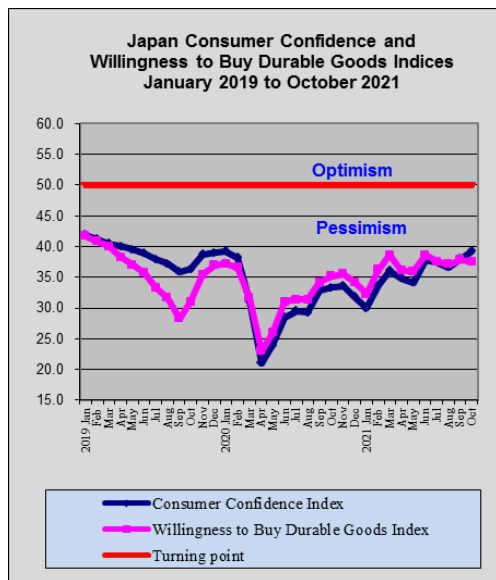


See: <https://www.esri.cao.go.jp/en/stat/juchu/2021/2109juchue.html>

**Foreign workers to be allowed to stay**

It is reported that the government is considering revising the current legislation to allow foreign blue-collar workers to live and work indefinitely. The current law from 2019 allows "specified skilled workers" in 14 sectors such as farming and construction to stay for up to five years but without their family members.

The government has been urged by the private sector to ease these restriction. The shrinking population has become a serious problem for companies needing workers.



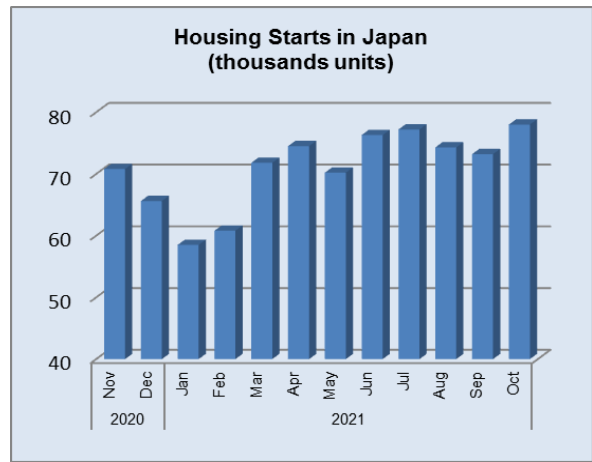
Data source: Ministry of Finance, Japan

**Space and more space please**

Space is a bonus in Japanese homes and many newly built homes now incorporate a feature of traditional Japanese homes – a doma - which is a room commonly used for storage and where outside shoes can be worn.

Japanese homes always have an entrance area where outdoor shoes can be removed before entering the living area. Now, even more apartment buyers are asking for a larger “doma” in which they can walk around while wearing footwear and store items for outdoor use. This change is said to be related to the increase in outdoor leisure activities but it is not likely to have any real impact on the use of wood products in construction.

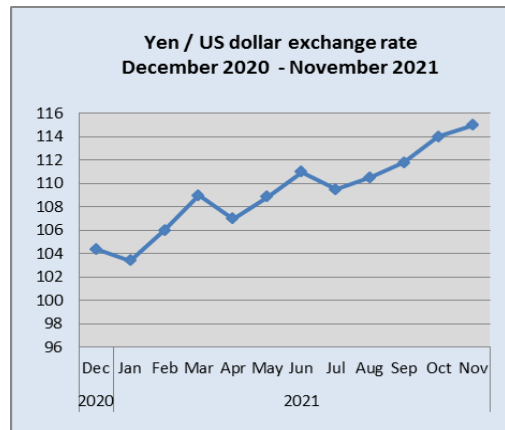
See: <https://www.asahi.com/ajw/articles/14475020>



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

**Weaker Yen, good or bad?**

A weak yen, once hailed as giving exporters an advantage in international markets, has now become headache for the government as the rising costs of imports, especially oil, is pushing up the cost of living. Also, as Japanese manufacturers move off-shore the weak yen has become less of a advantage for local exporters than it was.



The US dollar hit 115.5 yen in late November, a level not seen since January 2017 driven by higher US treasury yields as well as by the broad-based strength of the dollar due to inflation concerns and strong growth momentum.

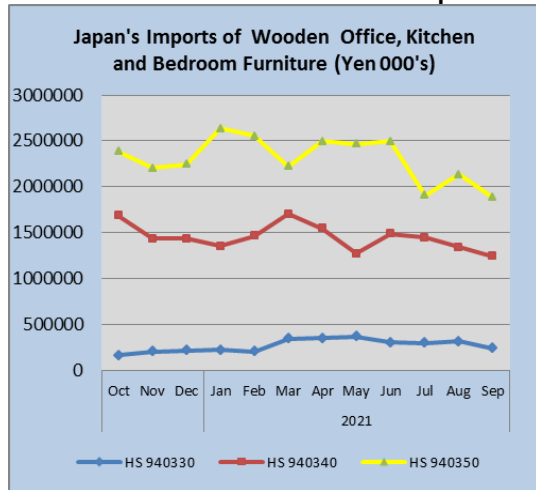
The reappointment of Jerome Powell as Federal Reserve Chair reinforced the perception that US interest rates would rise next year further weakening the yen.

**September was the low point this year for furniture sales**

Up to September, sales of wooden furniture remained subdued as the country struggled to bring a fifth wave of infections under control. However, recent data shows that department store sales rose modestly in October as the lockdown was lifted.

Sales at furniture stores such as Nitori Holdings rose almost 4% in October from a year earlier according to the Japan Chain Stores Association.

**Twelve month trend in the value of imports**



Data source: Ministry of Finance, Japan

**Office furniture imports (HS 940330)**

The top shipper of wooden office furniture in September this year was China whose share of imports was 73%, down from the value of August shipments. The other major shipper in September was the US with a 7% share, a significant increase on the usual monthly shipments to Japan. Most of the balance of September imports was shipped from Taiwan P.o.C, Indonesia and Slovakia (aprox 5% share each).

Year on year, the value of imports of wooden office furniture (HS940330) rose over 40% in September and compared to September 2019 there was a 32% increase in the value of imports.

**September imports (HS 940330)**

	Imports Sep 2021 Unit, 000's Yen
S. Korea	-
China	175,438
Taiwan P.o.C	5,123
Vietnam	2,974
Thailand	1,202
Singapore	-
Malaysia	3,203
Indonesia	5,965
India	-
Denmark	-
UK	5,536
Belgium	-
France	-
Germany	4,269
Switzerland	-
Portugal	-
Spain	247
Italy	1,442
Finland	-
Poland	7,570
Austria	-
Turkey	903
Lithuania	-
Czech Rep.	270
Slovakia	6,220
Canada	939
USA	17,288
Mexico	2,531
<b>Total</b>	<b>241,120</b>

Data source: Ministry of Finance, Japan

**Kitchen furniture imports (HS 940340)**

The value of Japan's wooden kitchen furniture imports continued the downward trend that began in July this year. September imports were 7% below the value of imports in August.

Compared to 2020 the value of imports dropped 9% and compared to 2019 there was a 10% decline. Exporters in Germany and Italy once again made it into the list of top 20 shippers of wooden kitchen furniture.

**September imports (HS 940340)**

	Imports Sep 2021 Unit, 000's Yen
S Korea	-
China	152,071
Taiwan P.o.C	-
Vietnam	297,326
Thailand	86,655
Malaysia	8,522
Philippines	625,058
Indonesia	13,378
India	-
Denmark	422
UK	413
Netherlands	1,556
France	-
Germany	21,830
Spain	-
Italy	21,515
Romania	7,572
Canada	7,354
USA	1,846
<b>Total</b>	<b>1,245,518</b>

Data source: Ministry of Finance, Japan

**Bedroom furniture imports (HS 940350)**

Since the beginning of the second quarter of this year the value of Japan's imports of wooden bedroom furniture have been trending lower. Year on year, September 2021 imports were some 15% below that in 2020 but just matched the level of 2019 imports.

Month on month, September arrivals of wooden bedroom furniture were down 11% thus resuming the downward trend.

The top suppliers in terms of value in September were China (70%) and Vietnam (21%). Shipments from Vietnam in September were down sharply due to the impact of pandemic lockdown measures imposed in the country.

The other top shippers in September were Malaysia, Thailand and Indonesia which together accounted for almost 15% of the value of arrivals taking up some of the loss from Vietnam.

**September imports (HS 940350)**

	Imports Sep 2021 Unit, 000's Yen
S. Korea	-
China	1,321,946
Taiwan P.o.C	2,108
Vietnam	390,800
Thailand	48,740
Malaysia	51,488
Philippines	-
Indonesia	30,325
India	-
Sweden	-
Denmark	212
UK	409
Netherlands	-
France	-
Germany	3,213
Switzerland	-
Portugal	-
Italy	7,141
Finland	-
Poland	17,027
Austria	6,425
Romania	354
Lithuania	3,863
USA	284
<b>Total</b>	<b>1,884,335</b>

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:

[https://ifpi.jp/japan\\_lumber\\_reports/](https://ifpi.jp/japan_lumber_reports/)

**Price hike of various items**

Daiken Corporation (Osaka) increased the sales prices of MDF produced in Malaysia and New Zealand since November. This is second time of price increase followed last April. Increase this time is more than 20% and further increase may be necessary depending on prices of raw materials. Increase is necessary to pass higher cost of wood chip, adhesive and ocean freight. In particular, adhesive prices climbed fast by increase of crude oil prices and export restriction of urea by China so adhesive manufacturers ask 1.4– 2.0 times higher prices compared to the first quarter this year.

Daiken has two MDF plants in Malaysia with total monthly production of 20,000 cbms and two plants in New Zealand with total production of 35,000 cbms. The demand is brisk so all the plants are running full.

Eidai Co., Ltd. (Osaka) announced to increase the prices of all flooring since December 1. This is the second price hike this year following July 1. Prices of domestic softwood plywood, ocean freight, wooden board (MDF) and adhesive all climbed so it needs to pass such higher cost onto finished products.

Aica Kogyo (Nagoya) announced to increase the prices of all the decorative board since December 21. The increase will be 10-15% from present prices. It is facing high cost of plywood, chemical products and energy. Particularly plywood is becoming hard to buy and it is inevitable to increase the prices for stable supply of the products.

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

After Daishin plywood quit using South Sea hardwood for plywood manufacturing, import of South Sea hardwood logs is almost none.

There are only two ships from PNG for the first eight month and remaining mills now use veneer instead of logs. With declining log production in Malaysia and chronic high prices, there is no hope to use logs again. Lumber of South Sea hardwood is also hard to come by because logs are scarce in the South East Asia by rainy season so that lumber prices are high. Chinese laminated free board inventory is about two months in Tokyo region. Export prices of Chinese red pine lumber and Indonesian mercusii pine lumber are unchanged.

Domestic dealers worry about market price down by large volume arrivals but now shipment takes more than two weeks longer so rush arrivals are unlikely. Dealers are selling cautiously as more demand to refurbish stores and shops after state of emergency is lifted.

### **Declining log exports to China**

The volume of exporting logs in August is 55,879 cbms, 51.8% less than last month and 44% less than same month in last year. This is the lowest under 100,000 cbms since January, 2020. It seems declining more after September. The reasons are not only price increasing of freight and a traffic congestion at the ports but also demands in China declined.

There are restrictions on electric power supply and change of policy at ports in China. Therefore, there is no hope for recovering through the end of this year. There is also another big problem which is keeping out logs at Taicang port of Jiangsu province, one of major ports in China. They are restricted to accept low value logs to have more high-value-added goods so some sawmills around Taicang port are forced to move out of the area.

About 80 to 90% of Japanese logs unloaded at Shanghai port or Taicang port. This situation damages a lot to Japan.

Some export agents try to send logs to inland ports of Chang Jiang River or the southern part of Zhejiang Sheng in China but many of cargo ships stuck waiting outside ports so the export agents had to pay almost Yen 1,000,000 of demurrage a month.

Ocean freight used to be US\$50,000 for 2,500 cbms of a ship until last year but now it climbed to US\$120,000 so many log exporters hesitate to export logs to overseas from Japan. There are many logs which are over 18 cm in diameter sitting at exporting ports.

The price of export logs was around ¥11,000 (FOB, cbm) in southern part of Kyusyu, Japan but now they are less than ¥10,000.

Orders from China are declining as export of cedar lumber for the U.S. market is slowing as the U.S. housing market is weakening. Cedar lumber inventories are high on both side of China and the U.S.A. so even if the market in the U.S.A. rebounds, there is no chance to recover for some time.

Cedar log export prices for China increased by US\$10 on every ship until last July then the prices peaked at US\$170-180 per cbm C&F then dropped to US\$165 in August and there are no counter orders from China. The volume of exporting logs to China in January to July are 794,761 cbms, 28.7% more than same period of last year. This is 30% over for the same period of last year.

In August, the pace slowed down and it would be 1,070,000 cbms for 2021. This result would be lower than last year which was 1,157,000 cbms.

Also exporting Japanese cedar lumber to the U.S. is declining. The volume of lumber in August was 3,543 cbms, 34.8% less than last month and 35.1% less than same month of last year due to loss of demands, not enough cargo ships and expensive freight. Spot price of 40' container is now around US\$15,000, which was US\$4,000 last year. It can contain 45 cbms of lumber.

### **Climbing adhesive prices**

Soaring adhesive prices are squarely impacting wooden board cost. Supply of raw materials of adhesive such as urea sharply dropped after electric supply is disrupted in China so prices of adhesive climbed in Asia.

Prices of urea and methanol climbed by over 30% in one month and the prices of melamine soared doubled in last four months. Some overseas MDF plants shutdown temporarily by shortage of adhesive. Manufacturers of MDF and particleboard are hurriedly increase the sales prices as these products need large amount of adhesive.

Raw material prices of adhesive started climbing since late 2020 so the manufacturers of MDF and particleboard increased the sales price by 5-10% in spring of 2021.



Urea prices stayed almost unchanged at US\$200 per ton for whole year of 2020 then it started climbing to US\$350 in March, US\$500 in June and over US\$600 by October 2021.

Ethanol prices were less than US\$200 in June 2020 then went up to about US\$400 in December 2020, US\$350-380 in July and escalated over US\$500 in October. Melamine prices were US\$700 in 2020 then inflated over US\$3,000 in October 2021.

Urea and ethanol are both used for urea or melamine adhesive. Some Indonesian plywood manufacturer failed producing some items by shortage of adhesive. The largest reason of soaring adhesive prices is supply reduction by China, which has 40% share of urea supply in the world.

China stopped importing coal from Australia by political reason, which is main fuel for electricity in China so power supply failed and disrupted production of urea. Also urea is mainly used for fertilizer in China so supply of urea for adhesive is reduced. After all, all the wooden board manufacturers need to increase the sales prices by soaring adhesive prices.

**China**

**Real estate investment declining**

In a press release the National Bureau of Statistics has provided details of real estate development and sales in the first ten months of 2021. Between January and October 2021 investment in real estate development increased 7.2% year on year and was 14% higher than in the same period in 2019.

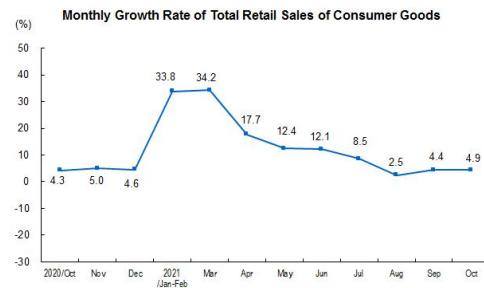


Source; National Bureau of Statistics, China

See: [http://www.stats.gov.cn/english/PressRelease/202111/t20211116\\_1824580.html](http://www.stats.gov.cn/english/PressRelease/202111/t20211116_1824580.html)

**October retail sales of consumer goods**

The National Bureau of Statistics has also released data on retail sales of consumer goods for October showing there was an almost 5% rise year-on-year and a 9.4% rise compared to the same period in 2019. In October sales of furniture rose 2.4% year on year.



Source; National Bureau of Statistics, China

See: [http://www.stats.gov.cn/english/PressRelease/202111/t20211116\\_1824583.html](http://www.stats.gov.cn/english/PressRelease/202111/t20211116_1824583.html)

**Rising volumes and CIF prices for log imports**

According to China Customs, log imports in the third quarter of 2021 totalled 48.4 million cubic metres valued at US\$8.617 billion (CIF), up 14% in volume and 43% in value. The average price for imported logs was US\$178 (CIF) per cubic metre, up 25% from the same period of 2020.

Of total log imports, softwood log imports rose 18% to 37.98 million cubic metres, accounting for 78% of the national total. The average price for imported softwood logs was US\$154 (CIF) per cubic metre, up 33% from the same period of 2020.

Hardwood log imports rose 3% to 10.42 million cubic metres, accounting for 22% of the national total. The average price for imported hardwood logs was US\$264 (CIF) per cubic metre, up 16% from the same period of 2020.

**Log imports in the third quarter of 2021 (cu.m mil.)**

Volume	2021 Q3	% change YoY
	mil. cu.m	
Total log imports	48.40	14%
Softwood logs	37.98	18%
All hardwood logs of which tropical logs	10.42	3%
	4.86	-14%

Data source: China Customs

**Log imports in the third quarter of 2021 (US\$ mil.)**

Value	2021 Q3	% change YoY
	US\$ mil	
Total log imports	8,617	43%
Softwood logs	5,866	57%
All hardwood logs of which tropical logs	2,751	19%
	1,465	4%

Data source: China Customs

### Average log prices - the third quarter of 2021

	CIF price	% change
	US\$/cu.m	YoY
Total log imports	178	25%
Softwood logs	154	33%
All hardwood logs of	264	16%
which tropical logs	302	21%

Data source: China Customs

### Surge in log imports from Brazil and Uruguay

According to China Customs in the third quarter of 2021 log imports from Brazil and Uruguay surged 178% and 128% to 1.65 million cubic metres and 1.60 million cubic metres respectively.

In addition log imports from New Zealand, Germany, Russia and USA rose 35%, 50%, 3% and 26% to 15.26 million cubic metres, 9.47 million cubic metres, 5.07 million cubic metres and 3.04 million cubic metres respectively.

### Major log suppliers in the third quarter of 2021 (vol.)

	Volume mil.cu.m	% change YoY
New Zealand	15.26	35%
Germany	9.47	50%
Russia	5.07	3%
USA	3.04	26%
Brazil	1.65	178%
Uruguay	1.60	128%
PNG	1.55	-23%
Solomon Is.	1.35	-17%
Czech Rep.	1.21	-49%
Canada	1.10	15%
France	1.10	45%

Data source: China Customs

### Major log suppliers in the third quarter of 2021 (value)

	Value US\$ mil.	% change YoY
New Zealand	2,492	92%
Germany	1,465	99%
Russia	656	11%
USA	719	42%
Brazil	198	225%
Uruguay	217	180%
PNG	339	-6%
Solomon Is.	238	-6%
Czech Rep.	194	-30%
Canada	230	39%
France	264	76%

Data source: China Customs

### Rise in CIF prices from the main suppliers

According to China's Customs the CIF prices for China's log imports from the main suppliers, New Zealand, Germany, Russia, USA, Brazil, Uruguay and PNG rose 15%, 34%, 11%, 118%, 17%, 23% and 90% respectively.

	Av. CIF price US\$/cu.m	% change YoY
New Zealand	163	15%
Germany	155	34%
Russia	129	11%
USA	236	118%
Brazil	120	17%
Uruguay	135	23%
PNG	219	90%
Solomon Is.	176	-1%
Czech Rep.	160	-24%
Canada	208	34%
France	241	22%

Data source: China Customs

### Log imports from Australia plunged

China's log imports from Australia plunged to 62,855 cubic metres in the third quarter of 2021, down 99% from the same period of 2020. Australia has not been a main supplier of logs to China. While volumes dropped the average price for log imports from Australia rose 7% from US\$108 per cubic metre in the third quarter of 2020 to US\$116 per cubic metre in the third quarter of 2021.

China's log imports from Australia plunged because of a ban imposed by China on imports from Australia. China banned the import of logs from Victoria State as of 11 November 2020. This was because the quarantine service in China detected pests in a log shipment. Customs clearance for logs shipped from the state of Queensland after October 31, 2020 were also not cleared. Since the beginning of 2020 Chinese Customs has repeatedly detected live pests such as Cerambycidae and Buprestidae in logs imported from Australia.

In accordance with national quarantine laws and regulations the infected logs have been treated and the exporters notified of the non-conformance with international standards and required to investigate the causes and take improvement measures to avoid a recurrence.

### Main softwood log sources in the third quarter of 2021

	Volume (mil.cu.m)	% change YoY
New Zealand	15.19	35%
Germany	9.12	58%
Russia	2.97	-14%
USA	2.38	30%
Uruguay	1.55	126%
Czech Rep.	1.18	-51%
Canada	1.06	22%
Japan	0.92	12%
Brazil	0.74	783%
France	0.64	49%

Data source: China Customs

### Decline in tropical log imports in the third quarter of 2021

China's tropical log imports fell 14% to 4.86 million cubic metres valued at US\$1.465 billion, up 4% in value in the third quarter of 2021.

China imported tropical logs mainly from Papua New Guinea (32%), Solomon Islands (28%), Republic of Congo (7.2%) and Cameroon (7%). Just 9 countries supplied 90% (4.384 million cubic metre) of China's tropical log requirements in the third quarter of 2021.

The decrease in the total volume of China's tropical log imports was because imports of tropical logs from the major suppliers, PNG, Solomon, Republic of Congo and Cameroon fell 23%, 17%, 21% and 0.5% respectively which resulted an overall decrease.

However, China's tropical log imports from Mozambique, the Democratic Republic of Congo, and Sierra Leone rose 56%, 35% and 2% respectively.

### Tropical hardwood log sources, in the third quarter of 2021

Volume	2021 Q3 000s cu.m	% change YoY
PNG	1,548	-23%
Solomon Is.	1,351	-17%
Congo Rep.	351	-21%
Cameroon	338	-0.5%
Mozambique	274	56%
Equatorial Guinea	168	-24%
Suriname	122	-26%
Sierra Leone	120	2%
DRC	111	35%

Data source: China Customs

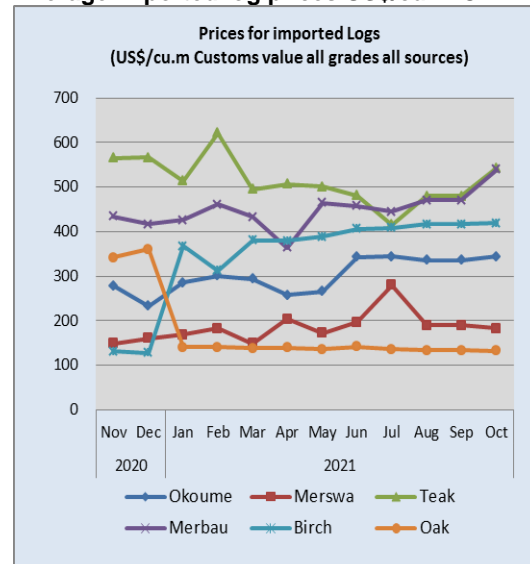
### CIF prices for tropical log imports

Average CIF prices for China's tropical log imports rose 21% to US\$302 per cubic metre in the third quarter of 2021.

The CIF prices for most tropical log imports rose generally for the Democratic Republic of Congo, Equatorial Guinea, PNG, Sierra Leone and Solomon rose 38%, 33%, 13%, 22%, 15% and 14% respectively, for Cameroon, Republic of Congo and Suriname average prices rose 6%, 4% and 1% respectively also.

However, the average CIF price for tropical log imports from Mozambique decreased 3% in the third quarter of 2021.

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



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

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

	2021 Sep	2021 Oct
Okoume	304	344
Merswa	184	183
Teak	501	543
Merbau	468	539
Birch	419	419
Oak	133	132

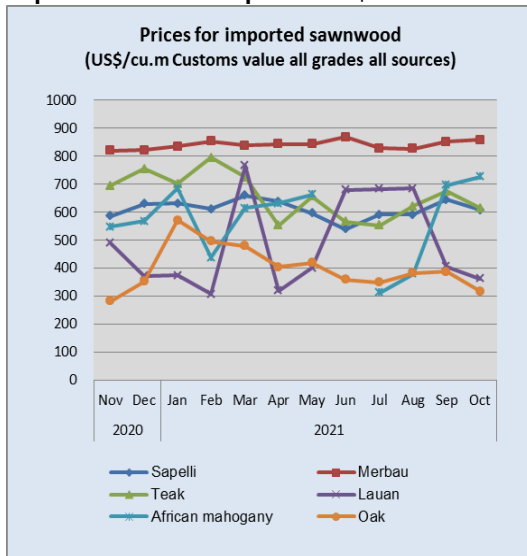
Data source: China Customs. Customs value all grades, all sources

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

	2021 Sep	2021 Oct
Sapelli	625	608
Merbau	851	858
Teak	674	615
Lauan	406	363
African mahogany	697	727
Oak	383	318

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

## Imported sawnwood prices US\$/cu.m CIF



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

## Europe

### EU publishes far-reaching "deforestation-free" regulatory proposal

On 17 November 2021, the European Commission announced a Proposal for a new Regulation to reduce global deforestation and forest degradation driven by EU consumption of certain commodities.

If enacted the law would have a profound effect on EU trade in the regulated wood and agricultural commodities. It would represent a very significant extension of state intervention in European commodities trade even compared to the existing controls imposed through the EUTR.

The regulatory proposal and all supporting documentation are available at:

[https://ec.europa.eu/environment/publications/proposal-regulation-deforestation-free-products\\_en](https://ec.europa.eu/environment/publications/proposal-regulation-deforestation-free-products_en)

The proposed law would prohibit regulated commodities and derived products from being placed on the EU market unless they can be shown to be "deforestation-free" and "forest degradation-free", produced in accordance with applicable laws, and covered by a "due diligence statement". It would also prohibit their export from the EU under the same conditions.

The proposed regulation would impose mandatory due diligence rules on companies to ensure that only compliant commodities and products enter the EU market or are exported from it. The regulation would repeal the EU Timber Regulation (EUTR) which already imposes mandatory due diligence rules on EU timber traders.

Annex I to the regulatory proposal contains a Combined Nomenclature (CN) list of products that would be covered by the Regulation.

The list of wood products closely follows that for EUTR. It includes: nearly all CN44 wood products with a few notable exclusions (such as charcoal, tools, tableware/kitchenware, and packing material used exclusively to carry another product); all CN47 pulp and CN48 paper products with the exception of bamboo-based and recovered products; and categories of wooden furniture under 9403 together with wooden prefabricated buildings (940610). As in EUTR (and for reasons which remain obscure) wood seating under 9401 is not included.

Of agricultural commodities, the proposed regulation includes cattle, cocoa, coffee, palm oil, and soy together with derived products. In a press conference, Commissioner Sinkevičius did not exclude adding rubber to the list of commodities concerned.

A deforestation-free commodity or product would have to be produced on land that has not been subject to deforestation after 31 December 2020, and for which wood has been harvested without causing "forest degradation" since that date. Criteria for assessing whether commodities are deforestation-free or degradation-free would be applied regardless of the country of origin.

"Deforestation" is defined in the proposed regulation as "the conversion of forest to agricultural use, whether human-induced or not". The extension of the requirement to cover products which are forest degradation-free would be particularly significant to the wood products sector. This requirement is only relevant to timber harvesting and in practice would introduce a mandatory sustainability requirement for wood products.

"Forest degradation" is defined in the regulation as "harvesting operations that are not sustainable and cause a reduction or loss of the biological or economic productivity and complexity of forest ecosystems, resulting in the long-term reduction of the overall supply of benefits from forest, which includes wood, biodiversity and other products or services."

The definition of "sustainable harvesting operations" is broad and would effectively impose certain specific silvicultural requirements. According to the draft regulation the term "means harvesting that is carried out considering maintenance of soil quality and biodiversity with the aim of minimising negative impacts, in a way that avoids harvesting of stumps and roots, degradation of primary forests or their conversion into plantation forests, and harvesting on vulnerable soils; minimises large clear-cuts and ensures locally appropriate thresholds for deadwood extraction and requirements to use logging systems that minimise impacts on soil quality, including soil compaction, and on biodiversity features and habitats".

As in EUTR, the proposed regulation would impose obligations on "operators"; i.e. persons or entities placing the commodities and products in question on the EU market, or exporting them from it, for commercial purposes.

Where a relevant commodity or product is placed on the market by an entity from outside the EU, the operator would be the first entity established in the EU who buys or takes possession of it.

EU importers would therefore qualify as operators. Some obligations would also be set on "traders".

Operators would have to exercise due diligence before placing regulated commodities or products on the EU market or exporting them from it. Due diligence would include the collection, organization and preservation for five years of verifiable information that the commodities and products are deforestation-free and that they were produced in line with relevant legislation of the country of production.

As part of their due diligence, operators would have to engage in risk assessment and be able to demonstrate that the relevant commodities and products are deforestation-free, and that they have been produced according to the relevant legislation of the country of production. Where operators are not able to demonstrate that the risk of non-compliance is negligible, they should not place the relevant commodities or products on the EU market or export them.

Operators would also have to carry out risk mitigation, adopting measures to reach nil or negligible non-compliance risk levels. Such measures would have to be adequate and proportional to effectively mitigate and manage non-compliance risk. They would include internal control and compliance management, the appointment of a management-level compliance officer, and independent risk mitigation auditing.

#### **Regulatory proposal would significantly alter and extend EUTR obligations**

Many of the due diligence requirements will be familiar to timber traders that have been working within the framework of EUTR since March 2013. However, according to the draft regulation, the EUTR due diligence requirements would be "adapted and improved" through the introduction of several new and far-reaching features including:

- a due diligence statement (Article 4). Operators would produce a due diligence statement when satisfied that the commodities or products were compliant, thus assuming responsibility. In the statement, operators would confirm having carried out due diligence, and having found no or only negligible risk. Submitting a due diligence statement would be necessary to place these commodities or products on the EU market or exporting them from it;
- the geographic information requirement or geo-location, linking the commodities and products to the specific plot of land where they were produced (article 9);

- country benchmarking (Articles 25-26). The European Commission would use a benchmarking system to assess the risk of commodity-driven deforestation and forest degradation by country. The benchmarking system would categorise each country (or sub-national region) as "low", "standard" and "high risk".
- a distinct procedure for "simplified due diligence" (Article 12) to apply when sourcing from a country or region assessed as "low risk". Under this procedure operators would be still obliged to undertake the first step of the due diligence procedure (i.e. collect information, documents and data demonstrating products are legally produced and deforestation-free). However they would not be obliged to undertake risk assessment and risk mitigation.
- increased cooperation with customs (Articles 14 and 24) who would be empowered, for example, to verify the status of the due diligence statement covering individual import or export consignments and to block and destroy any consignment where risk analysis by EU competent authorities has established that there is a high risk of non-compliance;
- minimum inspection levels (article 14): each Member State would have to carry out checks of at least five per cent of the relevant operators, every year. Five per cent of the volume of each of the commodities and products placed, made available or exported from each territory would also have to be subject to checks each year.

Introduction of the new regulation would have profound implications for those countries engaged in the FLEGT VPA process towards development of licensing procedures to allow products to be placed on the EU market without operators having to undertake EUTR due diligence.

Drawing on the results of the EU's "Fitness Check" of the FLEGT Regulation and EUTR (see below), the regulatory proposal includes a provision declaring wood covered by a FLEGT license to have fulfilled the legality requirement. It also notes that "some VPA components might be integrated where feasible and agreed by the partners into specific cooperation programmes, like Forest Partnerships or others to further support forest governance".

However, the regulatory proposal includes no provision for FLEGT licenses to meet the "deforestation-free" or "degradation-free" requirement.

### **Some implications and pitfalls of the EU regulatory proposal**

ATIBT has published a Q&A drawing on an analysis by Alain Karsenty highlighting some of the other implications, and pitfalls, of the legislative proposal for tropical timber products. It highlights, for example, that definitions of deforestation and degradation contained in the draft EU regulation will likely contradict definitions used in tropical producing countries.

Products deemed legal (even sustainable) in the country of origin may well be deemed as unacceptable by the EU and will not be allowed to be imported with potential to create lot of trade tensions. The ATIBT commentary is available at:

See: <https://www.atibt.org/en/news/13090/the-european-commission-has-published-its-draft-regulation-to-fight-against-imported-deforestation>

Judging from a recent article in the Guardian, a national newspaper in the UK, some of these concerns are shared by the EC's own trade officials. The article draws on what the Guardian describes as a "leaked memo" prepared by EU DG Trade officials.

According to the Guardian news paper EC trade officials have argued internally against the provision to regulate products linked to all deforestation, legal or illegal, and instead recommend that the law should clamp down only on illegal deforestation.

The "leaked memo" allegedly states that the law in its present form would be "a direct challenge to notions of sovereignty over land use decisions, whether in the EU or in third countries" and suggests that refocusing the law on illegal deforestation would bring the EU into line with the US and UK, who are considering narrower laws.

According to the Guardian the trade officials also say the costs of complying with the EU law would hurt subsistence-level farmers and warn of retaliation by foreign governments through the World Trade Organization.

The officials also argue that the law should be limited to deforestation rather than forest degradation, citing the absence of international definitions on the latter which they say would make the law hard to enforce.

"Combined with the absence of international standards, [including forest degradation] poses serious policy and legal concerns and we consider it a risky avenue to try to justify this on the basis of public morals," the memo states according to the Guardian.

### **Next steps for the EU regulatory proposal**

As the deforestation law proposal is only a legislative proposal for now, the specifics are subject to change. Introduction of the law will require that consensus is reached on a final text between the Parliament and Council.

The timeline between a proposal being tabled and adopted (or a decision taken to not adopt) varies widely depending on the degree of consensus and the priority attached to passage of the legislation by the country holding the EU Council Presidency.

At the Press Conference launching the legislative proposal, Commissioner Sinkevičius said that France, who hold the Presidency between January and June next year, have indicated that they will prioritise efforts to pass this legislation during their Presidency.

For now the timing is still uncertain but may become clearer after the first reading to Parliament and there is an initial indication of the level of political support and consensus.

The proposed regulation is intended to complement a separate legislative initiative introducing mandatory due diligence on human rights and environmental impacts to companies' own operations and value chains in general but goes further than that initiative.

### **EU Fitness Check: success in Indonesia but otherwise VPAs have "not delivered"**

The long awaited "Fitness Check" of the EUTR and the FLEGT Regulation was published on 17 November alongside the EU's Deforestation regulatory proposal. The stated objective of the Fitness Check is to assess whether "these two instruments are fit for their purpose to halt illegal logging and related trade as set out in both Regulations" and the main conclusion is that "the general objectives of the two Regulations have not yet been fully met".

According to the Fitness Check, "while there are tangible signals that both Regulations together have been moderately successful in their aim to prohibit the placement of illegally logged timber on the EU market, it is difficult to conclude (based on the data available) that they have had a significant effect on illegal logging globally".

On the specifics of the VPA with Indonesia, the Fitness Check is more positive noting that "the implementation of the FLEGT licensing scheme with Indonesia has worked well", a fact which is attributed to "the Indonesian SVLK [being] fully integrated in a wider reform of the national forest governance system and not seen as an 'add-on' only inspired by trade concerns".

The Fitness Check notes that many elements of FLEGT licencing "have been implemented successfully both by Indonesia and EU member States, and processes and systems are continuously updated and improved".

It is also noted that "the level of exports from Indonesia to the EU has risen since licencing commenced (although less so than overall imports to the EU).

Remaining challenges are addressed as they arise....The SILK database for Indonesia shows that from 2013 there was improvement in operator compliance as expected in advance of FLEGT licensing".

More widely with regard to the FLEGT VPAs, the Fitness Check notes that a "great amount of learning can be drawn from the Indonesian experience" and that "there is evidence of VPA partner countries taking steps in the right direction and putting in place the foundations for improvements in the future, i.e. concerning governance, civil society participation, clarifications around existing definitions and legislation".

Despite these positives, the Fitness Check concludes that, overall, the FLEGT VPAs have "not delivered" and their "effect has been limited, with only one country issuing FLEGT licences and no evidence that the VPAs have contributed to reduced illegal logging".

A number of factors are identified as having constrained the FLEGT VPA process. It is noted that "negotiating, concluding and implementing VPAs proved to be a long and complex process" and that "such processes are fraught with challenges in many partner countries such as the required high standards of a TLAS (weak overall governance, lack of institutional capacity, absence of political willingness, often widespread corruption), difficulties in gaining agreement from multiple regions in partner countries, insufficiently effective measures and weak law enforcement".

The Fitness Check also claims that the VPAs have suffered from a "high focus on process (strengthening governance elements such as stakeholders' participation, etc.) to the detriment of the main objective: stopping illegal logging and associated trade". This, it is alleged, "may have led to disincentives for VPA countries to bring the preparatory processes to an end, since they continue to receive the EU economic support for activities while at the same time selling the majority of their timber to less discerning markets, such as China".

The Fitness Check goes on to suggest that "the VPA processes as designed by the EU provide funding to establish participatory forest governance processes, but do not address the economic drivers of illegal logging in the forest sector, nor the underlying corruption in the administrations and at the political levels that are benefitting from illegal logging".

"These factors prevented VPA processes from creating the expected improved transparency in all financial transactions related to the forest industry, the processing industries directly linked to it and the export volumes of goods sourced from forests".

Another weakness of the VPAs, according to the Fitness Check, is that "many important exporters to the EU, which are considered to be high-risk countries regarding illegal logging, have never shown interest in engaging in the VPA process, e.g. Russia, Ukraine and Brazil".

It is suggested this is due to several factors: "a perception that VPAs are designed solely for developing tropical countries, a 'demand-driven' approach for the selection of partner countries, doubts about the economic benefits of VPAs in terms of greater EU market access, and the potential reputational damage of withdrawing from negotiations once started".

The Fitness Check includes a critical cost-benefit analysis of the FLEGT VPA process, suggesting that "Considering that timber and derived products followed by FLEGT-licenses cover only 3% of timber imports into the EU, the costs and administrative burdens seem immense..... its benefits may not seem to justify its costs".

The total investments by the EU and Member States in the preparation, negotiation and implementation of FLEGT VPAs since 2004 is estimated in the Fitness Check at €1.5 billion shared between the EU and the Member States (much of it apparently spent on preparation and negotiation rather than actual implementation).

This excludes the amount invested by VPA partner countries the level of which "has been proven difficult to quantify as this was partly in the kind i.e. time and effort invested by authorities and stakeholders".

The annual costs of running a FLEGT licensing system are estimated in the Fitness Check using data from Indonesia as the only country that has reached that stage.

"The total costs for Indonesia, MS [EU Member States] customs and importing operators in handling the approximately 35000 licenses per year are in total €11.5 million", according to the Fitness Check. This includes the support and costs for certification of forest areas in Indonesia but excludes costs related to support to SMEs and family holdings. On this basis, cost per license issued is estimated at approximately €330 and the cost per tonne of import into the EU about €336-338.

The Fitness Check argues that "there is limited potential to reduce the costs of the VPA system". This is because the "FLEGT/VPA system makes it necessary for the VPA countries to develop and implement a licencing scheme, undertake inland and border inspections, certify forests and plantations, as well as control and verify transports and traders, warehouses and processing industry, which leads to complex enforcement systems with high administrative costs that exceed the capacities of some partner countries".

On the positive side, the Fitness Check notes that "there is evidence that FLEGT licences are reducing the costs of timber import for those EU operators mainly or fully sourcing their products from Indonesia, as they do not need to exercise DD [due diligence] under the EUTR", although the value of this saving is not quantified in the Fitness Check.

It is also noted that "there is some evidence that once the FLEGT licencing starts, exporters experience a benefit. But overall the benefit to Indonesian exporters has been limited to date. The trade data shows that Indonesian exports to the EU increased by only 3.6% from 2015-18 (relative to a 10% growth in all [EU] imports) and by only 0.4% between 2016-18 (relative to a 12% growth in all imports)".

#### **Mixed verdict on EUTR effectiveness**

The Fitness Check verdict on the effectiveness of the EUTR is equally mixed, suggesting it has had only a limited impact on illegal flows globally, although this partly reflects the inherent difficulties of measuring such flows, but that it has focused efforts by European traders on removing illegal wood from trade and has equipped the EU to work closely together with other consumer countries implementing similar legal frameworks.

The Fitness Check notes that "The requirements of improved transparency and information gathering to fulfil the DD obligations on evidence of the place of harvest and no breaches of applicable legislation have put pressure on all actors along the supply chains".

Furthermore, "most stakeholders consider that the EUTR has led to a positive change in transparency and the availability of information and documentation around timber supply chains (in particular regarding species and origin) and as such has put pressure on the supply chains to ensure legality of the wood based products being exported to the EU".

On the other hand, "a number of implementation and enforcement challenges have been identified regarding the functioning and effectiveness of the due diligence system, in particular the way the EUTR has been enforced in MS [EU Member States]".

The Fitness Check highlights that while EUTR due diligence systems have been widely applied by large operators to cover the majority of wood based products placed on the EU market, "smaller operators are less inclined to implement them, not least because they face a number of challenges in developing and implementing DDSs, including limited awareness and understanding of their obligations".

The use of the concept of 'negligible risk' in the DD provisions of the EUTR has also complicated implementation and enforcement. "The term is subjective, which makes it more difficult to select which information to gather and complicates the determination of whether a risk is 'negligible' for operators, Competent Authorities and the courts...Difficulty proving 'non-negligible risk' in court has also led to some hesitations in bringing cases to court".

It is noted that while all EU Member States have established legislative frameworks to implement the EUTR, the level of enforcement differs.

"Evidence exists that operators clearly see a variation in the stringency with which the EUTR is enforced across MS (e.g. number of checks, level of penalties), which leads to attempts observed to import riskier timber via specific MS".

The Fitness Check is also critical of the fact that Member States lack the power to redraw or halt marketing of products already placed on the market even when there is clear evidence of inadequate due diligence and verifiable determined negligible risk.

According to the Fitness Check, this means that "market powers keep traders and retailers sourcing from questionable operators if the price is low enough. This may drive operators to continue sourcing wood based products from high-risk countries like Myanmar, Belarus and Ukraine".

It is noted that "the trade data also presents mixed signals. Intra-EU trade (lower risk generally than extra-EU imports) grew less over the period of implementation relative to imports as a whole, as did imports from 'lower risk' countries. Furthermore, there was an absence of significant changes in trade patterns towards more transparent countries....looking specifically at imports from countries where issues were specifically identified over the implementation period (Ukraine and Myanmar), [these] continued and actually grew in the case of the latter".

The total costs of EUTR implementation per year are very uncertain and estimated to be between €71 million (low estimate) and €1071 million (high estimate) with a central estimate of €714 million. This draws on a range of studies undertaken between 2015 and 2021 – all reliant on only a small sample of operators – indicating average annual costs per operator between €1000 and €15000.

The Fitness Check notes these costs "need to be seen in the light of the total import value of products under the scope of EUTR, which was €24.5 billion on average between 2015-2019 giving a range of estimated costs between 0.29% and 4.3% of the import value before customs and taxes".

The closing statement in the Fitness Check essentially sets out the EU's rationale for the new deforestation legal proposal: "If the EUTR were to be repealed without a system to replace it, the risk of illegal timber entering the EU market would considerably increase. However, by covering a wider commodity range in a new legislation, this issue could be addressed while also covering important elements of sustainability.

"In contrast, if the FLEGT Regulation were to be repealed, it would free considerable resources - not only financial but also human - currently dedicated to negotiating VPAs or monitoring their implementation. Those could be used in the context of a different, new approach that addresses the issue more effectively and more efficiently".



**Economic growth lagged in the third quarter, but hopeful signs for the year**

The US economy grew at a disappointing 2% annual rate in the third quarter as the delta variant of the coronavirus peaked, but promising signs suggest 2021 is on track to notch the fastest full-year growth in almost four decades.

The coronavirus tore through unvaccinated communities during much of the July-September period measured in the gross domestic product report, eviscerating economists' expectations from earlier in the year of continued rapid growth near the 6.3% and 6.7% seen in the first two quarters of 2021.

The White House, lawmakers and economists are debating whether the weak GDP report reflects a blip on the way to a boom, or something more. Much will depend on the path of the virus, and whether higher prices, persistent supply-chain issues and a wobbly job market dampen consumer spending going into the holiday season.

See: <https://www.bea.gov/data/gdp/gross-domestic-product>

**Welcome rebound in jobs**

Jobsrecovery gathered some steam in October as US employers added 531,000 positions in October. The unemployment rate fell to 4.6%, the lowest level since the economic recovery started in May 2020. The number of jobs added in October easily outpaced economists' prediction of 450,000 jobs.

The US economy gained jobs across the board, with leisure and hospitality, manufacturing, and transportation and warehousing leading the job gains. October's jobs report marks a turning point after two months of sluggish job gains, slowed by rising coronavirus cases as the Delta variant raged across the globe.

The nation has come a long way since the height of the pandemic. More than 18 million jobs have been added back since the recovery started, still leaving America short 4.2 million jobs compared with February 2020. And the late summer months weren't quite as bad as initially reported. The U.S. Department of Labor revised August and September's reports higher by a combined 235,000 jobs.

In the most recent four months with revisions, June through September, the U.S. Bureau of Labor Statistics (BLS) reported it underestimated job growth by a cumulative 626,000 jobs — that's the largest underestimate of any other comparable period, going back to 1979.

See: <https://www.bls.gov/ces/>

**Consumer sentiment plunges to 10-year low**

US consumer sentiment plunged in early November to the lowest level in a decade as surging inflation cut into households' living standards, with few believing policymakers are taking sufficient steps to mitigate the

issue, a widely followed survey published on Friday showed.

The University of Michigan's Consumer Sentiment Index plunged to 66.8 in its preliminary November reading from October's final reading of 71.7. That was the lowest level since November 2011

The reactions of consumers to surging inflation should be no surprise, as it has been reported during the past several months. Consumers are also showing stark partisan differences in how they view the economy with members of the current president's party being more positive and those of the opposition party being more negative.

See: <http://www.sca.isr.umich.edu/>

**Manufacturing growth slowed in October amid supply chain issues**

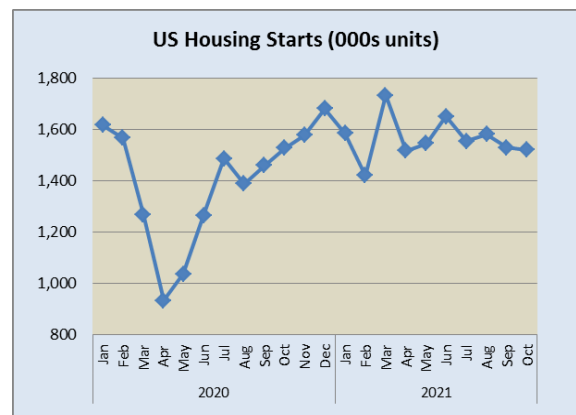
Manufacturing growth slowed in October amid growing headaches from supply chain bottlenecks and labour shortages. The Institute for Supply Management, a trade group of purchasing managers, said Monday that its index of manufacturing activity dipped slightly to a reading of 60.8% in October, 0.3% below September's 61.1%.

Any reading above 50 indicates growth in the manufacturing sector. But the ISM report noted that manufacturers and suppliers were dealing with an unprecedented number of hurdles in their efforts to meet rising demand. Of the 18 industries surveyed, Wood Products was one of only two industries reporting a decline in October compared to September.

See: <https://www.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/pmi/october/>

**Pace of home building drops again**

The pace of homebuilding fell in October as activity remained constrained by shortages of materials as well as scarce land and labour. Housing starts slipped 0.7% to a seasonally adjusted annual rate of 1.520 million units last month according to Department of Commerce. However, permits for new-builds increased 4% to a rate of 1.650 million units in October.



Data source: US Census Bureau

Hurricane Ida, which struck in late August, caused unprecedented flooding and depressed homebuilding in the Northeast and the densely populated South in September. Aside from the weather, homebuilding has essentially been trading water as builders battle shortages and higher prices of raw materials.

Starts have declined from the 1.725 million units in March, which was more than a 14-year high. Still, homesales are held back by a severe shortage of previously owned homes on the market which has resulted in record house price increases. There is a huge backlog of houses authorised for construction but not yet started.

A survey from the National Association of Home Builders showed confidence among single-family homebuilders rose for the third straight month in November, but noted that “supply-side challenges, including building material bottlenecks and lot and labor shortages, remain stubbornly persistent.” The materials squeeze could ease during winter, a typically slow season for homebuilding in the Northeast and Midwest.

Softwood lumber remains expensive and copper prices, another essential material in homebuilding, are high. In addition, there were about 333,000 job openings in the construction industry as of the end of September, and according to the NAHB, availability of land for building is at multi-decade lows.

**Existing-home sales inched up in October**

Sales of previously owned homes in October rose 0.8% to a seasonally adjusted annualised rate of 6.34 million units according to the National Association of Realtors. While sales were 5.8% lower than October 2020, October of last year was the cyclical high in the market. Realtors are now predicting full-year sales of over 6 million, which would be the highest number of sales since 2006.

"Sales remain very strong and I would attribute that to continuing job additions," said Lawrence Yun, chief economist for the Realtors. Yun also pointed to an increase in investors in the market, likely driven by soaring rents for single-family homes. Investors made up 17% of October buyers, up from 13% in September and 14% in October of 2020.

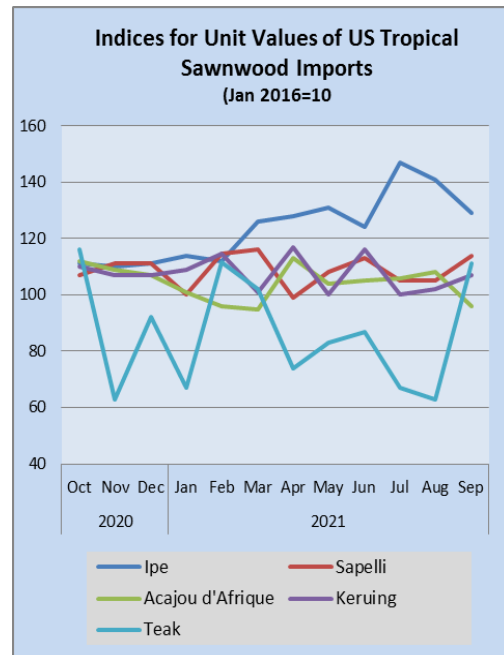
First-time buyers represented 29% of sales compared with 32% a year ago. Historically that share is around 40%.

The supply of existing homes for sale continued to weaken. There were 1.25 million homes available for sale at the end of October, which is 12% lower compared with a year ago. Buyers in October did not get a break from mortgage rates. They rose steadily from the start of August through September.

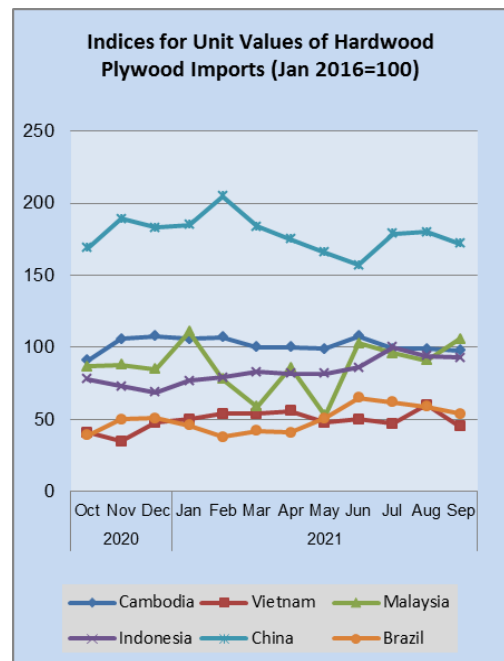
Existing-home sales in the Northeast fell 2.6% in October, registering an annual rate of 750,000, a 13.8% decline from October 2020. Existing-home sales in the Midwest rose 4.2% to an annual rate of 1.5 million in October, a 6.3% decrease from a year ago. Existing-home sales in the South increased 0.4% in October, posting an annual rate of

2.78 million, a 3.5% drop from one year ago. And existing-home sales in the West neither rose nor fell from the prior month's level, registering an annual rate of 1.3 million in October, down 5.1% from one year ago.

See: <https://www.nar.realtor/newsroom/existing-home-sales-inch-up-0-8-in-october>



Data source: US Census Bureau, Foreign Trade Statistics



Data source: US Census Bureau, Foreign Trade Statistics

**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.**

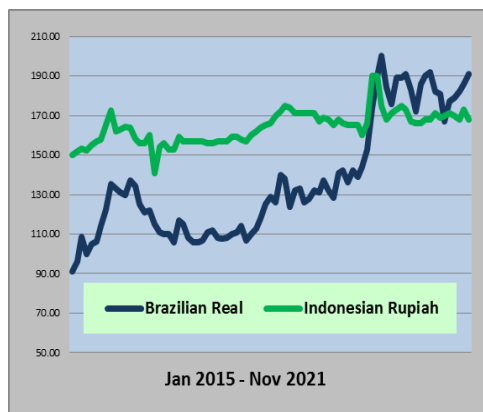
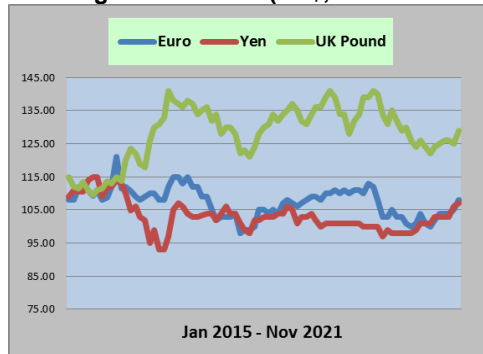
**The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO**

## Dollar Exchange Rates

As of 25 November 2021

Brazil	Real	5.6098
CFA countries	CFA Franc	585.36
China	Yuan	6.393
Euro area	Euro	0.8836
India	Rupee	75.057
Indonesia	Rupiah	14303
Japan	Yen	114.7
Malaysia	Ringgit	4.239
Peru	Sol	410
UK	Pound	0.7497
South Korea	Won	1195.7

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

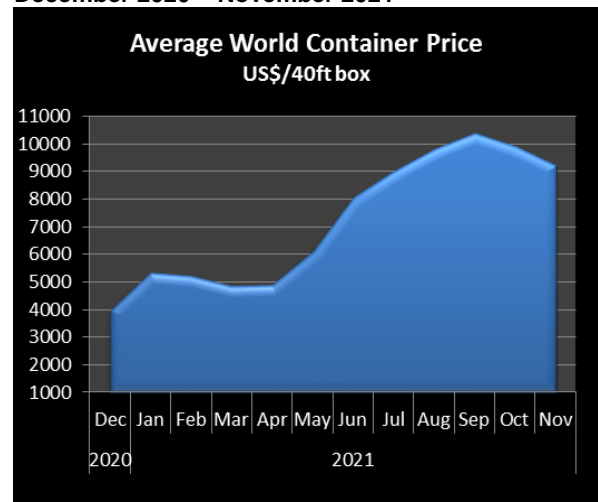


## Abbreviations and Equivalences

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

## Ocean Container Freight Index

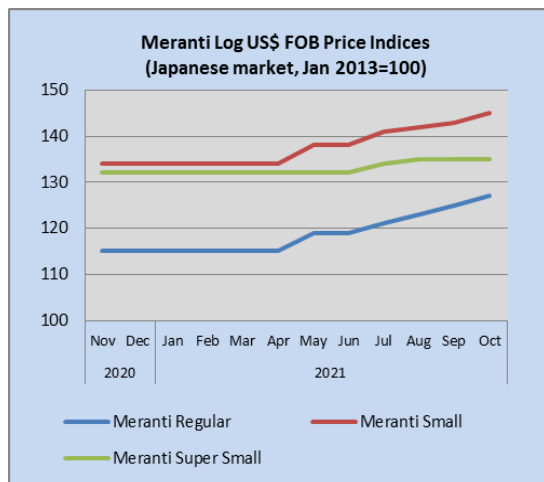
December 2020 – November 2021



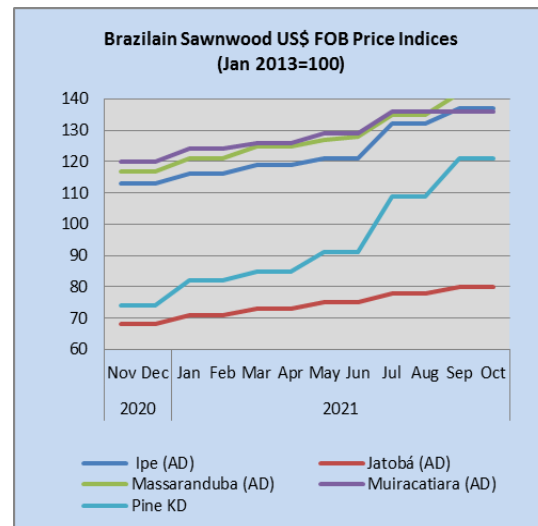
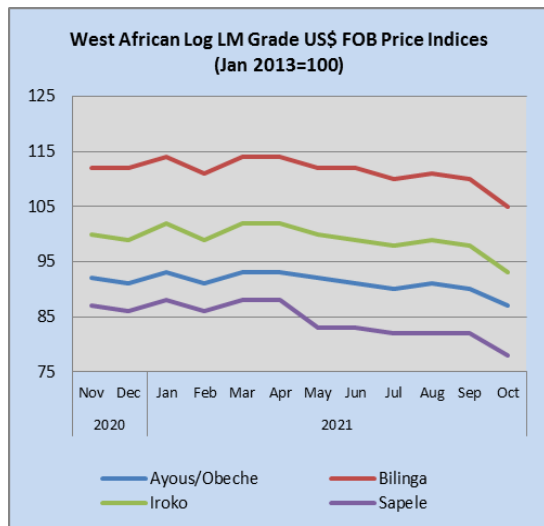
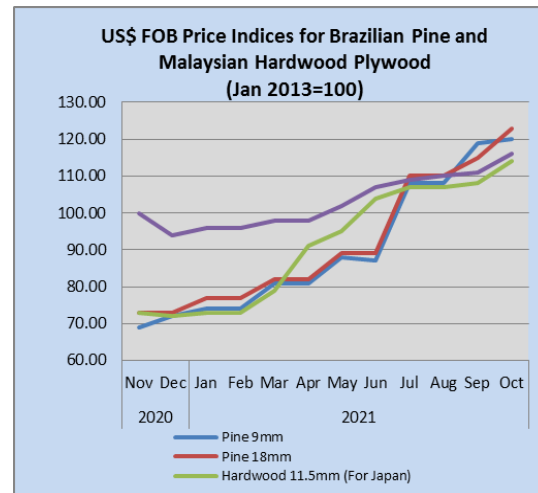
Data source: Drewry World Container Index

**Price indices for selected products**

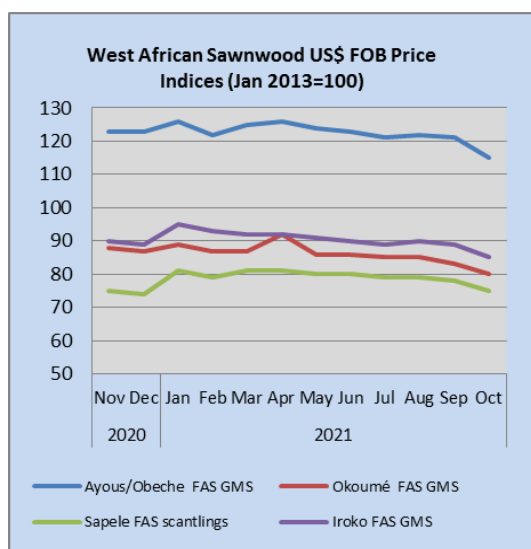
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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