# Tropical Timber Market Report

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## Contents



## Top story

**Surge in China's log imports from PNG and Solomon Is. but overall log imports drop**

China's log imports totalled 9.973 million cubic metres in the first quarter of 2022, a drop of over 30% year on year. Most of the main log suppliers saw their export volumes to China drop except for PNG and the Solomon Islands for which first quarter imports increased.

In contrast, in the first quarter of 2022 China's sawnwood imports were 6.344 million cubic metres valued at US$1.803 billion, up 3% in volume and 15% in value.

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## Headlines

## Central and West Africa

### Improved demand for redwoods observed

Producers in Gabon report favourable weather conditions for harvesting and trucking as the country is in its long dry season this is in contrast to Cameroon where the rain season, which lasts from April to November, has started.

In both countries production levels are normal and order book positions extend for 2-3 months. An upward trend in demand for red woods has been observed and this, it is suggested, could be related to rising timber prices in Europe. As the northern hemisphere summer begins demand for padouk has started to rise.

### CFA 80 mil. netted in fines

The action of the special unit in the Gabon Forestry Department surveying the legality of sawmills in the country (Law 223) has reportedly netted around 80 mil. CFA in fines.

### Yaounnde infrastructure development

According to Alamine Ousmane Mey, Minister of the Economy, Cameroon has secured investments of around CFA1,264 billion to build the Yaounde Ring Road. Of the total, CFA794 billion is to be spent on the bypass and CFA88 billion on compensation for those displaced.

See: https://constructionreviewonline.com/news/cameroon-to-raise-cfa-1264-to-construct-yaounde-ring-road/

### CEMAC plans incentives for investors in advance of log export ban

Sandrine Gaingne, writing for lenouveaugabon has reported on a recent CEMAC workshop saying in preparation for the ban on log exports representatives of the six CEMAC countries (Cameroon, Congo, Gabon, Chad, CAR and Equatorial Guinea) met in Libreville to discuss harmonising the regional guidelines on taxation and forest certification.

Experts and Ministers from the Regional Committee for the Sustainable Industrialisation of the Wood Sector in the Congo Basin were there to assist States define the standards to be harmonised. To mitigate the decline in earnings from log exports the CEMAC Commission is encouraging member States to implement tax incentives for further processing of wood such as a suspension, for a defined period, of customs tariffs for inputs and capital goods necessary for industrialisation.

See: https://www.lenouveaugabon.com/fr/agro-bois/0906-18550-cemac-les-etats-se-preparent-a-l-interdiction-de-l-exportation-des-grumes-censee-entrer-en-vigueur-des-janvier-2023

### Senior forestry official held in Gabon

On 24 May, after a series of interviews at the Directorate General for Counter-Intelligence and Military Security (DGCISM), the Director General of Forests in Gabon, Ghislain Moussavou, was placed under warrant of committal at the central prison in Libreville.

This came as a shock and has disrupted the work of the Forest Department and industry sources say the acting Director is not taking any decisions or signing documents.

See: https://gabonactu.com/escroquerie-le-directeur-general-des-forets-ghislain-moussavou-en-prison/

### No fuel shortage says Gabon petroleum company

After persistent rumours of fuel shortages in a press release the Director of Operations for Patrick Michel Akoma at SGEPP the Gabonese Petroleum Products Storage Company denied rumours of a fuel shortage in the country saying “No stock shortage has been observed to date in our depots and there is no indication of this eventuality,”

See: https://www.gabonreview.com/gabon-la-sgepp-eteint-les-rumeurs-dune-penurie-de-carburant/

### Timber trafficking investigation

Jeune Afrique has reported on an investigation it conducted on timber trafficking and presented the results under the following headlines:

- Timber trafficking in Côte d'Ivoire: the case that precipitated the fall of Alain-Richard Donwahi
- Cameroon-Nigeria: from Yaoundé to Lagos, timber and timber money
- Senegal: when timber trafficking fuels the rebellion in Casamance
- Precious wood: on the roads of plunder

See: https://www.jeuneafrique.com/dossiers/trafic-de-bois-sur-la-piste-dun-crime-environnemental/

### Log export prices

| West African logs | FOB Euro per cu.m | | |
|---|---|---|---|
| Asian market | LM | B | BC/C |
| Acajou/ Khaya/N"Gollon | 265 | 265 | 175 |
| Ayous/Obeche/Wawa | 250 | 250 | 225 |
| Azobe & ekki | 275 | 275 | 175 |
| Belli | 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 | 230 | 210 | - |
| 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 | 430 |
| Bilinga FAS GMS | 540 |
| Okoumé FAS GMS | 480 |
| Merchantable KD | 420 |
| Std/Btr GMS | 370 |
| 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 |

## Ghana

#### Wood product exports dropped in early 2022

The much delayed wood products export figures published by the Timber Industry Development Division (TIDD) of the Forestry Commission for the period January to February 2022 reports a year on year 5% increase in export volumes but a decline of over 15% in export earnings. The country earned Eur19.26 million from the exports of 44,237 cu.m in the first two months of 2022.

The low value for exports is reflected in the steep decline in the average unit price which dropped from Eur583/cu.m in the Jan-Feb2021 period to only Eur435/cu.m in the January-February 2022 period.
The tables below show export statistics for the period under review.

#### Export volumes, cu.m

| | 2021 Jan-Feb | 2022 Jan-Feb | Y-o-Y % change |
|---|---|---|---|
| Sawnwood (AD) | 20,658 | 21,630 | 5 |
| Sawnwood (KD) | 6,070 | 6,577 | 8 |
| Billets | 8,254 | 5,809 | 30 |
| Plywood | 2,836 | 4,351 | 53 |
| Mouldings | 1,808 | 1,620 | -10 |
| Sliced Veneer | 1,328 | 1,179 | -11 |
| Rotary Veneer | 918 | 1,814 | 98 |
| Boules (AD) | 42 | 271 | 500 |
| Others | 259 | 986 | 280 |
| Total | 42,173 | 44,237 | 5 |

Data source: TIDD, Ghana

#### Export values, Euro 000s

| | 2021 Jan-Feb | 2022 Jan-Feb | Y-o-Y % change |
|---|---|---|---|
| Sawnwood (AD) | 10,587 | 8,190 | -23 |
| Sawnwood (KD) | 4,104 | 3,723 | -9 |
| Billets | 3,453 | 1,751 | -49 |
| Plywood | 1,068 | 1,737 | 62 |
| Mouldings | 1,273 | 1,119 | -12 |
| Sliced Veneer | 1,597 | 1,438 | -10 |
| Rotary Veneer | 490 | 794 | 62 |
| Boules (AD) | 22 | 190 | 700 |
| Others | 115 | 315 | 174 |
| Total | 22,709 | 19,257 | -15 |

Data source: TIDD, Ghana

Air and kiln-dried sawnwood accounted for 49% and 15% respectively of the total export volume for the period. The volumes of these products exported in 2022 were higher than in the same period in 2021. However, the export earnings dropped considerably (-22% and -9%).

Plywood exports to regional market in the first two months of this year were 53% higher year on year and totalled 4,351 cu.m valued at Eur1.74 million. The volume of plywood exports represented around 10% of total wood exports for the period.

The major markets for the country's wood products for the period reported were Asia (60%), Europe (17%) and Africa (13%) with N. America and accounting for much of the balance. The main species exported were teak, ceiba, wawa, denya and essa.

#### Ghana gets loan to support greening project

At the 2022 Edition of the Ghana Green Day celebration the Minister for Lands and Natural Resources revealed that the government has secured US$7 million World Bank Loan under the Forest Investment Programmes for the Green Ghana Project. The loan is to support private investments in about 5,000 ha. of forest plantation.

The Minister said the government is very committed to restoring the forest reserves in the country under the Ghana Landscape and small-scale mining project. According to him the ministry is taking every possible step to pursue reclamation efforts to increase the country's green cover and provide livelihoods for local communities. Ghana's forest cover has declined over the years from illegal felling operations, mining and bushfires.

See:https://www.ghanaweb.com/GhanaHomePage/NewsArchive/Government-secures-US-7-million-for-Green-Ghana-project-1558313

**AGI to support SMEs growth**

The Association of Ghana Industries (AGI) and Development Bank Ghana (DBG) have signed a Memorandum of Understanding (MoU) to strengthen their commitment in promoting growth of Small and Medium-sized Enterprises. SMEs in Ghana comprise around 80% of all businesses which is why the AGI considers it critical to offer structured support for this sector of the economy.

See: https://www.agighana.org/agi-dbg-relations-will-support-small-and-medium-size-businesses-to-grow-ghana-agi/

**BoG assures businesses of macroeconomic stability**

The Bank of Ghana (BoG) says it is working to ensure the country's economy regains its stability and see that prices remain stable.

Speaking on behalf of the Governor of the Bank of Ghana the Head of Research, Philip Abredu-Otoo, said the Central Bank is using all its efforts to persuade financial institutions to lend to businesses. Manufacturing industries, including timber-processing companies, are faced with rising operational costs which affect their ability to repay loans.

See: https://www.myjoyonline.com/efforts-underway-to-return-country-to-economic-stability-bog-assures-ghanaians/

**Boule export prices**

| | Euro per cu.m |
|---|---|
| Black Ofram | 330 |
| Black Ofram Kiln dry | 420 |
| Niangon | 720⬆ |
| Niangon Kiln dry | 690⬆ |

**Export rotary veneer prices**

| Rotary Veneer, FOB | Euro per cu.m | |
|---|---|---|
| | CORE (1-1.9 mm ) | FACE (>2mm) |
| Ceiba | 374⬆ | 441 |
| Chenchen | 375 | 612 |
| Ogea | 469 | 590 |
| Essa | 513 | 619 |
| Ofram | 350 | 435 |

**Export sliced veneer**

| Sliced face veneer | FOB Euro per cu.m |
|---|---|
| Asanfina | 1,096 |
| Avodire | 1,300⬆ |
| Chenchen | 888⬇ |
| Mahogany | 1,552⬇ |
| Makore | 664⬇ |
| Odum | 2,084⬆ |
| Sapele | 1,838⬆ |

**Export plywood prices**

| Plywood, FOB | Euro per cu.m | | |
|---|---|---|---|
| BB/CC | Ceiba | Ofram | Asanfina |
| 4mm | 317⬆ | 580 | 641 |
| 6mm | 412 | 535 | 604 |
| 9mm | 370 | 504⬆ | 560 |
| 12mm | 583 | 476 | 480 |
| 15mm | 450 | 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 | Euro per cu.m | |
|---|---|---|
| FAS 25-100mmx150mm up x 2.4m up | Air-dried | Kiln-dried |
| Afrormosia | 860 | 925 |
| Asanfina | 465 | 564 |
| Ceiba | 290 | 353 |
| Dahoma | 388⬇ | 512⬆ |
| Edinam (mixed redwood) | 640⬆ | 733⬆ |
| Emeri | 435⬇ | 642⬆ |
| African mahogany (Ivorensis) | 1,239 | 751⬇ |
| Makore | 560 | 760⬇ |
| Niangon | 685 | 586 |
| Odum | 491 | 784⬇ |
| Sapele | 800 | 822⬆ |
| Wawa 1C & Select | 422 | 430⬇ |

## Malaysia

**Strong demand drives up exports – challenges remain**

Malaysia's total trade in wood and wood products increased by 10% to RM8.64 billion in the first quarter of 2022, from RM7.89 billion in the same period in 2021.

Timber industries around the world are trying to adjust to the disruption in the global supply chain. Sanctions on Russia have removed a vast volume of wood products from the market and at the same time there is growing demand. Both issues are having the effect of driving up prices.

Malaysia's exports of wood products between January and March this year increased by 8.2% to RM6.54 billion compared to RM6.04 billion a year ago. Wooden furniture remained the big earner at RM3.1 billion, or 47% of first quarter exports followed by plywood (RM896.5 million: 14%) and sawnwood (RM640.9 million: around 10%).

The top three export destinations for Malaysia's wood products in the first quarter 2022 were the United States (30%), Japan (15%) and China (9%). Malaysia's exports of wooden furniture were mainly to the United States (59%) followed by Japan (6%) and Singapore (4%).

There was also a 16% rise in the imports of wood products to RM2.1 billion in the first quarter 2022 versus RM1.8 billion a year ago with imports from China (37%) followed by Indonesia (20%) and Vietnam (9%).

Among the materials imported were sawnwood and veneer which increased by 54% and 57%, respectively, year-on-year. However, there was a drop in imports for particleboard and logs.

See:
https://mtc.com.my/images/media/1149/MTC_Press_Release_on_Malaysian_Timber_Industry-s_Q1_2022_Performance_-_31_May_2022.pdf

In related news, Sarawak's timber industry saw a recovery in exports in 2021 compared to 2020 driven by rising prices for major products such as plywood, logs, sawnwood and fibreboard.

Exports in the first quarter of this year increased 26% year on year to RM1.04 billion with Japan accounting for almost 60% of this trade. Other major markets were India, RM119 million, the United States, RM61 million, the Middle East, RM44 million, Taiwan P.o.C RM43 million and the Philippines RM41 million. In terms of products, plywood exports increased 23% in value in the first quarter of 2022.

See: https://www.theborneopost.com/2022/05/26/sarawaks-timber-exports-sees-recovery-in-spite-of-pandemic/

Sabah forestry Annual Report 2021
The 2021 Annual Report of the Sabah Forestry Department describes the projects, activities and achievements undertaken by the Department throughout the year. The digital version of the Annual Report 2021 is available from the Sabah Forestry Department website at: http://www.forest.sabah.gov.my/docs/ar/2021/AR2021.pdf.

**Ply prices firming**
Malaysian plywood manufacturers are upbeat about strong demand and firmer prices for tropical hardwood plywood in the Japanese market this year. Tropical hardwood plywood wholesale prices have remained very stable in Japan but this changed drastically following Russia's invasion of Ukraine and trade sanctions imposed by Japan and western nations.

Malaysia was the number one exporter of tropical plywood to Japan last year and it remained as the top supplier in the first quarter of 2022.

**Plywood export prices**
Plywood traders based in Sarawak reported the following export prices:

| | |
|---|---|
| FB (11.5 mm) | US$930 C&F/cu.m |
| CP (3' x 6') | US$795 C&F/cu.m |
| UCP (3' x 6') | US$855 C&F/cu.m |
| Middle East (DBB/CC) | US$580 FOB/cu.m |
| HK/China | US$570 FOB/cu.m |

## Indonesia

**Promote multi-business forestry model to optimise potential**
The Indonesian Chamber of Commerce and Industry (KADIN) launched the Regenerative Forest Business Sub Hub (RFBSH) initiative to promote multi-business forestry models in the management of production forest.

Director General of Sustainable Forest Management Ministry of Environment and Forestry, Agus Justianto, said that he appreciates this initiative as a step towards the adoption of multi-business forestry concept.

Agus explained that the multi-business forestry concept has the landscape as its basis.

This means that businesses in forest areas can not only utilise wood and non-timber products but can develop and generate income from environmental and other services. He added, multi-business forestry will encourage sustainable forest management and contribute to the country's climate change commitments.

Deputy Chairman of KADIN, Silverius Oscar Unggul, said that RFBSH will create an opportunity for dialogue between KADIN and KLHK and related parties.

See: https://www.jpnn.com/news/kadin-gandeng-klhk-wujudkan-program-multiusaha-kehutanan

**Private sector collaboration on developing social forest plantations**
The Indonesian Forest Concessionaires Association (APHI) signed a memorandum of understanding (MOU) with Fairventure Social Forestry (FSF) to develop a social forestry-based plantation forest.

The MoU was signed by APHI Chairman, Indroyono Soesilo, and FSF Director, Hernica Rasan. The Germany based FSF will work together to develop social forestry in the Forest Utilization Permit (PBPH) concessions of APHI members.

Indroyono said this collaboration is another APHI membership contribution in support of job creation in the forestry sector. Indroyono continued," the second goal of this collaboration is to create a pilot area that can be used as a reference in the future on how to manage social forestry-based plantation forest". Another objective is related to the commitment to reduce greenhouse gas (GHG) emissions.

See:https://forestinsights.id/2022/05/28/aphi-collaborates-with-fairventure-social-forestry-to-develop-social-forestry-based-plantation-forest/

**President reports of fire management success**
The Indonesian President reported achievements in fighting forest fires at the 7th Global Platform for Disaster Risk Reduction 2022 saying "Indonesia has succeeded in reducing damage from forest fires from 2.6 million hectares (in 2015) to 358,000 hectares in 2021.

He explained the efforts made to reduce the number of forest fires. Up to 2021 Indonesia had restored 3.4 million hectares of peatland as well as maintained and revitalised 3.3 million hectares of mangrove forest, around 20% of the mangrove area.

See: https://en.tempo.co/read/1595050/jokowi-indonesia-manages-to-reduce-forest-fire-to-only-358000-ha-in-2021

**China/Indonesia cooperation in timber sector**
The Chinese company Shandong Timber and Wood Products Association and the management of the Sei Mangkei Special Economic Zone, North Sumatra, signed a Memorandum of Understanding (MoU) for the development of an international industrial area.

The Indonesian Ambassador to China, Djauhari Oratmangun, said this MoU was the result of intense negotiations between the Indonesian Embassy in Beijing and the Shandong Association for almost 3 years.

The Shandong Association, a major business player in the timber sector in China is believed to be able to make a significant contribution to improve the quality of wood production in Indonesia. The chairman of the Shandong Association, Yang Yuelu, said, "This investment will strengthen cooperation between the two countries in the context of the synergy between the Belt and Road Initiative and the Global Maritime Fulcrum.

See: https://dunia.rmol.id/read/2022/05/28/535097/dubes-djauhari-optimis-kerja-sama-investasi-industri-kayu-china-indonesia-bisa-membawa-manfaat-kedua-negara

**Regional FSC Standard for smallholders in Indonesia approved**

This standard is for the use by smallholders owning plantations in Indonesia (Management Units smaller than 20 ha) and applies to rough wood and non-timber forest products. The standard has been written in easy to understand language and provides realistic and achievable indicators relevant to the circumstances of smallholders in Indonesia.

The Regional Forest Stewardship Standard (RFSS) in Indonesia is an adaptation of the approved RFSS for Asia Pacific for Smallholders in Indonesia, India, Thailand and Vietnam.

See: https://fsc.org/en/newsfeed/regional-forest-stewardship-standard-for-smallholders-in-indonesia-approved

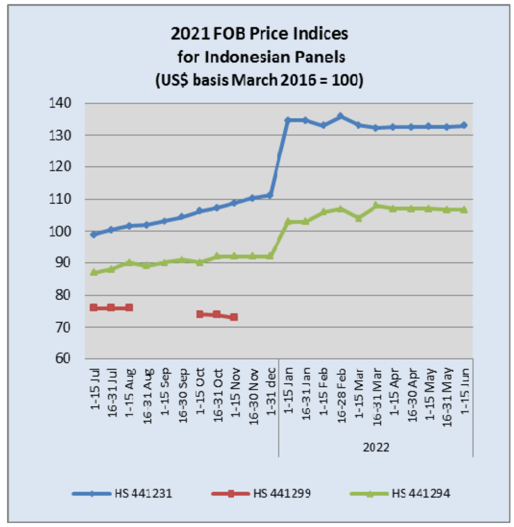
**Indonesia's first wood pellet plant**

Indonesian coal producer, Mitrabara Adiperdana, (MBAP) will construct a wood pellet plant as part of its plans to diversify into renewable energy production. The plant is expected to be operational in the first quarter of 2024.

MBAP plans to export the bulk of the pellets from the plant to Japan and will be applying for certification that will qualify the pellets to be used in Japan's feed-in-tariff scheme.

Indonesia exported 366,286 tonnes of wood pellets in 2021 up from 310,546 tonnes in 2020. Indonesia is Asia-Pacific's biggest palm kernel shell exporter and the third-largest wood pellet exporter after Vietnam and Malaysia.

See: https://www.argusmedia.com/en/news/2339079-indonesias-mbap-to-build-its-first-wood-pellet-plant?backToResults=true




Data source: License Information Unit. [http://silk.dephut.go.id/](http://silk.dephut.go.id/)

## Myanmar

**Reduce reliance on natural resources - State Administration Council**

At a ceremony to mark the World Environment Day 2022 the Chairman of the State Administration Council and Prime Minister, Senior General Min Aung Hlaing, reported that 25.8% of Myanmar's forests are reserved or protected areas. He continued saying "Myanmar needs to emphasise lessening environmental degradation and adaption to avoid the negative impact of climate change".

The environmental policy of the government appears unchanged but critics have voiced concern over an apparent shift from a conservation-oriented policy to one of income generation.

see - [https://www.gnlm.com.mm/it-is-necessary-to-reduce-reliance-of-businesses-on-products-of-underground-and-above-ground-natural-resources-senior-general/#article-title](https://www.gnlm.com.mm/it-is-necessary-to-reduce-reliance-of-businesses-on-products-of-underground-and-above-ground-natural-resources-senior-general/#article-title)

**Harvesting ban could starve millers**

The current government put a stop to timber extraction from April to September 2022 and for the financial year from October 2022 to September 2023. As a result of such long logging ban commentators say log supplies may not meet the demand of the manufacturers but it is not clear how this will be addressed.

The supply issue has been exacerbated as the Myanma Timber Enterprise, the sole and only legal supplier of logs, is facing problems transporting logs from the remote extraction sites to Yangon where the manufacturers have their operations due to security concerns.

It is not possible to assess the current level of exports as the the Ministry of Commerce has not updated statistics on wood product export since December 2021.

**Marketing plantation teak products will be tough**

The local newspaper 'Light of Myanmar' has reported that the forestry minister met with manufacturers and discussed the market situation and the production of doors using the teak from the plantation forests. For Myanmar, which utilsed natural teak for decades, the introduction of products made from the plantation teak will be a challenging matter not only for the domestic but also international markets.

**Numbers of players in timber sector dwindles**

The number of wood product exporters in Myanmar was over 100 between 2010 and 2015 but has now declined to around 50. It has been learnt two big factories, one local and one Indian have recently stopped operations.

The timber industry was one of the top export sectors and was included in the National Export Strategy, an initiative aided by the World Bank. Before 2021 the World Bank had tried to assist development of plantation and community forestry but this has come to an end.

**World Bank Survey and Forecast 2022**

The latest World Bank comments on the Myanmar economy are reproduced below:

"The combined effects of the February 2021 military coup and of COVID-19 have deepened Myanmar's economic and humanitarian crisis. The World Bank's January 2022 Myanmar Economic Monitor projects that following an expected 18 percent contraction of the economy in the year ended September 2021, Myanmar's economy will grow 1 percent in the year to September 2022.

While reflecting recent signs of stabilisation in some areas, the projection remains consistent with a critically weak economy, around 30 percent smaller than it might have been in the absence of COVID-19 and the February 2021 coup.

Ongoing economic pressures are having a substantial effect on vulnerability and food security, particularly for the poor, whose savings have been drained as a result of recent shocks. The share of Myanmar's population living in poverty is expected to have doubled compared to pre-COVID-19 levels.

Combined with pressures on agricultural production, rapid price inflation and reduced access to credit are expected to further compound food security risks. An estimated one million jobs are lost, and many other workers experience a decline in their incomes due to reduced hours or wages.

With a low vaccination rate, inadequate health services and recent trends of escalating conflict, Myanmar continues to be highly vulnerable to the ongoing COVID-19 pandemic.

Over the longer term, recent events have the potential to jeopardise much of the development progress that has been made over the past decade. Significant impacts on investment, human capital accumulation and the environment for doing business are likely to impair prospects for economic growth."

See:
https://www.worldbank.org/en/country/myanmar/overview#:~:text=The%20World%20Bank's%20January%202022,the%20year%20to%20September%202022.

## India

**Strong growth but rising prices of concern**

Growth in India's manufacturing sector remains positive, growing at the fastest pace in more than 11 years in May on the back of strong international demand. This was at a time when concerns about the level of inflation dampened business sentiment. The S&P Global India Manufacturing Purchasing Managers' Index (PMI) was at 54.6 in May, well into postive territory.

However, rising prices dented consumer sentiment which dropped sharply in May. The main impact was felt in rural areas because of the export ban on wheat and sugar. Analysts commented that what is most worrying is that the recent weakening has moved at a fast pace, much faster than the pace of the recent rise.

**Ties with Africa – VP visits Gabon**

The relationship between India and African countries is strong and driven trade and investments as well as cultural, historical and political engagements. Between 30 May and 3 June the Indian Vice President, Venkaiah Naidu, visited Gabon and Senegal. In addition to official meetings the Vice President met with the business community in Gabon and addressed Indians living and working in the country.

See: https://gabonactu.com/signature-dun-memorandum-entre-lanpi-et-la-confederation-de-lindustrie-indienne-en-prospection-au-gabon/

A number of bilateral agreements were discussed to expand investment, trade and cooperation. Around 800 Indians are living in Gabon, engaged in infrastructure projects, trading and exports of timber and metal scrap. Around 50 Indian companies are established in the Gabon Special Economic Zone (GSEZ).

India is making efforts towards strengthening ties with Africa. In 2008 India introduced a duty-free tariff preferential scheme for Least Developed Nations which benefits 33 African states.

In related news, on the sidelines of the Gabon-India Business Forum in Libreville the Director General of the National Agency for the Promotion of Investments (ANPI) signed, with the Confederation of Indian Industry (CII), a memorandum of agreement to facilitate investment between the two countries in priority sectors.

At the signing ceremony Ghislain Moandza Mboma said the mission of ANPI is to promote investment opportunities in Gabon, establish partnerships through creating bridges for dialogue.

**New timber research centre to be established**

To promote the plywood industry, Haryana Chief Minister, Manohar Lal Khattar, announced plans to establish a forest research institute in the State. Khattar said that the State Government is planning to create an industrial zone to attract businesses specifically to provide opportunities for young people.

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

Freight rates continue to be high leaving a only small margin for importers. It has been reported that teak shipments from Ghana, Brazil and South Sudan have increased recntly but prices remain unchanged.

| | US$/cu.m C&F |
|---|---|
| Benin | - |
| Sawnwood | 325-712 |
| Brazil | 313-600 |
| Sawnwood | 489-777 |
| Cameroon | - |
| Sawnwood | 974 |
| Colombia | 245-615 |
| Costa Rica | 350-652 |
| Ecuador | 246-495 |
| Gabon | 370 |
| Ghana | 270-559 |
| Sawnwood | 485 |
| Guatemala | 277-594 |
| Ivory Coast | 263-458 |
| Sawnwood | 375-752 |
| Mexico | 322-439 |
| Sawnwood | 373-585 |
| Panama | 252-539 |
| PNG | 389-595 |
| Sawnwood | 492-677 |
| Tanzania | 344-930 |
| Sawnwood | 471-1,068 |
| Togo | 259-532 |
| S. Sudan | 367-676 |
| Sawnwood | 342-633 |
| Nigeria | 290-630 |
| El Salvador | 328-520 |
| Nicaragua | - |
| Sawnwood | 328-564 |
| Solomon Is. | 248 |
| Surinam | 222 |
| Myanmar sawn | 791-980 |

**Locally milled sawnwood prices**

| Sawnwood Ex-mill | Rs per cu.ft. |
|---|---|
| Merbau | 3,800-4,200 |
| Balau | 2,500-2,700 |
| Resak | - |
| Kapur | - |
| Kempas | 1,455-1,750 |
| Red meranti | 1,500-1,800 |
| Radiata pine | 900-1,050 |
| Whitewood | 900-1,050 |

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 | 1,900-2,000 |
| Red Oak | 2,100-2,200 |
| White Oak | 2,700-3,000 |
| American Walnut | 4,500-5,000 |
| Hemlock STD grade | 1,350-1,600 |
| Western Red Cedar | 2,220-2,450 |
| Douglas Fir | 2,000-2,200 |

Price range depends mainly on lengths and cross-sections.

**Illicit trade in subsidised urea**

Officials have seized and made arrests as a large quantity of urea was diverted illegally for non-agriculture purposes. The urea fertilisers were seized in Haryana, Kerala, Uttar Pradesh, Gujarat, Madhya Pradesh, Telangana, and Andhra Pradesh. An official said, despite being neem-coated, the urea meant for agricultural use was diverted to manufacturers of dyes, plywood glue and cattle feed.

## Vietnam

**Trade highlights**

Vietnam's W&WP exports to the Chinese market in May 2022 are estimated at US$181 million, up 21.1% compared to May 2021. In the first 5 months of 2022, W&WP exports to the Chinese market were estimated at US$722.1 million, up 5.3% over the same period in 2021.

In April 2022, exports of bedroom furniture reached US$286.6 million, up 36% compared to April 2021. In the first 4 months of 2022 exports of bedroom furniture reached US$870.4 million, up 11% over the same period in 2021.

Vietnam's poplar wood imports in May 2022 reached 35,500 cu.m, worth US$17.4 million, up 25% in volume and 28% in value compared to April 2022, however compared to May 2021 they were down by 3.4% in volume and 15% in value. In the first five months of 2022 poplar wood imports reached 130,700 cum, worth US$63.4 million, down 19% in volume and 7% in value compared to 2021.

W&WP exports in May 2022 are reported at US$1.55 billion, a growth of 8% compared to May 2021. In the first 5 months of 2022 exports of W&WP are estimated at US$7.15 billion, up 6.9% over the same period in 2021.

With the results achieved over the first 5 months of 2022, the year-on-year growth is expected to reach 8%.

Despite positive export growth, Vietnam's wood and wood products exports still face many challenges, including unpredictable developments of the pandemic, risk of supply chain disruption due to global trade uncertainties, escalated freight rates and logistics and scarcity of imported raw materials.

The opportunities that FTAs bring to businesses by cutting tariff are immense. However, trade protection with new technical barriers, including the imposition of anti-dumping/anti-subsidy duties, among others may hamper Vietnam's export growth.

**Exports in first five months**

W&WP exports in May 2022 were reported at US$1.55 billion a growth of 8% compared to May 2021. In the first five months of 2022 exports of W&WP were estimated at US$7.15 billion, up 7% over the same period in 2021. With the results achieved over the first 5 months of 2022 the year-on-year growth in the first half of 2022 is expected to reach 8%.

Despite positive growth exporters face many challenges such as unpredictable developments of the Covid-19 pandemic, risk of supply chain disruption due to global trade uncertainties, escalated freight rates and logistics, and scarcity of imported raw materials and fuel.

The opportunities that FTAs bring to businesses through reduced tariff are immense. However, trade protection through new technical barriers along with anti-dumping/anti-subsidy duties may hamper export growth.

Over the last 5 months of 2022 exports of bedroom furniture, flooring, woodchips, kitchen cabinets, wooden doors, handicraft furniture, mirror frames all grew well. In particular the exports of kitchen cabinets topped the growth rate reaching US$447.9 million, up 54% over the same period in 2021.

After cabinets was wood flooring where exports generated US$700 million, up 27%; wooden doors brought in about US$16.7 million, up 28%. This growth momentum is expected to continue in the next months of the year.

**W&WP exports Jan-Apr 2022**

| | Jan-Apr 2022<br>US$ mil. | Yoy<br>% change |
|---|---|---|
| Wooden seats | 1230 | -4,5 |
| Dining-room furniture | 1119 | -2,3 |
| Bed-room furniture | 870 | 10,7 |
| Panel & flooring | 700 | 26,5 |
| Woodchips | 678 | 7,2 |
| Kitchen cabinets | 449 | 53,5 |
| Office furniture | 126 | -26,1 |
| Wooden doors | 17 | 28,7 |
| Fine-art furniture | 11 | 19,1 |
| Mirror frame | 2 | 20,1 |

Source: Vietnam General Department of Customs

**Export markets**

In the first 4 months of 2022, despite the pandemic situation and the Russian invasion of Ukraine W&WP export markets grew quite positively. In particular the US continues to be the largest furniture market for Vietnam with exports reaching US$3.34 billion in the first four months of the year, up 6.6% compared to the same period in 2021.

The second market was Japan at US$545.2 million, up 15%; China US$539.9 million, up 2%; South Korea US$356.6 million, up 21%; and the EU US$263.5 million, up 5%.

The W&WP exports to Japan, Australia and Malaysia increased sharply in the first 4 months of 2022. These countries are members of the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP). The new FTAs, thus, has supported Vietnam's wood processing industry to boost exports to many markets by increasing its competitiveness over exporters from non-FTA countries.

See:
http://www.asemconnectvietnam.gov.vn/default.aspx?ZID1=8&ID1=2&ID8=120040

**Directive to eliminate deforestation and encroachment**

A recent government directive identifies serious violations of regulations on forest protection in some provinces such as large-scale illegal deforestation.

To effectively prevent deforestation and implement international commitments made at the 26th United Nations Climate Change Conference (COP26) the Prime Minister instructed relevant ministries, sectors and local authorities to tighten the management of forests particularly limiting the change of purpose of forest land. He added, investigations into illegal forest destruction cases should be speeded up and violators punished.

Provinces and cities must direct forest rangers to examine and evaluate the entire natural forest area under their management so as to promptly detect, prevent and deal with acts of encroachment on forest land according to the directive.

See: https://en.nhandan.vn/scitech/item/11561202-pm-requires-action-be-taken-against-illegal-forest-destruction-encroachment.html

## Brazil

### Centres to combat deforestation and fires in the Amazon

In May the National Council of the Legal Amazon (Conselho Nacional da Amazonia Legal - CNAL) that coordinates and integrates the activities of ministries and Federal agencies related to the Amazon Region hosted a meeting to discuss the Brazilian Federal Government's actions for the preservation and development of the Amazon. The Ministry of Science, Technology and Innovations (MCTI) attended the meeting and highlighted the main initiatives in the Legal Amazon.

As a result it was decided to establish 6 centres to combat illegal deforestation and forest fires in the region. These bases are part of the Operation Guardians of the Amazon Biome, a joint action with the Ministry of Justice and the Ministry of the Environment. The eventual aim is to have 10 bases operating throughout the Amazon Region.

During the meeting the importance of combining preservation and conservation along with the development of the Legal Amazon was highlighted. Mention was made of the investments in research and incentives for the sustainable utilisation of the Amazon biodiversity, the “Regenera Brazil” programme for the recovery of degraded areas and international partnerships in projects such as the ATTO Tower (Amazon Tall Tower Observatory).

The CNAL meeting also dealt with the Strategic Plan of the National Council for the Legal Amazon 2020-2030 and the “Our Amazon Plan”. These plans align and integrate the actions planned by the Federal government for the region.

### CAD Madeira programme strengthened

The CAD Madeira programme has been upgraded in order to ensure the registration of companies that sell timber and other forest products coming from natural forests.

The programme is one of the modules of the Legal Wood initiative which seeks to curb the illegal trade of timber coming from the natural forest to the state of São Paulo (main financial centre of the country).

Through the registration process the programme also has an inspection component with the support from the Environmental Police which is engaged in the monitoring of logging, timber processing, transport, commercialisation and storage of forest products.

Among the measures updated are the current rules, supply chain analysis for the issuance of the programme's seal and state certification for companies and traders that acquire timber from suppliers registered in the programme.

The objective is to encourage the purchase of materials from suppliers registered with the state to ensure traceability and verification of the origin of timber based on management plans registered with SINAFLOR (National System of Control of the Origin of Forest Products).

See: https://www.infraestruturameioambiente.sp.gov.br/2022/06/governo-de-sao-paulo-amplia-programa-contra-madeira-ilegal/

### “Casa Brazil” event in New York

The United States, one of the largest importers of Brazilian furniture products, welcomed 65 Brazilian companies to the “Casa Brazil” event in New York held at the end of May. The event was promoted by the Brazilian Trade and Investment Promotion Agency (Apex Brazil) and was held in parallel to the International Contemporary Furniture Fair (ICFF), the largest fair for contemporary furniture design in North America.

The US is Brazil's biggest trading partner for furniture accounting for 23% of Brazilian furniture exports which is 40% of the national production. According to Apex, Brazil saw a 51% increase in furniture exports between 2020 and 2021. For 2022, according to the projections, the increase should follow the trend and a 42% increase is estimated.

See: https://pix11.com/news/local-news/manhattan/nyc-exhibit-casa-brasiloffers-an-immersive-brazilian-experience/

**Domestic log prices**

| Brazilian logs, mill yard, domestic | US$ per cu.m |
|---|---|
| Ipê | 309 |
| Jatoba | 138 |
| Massaranduba | 125 |
| Miiracatiara | 124 |
| Angelim Vermelho | 120 |
| Mixed redwood and white woods | 94 |

Source: STCP Data Bank

**Domestic sawnwood prices**

| Brazil sawnwood, domestic (Green ex-mill) | US$ per cu.m |
|---|---|
| Ipé | 1,351 |
| Jatoba | 660 |
| Massaranduba | 647 |
| Muiracatiara | 577 |
| Angelim Vermelho | 573 |
| Mixed red and white | 383 |
| Eucalyptus (AD) | 255 |
| Pine (AD) | 190 |
| Pine (KD) | 234 |

Source: STCP Data Bank

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

| Parica | US$ per cu.m |
|---|---|
| 4mm WBP | 579 |
| 10mm WBP | 489 |
| 15mm WBP | 427 |
| 4mm MR. | 526 |
| 10mm MR. | 390 |
| 15mm MR. | 358 |

Prices do not include taxes. Source: STCP Data Bank

**Prices for other panel products**

| Domestic ex-mill prices | US$ per cu.m |
|---|---|
| 15mm MDParticleboard | 293 |
| 15mm MDF | 371 |

Source: STCP Data Bank

**Export sawnwood prices**

| Sawnwood, Belem/Paranagua Ports, FOB | US$ per cu.m |
|---|---|
| Ipe | 2,295 |
| Jatoba | 1,203 |
| Massaranduba | 1,210 |
| Muiracatiara | 1,221 |
| Pine (KD) | 279 |

Source: STCP Data Bank

**Export plywood prices**

| Pine plywood EU market, FOB | US$ per cu.m |
|---|---|
| 9mm C/CC (WBP) | 386 |
| 12mm C/CC (WBP) | 354 |
| 15mm C/CC (WBP) | 346 |
| 18mm C/CC (WBP) | 341 |

Source: STCP Data Bank

**Export prices for added value products**

| FOB Belem/Paranagua ports | | US$ per cu.m |
|---|---|---|
| Decking Boards | Ipê | 4,737 |
| | Jatoba | 2,119 |

Source: STCP Data Bank

## Peru

### ADEX recommends tax rebate for SME sub-contractors

According to an Association of Exporters (ADEX) press statement Peru has 21 Free Trade Agreements with 54 countries which opens the possibility of accessing a large international market.

Non-traditional exports (such as wood products) are constantly growing in part due to the FTAs and this is reflected in the fact that in the last two decades Peruvian shipments abroad multiplied by seven times.

In addition, Peru has three million jobs associated with export activity which contributes around 29% of GDP. That is why ADEX is urging the government to introduce measures so as not to lose what has been achieved in the last 20 years.

Regarding this, the president of the ADEX, Julio Pérez Alván, recalled that "among the short-term measures we propose to restoring the drawback to the SMEs that are part of the export chain."

The drawback is the Customs system that allows the return of a percentage of the FOB value (balance in favor of the beneficiary) thanks to the total or partial restitution of the customs duties that have been levied on the import of inputs that are incorporated or consumed in the production of exported goods. From 2019 to date, the drawback rate is 3%.

"Currently only companies that sell in foreign markets have this tax regime, however, these companies are supported by suppliers and they must have this benefit because their production is ultimately directed abroad " Pérez added.

See: https://vigilante.pe/2022/06/13/peru-adex-exportaciones-no-perdamos-lo-avanzado/

### High cost international maritime transport causing cost overruns

In other news from ADEX, a letter has been sent to the Minister of Foreign Affairs (RR.EE.), César Landa Arroyo, by the Association of Exporters (ADEX) suggesting seeking action by the World Trade Organization (WTO) and UNCTAD in resolving the serious problem of international maritime transport that causes cost overruns, makes Peruvian foreign trade less competitive and makes it difficult to reactivate the economy.

The lack of space in the warehouses triggered the costs of the containers, even paying a high freight does not guarantee the shipment of the merchandise or its arrival at the final destination in the established times.

The union argued that, given this unprecedented problem, it is important to escalate it to the WTO and UNCTAD of the United Nations, in order to have measures to improve the conditions and flow of foreign trade.

See:https://www.adexperu.org.pe/notadeprensa/adex-pide-escalar-a-la-omc-y-unctad-problema-del-transporte-internacional/

### Chancay Port project – work to begin

The tender for the Chancay Port project, a multipurpose terminal, was won by China Harbour Engineering Company, a subsidiary of China Communications Construction Company.

The complex will be north of Lima and when complete it will be able to handle 1.5 million twenty-foot-equivalent containers and 6 million tonnes of general cargo a year. The client for the project is Peru’s Ministry of Transport and Communications.

The port is seen as China’s gateway to Latin America as it will improve links between Asia and Peru, Bolivia, Uruguay, northern Chile, Colombia and Ecuador.

See: https://www.globalconstructionreview.com/contractor-chosen-to-build-perus-3bn-chancay-port/

**Export sawnwood prices**

| Peru sawnwood, FOB Callao Port | US$ per cu.m |
|---|---|
| Pumaquiro 25-50mm AD<br>Mexican market | 682-695 |
| Virola 1-2" thick, length 6"-12" KD | |
| Grade 1, Mexican market | 589-615 |
| Grade 2, Mexican market | 507-538 |
| Cumaru 4" thick, 6"-11" length KD | |
| Central American market | 1044-1077 |
| Asian market | 1129-1147 |
| Ishpingo (oak) 2" thick, 6"-8" length | |
| Spanish market | 599-629 |
| Dominican Republic | 709-726 |
| Marupa 1", 6-11 length KD | |
| Grade 1 Asian market | 588-608 |

**Domestic sawnwood prices**

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

**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 |

**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 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

### Plan for a 'new form of capitalism'

The Cabinet has approved plans for what the government calls "a new form of capitalism." One of the cornerstones of the plan will be strategies aimed at raising wealth through investment of the huge savings held by Japanese. At the same time there will be a focus on climate change and digital transformation. The plan also calls for a big increase in spending in science, technology and innovation along with a public/private sector effort to increase the number of business startups.

On the environment the government will work with the private sector to invest about 100 trillion yen over the next 10 years to reduce Japan's carbon emissions.

See: https://www3.nhk.or.jp/nhkworld/en/news/20220607_35/

### Supply shortages and rising prices hit manufacturers

Russia's invasion of Ukraine and sanctions by many countries has disrupted energy and raw material supplies causing prices to rise.

A survey of companies nationwide conducted by Teikoku Databank from mid-to-late April focused on the impact of sanctions and Russia's export bans on raw materials. Among the companies that responded to the survey 51% say they have been affected in terms of securing necessary supplies and most said they are affected by price increase.

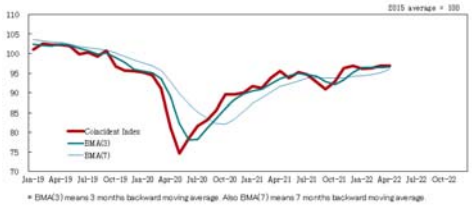
The ban on wood product exports by Russia has led to what has been described in Japan as a "wood shock" and is seriously affecting the construction sector.

For the survey results see: https://www.nippon.com/en/japan-data/h01333/

### No more mention of pandemic impact on economic prospects

Confidence among workers with jobs sensitive to economic trends rose for the third straight month in May on the back of the removal of anti-coronavirus restrictions. The Cabinet Office upgraded its basic assessment of economc prospects saying, "The economy is gradually picking up". For the first time since February 2020 the government statement dropped its reference to the negative impact of the pandemic.

### Business condition indices




Source: Cabinet Office, Japan

### Emergency budget to help households

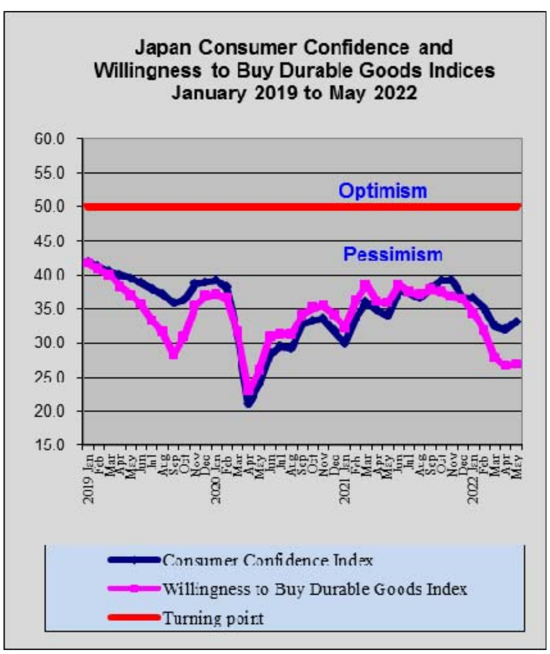
Soaring prices for consumer goods are hurting households with prices for basics increasing and this is driving down consumer spending. The government has drafted a supplementary emergency budget designed to ease the burden on households and it includes subsidies for petrol wholesalers along with cash payouts to low-income households with children.

In April, for the first time in seven years, consumer inflation in Japan exceeded 2%, higher than the Bank of Japan (BoJ) target and this will likely remain for a while. The BoJ has indicated it will maintain the monetary easing measures on the assumption that consumer price increases are temporary and that the economy is not resilient enough to endure fiscal tightening.

See: https://www3.nhk.or.jp/nhkworld/en/news/backstories/2012/

### Spending during spring holidays good news for the economy

After plummeting in the first three months of this year to levels not seen for a long time, the consumer confidence index flattened in April and showed a modest uptick in May. The rise coincides with the lifting on covid control measures which allowed people to travel and spend during the May holidays.




Data source: Cabinet Office, Japan

### Higher consumer prices inevitable

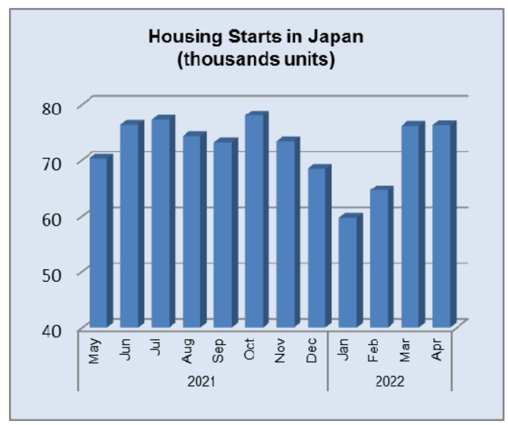
Wholesale price inflation accelerated in May to 9% from a year earlier reflecting higher raw material prices and sharp declines in the yen that pushed up the cost of imports. Prices for goods traded between companies rose further marking 15 consecutive monthly of increases. This raises the prospect of higher consumer prices that will dent private consumption.

### Profitability a major issue for house builders

The 2021 finacial reports by major house builders show that orders in 2021 exceeded those in 2020 when the covid infection rates and lockdowns were at a peak. However, the Japan Lumber Reports says orders placed with builders started to decline in the second half of fiscal 2021.

Profitability has become a major issue for house builders because of the high and steadily rising costs of wood products and other building materials. Builders anticipate a tough year for profits in 2022.

See more on page 17



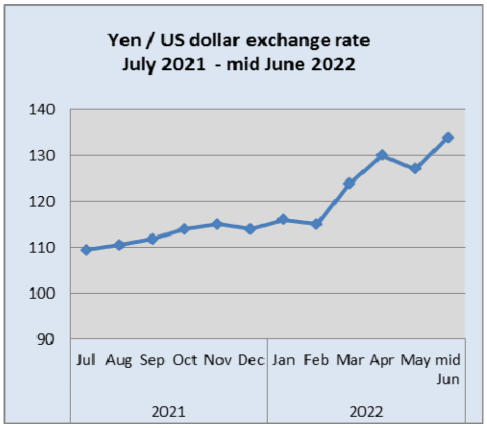

Data source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

### Danger that the yen could tilt to 150 to the dollar

At one point in early June the yen weakened to 135 against the US dollar, just short of the low seen in 2020, a slide that threatens to turn into an economic and financial headache for many financial markets.

Analysts write “the danger is that the yen could tilt to 150 to the US dollar at which point intervention would likely be the response or it could be that other Asian countries would devalue their currencies to maintain export competitiveness”.

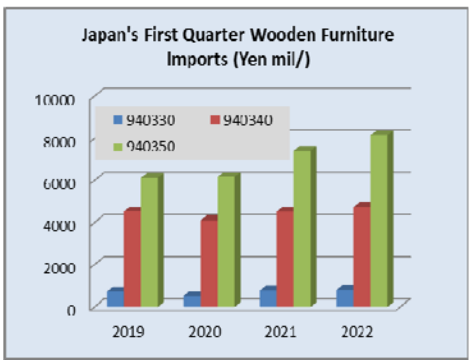
See:
https://www.japantimes.co.jp/news/2022/06/09/business/economy-business/yen-drops-further/




## Furniture imports

### First quarter imports

Despite the pandemic, collapsed consumer confidence and the disruption of the timber sector because of the Russian invasion of Ukraine, imports of wooden bedroom furniture just keep rising in contrast to the value of imports of wooden office and wooden kitchen furniture which have remained at around the same level as in the first quarter of the past four years.




### March office furniture imports (HS 940330)

February saw a correction in the value of wooden office furniture imports but that was reversed in March bringing the value of imports back up to the average for the year.

Year on year the value of March imports of wooden office furniture (HS940330) declined by around 18%. The downward trend in the yen dollar exchange rate and the subdued business sentiment were the major factor behind the decline.

As in previous months the top shipper of wooden office furniture in March 2022 was China accounting for 85% of total wooden furniture imports. The only other shippers of note I March were Italy and Poland and the value of their combined shipments in March was just less than 7% of all March arrivals.

**March imports (HS 940330)**

| | Imports Mar 2022<br>Unit, 000's Yen |
|---|---|
| S. Korea | - |
| China | 240,595 |
| Taiwan P.o.C | 1,278 |
| Vietnam | 3,922 |
| Thailand | 4,628 |
| Malaysia | 4,171 |
| Indonesia | 4,255 |
| Sweden | - |
| UK | 1,078 |
| Netherlands | - |
| France | - |
| Germany | 594 |
| Italy | 9,567 |
| Poland | 6,282 |
| Lithuania | 1,384 |
| Czech Rep. | 732 |
| Slovakia | 2,915 |
| Canada | 345 |
| USA | 1,683 |
| Mexico | 433 |
| Total | 283,862 |

Data source: Ministry of Finance, Japan

### March kitchen furniture imports (HS 940340)

The value of Japan's March imports of wooden kitchen furniture was up around 10% from February and added to the upward trend noted in February.

There were two major shippers of wooden kitchen furniture in March, the Philippines and Vietnam and manufacturers in these two countries have a commanding position in imports of wooden kitchen furniture.

The value of shipments from the Philippines little changed from February but accounted for just under 50% of all wooden kitchen furniture imports in March. Shipments from Vietnam accounted for around 30% of wooden kitchen furniture imports and were up about 15% from February.

China was the third ranked shipper of wooden kitchen furniture in March but accounted for around 6% of the value of total March arrivals.

**March imports (HS 940340)**

| | Imports Mar 2022 Unit, 000's Yen |
|---|---|
| S Korea | - |
| China | 111,170 |
| Taiwan P.o.C | 826 |
| Vietnam | 488,282 |
| Thailand | 204,014 |
| Malaysia | 16,457 |
| Philippines | 784,492 |
| Indonesia | 29,309 |
| India | 326 |
| UK | 223 |
| Germany | 23,217 |
| Italy | 29,730 |
| Romania | 4,296 |
| Canada | 3,048 |
| USA | 380 |
| Total | 1,695,770 |

Data source: Ministry of Finance, Japan

**March bedroom furniture imports (HS 940350)**

After three months of increases since January this year there was a correction in February and March data shows there was a modest increase in the value of imports in March.

China remained the main supplier of wooden bedroom furniture to Japan in March accounting for 56% of the value of imports of HS 940350. The second ranked shipper in terms of import value was Vietnam at 33%, slight less than a month earlier.

Shippers in Malaysia did well in March lifting ther value of shipments to around 5% of total arrivals, up from the 3% in February. Year on year, March 2022 imports were some 20% higher than a month earlier but were flat month on month.

**March imports (HS 940350)**

| | Imports Mar 2022 Unit, 000's Yen |
|---|---|
| S. Korea | 344 |
| China | 1,469,195 |
| Taiwan P.o.C | 3,608 |
| Vietnam | 879,237 |
| Thailand | 40,525 |
| Malaysia | 126,773 |
| Philippines | 788 |
| Indonesia | 41,285 |
| India | - |
| Sweden | - |
| Denmark | 1,184 |
| UK | 326 |
| France | 630 |
| Switzerland | 1,510 |
| Spain | - |
| Italy | 4,863 |
| Finland | 414 |
| Poland | 23,716 |
| Austria | - |
| Greece | 247 |
| Romania | 6,446 |
| Turkey | - |
| Latvia | 599 |
| Lithuania | 38,585 |
| Total | 2,640,275 |

Data source: Ministry of Finance, Japan

**Correction**

In our previous report it was stated that Japan had banned imports of sawnwood from Russia, this was incorrect. The Japanese government has banned log, wood chips and veneer imports from Russia.

**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://jfpj.jp/japan_lumber_reports/*

**A price hike of softwood plywood**

Major plywood companies in Eastern Japan raised the prices of structural softwood plywood in June. The price of 3 x 6 of 12mm is now 2,000 yen per sheet delivered, which is 100 yen up from last month. Major plywood companies in Western Japan also announced about a price hike to the customers.

Since the prices of logs, glue and freight increased, the prices of softwood plywood climbed for straight 15 months. The bottom prices doubled or more and nearly 1,100 yen increase in total and it is 100,000 yen for per cbm.

Prices of 3 x 6 24mm is 4,000 yen per sheet delivered and it is 200 yen higher than before. Price of 3 x 6 of 28mm is 4,700 yen per sheet delivered and it is 250 yen higher than last month. The prices of long plywood will increase but not sure for how much would be. The prices of plywood for floor will depend on each customer.

There is active demand for plywood and not enough supply due to a big holiday at the end of April through May. Some plywood companies had holiday a week earlier because of machine maintenance. Some other plywood companies put priority of supply for precutting companies which had ordered directly to the plywood companies.

The supply of cedar logs has been settled down but larch and Douglas fir logs are still not enough supply. The prices of domestic logs are still high and the prices of imported Douglas fir logs are soaring. The influence of banned importing Russian veneer will surface as an issue in June. Even if working days become longer, there will be reduced production.

It will be difficult to keep same production even though using logs instead of veneers because there are a lot of process to produce veneers from logs. On the other hand, the volume of imported softwood plywood from China keeps growing. It is concerned about a balance between supply and demand. The prices are higher than the domestic softwood plywood but the demand continues. This situation might cause a relaxation of supply and demand.

If the prices of 3 x 6 of 12mm reach to 2,000 yen per sheet delivered then the price hike will calm down by several plywood manufacturing companies. However, the prices of logs are unsure in the future. Situation is unpredictable because there are the price hike of freight charges and glue.

**A rise in price of imported plywood**

The prices of 3 x 6 of coated plywood for concrete forming at the Greater Tokyo Metropolitan area are 2,200 yen per sheet delivered. It is 200 yen higher than last month. The reasons are that a price hike of plywood in South Asia by the suppliers and a weak yen. The prices of plywood have also skyrocketed. The structural South Sea hardwood plywood has been used as substitution for structural domestic softwood plywood. The prices are 2,100 yen per sheet delivered and it is 100 yen more than last month.

Some construction firms were anxious about a sign of rising prices and a lack of supply at the end of April so they rushed to buy the product. The future prices are 2,300 yen on FOB truck per sheet.

This price hike is caused by structural plywood. There will be a tight supply from Malaysia because there are still not enough logs. Some Malaysian plywood companies had to stop an operation due to a shortage of logs. It is the best season to harvest the trees in April to June as usual, but in this year log supply continues tight.

The export prices of 3 x 6 of coated plywood for concrete forming are US$840 - 850, C&F per cbm. It is US$10 more than last month and new contracts are getting less. It is hard to order specific plywood because there is limited amount of producing plywood. Some distribution companies hesitate to sign up new contracts because there were fewer orders in Japan. There will be a big and serious problem of a lack of coated plywood for concrete forming if this situation continues.

**Price increase of Vietnamese plywood**

Market prices of Vietnamese plywood for crating in Tokyo are climbing. Particularly lower grade prices. They are up from May by 1,000 yen on 8.5 mm thick 4x8 per sheet delivered. Main reason of price increase is recent depreciation of the yen, which pushes the Yen cost higher.

The February rate was about 115 yen per dollar then in March it shot up to 120 yen so the products imported after April are influenced by fluctuation of the yen rate. The inventory has been dropping since last April so that the dealers placed more orders to the suppliers. Production and transportation cost is climbing with higher adhesive cost by higher oil prices then container freight remains high without any sign of softening.

**Plywood**

Softwood plywood production in last April exceeded the shipment so the inventory increased over 100 M cbms after a year but the shipment continues busy so that this is temporary lull. Plywood manufacturers continue a full production but it is hard to increase further because of difficulty of having enough material logs and workers.

Large house builders are cautious about future demand after house orders are declining but orders by precutting plants and wholesalers continues active with little inventory on hand.

Domestic plywood manufacturers raised the sales price of 12 mm thick 3x6 panel to 2,000 yen per sheet because of higher cost of logs, adhesive and transportation. One major concern is increasing import of Chinese made softwood plywood. April supply was over 10,000 cbms and this could disturb domestic plywood market if large volume continues coming in.

Market prices of imported hardwood 12 mm panel are climbing. In Tokyo market, 3x6 concrete forming panel prices are 2,200 yen per sheet delivered, 200 yen from May.

Higher export prices and weak yen make arrived cost high. Users made hasty purchase since last April and this made speculative move and the dealers increased the sales prices.

Imported structural panel prices climbed to follow higher prices of softwood structural panel and this pulled concrete forming panel prices up.

In Malaysia, log supply continues very low despite arrival of dry weather so the supply of hardwood plywood for rest of this year looks hopeless.

**Housing demand – profit margins slide**

The closing accounts of 2021 of major house builders for order made units exceeded the result of 2020. This is because there were fewer orders due to a COVID-19 in 2020. However, the orders started to decrease at the second half of the fiscal year of 2021. A profitability of a house started decreasing slightly because of high-priced lumber and building materials. This situation has been continuing in this year. Some builders predict that the profit will decrease in the 2022 fiscal year.

It was brisk for accepting orders and selling the detached house for sale in the first half of the fiscal 2021. The internet was used for promotion of a new style of houses. A new system of storage of electricity, an air-conditioning system and a room arrangement made people to buy houses. Some people who were thinking to buy condos changed their minds to buy detached houses due to high-priced condos.

The wood shock occurred in April, 2021 and there were anxious about a shortage of lumber. The prices of lumber were double compared to the year of 2020. However, major house builders could avoid a long delay of construction because they could buy the materials. Then they made the profit. The demand started decreasing since last September. One of reasons was that a housing tax cut had ended. Other reason was that people started to go outside after a removal of the state of emergency.

A profit of a house started to decrease because of the wood shock, a lack of plywood and a price hike of lumber, plywood and other building materials.

Many house builders struggle with accepting new orders and high-priced materials. It is hard to make profit. A war in Ukraine by Russia has been influencing a rise in prices in Japan and people are losing their interests for buying houses. Several companies will focus on promotion on the internet.

Many house builders had good closing accounts of 2021 due to the wood shock. The supply of steel, chemical synthesis materials, fuels, plywood and water heaters were not enough before but now the inventory of lumber are too much. It is said that the results will be different on each type of business and company in this term.

**Domestic logs and lumber**

There are enough logs in Japan so far. Some logs are still left in forest because there are too many logs at stock yards. Usually, there are not enough logs in this season because people start spending time for afforesting but in this year the log prices are high so log suppliers keep harvesting trees.

There are enough cedar logs and cypress logs in inventory, so the prices are falling down slightly. Cedar logs for lumber are around 16,000 yen per cbm at markets. There is a possibility that the prices would be lower because the temperature and humidity make log quality deteriorating. However, larch is popular as substitution for Russian lumber. Plywood companies, crating companies and laminated lumber companies are struggling to buy larch and pine logs. Battle to buy logs continue.

Larch logs in the Tohoku Region are 30,000 yen per cbm at markets. Demand exceeded supply in this area. The movement of lumber is calming down because move of Russian or European lumber to domestic lumber had calmed down. The current prices of KD cedar studs are 90,000 – 100,000 yen of 3 m x 30 x 105 mm and KD cedar posts are 100,000 – 110,000 yen of 3 m x 105 mm.

## China

**Logistics slowly improving**

The Chinese government is working hard to improve logistics across the country. The Ministry of Commerce (MoC) is focusing efforts in the following areas.

- Freeing up logistics to ensure the smooth domestic transport of foreign trade goods. Working with local governments the MoC will spare no effort to ensure the smooth transportation of foreign trade goods and foreign trade enterprises in China can apply for vehicle permits for transportation of materials.

- continue to ease the pressure on international logistics by expanding the scale of direct docking by international liner companies and work with port authorities to speed up the movement of containers.

- strengthen communication and coordination with countries along international freight train routes and simultaneously improve customs clearance and operation efficiency of railway opperations.

- make good use of air cargo capacity to ensure the transport of important spare parts, equipment and products.

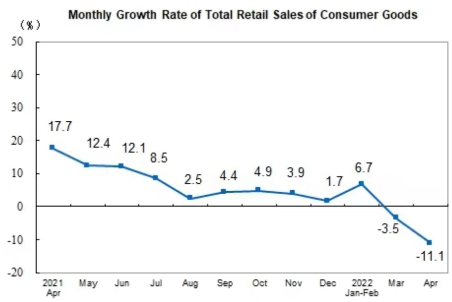
- continue to guide local governments to provide support for enterprises sruggling to resume production and manage their supply chains.

- enhance trade liberalisation and facilitation making it more attractive to global resources and expand the space of foreign trade industries.

See:
https://baijiahao.baidu.com/s?id=1733881099610653295&wfr=spider&for=pc

**April retail sales down 11%**

The National Bureau of Statistics has released details of retail sales of consumer goods in the first four months of 2022. Between January and April total retail sales of consumer goods dropped very slightly year-on-year (-0.2%). However, in April sales fell by 11% year-on-year. Between January and April sales of furniture dropped 14% and sale of building and interior decoration materials fell 12%.




Source: National Bureau of Statistics, China

See:
http://www.stats.gov.cn/english/PressRelease/202205/t20220517_1857530.html

**Surge in log imports from PNG and Solomon Islands**

According to China Customs log imports totalled 9.973 million cubic metres valued at US$1.963 billion, down 33% in volume and 15% in value in the first quarter of 2022. The average CIF price for imported logs was US$197 per cubic metre, up 28% from the same period of 2021.

Most of the main suppliers of log imports saw volumes drop except for PNG and the Solomon Islands for which first quarter imports increased. China's log imports from PNG surged 51% to 740,000 cubic metres and, from Solomon Islands imports rose 3% to 405,000 cubic metres. The value of China's log imports from PNG and Solomon Islands surged 80% and 45% respectively.

The volume of China's log imports from Russia fell the most dropping 57%. Declines were also seen for Germany (-51%), Brazil (-49%) and the Czech Rep. (-44%).

**Main log suppliers in the first quarter of 2022**

| | Vol. 000s cu.m | % change | Val. US$ mil. | % change |
|---|---|---|---|---|
| Total | 9973 | -33% | 1963 | -15% |
| New Zealand | 3,359 | -25% | 478 | -23% |
| Germany | 1,536 | -53% | 257 | -39% |
| Russia | 740 | -57% | 96 | -55% |
| PNG | 682 | 51% | 167 | 80% |
| USA | 561 | -26% | 164 | 7% |
| Solomon | 405 | 3% | 90 | 45% |
| France | 291 | -11% | 88 | 21% |
| Canada | 281 | -14% | 55 | 0.50% |
| Japan | 250 | -9% | 39 | 2% |
| Brazil | 217 | -49% | 28 | -35% |
| Czech Rep. | 214 | -44% | 39 | -20% |

Data source: China Customs

**Sharp decline in China's sawnwood imports from Ukraine**

China's sawnwood imports totalled 6.344 million cubic metres valued at US$1.803 billion, up 3% in volume and 15% in value in the first quarter of 2022. The average CIF price for imported sawnwood was US$284 per cubic metre, up 12% from the same period of 2021.

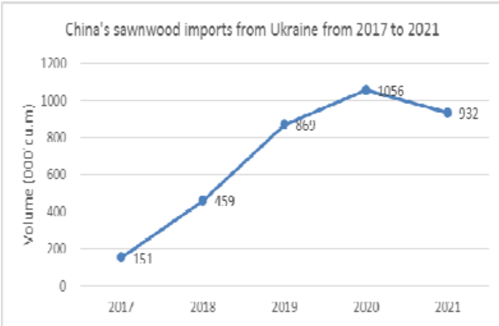
China's sawnwood imports from Ukraine declined sharply by 52% year on year in the frist quarter to 125,000 cubic metres valued at US$68 million, down 35% in value.

**Main suppliers of sawnwood imports, first quarter of 2022**

| | Vol. 000s cu.m | % change | Val. US$ mil. | % change |
|---|---|---|---|---|
| **Total** | **6,344** | **3%** | **1803** | **15%** |
| Russia | **2,781** | 7% | **630** | 28% |
| Thailand | **1,025** | 25% | **243** | 9% |
| Canada | **435** | -7% | **126** | 25% |
| Finland | **261** | 33% | **73** | 67% |
| USA | **256** | -28% | **195** | -4% |
| Germany | **187** | 8% | **54** | 26% |
| Philippines | **182** | 64% | **16** | 69% |
| Sw eden | **162** | 41% | **43** | 69% |
| Gabon | **161** | 10% | **68** | 13% |
| Ukraine | **125** | -52% | **30** | -35% |

Data source: China Customs

The volume of China's sawnwood imports from Ukraine had been increasing in recent years and reached 1.056 million cubic metres in 2020 but fell 12% to 932,000 cubic metres in 2021 due to the epidemic.

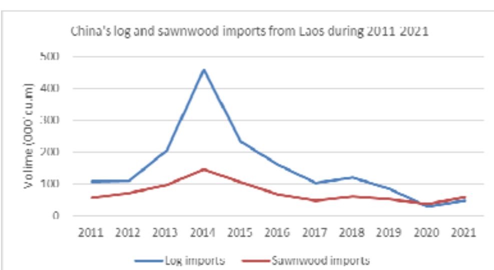



Data source: China Customs

**No log imports from Ukraine in recent years**
China's log imports from Ukraine reached more than 1 million cubic metres in 2013 and 2014 but subsequently fell to nearly zero in 2019. Since 2020 China has not imported logs from Ukraine.


Data source: China Customs

**Decline in China's log imports from Laos**
Customs data indicates that recorded log imports from Laos have been declining since its log export ban. China's sawnwood imports from Laos exceeded log imports in 2020 and 2021.




Data source: China Customs

In the first quarter of 2022, China's sawnwood imports from Laos totalled 16,781 cubic metres valued at US$16.81 million, up 18% in volume and 8% in value. However, China's log imports amounted to only 7,688 cubic metres valued at US$9.79 million, down 36% in volume and 18% in value.

## Europe

**European sawn hardwood production at highest level since 2008**
According to the European Sawmiller Organisation (EOS) production of sawn hardwood in Europe was significantly impacted by the coronavirus crisis in 2020 with a strong decline particularly in France and Germany. Overall, sawn hardwood production declined from around 6 million cu.m in 2019 to just above 5.5 million cu.m in 2020.

However, in 2021 the situation dramatically improved with a 13% increase in production to close to 6.3 million cu.m. This was the highest level of sawn hardwood production in the EOS countries since 2008 and came on the back of a sustained increase in demand. Production is forecast by EOS to decline by 3% this year, back to around 6 million cu.m.

The downturn in production comes at a time when sawn hardwood stocks are already at a low level and is due to log supply shortages rather than a downturn in demand. EOS suggests that "national and European legislation is curbing the availability of raw materials while many hardwood species remain underutilized".

According to EOS, hardwood supply challenges in Europe are being compounded by high levels of log exports to China, an issue which has been particularly prominent in France and Belgium where shortages of oak log are pronounced.

Furthermore, hardwood companies that rely on foreign trade are negatively affected by the geopolitical situation: long-distance exports are hampered by high freight rates, pandemic-related tension in China and rocketing fuel prices.

**Rebound in European wood flooring demand**
According to data published at the FEP General Assembly and Parquet Congress 2022 held 9 and 10 June in Hamburg, the European market for wood parquet flooring was at the highest level for a decade last year. While FEP had anticipated an increase in parquet consumption as the market recovered from disruption caused by the COVID pandemic the previous year, the rebound in 2021 was stronger than expected.

FEP figures show that European parquet consumption increased by 6.2% in 2021 following a slight 1.6% gain the previous year. There was particularly strong growth in the first quarter compared to the same period in 2020. During the rest of the year, demand continued to grow but at a slower pace as consumers began again to direct more expenditure to other activities such as leisure and travel.

Nevertheless, renovation, and adaptation of homes to new ways of working and living after the pandemic, continued to act as significant drivers of parquet consumption growth.

Consumption of parquet increased in almost all European countries in 2021 according to FEP. Countries such as Italy and France, which were unable to offset losses during the spring 2020 lockdown and reported declines in parquet consumption for the year 2020 as a whole, reported particularly large increases in parquet consumption in 2021 compared to 2020.

Croatia, Romania and Switzerland also reported significant increases in parquet consumption while Portugal is focusing more on exports.

In contrast, countries where parquet consumption recovered more ground in the second half of 2020, generally reported lower market growth last year. This was the case for Scandinavia, Austria, Spain, and Germany.

Parquet production in FEP countries increased even more rapidly than European consumption last year, rising almost 7% to 82.6 million square metres, a level not seen since before the 2008 financial crisis. Production in all European countries, including non-FEP members, increased by nearly 8% to close to 98 million square metres.

The largest European producing country in 2021 was Poland, followed by Sweden, Austria and Germany.

Last year, as in previous years, the vast majority of European wood flooring production (83%) comprised multilayer flooring, with 15% comprising solid wood and 2% comprising mosaic. These proportions were largely unchanged compared to 2020.

In terms of species preference, the European parquet sector continues to be overwhelmingly dominated by oak which accounted for 81.9% of all floor facings compared to 81.8% in 2020. Ash and beech now make up most the rest of the volume, respectively 5.3% and 2.8% last year. Tropical wood species made up only 2.1% of flooring manufactured in FEP-countries last year, down from 4% five years before and 15% in 2008.

In terms of wood's position in the total European market for floor coverings in 2021, FEP estimate that wood parquet accounted for around 5% of total consumption of 1.95 billion square metres. Of other materials, textiles supplied 39% of the market in 2021, stone/ceramics supplied 22%, vinyl 20%, laminates 12%, and other materials 3%.

The share of wood has remained broadly level at 5% in the last five years. Vinyl's share has risen from around 15% in 2017, mainly at the expense of laminates, stone/ceramics and textiles.

While these figures apply only to flooring, the role of floor coverings in determining the look and feel of a room, and the desire of most consumers to match styles, means they reflect wider fashion trends in the European interiors market.

**Oak shortage drags down wood flooring production**

According to FEP, European parquet markets have diverged in 2022. While Italy, Scandinavia and Spain have seen continuing increases in demand, the markets in Benelux, France and Switzerland have been flat while sales in Austria and Germany have been declining. To a large extent, this last trend is driven by supply side problems as producers have struggled to fill orders due to wood shortages.

FEP comments that this problem of short wood supply is expected to extend into all European markets in the coming months. The supply problems, which began with the serious supply chain disruption during the COVID pandemic, have become more acute since the start of the war in Ukraine.

A large proportion of the wood raw material and semi-finished products used by European parquet producers were previously sourced from Ukraine, Russia and Belarus. According to FEP, European supplies of wood from these countries have been impacted by (in chronological order):

- Lack of workforce in Ukraine
- International payment difficulties with Russia
- Transport/logistics difficulties with both countries
- EU ban of all chapter 44 (wood & wood products) imports from Belarus
- Russian countermeasures including a ban on exports to EU and other'hostile' countries of 44.03 products (Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared),
- PEFC's and FSC's consideration of wood from Russia and Belarus as 'conflict wood'
- Wood originating from Russia and Belarus 'practically' not EUTR (European Timber Regulation) compliant
- NGOs' pressure to stop any wood trade flow with Russia and Belarus
- FSC's suspension of wood coming from Ukrainian war areas
- EU ban of all chapter 44 (wood & wood products) imports from Russia

The FEP notes that "due to the already very tense situation on the wood markets and the ecological responsibility, it is not possible for the [parquet] sector to fully diversify sources of wood to other species and/or other countries". The European parquet industry, through FEP, is therefore lobbying the EU authorities for temporary safeguarding, mitigation and support measures to the sector.

Specifically it is asking that the EU introduce a measure to restrict oak logs from the region, such as a quota and for "coherent policies allowing higher mobilisation of existing European wood resources (Forestry Strategy, Biodiversity Strategy) as long as principles of Sustainable Forest Management are applied".

Longer-term FEP has acknowledged the need “to explore sustainable (and recyclable) substitutes and alternatives to oak”.

### European Commissioner says deforestation regulation is a "top priority"

According to a statement by European Environment Commissioner Sinkevičius when he met with the European Parliament ENVI Committee on 30 May "the proposed regulation on deforestation will be one of the top priorities for our cooperation in the coming months".

Commissioner Sinkevičius said that "Global events and alarming deforestation rates in the greatest rainforest of the Earth remind us of the urgency of the task and I know that this Committee and this Parliament as a whole, share the sense of urgency".

Commissioner Sinkevičius went on to express the hope that "once both co-legislators have finalised their positions we can launch the trilogues under the Czech Presidency of the Council and reach an agreement as soon as possible”.

Note*: the Czech Presidency of the Council will be held between 1 July and 31 December 2022. Trilogues are informal tripartite meetings on legislative proposals between representatives of the Parliament, the Council and the Commission. Their purpose is to reach a provisional agreement on a text acceptable to both the Council and the Parliament.*

From the EC perspective, Commissioner Sinkevičius expressed a desire for “An agreement, which allows us to effectively tackle the [deforestation] problem and which therefore needs to be ambitious and needs to retain the core features of our proposal: the due diligence obligations for operators and large traders, the strict traceability, the coverage of legal and illegal deforestation, and the benchmarking system".

In other developments related to the proposed deforestation regulation include:

A comprehensive summary of the draft legislation, the starting positions of the European Council and European Parliament, and the positions of key stakeholders, has been published by the European Parliament Research Service in April 2022 at:

See:
https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI(2022)698925

Another briefing by European Parliament Research Service issued in April provides an analysis of the strengths and weaknesses of the European Commission's impact assessment (IA) accompanying the legislative proposal.

See:
https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/730312/EPRS_BRI(2022)730312_EN.pdf

Industry bodies have been issuing statements commenting on the draft legislation and on amendments proposed by the European Parliament ENVI Committee, including by the European forest-based Industries at:

https://www.cepi.org/wp-content/uploads/2022/04/Statement-of-the-Forest-based-Industries-on-the-ENVI-Draft-Report-on-Deforestation-Regulation.pdf
and
Palm Oil Sector Organisations at: https://t.co/fwdbj6q7Mz

### Raft of new EU measures to deliver on the European Green deal

Much of the recent policy focus in the forest products sector has been on the EU’s draft deforestation regulation. However, a notable feature of Commissioner Sinkevičius’ presentation to the European Parliament ENVI Committee on 30 May and another presentation he delivered on the same day to EU Agricultural Ministers was to highlight that the deforestation regulation is just one of a raft of proposed measures to deliver on the European Green Deal.

In combination, these measures aim to make the EU's climate, energy, transport and taxation policies fit for reducing net greenhouse gas emissions by at least 55% by 2030. Many of these measures have potentially far-reaching implications for EU trade in all forest products.

A centrepiece of these measures, according to Commissioner Sinkevičius, is the Ecodesign for Sustainable Products Regulation, which "will allow us to replace our current ‘take-make-replace' economic model, which not only depletes our resources, pollutes our environment, damages biodiversity and drives climate change, but also makes us too dependent on resources from elsewhere".

Alongside this Commissioner Sinkevičius reported that "preparations for the revision of the Packaging and Packaging Waste Directive are well under way, with a view to making all packaging reusable and recyclable by 2030. And work also continues on the new legislative initiative to tackle false Green Claims made by companies on environmental impacts and performance".

Under another programme, REPowerEU, the Commission is proposing measures to save energy, diversify supplies, accelerate the clean energy transition, and smartly combine investments and reforms. Bioenergy, much derived from wood, is a key component of the renewable energy mix in the EU, currently representing about 60% according to Commissioner Sinkevičius.

Commissioner Sinkevičius noted that bioenergy “is a domestically available and stable energy source, but we need more sustainable sourcing” and that “our estimates show a moderate but steady increase of biomass use until 2030. If we prioritize the use of non-recyclable biomass waste and agricultural and forest residues, we can ensure the production of sustainable energy in line with REPowerEU”.

On the other hand, he suggested that “the current situation needs to change” because “the way we currently use biomass is contributing to a reduction in carbon sinks and stocks, bad conservation status for forest, air pollution, and deforestation in third countries”.

As a result the EC “proposed to reinforce the sustainability criteria of the Renewable Energy Directive in July last year, obliging Member States to apply the principle of cascading use”.

**New rules for sustainability of construction products sold in the EU**

A ‘Green Deal’ measure not mentioned directly by Commissioner Sinkevičius on 30 May is the proposed revision of the Construction Products Regulation (CPR) published in March this year. This revision has particularly far-reaching implications for timber sold in the EU Single Market as it will establish new requirements for provision of environmental data for all products sold into the EU construction sector.

The CPR aims to ensure that construction products can freely circulate within the Single Market, achieving this by laying down harmonised EU standards for construction products and rules on the CE marking of these products. The existing harmonised rules focus on technical properties such as fire, insulation, and structural performance. A key aim of the CPR revision is to extend rules to cover sustainability aspects of construction products.

According to the proposed revised CPR, construction product manufacturers will have to deliver environmental information about the life-cycle of their products and comply with several obligations, including:

- Design and manufacture a product and their packaging in such a way that their overall environmental sustainability reaches the state of the art level;
- Give preference to recyclable materials and materials gained from recycling;
- Respect the minimum recycled content obligations and other limit values regarding aspects of environmental sustainability;
- Make available, in product databases, instructions for use and repair of the products;
- Design products in such a way that re-use, remanufacturing and recycling are facilitated.

To prove that products meet the EU requirements, the manufacturer will be required to draw up a declaration of performance and a declaration of conformity and affix the CE marking. The manufacturer will draw up technical documentation describing the intended use and all the elements necessary to demonstrate performance and conformity.

This technical documentation will include the mandatory calculation of environmental sustainability assessed in accordance with harmonised technical specifications.

The required technical specifications are expected to align closely to EN 15804+A2, the latest EU standard for performing a life-cycle assessment (LCA) and producing an Environmental Product Declaration for construction products.

## North America

**Imports retreat from record levels in April**

US imports of tropical hardwood and related products fell across the board in April from their March highs but remain historically high. US imports of sawn tropical hardwood fell by 8%, imports of hardwood plywood fell 7%, and imports of tropical hardwood veneer fell 27%. US imports of hardwood fell 29% in April while assembled flooring panels held up somewhat better, falling only 4%.

Imports of hardwood mouldings decreased by 11% in April while imports of wooden furniture fell 4% to US$2.34 billion, a level still 17% higher than the previous April.

**Sawn tropical hardwood imports pull back from record levels**

Imports of sawn tropical hardwood fell by 8% in April, receding from a record level in March. The 25,924 cubic metres imported in April, while not a strong as earlier in this year, is still at a level not seen since 2019. The April decline was due chiefly to a 25% fall in ipe imports and a 67% drop in virola imports.

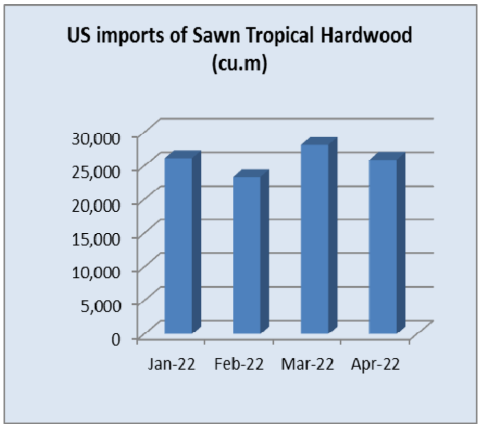
Imports of balsa, acajou d’Afrique, cedro, keruing, and padauk all fell more than 10% in April. Rising imports of sapelli, mahogany, and iroko made up some of the loss.

Imports from Peru rose in April, their strongest month since 2015. Imports from Peru so far this year are nearly five times that of last year. Imports from Congo (Brazzaville), Cote d’Ivoire, and Cameroon were also up sharply in April, while imports from Brazil and Ghana were both down by about one-third.

Overall imports are more than triple that of last year, however changes made this year by the US government in how they are classifying tropical hardwoods make direct comparison difficult.

Canada’s imports of sawn tropical hardwood rose for the third straight month in April gaining 6%. Imports from Brazil and Ghana were both up sharply while imports from Brazil recovered from a poor March performance.

Imports of sapelli rose 41% in April to their highest level since September 2020. Sapelli imports to Canada are up 104% over 2021 so far this year. Total imports are up 29% year to date.



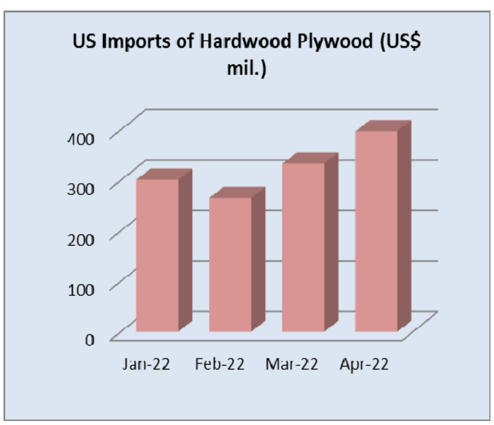

Data source: US Census Bureau, Foreign Trade Statistics

**Hardwood plywood imports from Vietnam remain strong, but not other sources**

US imports of hardwood plywood also fell from record highs in April, dropping 7% from the previous month. Despite the decline, April still saw the second highest import total ever at 396,895 cubic metres.

Imports from Vietnam remain strong, rising 15% in April while imports from all other major trading partners fell. Imports from Vietnam are up 159% year to date over 2021.

Imports from Russia fell 34% but are still up 44% year to date as April imports remained fairly even with last April despite trade tensions between Russia and the US over Ukraine. Overall hardwood plywood import volume is up 63% so far this year over 2021.




Data source: US Census Bureau, Foreign Trade Statistics

**Veneer imports volatile but up 55% for the year**

US imports of tropical hardwood veneer fell 27% in April from March totals. However, April imports still managed to outpace those of the previous April by 20%. While month-to-month import totals from individual countries remain uneven, the year-to-date numbers from most trading partners are very favorable so far in 2022.

For example, imports were down sharply in April from Ghana (down 74%), Cameroon (down 88%) and India (down 51%) yet imports from each of the countries remain well ahead of their 2021 pace.

Imports from Italy were up by less than 1% in April but are ahead 79% year to date. Overall tropical hardwood veneer imports are up 55% for the year so far.

**Hardwood flooring imports cooled in April**

US imports of hardwood flooring cooled in April, falling 29% from a strong March report. Imports fell across the board with imports from Indonesia and Malaysia falling by more than one-third and imports from China and Brazil falling by about 20%.

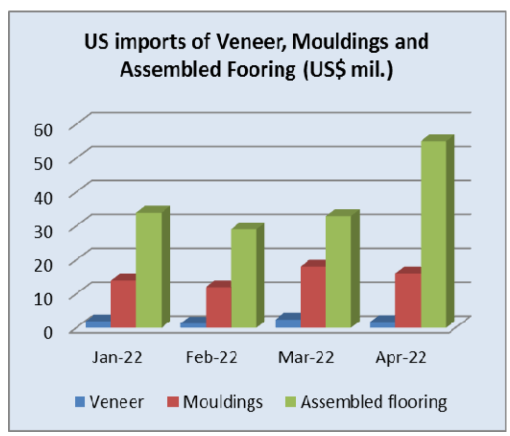
Total imports remain up 11% year to date despite the tumble, while imports from Indonesia remain more than double that of 2021 through April.

Imports of assembled flooring panels held up somewhat better, falling only 4% in April due to strong imports from China. Imports from China rose 81% in April, the strongest month for the year. Imports from China in April were 30% higher than the previous April and are now ahead of 2021 year to date. Imports from Canada, Indonesia, and Vietnam all fell in April by about 10% but remain well ahead of 2021 year to date.

**Moulding imports fall from post-pandemic high**

US imports of hardwood moulding decreased by 11% in April, pulling back from their highest level in nearly five years. However, April imports outpaced those of April 2021 by 44%.

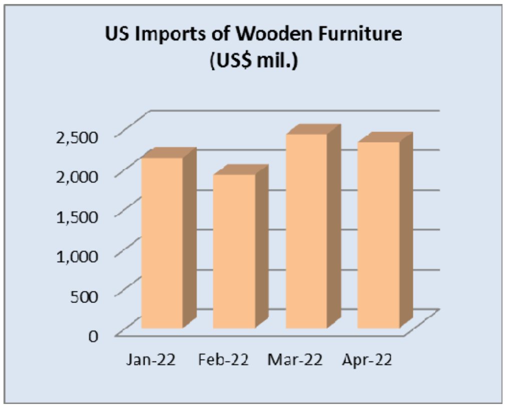
Imports from Malaysia fell by 24% in April while imports from Canada were off by 16%. Despite the decline, year-to-date imports from Canada are up 43% while imports from Malaysia are ahead 30%. Overall imports are up 42% year to date.



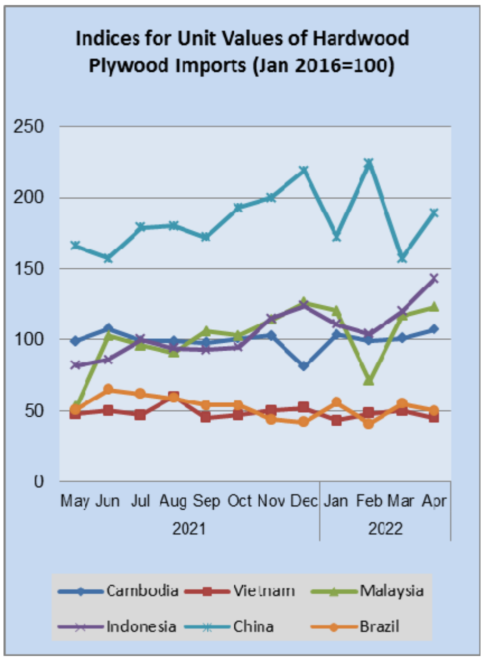

Data source: US Census Bureau, Foreign Trade Statistics

**Wooden furniture imports also fall from record March figures**

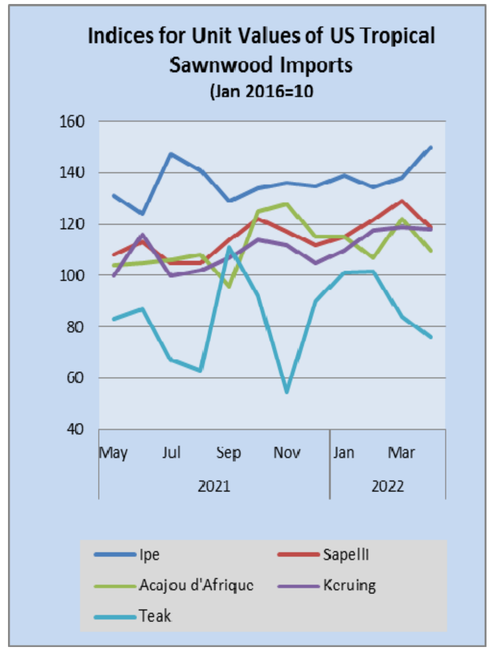
US imports of wooden furniture fell 4% in April to US$2.34 billion however this is still 17% higher than the previous April. Imports from India rose 13% for the month while imports from Mexico fell 12%. Imports from most other countries fell less than 10% while imports from Malaysia were flat. Total imports of wooden furniture are up 11% year to date.




Data source: US Census Bureau, Foreign Trade Statistics




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.**

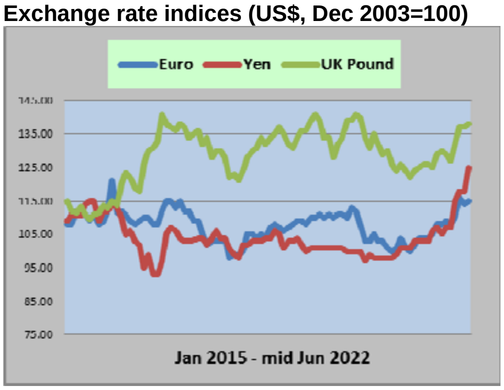
**The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO**

## Dollar Exchange Rates

**As of 10 June 2022**

| | | |
|---|---|---|
| Brazil | Real | 4.9071 |
| CFA countries | CFA Franc | 610.59 |
| China | Yuan | 6.6923 |
| Euro area | Euro | 0.9418 |
| India | Rupee | 77.82 |
| Indonesia | Rupiah | 14563 |
| Japan | Yen | 134.37 |
| Malaysia | Ringgit | 4.3935 |
| Peru | Sol | 4.32 |
| UK | Pound | 0.8003 |
| South Korea | Won | 1264.38 |

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



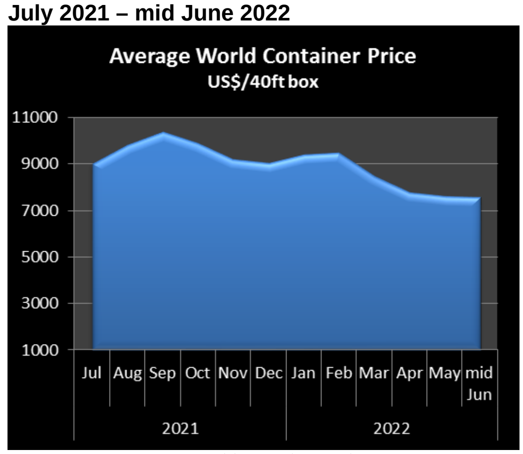


## Abbreviations and Equivalences

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

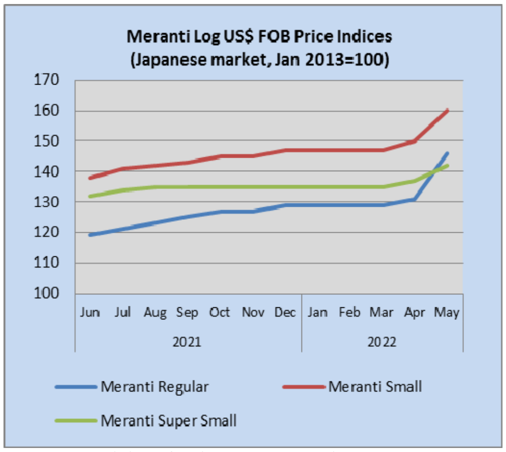
## Ocean Container Freight Index

**July 2021 – mid June 2022**

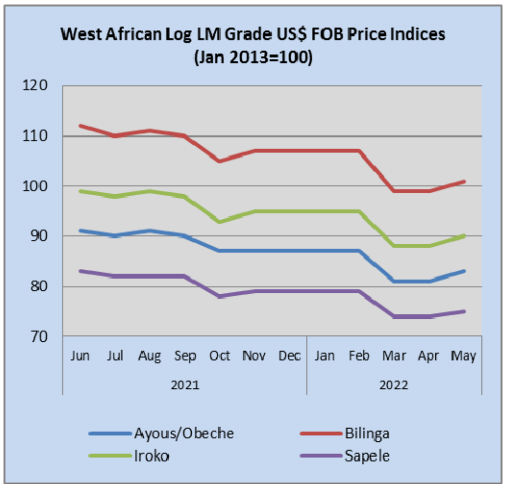


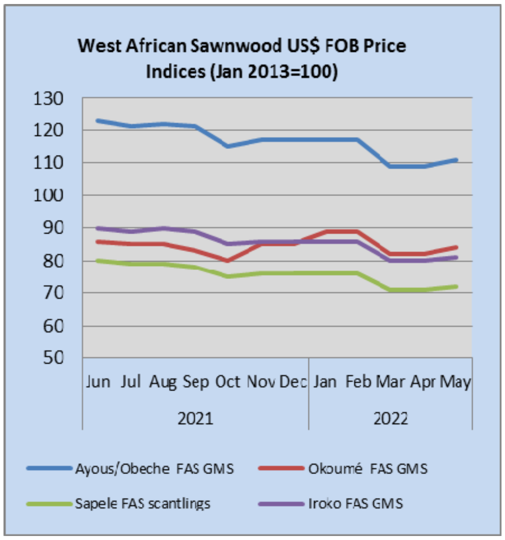

Data source: Drewry World Container Index

**Price indices for selected products**
The following indices are based on US dollar FOB prices

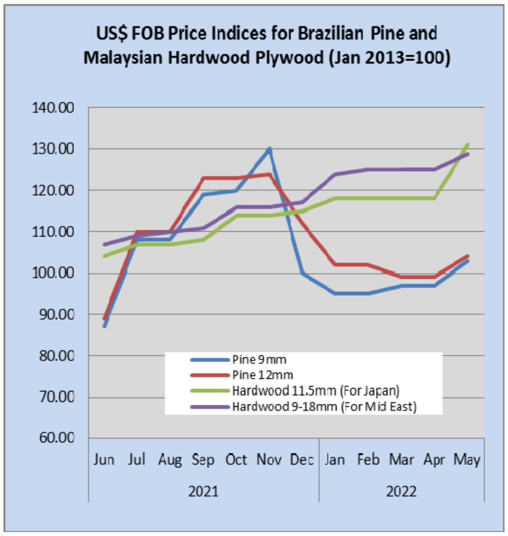


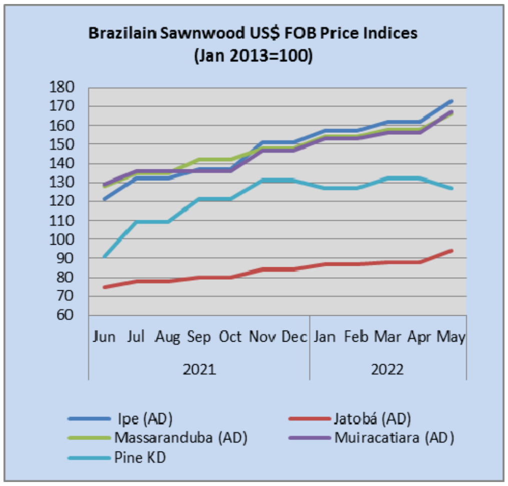

Note: Sarawak logs for the Japanese market




**Note: Indices for W. African logs and sawnwood are recalculated from Euro to US dollar terms.**

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