

# Tropical Timber Market Report

Volume 26 Number 8 16th – 30th April 2022



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

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## Top story

### Supply chain pressure increases

Shanghai is under lockdown which has resulted in serious cargo accumulation at the port. Cargo volumes are now exceeding port capacity and trucks with containers are backing up on highways and arriving vessels are being delayed at sea.

If the outbreak in Shanghai continues China could face a logistics crisis. Exporters are turning to Ningbo Port in Zhejiang, some three hours from Shanghai, to avoid the congestion.

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**Reports say stocks building up at ports**

Producers report that prices are unchanged and that demand in Middle-Eastern and Asian markets is stable. The availability of shipping container remains a problem and is delaying despatch of shipments. The lack of containers has meant that stocks of wood products are building up at the ports in the region.

Until recently port authorities did not face a problem of wood product storage but this has emerged as an issue especially in Douala where it is reported that available stores are full with veneers and KD timber that are awaiting export. It is said that ports in Congo and Gabon have more covered area to protect products.

The rains are back in Gabon, Congo and Southern Cameroon which inevitably means disruption of trucking from the forest to the mills. At present the rail services are operating normally.

**Rising cost of living**

In the region, as with the rest of the world, households are seeing sharp increases in the cost of living. West African countries rely heavily of imports and volatile fuel prices are being passed on as consumer price increases.

Producers say they are not facing a shortage of fuel for their operations but anticipate further increases in fuel prices.

**DRC report – Forest Code not followed**

A report by the DRC General Inspectorate of Finance (IGF) completed in early 2012 but not made public until April this year says the 2002 Forest Code has not been followed and that officials repeatedly violated a logging moratorium by allocating numerous concessions. The report adds that royalty payments running into millions remain unpaid by logging companies.

Last year the DRC government almost lifted the logging moratorium but only after a campaign by NGOs, scientists and an online petition did the government shelve the idea.

At Cop26 climate talks international donors pledged financial support for the DRC over 10 years through the Central African Forest Initiative (Cafi) to protect the forest. Publication of the IGF audit was a prerequisite for support.

See: <https://www.climatechangenews.com/2022/04/07/dr-congo-audit-exposes-lawless-logging-sector-implicating-six-former-ministers/> and <https://www.rainforestfoundationuk.org/drc-national-logging-moratorium-must-be-extended-indefinitely-following-damning-audit-of-the-industry-logging>

**Gabon to join the ‘TREES’ programme**

According to the information site on carbon markets [www.carbon-pulse](http://www.carbon-pulse) the Architecture for REDD + Transactions (ART) has approved Gabon's application for the ‘TREES’ programme which aims to ensure environmental and social integrity through the reduction of greenhouse gas emissions.

‘ART’ is a global voluntary initiative that seeks to incentivise governments to reduce emissions from deforestation and forest degradation as well as restore forests and protect intact forests.

See: <https://www.gabonreview.com/credits-carbones-la-candidature-du-gabon-approuvee-au-programme-trees/>

In other news from Gabon, the local media has reported that the Minister of Water and Forests will initiate the permanent protection of the forest concession held by the Chinese company Transport Bois Négoce International (TBNI). This is an unprecedented case in the country's forest management where, at the request of the resident community in this case in Massaha in the northeast of the country, a forest area is declassified and protected.

**Tax break for forest operators**

With a view to easing the tax burden on certain sectors of the economy and facilitating trade the Gabonese authorities have decided to reduce the rates of value added tax (VAT) on sales transactions and the provision of services during the 2022 financial year.

Companies with a turnover of more than 80 million FCFA are liable for VAT; this threshold will be raised to CFAF 500 million for forest operators.

See: <https://www.lenouveaugabon.com/fr/economie/2104-18350-le-gabon-reduit-a-5-la-tva-applicable-aux-prets-immobiliers-l-importation-des-bateaux-de-peche-aeronefs>

**Log export prices**

| West African logs<br>Asian market            | FOB Euro per cu.m |     |      |
|--|-------------------|-----|------|
|  | LM                | B   | BC/C |
| Acajou/ Khaya/N" Gollon                      | 265               | 265 | 175  |
| Ayous/Obeche/Wawa                            | 250               | 250 | 225  |
| Azobe & ekki                                 | 275               | 275 | 175  |
| Belli  | 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

### Competitive system for allocating timber resources agreed

The Cabinet has approved the conversion of 156 timber concessions and permits into Timber Utilisation Contracts (TUCs) which is a major policy reform in the forestry sector to provide for a competitive system for allocating timber resources.

This decision comes after many years of debate and paves the way for Parliament to ratify the conversion in accordance with Article 268 (1) of the Constitution and Section 9 of the Timber Resources Management Act, 1997 (Act 547). This decision also smooths the way for implementation of FLEGT licensing.

This decision has been applauded by multiple sector stakeholders as it will limit the discretionary allocation of timber resources and ensure that access to forest resources will be transparent and will open opportunities for communities to benefit through Social Responsibility Agreements.

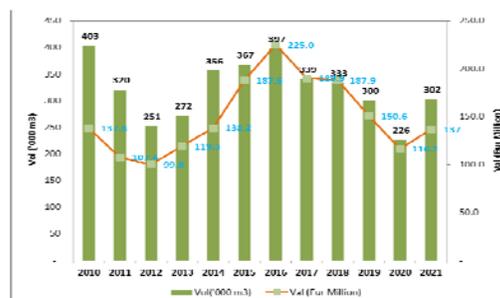
See:

<http://www.tropenbosghana.org/news/advocacy+gets+results:+cabinet+approves+conversion+of+extant+timber+concessions+and+permits+into+timber+utilization+contracts>

### 2010 to 2021 export performance

According to data from the Timber Export development Division (TIDD) of the Forestry Commission between 2010 and 2021 exports of wood products were 3,867,171 cu.m. The data reveals that the country recorded the highest export volume in 2010 and the lowest in 2020.

From 2012 to 2016 export volumes increased year after year from 251,000 cu.m to 397,000 cu.m, till it dipped to 339,000 cu.m in 2017 followed by a continuous downtrend until 2020 with 226,000 cu.m.



Data source: TIDD

During the period reviewed the country exported 23 different wood products with the top five being air-dried sawnwood (42%), kiln-dried sawnwood (16%), plywood for regional markets (16%), billets/logs (8%) and sliced veneer (5%) which accounted for 87% of total exports. The low wood export performance in 2020 was due to the COVID-19 pandemic which affected international demand and disrupted global supply chains. Markets in Asia accounted for over 60% of total wood product exports.

### Advisory board members visit GFC

The Advisory Board of the Ministry of Lands and Natural Resources (MLNR) led by its Chairperson, Ehunabobrim Prah Agyensaim VI who is also the Paramount Chief of Assin Owirenkyi Traditional Area, paid a working visit to the Forestry Commission (GFC) headquarters, in Accra. The Board's visit was to be informed of the operations and challenges of the Commission and to find focused solutions that could enhance its operations.

The Forestry Commission Manager for Corporate Planning, Mr. Gordon Kofi Sarfo-Adu, made a presentation on the Commission's achievements for 2021.

The MLNR supervises the activities of the Forest Commission including the Office of the Administration of Stool Lands; Minerals Commission; Geological Survey Department; Precious Minerals Marketing Company Limited; Ghana Boundary Commission; and National Forest Plantation Fund Board.

See: <https://fcghana.org/?p=3217>

### Affordable housing policy needs private sector support

Private real estate developers have been invited by Francis Asenso-Boakye, the Minister for Works and Housing, to embrace the government's latest affordable housing policy. This policy now includes providing land and infrastructure to designated sites. In addition the government will provide tax incentives to participating developers.

See: <https://www.myjoyonline.com/embrace-governments-affordable-housing-strategy-asenbo-boakye-charges-private-developers/>

### Review of capital restrictions for foreign businesses

The Ghana Investment Promotion Centre (GIPC) has started to review capital flow restrictions for foreign businesses which seek to operate in the country.

This exercise is expected to help position Ghana as a major investment destination. In a related statement to the GIPC move the Ghana Union of Traders Association (GUTA) has suggested the retail sector of the economy be a 'no-go' area for foreigners.

According to the GIPC Act, 2013 (Art. 865), foreign companies which seek to partner local businesses are required to provide a capital requirement of US\$200,000 while wholly foreign businesses which desire to operate are required to provide a capital of US\$500,000.

See: <https://www.graphic.com.gh/business/business-news/gipc-to-remove-capital-restrictions-on-foreign-invest>

### Boule export prices

|                      | Euro per cu.m |
|----------------------|---------------|
| Black Ofram          | 330           |
| Black Ofram Kiln dry | 420           |
| Niangon              | 530           |
| Niangon Kiln dry     | 659           |

### Export rotary veneer prices

| Rotary Veneer, FOB | Euro per cu.m   |             |
|--------------------|-----------------|-------------|
|                    | CORE (1-1.9 mm) | FACE (>2mm) |
| Ceiba              | 370             | 441         |
| Chenchen           | 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            | 811           |
| Chenchen           | 1,289         |
| Mahogany           | 1,870         |
| Makore             | 1,424         |
| Odum               | 1,500         |
| Sapele             | 1,196         |

### Export plywood prices

| Plywood, FOB | Euro per cu.m |       |          |
|--------------|---------------|-------|----------|
|              | Ceiba         | Ofram | Asanfina |
| BB/CC        |               |       |          |
| 4mm          | 232           | 580   | 641      |
| 6mm          | 412           | 535   | 604      |
| 9mm          | 370           | 490   | 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 |            |
|---------------------------------|---------------|------------|
|                                 | Air-dried     | Kiln-dried |
| FAS 25-100mmx150mm up x 2.4m up |               |            |
| Afromosia                       | 860           | 925        |
| Asanfina                        | 465           | 564        |
| Ceiba                           | 290           | 353        |
| Dahoma                          | 537           | 417        |
| Edinam (mixed redwood)          | 520           | 640        |
| Emeri                           | 560           | 510        |
| African mahogany (Ivorenensis)  | 1,239         | 762        |
| Makore                          | 560           | 893        |
| Niangon                         | 685           | 586        |
| Odum                            | 491           | 846        |
| Sapele                          | 800           | 820        |
| Wawa 1C & Select                | 422           | 449        |

## Malaysia

### RM19 billion export target by 2025

The government's National Agri-commodity Policy (DAKN) 2021-2030 is targeting a sharp increase in exports of wood-based products, especially wooden furniture. Malaysia recorded exports worth RM10.41 billion last year to five main markets; the United States, Japan, Singapore, the United Kingdom and Australia. The government will bring stakeholders in the sector to an International Agri-commodity Expo and Summit from 26-28 July in Kuala Lumpur.

See: <https://www.nst.com.my/business/2022/04/787528/govt-targets-wood-product-exports-hit-rm19-bil-2025>

### Ministry to seek solution to high freight costs

In a recent meeting with the Malaysian Furniture Council (MFC) the Plantation Industries and Commodities (MPIC) Ministry indicated it will search for ways to ease the burden of high transport and freight cost on the industry. The MFC raised the issue of labour shortages and their needs for foreign workers, saying the approval process needs to be made more efficient.

The Human Resources Ministry said a total of 24,560 foreign workers are expected to complete their interviews by 27 April and can then plan to travel to Malaysia.

See: <https://www.thestar.com.my/news/nation/2022/04/12/over-24000-foreign-workers-to-come-back-by-end-april-says-saravanan>

### Rise in minimum wage plans clarified

The planned rise of around 35% in the minimum wage from 1 May was met with concern. Datuk William Ng, president of the Small and Medium Enterprises Association said this is not the right time for an increase as businesses are still trying to recover from the impact of the pandemic. He added higher pay should be linked to productivity.

Eleven associations have called for the change in minimum wage to be postponed as it will be a blow to the agricultural and forestry sectors which are facing rising costs and labour shortages.

It was widely believed that the rise in minimum wage was to be implemented nationwide but that appears not the case as the Human Resources Minister, M. Saravanan, has pointed out that the increase will not apply to all sectors with some being allowed 'flexibility' in implementation.

See:

<https://www.malaymail.com/news/malaysia/2022/04/06/groups-call-for-postponement-of-minimum-wage-hike-say-36pc-rise-too-high-fo/2051917>

and

<https://sea.mashable.com/life/20058/not-all-sectors-are-subject-to-minimum-wage-hike-msian-minister-says>

#### Sarawak plywood price indications

|               |               |
|---------------|---------------|
| FB (11.5 mm)  | US\$ 960 C&F; |
| CP (3' x 6')  | US\$760 C&F;  |
| UCP (3' x 6') | US\$850 C&F;  |
| Middle East   |               |
| DBB/CC grade  | US\$580 FOB   |
| Hong Kong     | US\$560 FOB.  |

## Indonesia

### Indonesia-UK to expand trade

At a meeting between Indonesian Foreign Minister Retno Marsudi and British Minister of Foreign Affairs, Commonwealth and Development, Elizabeth Truss, there was agreement to strengthen bilaterally and multilaterally cooperation.

To promote trade in wood products representatives from the Ministry of Environment and Forestry together with the Association of Indonesian Forest Concession Holders (APHI) joined the Indonesian delegation in London to discuss the issues related to the wood products trade.

The Indonesian side emphasised the urgency to expand the understanding of UK consumers regarding aspects of legality and sustainability to encourage more sales. Currently the market for wood products in the UK is estimated to be worth US\$15 billion annually but Indonesia's share is only around 2%.

See: <https://forestinsights.id/2022/04/21/indonesia-inggris-sepakat-perkuat-kemitraan-termasuk-perdagangan-produk-hasil-hutan/>

### Promoting legal trade with China

Companies in the forestry and wood products sectors have reached out to counterparts in China in an effort to jointly promote markets for sustainable wood products. The chairman of the Indonesian Forestry Community Communication Forum (FKMPI), Indroyono Soesilo, said both countries needed to eliminate trade in illegal timber. This was the conclusion of an online forum 'Promoting Legal and Sustainable Timber Trade Between China and Indonesia'.

This can be achieved as China is expected to introduce a green procurement policy to increase the demand for legally sourced and sustainable wood products.

Zhang Liyan, from China's National Forest Product Industry Association (CNFPPIA) said Indonesia continues to be a major wood product supplier to China.

See: <https://forestinsights.id/2022/04/15/indonesia-ajak-china-promosikan-produk-kayu-lestari-tingkatkan-volume-perdagangan-ke-dua-negara/>

### Cracking down on carbon projects linked to illegal forest operations

Indonesian Environment and Forestry Minister, Siti Nurbaya, has identified a number of carbon projects underway in the country's state forest areas that are or could be associated with illegal forestry operations. The Minister said this will be stopped and warnings and sanctions are being imposed.

On the positive side the Minister mentioned a new carbon offset deal with a major oil and gas company operating in Sumatra's Riau Province involving ecosystem restoration in Central Kalimantan.

See: <https://forestinsights.news/minister-cracks-down-even-harder-on-carbon-projects-linked-to-illegal-forestry-operations/>

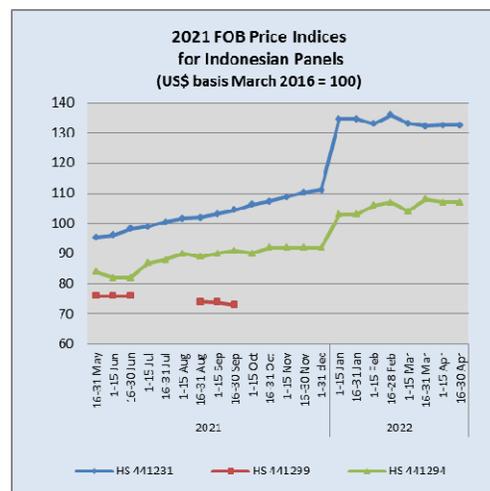
### Free trade deals could lead to shortages for domestic manufacturers - Association

The Asean/Hong Kong free trade deal will encourage exports but there is a risk that expanded trade could result in higher prices and reduced supplies for domestic furniture makers according to the chairman of the Indonesian Furniture and Craft Industry Association (HIMKI), Abdul Sobur.

He called on the government to discuss regulating what categories of products can be exported because if the raw material trade is not regulated the domestic furniture industry will find it difficult to achieve the export value target of US\$5 billion by 2025.

See:

<https://ekonomi.bisnis.com/read/20220420/257/1525091/perdagangan-bebas-asean-hong-kong-bahan-baku-kayu-berpotensi-terbang-keluar-ancam-mebel-domestik>



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

**Challenges of power interruptions and depreciation of the Kyat**

During the past two weeks news relating to energy and foreign currency are hot topics. On 3 April the Myanmar Central Bank issued a regulation requiring incoming foreign currency to be converted to kyat. (see MIS Report Volume 16 Number 7, 1-15 April 2022).

However, according to a directive issued by the Central Bank on 26 April, exporters trading under China-Myanmar and Thai-Myanmar border trade programmes no longer need to compulsorily convert their export earnings in foreign currencies into kyats within one working day. However, it must be exchanged within three months. Other changes were made exempting businesses operating in economic zones approved foreign investors, embassies, United Nations agencies and non-government organisations.

In related news, Myanmar traders have welcomed the move to allow private banks to offer renminbi (RMB) accounts saying this will increase opportunities for border trade. Four private banks in Myanmar have been allowed to provide RMB accounts in order to facilitate the process of payment in China-Myanmar border trade.

See: <https://elevenmyanmar.com/news/myanmar-relaxes-currency-conversion-order-for-traders-at-china-thailand-borders>

**Power outages plague manufacturers**

In recent weeks Myanmar has been hit by a series of power outages forcing industries to rely on alternative power supplies such as generators which consume a considerable amount of diesel. Power outages and soaring fuel prices are driving up prices and increasing uncertainty for the country's businesses.

In order to maintain power supplies the authorities plan to accelerate development of hydrocarbon and renewable energy sources and are seeking to increase foreign investment in the sector despite the threat of economic sanctions.

According to the state run newspaper it has been proposed including the Mee Lin Gyaing Project and a LNG power plant and gas pipelines connecting with Yangon in the list of projects in the China-Myanmar Economic Corridor (CMEC).

See: <https://www.irrawaddy.com/news/burma/myanmar-factories-to-close-amid-planned-power-cuts.html>

**Information sources limited**

The security situation is very uncertain as fighting between the military and opposition forces has intensified and this is making it increasingly difficult to get information from the country. For an analysis of the current situation:

See: <https://www.japantimes.co.jp/news/2022/04/25/asia-pacific/tom-andrews-myanmar-interview/>

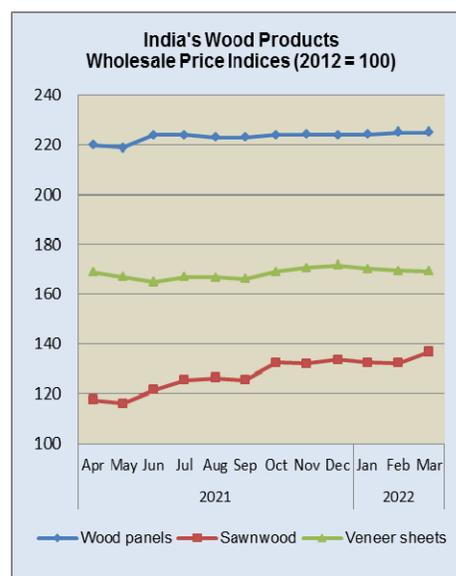
**Wholesale price indices for March 2022**

The Office of the Economic Adviser, Department for Promotion of Industry and Internal Trade has published wholesale price indices for March 2022. The index for manufactured products increased to 141.6 in March 2022 from 138.4 for February 2022.

Out of the 22 manufactured products in the index, 18 saw increases in prices while 3 groups saw declining prices in March 2022 as compared to February 2022. The increase in the overall index was mainly contributed by rises in prices of basic metals, food products, chemical products and textiles.

The annual rate of inflation was 14.55% in March 2022 as compared to 7.89% in March 2021. Price inflation for wood products and cork items over the past six months to March 2022 was 5.76%, 5.49%, 5.32%, 4.11%, 4.55% and 4.65%.

See: [https://eaindustry.nic.in/pdf\\_files/cmonthly.pdf](https://eaindustry.nic.in/pdf_files/cmonthly.pdf)



Data source: Ministry of Commerce and Industry, India

**India, a US\$28-30 trillion-dollar economy by 2050**

India's GDP growth is one of the fastest in the world according to the International Monetary Fund (IMF). The IMF has projected a "fairly robust" growth of 8.2% for India in 2022.

Speaking at the India economic conclave 2022 'The Great Indian Democratic Dividend' Gautam Adani, founder and chairman of the Adani Group said India's demographic dividend will mean the country is on track to becoming a US\$28-30 trillion-dollar economy by 2050.

Adani said, "My optimism comes from my belief that no nation in the world is as uniquely well placed as India to capitalise on four major vectors that will accelerate development.

These are the pull from India's demographic dividend, growth of the middle class, push from the accelerated digital economy and the sustainability focused economy."

See:

[https://economictimes.indiatimes.com/news/economy/indicators/india-to-be-a-30-trillion-economy-by-2050-gautam-adani/articleshow/90985771.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](https://economictimes.indiatimes.com/news/economy/indicators/india-to-be-a-30-trillion-economy-by-2050-gautam-adani/articleshow/90985771.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

### Home sales surged in first quarter

According to a report from ProTiger.com home sales and housing starts set a record high in the first quarter of this year. Sales in the first quarter were the highest since the Covid outbreak.

Markets included in the ProTiger report are Ahmedabad, Bangalore, Chennai, Hyderabad, Kolkata, Mumbai Metropolitan Region, Delhi-National Capital Region and Pune.

Mumbai and Pune had the biggest share in housing sales, with their combined share standing at 56% of overall sales.

See:

<https://economictimes.indiatimes.com/industry/services/property/-construction/housing-sales-grew-by-7-y-o-y-jan-march-quarter-was-best-since-covid-outbreak-report/articleshow/90562277.cms?from=mdr>

In related news, a UK-Singapore joint venture plans to introduce Laminated Veneer Lumber (LVL) for housing projects in India to substitute wood for conventional building materials and help expand low-carbon construction by substituting wood for steel and concrete.

See: <https://theprint.in/world/uk-singapore-joint-venture-to-introduce-engineered-timber-for-housing-in-india/921559/>

### Poplar log prices surging

Prices for poplar logs have reached an all time high much to the delight of forest owners in Yamunanagar in the Indian state of Haryana. This area is known for the clusters of plywood and paper industries. It has been reported that prices for poplar logs have reached a high of Rs 1,400 per quintal (1 quintal = 100KG).

Plywood factories in Yamunanagar used to source most of the poplar wood from a neighbouring state but supplies have dropped. While the increased price for logs is good news for suppliers the overall decline in log supplies has meant mills have had to cut production.

Haryana Plywood Manufacturers' Association President, JK Bihani, claims that reduced supply was adversely affecting the plywood industry in the district. Traders report that prior to the Covid lockdown two lakh quintal of poplar and eucalyptus logs was available every day but now the supply has come down to about one lakh quintal per day.

See: <https://www.tribuneindia.com/news/haryana/farmers-upbeat-as-poplar-wood-rate-at-all-time-high-385836>

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

|              | 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       |

Price range depends mainly on length and girth.

### 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<br>(Ex-warehouse)<br>(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.

### Greenply shipments from Ikolo SEZ

A report from the Bank of Central African States (Beac) says Gabon should experience increased wood production in the second half as the Ikolo Special Economic Zone (SEZ) becomes operational. The media in Gabon has reported that Greenply (a major producer of wood panels in India) has made early shipments of veneer to its operations in India.

Greenply, along with the other companies operating in the Ikolo SEZ, plan to create 750 to 1,250 jobs for Gabonese by the end of 2023 and export between 300 and 400 containers of processed wood products every month,

See: <https://www.lenouveaugabon.com/fr/economie/2104-18352-bois-hausse-projetee-de-la-production-gabonaise-au-2e-trimestre-2022-grace-a-la-zes-d-ikolo>

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

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

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

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

## Vietnam

### Wood and wood product trade highlights

The Vietnam General Department of Customs has reported wood and wood product (W&WP) exports in April 2022 at an estimated at US\$1.5 billion, up 7.3% compared to April 2021. In the first 4 months of 2022 exports of W&WPs is estimated at US\$5.48 billion, up 5% over the same period in 2021.

Of the total exports of WPs in April 2022 have been estimated at US\$1.13 billion, up 6.4% compared to April 2021. In the first 4 months of 2022 WP exports were worth US\$4.14 billion, up 3% compared to the same period in 2021.

Padauk wood imports in April 2022 are estimated at 19,200cu.m worth US\$7.5 million, up 20.4% in volume and 20% in value.

In the first 4 months of 2022 padauk wood imports were estimated at 59,200 cu.m, worth US\$24.7 million, down 6.5% in volume and 4% in value compared to the same period in 2021.

Vietnam's exports of rattan, bamboo and other NTFPs in March 2022 reached US\$89.06 million, up 32% compared to February 2022 and up 14% compared to March 2021.

W&WP exports has gained nearly US\$4.0 billion in the first quarter and optimistic with the target of US\$16 billion

According to the Import-Export Department of the Ministry of Industry and Trade (MT) many wood product export enterprises have orders until the end of the third quarter of 2022. With this pace of growth the timber industry's target of US\$16 billion in 2022 can be achieved.

International demand for wood products and wooden furniture continues to rise and businesses in the timber industry, especially the furniture manufacturers have full order books until the end of the third quarter or even the end of 2022.

Vietnam's production and export activities are being promoted by a series of agreements that are being implemented such as EUFTA and CPTPP creating a competitive advantage for enterprises.

As China is implementing a "Zero COVID" strategy export production has been affected which also gives an advantage to Vietnam.

However, the impact of the COVID-19 pandemic and the war between Russia and Ukraine is causing businesses to face a shortage of shipping opportunities, a lack of containers, rising freight costs which is leading to disruption of supply chains.

In the first quarter 2022 W&WP exports to the main trade partners all grew except for China and Canada. The US continues to be Vietnam's top export market for W&WPs and in the first quarter was worth US\$2.4 billion, up 4% over the same period in 2021.

Exports to Japan were worth a further US\$396 million, up 11%; to South Korea US\$249 million, up 18% while to China exports were worth US\$353 million, down by 1%.

See:

<http://asemconnectvietnam.gov.vn/default.aspx?ZID1=8&ID1=2&ID8=118638>In the first quarter of 2022, imports of wood raw materials from Africa increased again

In early 2022 due to the limited supply of wood raw materials from the US and the EU and the rapidly rising prices, Vietnamese wood processing and trading enterprises have been facing a serious problem.

In the face of these difficulties Vietnamese timber importers intend to increase wood imports from African suppliers while recognizing such imports come with legality risks.

After consecutive declines in 2020 and 2021 imports of wood raw materials from Africa increased again in the first quarter of 2022 and were estimated at 300,000 cu.m worth US\$110 million, up 17% in volume and 21% in value over the same period in 2021.

In the first two months of 2022 imports of wood raw materials from Africa reached 187,450 cu.m worth US\$68.5 million, up 28% in volume and 31% in value over the same period in 2021.

See: <https://goviet.org.vn/bai-viet/quy-i-2022-nhap-khau-nguyen-lieu-tu-chau-phi-tang-tro-lai-9716>

### **Acacia plantation development**

In the last three decades Vietnam has been emerging as a 'kingdom of the acacia tree'. The timber industry development of Vietnam will not be a success without the immense growth of acacia plantation. However, the use of inappropriate varieties and improper seed propagation technologies, unsustainable management techniques have led to a poor performance acacia plantation businesses.

At present acacia plantations extend over 2.2 million hectares accounting for about 60% of the total commercial planted forest area in Vietnam.

Acacia mangium, acacia auriculiformis, acacia hybrid (a hybrid of these two varieties) and acacia crassicaarpa grow well on altitudes under 700 m above sea level.

These acacia species have an important role in regreening barren lands and denuded hills, improving land reclamation, helping erosion control and providing being the main source of raw materials for the wood processing industries. Acacia plantations have greatly contributed to poverty alleviation for a large segment of Vietnamese rural population.

Of the total wood and wood product export revenue of US\$14.8 million around half was manufactured from acacia.

Nevertheless, improper planning and the extensive planting on land with the wrong site conditions along with a too short cutting cycle (4 – 6 years) along with other factors has lowered potential and the efficiency of the entire acacia value chain.

In many localities, farmers are still planting acacia on land with inappropriate climatic and soil conditions (over 700 m above sea level, too steep slopes and high frequency of storms. As a result, in certain areas, acacia plantations are blamed for landslides and other negative impacts on the environment. To address this situation the Ministry of Science issued Standards on site requirements for acacia mangium (TCVN 11366-1:2016), acacia auriculiformis (TCVN 11366-3:2019).

In commercial plantation businesses seed source and seedlings treatment are key factors that determine the health, productivity and quality of plantation forests. Improved seeds have contributed to increase the average yearly yield of acacia plantations from 15 cu.m to over 20 cu.m per hectare.

The Ministry of Agriculture and Rural Development has recognised many varieties of acacia for planting. However, the number of varieties commonly used is still limited, the transfer of new varieties remains slow and the life span of using certain plus trees in nurseries for seed breeding is too long leading to vigour.

Another factor affecting the yield and quality of acacia plantations are the technical measures to intensify plantation performance. Many farmers are still practicing extensive plantation establishment, with extremely high planting density (even 3,500 – 4,000 stems per hectare) and without thinning. With such high density, trees are often small in diameter, the vegetation under the plantation canopy is unable to grow and reduced water penetration accelerating erosion and landslides in high-slope locations.

### South Africa - the largest supplier of padauk wood for Vietnam

In the first 3 months of 2022 imports of padauk sawnwood totalled 35,300 cu.m worth US\$15.4 million, down 12% in volume and 3% in value over the same period in 2021. Imports of padauk logs amounted to 4,700 cu.m worth US\$1.8 million, up 13% in volume and 22% in value over the same period in 2021.

#### Padauk imports first quarter 2022

|          | cu.m   | US\$ 000s | US\$/cu.m |
|----------|--------|-----------|-----------|
| Sawnwood | 35,266 | 15,412    | 437.0     |
| Logs     | 4,741  | 1,751     | 369.3     |

Data source: General Department of Customs

The average price of imported padauk in the first 3 months of 2022 was reported at US\$429.0 per cu.m, up 16% over the same period in 2021.

In particular the price of padauk logs imported from South Africa increased by 1.4% compared to the same period in 2021 to US\$274.7 per cu.m; from the Angola prices increased by 13% to US\$279.0 per cu.m; from Namibia rose 12% to US\$269.70 per cu.m and from Cameroon US\$404.50 per cu.m, up 8%.

In the first 3 months of 2022 imports of padauk from Angola, Congo, Hong Kong and China declined against the same period in 2021 while imports from South Africa, Laos, Namibia, Cameroon and Gabon increased.

Imports of padauk from Angola reached 4,700 cu.m, worth US\$1.3 million, down 69% in volume and 65% in value compared to the same period in 2021 and accounted for 12% of total imports in the first 3 months of 2022.

Imports of padauk from the Congo was 1,700 cu.m, worth US\$628,000, down 9.0% in volume and 18% in value compared to the same period in 2021.

In contrast, padauk imports from South Africa increased by 22% in volume and 23% in value over the same period in 2021, reaching 15,500 cu.m, worth US\$4.3 million, accounting for 39% of total imports.

## Brazil

### Monitoring technology in the Brazilian Amazon

The 'Providence Project' which began in 2016 led by the Mamirauá Institute together with the Polytechnic University of Catalonia (Spain) has promoted progress in monitoring biodiversity in tropical forests. This has been achieved through developing a technology that integrates species recognition through audio and image techniques.

This technology is being applied in the Mamirauá Sustainable Development Reserve to identify and track the biodiversity in 1.1 million hectares of protected Amazon forest.

'Providence' techniques also provide information on the 'health' of the forest through calculation of eco-acoustic indices of biodiversity. This technique allowed automatic real time identification of more species than any other technology available. The impact of this technology will be significant.

See: [https://www-mamiraua-org-br.translate.google.com/noticias/reserva-mamiraua-na-amazonia-central-e-a-primeira-do-planeta-a-ser-monitorada-inteiramente-em-tempo-real%20?\\_x\\_tr\\_sl=pt&\\_x\\_tr\\_tl=en&\\_x\\_tr\\_hl=en&\\_x\\_tr\\_pto=sc](https://www-mamiraua-org-br.translate.google.com/noticias/reserva-mamiraua-na-amazonia-central-e-a-primeira-do-planeta-a-ser-monitorada-inteiramente-em-tempo-real%20?_x_tr_sl=pt&_x_tr_tl=en&_x_tr_hl=en&_x_tr_pto=sc)

### Technology to support transparency of information

The Brazilian Institute for the Environment and Renewable Natural Resources (IBAMA) have launched a technology that supports transparency of information on products from natural forests in Brazil.

The programme called 'Analytical Panels of Timber Management' developed by the Federal Service of Data Processing (SERPRO) will make public data on logging, production, processing, commercialisation and transport of forest products.

According to IBAMA sustainable production is one of the most important public policies to combat illegal deforestation. The information is obtained from the processing and cross-referencing of data from several integrated federal and state control systems. There are three main categories, information on wood production, timber processing and trade and transport of wood products for export.

The system delivers details on authorisations granted by environmental agencies and projects under analysis, transactions of forest products in the national market and export transactions.

The technology originated in 2020, with the creation of the Sinaflor+ system (National System for the Control of the Origin of Forest Products) which established the obligation to adopt mechanisms for the traceability of wood at origin.

See: [https://www-madeiratotal-com-br.translate.google.com/governo-federal-lanca-tecnologia-que-facilita-controle-e-fiscalizacao-da-exploracao-da-madeira-nativa-brasileira/?\\_x\\_tr\\_sl=pt&\\_x\\_tr\\_tl=en&\\_x\\_tr\\_hl=en&\\_x\\_tr\\_pto=sc&\\_x\\_tr\\_sch=http](https://www-madeiratotal-com-br.translate.google.com/governo-federal-lanca-tecnologia-que-facilita-controle-e-fiscalizacao-da-exploracao-da-madeira-nativa-brasileira/?_x_tr_sl=pt&_x_tr_tl=en&_x_tr_hl=en&_x_tr_pto=sc&_x_tr_sch=http)

### Export update

In March 2022 Brazilian exports of wood-based products (except pulp and paper) increased 30% in value compared to March 2021, from US\$326.9 million to US\$424 million.

Pine sawnwood exports grew significantly( 51%) in value between March 2021 (US\$49 million) and March 2022 (US\$73.9 million). In volume, exports increased 10% over the same period, from 249,400 cu.m to 275,200 cu.m.

Tropical sawnwood exports increased 12% in volume, from 38,700 cu.m in March 2021 to 43,400 cu.m in March 2022. In value, exports grew 19.5% from US\$14.9 million to US\$17.8 million over the same period.

Pine plywood exports witnessed a 4% increase in value in March 2022 compared to March 2021, from US\$82.9 million to US\$86.2 million. In volume, exports increased 3% over the same period, from 208,100 cu.m to 214,000 cu.m.

As for tropical plywood, exports declined in volume (-4.6%) but increased in value by 14%, from 6,500 cu.m (US\$2.8 million) in March 2021 to 6,200 cu.m (US\$2.2 million) in March 2022.

Wooden furniture exports fell from US\$63.1 million in March 2021 to US\$57.4 million in March 2022, a 9% drop.

### First quarter 2022 exports

In the first quarter of 2022 there was an expansion in exports of some categories of wood products compared to the same period last year.

In the first quarter the volume of pine sawnwood increased by 5% to 710,736 cu.m. Profiled softwood wood frame exports jumped to 41,608 tonnes and pine plywood exports grew 13% to 608,829 cu.m. According to ABIMCI this export performance was the result of good stability and moderate growth in some markets. In 2022 the Brazilian timber industry sector expects better market growth even in the face of the current crisis in Europe.

### Domestic log prices

|                                     | US\$ per cu.m |
|-------------------------------------|---------------|
| Brazilian logs, mill yard, domestic |               |
| Ipê                                 | 285           |
| Jatoba                              | 128           |
| Massaranduba                        | 115           |
| Muiracatiara                        | 114           |
| Angelim Vermelho                    | 111           |
| Mixed redwood and white woods       | 87            |

Source: STCP Data Bank

### Domestic sawnwood prices

|   | US\$ per cu.m |
|---|---------------|
| Brazil sawnwood, domestic (Green ex-mill) |               |
| Ipê                                       | 1,233         |
| Jatoba                                    | 599           |
| Massaranduba                              | 596           |
| Muiracatiara                              | 532           |
| Angelim Vermelho                          | 5280          |
| Mixed red and white                       | 352           |
| Eucalyptus (AD)                           | 243           |
| Pine (AD)                                 | 179           |
| Pine (KD)                                 | 221           |

Source: STCP Data Bank

### Domestic plywood prices (excl. taxes)

|          | US\$ per cu.m |
|----------|---------------|
| Parica   |               |
| 4mm WBP  | 549           |
| 10mm WBP | 477           |
| 15mm WBP | 399           |
| 4mm MR.  | 496           |
| 10mm MR. | 369           |
| 15mm MR. | 340           |

Prices do not include taxes. Source: STCP Data Bank

### Prices for other panel products

|                         | US\$ per cu.m |
|-------------------------|---------------|
| Domestic ex-mill prices |               |
| 15mm MDParticleboard    | 273           |
| 15mm MDF                | 346           |

Source: STCP Data Bank

### Export sawnwood prices

|                                      | US\$ per cu.m |
|--------------------------------------|---------------|
| Sawnwood, Belem/Paranagua Ports, FOB |               |
| Ipe                                  | 2,142         |
| Jatoba                               | 1,122         |
| Massaranduba                         | 1,150         |
| Muiracatiara                         | 1,142         |
| Pine (KD)                            | 290           |

Source: STCP Data Bank

### Export plywood prices

|                             | US\$ per cu.m |
|-----------------------------|---------------|
| Pine plywood EU market, FOB |               |
| 9mm C/CC (WBP)              | 360           |
| 12mm C/CC (WBP)             | 337           |
| 15mm C/CC (WBP)             | 327           |
| 18mm C/CC (WBP)             | 359           |

Source: STCP Data Bank

### Export prices for added value products

|                           | US\$ per cu.m |
|---------------------------|---------------|
| FOB Belem/Paranagua ports |               |
| Decking Boards            |               |
| Ipê                       | 4,406         |
| Jatoba                    | 1,968         |

Source: STCP Data Bank

## Peru

### Good start to 2022 – exports rise 35%

The Management of the Services and Extractive Industries Division of the Association of Exporters (ADEX) has reported exports of wood products in the first 2 months of the year totalled US\$22.4 million, an almost 35% growth compared to the same period of 2021. This increase is explained by a stronger demand from countries such as France, Dominican Republic and Belgium.

Despite the increase shipments of wood products barely represented 0.7% of total non-traditional shipments, a situation that does not coincide with the enormous potential of the forestry sector.

Lucía Rodríguez Zunino from ADEX said “The Amazonian forests represent 61% of the national territory but this resource is not being well utilised, on the contrary they are victims of deforestation”. He concluded that it is essential that the revised process for forest concessions allocation be implemented.

### Despite reduced purchases China remains the main buyer

With a 21% share of total export demand in the first two months of 2022 China remains the main market for Peruvian wood products followed by France, the Dominican Republic and Belgium. Other buyers in the top ten were Mexico, USA, Denmark, Vietnam, the Netherlands and Germany.

In the first two months of 2022 semi-manufactured products (US\$13.6 million) were the largest and grew 28% year on year representing 61% of total wood product exports. The most outstanding items were: mouldings, unassembled slats for flooring and other profiled wood.

With a 28% share, sawnwood (US\$6.2 million) was the second most exported product. In the first two months of the year exports of sawnwood jumped over 50%.

#### Serfor and information exchange protocol

The National Forest and Wildlife Service (Serfor) and the Regional Government of Loreto have signed a cooperation protocol that will allow the exchange of geographic information to ensure the sustainable management of forest and wildlife resources in the department of Loreto.

The protocol was signed by the executive director of Serfor, Hilario López Córdova and the Regional Manager of Forestry and Wildlife Development of the Regional Government of Loreto, Óscar Llapasca Samaniego.

For nine months specialists from both institutions worked to consolidate and harmonise the forest registry database which will allow the sharing of information on the effective management of the forest resources of the department of Loreto.

During the signing ceremony a demonstration of the spatial forest information system involving Serfors GEOSERFOR platform and in the Spatial Data Infrastructure (IDER) of the Forest Management of the Loreto Region (GOREL).

#### 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<br>Grade 1, Mexican market | 589-615       |
| Grade 2, Mexican market  | 507-538       |
| Cumaru 4" thick, 6"-11" length KD<br>Central American market   | 1044-1077     |
| Asian market   | 1129-1147     |
| Ishpingo (oak) 2" thick, 6"-8" length<br>Spanish market        | 599-629       |
| Dominican Republic   | 703-719       |
| Marupa 1", 6-11 length KD<br>Grade 1 Asian market              | 575-599       |

#### 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)

|                  | US\$ per cu.m |
|------------------|---------------|
| Iquitos mills    |               |
| 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

#### Rising raw material prices and currency depreciation a risk to economy

The government has upgraded its economic assessment for the first time in four months citing a recovery in private consumption as the effects of the coronavirus pandemic wane. The recovery has been driven by more spending on travel and dining out.

The Cabinet report says:

“Concerning short-term prospects, the economy is expected to show movements of picking up supported by the effects of the policies and improvement in overseas economies while taking all possible measures against infectious diseases and economic and social activities move toward normalisation. However, full attention should be given to the further increase in downside risks due to rising raw material prices and fluctuations in the financial and capital markets and supply-side constraints while the uncertainties surrounding the state of affairs of Ukraine. Also attention should be given to the effects of the Novel Coronavirus.”

See: <https://www5.cao.go.jp/keizai3/getsurei-e/2022apr.html>

In related news, Ranil Salgado the head of the IMF mission in Japan, has said the yen's rapid recent weakening against the US dollar could interrupt recovery of the Japanese economy as the cost of imports are rising which is undermining consumer spending.

The yen's drop to a 20-year low against the dollar at the end of April is closely related to the Bank of Japan's decision to maintain the monetary easing policy when central banks in other major economies are tightening.

A weaker yen typically serves as a boon to Japanese exporters as Japan-made products become more competitively priced overseas but now, with the cost of imports especially energy sources rising, consumers have seen sharp increases in daily goods. Japan's consumer price index, excluding volatile fresh food, rose almost 1% March from a year earlier, the fastest increase in over two years.

Shunichi Suzuki, the Minister for Economy and Finance said the rapidly weakening yen could cause problems for Japan's economy and the media have speculated that, for the first time in over 20 years, the government may try and slow the rate of depreciation.

See: <https://japantoday.com/category/business/imf-says-yen-s-rapid-slide-may-hamper-japan-s-post-pandemic-recovery>

#### Firm housing starts

Housing starts unexpectedly rose by 6% year-on-year in March 2022 exceeding expectations. The March rise builds on the increase seen a month earlier.

A statistical survey of housing starts for 2021 from the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) shows the number of new housing starts in 2021 was 865,909, up 6.6% from the previous year, the first increase in three years. The floor area of new housing also increased for the first time in three years. By category of homes it was reported that the number of custom home starts increased for the first time in three years.

See: <https://www.rethinktokyo.com/news/2022/04/29/japan-new-housing-starts-increase-first-time-three-years/1651198823>

#### A direct online real estate purchase service launched

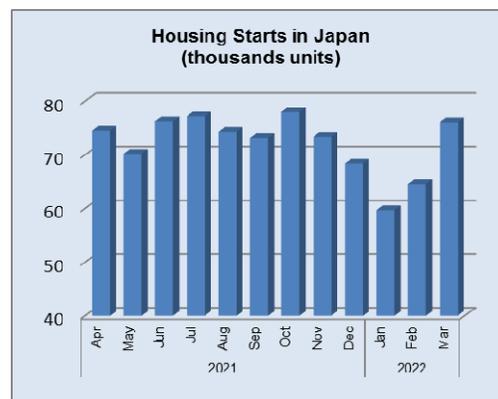
In Japan the real estate market is fragmented and homeowners wishing to sell face many challenges such as difficulty in determining the value of a property, high agent fees and a process to conclude a sale which could take over 6 months. These issues discourage existing home sales which in Japan are around 15% compared to the 80% typically seen in the US and the UK. To help home sellers a Tokyo 'proptech' startup offers a direct online real estate purchase service.

See: <https://techcrunch.com/2022/04/27/proptech-startup-sumutasu-raises-10m-series-b-to-digitize-japans-real-estate-market/>

#### Energy-saving measures in the building sector

Japan has revised the Law on 'Improvement of Energy Consumption Performance of Buildings to Contribute to the Realisation of a Decarbonised Society'. The revision specifies energy-saving measures in the building sector in order to achieve carbon neutrality by 2050 and a 46% reduction in greenhouse gas emissions by 2030 compared to 2013 levels.

To promote energy-saving renovations a low-interest loan programme for residential properties will be established by the Japan Housing Finance Agency.



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

#### Sawnwood prices at record highs

Sawnwood prices have reached record highs in Japan since economic sanctions were imposed on Russia and this will push up the cost of new homes. Russia accounted for around 80% of Japan's imports of veneer for plywood production and about 20% of Japan's imports of roof timbers came from Russia.

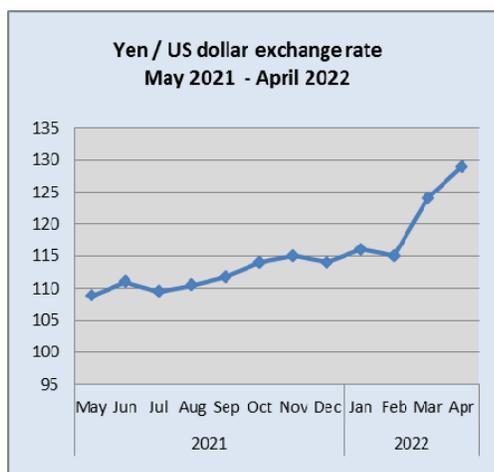
The Bank of Japan's report on the corporate goods price index for March, released on April 12, showed sawnwood prices jumped nearly 60% recently.

See: <https://www.asahi.com/ajw/articles/14601984>

#### Yen tumbles to 130 to the US dollar

For the first time since April 2002 the yen fell to 130 against the dollar on 28 April after the Bank of Japan (BoJ) maintained its ultra-easy monetary policy at its latest board meeting. This decision is in sharp contrast to the US Federal Reserve that has raised interest rates.

At the two-day policy meeting at the end of April the BoJ said it will purchase Japanese government bonds from financial institutions to support the economy still recovering from the impact of COVID-19.



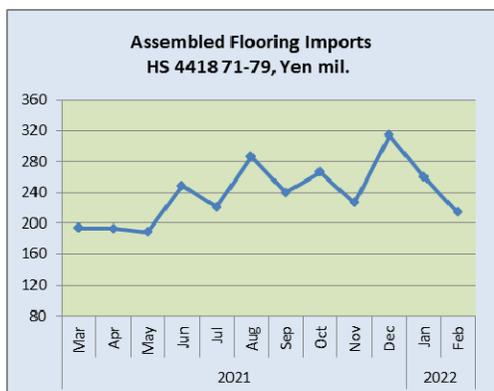
### Import update

The Ministry of Finance has not released import data for either wooden doors (HS448120) or wooden windows (HS441810).

### Assembled wooden flooring imports

There was a serious downward correction in the value of Japan's imports of assembled flooring (HS441871-79) in February. There had been a steady upward trend in the import value between May to December 2021. Year on year, assembled wooden flooring imports were up 5% in February 2022 but the February figure was down by 18% compared to January 2022.

The main category of assembled flooring imported by Japan continues to be HS441875, accounting for around 70% of January 2022 imports with the main suppliers being China, Vietnam and Malaysia. The second ranked category in terms of value of imports was HS441879 shipped mainly from China, Thailand and Vietnam.



Data source: Ministry of Finance, Japan

### Plywood imports

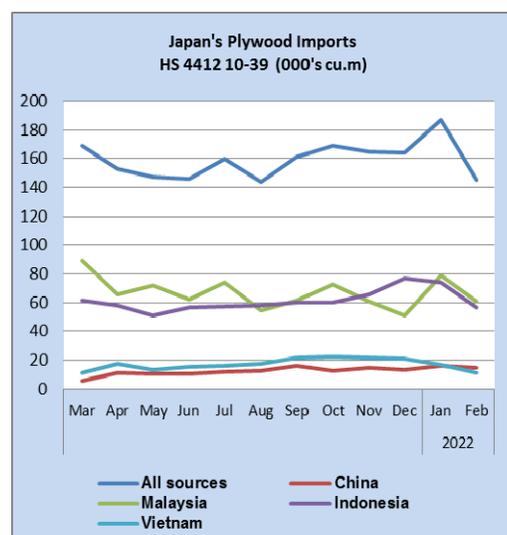
#### Main sources of Japan's plywood imports (000's cu.m)

|      |     | China | Malaysia | Indonesia | Vietnam |
|------|-----|-------|----------|-----------|---------|
| 2019 | Jan | 14.0  | 91.2     | 66.4      | 11.9    |
|      | Feb | 11.1  | 85.3     | 75.0      | 4.2     |
|      | Mar | 4.4   | 70.1     | 61.2      | 9.8     |
|      | Apr | 11.4  | 94.2     | 65.9      | 8.5     |
|      | May | 12.4  | 61.8     | 48.9      | 10.6    |
|      | Jun | 9.3   | 59.6     | 62.8      | 11.3    |
|      | Jul | 9.8   | 65.1     | 59.0      | 12.1    |
|      | Aug | 12.1  | 61.8     | 68.9      | 11.0    |
|      | Sep | 10.0  | 53.0     | 62.0      | 12.0    |
|      | Oct | 10.6  | 66.3     | 72.0      | 12.0    |
|      | Nov | 13.1  | 69.5     | 68.1      | 12.6    |
|      | Dec | 13.0  | 74.4     | 57.4      | 14.0    |
| 2020 | Jan | 13.4  | 61.1     | 81.6      | 17.0    |
|      | Feb | 6.8   | 72.2     | 63.8      | 9.5     |
|      | Mar | 5.8   | 76.5     | 73.0      | 12.2    |
|      | Apr | 13.0  | 68.0     | 69.0      | 13.6    |
|      | May | 9.6   | 69.7     | 59.0      | 12.6    |
|      | Jun | 10.3  | 52.0     | 61.0      | 11.3    |
|      | Jul | 10.2  | 40.0     | 54.9      | 8.9     |
|      | Aug | 6.6   | 55.0     | 56.0      | 8.4     |
|      | Sep | 6.8   | 42.2     | 37.8      | 8.7     |
|      | Oct | 8.3   | 62.4     | 52.7      | 10.1    |
|      | Nov | 8.6   | 43.1     | 50.0      | 10.9    |
|      | Dec | 9.2   | 60.5     | 43.9      | 10.8    |
| 2021 | Jan | 9.7   | 76.9     | 59.3      | 15.7    |
|      | Feb | 6.8   | 53.5     | 50.1      | 13.0    |
|      | Mar | 5.7   | 89.4     | 61.5      | 11.5    |
|      | Apr | 11.4  | 65.9     | 58.2      | 17.3    |
|      | May | 10.3  | 72.0     | 51.0      | 13.0    |
|      | Jun | 10.5  | 61.9     | 56.6      | 15.6    |
|      | Jul | 11.8  | 74.1     | 57.1      | 16.4    |
|      | Aug | 12.8  | 54.7     | 57.8      | 17.5    |
|      | Sep | 16.0  | 61.8     | 60.4      | 21.8    |
|      | Oct | 12.6  | 72.8     | 60.4      | 22.5    |
|      | Nov | 14.6  | 60.6     | 66.0      | 21.8    |
|      | Dec | 13.6  | 51.2     | 76.5      | 21.0    |
| 2022 | Jan | 15.9  | 78.6     | 73.9      | 16.8    |
|      | Feb | 14.7  | 61.0     | 56.8      | 11.4    |

Data source: Ministry of Finance, Japan

There was a month on month 25% downward correction in the volume of plywood imports into Japan in February 2022. Year on year, February 2022 plywood import volumes rose 11%. Of the various categories of plywood imported in February 2022 (as in most other months)

HS441231 was the most common accounting for 88% of total plywood imports.



Data source: Ministry of Finance, Japan

Malaysia and Indonesia were the main plywood shippers to Japan and in February 2022 shipments from Malaysia rose year on year but were below the volume imported in January. A similar pattern was seen for plywood imports from Indonesia and China. It was only shippers in Vietnam that managed year on year and month on month increases in February 2022.

#### **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/](https://jfpj.jp/japan_lumber_reports/)

#### **Items of sanctions by the government**

The Japanese government announced items of additional sanctions to Russia on April 12. Russia banned export of wood chip, veneer and logs for retaliation to the sanctions by the unfriendly Western countries. Log export is banned since beginning of this year so there is no influence.

According to the Forestry Agency, actual imported result in 2021 is 36,000 cbms of logs (900 million yen in value), 80,000 tonnes of wood chip (1.3 billion yen) and 244,000 cbms of veneer (8.5 billion yen).

Market share of wood chip is 1%, of veneer is 82%. As raw materials to manufacture plywood in Japan, it takes 2% share. Larch veneer is used for face and back of plywood and LVL because of the strength so plywood mills in Japan need to find substitution in a hurry to replace Russian supply.

#### **February plywood supply**

Total plywood supply in January was under 500,000 cbms. Monthly volume of less than 500 M cbms is for the first time in six months. This is because of the volume of imported plywood was under 200,000 cbms. The volume of domestic production and shipment in Japan are balanced and the inventory at manufacturers is minimum.

The volume of imported plywood from Malaysia and Indonesia both decreased. One of major plywood manufacturers in Malaysia stopped taking new orders in last November and put priority on orders which were delayed for shipping. Manufacturers in Indonesia hurried shipping order balances to Japan in February, 2022 after a rush of shipping products to other countries completed during October, 2021 to January, 2022. The volume of Chinese plywood was influenced by a Chinese New Year's holiday.

It is hard to predict the volume of imported plywood after March. There are not enough logs and labors in Malaysia and Indonesia so there will be less plywood supply for Japan. The prices of logs in both countries are increasing every month.

There is not enough imported plywood at markets in Japan. People are careful to buy import plywood because the prices are high in Malaysia and Indonesia and a sudden weak yen hit against the dollar at the end of March. The production of domestic softwood plywood exceeded shipment a little bit. The production of domestic softwood plywood is 78,300 cbms, 1,300 cbms more than last month.

Manufacturers' inventory level is 0.3 month and this is same inventory level as January. Usually, it is the time to build up inventory in February to April by the manufacturers but still there are not enough inventory due to a shortage of logs and a delay of delivery. February had only eighteen working days and it affected lower production.

It is important to see the balance of demand, product and supply in April because Russian veneer was prohibited exporting to Japan at the beginning of March. This takes considerable part of domestic plywood and lack of imported veneer would reduce total plywood production.

#### **South Sea logs and lumber**

Supply of South Sea hardwood logs is low even after rainy season is over in producing regions. Demand for South Sea hardwood logs in Japan is way down after all the plywood mills stopped using tropical hardwood logs and only demand is for lumber of truck body.

Production of trucks is slowing by shortage of semiconductor then in March some major truck manufacturer lost certificate on engine by illegal procedures so truck production would decrease in coming months so demand for truck body lumber would also decline.

Supply and demand of tropical hardwood lumber manufactured in China are balancing. Dealers in Japan have ample inventory of free board but some place orders hurriedly as weak yen would push the import cost. In China, severe measure is taken to stop spreading COVID 19 like lockdown of communities and transportation is being disrupted.

### Wood use for public buildings

Wood use promotion office by the Ministry of Agriculture, Forestry and Fisheries announced actual wood use by the public buildings in 2020. Total of 154 units of buildings lower than three stories were built, out of which 132 units are wooden building. Percentage of wooden building is 85.7%. This is two straight years with more than 85%.

As number of unit, total is almost doubled to 2019 but floor space per unit is smaller than 2019 so total floor space is 13,861 square meters, only 1.2% up from 2019.

Wood use for interior is 220 units, 66.7% more, first increase in four years. Total volume of wood is 5,286 cbms, 1.6% less because of many small size buildings. This is two straight year's of over 5,000 cbms of wood use. 3,790 cbms of wood used is domestic wood. Units with large floor space are roadside stations, where local products are sold for visitors.

This is managed by the Ministry of Land, Infrastructure, Transport and Tourism. One has floor space of 1,144 square meters and another has 515 square meters. Other small units are bicycle storage and interior passage of Diet building. Also explosive warehouse for the Defense Ministry was built with wood for three consecutive years.

The Forestry Agency and The Ministry of Land, Infrastructure, Transport and Tourism inspected on 22 non-wood buildings if any can be built with wood. Only six units can be built with wood.

## China

### Supply chain pressure increases

The spread of COVID-19 and urban lockdowns have had a huge impact on the global timber supply chain for a long time and have led to soaring freight rates and rising timber prices. Although freight rates have risen the impact on wood supplies has been equally impacted by disruption of transport from the ports and the difficulty faced by overseas raw material suppliers in securing containers.

Shanghai City is under lockdown which has resulted in serious cargo accumulation at the port. Shanghai Port is one of the important container ports in China and 20% of exports pass through the port. Cargo volumes are now exceeding port capacity and trucks with containers are backing up on highways and vessels arriving for cargo are being delayed at sea. If the outbreak in Shanghai continues China could face a logistics crisis.

Global shipping companies and exporters in the eastern provinces of Jiangsu, Zhejiang, Anhui and Shanghai are turning to Ningbo Port in Zhejiang some three hours from Shanghai, to avoid the congestion at Shanghai Port.

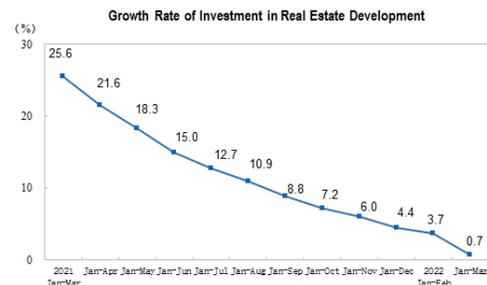
See: [https://www.sohu.com/a/541455208\\_120504278](https://www.sohu.com/a/541455208_120504278)

and

<https://www.scmp.com/business/commodities/article/3175898/coronavirus-shanghai-port-grapples-increasing-congestion>

### First quarter 2022 housing trend

The National Bureau of Statistics has reported national real estate development and sales for January to March 2022 saying there was a 0.7% year on year increase in sales.

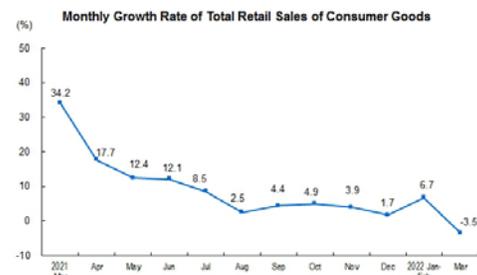


Source: National Bureau of Statistics, China

The overall construction area increased 1.0% and the area of residential construction increased 1.1% however, the completed housing area was down 11.5%. In March, the real estate development climate index stood at 96 after a slight improvement in February.

### Retail sales up slightly in the first quarter

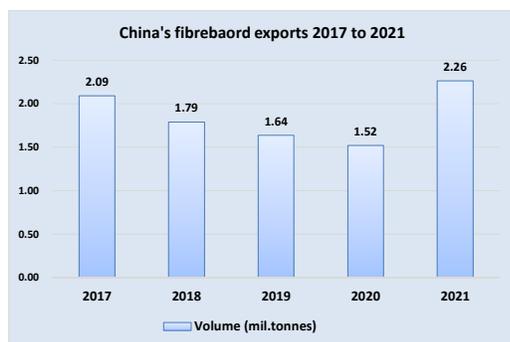
In the first quarter retail sales of social consumer goods increased of 3.3% year on year. Sales of consumer goods (other than automobiles) increased 3.6%. Excluding price factors, retail sales of consumer goods in the first quarter actually increased by 1.3 percent year-on-year. In March retail sales of consumer goods dropped 3.5% year on year.



Source: National Bureau of Statistics, China

### Surge in fibreboard exports in 2021

According to China Customs exports have been dominating China's fibreboard trade in recent years. The volume of China's fibreboard exports fell to 1.52 million tonnes in 2020 from 2.09 million tonnes in 2017 however, exports surged 49% to 2.26 million tonnes year on year in 2021.



Data source: Customs, China

In 2021 China's fibreboard exports totalled 2.26 million tonnes valued at US\$1.2 billion a year on year increase of 49% in volume and 45% in value. The average CIF price for China's fibreboard exports fell 3% to US\$532 per tonne.

China's fibreboard export markets are diverse and the volume of fibreboard exports to the top 10 destinations accounted for only 63% of the total in 2021. The top 3 countries in terms of fibreboard export volumes in 2021 were Vietnam, Nigeria and Mexico. China's fibreboard exports in 2021 to Vietnam and Mexico surged but to Nigeria fell 15%.

The USA was ranked fifth in terms of China's fibreboard exports volume in 2021, previously it was ranked number one.

The average CIF price for China's fibreboard exports to Vietnam among the top 10 destination countries was lowest at US\$362 per tonne in 2021, down 14% year on year. The average CIF price for China's fibreboard exports to Mexico fell 26% year on year.

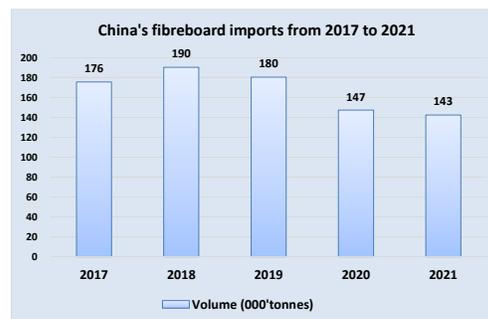
#### Fibreboard export markets in 2021

|              | Volume<br>000s tonnes | Value<br>US\$ mils. |
|--------------|-----------------------|---------------------|
| Vietnam      | 254                   | 92                  |
| Nigeria      | 223                   | 109                 |
| Mexico       | 219                   | 82                  |
| Saudi Arabia | 158                   | 61                  |
| USA          | 158                   | 141                 |
| UAE          | 121                   | 45                  |
| Canada       | 98                    | 70                  |
| Russia       | 75                    | 43                  |
| Egypt        | 68                    | 27                  |
| Chile        | 62                    | 38                  |

Data source: Customs, China

#### Decline in fibreboard imports in 2021

According to China Customs, fibreboard imports rose 8% in 2018 but have been falling since that date.



Data source: Customs, China

China's fibreboard imports totalled 143,000 tonnes valued at US\$132 million, down 3% in volume but up 23% in value year on year in 2021. The average CIF price for China's fibreboard imports rose 27% to US\$928 per tonne.

The main suppliers of fibreboard imports in 2021 were Germany, New Zealand, Thailand, Belgium and Spain. The volume of China's fibreboard imports from Germany, Thailand, Belgium and Spain rose 59%, 35%, 41% and 79%, however from New Zealand they fell 35% year on year.

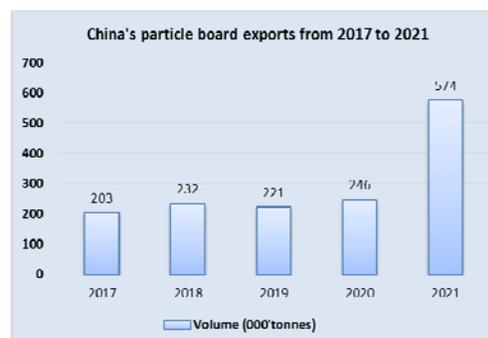
#### Main shippers of fibreboard imports in 2021

|             | Volume<br>000s tonnes | Value<br>US\$ mil. |
|-------------|-----------------------|--------------------|
| Germany     | 40                    | 43                 |
| New Zealand | 21                    | 10                 |
| Thailand    | 15                    | 6                  |
| Belgium     | 13                    | 20                 |
| Spain       | 11                    | 15                 |

Data source: Customs, China

#### Steady rise in particleboard exports in 2021

According to China Customs data China's particleboard exports from 2017 to 2021 have been rising except for a decline of 4% in 2019. The capacity of China's domestic particleboard industry has increased in recent.



Data source: Customs, China

In 2021 China's particleboard exports totaled 574,000 tonnes valued at US\$429 million, surging 134% in volume and 162% in value year on year. The average CIF price for China's particleboard rose 12% to US\$747 per tonne year on year. Chile, Vietnam and Taiwan P.o.C were the top 3 markets in 2021. Demand in most of the top markets rose in 2021 except for Mongolia and the UAE .

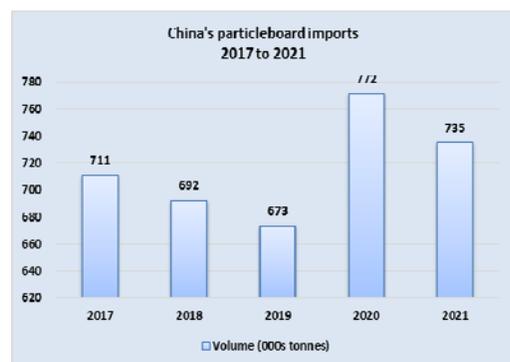
#### Main particleboard export markets in 2021

|              | Volume<br>000s tonnes | Value<br>US\$ mil. |
|--------------|-----------------------|--------------------|
| Chile        | 78                    | 40                 |
| Vietnam      | 56                    | 60                 |
| Taiwan P.o.C | 56                    | 28                 |
| Mongolia     | 53                    | 8                  |
| South Korea  | 45                    | 24                 |
| UK           | 36                    | 26                 |
| Mexico       | 29                    | 12                 |
| USA          | 21                    | 19                 |
| Indonesia    | 18                    | 9                  |
| UAE          | 17                    | 9                  |

Data source: Customs, China

#### Decline in particleboard imports in 2021

China's particleboard imports have been very volatile. The volume of China's particleboard imports in 2021 totalled 735,000 tonnes valued at US\$323 million, down 5% in volume but up 25% in value. The average CIF price for China's particleboard imports rose 32% to US\$439 per tonne in 2021.



Data source: Customs, China

The main suppliers of China's particleboard imports in 2021 were Thailand (30%), Romania (20%) and Brazil (11%). These three countries accounted for 61% of total imports in 2021.

#### Main sources of particleboard imports in 2021

|          | Volume<br>000s tonnes | Value<br>US\$ mil. |
|----------|-----------------------|--------------------|
| Thailand | 223                   | 62                 |
| Romania  | 147                   | 80                 |
| Brazil   | 82                    | 29                 |
| Russia   | 66                    | 30                 |
| German   | 57                    | 33                 |
| Malaysia | 38                    | 11                 |
| Canada   | 35                    | 19                 |
| Italy    | 21                    | 19                 |
| Austria  | 18                    | 16                 |
| Spain    | 12                    | 7                  |
| Vietnam  | 11                    | 4                  |

### Europe

#### Intense negotiations underway on EU "deforestation-free" law

Intense negotiations continue within the European Council and European Parliament towards agreement of a final text of the law "on the making available on the Union market as well as export from the Union of certain commodities and products associated with deforestation and forest degradation".

If jointly approved by the Council and Parliament, the new law will replace the existing EU Timber Regulation (EUTR) and extend due diligence obligations to a wider range of "forest risk" commodities. As currently drafted, it would prohibit placing of products on the EU market that contribute either to "deforestation" or to "forest degradation", alongside illegally harvested products.

On 17 March the European Council of Environment Ministers exchanged views on the legislative proposal. The meeting included clarifications and justifications for the regulation from the European Commission (EC) followed by a short statement by each Member State in turn. The EC identified aspects of the regulatory proposal setting it apart from the existing EUTR and from equivalent legislative initiatives in the US and UK. If passed by the EU the law will:

- Build on FAO definitions of deforestation and degradation.
- Include a prohibition on products derived from any deforestation or forest degradation, irrespective of whether legal or illegal according to national laws in the country of harvest.
- Require operators to file each year a due diligence statement to be uploaded into an EU digital database to allow better targeting of enforcement actions.

- Require that the source of all regulated products - excluding only those from countries deemed by the EC to be "low risk" – be traced to the "geolocation", defined as the specific plot of land where harvesting took place.
- Set out procedures for benchmarking of countries as "high risk", "standard risk" and "low risk" by the EC for which different due diligence obligations would apply and which thereby "provide an incentive for countries to step up their protection of forest".
- Establish minimum requirements for enforcement actions by EU Member States to better ensure uniform implementation across the EU and a level playing field for operators.

In the same way as EU Agricultural Ministers speaking at their earlier Council meeting in February (see ITTO Tropical Timber Market Report, Volume 26 Number 4, 16-28 February 2022), Environment Ministers expressed a wide range of views on the legislation.

The most supportive statements came from the German and Dutch Environment Ministers. Germany said the proposed regulation would pay for itself in the long term and be an important improvement over the EUTR and that it contained appropriate measures to reduce the burden on SMEs.

The Netherlands Environment Minister expressed his "full support for the proposal" and said that it is "vital to the green deal" (the EU objective to cut greenhouse gas emissions by at least 55% by 2030). The Netherlands also called for "other ecosystems to be introduced as soon as possible" and that it is "key that forest degradation remains part of the proposal". Netherlands said there should be deeper engagement with major producer countries to "avoid negative impacts such as discrimination against smallholders and rising costs".

Ministers raising the most substantive concerns about the draft legislation came from the Nordic countries and Baltic States. Sweden said that the administrative burden and costs of the new legislation would be significantly higher than was the case for EUTR. Sweden believes the legislation does not sufficiently reflect varying national forestry conditions both within and beyond EU and that definitions relating to degradation and sustainable forest management are unclear and likely to conflict with national forest policies. Sweden recommended that these definitions either be removed or deleted and called for more steps to ensure full compliance with WTO obligations.

Finland emphasised that deforestation is a global problem and the EU should focus on promoting a multilateral response. Also that due diligence must be justified in relation to impact and proportionality and that the geolocation requirements be examined more closely from the perspective of practicality.

According to Finland, the degradation definition created "many difficult questions", particularly for countries with a large remaining forest area where legitimate changes of land use may be associated with some minor losses to forests at specific locations.

Estonia noted that the new law will have a significant impact on EU businesses, particularly SMEs, and regulatory authorities. According to Estonia, discussions in various EU working groups on the regulation had been too rapid leaving insufficient time for proper consideration to be given to the full implications of the new law. Estonia called for more wide ranging input from experts from the individual commodity sectors and in trade law. Estonia noted that sourcing of wood from illegal sources has remained a problem despite EUTR, and that bringing cases to court has been challenging. Estonia believed that definitions, particularly for "forest degradation", must only contain concepts agreed at international level.

Some Southern European countries, while expressing broad support, also raised specific substantive objections. For example Italy said the scope of the draft law extends well beyond EUTR and will be challenging to implement and called for "reasonable time frames" before full implementation. According to Italy, more time is needed to develop "effective new platforms to link together operators" and "new innovative tools, including partnerships with private entities". Italy also suggested that existing FLEGT partnerships should be developed before coming up with new partnerships. There was a need too for more consideration to be given to interim arrangements when switching from EUTR to the new regulation.

Greece was particularly emphatic that the new regulation must be in line with WTO rules, must take account of national conditions and natural processes such as forest fires, must be transparent and simple and implemented in harmonised way. Greece said that due diligence requirements should be precise and consistent with international standards such as OECD guidelines to minimise costs. Greece felt the "forest degradation definition should be kept out of the regulation allowing countries to adopt national provisions".

#### **European Parliament calls for even more far-reaching regulation**

While this debate is on-going in the European Council, on 31 March the ENVI Committee of the European Parliament, the other branch of EU legislature, published a draft report setting out their proposed amendments to the new law. In some respects the amendments proposed in the ENVI Committee's draft report respond to the same problematic issues as those raised in European Council discussions.

But overall, the ENVI Committee draft amendments, if accepted, would significantly expand the scope of the law in relation to land area captured, the products covered and the obligations to be placed on operators.

The key amendments proposed in the ENVI Committee's draft report include:

#### *1. Change to product scope*

The ENVI Committee draft report proposes that rubber is added to the list of commodities covered by the regulation, alongside cattle, cocoa, coffee, oil palm, soya, and wood. The draft report also proposes a specific exclusion for recycled materials and recycling products.

#### *2. Conversion to tree plantations treated as "deforestation"*

The ENVI Committee draft report proposes that the definition of "deforestation" be extended to prevent any conversion to tree plantations. The current draft includes a prohibition against conversion to plantations as a form of "degradation". The ENVI Committee draft would strengthen this prohibition by defining conversion to plantations as a form of "deforestation" and tree crops as a form of "agricultural use".

#### *3. Conversion of "other wooded land" treated as "deforestation"*

The ENVI Committee draft report proposes that the definition of deforestation be extended to include conversion of "other wooded land" as well as forest land so as to address threats to "forest-mosaic ecosystems and tropical woodlands and savannahs" alongside natural forests.

Drawing on the FAO definition, the draft report proposes that "other wood land" should include "land not classified as forest, spanning more than 0.5 hectares, with trees higher than 5 meters and a canopy cover of 5 to 10 percent, or trees able to reach these thresholds in situ, or with a combined cover of shrubs, bushes and trees above 10 percent, excluding land that is predominantly under agricultural or urban use."

#### *4. Slightly more flexible "degradation" definition*

While the ENVI Committee draft report proposes that the definition of deforestation be extended in relation to tree plantations, it proposes that the definition of "forest degradation" be slightly more flexible. This is justified according to the draft report because "FAO states that a globally agreed definition of sustainable forest management (SFM) is impractical because of the huge diversity of forest types, conditions and socioeconomic contexts worldwide."

The existing draft law indicates that any harvesting of forest products on "vulnerable soils" or involving "large clear-cuts" or any reduction or loss of soil quality or biodiversity, irrespective of timescale, is "unsustainable" and will lead to "forest degradation".

The ENVI Committee draft report proposes that there be no general prohibition on practices such as "large clear-cuts" and no specific requirement for low impact harvesting.

Instead it proposes a more flexible requirement that the forest site must be regenerated through planting or natural regeneration so that there be no overall decrease of forest land.

#### *5. Greater focus on ensuring equity for smallholders*

The ENVI Committee's draft amendments to the law highlight that "the share of smallholders in the production of the commodities concerned can be as high as 80%" and acknowledge that "special attention needs to be paid to the challenges that smallholders will face with the implementation of this Regulation" and that "the new rules should aim to minimise the burden on smallholders in third countries and prevent barriers to their access to the market and international trade".

The one major change proposed by the Committee's draft report to facilitate greater access for smallholders would be to make the "geolocation" obligation slightly more flexible. Rather than require, as in the current draft, that all products must be traceable to an individual "plot of land", the requirement would be that products be traceable to "production areas". This is still quite narrowly defined as "a plot of land, farm, plantation, cooperative or village".

This change is justified in the ENVI Committee's draft report on grounds that "it might not be possible to trace back every single cocoa bean e.g. to a particular farm of a smallholder, but rather to the production area from which a cooperative is sourcing. Allowing to monitor a certain production area instead of every single plot of land will make it easier to implement the regulation and minimise the risk of excluding smallholders from the supply chain".

Beyond this, the ENVI Committee seems to take the view that responsibility for ensuring equitable market access for smallholders should lie with the operators, noting that "it is therefore crucial that the operators buying from smallholders provide timely financial and technical support to help smallholders meet the new Union market access requirements".

The ENVI Committee draft report also expresses an optimistic view of the benefits that might accrue to smallholders from the setting up of traceability systems to deliver against the geolocation criteria, noting that such systems "can empower smallholder farmers as it can avoid the non-payment of promised sustainability premiums, allow for electronic payments to producers by using the national traceability system thus combatting fraud and enable local authorities to collect knowledge on the number of producer plots and control the number of farmers."

#### *6. Requiring third party audits of operators' due diligence systems and statements*

In the current draft of the law operators would be required to implement a due diligence system and to prepare a due diligence statement covering all the regulated products placed on the EU market. The statements would be lodged with the Competent Authorities who would be responsible for checking on their veracity.

However, presumably due to concerns over the ability of EU Competent Authorities to carry out effective checks, the ENVI Committee draft report proposes that "operators' due diligence systems should be controlled by a third-party external auditor on an annual basis".

The operators' obligation to submit the due diligence statements would be extended to include "an annual audit report by a third-party auditor".

#### *7. Allow for differential approach between commodities*

The current draft law would apply the same due diligence rules to all "forest-risk" commodities. However the ENVI Committee draft report argues that "applying the same rules and definitions for significantly different supply chains does not match the realities on the ground and will make it difficult for both operators and national control authorities to implement the regulation".

The draft report therefore proposes that "where necessary, the Commission should develop guidelines laying down specific rules on due diligence requirements, traceability tools and liability rules in the supply chain for the different commodities. Those rules should also be harmonised as much as possible with the due diligence rules set out in [the forthcoming Sustainable Corporate Governance Directive]".

#### *8. Simplify benchmarking framework*

The ENVI Committee draft report proposes that the existing proposal categorising countries/regions as "low", "standard" and "high risk", for which different due diligence obligations would apply, should be simplified. Instead the Committee draft report proposes only that "low risk" countries/regions be identified, for which products would be subject to "simplified" due diligence. Competent authorities would not be obliged to "apply enhanced scrutiny on relevant commodities and products from high risk countries or parts of countries identified as high-risk".

#### *9. Due diligence obligations focused on "first placers"*

The ENVI Committee draft report proposes that "operators" to which detailed due diligence obligations apply should be restricted to the "first placer" rather than all suppliers throughout the EU supply chain. This would align with the current EUTR in which due diligence obligations only apply to the first placer. The draft report proposes that first placers be required to "share their due diligence statements with subsequent operators and traders in the supply chain", thereby helping to avoid duplication at every stage of the supply chain.

#### *10. Require compliance with standards for indigenous and community rights*

The ENVI Committee draft report proposes that the current draft requirement for harvesting to be "deforestation-free", "degradation-free" and compliant with national laws should be extended to include compliance with "international laws and standards on the rights of indigenous people and tenure rights of local communities, including customary tenure rights and the right to free, prior and informed consent."

There is a long way to go before any of these proposals – which are just a first draft of comments on a law which itself is still only in draft form – actually make it on to the European statute book.

However, coming as they do from an influential committee within the European Parliament, they do indicate that there is strong strand of opinion within the EU that even the existing legislative proposal for deforestation-free products does not go far enough.

At this stage, there is every expectation that the new law will eventually be passed in one form or another. However the complexity of the issues involved, and the pleas from some member states for more time to consider the full implications and for wider international consultation, suggest it may be several years before the new law is effectively implemented. In the meantime, EUTR remains in place and continues to provide the framework for regulation of timber products placed on the EU market.

For additional insights, non-profit organisation Preferred by Nature (PbN, formerly NEPCo) has run a seminar on the operation and implications of the proposed new regulation. A recording of the event is available at the link below.

It features presentations by PbN's responsible sourcing specialists Christian Sloth and David Hadley Garcia. They give their insights into key elements and requirements of the regulation and advise businesses trading in and using the forest risk commodities it covers, including timber, on what to prepare for 'if and when it comes into force'.

See: <https://preferredbynature.org/sourcinghub/eutr-info/eutr-events/webinar-eu-deforestation-regulation-english>

## North America

### **Furniture manufacturers report growth while wood product manufacturing output dips again**

Economic activity in the manufacturing sector grew in March, with the overall economy achieving a 22nd consecutive month of growth, say the nation's supply executives in the latest Manufacturing ISM Report on Business.

The March Manufacturing PMI registered 57.1%, a decrease of 1.5 percentage points from the February reading of 58.6 percent. This indicates a slowing of growth as the 50% mark delineates expansion and contraction.

"The US manufacturing sector remains in a demand-driven, supply chain-constrained environment," said ISM Chair Timothy Fiore. "In March, progress was made to solve the labor shortage problems at all tiers of the supply chain, which will result in improved factory throughput and supplier deliveries."

The Furniture and Related Products sector was near the top of the list when it came to overall growth, new orders, productions, employment, and imports. It was also high on the list when it came to increased raw material prices and slower supplier deliveries.

While 15 of the 18 manufacturing sectors followed by ISM reported growth in March, the Wood Products sector was one of only two reporting contraction from the previous month. Last month Wood Products was the only sector reporting a decrease.

See:

<https://www.woodworkingnetwork.com/news/woodworking-industry-news/furniture-sees-pmi-growth-despite-facing-challenges>

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

### **Hardwood flooring is experiencing a retail renaissance**

The wood flooring industry is strong and growing. For 2021 wood flooring is estimated to have accounted for 13.5% of the floor covering market according to Market Insights, up from 11% in 2020.

Michael Martin of 'FloorDaily' says that as consumers have spent more time at home during the pandemic, they have developed a desire for high quality products in their home, such as real wood floors.

Also, costs have narrowed between wood floors and wood-look products because of tariffs on China, which produces many wood-look products as well as the raw materials for their plastic cores.

Martin predicts that if hardwood can maintain its low-price increases while wood-look products increase at a faster pace, we should see a return of more wood in the homebuilding market as well.

Hardwood flooring represented 14% of the floorcovering market in 2014, according to the US FlooReport 2020 produced by Market Insights. By 2019, hardwood flooring dropped below 12%.

Further, in 2016, the total US market share for wood flooring was about \$3.249 billion. In 2019, that figure dropped to about \$2.933 billion, which represents a loss of about \$316 million in just three years.

See: <https://www.floordaily.net/floorfocus/wood-cuts-hardwood-flooring-is-experiencing-a-retail-renaissance-jan-2022>

### **Housing starts unexpectedly rise in March; mortgage rates soar**

US homebuilding unexpectedly rose in March but starts for single-family housing tumbled amid rising mortgage rates.

Housing starts increased 0.3% to a seasonally adjusted annual rate of 1.793 million units last month, the Commerce Department reported.

Data for February was revised higher to a rate of 1.788 million units from the previously reported 1.769 million units. Permits for future homebuilding increased 0.4% to a rate of 1.873 million units last month.

The 30-year fixed-rate mortgage averaged 5.0% during the week ended April 14, the highest since February 2011, up from 4.72% the prior week, according to data from mortgage finance agency Freddie Mac.

Further increases are likely with the Federal Reserve adopting an aggressive monetary policy posture as it battles sky-high inflation.

Rising borrowing costs are combining with higher home prices to reduce housing affordability for first-time buyers. The National Association of Home Builders/Wells Fargo Housing Market index dropped to a seven-month low in April, with builders blaming the "jump in mortgage rates and persistent supply chain disruptions."

Still, record low housing supply should continue to underpin homebuilding this year. There is a record backlog of houses approved for construction that are yet to be started.

Goldman Sachs estimates that housing starts will increase 5% to 1.7 million this year, arguing that "when housing markets are tight, like they are today, homebuilders are likely to keep building because they should have little fear that homes will sit vacant after completion."

Single-family housing starts, which account for the biggest share of homebuilding, dropped 1.7% to a rate of 1.200 million units in March.

Canadian housing starts fell 2% in March compared with the previous month as a decline in multiple urban starts outweighed a gain in single detached urban starts. The seasonally adjusted annualized rate of housing starts fell to 246,243 units in March, below analyst expectations of 250,000 and down from a revised 250,246 units in February, Canadian Mortgage and Housing Corporation data showed.

See: <https://www.census.gov/construction/nrc/index.html> and

<https://www.cmhc-schl.gc.ca/en/professionals/housing-markets-data-and-research/housing-data/data-tables/housing-market-data/monthly-housing-starts-construction-data-tables>

### **Existing home sales down for second straight month**

Existing-home sales decreased in March, marking two consecutive months of declines, according to the National Association of Realtors. Sales of existing homes dropped 2.7% in March to a seasonally adjusted, annualized rate of 5.77 million units.

February's reading was also revised downward with a larger-than-usual dent, from 6.02 million units to 5.93 million. Year-over-year, sales fell 4.5% (6.04 million in March 2021).

"The housing market is starting to feel the impact of sharply rising mortgage rates and higher inflation taking a hit on purchasing power," said Lawrence Yun, NAR's chief economist. "Still, homes are selling rapidly, and home price gains remain in the double-digits."

With mortgage rates expected to rise further, Yun predicts transactions to contract by 10% this year, for home prices to readjust, and for gains to grow around 5%.

Existing-home sales in the Northeast slid 2.9% in March, recording an annual rate of 670,000, an 11.8% fall from March 2021. The median price in the Northeast was US\$390,200, up 6.8% from one year ago.

Existing-home sales in the Midwest declined 4.5% from the prior month to an annual rate of 1,270,000 in March, a 3.1% drop from March 2021. The median price in the Midwest was US\$271,000, a 10.4% jump from March 2021.

Existing-home sales in the South dipped 3.0% in March from the prior month, registering an annual rate of 2,620,000, a decrease of 3.0% from one year ago. The median price in the South was US\$339,000, a 21.2% surge from one year prior. For the seventh straight month, the South experienced the highest pace of price appreciation in comparison to the other three regions.

Existing-home sales in the West held steady compared to the previous month, posting an annual rate of 1,210,000 in March, down 4.7% from one year ago. The median price in the West was US\$519,900, up 5.4% from March 2021.

<https://www.nar.realtor/newsroom/existing-home-sales-slip-2-7-in-march>

#### **Home builders say materials are getting easier to find**

After months of scrambling to stock up on softwood lumber, more than half of US building material suppliers said in March inventories are back to pre-pandemic levels, according to the latest Burns Building Product Survey—which covers about 6% of the market for lumber dealers.

After floods in British Columbia disrupted supply late last year, lumber producers are getting back to their previous output. Building suppliers, meanwhile, are finding alternate shipping routes to get around supply chain issues, including a shortage of rail cars.

As a result, softwood lumber prices have been dropping. However, homebuilding suppliers predict prices for engineered wood (including lumber) will rise 18% over the next year, and building supplies by 11%.

See: <https://qz.com/2157098/us-house-prices-should-ease-as-lumber-supplies-grow/>

#### **Job creation falls short of forecast**

Amid soaring inflation and worries about a looming recession, the US economy added slightly fewer jobs than expected in March as the labor market grew increasingly tighter.

Nonfarm payrolls expanded by 431,000 for the month, while the unemployment rate was 3.6%, the US Bureau of Labor Statistics reported. Economists surveyed by Dow Jones had been looking for 490,000 on payrolls and 3.7% for the jobless level.

"All in all, nothing shocking about this report. There was nothing that was really surprising," said Simona Mocuta, chief economist at State Street Global Advisors.

"Even if this report came in at zero, I would still say this is a very healthy labor market."

While professional and business services contributed the largest amount of job gains, manufacturing added 38,000 jobs and construction gained 19,000.

#### **Rise in consumer sentiment**

Consumer sentiment in the US unexpectedly rose at the beginning of April as expectations for the economy and personal finances improved, but it remained at decade-low levels.

The preliminary estimate of the consumer sentiment index released by the University of Michigan stood at 65.7 in April, up from 59.4 in March and beating the 59.0 consensus forecast from economists polled by *The Wall Street Journal*.

April's data mark the first improvement in confidence since December, but the index is still at its lowest level since November 2011. The gain in sentiment was driven by consumers' more upbeat views on short-term expectations. Retail gas prices have fallen since their March peak, and that fact was immediately recognized by consumers

See: <https://www.marketwatch.com/story/u-s-consumer-sentiment-unexpectedly-improves-in-april-university-of-michigan-271649946406>

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

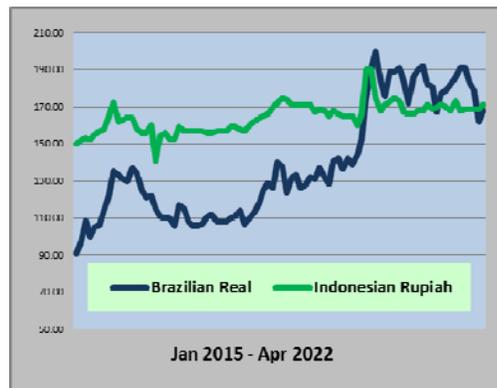
**The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO**

## Dollar Exchange Rates

As of 25 April 2022

|               |           |         |
|---------------|-----------|---------|
| Brazil        | Real      | 4.9416  |
| CFA countries | CFA Franc | 622.350 |
| China         | Yuan      | 6.6085  |
| Euro area     | Euro      | 0.479   |
| India         | Rupee     | 76.52   |
| Indonesia     | Rupiah    | 14497   |
| Japan         | Yen       | 129.9   |
| Malaysia      | Ringgit   | 4.3535  |
| Peru          | Sol       | 4.01    |
| UK            | Pound     | 0.7952  |
| South Korea   | Won       | 1263.52 |

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

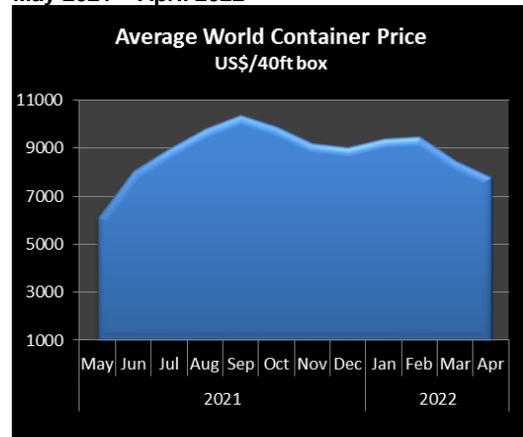


## Abbreviations and Equivalences

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

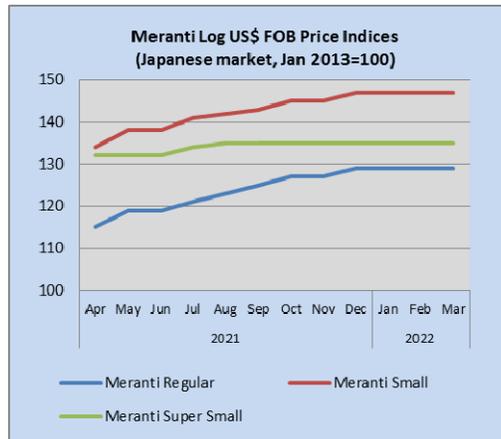
May 2021 – April 2022



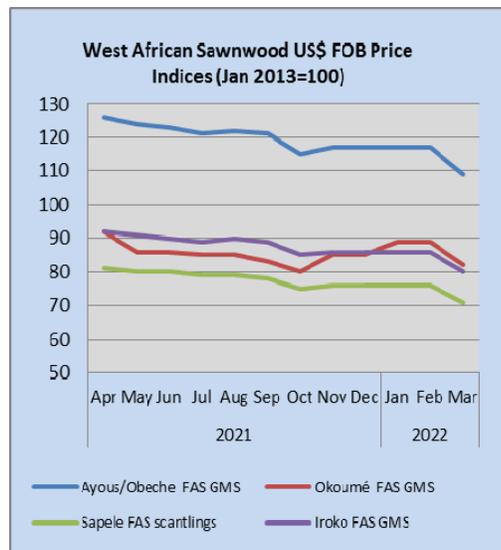
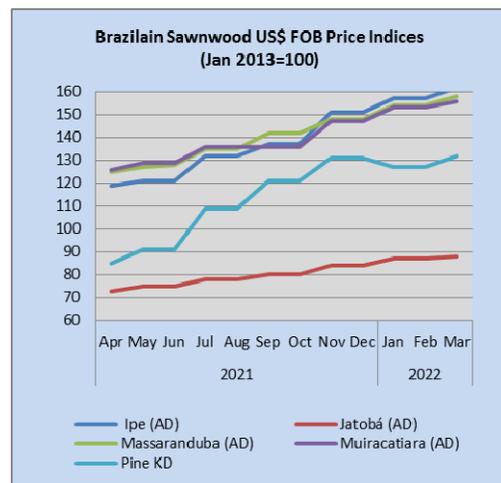
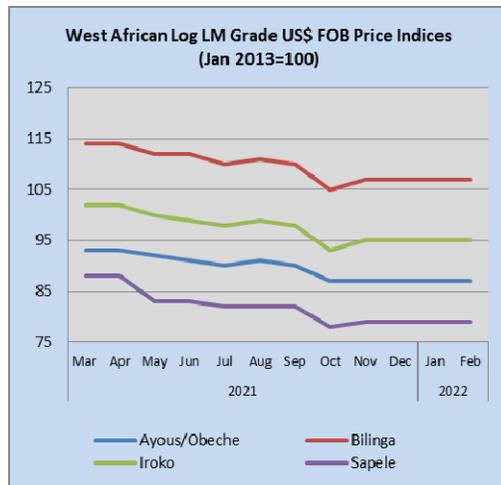
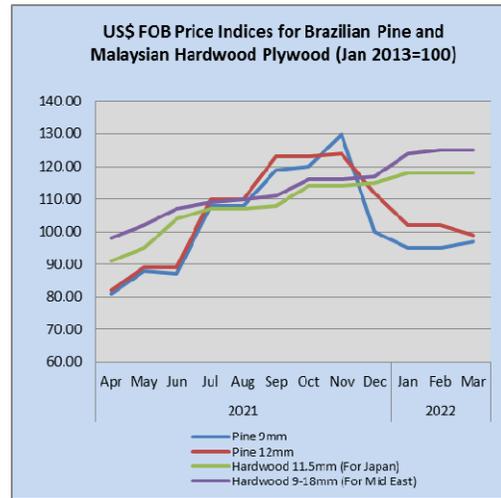
Data source: Drewry World Container Index

**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 calculated in US dollar terms.

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