

Tropical Timber Market Report

Volume 24 Number 9, 1st–15th May 2020



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.

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Top story

Indonesia's timber legality system remains in force but subject to revision

The Indonesian Minister of Environment and Forestry, Siti Nurbaya, has confirmed that, after a series of meetings with relevant ministries following the Ministry of Trade suspension of the SVLK Regulation, the Ministry of Trade will now withdraw that suspension until revisions of the SVLK are agreed.

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Central and West Africa

Perceptions of shipping challenges from producers

Millers in the region have provided some comments on shipping opportunities and market developments saying they have been told ports in Italy are closed for timber shipments and that there are many containers awaiting dispatch from the ports.

Producers say there are few new orders coming from but as the restrictions there are eased this should change. However, producers do not expect to see any major increase in orders for several months.

The authorities in Spain have relaxed some restrictions on travel and companies are slowly adjusting to virus management regimes but this is having a downward impact on production in Spain. Producers say demand in Spain for sapelli and tali is now low.

The problems of shipping to Iraq continue and producers have found that cargo movement through Umm Qasr and Bassra Ports is a major problem for shippers.

There are buyers of West African timbers in the Philippines but they have now asked shippers to delay any further shipments. The Philippines government recently announced it will ease quarantine measures in some parts of the country but will extend restrictions in Manila and some other cities until 31 May.

CAR producers unable to transport due to border closure

In Cameroon shipments that have been delayed are slowly being loaded and dispatched to ports in Europe which are still operating and to China. Production levels have been driven down as measures to eliminate the spread of infection amongst workers are implemented.

Producers report delays in having documents processed as so many government offices are without the normal staff levels.

With the border between the Central African Republic and Cameroon closed, producers in CAF, while still milling, cannot transport to the port in Cameroon.

Timber companies continue to operate in Gabon

The decision by the government in Gabon to ease travel restrictions comes as welcome relief to workers, many of whom had been laid off. The lockdown was introduced 13 April covering Libreville and three neighbouring communes.

The easing of restrictions means that the so-called 'non-essential' businesses can reopen. However Gabon's borders are still closed and the 1800 hr to 0600 hr curfew is still in force.

The Ministry of Forestry was, as of mid-May, not fully staffed but a team is providing the Laissez Passer so timber companies can continue operations.

As could be expected there have been no price movements.

Log export prices

West African logs	FOB Euro per cu.m			
	Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	265	265	175	
Ayous/Obeche/Wawa	250	250	225	
Azobe & ekki	275	275	175	
Belli	270	270	-	
Bibolo/Dibétou	215	215	-	
Bilinga	275	275	-	
Iroko	300	280	225	
Okoume (60% CI, 40% CE, 20% CS) (China only)	220	220	200	
Moabi	365	355	285	
Movingui	210	210	-	
Niove	160	160	-	
Okan	200	200	-	
Padouk	250	230	200	
Sapele	260	260	200	
Sipo/Utile	260	260	230	
Tali	300	300	-	

Sawnwood export prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	440
Bilinga FAS GMS	540
Okoumé FAS GMS	460
Merchantable	310
Std/Btr GMS	340
Sipo FAS GMS	500
FAS fixed sizes	-
FAS scantlings	520
Padouk FAS GMS	640
FAS scantlings	675
Strips	320
Sapele FAS Spanish sizes	450
FAS scantlings	480
Iroko FAS GMS	600
Scantlings	660
Strips	350
Khaya FAS GMS	480
FAS fixed	540
Moabi FAS GMS	620
Scantlings	640
Movingui FAS GMS	420

Ghana

Restrictions to run to the end of May

Up to 8 May Ghana had conducted 160,501 corona virus tests which resulted in 4,700 confirmed cases. But in just a few days cases had risen to 5,408 according to the Ghana Health website. The increase was attributed to the failure of communities to follow guidelines.

There is no lockdown in Ghana but the presidential order on public gatherings and social distancing has been extended to the end of May. Borders remain closed until the end of May.

The Ministry of Finance will formulate a recovery plan which is expected to cover broad sectors of the economy and include priority areas such as health, roads, education, food and agriculture, manufacturing and security.

The 2020 budget projections have been impacted by the pandemic and a financing gap of cedi 11.4 billion has been projected because of falling oil revenues and import duties. The economy was forecast to expand 6.8% in 2020 but the new projection is for a record low of 1.5%.

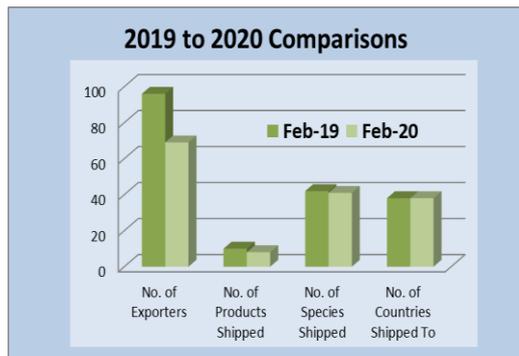
See: https://issuu.com/business24online/docs/business24_epaper-may-13-2020

Exports slide due to corona virus

Ghana exported a total of 35,508 cu.m of wood products in the first two months of the year which earned euro 17.64 million a decline of over 30% in volume and value. The comparable figures for 2019 are 53,171 cu.m valued at euro 28.04 million according to the Timber Industry Development Division (TIDD).

Mills in Ghana have orders for which approved export documents have been obtained but they are unable to ship as importers have been slow in providing shipping instructions in order to delay shipments for as long as possible in the hope that the situation in their markets will improve.

Data from the TIDD is showing that, despite the pandemic, February shipments held up surprisingly well.

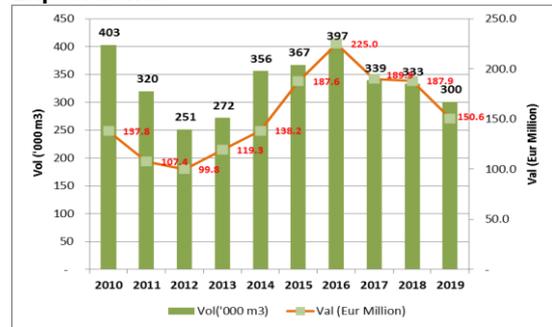


Data source TIDD, Ghana

Decade export review

A study of Ghana’s 10-years annual timber and wood product exports showed that the country recorded her highest volume of 403,000 cu.m in 2010 with the lowest in 2012 (251,000 cu.m), according to data from the Timber Industry Development Division (TIDD) of the Forestry Commission (FC).

Export trends



Data source TIDD, Ghana

Export volumes started to pick up from 2013 after the 2012 dip and in 2016 rose to 397,000 cu.m, the second highest export volume in the decade. The 2016 volume earned the country Euro 225.0 million also the highest revenue recorded during the period.

The data also showed that in 2017, the country’s wood product exports declined and this continued to 2019 when exports dropped to 300,000 cu.m and earnings were only Euro 150.60 million.

Of the total export volume for the decade, air-dried sawnwood (37.9%) and kiln-dried sawnwood (15.2%) accounting for 53% of exports followed by plywood (17.6%) exported to regional markets.

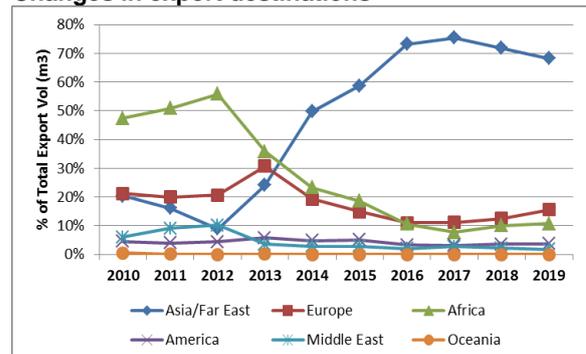
Export market performance 2010/19

According to data from the TIDD, Africa (47%) and Europe (23%) were the leading market destinations for Ghana’s wood products between 2010 and 2013 after which things changed.

In 2014, for the first time, the exports to Asian markets exceed those to neighbouring African countries and Europe. In 2014 Asian markets accounted for 50% of exports and this had risen to 75% in 2017. Asian markets maintained their dominance until 2018 and 2019 when the proportion going to Asia dropped (72% in 2018 and 68% in 2019).

The US and the Middle East markets accounted for an average 4% each throughout the 2010 to 2019 period.

Changes in export destinations



Data source: TIDD, Ghana

Analysts speculate that the impact of the pandemic on global demand will drive exports down trends. However, when the African Continental Free Trade Agreement (AfCFTA) becomes operational, the intra-Africa trade could greatly expand.

Cargo handling falls

The volume of cargo handled by the country's two seaports, Tema and Takoradi, is expected to decline by some half a million metric tonnes in the first quarter of 2020 compared to the same period in 2019. The pandemic continues to restrict global trading activities.

According to the CEO of the Ghana Chamber of Shipping, Dr. Mbiah, this would be a 15% fall from the 3.5 million metric tonnes recorded in the first quarter of 2019.

The Ghana Ports and Harbours Authority (GPHA), which had seen continuous growth in traffic throughput over the past years, recently upgraded facilities at Tema and Takoradi to attract more businesses in 2020.

Help for small businesses

The government will support around 200,000 SME enterprises with a cedi 600 million stimulus package through the National Board for Small Scale Industries (NBSSI).

Task force intercepts illegal timber

On the basis of a tip, the Forestry Commission Illegal Timber Task Force intercepted trucks loaded with illegal timber in the Oti Region. The illegal operators took advantage of the current crisis protocols which restricts the movement of individuals but allowed the movement of logs and wood products intended for overland export to neighboring countries.

The Executive Director of the TIDD, Dr. Ben Nathan Donkor who accompanied the task force, hinted of a new strategy with more check-points on some selected routes in the region to curb illegal activities. The intercepted trucks have been impounded arrests made.

Boule export prices

	Euro per m ³
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	579
Niangon Kiln dry	622

Export rotary veneer prices

Rotary Veneer, FOB	Euro per m ³	
	CORE (1-1.9mm)	FACE (>2mm)
Ceiba	380	440
Chenchen	540	633
Ogea	521	590
Essa	586	634
Ofram	350	435

Export sliced veneer

Sliced face veneer	FOB Euro per m ³
Asanfina	787
Avodire	667
Chenchen	644
Mahogany	2,078
Makore	1,621
Odum	700

Export plywood prices

Plywood, FOB	Euro per m ³		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	328	580	641
6mm	412	535	604
9mm	377	446	560
12mm	510	450	480
15mm	450	352	430
18mm	450	441	383

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

Export sawnwood prices

Ghana sawnwood, FOB	Euro per m ³	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afromosia	860	925
Asanfina	465	564
Ceiba	404	600
Dahoma	413	444
Edinam (mixed redwood)	520	651
Emeri	465	591
African mahogany (Ivorenensis)	930	1,016
Makore	740	817
Niangon	620	666
Odum	649	832
Sapele	720	797
Wawa 1C & Select	420	458

Malaysia

Furniture makers face huge losses due to lockdown

The Malaysian Investment Development Authority (MIDA) has reported the Muar Furniture Association president Ong Yeou Huan as saying Association members expect to lose about RM500 million in revenue because of the month long lockdown. The wood-based industry in Peninsula Malaysia was not categorised as an essential sector so operations were brought to a halt.

Some restrictions eased but not business as usual

The Malaysian government recently announced a fourth extension to 9 June of the 'movement control order (lockdown) but with some other restrictions eased.

On May 4, the government implemented a conditional lockdown under which restrictions on most economic were removed. However analysts write, "It is not business as usual. All businesses that are allowed to open must follow strict rules on close contact, face masks, distancing and limit inter-state movement."

The period of the latest extension to 9 June spans several major Malaysian events that would normally involve movement of many people. The first is Hari Raya Aidilfitri, a national celebration for Muslims; in early June, Sabah will celebrate their Kaamatan Festival while Sarawak celebrates Gawai Festival. However, because of the continuing restricts there should be no interstate travel.

All mass social, cultural and religious gathering are prohibited, no team sports are allowed and educational institutions remain closed.

Central Bank cuts interest rates

Bank Negara (Central Bank) cut interest rates to try and cushion the negative economic impact of the pandemic. The latest cut was the biggest in a decade bringing the rate down to a level previously only seen during the global financial crisis.

Furniture manufacturers urged to maintain close links with US buyers

Malaysian furniture industry players should prepare themselves for opportunities to export various types of furniture to the United States, post- Covid-19 according to the US trade journal Furniture Today.

The journal editor said manufacturers in Malaysia should maintain a strong partnership with their respective US customers so as to be ready to resume business.

MIFF re-scheduled to 2021

Organisers of the Malaysian International Furniture Fair, one of the biggest industry shows in Southeast Asia, have rescheduled the 26th edition to 2021 in view of the global corona virus pandemic. The 2021 event will be held from March 8-11 at the Malaysia International Trade and Exhibition Centre (MITEC) and Putra World Trade Centre.

The show was planned for its traditional opening in March this year and first postponed to June however the organisers said that taking into account the significant disruption of international travel and restrictions on movement within Malaysia they decided to reschedule.

Indonesia

Indonesia’s timber legality system remains in force but subject to revision

The Indonesian Minister of Environment and Forestry, Siti Nurbaya, has confirmed that, after a series of meetings with relevant ministries following the Ministry of Trade suspension of the SVLK Regulation, the Ministry of Trade will withdraw that suspension until revisions of the SVLK are agreed.

In a written statement Siti said the SVLK (Sistem Verifikasi Legalitas Kayu/Timber Legality Assurance System) continues to be applied. At the same time she announced increased financial support for export-oriented, timber SMEs.

It was further announced that the process of revising the Ministry of Trade regulation would involve the Ministry of Environment and Forestry as well as the Ministry of Foreign Affairs.

<https://www.foresthints.news/indonesia-timber-legality-system-remains-in-force>

Interest free loans sought for SMEs

The Secretary General of the Indonesian Furniture and Handicraft Industry Association (Himki), Abdul Sobur, has announced that existing orders held by furniture manufacturers are only sufficient for them to sustain production for about 8 weeks from 10 May. This is because overseas buyers have delayed placing new orders.

He said companies with limited cash reserves will only be able to pay wages for a short time and as a result the only option at present is for companies to lay off employees.

He estimated that if 70% of furniture manufacturers who are members of the Association have to lay off workers around 280,000 wage earners could be affected directly and thousands indirectly affected.

See:

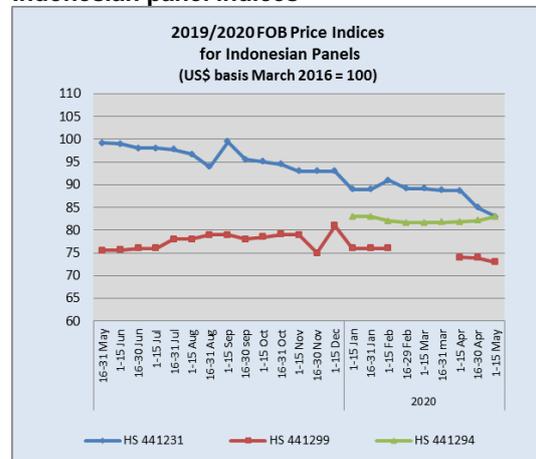
<https://ekonomi.bisnis.com/read/20200503/12/1235701/aduh-daya-tahan-industri-furnitur-sampai-bulan-ini-lantas>

In related news, the Deputy Chairman of the Small and Medium Industries in Himki, Regina Kindangen, said many SME furniture and handicraft makers stopped work in mid-March as orders ran out. She pointed out that furniture and craft manufacture is dominated by SMEs who are not well equipped to survive financially. The Himki noted the national furniture industry workforce is around 2 million.

The Director General of Small and Medium and Various Industries at the Ministry of Industry, Gati Wibawaningsih, has written to the Coordinating Ministry for Economic Affairs proposing an interest free loan scheme for SMEs.

The Ministry of Industry has identified 10 industrial sectors, including the timber sector, badly affected by the lack of orders and lack of capital reserves to maintain the workforce.

Indonesian panel indices



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

Myanmar

No timber tender sale for May

The Myanmar Timber Enterprise (MTE) postponed the monthly tender sales for the third consecutive time. The MTE postponed the sale in March and April due to the virus outbreak.

Most sawmills are now in the process of applying for an operations permit from the authorities because mills have to demonstrate acceptable covid-19 prevention measures for staff and workers.

All factories in Myanmar were closed 10 to 19 April for the Myanmar New Year Holiday and remained closed after the holiday under Covid-19 Prevention Measure regulation.

Exporters seek guidance on meeting EU rules

According to exporters, importers in the EU are now asking for more and more documents to verify the legality of shipments from Myanmar. However the exporters complain they have not been effectively guided and advised by the authorities on what mechanism they should apply to verify legality to the satisfaction of the Competent Authorities in the EU.

Exporters are urging the government to step up advocacy efforts to ensure the continued timber trade with EU.

Welfare benefits for laid off workers

Workers registered for social welfare programmes and who have temporarily lost their jobs can apply for 40% of their daily wages from the government. This is because their employers businesses were shut down during the inspections by joint teams comprising representatives of Region/State governments, the Ministry of Health and Sports and the Ministry of Labour and Immigration and Population to check the application of rules and recommendations to control the spread of the virus.

It is estimated as many as 50,000 factory workers have been furloughed or dismissed as a result of insufficient supplies and cancellations of order. The garment industry accounted for the majority of the job losses.

Stimulus package welcomed

A stimulus package to mitigate the economic shock from the impact of virus control measures has been welcomed by businesses but, say analysts, details remain vague and there are doubts on whether the available funds can support Myanmar's formal and informal economy.

The government's 15-page document identifies more than 50 measures to support the economy but no budget was revealed except for the K500 billion (US\$360 million) in loans for small- and medium-sized businesses in selected sectors, an expansion of an existing K100 billion (US\$72 million) fund and a K100 billion (US\$72 million) fund for trade financing.

See: <https://www.mmtimes.com/news/myanmar-opts-limited-stimulus-counter-pandemic.html>

International financing assistance investigated

The government is reportedly negotiating for financial assistance from the World Bank, the Asian Development Bank and the International Monetary Fund (IMF) to help it implement a stimulus plan aimed at providing relief to businesses and industries affected by the pandemic.

U Kyaw Kyaw Maung, the Governor of the Central Bank of Myanmar, said they have also been considering accessing the IMF's Rapid Credit Facility and Rapid Financing Instrument as there is a possibility that the economy could slip into recession as consequence of the pandemic and that restrictions on financial policies have been eased to alleviate the impact.

FDI Slows but does not come to a halt

Despite a huge increase in approved foreign investments from US\$1.9 billion to US\$3.3 billion during the period between October 2019 and March 2020, the actual inflow of foreign direct investments (FDI) are lower. At US\$500 million the flow of investments in the first quarter of the year fell short of last year's US\$800 million according to U Aung Naing Oo, Permanent Secretary in the Ministry of Investment and Foreign Economic Relations.

February 2020 teak log tender prices

Grade	H.tons	Average US\$/H.ton
SG-1	13.6	5,633
SG-2	28.7	4,883
SG-4	85.3	3,781
SG-5	122.5	2,998
SG-6	96.3	2,852
SG-7	805.4	1,913

India

20 trillion rupee (US\$264bn) stimulus package

The Indian government imposed restrictions on movement until 17 May. However, the Department for Promotion of Industry and Internal Trade identified some sectors where limited activity should be allowed and these include timber, plywood and wood-based industries as they provide packaging material to drug and food companies.

The lockdown has resulted in many lay-off and an April survey by the National Sample Survey and Periodic Labour Force Surveys suggested that over 136 million non-agricultural jobs were at immediate risk of losing their jobs. Workers without formal employment contracts, casual labourers and those in small companies are the most vulnerable.

To deal with this the government announced a 20 trillion rupee (US\$264bn) economic package (around 10% of GDP) to support farmers and small businesses.

By mid-May India had more than 70,000 confirmed virus cases among its 1.3 billion population but this is expected to expand sharply in the coming weeks.

The government has indicated the strict stay-at-home restriction will be extended beyond 17 May and new restrictions will apply.

See: <https://www.mynation.com/india-news/as-india-eases-lockdown-to-restore-economy-mha-issues-guidelines-for-reopening-industries-qa>

Overseas orders collapsed in April

In terms of international trade, exports slumped by a record 35% in March as many consumer countries closed their ports and borders to try and limit the spread of the virus. The 29% downturn in March exports came after an almost 3% month on month rise in February. Overseas orders collapsed in April which resulted in manufacturers drastically cutting their workforce.

Reports indicate that to address the problem of inter-state movement of vehicles with essential goods the government will take action. In addition, States have been asked continue work on road maintenance and land acquisition for new road construction. It is reported that national highways are now open as are the ports.

Several central government and State ministers have urged the government to allow economic activity in areas which are least affected by the virus outbreak to begin what has been termed the 'economic battle'. As restrictions are gradually eased the government has advised companies not to try to achieve pre-crisis production until worker safety and health measures are designed and tested.

Plantation teak

Due to current pandemic international business transactions are at a standstill. Some plantation log shipments dispatched before India's lockout arrived at ports but as transport was not allowed workers were told to move the cargoes outside the port compound where they remain.

C&F prices for plantation teak have not changed from the previous report.

Plantation teak C&F prices (as of end February 2020)

	US\$ per cu.m C&F
Angola logs	389-574
Belize logs	350-400
Benin logs	290-714
Benin sawn	530-872
Brazil logs	344-540
Brazil squares	333-556
Cameroon logs	405-616
Colombia logs	478-743
Congo D. R. logs	450-761
Costa Rica logs	357-780
Côte d'Ivoire logs	289-756
Ecuador squares	333-454

El-Salvador logs	320-732
Ghana logs	294-452
Guatemala logs	324-646
Guyana logs	300-450
Kenya logs	515-876
Laos logs	300-605
Liberia logs	265-460
Malaysian logs	225-516
Mexican logs	295-808
Nicaragua logs	402-505
Nigeria squares	434-517
Panama logs	335-475
PNG logs	443-575
Sudan logs	358-556
Tanzania teak, sawn	307-613
Thailand logs	511-700
Togo logs	334-590
Trinidad and Tobago logs	603-753
Uganda logs	411-623
Uganda Teak sawn	680-900

Price range depends mainly on length and girth.

Locally sawn hardwood prices

Sawnwood Ex-mill	Rs per cu.ft.
Merbau	4,100-4,250
Balau	2,600-2,750
Resak	1,800-2,000
Kapur	2,250-2,400
Kempas	1,550-1,750
Red meranti	1,500-1,650
Radiata pine	850-950
Whitewood	850-950

Price range depends mainly on length and cross-section of sawn pieces.

Myanmar teak prices

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

Price range depends mainly on lengths and cross-sections.

Sawn hardwood prices

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

Price range depends mainly on lengths and cross-sections.

Plywood

Production and sales has fallen sharply and many workers have been laid off and have been trying to return to their home states which has proven extremely difficult. There are no reports of price movements.

Domestic ex-warehouse prices for locally manufactured WBP plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	76.00
6mm	101.00
9mm	126.00
12mm	157.00
15mm	206.00
18mm	211.00

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	39.00	55.00
6mm	57.00	72.50
9mm	72.50	89.00
12mm	89.00	105.00
15mm	105.00	126.00
19mm	121.50	141.00
5mm Flexible ply	77.00	

Vietnam

Successful corona virus containment

After a week with no new corona cases Vietnam's government eased its 22-day social distancing requirement on 23 April allowing some businesses to reopen. Vietnam acted very fast when the virus outbreak was detected in China by closing the border.

With only 288 confirmed corona cases and no deaths Vietnam has shown control measures work. Experts on disease control say Vietnam's success was due to three factors: its relatively young population (only 12% are over 60) effective testing and isolation and contact tracing.

Export/import update

In the first 4 months of 2020, wood and wood product (W&WP) exports earned US\$3.2 billion, an increase of 6% compared to the same period last year. Of this, wood product exports (HS 94) accounted for about US\$2.0 billion, while wood exports (HS 44) generated about US\$1.2 billion.

However, in April 2020 W&WP export earnings were US\$673 million, a decline of 31% compared to levels in March 2020 and -20% compared to April 2019.

Top export markets

US: Over the first 4 months of 2020, the US has topped the list of Vietnam's W&WP export markets with the earning of US\$1.56 billion, 48% of total W&WP export earnings, a year-on-year increase of 16%.

In April 2020, W&WP export to the US was reported at US\$ 89.3 million showing a year-on-year decline of 22% and a decline of 38% compared to March 2020.

EU: At the end of April 2020, W&WP exports to EU earned US\$257.8 million, down 19% compared to the same period of 2019. During April 2020, EU markets consumed just US\$37.9 million, 49% less than that of March 2020 and 51% down compared to the same period of 2019.

China: In the first 4 months of 2020 the export of W&WP to China earned US\$445.7 million, 14% over the same period of 2019. With the pandemic, W&WP exports during April 2020 were reported at US\$107 million, down 16% compared to the same period of last year and down 30% against March.

Japan: W&WP exports between January and April 2020 earned US\$401.9 million, an increase of 2% compared to the same period of 2019. Due to the impact of the pandemic, W&WP exports during April, 2020 accounted for US\$85 million, 20% down compared to the same period of 2019 and 30% down against March 2020.

South Korea: In the first 4 months of 2020, W&WP shipped from Vietnam to South Korea earned US\$276.9 million, 7% higher than the same period of 2019.

During April, 2020, exports to this market earned US\$105.7 million, 39% above that in March 2020 and 57% higher than in the same period of last year.

Exports Jan-Apr 2020 (US\$ thousands)

Export markets	First 4 months 2020 (000s US\$)	Compared to same period 2019 (% change)
US	1,552,042	16%
Japan	401,906	2%
China	445,663	14%
EU	257,773	-19%
South Korea	297,273	7%
Australia	34,673	-15%
Canada	51,605	8%
Hong Kong	2,104	86%
India	7,149	-39%
Taiwan P.o.C	26,907	24%
Malaysia	19,020	-13%
Others	110,977	-33%
Total	3,207,098	

Data provided by General Department of Statistics of Vietnam, analysed by VIFOREST, FPA Binh Dinh, HAWA, BIFA and Forest Trends

Export commodities

Woodchips: During the first 4 months of 2020, woodchip export earned US\$588.96 million, 6% above the same period of 2019. During April 2020 woodchip exports were reported at US\$39.8 million, 24% lower compared to the same period of 2019 and 27% lower than March 2020.

Wood pellets: The export of this product in the first 4 months of 2020 maintained steadily growth generating US\$108.2 million, 31% up compared to the same period of 2019. During April 2020 wood pellet exports earned US\$34.5 million, 72% up against April 2019 and 20% up compared to March 2020.

Plywood: Exports of plywood in the first 4 months of 2020 were valued at US\$183.4 million, down 14% compared to the same period of 2019. In April 2020, plywood export gained US\$ 3 million, minus 94% compared to April, 2019 and down 96% against March.

Wooden chairs and furniture: Exports of these products in the period January and April 2020 earned US\$584 million and US\$1.4 billion respectively, 6% and 3% up compared to the same period of 2019.

The pandemic, however, has seriously impacted wooden chairs and furniture exports in April 2020 which dipped 37% and 28% respectively compared to April 2019.

W&WP export commodities Jan-April 2020 (US\$ 000s)

W&WP	First 4 months 2020	Compared to same period 2019 (%)
Wood chip	588,955	6%
Wood pellets	108,232	31%
Logs & sawn wood	12,190	-5%
Veneer	16,645	31%
Particeboard	2,519	-37%
Fibreboard	12,691	-12%
Plywood	183,395	-14%
Wooden Chair	584,533	6%
Wooden Furniture	1,410,247	3%
Others	287,687	32%
Total	3,207,098	

Data provided by General Department of Statistics of Vietnam, analysed by VIFOREST, FPA Binh Dinh, HAWA, BIFA and Forest Trends

W&WP imports

During the first 4 months of 2020 Vietnam imported US\$726.7 million of W&WP, 8% down compared to the first 4 months of last year. The decline in imports included logs (-20%); sawn wood (-12%); particleboard (-23%) and plywood (-20%). In contrast, imports of veneer, fibreboard, wooden chairs and wooden furniture increased.

Brazil

Furniture production falls in March

The furniture sector experienced the second most intense month on month decline in output in March according to a survey of 23 industrial sectors by the Brazilian Institute of Geography and Statistics (IBGE). The survey showed that there was a 27% drop in March output compared to February and compared to March 2019 the drop was 12%.

For the first quarter there was an almost 4% decline and the downward trend is likely to extend into April and perhaps beyond as most companies have ceased operations.

Associations work to mitigate impact of crisis

The Furniture Industry Association of Rio Grande do Sul (MOVERGS) has joined efforts with other national associations to seek solutions to mitigate the impact of the shutdowns. The Association had been making some progress to recover from the domestic economic crisis over the past five years and growth was projected for 2020 until the pandemic hit.

Measures already taken by the Association together with the Ministry of Economy and the Brazilian Association of Furniture Industries (ABIMÓVEL) include:

- discount of the employer's portion of the national social security tax (INSS) during the next three months;
- postponement of FGTS (Employment Time Guarantee Fund) payment for up to 90 days;
- opening of extraordinary budget credits;
- automatic renewal for 90 days of Debt Clearance Certificate that expires in the period in which the measures against the spread of the COVID-19 are in force;
- relaxing the rules for temporary suspension of the employment contract

The Association has also proposed new measures such as the creation of credit lines for medium-sized companies with revenues between R\$10 million and R\$200 million and the renegotiation of federal taxes, whose proposal is to make the tax payment in 15 installments.

Exports in the first quarter 2020

2020 started with a slight recovery in demand for some wood products and a consequent improvement in prices says the Brazilian Association for Mechanically Processed Timber (ABIMCI). According to ABIMCI, this encouraging improvement in the business environment reflected the recovery of demand for wood products (excluding wooden furniture) shipped in February and March.

This came as welcome news as there was a reduction in export earnings in the second half of 2019 which came hand in hand with falling prices.

According to ABIMCI, the impact of the pandemic on first quarter business appeared minimal but only when April data is available will it be possible to better evaluate the impact of the pandemic on trade.

IBAMA aims to become international reference point in the timber supply chain

The Directorate of Sustainable Use of Biodiversity and Forests (DBFLO/IBAMA) has published guidelines on exports of wood products and by-products of native timber species from natural or planted forests. The technical note aims to show how it will track the origin of the products especially from the natural forests where the focus will be on documents that certify origin and legality of the products along the supply chain.

The guidelines specifically cover aspects of operations between the National System for the Control of the Origin of Forest Products (SINAFLOR) and Export DOF (Document of Forest Origin), the operationalisation of Export DOF and also the other permits essential for the export of timber products and by-products.

The Export DOF is the license established by Forest Law 12.651/12 for customs exit clearance for wood products and by-products of native timber species. The process set out by SINAFLOR, comprises the reporting on the approval of the area to be exploited, analysis and permits for logging projects and also the authorisation of harvesting declarations. The processing stage covers all transactions related to storage, transportation, transformation up to the final domestic destination.

With this legislation covering access and sustainable use of natural resources IBAMA hopes to become an international reference point in transparency and monitoring of the timber supply chain.

Domestic log prices

	US\$ per m ³
Brazilian logs, mill yard, domestic	
Ipê	167
Jatoba	89
Massaranduba	84
Muiracatiara	87
Angelim Vermelho	83
Mixed redwood and white woods	71

Source: STCP Data Bank

Domestic sawnwood prices

	US\$ per m ³
Brazil sawnwood, domestic (Green ex-mill)	
Ipê	718
Jatoba	373
Massaranduba	352
Muiracatiara	323
Angelim Vermelho	316
Mixed red and white	206
Eucalyptus (AD)	159
Pine (AD)	107
Pine (KD)	130

Source: STCP Data Bank

Domestic plywood prices (excl. taxes)

	US\$ per m ³
Parica	
4mm WBP	428
10mm WBP	346
15mm WBP	289
4mm MR.	332
10mm MR.	245
15mm MR.	223

Prices do not include taxes. Source: STCP Data Bank

Prices for other panel products

	US\$ per m ³
Domestic ex-mill prices	
15mm MDP/Particleboard	166
15mm MDF	203

Source: STCP Data Bank

Export sawnwood prices

	US\$ per m ³
Sawnwood, Belem/Paranagua Ports, FOB	
Ipê	1,455
Jatoba	863
Massaranduba	841
Muiracatiara	858
Pine (KD)	170

Source: STCP Data Bank

Export plywood prices

	US\$ per m ³
Pine plywood EU market, FOB	
9mm C/CC (WBP)	245
12mm C/CC (WBP)	234
15mm C/CC (WBP)	224
18mm C/CC (WBP)	223

Source: STCP Data Bank

Export prices for added value products

FOB Belem/Paranagua ports		US\$ per m ³
Decking Boards	Ipê	2,933
	Jatoba	1,450

Source: STCP Data Bank

Peru

Protocol on Covid-19 control in the forestry sector

The Ministry of Agriculture and Irrigation (Minagri) approved a protocol for the surveillance, prevention and health control measures against COVID-19 for forest sector workers. This is in response to the government's economic reactivation plan.

The protocol establishes general guidelines for the surveillance, prevention and control of COVID-19 in the development of forestry activities, whether in the forest, in nurseries, plantations, camps, facilities, and in all work environments within each harvesting phase. of wood and non-wood products including, for example, cleaning and disinfection, personal and collective protection measures.

Every forestry sector employer must prepare a plan for the surveillance, prevention and control of COVID19 at work to be approved by the Ministry of Health.

Budget for control and monitor forests and their forest resources

For the first time the Ministry of Economy and Finance (MEF) has included forest control and surveillance activities as criteria in the budget allocation for the National Forest and Wildlife Service (SERFOR).

This was highlighted by the SERFOR Executive Director, Alberto Gonzales-Zúñiga, who said this will strengthen the efforts of his organization in its fight against illegal logging, the illegal trafficking of forest resources and other environmental crimes.

Three budget allocations have been incorporated: Forest and Forest Resources Surveillance (at the source); Surveillance and Control in the Access and Use of the Forests and Forest Resources (during use) and Surveillance and Control in the Transport of Forest Resources from the Origin (Forest) to the Destination (Transformation Center).

Gonzales-Zúñiga said that in this way SERFOR, the regional authorities and the Supervisory Agency for Forest Resources and Wildlife (OSINFOR) will be able to act more effectively to control forest resources from their origin in the forest to the mill.

Delay in start of harvesting season

Forest harvesting is seasonal and takes place between May and November but this year opportunities for harvesting have been disrupted because of the virus control measures. The pre-harvesting operations by entrepreneurs before accessing the concession are extensive and include securing permission to access the forest, arranging of machinery and organizing the labour force.

This year nothing could be started. The government plans to ease restrictions at the end of May and only then can preparations begin.

Currently all primary, secondary and value-added plants are under lockdown.

Export sawnwood prices

Peru sawnwood, FOB Callao Port	US\$ per m ³
Pumaquiro 25-50mm AD Mexican market	637-651
Virola 1-2" thick, length 6'-12' KD Grade 1, Mexican market	561-603
Grade 2, Mexican market	492-509
Cumaru 4" thick, 6'-11' length KD Central American market	973-987
Asian market	1009-1052
Ishpingo (oak) 2" thick, 6'-8' length Spanish market	552-573
Dominican Republic	671-681
Marupa 1", 6-11 length KD Grade 1 Asian market	552-595

Domestic sawnwood prices

Peru sawnwood, domestic	US\$ per m ³
Mahogany	-
Virola	273-284
Spanish Cedar	342-355
Marupa (simarouba)	233-242

Export veneer prices

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

Export plywood prices

Peru plywood, FOB Callao (Mexican market)	US\$ per m ³
Copaiba, 2 faces sanded, B/C, 8mm	349-379
Virola, 2 faces sanded, B/C, 5.2mm	487-511
Cedar fissilis, 2 faces sanded, 5.5mm	766-783
Lupuna, treated, 2 faces sanded, 5.2mm	396-419
Lupuna plywood	
B/C 15mm	449-495
B/C 9mm	379-399
B/C 12mm	350-360
B/C 8mm	466-487
C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.	391-407

Domestic plywood prices (excl. taxes)

Iquitos mills	US\$ per m ³
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

Domestic prices for other panel products

Peru, domestic particleboard	US\$ per m ³
1.83m x 2.44m x 4mm	282
1.83m x 2.44m x 6mm	230
1.83m x 2.44m x 12mm	204

Export prices for added value products

Peru, FOB strips for parquet	US\$ per m ³
Cabreuva/estoraque KD12% S4S, Asian market	1327-1398
Cumaru KD, S4S Swedish market	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	544-577
2x13x75cm, Asian market	756-822

Japan

State of emergency partially lifted

27 of Japan’s 47 prefectures have, as of 14 May, relaxed the ‘stay-at-home’ requests issued in response to the spread of the corona virus but the nationwide state of emergency is still in place giving prefectural authorities discretion on what to relax.

The prefectures where restrictions have been eased do not include 13 prefectures with a relatively high number of corona cases, including Tokyo, Osaka and Hokkaido which says the government require "special caution." Despite the easing residents are asked to avoid nonessential travel, not to cross prefectural borders and avoid crowded and poorly ventilated areas.

The same day the easing of restrictions was announced the government said it will prepare a second extra budget to finance measures to ease the impact of the pandemic on businesses and households. In April the government agreed a US\$240 billion supplementary budget for the current fiscal year which began in April.

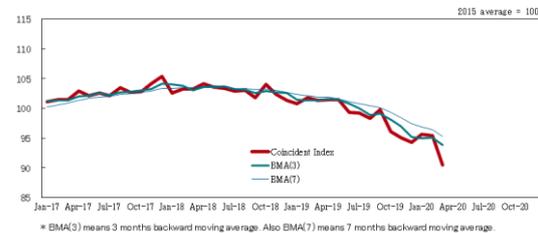
The measures introduced to try and limit the spread of the corona virus have had a big impact on the economy driving growth to the lowest in almost a decade. Business confidence has slumped dramatically with the index for business confidence dropping sharply, even faster than immediately after the Great East Japan Earthquake and Tsunami.

The Japanese Cabinet Office maintained its assessment that economic conditions are “worsening” as factory production and household spending continue to slow. The pandemic has impacted every country and job losses due to lockdowns and failing businesses in Asia alone are estimated at 68 million.

Japan has not been immune to job losses even though it has maintained a fairly low unemployment rate over the years.

The pandemic and the nationwide state of emergency drastically changed the fortunes of many workers in Japan and the national unemployment rate was around 1% higher in January even though the full impact of the lockdown had not hit. With zero income and diminishing cash reserves many businesses are under pressure to lay off workers.

Indexes of Business Conditions



Source: Cabinet Office, Japan

Too heavy dependence on one source

The Japanese government plans to provide subsidies to Japanese companies with overseas production sites to relocate back to Japan or to Southeast Asian countries as the pandemic has highlighted the dependence of Chinese manufacturing plants and how supply chains can be quickly disrupted.

The local media has reported a US\$2.2 billion allocation will be incorporated into the government’s emergency stimulus package to help firms diversify their supply chains. The initiative came after many manufacturers, especially car makers, suffered a shortage of parts produced in China. Japan is heavily dependent on factories in China producing wood products and where Japanese companies have plants in China they too will be viewing the need to diversify supply chains.

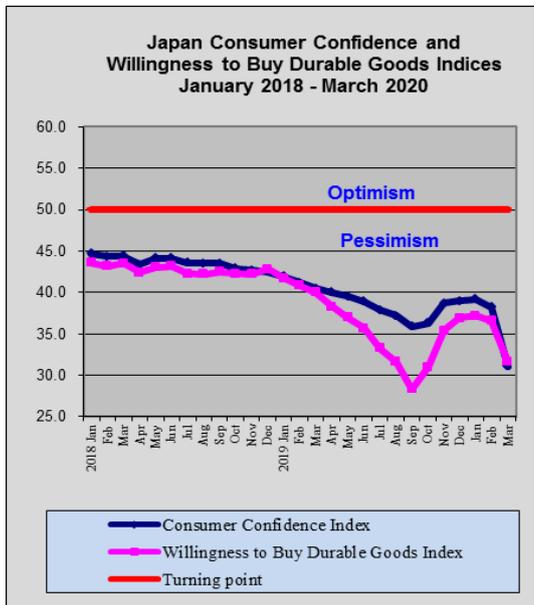
Retail sales evaporated in March

March factory output fell at the fastest pace in five months according to the Cabinet Office analysis and retail sales dropped sharply. Factory output dropped almost 4% in March month on the sharpest fall in since October last year.

On the domestic front the Japan Department Stores Association said that sales in March fell over 30%, the largest drop ever recorded mainly because the number of overseas visitors to Japan fell to almost zero. The Association has said April figures are likely to be worse.

On the other hand, online sales have been rising as people adjusted to having more time at home, mothers had to cook for the families who stay home and as home work stations.

A lot of people have been able to work from home and while this is viewed as a temporary measure it could be here to stay which would have widespread impact on life styles and consumption.



Data source: Cabinet Office, Japan

Japan pledges huge financial contribution to IMF for poorest countries

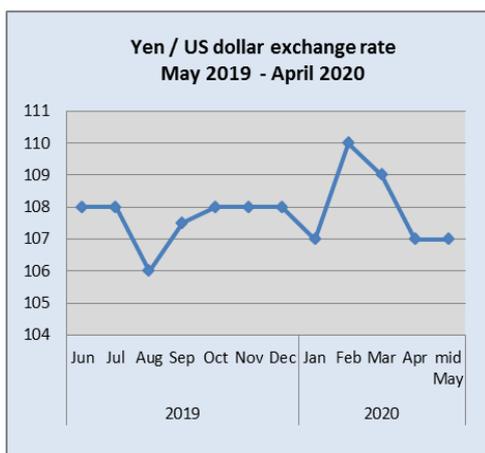
As Japan tries to rescue its own economy a significant financial contribution to the International Monetary Fund has drawn praise from IMF Managing Director, Kristalina Georgieva, who reported that Japan has pledged an amount equal to about 20% of its GDP to respond to the economic challenges in the world's poorest countries.

Japan, the world's third-largest economy, is the largest contributor to IMF financial resources and the largest contributor to the fund's concessional lending facilities.

Yen stability maintained

The yen maintained its stability against the US dollar in early May on the back of comments from the Bank of Japan (BoJ) that it would adopt additional monetary stimulus to support the US\$1 trillion stimulus efforts by the government.

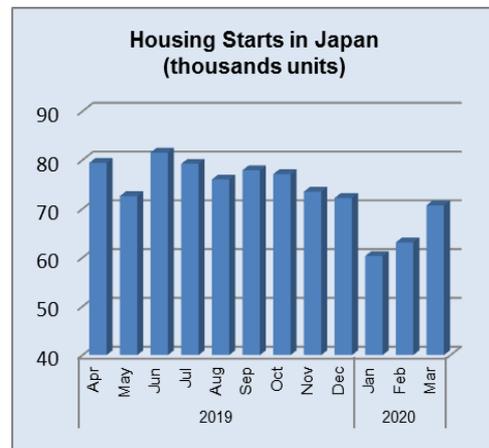
In testimony to the Japanese parliament, the Governor of the BoJ said that the Bank would use all available tools to stimulate the economy. Some analysts interpreted his statement as suggesting printing money and driving interest rates even lower.



Work from home may be here to stay

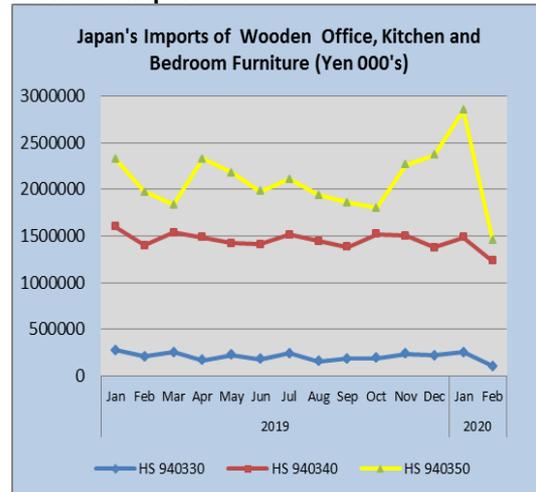
Many home designers are already discussing how the pandemic will impact residential designs. The home office is top of the list for many architects who say the home office should be quiet and away from everyday disturbances but not isolated.

Space is another issue as is how air enters and exits a home. It is likely that for some years people will be spending more time at home than before even after the pandemic is under control and this will drive them to think in terms of sanctuary from a troubled world.



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

Furniture imports



Data source: Ministry of Finance, Japan

Office furniture imports (HS 940330)

Given the steep drop in business sentiment it is no surprise that there was a considerable decline in wooden office furniture (HS940330) in February. Year on year, the value of February imports was 35% down and compared to a month earlier February imports crashed 59%.

Exporters in China, Poland and Italy featured as top suppliers of wooden office furniture but in February there was a new entrant in the top rank, Canada. Shippers in China accounted for 29% of February imports followed by Canada at 15% and Italy and Poland at around 10% each.

Office furniture imports

	Imports Feb. 2020 Unit, 000's Yen
S. Korea	790
China	30,008
Taiwan P.o.C	3,694
Vietnam	507
Thailand	5,894
Malaysia	2,321
Indonesia	7,290
UAE	-
Sweden	-
Denmark	2,326
UK	3,021
France	-
Germany	3,818
Switzerland	2,223
Portugal	-
Italy	10,879
Poland	9,429
Turkey	1,364
Lithuania	983
Slovakia	358
Canada	15,867
USA	1,999
Mexico	-
Total	102771

Data source: Ministry of Finance, Japan

Kitchen furniture imports (HS 940340)

The Philippines and Vietnam accounted for over 85% of Japan's imports of wooden kitchen furniture (HS940340) in February, up some 10% from a month earlier. A further 8% of the value of imports was shipped from China leaving little market share for others.

Year on year, Japan's imports of wooden kitchen furniture (HS940340) in February dropped 9% but there was a rise of around 12% compared to the value of January imports.

Kitchen furniture imports (HS 940340)

	Imports Feb. 2020 Unit, 000's Yen
China	104,625
Taiwan P.o.C	11,077
Vietnam	419,060
Thailand	47,886
Malaysia	11,943
Philippines	595,628
Indonesia	14,227
Sweden	-
Denmark	-
UK	1,676
Netherlands	-
Germany	9,432
Spain	-
Italy	6,333
Finland	-
Romania	-
Turkey	752
Czech Rep.	-
Canada	8,663
USA	-
Total	1,231,302

Data source: Ministry of Finance, Japan

Bedroom furniture imports (HS 940350)

The value of February imports of wooden bedroom furniture (HS940350) tumbled a massive 49% compared to the value of January imports. Year on year, wooden bedroom furniture imports dropped 26%.

Vietnam topped the list of wooden bedroom furniture shippers in February accounting for just over half of all Japan's wooden bedroom furniture imports however, shippers in Vietnam saw the value of February shipments drop 24%.

Manufacturers in China accounted for a further 36% of Japan's imports of wooden bedroom furniture but there was an almost 70% drop in the value of exports compared to a month earlier.

Two S.E. Asian shippers Malaysia and Thailand were the third and fourth ranked shippers in February and both maintained market share.

Bedroom furniture imports (HS 940350)

	Imports Feb. 2020 Unit, 000's Yen
S. Korea	-
China	532,247
Taiwan P.o.C	12,863
Vietnam	757,896
Thailand	45,140
Malaysia	63,936
Indonesia	13,801
Sweden	1,723
Denmark	1,161
UK	-
Netherlands	-
Belgium	-
France	-
Germany	-
Switzerland	-
Italy	5,461
Poland	16,514
Romania	-
Latvia	1,590
Lithuania	1,415
Bosnia Herzegovina	-
USA	910
Total	1,454,657

Data source: Ministry of Finance, Japan

Trade news from the Japan Lumber Reports (JLR)

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

For the JLR report please see:

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

Outbreak of corona virus

Worldwide pandemic of corona virus is giving huge damage to the world economy. China, origin of the virus, says the peak of pandemic is over but it continues spreading in other parts of the world. There is no safe place to evacuate in any part of the world. This is the first experience for the people and nobody knows what to do and how to end.

It is inevitable to see economic damages and we may face unexperienced depression after the storm is over.

Business activities have already slowed down considerably by the government request to stay home and avoid human contact, which is the only way to curb spreading of the virus. Major house builders had steady orders until February then by request of staying home, sales activities practically stopped since face to face negotiation is basic between house buyer and house sales man.

At the same time, many house exhibition sites are closed so future housing starts would drop in populated regions. Japanese house builders rely on supply of various materials from China and while China suffered virus outbreak, the supply stopped and Japanese house builders were unable to complete house building and deliver on time. The largest short item was toilet from China. House is incomplete without toilet. Chinese supply is recovering in April but Japanese demand may shrink.

In North America, new housing starts in the U.S.A. are dropping by corona virus pandemonium so demand of wood products is decreasing. Interior Canadian sawmills are reducing the production to protect workers from virus but at the same time, it is by depressed North American lumber market.

China market is recovering since March and purchase of logs restarted but supply side has corona virus problem in Europe and New Zealand so the purchase is not as easy as before.

In Japan, major laminated lumber manufacturer decided to reduce the production by 30% by uncertain supply of lamina from Europe. Lumber mills in Finland had a month long strike so laminated lumber market in Japan is firm now. Plywood mills in Japan have started production cutback to restore deteriorating market.

Domestic log market is skidding by lack of demand and the prices are falling. Only hope is restart of log export to China. After all, demand for wood products is slowing but the supply side also has problems so both seem to keep shrinking worldwide.

Softwood plywood prices stopped skidding

Since middle of March, plywood manufacturers announced production curtailment and are determined to stick to their proposed prices and are not accepting any low priced offers from the dealers. After new fiscal year started in April, the market prices stopped skidding and the prices are coming back up to 1,000 yen per sheet delivered. In March the prices were down to 950 yen.

If the production is reduced as the manufacturers propose, supply volume would be down by 80,000 cbms in April and May and if the shipment recovers, the inventory would drop down to 110 M cbms, which is record low figures so the dealers started worrying future supply tightness.

However, unfortunately corona virus pandemic started in March and the market is now confusing and the movement is getting slower so future demand is uncertain. Stay-at-home request hampers normal business activities and the most important measure to stop spreading corona virus is to avoid meeting people so telework at home is now main style of business.

South Sea logs and lumber

Log production in Malaysia and PNG is dropping by stopping measures of corona virus infections but the Japanese users have ample inventory now so there is no panic but future is uncertain. Chinese production of red pine laminated free board and LVL is steady and shipment for Japan is smooth.

Demand for laminated free board is firm for furniture manufacturing and the Japanese users place orders earlier in fear of repeated spread of corona virus. Indonesian mercusii laminated pine board continues steady supply. LVL movement is slower by depressed crating demand and also for construction.

Firming export prices of PKS (Palm kernel shells)

Spot export prices of PKS from South East Asian countries are firming after Malaysia supply is stagnating due to lockdown for preventing spread of corona virus. The buyers shifted the supply from Indonesia, where the supply has been tight since last fall so the export prices accelerate climbing.

In Malaysia, port inventory is dropping and even if there is cargo at the ports, loading works stopped then palm oil plants' operations are down and trucking to ports is hampered by various restrictions so logistics of fuel materials are confusing. Present spot base supply prices of PKS in Indonesia are about US\$105 per ton FOB. C&F cost would be about US\$140 per ton, which is about US\$10 higher than last January. Indonesia also suffers corona virus so there is insecurity of Indonesian supply too.

In Japan, there are power generation plants, which rely on PKS as fuel. They are looking for substituting supply sources or increase use of wood pellet to tide over. Since corona virus problem is the first experience for everyone so nobody knows how soon it would be over and future is uncertain.

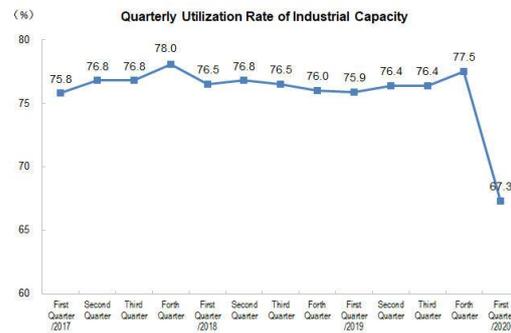
PKS inventory the power generating companies carry is about half month to one month. They can continue operating if they can find substituting sources even with higher prices but based of FIT system, they cannot add any extra prices onto sales price of electricity.

March PKS contract was cancelled on some generating company but it increased use of domestic wood chip to cover shortage of PKS.

First quarter GDP reflects virus control impact
The measures taken by the government to stop the spread of the corona virus outbreak resulted in an almost 7% drop in GDP in the first quarter 2020. This was the first quarterly contraction since the data series began in 1992 according to the National Bureau of Statistics (NBS).

To support the economy and help struggling businesses the government has taken a series of measures including cutting interest rates on loans, expanding bank liquidity to encourage lending and cutting or waiving taxes. Measures to help the unemployed and low-income households are being implemented.

The NBS has reported the utilisation rate of manufacturing capacity in the first quarter of 2020 was 67%, almost 9% lower than the same period of last year.



Source: NBS

Plywood exports crumble

According to China Customs, in the first quarter of 2020, China's plywood exports were 1.85 million cubic metres valued at US\$787.6 million, a drop of 85% and 82% respectively over the same period in 2019.

The main markets for plywood exports in the first quarter were the Philippines (131,000 cu.m), UK (129,000 cu.m), Japan (125,000 cu.m), UAE (111,000 cu.m), Vietnam (105,000 cu.m) and Saudi Arabia (104,000) all of which were significantly down year on year.

First quarter plywood imports were 35,068 cubic metres valued at US\$26.85 million, a decline of around 80% in both volume and value. Over 70% of China's plywood imports are from five countries, Russia (16,002 cu.m), Indonesia (4, 886 cu.m), Malaysia (3,368 cu.m), Vietnam (1, 547 cu.m) and Japan (1, 290 cu.m).

Sharp drop in wooden furniture exports and imports

China Customs data is showing that in the first quarter of 2020 the value of China's wooden furniture exports fell 84% year on year to US\$3.104 billion.

The main markets were the USA (US\$882 million), Japan (US\$254 million), UK (US\$211 million), Australia (US\$188 million), South Korea (US\$150 million) and Canada (US\$119 million) all dropping around 80% compared to the first quarter 2019.

China imports small amounts of furniture which, in the first quarter 2020, were worth US\$203 million, down 80% year on year.

Rise in the value of wooden doors output in 2019

The total output value of wooden door in 2019 reached RMB153 billion, an increase of 4% over the same period 2018. The export value of wooden doors was USD639 million, down 6% from 2019.

Custom made home furnishings are an important new market in China and this has spread to wooden doors enterprises. In 2019 eight major custom-made home item manufacturers (Piano, Holike, Topstrong, Shangpin, Olo, Sogal, Jinpai, and Zbom) achieved sales of RMB25.991 billion, up 17% year on year.

China's wooden door market index (WDMCI) in the first quarter of 2020 shows that, once the worst of the pandemic was over, market demand has gradually improved. Further improvement will depend on how the housing market develops.

<http://www.forestry.gov.cn/xldy/5188/20200317/104457637191269.html>

Decline in the value of output in Guangdong

The value of wood processing industries in Guangdong fell 52% to RMB75.212 in the first quarter of 2020. The value of output wood processing industries, wood-based panel industries, wooden furniture industries and bamboo and rattan furniture industry was RMB1.089 billion, RMB3.299 billion, RMB16.391 billion, RMB0.58 billion, down 43%, 35%, 31% and 20% respectively. In general, flooring enterprises have fared better and they have a steady flow of raw material.

Ensuring stable national timber supply

The production and international trade in timber raw materials for Chinese enterprises has been disrupted by the pandemic.

Because of the dependence of Chinese manufacturers on raw material imports the current disruption to trade flows has meant companies have had to diversify sources and they have also started discussing the development of overseas forest resources and timber procurement in order to maintaining the stability of the global timber supply chain.

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

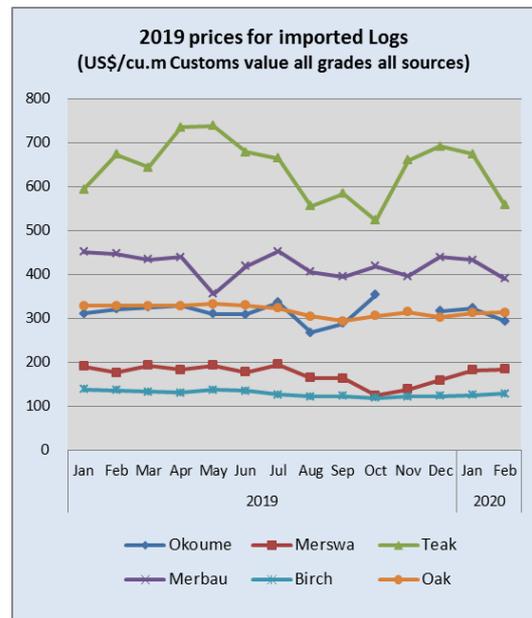
	2020 Jan	2020 Feb
Okoume	323	293
Merswa	181	183
Teak	674	557
Merbau	432	390
Birch	125	128
Oak	312	313

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

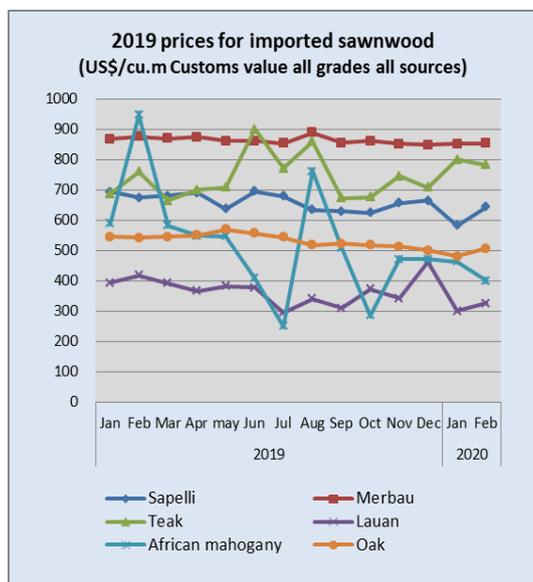
Average imported sawnwood prices US\$/cu.m CIF

	2020 Jan	2020 Feb
Sapelli	583	644
Merbau	852	853
Teak	800	782
Lauan	301	326
African mahogany	464	401
Oak	481	507

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



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



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

Europe

Europe takes tentative steps out of COVID-19 lockdown

Timber trading activity across the EU continues at an extremely low level as countries emerge slowly and uncertainly from the coronavirus lockdown. Many companies have temporarily closed or curtailed operations, pushed back orders and have been asking for longer payment terms.

A clearer picture of the real impact on European tropical timber product imports will only emerge with publication of EU trade data for the first quarter of 2020, expected in the next few days.

In the meantime, insights on the status of market can be gathered from reports of remote meetings of European trade associations and their member companies and of various other agencies. The following observations draw particularly on a report of the Members of the Sustainable Tropical Timber Coalition (STTC) Technical Committee, issued at the end of April, supplemented where possible by more recent information from trade association bulletins and other sources.

Some continuing timber demand from UK construction sector

In the UK, according to the Timber Trade Federation (TTF), some importers, distributors and merchants have suspended business while others are operating at much reduced levels. Some demand continues from the UK building sector, which has been one of the first sectors allowed to reopen subject to new health and safety rules.

However, the latest Construction Purchasing Managers Index (PMI) for the UK, published by IHS Markit, revealed the sharpest decline since the survey began 23 years ago, falling from 39.3 in March to only 8.2 in April as activity drew to a halt due to the virus outbreak March (a score below 50 indicates contraction).

A big question in the UK timber industry currently is how requirements for social distancing will impact future construction output. A briefing circulated by Barbour ABI suggests that, even as the lockdown is eased, the number of workers on UK construction sites could be as low as 15% of normal figures in some cases, leading to increased costs and build times over the next year.

Meanwhile, according to the TTF, DIY sales in the UK are holding up, which is attributed to consumers undertaking repair and refurbishment projects while off work. Garden centres in the UK will be allowed to reopen from 13th May in one of a range of measures to gradually ease the lockdown rules as COVID-19 death rates have declined.

However, with the numbers of new COVID-19 cases and death rates still high, the process of easing the lockdown is expected to be very slow in the UK. The government has emphasised that lockdown measures may be reintroduced if any signs emerge of a second wave of the virus.

UK timber importers say they have asked overseas suppliers to push back orders by 30 to 60 days but there is still concern about the build-up of landed stocks at ports, with companies unable to accept cargoes as their own storage is full.

A TTF members survey published on 1st May, while emphasising that the UK timber supply chain is well stocked overall, also showed that garden products and plywood are product categories where there may be shortages. This survey indicated that, compared to last year, respondents' sales fell 33% in March and by 66% in April, while 69% reported their cash flow had decreased significantly.

Some slightly more positive news emerged from the UK Confederation of Timber Industries (CTI) latest survey of the state of the industry published on 12 May. This highlighted that almost all UK timber businesses expect to reopen in some capacity before the end of the month. The third of businesses which never closed will be re-joined by the rest of the respondents, with most (99%) having either reopened or planning to during May.

The CTI survey also showed that while only 12% of the industry are currently operating at maximum capacity, there is confidence that businesses can quickly ramp up productivity. Respondents said that, if quarantine measures were lifted, and in light of recent Government advice on returning to work, 54% of businesses said they could return to full capacity immediately, and a further 34% in less than a month.

The CTI survey indicated that manufacturing was the most affected sector in the timber supply chain, with these respondents far more likely to have closed for a period than sawmillers, merchants or other traders.

Wood product manufacturers were also concerned that lack of access to personal protective equipment could hamper the return to work.

Germany watched closely as lockdown measures are withdrawn

Germany is being watched worldwide as the most successful large European country in halting the spread of the virus, thanks to a massive testing programme. Three weeks after the decision of the federal and state governments to gradually withdraw the coronavirus restrictions imposed in March, the end of the lockdown in Germany was largely completed in the first week of May.

On 6th May, Chancellor Merkel, commenting that “we have passed the first phase of the pandemic”, together with the representatives of the different states of Germany, announced that shops, factories and many other businesses could open again largely without restriction. However, a week later alarm bells are being sounded with the announcement that infections have accelerated again.

Speaking to the STTC in April, the German trade federation GD Holz said wholesalers had not at the time been significantly affected by the pandemic. Whether this situation would continue depended on the extent of contraction in the construction sector. But irrespective of that, for small to medium sized timber enterprises the situation was described by GD Holz as ‘catastrophic’.

Although DIY outlets had been allowed to remain open in some parts of the country and hardware stores continued to serve B2B customers, many other German retail and other consumer-facing businesses came to a complete standstill in the second half of March and in April. Around 85% of furniture companies in Germany were operating only on a part time basis during that period.

Key issues now are the speed at which companies can gear up operations now they are coming out of lockdown, given massive disruption to supply chains and order books, and the possibility of lockdown measures being reintroduced in the event of a second wave of the virus.

A lot of damage has already been done. According to IHS Markit survey results published on 7th May, Germany’s construction activity contracted at the steepest pace in more than ten years in April due to the disruptions caused by the pandemic.

The headline construction PMI fell to 31.9 in April from 42.0. Although a less dramatic decline than in many other European countries (see next story), this was the lowest reading in Germany since the series-record low of 28.9 in February 2010, when severe bad weather had exacerbated an ongoing slump in activity caused by the global financial crisis.

PMI data showed sharp falls in activity across each of the three broad construction categories – commercial, civil engineering, and homebuilding - monitored by the survey. It also showed that new orders at German constructors fell at the sharpest rate in more than two decades.

Despite falling demand for inputs, supplier delivery times to the German construction sector continued to lengthen in

April. Confidence towards future activity remained firmly in negative territory during the month.

Business activity continues in the Netherlands but timber supplies disrupted

The Netherlands had a less strict lockdown than some of its neighbours and began its five-phase plan to ease restrictions further on 11 May. However, the effects even of this more limited lockdown on the timber sector and wider economy have been profound.

A report on the ATIBT Fair&Precious (F&P) website in April stated that Netherlands importers had sufficient stocks for the short term and ports and road transport had been designated key sectors and continued to operate.

However, the Netherlands Timber Trade Association (NTTA), speaking to STTC, said the pandemic was disrupting timber supplies to the Netherlands from the rest of Europe and Malaysia and, while imports from Africa were ‘reasonably normal’, they were also expected to decrease. Plywood and other panel products were in also increasingly in short supply.

NTTA reported the DIY sector continuing to trade well. Overall timber trade sales, however, are expected to be well down through the summer.

The virus outbreak has not impacted ongoing construction projects in the Netherlands as activity has continued subject to health and safety restrictions. However, the worsening economic outlook is expected to weigh down on construction industry output growth. The number of construction projects is decreasing, with the NTTA mentioning forecasts of a 50% fall in new home building. At the same time, activity in the renovation sector has reduced by 80%.

According to a business confidence index published by Statistics Netherlands in early May, the confidence of entrepreneurs in the Dutch wood and building materials industry has declined sharply: the balance fell from +1.5 in March to -25.2 in April 2020, by far the largest decrease ever recorded.

Belgian timber industry calls for measures to avoid economic collapse

In an open letter issued 24 April, Belgian importers, traders and processors of wood, via their trade association Fedustria, called for political leadership to prevent the collapse of the economy and prosperity. Fedustria represents the Belgian wood, furniture and textile industry. According to Fedustria, the sector generates a turnover of approximately €10 billion and employs 38,000 people in more than 1,700 companies.

In their open letter, the companies indicate that they are concerned about the health of their employees and their organizations.

They have been struggling with large turnover losses for some time now due to the loss of demand and the closure of, for example, home and interior shops. In addition, there are problems in the supply of raw materials and logistics.

This resulted in high temporary unemployment: in the furniture industry it is 72% and in the wood processing industry at least 48%. Fedustria points to liquidity problems that are becoming increasingly difficult to bridge.

The companies requested political moves to quickly restart the economy, while complying with the necessary safety regulations. They believed that government measures taken so far are insufficient, suggesting that many SMEs urgently need bridging loans, with sufficiently long repayment terms.

Fedustria also complained that while do-it-yourself shops and garden centers had been allowed to reopen, home, furniture and kitchen shops had been required to remain closed. "There is no objective reason for this unequal treatment that also leads to unfair competition", they said

Soon after the letter was published, the Belgian government announced that B2B companies and construction sites would be allowed to reopen from 4th May, followed by all stores, without distinction, from 11th May.

France unwinds strict lockdown

Speaking to the STTC in April, French timber trade body Le Commerce du Bois said the market impacts of the pandemic have been mixed in France. Merchants were impacted first as construction and manufacturing customers shut down in March, importers followed soon after. Subsequently, however, most merchants reopened, although with much reduced personnel. Timber end user industries and importers largely remained closed throughout April.

France began unwinding its strict lockdown on 11th May, allowing non-essential shops, factories and other businesses to reopen for the first time in eight weeks. The pace at which the lockdown is eased will vary across the country which has been divided into red and green zones depending on the level of infections in different regions. The French health minister has warned full lockdown measures could return if there is a surge in virus cases.

The Banque de France reported on 12th May the national economy was operating 27% below normal levels in April. According to Banque Governor Francois Villeroy de Galhau, "the ambition we have for the end of May is to recover another 10 points."

The Banque further stated that manufacturing activity was down 37% last month, with the lockdown costing the economy 6% in lost activity this year so far.

The government has rolled out a €110 billion (\$118.9 billion) package of crisis measures to see companies through the lockdown and heavily subsidise furloughs for more than one out of two private sector workers to avoid a wave of permanent layoffs.

Italian economy under severe pressure

Of all eurozone economies, Italy is likely to be the most affected by the pandemic. According to Italian statistics agency ISTAT, industrial output plummeted 28.4% in March from the previous month, more than expected and the steepest drop on record.

The restrictions to contain one of Europe's worst outbreaks of the coronavirus were in place through most of March and closed all factories except those considered essential to the supply chain.

Total industrial output for the first quarter of 2020 in Italy was down 8.4% compared with the previous three months, ISTAT said, following a 1.1% drop in the fourth quarter of last year. The euro zone's third-largest economy shrank 4.7% in the first quarter from the previous three months.

According to figures issued by the EC in early May, Italy's public debt is expected to hit almost 160% of GDP this year and the economy shrink by close to 10%, highlighting the longer-term impact of coronavirus lockdown measures in the country. The EC currently predicts a 6.5% rebound in Italy's GDP in 2021.

In line with other European countries, Italy's government began lifting tight lockdown restrictions from 4th May. Since then, factories and building sites have been allowed to reopen. More shops will be allowed to reopen from 18th May.

The government is planning new measures to support companies struggling due to the crisis, in a €55 billion euro package dubbed "Relaunch-Italy" due to be unveiled later in May. This comes on top of a €25 billion package already approved in March.

The new initiative will provide firms with grants, tax breaks and greater access to loans, and is also expected to offer direct handouts to families to pay for childcare and holidays and funds for unemployment benefits.

The government has also stated that along with this financial support, steps will be taken to simplify administrative procedures and cut down bureaucracy.

Spain aims to complete shift out of lockdown by end of June

The situation in Spain was described by trade association AEIM as disastrous in their April report to STTC. Members had postponed contracts and shipments, with construction and other customer sectors in shutdown. Some suppliers to parts of the joinery sector, however, were still active.

According to the ATIBT Fair&Precious Covid-19 report in April, wood was still coming into ports as normal, although there were 'difficulties for companies withdrawing goods'.

The first estimate of Spanish GDP in the first quarter showed that growth contracted by -5.2%, but the second quarter is likely to be worse since the lockdown measures were only introduced on 14th March.

The economic growth figure in the first quarter was the worst since the series began in 1970. Consumption and investment contracted by 7.5% and 5.8%, respectively. Both export and import growth contracted by 8.4%. Spain's construction sector contracted 8.1% during the quarter.

The PMI for the manufacturing sector for April dropped to 30.8 compared to 45.7 in March. As the spread of Covid-19 is coming under control, the lockdown is slowly being phased out. Since 4th April, for example, non-essential shops have been allowed to open by appointment and restaurants can offer takeaway food.

Pedro Sánchez, Spain's prime minister, announced that shifting to a more normal situation would have four stages and in the best case would be completed by the end of June. It would, however, vary province by province. Some of Spain's largest cities, including Madrid and Barcelona, have not yet met the requirements for moving to Phase 1 and are still subject to the same restrictions as in April.

Eurozone construction activity falls to all-time low

The IHS Markit Eurozone Construction Purchasing Managers' Index (PMI) fell to 15.1 in April, a new record low which followed a substantial drop in March, when the figure had fallen to 33.5. Survey data showed Italy and France recorded extreme contractions in construction output, while Germany registered a far slower decline but one that was still marked overall.

Bernard Aw, principal economist at IHS Markit, said: "Stricter measures to halt the spread of the Covid-19 pandemic placed restrictions on business operations, dealing a substantial blow to eurozone construction firms in April. Construction output across the euro area slumped in April, following a severe drop in March, with Italy and France especially hard hit amid reports of widespread work suspensions among construction firms.

According to Bernard Aw, "demand was also severely affected by the lockdown measures, with new orders falling at the sharpest rate seen in over 20 years of data collection. In response, firms made deep cuts to their workforce numbers and purchasing activity."

Supply chains remained under pressure despite the substantially reduced purchasing demand. Delivery times lengthened to the greatest extent in the series history and at a rate that was severe overall.

Firms highlighted transport issues, customs restrictions and supply shortages at distributors as key factors for delivery delays. Each of the bloc's three biggest economies reported much slower deliveries, with France recording the most severe delays.

Eurozone building companies remained pessimistic about future activity, with the Future Activity Index coming in well below the neutral 50 level. Of the currency area's three largest economies, Germany had the most negative outlook over the next 12 months, followed by France.

EU organisations reaffirm their support for FLEGT and EUTR

Feedback received by the EC on their "fitness check" of the FLEGT and EUTR regulations indicates a high degree of consensus amongst European organisations and interests on the broad aims and objectives of the policy and legislative instruments.

It also indicates a desire to extend implementation and improve enforcement of the regulations in various ways. However, the relationship between the regulations and private sector forest certification initiatives was a point of difference between European organisations.

These are conclusions of a brief review of responses to a public consultation undertaken by the European Commission (EC) in February and March this year (the review and analysis of responses were undertaken by MIS and are not intended to reflect any official position or opinion of the EU or its member states).

All the responses received on the public consultation are available at:

<https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/11630-Illegal-logging-evaluation-of-EU-rules-fitness-check->

Although relatively small in number and almost exclusively from European interests, the 39 responses received captured a wide range of regionally significant forestry, industry and trade associations, alongside some larger companies, and non-governmental organisations.

According to the EC, the "fitness check" examines the "effectiveness, efficiency, coherence, relevance and EU added value of both regulations in contributing to the fight against illegal logging globally". The EC is evaluating whether the instruments are fit for purpose or need to be revised.

The "fitness check" also addresses the coherence between the regulations and, according to the EC will "provide a very valuable input for the assessment of potential additional demand side measures."

Most organisations responding to the fitness check agreed that the FLEGT regulation and EUTR are "fit for purpose" in the sense of delivering positive gains against their stated objectives of reducing trade in illegally harvested wood and contributing to improved forest sector regulation.

From the trade side, the European Timber Trade Federation (ETTF), representing timber trade associations in 15 European countries, stated that they "fully support the FLEGT process and ask the EU to speed up the process". FederlegnoArredo, the Italian Federation of Wood, Cork, Furniture and Furnishing Manufacturers, said "we think that FLEGT and EUTR are key policies on improving governance of developing and emerging market countries".

For the European woodworking industry, CEI Bois stated that, for EUTR, the “EU added value of this instrument is undeniable” and “the industry fully supports the FLEGT system and recommends the EU to speed up the process with producing countries in order to increase the volumes of FLEGT-licensed wood available for the European market”.

Similarly, the European Furniture Industries Confederation (EFIC) noted that it “sees the benefits of a wider application of the EUTR”. The Finnish Forest Industry Federation (FFIF) called the EUTR “an important tool to prevent illegally harvested timber products to be placed on the EU market” and called for the scope to be extended. The European Panel Federation (EPF), on behalf of European manufacturers of wood-based panels, said that it “embraces EUTR”.

The European Landowners Organisation, which represents the hundreds of thousands of landowners, managers and farmers across Europe, stated simply that they “consider that the EUTR is ‘fit for purpose’ and continues to be the main tool to minimize the risks of unfair competition in market”. Furthermore that “the principle of due diligence must remain central and the implementation of the EUTR should be improved, particularly in areas deemed riskier”.

Environmental groups also remained broadly supportive of the FLEGT process. FERN said that it believes the VPAs have “prompted forest-related legal and policy reforms in all partner countries. This has improved governance, increased sustainable forest management, and reduced deforestation”.

The Environmental Investigation Agency (EIA) said that the EUTR and FLEGT Regulation “provide a framework that is fit for purpose and contributes to the international fight against illegal logging and its related trade.”

ClientEarth “considers that both the EUTR & FLEGT Regulation have contributed to more legality and transparency in the global timber supply chain and have made progress towards achieving the objectives of the FLEGT Action Plan”.

EarthSight noted that the EUTR is “a pioneering piece of legislation and remains a vital tool in the global fight against illegal deforestation and the associated trade in commodities”.

Call for FLEGT measures to be extended and deepened

While there was broad support for the FLEGT process and the EUTR, there was also a call for the FLEGT measures to be extended and deepened in various ways.

CEI Bois called the EUTR to be extended to “include all wood products, printed products and furniture products currently outside the scope, except for recycled materials and wood packaging for transport” and suggested this would “increase the coverage of imports of ‘high-risk’ wood by almost 30%”.

Other organisations called for more specific changes in EUTR product scope, for example EOS, the European Sawmillers Organisation wants the law to be extended to include HS4402 (charcoal), HS4404 (hoopwood, poles etc), and HS4419 (Tableware and kitchenware); EFIC asked that HS9401 (wooden seating) and 4421 (other wood products such as coffins); and the FFIF specified printed papers (HS49) as well as wooden seating.

Several commentators highlighted the need to extend FLEGT licensing to more countries as quickly as possible. ETTF said that the “FLEGT process started in 2003. Up to now there is only one country that has a FLEGT system in place, namely Indonesia – this is clearly not enough.”

CEI-Bois “recommends the EU to speed up the process with producing countries in order to increase the volumes of FLEGT-licensed wood available for the European market”.

Similarly, FederlegnoArredo observed “quantities of timber or timber products imported into the EU under the [FLEGT licensing] scheme are still too low. Speeding up the implementation of VPA’s on the Congo Basin and parts of West Africa will boost the number of FLEGT licences”.

The Italian association also mentioned “Insufficient promotion on benefits of FLEGT licensing and FLEGT VPA initiative amongst EU’s member states and stakeholders both in the EU and from countries of harvest.”

Some commentators called for further efforts to ensure effective enforcement of EUTR. CEI-Bois noted the need to “ensure a consistent implementation and enforcement by EU Member States. Different levels of stringency of the controls performed by Competent Authorities lead to an uneven playing field and ultimately undermine the goal of the Regulation”.

EFIC said that “the experience shared by EFIC members demonstrates a lack of correct implementation of the existing EUTR rules” and called on the EC to “coordinate a more consistent enforcement of the EUTR...in particular, there is an urgent need to close existing gaps and harmonise rules”.

EOS called on the EC to give “clear indication on respective legality risks in different countries and on the appropriate and expected risk mitigation measures for ALL market participants encountering these risks”.

IKEA said that “we see implementation issues severely slowing its potential to contribute to responsible wood sourcing. Current processes put up obstacles for both large and small operators” and suggested that “Member States define ‘acceptable due diligence systems’ in different ways”.

According to IKEA, “this makes it difficult for operators to efficiently meet the requirements without changing the process for each Member State. This, combined with inconsistent enforcement and auditing procedures (at times procedures varying from case to case within the same Member State), is inefficient and expensive for everyone involved.”

Fedustria, the Belgian timber industry association, said that “there is no clear guidance on what is exactly expected from the operators. It is essential that the necessary guidelines and recommendations are provided, which give the companies the opportunity to improve their due diligence system. We have repeatedly indicated that the objective of the EUTR should not be to punish, but to work towards a better system with all stakeholders in a constructive manner.”

Fedustria raised concerns about the methodology for targeting specific operators in EUTR; “We have observed that the same (major) players are continually subject to inspections, while many small-scale operators slip through the net. However, it is precisely the major players who have developed and continuously refine good due diligence systems”.

Fedustria also identified a possible loophole in the EUTR: “companies being registered in a European country, custom clear goods in another European country than their registered country. As a consequence, they are not being controlled by the Government of the importing country, since they are not registered with any legal set-up (imports are done through fiscal representation) and furthermore they are also not controlled by their governments in their home countries, since there are no registries of any imports”.

Some NGOs were also critical. Earthsight observed that “while there have been laudable steps taken by a few Member States to enforce this law over the years, these instances have remained the exception rather than the rule.

It has now been seven years since the EUTR entered into force and the enforcement response to illegal logging cases, even cases where plentiful evidence of illegality related to specific companies or supply chains has been made public, has been poor”.

Global Witness said that they “undertook several investigations on trade of illegal timber in the past years which showed how illegally harvested tropical timber is still being placed on the EU market. These revealed weaknesses in the enforcement of EUTR by certain member states which are undermining the effectiveness of the law”.

The NGO France Nature Environnement requested that “the quality assessment of the EUTR and FLEGT explore and identify the factors hindering the application of the EUTR.

Indeed, this assessment must assess the legal and operational elements preventing its effective implementation” and suggested that “in France, only 30 agents from the regional forestry and timber services have been trained to control nearly 5,000 loggers and sawyers. With such a limited resource, the EUTR cannot apply properly”.

Disputed role of certification in EUTR

A point of difference amongst organisations providing feedback to the EU is the role of private sector certification systems like FSC and PEFC in EUTR. Some private sector interests suggested there should be greater recognition for the risk mitigation role of certification in the regulation.

The EPF said that EUTR should “recognise 3rd party verification and certification bodies (e.g. SFI, ATFS, FSC, PEFC or ISO 38200) as enough risk minimisation especially for complex supply chains such as panels and paper since operators do not always have access through the supply chain to all the necessary information on the origin of the processed wood in their purchased product.”

The FFIF didn’t go so far to ask for a green lane through EUTR for certified products but called for “greater coherence with forest certification initiatives” and that the “role of forest certification, as tools to verify the legal origin of raw-materials, should be better acknowledged when evaluating needs of possible revision of the EU legislative framework”

Similarly IKEA said that the EU should “create a common approach to third-party certification: agree upon and recognize internationally-accepted forest certification systems, like FSC, as one important part of the many parts necessary to build a solid due diligence system”.

However, this proposal for a greater role for certification was flatly rejected by some. For example, the NGO Earthsight said that: “Our organisation has researched and documented several instances where timber products at very high risk of being procured or traded illegally have entered EU states, and have made them publicly available via our Timberleaks platform or in-depth reports. We have also sent these directly to EUTR competent authorities.”

“One of the common threads running through our investigations is that almost all the companies we have named in them as being connected to illegal deforestation, bribery or corruption, are certified, mainly buy certified wood, and source timber from certified forests”.

Earthsight went on to suggest that “Timber industry bodies have acknowledged that certification is no guarantee of legality and that companies must do more to ensure products they are importing are not illegally sourced.

Although certification can lead to better forest governance and protection in some cases, reports have shown this impact is reduced in countries with high levels of corruption and poor levels of governance.

The FSC has acknowledged that voluntary standards were not designed to deal with corruption and that certification is no substitute for the role of the state”.

A call for a more measured role for certification in EUTR also came from the Polish State Forests National Forest Holding (PSFNFH), particularly significant because this organisation oversees about 7.5 million hectares of forest in Poland, of which nearly 7 million hectares are FSC certified.

PSFNFH noted that “having in mind that in accordance with EUTR ‘... certification or other third party verified schemes that include verification of compliance with applicable legislation may be used in the risk assessment procedure’, it must be emphasized that forest certification is mostly [a] marketing tool. It means that, operators placing timber or wood products on a market, should rely on their own risk assessment and mitigation of the risk identified. Operators fulfilling requirements of this Regulation must be fully responsible for their DDS”.

North America

Survey finds 63% of US wood manufacturers remain operational

A recent survey by the Wood Component Manufacturers Association provides insight into the challenges faced by member businesses in the midst of the pandemic.

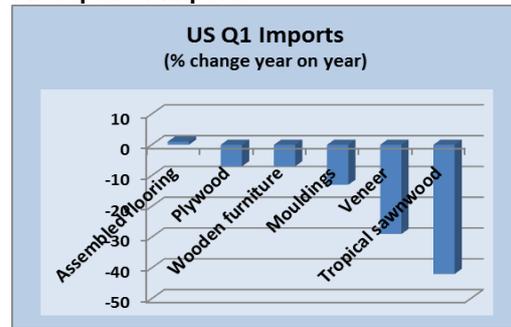
Forty-nine companies, including manufacturers of interior wood components, architectural wood components, furniture components, lumber and dimension stock, and technology, equipment and tool providers, responded to the survey, which was conducted in April.

When asked if their companies were open or closed for business, 63% said their operations remained open as essential businesses. Allowed to choose multiple responses, more than 65% said their manufacturing facility and offices were open as they complied with current social distancing requirements, while 14% said they were open for important appointments only.

Of those businesses classified as closed, approximately 20% had essential personnel reporting to the facility while others worked from home, 8% reported it had some staff working from home, and 6% said they were fully closed except for emergencies.

See: <https://www.woodworkingnetwork.com/news/woodworking-industry-news/survey-reveals-impact-covid-19-components-manufacturing-industry>

First quarter imports



Data source: US Census Bureau, Foreign Trade Statistics

Despite pandemic imports of hardwood products rebounded in March

US imports of wood products rebounded in March, albeit to still-diminished levels, after a dismal February. Imports of tropical hardwood, plywood, veneer, flooring and mouldings all saw gains in March.

However, imports from China fell steeply across the board even after several months of decline while imports from a number of countries rose sharply to fill the need, suggesting that US importers are modifying their supply chains.

The import data is encouraging considering that March was the first month where businesses across the US were under severe restrictions.

However, it is too soon to say what the full economic effect of the pandemic may be on the US where to infection and mortality rates are the highest in the world.

Much of the U. wood products industry remains operating as the US Department of Homeland Security has identified the industry as an essential critical infrastructure workforce in the nation’s response to the coronavirus pandemic.

US sawn tropical hardwood imports rise

US imports of sawn tropical hardwood recovered somewhat in March, growing by 28% from February’s record low. The 12,950 cubic metres imported is more than one-third less than that of March 2019.

Through the first quarter of 2020, imports are down 42% year to date. Imports from Ecuador fell by 14% in March and are down 74% year to date. Imports from Brazil, despite increasing by 62% in March, are 40% behind 2019 year to date.

Imports of jatoba, sapelli, ipe, and acajou d’Afrique all rebounded in March, but remain well behind last year’s imports year to date. Imports of balsa fell by 18% in March and lag 2019 by 74% year to date.

Canadian Imports of tropical hardwood fell by 5% in March but remain 4% ahead of 2019 year to date. Imports to Canada from Ecuador more than doubled in March to a level not seen in nearly three years. Canadian imports from Ecuador are up more than nine-fold over 2019 year to date.

Surge in hardwood plywood imports

US imports of hardwood plywood grew by 29% in March. The volume was nearly 8% higher than that in March 2019 and was up 6% over 2019 year to date. Imports from China fell by 67% in March and year to date are only half of last year's first quarter total. Imports from Indonesia and Ecuador were up sharply in March.

Italy tops list of veneer shippers to US

A surge in imports from Italy helped US Imports of tropical hardwood veneer recover from a dismal February as March imports rose by 56%. Despite the gain, the month's imports still lagged behind March 2019 import levels by over 30%.

Imports from Italy more than quadrupled in March and imports from Cote d'Ivoire more than doubled. Imports from several other countries were also volatile, but in the negative direction: imports fell sharply from China (down 77%), Ghana (down 68%), Cameroon, (down 77%) and India (down 65%). Year to date, imports are down by 29% through the first quarter of the year.

Modest rise in hardwood flooring imports

US imports of hardwood flooring rose by 12% in March. While the value of imports has remained somewhat consistent, the sources of supply has shifted drastically.

Imports from China fell by 85% to its lowest level in more than 10 years, while imports from Brazil dropped 99%, to a level not seen in three years. Meanwhile, imports from Malaysia and Indonesia grew by 64% and 145% respectively.

Year to date, imports are down 23% through the first quarter. Imports for March were 20% less than that of the previous March.

Imports of assembled flooring panels from China also fell sharply in March dropping 80%. Year to date, imports from China are down 32% through the first quarter.

US moulding imports showed slight gain

US imports of hardwood mouldings rose 2% in March but were down more than 18% from March of 2019. Imports from China fell by 40% to the lowest level in more than a decade while imports from Malaysia dropped by 30%.

Imports from Brazil made up the difference, rising more than three-fold from a disastrous February. Total year to date imports are down 13% with year to date imports from China down 55% through the first quarter.

US GDP shrank in the First Quarter

Gross Domestic Product fell 4.8% in the first quarter according to Commerce Department numbers that provide the first detailed glimpse into the damage the coronavirus wreaked on the US economy.

This marked the first negative GDP reading since the 1.1% decline in the first quarter of 2014 and the lowest level since the 8.4% plunge in Q4 of 2008 during the worst of the financial crisis.

The biggest drags on the economy were consumer spending, nonresidential fixed investment, exports and inventories. Consumer expenditures, which comprise 67% of total GDP, plunged 7.6% in the quarter as all nonessential stores were closed and the cornerstone of the US economy was taken almost completely out of commission.

Durable goods spending tumbled 16.1% while expenditures on services were down 10.2%. Exports dropped 8.7% while imports fell 15.3%, including a 30% drop in services.

Steep rise in unemployment claims

Another 3.2 million Americans filed first-time claims for unemployment benefits during the first week of May, increasing the US jobless rate to 14.7%, the Department of Labor reported. That brings the total number of seasonally-adjusted initial claims filed since mid-March to 33.5 million.

Initial claims are considered a proxy for layoffs or furloughs, and that level represents about 21% of the March labor force. For April, the US Bureau of Labor Statistics reported that the US economy lost 20.5 million jobs, by far the biggest drop since the US began tracking the data in 1939.

These numbers are staggeringly high; weekly jobless claims were hovering in the 200,000s in the last few years before this crisis. However, the number of initial claims has fallen each week since peaking at 6.9 million in the last week of March.

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

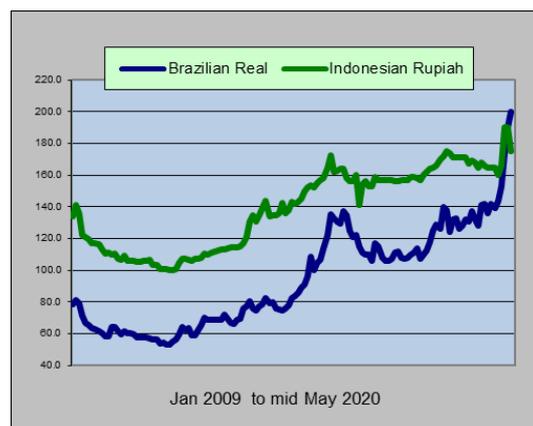
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

Dollar Exchange Rates

As of 10th May 2020

Brazil	Real	5.8859
CFA countries	CFA Franc	604.12
China	Yuan	7.083
EU	Euro	0.9217
India	Rupee	75.62
Indonesia	Rupiah	14905
Japan	Yen	107.13
Malaysia	Ringgit	4.3285
Peru	New Sol	3.40
UK	Pound	0.8157
South Korea	Won	1226.84

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

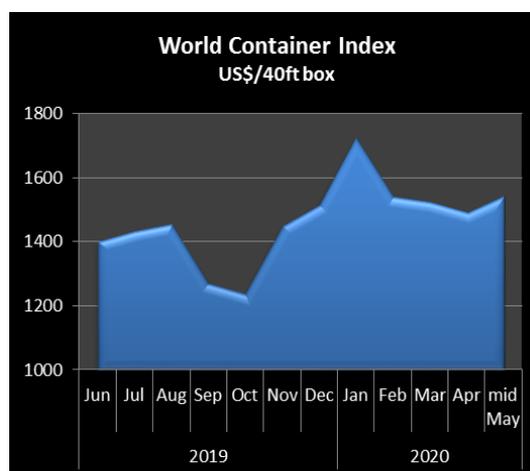


Abbreviations and Equivalences

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

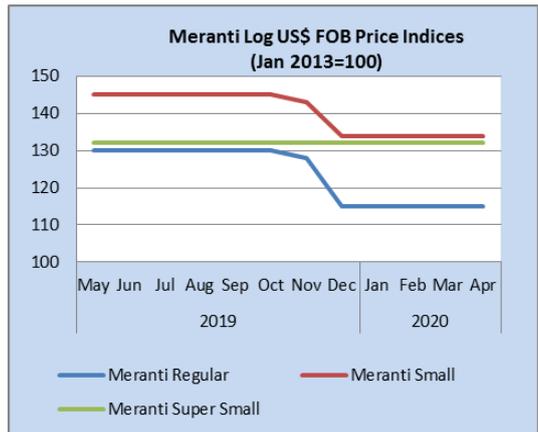
June 2019 – mid May 2020



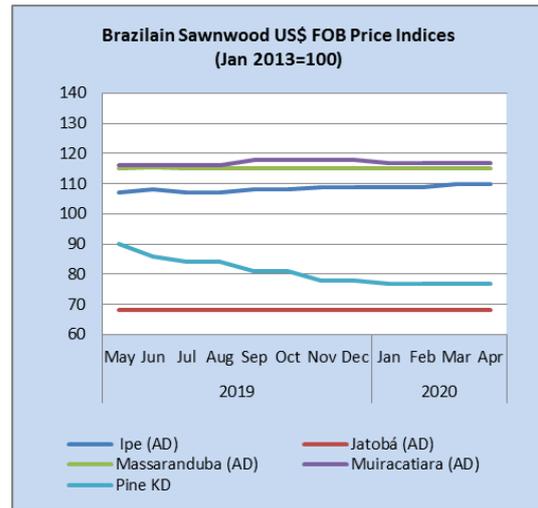
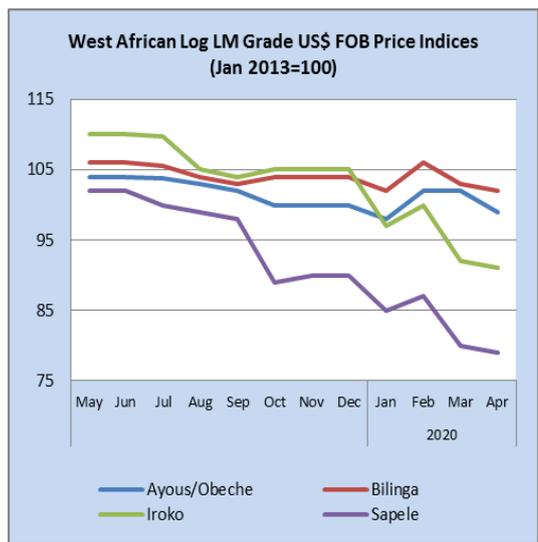
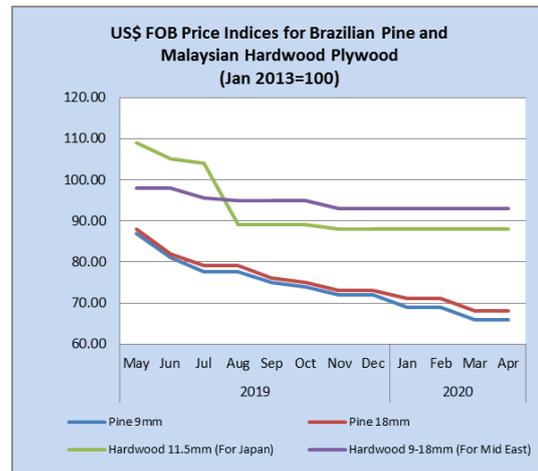
Data source Drewry World Container Index

Price indices for selected products

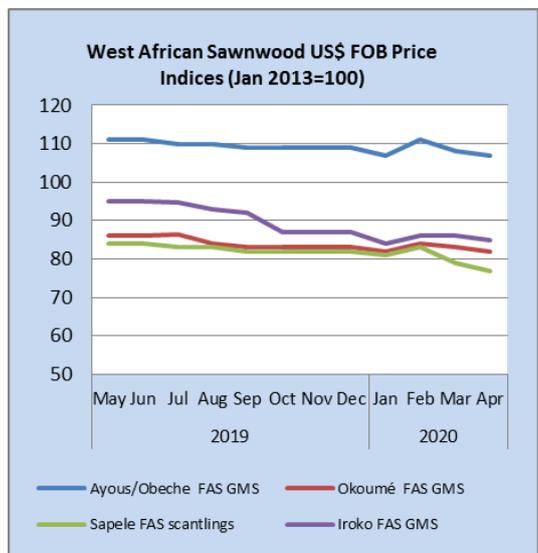
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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