

Tropical Timber Market Report

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Top story

China introduces policies to stabilise foreign trade

There is increasing pressure to maintain steady exports and the authorities will introduce policies to stabilise foreign trade and help enterprises. The Ministry of Commerce will implement a new round of foreign trade policies to ensure that this year's goal of maintaining stability and improving foreign trade is achieved.

The measures require local governments to strengthen the protection of export enterprises in epidemic prevention, energy use, labour use and logistics.

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Central and West Africa

Slowdown in China – stocks accumulating

Mills in Cameroon were expected to be back in full operation this month but the wet weather continues and producers say it will be some time before they can resume full production.

With the slowdown in demand in China log stocks have accumulated in the port and there are reports that degraded logs, no longer suitable for export, are being purchased by local mills.

All producers who were heavily committed to the Chinese market are feeling the effects of the weakening demand in the Chinese market and this is likely to spill over to price volatility.

There are reports that in recent weeks buyers for the Chinese market have been asking to renegotiate contracts. What will be interesting is the impact of the ban on log prices especially for ayous, sapelli, sipo, iroko, talli, tiama and doussie

With the decision by CEMAC countries to stop log exports it is expected that there will be a surplus of logs available until the pace of harvesting matches demand from mills. Concern has been expressed that the export ban will result in job losses but some say millers will welcome additional workers.

Rail transport a bottleneck in Gabon

Producers in Gabon report bad weather is hampering road transport especially in the SE of the country. It is much cheaper to transport by rail, especially now as fuel prices have increased. However, timber has to compete with manganese for space on goods trains and manganese producers have the priority. With only one rail line and with manganese loads of up to 100 waggons the competition for space is intense.

Operators in Gabon's GSEZ, where there are around 80 peeling units, are under stress due to weak demand in China as well as in India.

It is reported that veneer mills peeling for the Indian market have cut production by as much as 50% in some cases. The slowdown in production raises the risk of both log stocks and veneers becoming degraded. The best news is that the container shortage is no longer an issue, empty containers are readily available.

Suggestions that power grid to be extended

There is news circulating that the Assistant Minister of Industry and the Energy Minister in Gabon mentioned plans to extend electricity power lines to mills deep in the country. This has been well received by operators.

Jump in French sawnwood imports

According to data from France, in 2021 Gabon exported goods worth 160 million euros to France, up 53% compared to the previous year. Exports were of mainly three products, wood (46%) hydrocarbons (25%) and metal ores (25%). French imports from Gabon have been growing steadily since 2019 driven in particular by the demand for tropical sawnwood.

See: <https://www.lenouveaugabon.com/fr/transports-logistique/0610-18999-bois-hydrocarbures-et-minerais-metalliques-representent-96-des-exportations-du-gabon-vers-la-france-en-2021>

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	310	310	-	
Bibolo/Dibétou	215	215	-	
Bilinga	275	275	-	
Iroko	300	280	225	
Okoume (60% CI, 40% CE, 20% CS) (China only)	205↓	200↓	-	
Moabi	280	280	250	
Movingui	180	180	-	
Niove	160	160	-	
Okan	250	230	-	
Padouk	330	310	240	
Sapele	260	260	220	
Sipo/Utile	260	260	230	
Tali	300	300	-	

Sawnwood export prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	450-
Bilinga FAS GMS	580
Okoumé FAS GMS	380↓
Merchantable KD	380
Std/Btr GMS	400
Sipo FAS GMS	420
FAS fixed sizes	-
FAS scantlings	520
Padouk FAS GMS	1,200
FAS scantlings	1,400
Strips	400
Sapele FAS Spanish sizes	460
FAS scantlings	489
Iroko FAS GMS	600↑
Scantlings	650↑
Strips	370
Khaya FAS GMS	450
FAS fixed	500
Moabi FAS GMS	530
Scantlings	550
Movingui FAS GMS	380

Miners destroying forests searching for gold

The government is seeing increased criticism and pressure to save the country from illegal mining. This followed recent media reports of destruction of the country’s forest and water bodies by illegal small-scale miners. The President H.E. Akuffo-Addo, when addressing a forum of the National House of Chiefs, called on them to get involved in the fight against illegal mining.

The Office of the Special Prosecutor (OSP) has commenced investigation into suspected corruption and corruption-related offences related to illegal small-scale mining, also known as galamsey. The Ghanaian Times reports that the investigation will target some officials of the Ministry of Lands and Natural Resources, the Forestry Commission and also activities of the dissolved Inter-Ministerial Committee on Illegal Mining.

In related news, Benito Owusu-Bio a Deputy Minister of Lands and Natural Resources, has warned illegal miners to stay out of forest reserves since the Ministry would not relent in its efforts to drive them out.

See: <https://allafrica.com/stories/202210120182.html> and <https://newsghana.com.gh/severe-sanctions-await-illegal-miners-in-forest-reserves-deputy-minister/>

AfCFTA makes progress on rules of origin

The General-Secretary of the African Continental Free Trade Area (AfCFTA) Agreement, Wamkele Mene, has indicated that AfCFTA has made significant progress since its operationalisation and this was largely because of the commitment of the Heads of State.

Significant progress has been made in the trading rules for AfCFTA especially the rules of origin which are key to measuring the movement of goods across borders for participating countries.

Ghana exports about fifteen different wood products many of which are shipped to various market in Africa. Regional markets account for around 12% of the country’s total export volume.

See: <https://www.ghanaweb.com/GhanaHomePage/business/AfCFTA-records-significant-progress-Wamkele-Mene-1639739>

Businesses at risk of collapse as interest rates soar

The Monetary Policy Committee of the Bank of Ghana has increased interest rates to 24.5% well above market expectations. Coming at a time when the economy is battling with high inflation; a weakened cedi and rising public debt, the move has attracted criticism from industrialists who complain this could lead to a collapse of businesses.

The Association of Ghana Industries (AGI) has called for an effective collaboration between the government and local industries to chart a path towards building a stronger economy.

At a meeting sponsored by the EU Investment Promotion and Business Linkages Project on the theme: “Levering Public Private Collaboration to accelerate Sustainable Industrial Development,” the AGI urged government to adopt well-tailored policies and programmes.

See: <https://www.myjoyonline.com/loans-to-become-more-expensive-as-bog-hikes-policy-rate-to-24-5/> and <https://newsghana.com.gh/private-public-sectors-collaboration-needed-for-industrial-growth-agi/>

Boule export prices

	Euro per cu.m
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	822
Niangon Kiln dry	690

Export rotary veneer prices

Rotary Veneer, FOB	Euro per cu.m	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	376	441
Chenchen	489	612
Ogea	471	590
Essa	485	619
Ofram	350	435

Export sawnwood prices

Ghana sawnwood, FOB	Euro per cu.m	
	Air-dried	Kiln-dried
FAS 25-100mmx150mm up x 2.4m up		
Afromosia	860	925
Asanfina	465	564
Ceiba	290	320
Dahoma	437	477
Edinam (mixed redwood)	640	707
Emeri	602	685
African mahogany (Ivorenensis)	1,239	930
Makore	560	780
Niangon	565	862
Odum	634	917
Sapele	800	850
Wawa 1C & Select	422	486

Export sliced veneer

Sliced face veneer	FOB Euro per cu.m
Asanfina	1,682
Avodire	1,325
Chenchen	822
Mahogany	2,595
Makore	979
Odum	2,373
Sapele	1,560

Export plywood prices

Plywood, FOB BB/CC	Euro per cu.m		
	Ceiba	Ofram	Asanfina
4mm	458	580	641
6mm	412	535	604
9mm	370	504	560
12mm	583	476	480
15mm	450	414	430
18mm	460	463	383

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

Malaysia

Malaysia ratifies the CPTPP

The Malaysian Cabinet has ratified the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Malaysia is the ninth country to ratify the CPTPP along with Australia, Canada, Japan, Mexico, New Zealand, Singapore, Vietnam and Peru. The United Kingdom is in the final stages of acceding to the CPTPP while China, Ecuador and Costa Rica have also applied to join.

Malaysia's ratification of the CPTPP will give the country a boost in market expansion through further reduction in tariffs and non-tariff barriers. The CPTPP broadens Malaysia's access to markets such as Canada, Mexico and Peru, which are not covered by any existing trade agreement. Under the CPTPP, by 1 January 2033, almost all Malaysian exports to CPTPP member countries will enjoy duty-free access.

See: <https://www.theedgemarkets.com/article/highlights-budget-2023-0>

Bio-composite as a raw material for furniture

The Malaysian Timber Industry Board (MTIB) is promoting outdoor furniture made with wood plastic composites (WPC) as an alternative for the furniture industry. The bio-composite can be a blend of sawdust, kenaf and rice husk and plastic. The MTIB through this initiative hopes to stimulate public interest in bio-composite products and create awareness of its potential.

Wood Processing and Furniture Production Machinery Exhibition (FPM 2022)

The Malaysian Woodworking Machinery Association (MWMA) arranged the return of the Wood Processing and Furniture Production Machinery Exhibition (FPM 2022) in early October following the postponement of the April event.

The exhibition gathered world-class industry players featuring solutions in wood processing and furniture production technology specially catered to attract industry leaders and decision makers from all wood related sectors, among them forestry, sawmills and furniture production. FPM 2022 included a series of industrial seminars on the latest innovative technologies and ideas that they can incorporate into their production.

See: <https://mwma.com.my/2022/04/21/wood-processing-furniture-production-machinery-exhibition/>

Malaysian imports of wood products

The latest statistics released by the MTIB show surprising strong interest in imported plywood and wooden furniture, both of which are manufactured in Malaysia. Not only are these items imported against local products, they are imported in significantly high amounts.

Wood product imports, RM millions

	Jan - Jul 2021	Jan - Jul 2022
Joinery	86	124
Particle board	266	237
Fibreboard	106	115
Logs	112	126
Mouldings	88	104
Plywood	928	1175
Sawnwood	381	529
Veneer	227	343
Wooden furniture	1,311	1,385
Other products	1,127	1,230
Total	4,632	5,360

Data source: MTIB

Indonesia

Indonesia publishes FLEGT study

The Indonesian government has published a study on the implementation of forest law enforcement, governance, and trade (FLEGT) as part of efforts to support the eradication of illegal logging and boost legal timber trade.

This study provides an overview of market acceptance, recognition, perception, and incentives, particularly the European market for FLEGT-licensed timber said the Director General of Sustainable Forest Management, Agus Justianto. The study is an important milestone in understanding global policies related to product legality and forest sustainability in forest products trade, he added.

The study provides an overview of developments in producing countries besides Indonesia on developing, negotiating and implementing FLEGT VPA, especially in consumer country policies.

The study was carried out by a team from the University of Freiburg in Germany and the Sebijak Institute of Gajah Mada University with financial support from the Indonesian Embassy for the Federal Republic of Germany and the United Kingdom government.

See: <https://en.antaranews.com/news/251497/indonesia-publishes-flegt-study-to-support-legal-timber-trade> and

<https://nasional.kontan.co.id/news/kajian-implementasi-flegt-dan-implikasi-kebijakan-global-legalitas-kayu-dirilis>

Encouraging equality in forest management certification

Silverius Oscar Unggul, Deputy Chairman of the Indonesian Chamber of Commerce and Industry (Kadin) for Environment and Forestry, said Indonesia hopes that the members of the Forest Stewardship Council (FSC) can agree on Motion 37/2021 to provide equality to forestry business actors in the world in sustainable forest development at all business scales.

FSC discussed Motion 37/2021 at the General Assembly in Bali, 9-14 October 2022 and one of the important points in this motion is the change in the cut-off date – the deadline for authorised natural forest conversion into forest plantations - from November 1994 to December 31, 2020.

The November 1994 cut-off date, said Silverius Oscar, has so far been considered an obstacle in the application of FSC certification for plantation forests in Indonesia.

He also said that business actors in Indonesia of various scales, from large scale to the community scale, deserve the opportunity to participate in the FSC certification scheme so that they can enter markets that require FSC certification.

See: <https://forestinsights.id/2022/09/27/indonesia-dorong-kesetaraan-dalam-sertifikasi-pengelolaan-hutan/> and <https://ekonomi.bisnis.com/read/20220930/9/1583012/kadin-aphi-dorong-kesetaraan-dalam-sertifikasi-pengelolaan-hutan-lestari>

Indonesia/UK VPA – should benefit environment and communities

The Indonesian House of Representatives has approved the Ratification of the Voluntary Partnership Agreement between the Indonesian Government and the United Kingdom. This was stated in a Working Meeting between the Ministry of Environment and Forestry, Ministry of Trade, Ministry of Law and Human Rights and Ministry of Foreign Affairs.

Regarding the ratification, Commission VI member Deddy Yevri Hanteru Sitorus, emphasised that the ratification should be of special concern to the Ministry of Environment and Forestry because, even though the FLEGT-VPA has a large economic impact, it is still necessary to pay attention to its effect on the existing forests. Deddy said that he hopes the FLEGT-VPA will not only stimulate the economy but also take into consideration the environment and benefits for communities.

See: <https://www.dpr.go.id/berita/detail/id/41060/t/javascript;>

Export benchmark prices for October wood products

The government released the Export Benchmark Price (HPE) for wood products for October 2022. This was stated in the Decree of the Minister of Trade Number 1372 of 2022 which was issued on September 30, 2022.

In a press statement it was explained that in October there is a change in the HPE for wood sheet products for packing boxes from plantation forests and chipwood.

The press release says "In wood products, there is a change in HPE, namely wooden sheet products for packing boxes from plantation forests which increased by US\$50 from the previous month to US\$900 /cu.m. The HPE for chipwood products also increased to US\$95/cu.m.

The following are the HPE for wood products which are valid in October 2022.

Veneers

Natural Forest Veneer US\$850/cu.m; Plantation Forest Veneer US\$550/cu.m; Wooden Sheet US\$900/cu.m

Chipwood

Chipwood in the form of particles US\$90/tonne; Chipwood US\$95/tonne

Processed Wood

Processed wood products which are leveled on all four sides so that the surface becomes even and smooth with the provisions of a cross-sectional area of 1000 mm² to 4000 mm² (ex 4407.11.00 to ex 4407.99.90

Meranti (Shorea sp) US\$900/cu.m
Merbau (Intsia sp) US\$1.100/cu.m
Rimba Campuran (Mixed tropical wood) US\$850/cu.m
Eboni US\$3.200/cu.m
Teak US\$1.500/cu.m
Pine and Gmelina US\$700/cu.m
Acacia sp US\$70/cu.m
Sengon (Paraserienthes falcata) US\$450/cu.m
Rubberwood US\$300/cu.m
Balsa (Ochroma sp) Eucalyptus, US\$600/cu.m
Sungkai (Peronema canescens) US\$350/cu.m

Processed wood products which are leveled on all four sides so that the surface becomes even and smooth from merbau wood (Intsia sp) with a cross-sectional area of more than 4000 mm² to 10000 mm² (ex 4407.29.91 and ex 4407.29.92): US\$1,200/cu.m

See: <https://forestinsights.id/2022/10/02/harga-patokan-ekspor-hpe-produk-kayu-periode-bulan-oktober-ada-kenaikan-untuk-sejumlah-produk/>

Multi-business scheme will not negatively impact forests

The Ministry of Environment and Forestry (KLHK) has asserted that the multi-business forestry permit scheme will not have a negative impact on the condition of forests in Indonesia.

Agus Justianto, DG of Sustainable Forest Management in the Ministry said during a "Multi-business - Obstacles and Solutions" workshop "We can control every permit because if they cannot fulfill their obligations, the permit can be revoked. This is one mechanism to keep this programme running."

The shift from a wood-oriented to a landscape ecosystem-oriented approach to utilise non-forest products through a forestry multi-business permit scheme requires permit owners to protect the forestry and land use to avoid increasing new greenhouse gas emissions.

Agus said the ministry will closely monitor existing schemes, including regulations. Once entrepreneurs are granted a permit they will be required to make a business plan in accordance with the ministry's regulations. After that the business owners will have to report their annual work plan which will be monitored and evaluated by the government, specifically in terms of the management of forest diversification to prevent damage to forests.

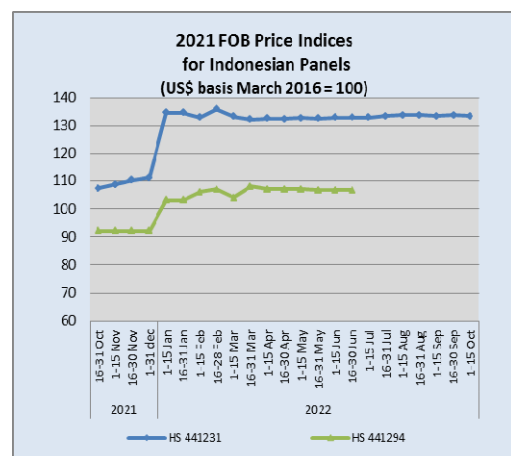
See: <https://en.antaranews.com/news/252385/multi-business-scheme-will-not-affect-forests-negatively-ministry>

Indonesia releases document on forestry management policies

The LHK Ministry has released the report “State of Indonesia's Forests (SOIFO) 2022”. This is a compilation of government policies for managing the forestry and environment sector in 2021–2022. LHK Minister Siti Nurbaya Bakar said the document also contains all of the government’s efforts to achieve the Forestry and Other Land Use (FOLU) Net Sink 2030 target.

Indonesia believes that the FOLU sector can play an important role in mitigating and adapting to climate change as well as realising Indonesia’s nationally determined contribution (NDC) document targets. Hence, Indonesia is implementing three strategies to achieve the FOLU Net Sink 2030, namely, sustainable forest management, environmental governance and carbon governance.

See: <https://en.antaranews.com/news/253621/indonesia-releases-document-on-forestry-management-policies> and <https://www.jpnn.com/news/klhk-meluncrkan-soifo-2022-dokumentasi-kebijakan-mengelola-hutan-lingkungan>



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

Myanmar

Manufacturing output drops further

According to the latest data from S&P Global, Myanmar's manufacturing sector output contracted for the fifth consecutive month in September. Weak demand because of rising prices and the weakness of the kyat were to blame. As business activity declined firms cut back on purchasing of raw materials.

See:

<https://www.pmi.spglobal.com/Public/Home/PressRelease/027cb5a25ef54341aaba4218d609910b>

Toyota-Myanmar back in business

Toyota Motor Corp. has begun assembling autos in Myanmar after a more than year-long delay following the military takeover in February 2021. The factory in the Thilawa Special Economic Zone, outside the country’s biggest city, Yangon, is owned by Toyota and its trading arm, Toyota Tsusho. Toyota is among more than 100 Japanese and other foreign companies with investments in Thilawa.

See: <https://www.dailymail.co.uk/wires/ap/article-11307247/Toyota-begins-making-cars-Myanmar-delay-coup.html>

Import restrictions and currency woes boosts border trade

Capital flight and a drop in foreign investment, aid and remittances have resulted in a foreign currency shortage and in an effort to balance trade the authorities imposed import limits.

The World Bank’s Myanmar Economic Monitor says that over 80% of tariff lines now require import licences, up from 35% last year. New requirements have been imposed on consumer products, raw materials, intermediate goods and machinery. The most common items in the border trade are diesel and petrol.

See: <https://www.frontiermyanmar.net/en/junta-trade-policies-spark-a-smuggling-revival-at-thai-border/>

India

Wholesale price indices

The Office of the Economic Adviser, Department for Promotion of Industry and Internal Trade has published wholesale price indices for August 2022.

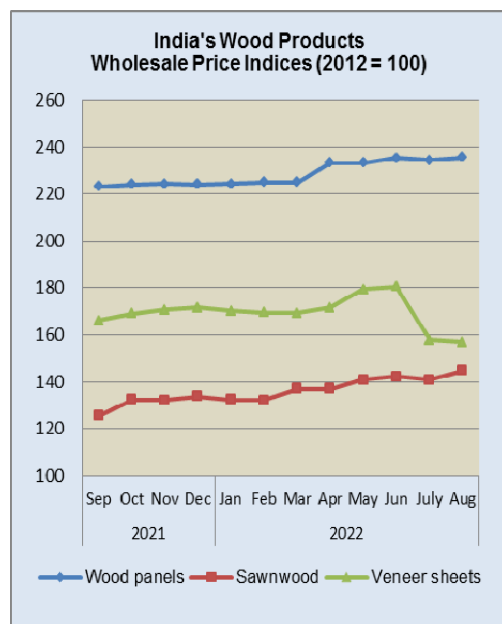
The annual rate of inflation based on the Wholesale Price Index was 12.41% in August 2022 compared to August 2021. Inflation in August 2022 was primarily because of the rise in prices of mineral oils, food products, crude petroleum and natural gas, basic metals, chemical products and electricity.

The index for manufacturing increased in August to 143.2 from 143.1 for July 2022. Out of 22 NIC two-digit groups for Manufactured Products, 12 groups have witnessed an increase in prices while 10 groups have witnessed a decrease in price.

The indices for wood panels and sawnwood increased while the index for veneers fell adding to the decline seen in July. The explanation for the decline in veneer prices is most likely the weaker demand for veneer in China which has added considerable volumes becoming available.

Some of the groups that witnessed a decrease in prices were food products, basic metals, textiles, wood and of products of wood and cork, rubber and plastics products, electrical equipment, chemical and chemical products.

See: https://eaindustry.nic.in/pdf_files/cmonthly.pdf



Data source: Ministry of Commerce and Industry, India

Rupee at historic low

India could emerge as one of the strongest economies with 7% growth rate in fiscal 2023 according to the Economic Advisory Council to the Prime Minister. The World Bank projected 6.5% growth rate for the Indian economy for 2022-23, a drop of one percent from its June 2022 projections, citing the deteriorating international environment.

What may derail growth prospects is currency volatility. The Indian rupee fell to a historic low of 82.33 against the US dollar in early October but not as badly has been seen for some other currencies.

India to benefit from Global Gateway scheme

India is likely to benefit from the Euro 300 billion fund announced by the European Union (EU) under its Global Gateway scheme.

The EU website says “The Global Gateway will deliver sustainable and high-quality projects, taking into account the needs of partner countries and ensuring lasting benefits for local communities.

This will allow EU’s partners to develop their societies and economies but also create opportunities for the EU Member States’ private sector to invest and remain competitive, whilst ensuring the highest environmental and labour standards, as well as sound financial management. The Global Gateway is the EU’s contribution to narrow the global investment gap worldwide”.

See: https://ec.europa.eu/info/strategy/priorities-2019-2024/stronger-europe-world/global-gateway_en

Lack of import regulations a risk for timber sector says Forest Trends

Forest Trends has recently released a report “Turbulent times for India’s timber trade”. This report, says Forest Trends, “focuses on recent changes in India’s international timber trade, especially over the 2019–2021 period, and the implications (of identified changes) for India’s sourcing of illegally harvested or traded timber.

The paper provides an update of Forest Trends’ 2020 report India’s Wooden Furniture and Wooden Handicrafts: Risk of Trade in Illegally Harvested Wood (Norman & Canby 2020). The findings of the 2020 Forest Trends report as regards to the long-term timber illegality risk profile of India’s timber trade remain valid”.

The report continues “Although the illegality risk level of India’s timber imports has been lower over the 2019–2021 period than the preceding years, this is almost certainly due to COVID and therefore short-term.

In the absence of timber import regulations the pre-COVID risk levels will probably be reestablished when India’s domestic demand picks up this is projected to rise fast through the 2020s”.

See: <https://www.forest-trends.org/wp-content/uploads/2022/09/India-TTA-Report-Final.pdf>

Prices for recent shipments of teak logs and sawnwood

	Logs US\$ C&F per hoppus cu.m	Sawn US\$ C&F per c.um
Benin	-	325-712
Brazil	313-600	489-777
Cameroon	-	974
Colombia	245-615	-
Costa Rica	350-652	-
Ecuador	246-495	-
Gabon	370	-
Ghana	270-559	485
Guatemala	277-594	-
Iv. Coast	263-458	375-752
Mexico	322-439	373-585
Panama	252-539	-
PNG	389-595	492-677
Tanzania	344-930	471-1,068
Togo	259-532	-
S. Sudan	367-676	342-633
Nigeria	290-630	-
El Salvador	320-520	-
Nicaragua	-	328-564
Solomon Is.	248	-
Surinam	222	-
Myanmar	-	791-980

Locally milled sawnwood prices

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

Price range depends mainly on lengths and cross-sections.

Plywood

Please note plywood prices are now shown below free of local taxes.

Domestic ex-warehouse prices for locally manufactured WBP plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	76.00
6mm	88.00
9mm	104.00
12mm	129.00
15mm	164.00
18mm	180.00

Domestic ex-warehouse prices for locally manufactured MR plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	52.00
6mm	65.00
9mm	77.00
12mm	92.00
15mm	122.00
19mm	131.00
5mm Flexible ply	85.00

Vietnam

Wood and Wood Product (W&WP) trade highlights

Vietnam's exports of W&WP to South Korea in September 2022 are estimated at US\$65.4 million, up 32% compared to September 2021.

In the first 9 months of 2022 exports of wood and wood products to the Korean market are estimated at US\$742 million, up 14% over the same period in 2021.

In September 2022 exports of bedroom furniture reached US\$150 million, up over 200% compared to September 2021. In the first 9 months of 2022 exports of bedroom furniture are estimated at US\$1.8 billion, up 14% over the same period in 2021.

Vietnam's imports of doussie in September 2022 reached 36,900 cu.m, worth US\$15.3 million, down 8% in volume and 9% in value compared to August 2022. Compared to September 2021 imports increased by 95% in volume and 121% in value.

In the first 9 months of 2022 doussie imports reached 264,600 cu.m, worth US\$105.3 million, up 25% in volume and 33% in value compared to same period in 2021.

Imports of raw wood from CPTPP markets have declined for 10 consecutive months compared to the same period last year. In August 2022 imports reached 62,850 cu.m, worth US\$22.72 million, up 2% in volume and 1.5% in value compared to July 2022. Imports were down 8% in volume but up 20% in value compared to August 2021.

In the first 8 months of 2022 imports of raw wood from CPTPP markets reached 416,860 cu.m, worth US\$148.11 million, down 40% in volume and 18% in value over the same period in 2021.

Vietnam Wood Trade Fair 2022

The 2022 Vietnam International Woodworking Industry Fair (Vietnam Wood 2022) will be held in Ho Chi Minh City from October 18-21, to promote technological transformation of Vietnam's wood processing industry. The show will be both virtual and face-to-face and the event will be held alongside the Vietnam International Furniture Accessories, Hardware and Tools (Furnitec 2022) exhibition.

Vietnam Wood 2022 will gather 250 exhibitors from 24 countries and territories. Canada, France, Germany and Russia are expected to run pavilions at the fair, which showcases the global value chain of the woodworking industry.

A series of seminars will be organised within the framework of the event in which speakers will share their expertise in the field of technology transformation, automation trends for the industry, smart solutions for the wood industry in the digital era and wood material application in interior design, according to the event's organisers.

See:

<https://en.vietnamplus.vn/tags/Vietnam-Wood-2022.vnp>

Wood pellets

In 2021 wood pellets exports from Vietnam amounted to 3.5 million tonnes worth US\$413 million. Wood pellet exports are expected to increase sharply. In the first 6 months of 2022 exports reached nearly 2.4 million tonnes worth US\$354 million. If the pace of growth is maintained exports for the year may reach US\$700 million. Wood pellets are, projected to enter the group of agricultural and forest products with an export earnig of over US\$1 billion.

Domestic plantations, mostly of fast-growing acacia which are extensive in Vietnam, are the most important source of material for wood pellet production. This raw material includes small diameter wood, branches, tops along with residues from sawmills, veneer factories, chipping mills with low quality chips that cannot be otherwise used.

Wood residues are abundant in the Northern region where many sawmills and wood-based panel factories are in operation. In the Central coastal areas the raw materials for wood pellet production is mostly branches, tops, reject chips and certain volume of solid wood.

Information shared by some companies which are producing and exporting wood pellet shows that raw materials for wood pellet from domestically grown plantations account for over 75% of the total supply.

Shavings, sawdust, crushed chips from imported wood are also one of the most important inputs for wood pellet production. This source contributes over 20% of the total supply of raw wood for the wood pellet industry. Shavings, sawdust and crushed woodchips are waste and residues from sawmills and woodworking factories distributed at major wood industry clusters.

Due to the high cost of transportation domestically grown wood is often uncompetitive with residues from imported timbers. Vietnam has over 300 wood pellet production facilities with about 70-80% concentrated in the central and northeast of the Northern Region, the Central coastal with extensive plantations and the Southern region with highly developed wood processing centres.

Brazil

Forest+ Amazon Project for conservation and recovery

Small producers and rural property owners from the nine states in the Legal Amazon are eligible to benefit from the Amazon Project, the "Forest+ Conservation" modality. Selected participants will receive financial incentives for conservation efforts. This project is a partnership between the Ministry of Environment (MMA) and the United Nations Development Program (UNDP).

The selection criteria include beneficiaries with no environmental violations and that have natural vegetation protected beyond the minimum required by law.

In addition, candidates need to have the Rural Environmental Registry (Cadastro Ambiental Rural - CAR) validated by the competent agency as well as showing compliance with the other criteria set out in the public call notice.

Project also aims to identify institutions that work with natural vegetation recovery projects in the Amazon and that have the potential to work as partners of the "Forest+ Amazon" Project.

See: <https://www.gov.br/pt-br/noticias/noticias/meio-ambiente/09/projeto-floresta-amazonia-recebe-inscricoes-na-modalidade-conservacao-e-tem-chamada-aberta-para-a-modalidade-recuperacao>

Exports and sustainable harvesting in the State of Acre

A study showed that all timber companies in the State of Acre, one of the main tropical timber producing states in the Amazon, have permits to operate and are thus legal entities.

The analyses were carried out by the Logging Monitoring System (Simex - Sistema de Monitoramento da Exploração Madeireira) Network formed by four environmental institutions: the Amazon Institute of People and the Environment (IMAZON), the Institute for Conservation and Sustainable Development of the Amazon (IDESAM), the Institute of Agricultural and Forest Management and Certification (IMAFLOA) and the “Centro de Vida” Institute (ICV).

Simex analyses were carried out between August 2020 and July 2021 and recently released data show that, out of the total of 10,886 hectares of forest in the State of Acre, 94% of harvesting was on private properties and that there was no illegal exploitation in restricted areas such as Protected Conservation Areas or Indigenous Lands.

In August 2022 companies in Acre State exported wood products valued at US\$4.56 million and wood product imports to the State were valued at US\$439,000. According to the Ministry of Industry, Foreign Trade and Services the accumulated trade balance for the period January to August 2022 exceeded that in the same period in 2021 by 30.2%, totaling US\$42.95 million Source: G1 Acre (October 2022).

See: <https://g1.globo.com/ac/acre/noticia/2022/10/01/extracao-de-madeira-no-ac-se-concentra-em-areas-privadas-e-esta-100percent-autorizada-aponta-estudo.ghtml>

Timber exports from Pará State increase

In Pará State between January and August 2022 the international trade in wood products registered an increase of 97% in value (US\$273.9 million) and 19.5% in volume (189,000 tonnes) according to the Association of Timber Industries Exporters of Pará State (AIMEX).

The United States remains the main destination for wood products from Pará State followed by France, the Netherlands, Denmark and Belgium. However, exports in August dropped to just US\$20 million, the worst since January this year.

AIMEX suggested exchange rate volatility impacted sales, in addition measures to combat inflation in consumer countries, the regular lockdowns China and the invasion of Ukraine by Russia were to blame for the decline in exports.

See: <https://ver-o-fato.com.br/para-exportacao-de-madeira-aumenta-195-em-volume-e-97-no-faturamento-em-2022/>

Export update - corrected

In August 2022 the value of Brazilian exports of wood-based products (except pulp and paper) declined 2.0% compared to August 2021 from US\$412.6 million to US\$404.6 million.

Pine sawnwood exports grew 8.3% in value between August 2021 (US\$69 million) and August 2022 (US\$74.7 million). In volume, exports dropped slightly over the same period from 255,300 cu.m to 254,200 cu.m.

Tropical sawnwood exports increased 1% in volume, from 35,300 cu.m in August 2021 to 35,700 cu.m in August 2022 and in value exports grew 25% from US\$13.0 million to US\$16.2 million, over the same period.

Pine plywood exports saw a massive 54% decline in value in August 2022 compared to August 2021, from US\$108.8 million to US\$50.5 million. In volume, exports also dropped 35% over the same period, from 195,900 cu.m to 127,100 cu.m.

As for tropical plywood, the volume of exports also fell (44%) and in value (34%), from 9,200 cu.m (US\$5.6 million) in August 2021 to 5,200 cu.m (US\$3.7 million) in August 2022.

As for wooden furniture exported values fell from US\$66.4 million in August 2021 to US\$60.9 million in August 2022, an 8% drop year on year.

Domestic log prices

Brazilian logs, mill yard, domestic	US\$ per cu.m
Ipê	337
Jatoba	171
Massaranduba	156
Muiracatiara	152
Angelim Vermelho	156
Mixed redwood and white woods	120

Source: STCP Data Bank

Domestic sawnwood prices

Brazil sawnwood, domestic (Green ex-mill)	US\$ per cu.m
Ipê	1,709
Jatoba	831
Massaranduba	834
Muiracatiara	735
Angelim Vermelho	735
Mixed red and white	439
Eucalyptus (AD)	290
Pine (AD)	211
Pine (KD)	274

Source: STCP Data Bank

Domestic plywood prices (excl. taxes)

Parica	US\$ per cu.m
4mm WBP	589
10mm WBP	469
15mm WBP	421
4mm MR.	580
10mm MR.	433
15mm MR.	370

Prices do not include taxes. Source: STCP Data Bank

Prices for other panel products

Domestic ex-mill prices	US\$ per cu.m
15mm MDParticleboard	314
15mm MDF	385

Source: STCP Data

Export sawnwood prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per cu.m
Ipê	3,005
Jatoba	1,563
Massaranduba	1,616
Muiracatiara	1,610
Pine (KD)	282

Source: STCP Data Bank

Export plywood prices

	US\$ per cu.m
Pine plywood EU market, FOB	
9mm C/CC (WBP)	421
12mm C/CC (WBP)	381
15mm C/CC (WBP)	360
18mm C/CC (WBP)	346

Source: STCP Data Bank

Export prices for added value products

	US\$ per cu.m
FOB Belem/Paranagua ports	
Decking Boards Ipê	5,081
Jatoba	2,258

Source: STCP Data Bank

Peru

International Wood Fair

From 10-12 November the International Machinery, Equipment and Services for the Wood and Furniture Industry Fair – FENAFOR will be held. FENAFOR is the only international fair in Peru for machinery, supplies, accessories and services for the forestry, wood and furniture industries and has been held since 2006.

To date, the organisers report that the Fair will have the participation of an interesting number of foreign companies and that the international invitations exceeded all expectations.

During the event there will be technical presentations by Peruvian and foreign specialists. Among the topics to be discussed will be how to take advantage of low-impact harvesting with a good level of transformation to added value products.

Private sector initiatives in forest ecosystems protection acknowledged

The Reforestamos and AIDER associations conducted the second 'Los Bóscars Peru' in September which promotes the recognition of business practices that support forest sustainability in the country.

Publicly available information from 169 companies in the country was analysed from which initiatives by four companies were selected for assessment. The initiatives of the finalist companies were evaluated by a jury made up of the Ministry of the Environment (MINAM), the National Forestry and Wildlife Service (SERFOR) and two experts in the forestry sector of Peru.

The winning companies in each of the categories were:

- Forests and Climate Change
 - ISA REP, for its "Jaguar Connection Program in Alto Huayabamba and Biored Ucayali".
- Forest Conservation
 - BBVA-BBVA Foundation for its initiative "Inventory of large Amazonian trees in the Las Piedras river basin, Madre de Dios".
- Research and Innovation in Forests
 - Bosques Amazónicos (BAM), for its "State-of-the-Art Forest Genetic Improvement Program."

The award ceremony was held virtually so as to connect with audiences from different sectors of society interested in learning about the work carried out by companies to improve their relationship with Peru's forests.

Andean countries fight against illegal logging

With the aim of promoting discussions on illegal logging in member states of the Andean sub-region the Peruvian Andean parliamentarian, Juan Carlos Ramírez, presented the draft regulatory framework for the fight against illegal logging and trade of wood in the Amazonian forests of the Andean region.

It is expected that this draft if adopted will improve coordination between the forestry authorities of the Andean Parliament countries and will achieve timely access to information and exchange of experiences.

The Regulatory Framework for the fight against illegal logging will be reviewed and debated by the Andean parliamentarians who are members of the Fourth Commission, which will convene experts in the field to receive their contributions. Subsequently, the law will go to the plenary session of the Andean Parliament where it will be debated further.

Export prices for added value products

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

Export sawnwood prices

Peru sawnwood, FOB Callao Port	US\$ per cu.m
Pumaquiro 25-50mm AD	
Mexican market	682-695
Virola 1-2" thick, length 6"-12" KD	
Grade 1, Mexican market	589-615
Grade 2, Mexican market	507-538
Cumaru 4" thick, 6"-11" length KD	
Central American market	1044-1077
Asian market	1088-1112↓
Ishpingo (oak) 2" thick, 6"-8" length	
Spanish market	622-642
Dominican Republic	712-731↑
Marupa 1", 6-11 length KD	
Grade 1 Asian market	595-615

Domestic sawnwood prices

Peru sawnwood, domestic	US\$ per cu.m
Mahogany	-
Virola	249-274
Spanish Cedar	343-351
Marupa (simarouba)	246-251

Domestic plywood prices (excl. taxes)

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

Export plywood prices

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

Export veneer prices

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

Domestic prices for other panel products

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

Japan

BoJ quarterly report surprisingly optimistic

A Bank of Japan (BoJ) quarterly report found that most of Japan's regional economies are picking up 'moderately' with some firms considering raising wages. This is essential if household incomes can grow to compensate for rising living costs. The BoJ raised its assessment for one of the country's nine regions and left its view unchanged for the remaining eight.

A private research firm, Teikoku Databan, has reported that prices of about 6,700 food and beverage products will rise in October as manufacturers are faced with rising material costs and a weaker yen.

The firm says prices of 20,665 items have been or will be raised this year including those that have been raised multiple times. The average increase is 14%. October will be the peak month for price increases this year but with rising prices of electricity, gas and food periodic waves of price increases could occur in 2023 and onwards.

See:

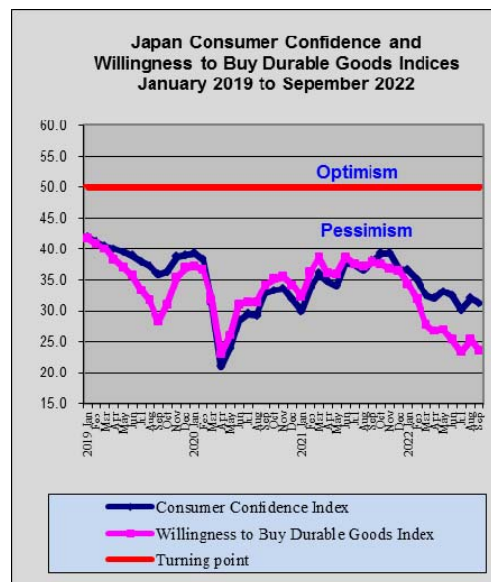
<https://www.boj.or.jp/en/research/brp/rer/data/rer221006.pdf>

and

https://www3.nhk.or.jp/nhkworld/en/news/20221002_08/

Forecast that inflation will be short lived questioned

Core consumer prices in Tokyo, a leading indicator of nationwide inflation, rose 2.8% year on year in September, exceeding the BoJ's 2% target for a fourth straight month. The data reinforced market expectations that nationwide core consumer inflation will approach 3% in the coming months and may cast doubt on the BoJ view that recent cost-push price increases will prove temporary.

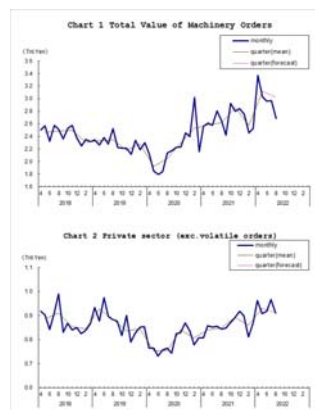


Data source: Cabinet Office, Japan

The Prime Minister has urged companies to aim for pay increases that keep pace with inflation during wage negotiations next spring. The government aims to expand subsidies for small and medium sized companies on condition that they raise pay. The Russian invasion of Ukraine has pushed up energy, raw material and grain prices which have driven inflation.

Machinery orders – a major decline

Machinery orders placed with major manufacturers (an indicator of corporate sentiment) marked the biggest single-month fall in six months in August due to the global economic slowdown and a sharply weaker yen that pushed up import costs. This does not bode well for corporate spending.



Source: BoJ

The total value of machinery orders received by 280 manufacturers operating in Japan fell by 9.5% in August from the previous month on a seasonally adjusted basis. Private-sector machinery orders, excluding volatile ones for ships and those from electric power companies, decreased a seasonally adjusted by 5.8% in August.

See: <https://www.esri.cao.go.jp/en/stat/juchu/2022/2208juchue.html>

Bankruptcies rise

The number of private sector bankruptcies in Japan rose 6.9% year on year between April and September, the first increase in three years. The biggest challenge, it seems, is that companies are having a hard time repaying the loans they received from the government in response to the COVID-19 pandemic.

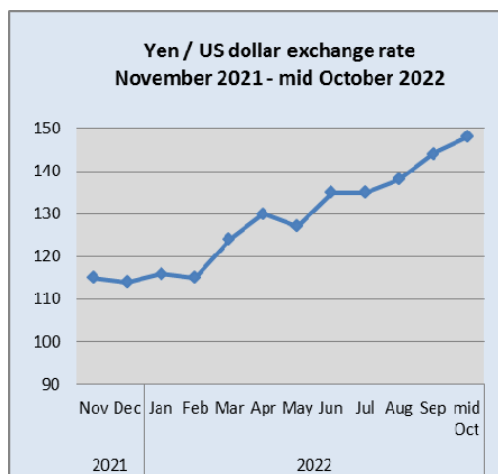
Yen titling to 150 to the dollar

Throughout Asia currencies are falling to record lows not seen since the 1997 financial crisis. These changes have unnerved businesses and policymakers who remember how depreciation caused a collapse of Asian currencies.

To minimise the risk of a repeat policymakers and central banks are trying to stabilise their currencies. The State Bank of Vietnam raised interest rates last month as the dong had fallen for nine straight days to a 29-year low. The same day Vietnam raised interest rates, Japan, where the yen has dropped around 25% against the dollar this year, intervened in an attempt to strengthen its currency for the first time since 1998.

In China, where the renminbi is trading near 14-year lows, the central bank has taken a series of measures to slow the currency's depreciation.

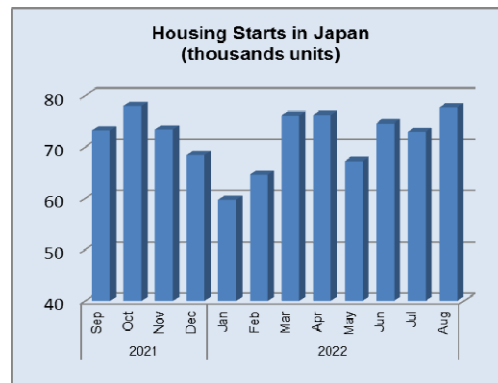
The yen touched a low of 148.86 versus the dollar Friday, the weakest level since August 1990, before ending the session at 148.67



The real estate sector in Japan is enjoying a boom at present as the weak yen and foreign interest in the Japanese housing market has come together to drive demand.

With a yen that has fallen 25% against the US dollar, Japan's traditional attraction for foreign real estate investors could grow.

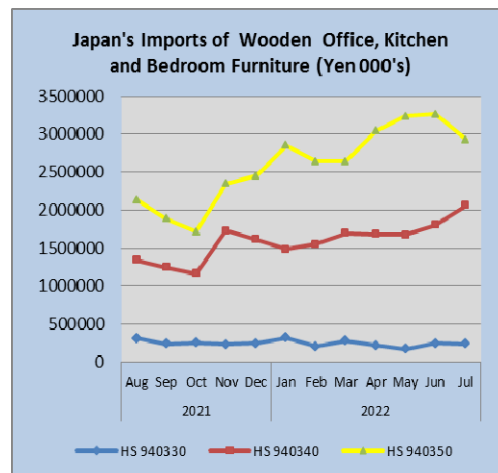
House prices in urban areas are getting close to the highs seen 25 years ago. Japan hasn't enjoyed its current rates of growth since prices began to inflate in the 1980s. But questions remain, could this lead to another housing bubble?



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

Furniture imports

After three consecutive months of increases there was a correction in the value of wooden bedroom furniture imports in July. The value of July wooden kitchen furniture imports added to the gains made in June but, the value of wooden office furniture imports was flat.



Data source: Ministry of Finance, Japan

July office furniture imports (HS 940330)

	Imports Jul 2022 Unit, 000's Yen
S. Korea	-
China	198,630
Taiwan P.o.C	-
Vietnam	6,471
Thailand	4,006
Malaysia	1,461
Indonesia	2,697
India	1,611
Sweden	1,416
Denmark	2,843
UK	1,992
Netherlands	-
France	-
Germany	-
Switzerland	-
Italy	4,894
Poland	6,328
Hungary	228
Turkey	262
Lithuania	824
Czech Rep.	-
Slovakia	221
Canada	-
USA	3,747
Mexico	-
Total	237,631

Data source: Ministry of Finance, Japan

In July the value of shipments of wooden office furniture (HS940330) from China accounted for over 80% of all wooden office furniture imports.

The other two shippers of note, Vietnam and Poland, barely contributed 3% each to July arrivals. Year on year, July 2022 wooden furniture imports were down around 20% while compared to a month earlier there was little change in the value of imports.

July kitchen furniture imports (HS 940340)

For two consecutive months the value of Japan's imports of wooden kitchen furniture (HS940340) have risen. Month on month, July imports were 14% above over the previous month and the rise in the value of July 2022 imports was a staggering 42% compared to July 2021.

The Philippines and Vietnam compete for the top spot in wooden kitchen furniture deliveries to Japan and in July each accounted for just over 40% of all imports of HS940340.

The remaining 20% of the value of imports was taken up by China (6%, a drop from the previous month) and Thailand (3%, also a decline from the previous month). Indonesia and Malaysia saw July shipments to Japan increase over the previous month.

July 2022 imports (HS 940340)

	Imports Jul 2022 Unit, 000's Yen
S Korea	-
China	111,083
Taiwan P.o.C	447
Vietnam	789,445
Thailand	74,059
Malaysia	33,303
Philippines	767,663
Indonesia	24,119
India	-
Denmark	-
UK	373
Netherlands	-
France	-
Germany	28,929
Italy	29,031
Austria	-
Greece	286
Romania	226
Canada	2,789
USA	-
New Zealand	-
Total	1861753

Data source: Ministry of Finance, Japan

July bedroom furniture imports (HS 940350)

After three months of steady increases the value of July imports of wooden bedroom furniture (HS940350) tipped lower by around 10%. Since October 2021 Japan's imports of wooden bedroom furniture have been on an upward trend. Despite the downturn, year on year, the value of July imports were over 50% higher than in July 2021..

As in previous months most of the imports of wooden bedroom furniture in July were from China which accounted for just over 60% of all imports of this category of furniture but this was down compared to the previous month. Shippers in Vietnam saw their share of July import values rise and accounted for 28% of July imports.

The other two shippers in the top five were Malaysia and Thailand. Shipments of wooden bedroom furniture from Indonesia fell sharply in July.

July imports (HS 940350)

	Imports Jul 2022 Unit, 000's Yen
S Korea	-
China	1,855,818
Taiwan P.o.C	3,740
Vietnam	824,278
Thailand	69,572
Malaysia	86,969
Philippines	-
Indonesia	18,768
India	-
UAE	-
Sweden	-
Denmark	893
UK	722
Belgium	401
France	-
Germany	734
Italy	4,954
Finland	-
Poland	21,361
Austria	1,622
Greece	-
Romania	5,324
Turkey	-
Latvia	644
Lithuania	27,637
BOS HER	393
USA	-
Total	2,923,830

Data source: Ministry of Finance, Japan

Trade news from the Japan Lumber Reports (JLR)

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

For the JLR report please see:

https://ifpj.jp/japan_lumber_reports/

Cedar logs for China

The weak yen and a fall in freight caused a high competitiveness of exporting cedar logs to China. A purchase price of logs is around 10,500 yen, at port per cbm and this is 100 yen more than last month. A selling price is US\$130, C&F per cbm and this is US\$10 lower than last month. However, a payment is in yen so Japanese companies receive profit. There is an increase in exporting logs to China because the prices are lower than NZ logs, which are around US\$150, C&F per cbm.

A peak of the prices was US\$160, C&F per cbm in March and the prices started decreasing. On the other hand, the freight kept increasing until summer. The freight was US\$80,000 to load 2,500 cbms for a ship at the beginning of this year and the freight increased US\$100,000 – 110,000, 2,500 cbms for a ship in August.

The yen started to fall from 115 yen to 144 yen against the dollar since spring. It is a good opportunity to sell in yen. The selling price is US\$30 lower than the peak and is 18,720 yen, C&F per cbm. It was 18,400 yen, C&F per cbm at the peak. The freight dropped suddenly. It is around US\$90,000 recently.

Some reasons are slow economies in the world and confusions at ports have been solved. If a cbm were US\$36 of the freight US\$90,000, it would be 5,184 yen. It would be nearly 700 yen drop from the peak even though it was the weak yen. The log prices are increasing. Demand of cedar logs for lumber and plywood is low but for biomass fuel, it is lively and the prices are high to export overseas.

There are 180,000 – 190,000 cbms of cedar log inventory at ports around Shanghai, China. Once the volume declined to 160,000 cbms after the lockdown lifted in June but the volume is growing again because exporting cedar logs to the U.S.A. is slow.

A NZ log costs around US\$150 and a European log costs around €70. The prices increased slightly. The Chinese government would work out a monetary policy to grow economy active. Usually, China imports logs from Japan at the end of the year through the Chinese New Year's holiday, so it is important to watch carefully how the Chinese government would do.

A budget request in 2023

The Ministry of Agriculture, Forestry and Fisheries announced about its budget request in 2023 to the Ministry of Finance, Japan on 30th, August.

The budget request is 350.6 billion yen, 17.8% more than last year to promote supplying domestic logs or lumber stably and sustainably and to reforestation.

The budget request for public works projects is 231.6 billion yen, 17.4% more than last year and for non-public works projects is 119 billion yen, 18.4% more than last year.

The goals are to grow agriculture, forestry and fisheries business and to succeed local traditions of rural districts to next generation. There is a big theme to achieve carbon neutrality. There are several plans such as strengthen in supply and use of domestic lumber, training people for forestry business, develop distribution business and introduce high quality machines and so on. By doing these plans, the volume of supply and use of domestic logs or lumber will expand to 42,000,000 cbms by 2030 from 31,000,000 cbms in the year of 2020.

The Ministry of Agriculture, Forestry and Fisheries will support introduction of more trucks to transport log and lumber. Another support is to supply CLT stably with low costs by standardizing measures of CLT and promote wooden high rise buildings in populated regions.

Plywood

A movement of domestic softwood plywood is dull after the prices settled down. A shortage of long plywood is solved in Western Japan and plywood companies have enough inventory. Plywood companies start to adjust production.

An inventory of plywood manufacturers at the end of August was 111,495 cbms, 11.9% more than July. This inventory was less than the inventory in May, 2020, which was 178,998 cbms. A shipment was 223,652 cbms, 11.0% less than the previous month. This was a low-level volume. Some plywood companies reduce producing plywood and will watch the situation carefully. This is a different situation from usual years.

Trading companies reduce orders for South Sea plywood due to the increased arrivals and overstocking at ports since the 2Q. The volume of Malaysian plywood fell below the previous year's volume since May. The volume of Indonesian plywood exceeded the previous year's result for 13 months continuously. The inventory is still too much. Suppliers in South East Asia lowered the prices by around US\$40, C&F per cbm, but the import yen costs are high due to the weak yen. It is difficult to raise the prices to sell in Japan so it is difficult to place new orders.

The prices of plywood for concrete forming 12mm, 3 x 6 are US\$860, C&F per cbm in South East Asia and this is stabilized. The import cost is 2,560 yen, FOB per cbm as the dollar is 143 yen. This is over 100 yen increasing from last month. The prices in Japan are 2,400 yen, delivered per sheet and it is 100 yen higher than the previous month.

Imported lumber inventory at Tokyo

The inventory of imported lumber at Tokyo port at the end of August is 210,000 cbms, 7.1% more than the previous month. This is straight two months increasing. Dull shipment and steady arrivals of Russian and European lumber are the reasons of this much inventory.

The volume of lumber from North America is 49,000 cbms, 1,000 cbms more, from Europe is 67,000 cbms, 6,000 cbms more, from Russia is 52,000 cbms, 6,000 cbms more and from China or other countries are 23,000 cbms, 1,000 cbms more than last month.

Since European lumber arrived to Japan with excess volume during May, 2021 to March, 2022, which are eleven months, the volume of 16,000 cbms at the end of April, 2021 rose to 59,000 cbms at the end of March, 2022. Once the volume declined in April and May, 2022 but it started to rise in June.

Then, the volume at the end of June was 61,000 cbms. This was for the first time to be high-level volume since September, 2019.

This situation also occurs on Russian lumber. The volume in September, 2021 was 19,000 cbms and the volume at the end of March, 2022 was 37,000 cbms. The volume decreased in April and May, 2022 and started increasing in June. The volume at the end of August was very high-level for the first time in two years.

The prices of imported lumber in overseas were very high at the 3Q in last year and started to decline until the 1Q in this year. An invasion in Ukraine by Russia influenced people to buy a lot of Russian lumber. Then the prices overseas rose again. As a result, Russian lumber kept arriving to Japan and the volume of lumber grew. A movement of lumber in Japan has been dull and a shipment in July and August was only 59,000 cbms.

The volume in September in this year will be 56,000 cbms, 24.3% less than September, 2021 and in October will be 50,000 cbms, 26.5% less than October, 2021.

The shipment in September in this year will be 62,000 cbms, 3.1% less than the same month in last year and in October will be 61,000 cbms, 10.3% less than the same month in last year. However, it will be difficult to reduce the inventory in a short time. It will take some time for the inventory to drop down to proper level of 150,000 cbms or less.

China

Vietnam imposes anti-dumping duty on Chinese furniture

On 30 September 2022 Vietnam's Ministry of Industry and Trade issued Decision No. 1991 (1991/Q-BCT) to apply provisional anti-dumping measures against some furniture (table and chairs) originating in Malaysia and China. The latest anti-dumping duties imposed ranged from 21.4% to 35.2%. The duty will become effective in mid-October.

The authorities in Vietnam said this was because of a "significant" increase in the number of tables and chairs imported from China which had hurt domestic production. It has been reported that on 1 September 2021, Vietnam launched an anti-dumping duty investigation against imports of table and chair products from China and Malaysia.

The survey pointed out that the volume of table and chair products imported from China was significantly higher than the domestic production and sales volume in Vietnam which had a serious impact on the Vietnamese furniture manufacturing industry. The HS code involved are shown in the link below and there are some exceptions.

China is now Vietnam's main trading partner and a source of key raw materials and equipment for its manufacturing sector.

In the first nine months of this year bilateral trade between China and Vietnam stood at US\$131.7 billion, of which Vietnam imported products worth US\$91.6 billion from China. Vietnam's Ministry of Industry and Trade said it would continue to collect information from relevant parties to assess the impact of anti-dumping measures on all parties.

See: <https://www.163.com/dy/article/HJ8JNPHU05208CVL.html> and <https://new.qq.com/rain/a/20221012A05WVI00>

Policies to stabilise foreign trade

In the first eight months of 2022 China's imports and exports once again showed strong resilience but there is increasing pressure to maintain steady growth and the authorities found it necessary to introduce a new round of policies to stabilise foreign trade to help enterprises.

The Chinese government has put forward policies and measures to ensure production and the implementation of contracts and further promote unimpeded trade. The Ministry of Commerce will implement a new round of foreign trade policies to ensure that this year's goal of maintaining stability and improving foreign trade is achieved including ensuring timely delivery of foreign orders

Given the current slowdown in external demand growth it is important for companies to ensure that orders can be produced, shipped and delivered on time.

In terms of production protection, the government 'Policies and Measures' clearly state that local governments should strengthen the protection of export enterprises in various aspects such as epidemic prevention, energy use, labour use and logistics and give full support when necessary to ensure timely delivery of foreign orders.

In terms of protecting key enterprises, the Ministry of Commerce has established a "white list" of foreign trade enterprises proactively providing front-line services to solve the practical difficulties of international foreign trade enterprises. Customs clearance operations will be conducted to support the new policies.

Support for cross-border e-commerce

In recent years cross-border e-commerce has developed steadily and gradually become an important contributor to trade flows. Growing and robust online consumer demand in all countries offers growth opportunities for cross-border e-commerce.

China's cross-border e-commerce import and export volume was RMB1.62 trillion in 2020, up 26%. In 2021 it was RMB1.92 trillion, an increase of 19% year on year. In the first eight months of 2022 China's cross-border e-commerce still showed very good growth.

To further support the role of cross-border e-commerce in stabilising foreign trade, "Policies and Measures" proposed, the introduction of additional support for cross-border e-commerce offshore warehouse development policy measures.

To support growth in cross-border e-commerce a second phase of the Service Trade Innovation and Development Guidance Fund will be launched to further stimulate social capital and the existing funding channels such as the special fund for foreign trade and economic development will be coordinated and utilised to jointly support the development of cross-border e-commerce, overseas warehouses and other new forms of foreign trade.

Largest timber production base in Guangxi

Guangxi ranks first in China in the area of plantation forests, the scale of national reserve forest establishment and harvestable volumes and has become the largest timber production base in China. Through construction of a new land-sea corridor in the west the local government will build a major forest product trading hub node.

Over the past ten years Guangxi has planted 200,000 hectares of trees annually and its timber output has increased 7% annually. With about 5% of the country's forest land, Guangxi has produced nearly half of the country's domestic timber.

The total output value of the forestry sector increased from RMB219 billion in 2012 to RMB849 billion in 2021 with an average annual growth rate of 16% and the total output value of the forestry industry jumped to the second place in China.

Guangxi hosted the China-ASEAN Forest Exhibition and the World Conference on Wood and Wood Products Trade becoming an important node of the "double cycle" of forestry, attracting timber trading enterprises from Southeast Asian countries, Russia, Canada, New Zealand and other countries.

China's first modern forest industry demonstration zones have been built by the Guangxi Zhuang Autonomous Region People's Government and the National Forestry and Grassland Administration of China. Guangxi will accelerate the development of green forestry industry and take steps to expand ecological and environmental protection, production of high-end furniture and home furnishing, forest pulp and paper integration, forest biomedicines.

See: https://baijiahao.baidu.com/s?id=1745169800388683322&wfr=s_pider&for=pc

Jiangsu Changshu wood product exports

Changshu City is located in the economic development region of Yangtze River Delta in the south of Jiangsu Province. The local enterprises exporting bamboo, wood and grass products are mainly small-scale private enterprises.

Among the many products sofas are the mainstay of the international trade. In order to promote the healthy development of bamboo, wood and grass product exports from Changshu region Changshu Customs promotes a classification of wood product export enterprises matching export support with the production management capacity. Between January and August 2022 Changshou region exported US\$145 million of bamboo, wood and grass products sold to more than 50 countries and regions.

See:

http://nanjing.customs.gov.cn/nanjing_customs/589276/589277/4596527/index.html

GGSC-CN Index Report (September 2022)

In September 2022 sporadic covid outbreaks and subsequent lockdowns disrupted many industrial sectors and private consumption. Multiple difficulties persist and have been prolonged. China's macroeconomic growth is still under great pressure.

This month China's PMI index registered 50.1%, a slight increase from the previous month, The PMI was above the critical value of 50% after two months indicating an improvement in the economy. Overall, production in the timber processing manufacturing industry increased, orders and production are better than in the previous month but export orders have decreased.

The GGSC-CN comprehensive index for September registered 49.7% (48.2% for last September and 51.6% for September 2020), a decline from the previous month and below the critical value of 50%. It shows that the operations of the forest products enterprises represented by GGSC-CN index declined.

GGSC-CN index trend from September 2021 to September 2022



Challenges

- Increasing costs
- Declining quality of raw materials
- Raw materials are out of stock
- Need to find alternative sources

Products in short supply

Oak grade A, European oak grade AB, black walnut, high-grade oak, high-grade oak, white birch. Granules.

Commodity for which the price has increased

Hardware, metal, particleboard, urea, melamine, paraffin, water repellent, glue. Merbau blanks, for the floor parts, impregnated wood grain paper.

Commodity of which the price has been decreased

Formaldehyde-free glue, core board, impregnated paper, kraft paper, blank.

Panlongan, Diptera, Robinia locust, bean, oak, solid rosewood, oak logs.

As for the GGSC-CN index, in September 2022 one sub-index of the GGSC-CN increased, one was flat and three decreased.

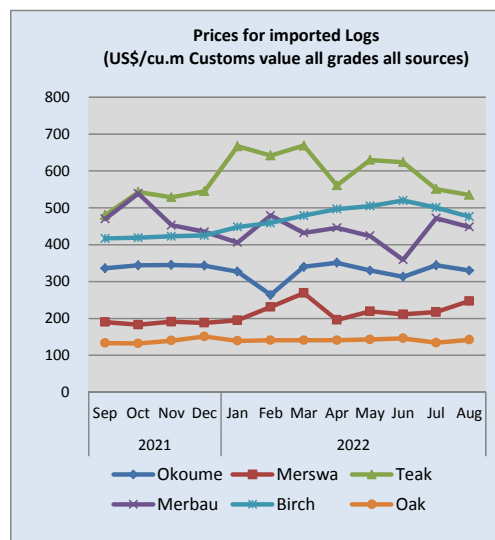
The production index registered 50.0%, which was the same as the previous month and remained at a critical value. It shows that the production of enterprises represented by GGSC CN is basically the same as the previous month.

The new order index registered 54.1%, a decrease from the previous month but, being above the critical value of 50%, reflected the ability of enterprises to obtain orders is better than the previous month. However among the new order group the new export order index reflecting international trade registered 39.47%, a bid decline from the previous month.

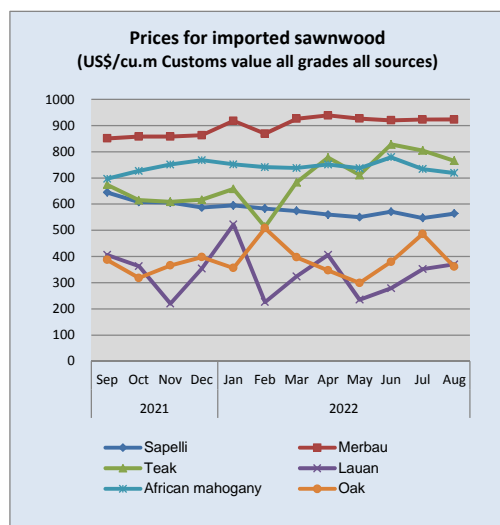
The main raw material inventory index registered 45.8 showing that the raw material inventory of the forest products enterprises has worsened from the previous month. The employment index registered 45.8%, a drop from the previous month. It shows that the employment of the forest products enterprises is worse than the previous month.

The supplier delivery time index was 47.9%, an increase from the previous month. It indicates that the supply time of raw material suppliers of the forest product enterprises is still slow.

See: http://www.itto-ggsc.org/site/article_detail/id/273



Data source: Customs, China



Data source: Customs, China

Average log price, (US\$/cu.m Customs value all grades all sources)

	2022 Jul	2022 Aug
Okoume	344	330
Merswa	217	247
Teak	551	535
Merbau	472	448
Birch	501	476
Oak	134	142

Average sawnwood price, (US\$/cu.m Customs value all grades all sources)

	2022 Jul	2022 Aug
Sapelli	547	564
Merbau	923	923
Teak	805	766
Lauan	552	370
African mahogany	734	719
Oak	486	361

Data source: Customs, China

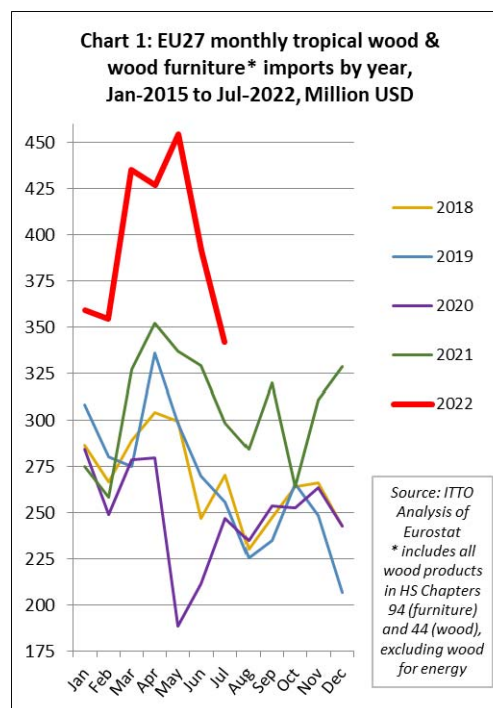
EU

EU27 tropical wood imports come off the boil as recession fears mount

The most recent EU27 trade data to end July this year shows that imports of tropical wood and wood furniture products were still at historically high levels in the early summer months this year. However, imports were slowing from the peak reached in May.

Now, as Europe moves into the winter months there are ominous signs of recession ahead, particularly as the war in Ukraine is contributing to huge increases in energy prices and business and consumer confidence is being hit by expectations of higher interest rates to control inflation.

The level of imports in June and July, while still high compared to previous years, were also sharply declining in June and July from the heights reached between March and May (Chart 1).



In the first seven months of this year, the EU27 imported tropical wood and wood furniture with a total value of USD2.76B, a gain of 27% compared to the same period last year. Part of the gain in EU27 tropical wood product import value was due to a rise in CIF prices. In quantity terms, EU imports of tropical wood and wood furniture products in the first seven months of this year were, at 1,190,200 tonnes, up 14% compared to the same period in 2021.

The high level of imports in the first seven months this year was driven by the combination of a sharp fall in the value of the euro against the dollar, continuing high freight rates, and severe shortages of wood and other materials.

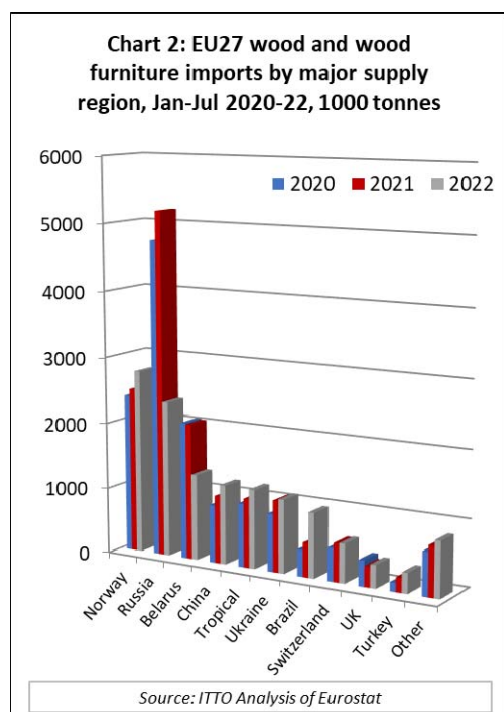
Since the start of this year, the value of the euro has declined around 15% against the US dollar and is currently at the lowest level for 20 years. In mid-July, the euro hit parity with the US currency for the first time since 2002 and fell to a low of 0.95 against the dollar at the end of September. The euro's slide underlines the foreboding in the 19 European countries using the currency as they struggle with an energy crisis caused by Russia's war in Ukraine.

The curtailment of wood supplies from Russia and Belarus due to the sanctions imposed by the EU following the invasion of Ukraine in February has opened up new opportunities in the EU market for some tropical wood products, notably plywood and decking for which Russian birch and larch products have been important substitutes.

In the first seven months of this year, tropical products accounted for 9.2% of the quantity of all wood and wood furniture products imported into the EU27, which compares to 6.8% during the same period in both 2021 and 2020.

The gain in tropical wood share is due mainly to a large reduction in imports from Russia (-55% to 2.34 million tonnes) and Belarus (-37% to 1.30 million tonnes) during this period.

After an initial fall in the early months of the war, EU27 imports from Ukraine recovered some ground in the second quarter and by the end of the first seven months of this year were, at 1.11 million tonnes, only 3% down on the same period in 2021 (Chart 2).



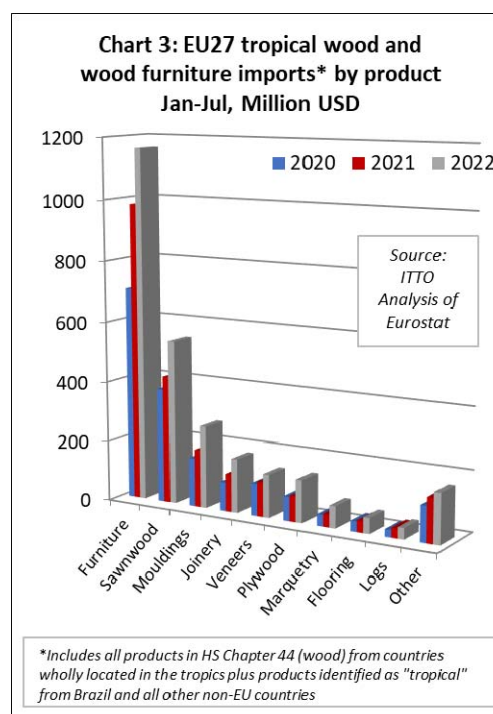
While tropical wood has made gains in the EU market this year, the largest beneficiaries of the opening supply gap due to the fall in imports from Russia and Belarus have been non-tropical wood products from Norway (+11% to 2.77 million tonnes), China (+17% to 1.20 million tonnes), Brazil (+90% to 976,700 tonnes), Turkey (+38% to 304,200 tonnes), Chile (+67% to 66,900 tonnes), and New Zealand (+24% to 34,800 tonnes).

While not benefitting as much as other supply countries, there were increases in EU27 imports of most wood product groups from tropical countries in the first seven months of this year (Chart 3). For wood furniture, import

value of USD1163M during the January to July period was 18% more than the same period last year, although import quantity was down 5% at 235,200 tonnes.

For tropical sawnwood, import value of USD543M was 29% up on the same period last year while quantity increased 25% to 447,600 tonnes. Import value of tropical mouldings/decking was USD271M in the first seven months of this year, a gain of 43% compared to the same period in 2021, while quantity increased 3% to 117,000 tonnes.

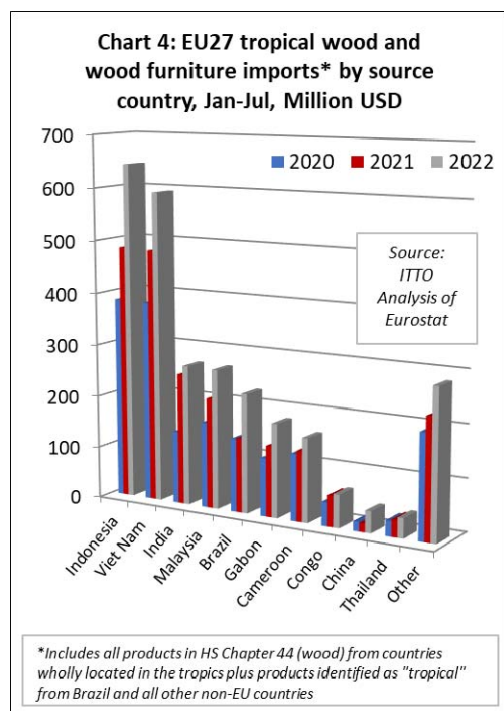
There were also large gains in EU27 imports of tropical joinery products (+43% to USD178M, +29% to 67,000 tonnes), tropical veneer (+24% to USD142M, +25% to 94,800 tonnes), plywood (+66% to USD141M, +30% to 82,200 tonnes), marquetry (+69% to USD73M, +49% to 12,400 tonnes), flooring (+33% to USD51M, +23% to 16,500 tonnes) and logs (+14% to USD37M, +12% to 61,600 tonnes).



In terms of source countries, EU27 imports of wood and wood furniture in the first seven months this year were up significantly compared to the same period last year:

- Indonesia (+33% to USD643M, +6% to 162,600 tonnes),
- Vietnam (+23% to USD593M, +4% to 138,400 tonnes),
- Gabon (+32% to USD179M, +29% to 160,400 tonnes),
- Brazil (+60% to USD228M, +27% to 150,200 tonnes),
- Cameroon (+19% to USD160M, +21% to 162,200 tonnes),
- Republic of Congo (+6% to USD63M, +12% to 68,100 tonnes),
- and
- Cote d'Ivoire (+15% to USD37M, +7% to 28,700 tonnes).

While import value from Malaysia increased 24% to USD267M, import quantity was flat at 101,000 tonnes. Import value from India increased 7% to USD268M but import volume fell 7% to 63,300 tonnes during the seven month period (Chart 4).



EU27 import value of tropical wood and wood furniture in the first seven months this year increased into all the leading EU destinations for these products, while import quantity increased into all destinations except Germany.

Trends into the main import destinations were:

France (+30% to USD537M, +8% to 233,100 tonnes);

Netherlands (+19% to USD526M, +9% to 204,800 tonnes);

Belgium (+35% to USD431M, +18% to 287,800 tonnes);

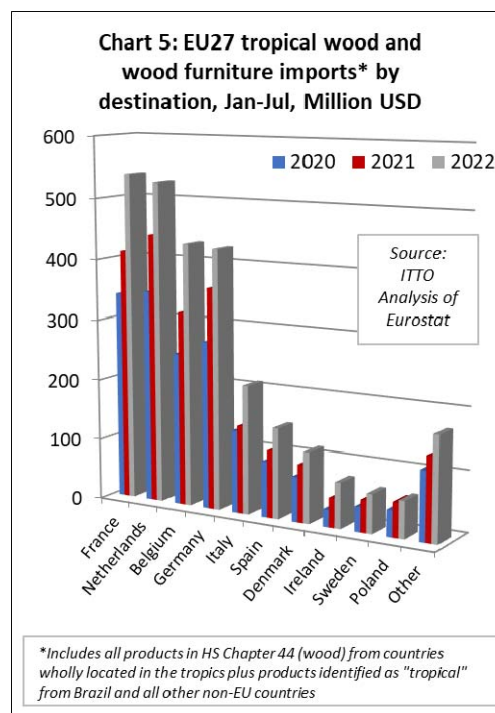
Germany (+17% to USD426M, -1% to 120,100 tonnes);

Italy (+47% to USD211M, +44% to 112,400 tonnes);

Spain (+34% to USD148M, +35% to 62,700 tonnes); and

Denmark (+23% to USD116M, +11% to 28,600 tonnes)

See Chart 5.



Sharp deterioration in European economic indicators

The latest eurozone economic update by ING Group, the Dutch multinational banking and financial services corporation, reports that “after a deceleration in economic growth over the summer months, eurozone indicators strongly deteriorated in September, suggesting the start of a recession. The challenges that the eurozone economy has been facing over the last few months have not disappeared. If anything, they have got worse”.

The ING Group particularly highlight the impact of the war in Ukraine on energy prices in Europe and the effects of this on the wider economy: “natural gas exports from Russia to the European Union have been cut further and the sabotage of the Nord Stream 1 and 2 pipelines has created some fears regarding the safety of the gas pipelines from Norway. Unfortunately, according to the latest weather analyses, the risk of a cold winter has risen”.

With mounting concerns on the supply side, ING Group “continue to expect very tight natural gas markets over the winter months, keeping prices at uncomfortably high levels. Moreover, because of the lack of natural gas imports from Russia, prices are not likely to fall significantly in 2023. This will hurt the supply side of the economy, with a growing number of European companies reducing production. And while governments have stepped up their support for households and businesses, we still believe that consumption will contract. At the same time, increasingly tight financial conditions are another headwind for growth”.

ING Group go on to suggest that “while the deceleration of economic activity seemed to be limited during the holiday season, the September data now clearly screams recession”.

They point to the latest figures from the S&P Global Eurozone Composite Purchasing Managers Index (PMI) which stood at 48.2 in September, well below the 50 boom-or-bust-level.

According to ING Group “With inventories building on the back of slowing sales, eurozone manufacturers reduced their purchases of inputs for the third month in a row. Consumer confidence fell in September to the lowest level since the survey started, with households especially worried about their financial situation over the next 12 months”.

ING Group note that the eurozone inflation rate rose to 10% in September. Energy prices were the main culprit, but core inflation excluding energy also rose to 4.8%. The European Central Bank is therefore expected to become more aggressive in raising interest rates. ING Group are forecasting a 75bp hike in October, followed by 50bp in December and 25bp in February 2023, bringing the deposit rate to 2.25%.

ING Group forecast a small negative GDP growth figure for the eurozone in the third quarter of 2022 and a deeper downturn over the winter months. For next year, ING Group anticipate a 0.8% GDP contraction, after a 2.9% expansion in 2022.

Being particularly sensitive to changes in mortgage interest rates - and following a big short-term boost to activity in the immediate aftermath of the COVID-19 pandemic - the downturn in the eurozone construction sector is expected to be even larger than in the wider economy. The S&P Global Eurozone Construction Total Activity Index was well below the no-change mark of 50.0 for the fifth successive month in September, at 45.3. The figure for Germany, at 41.8, was particularly low. The figures for Italy (46.7) and France (49.1) were closer to neutral territory.

Broken down by sector, the S&P Index showed that housing activity in the Eurozone during September fell at the fastest rate since May 2020. The fall in the Index was less dramatic for civil engineering and commercial activity, but still below the no-change mark.

New orders placed with eurozone construction companies declined for the sixth successive month in September and the rate of contraction quickened for the fifth month running to the sharpest since May 2020. Data broken down by country showed that a much a steeper reduction in Germany drove the overall acceleration, offsetting softer falls in both France and Italy.

September data revealed a worsening degree of pessimism among eurozone construction companies regarding the year-ahead outlook for business activity. Companies were at their most downbeat since the first COVID-19 lockdown in April 2020, reflecting the growing risk of recession in the wider economy.

German construction firms were at their most pessimistic since March 2020, while their French counterparts were less downbeat than in August and Italian firms were modestly optimistic.

Commenting on the latest results, Trevor Balchin, Economics Director at S&P Global Market Intelligence, said: "September data rounded off a very weak third quarter for the eurozone construction sector. Outside of the pandemic, the rate of decline in activity in the third quarter was the strongest since the fourth quarter of 2014. Activity fell sharply again in September, with Germany posting a notably steep rate of contraction. The overall pace of decline eased due to slower falls in France and Italy, although this masked a worsening outlook as both new orders and firms' 12-month expectations sank deeper into negative territory”.

European Parliament and Council start joint negotiations on new deforestation law

On 13 September 2022, the European Parliament adopted its position (the "Parliament Position") regarding the Proposal for a Regulation on Deforestation-Free Products (the "Proposal"), published by the European Commission on 11 November 2021. The Council of the EU had adopted its general approach on the Proposal on 28 June 2022 (the "Council Approach").

The first Trilogue for the regulation was held in the last week of September. Trilogues are informal tripartite meetings on legislative proposals between representatives of the Parliament, the Council and the Commission. Their purpose is to reach a provisional agreement on a text acceptable to both the Council and the Parliament.

The EU hope to reach political agreement on the Proposal before the COP15 on Biodiversity in December in Montreal. Trilogues are an informal procedure with no pre-set timeline, but the process typically averages 3 to 6 months.

Once political agreement between the Parliament and Council has been reached, the agreed text would still need to be formally endorsed by both legislative bodies, the timing dependent on political urgency and other factors.

Once adopted, the main obligations imposed by the Proposal would then apply 12 months (or 18 months as per the Council Approach) from its entry into force, except for microenterprises (and for SMEs as per the Parliament Position) for which it would only apply 24 months after the entry into force.

The three versions of the law on which the Trilogue negotiations are based are available as follows:

Commission Proposal of 11 November 2021: https://environment.ec.europa.eu/document/download/5f1b726e-d7c4-4c51-a75c-3f1ac41eb1f8_en?filename=COM_2021_706_1_EN_ACT_part1_v6.pdf

European Council Approach adopted 28 June 2022: <https://data.consilium.europa.eu/doc/document/ST-10284-2022-INIT/en/pdf>

European Parliament Position adopted 13 September 2022:

https://www.europarl.europa.eu/doceo/document/TA-9-2022-0311_EN.pdf

Although the EU institutions are broadly aligned on overall approach and objectives, the Parliament and the Council have suggested a number of changes to the Proposal. The Parliament, in particular, wants an enlarged scope of application (which would include financial institutions) and an extended range of penalties. A recent independent comparison of the three positions by Linklaters, an international law firm, is available at:

<https://sustainablefutures.linklaters.com/post/102hydp/eu-deforestation-proposal-next-steps>

A new independent analysis of the implications of the law for the tropical timber trade by Alain Karsenty Fondation pour la Nature et l'Homme is available:

In French: <https://www.fnh.org/wp-content/uploads/2022/09/TT-contribution-deforestation.pdf>

In English:

https://www.atibt.org/files/upload/news/EU_REGULATION/The_draft_European_regulation_on_imported_deforestation.pdf

Recent timber trade and industry comments on the law include:

Open Letter of 7 September 2022 from CEI-Bois, EOS, ETTF and ATIBT: https://www.cei-bois.org/files/ugd/5b1bdc_9f34319605d844ec8fe606682f90f14d.pdf

Considerations of the European forest-based industries on the proposal for a regulation on deforestation and forest degradation adopted by the European Parliament signed by some of the leading European forest products industry associations:

https://www.cei-bois.org/files/ugd/5b1bdc_bb2d941402734f90b3883eb1f12387ca.pdf

Independent press commentary on the legislation, including free access to an on-line event at which representatives from the commercial food and agriculture sectors, academics and NGOs discuss some of the wider implications of the legislation, is available at:

<https://www.foodnavigator.com/Article/2022/10/07/do-due-diligence-laws-actually-promote-climate-smart-food>

<https://www.foodnavigator.com/Article/2022/08/25/due-diligence-obligations-a-golden-opportunity-for-transparent-supply-chains-or-a-costly-administrative-nightmare>

European Parliament wants new FLEGT VPAs with more partners

There is only passing reference in these various commentaries on the future role of the existing FLEGT VPA process and licenses in the prospective EU deforestation-free regulatory framework. More insight is gained from review of the three versions of the law now being considered.

The European Parliament Position would suggest a larger long-term role for the existing FLEGT VPA framework than implied in the original legislative proposal or Council Approach.

Both the original Commission Proposal and the Council Approach note that the EU Fitness Check of the FLEGT regulation and EUTR had determined that "while the legislation has had a positive impact on forest governance, the objectives of the two Regulations – namely to curb illegal logging and related trade, and to reduce the consumption of illegally harvested timber in the EU – have not been met".

Both the original Proposal and the Council Approach also state that "To respect bilateral commitments that the European Union has entered into and to preserve the progress achieved with partner countries that have an operating system in place (FLEGT licensing stage), this Regulation should include a provision declaring wood and wood-based products covered by a valid FLEGT license as fulfilling the legality requirement under this Regulation."

There is no provision in either text for the FLEGT licenses developed under the existing VPAs to fulfil either the deforestation-free or forest degradation-free requirement under the regulation. Instead there is a reference to a new form of partnership with producer countries "to jointly address deforestation and forest degradation".

These new partnerships "will focus on the conservation, restoration and sustainable use of forests, deforestation, forest degradation and the transition to sustainable commodity production, consumption processing and trade methods". They may include "structured dialogues, support programmes and actions, administrative arrangements and provisions in existing agreements or agreements that enable producer countries to make the transition to an agricultural production that facilitates the compliance of relevant commodities and products with the requirements of this regulation".

Unlike the FLEGT VPAs, there is no expectation in the original Proposal or the Council Approach that these partnerships should lead to "licensing" of products explicitly to ensure compliance with the EU's deforestation-free legislation. Instead, the agreements and their effective implementation would be taken into account when countries and sub-national jurisdictions are benchmarked by the European Commission into three risk categories; "High risk", "Low risk", and "Standard risk".

For products from "low risk" countries or subnational jurisdictions operators would apply a "simplified due diligence". Competent authorities would apply enhanced scrutiny on relevant products from "high risk" countries or subnational jurisdictions.

While the Parliament Position adopts much the same approach, it is notable for containing a more nuanced analysis of the value of the FLEGT process.

On the EUTR and FLEGT VPA legislation, the Parliament Position is that "the performance and implementation of the two Regulations underwent a fitness check which found that, while both achieved some success, a number of implementation challenges have held back progress towards achieving fully their objectives.

The application and functioning of the due diligence scheme under [the EUTR] on the one hand, and the limited number of countries involved in the VPA process, with only one having thus far an operating licensing system in place (Indonesia), on the other, curtailed effectiveness in meeting the objective of consumption of illegally harvested timber in the EU".

The Parliament Position also goes into more detail on the purpose of the VPAs and envisages a continuing role for FLEGT licensing. It notes that "VPAs are intended to foster systemic changes in the forestry sector aimed at sustainable management of forests, eradicating illegal logging and supporting worldwide efforts to stop deforestation. VPAs provide an important legal framework for both the Union and its partner countries, made possible with the good cooperation and engagement by the countries concerned. New VPAs with additional partners should be promoted".

The Parliament Position also states that other partners should be encouraged to work towards reaching the FLEGT Licensing stage and that the "VPA partnerships should be supported with adequate resources and specific administrative and capacity building support". The Parliament Position is also more expansive on the content of the new partnerships proposing that they "shall ensure that indigenous peoples, local communities and civil society, are involved in the development of joint roadmaps" which "shall be based on milestones agreed with local stakeholders".

The Parliament Position is that the Commission should "particularly engage with producing countries to remove legal obstacles to their compliance, including national land tenure governance and data protection law", and that partnerships should be "with countries and parts thereof identified as high-risk, to support their continuous improvement towards the standard risk category".

The Parliament Position also emphasises that the new partnerships should "pay particular attention to smallholders in order to enable these smallholders to transition to sustainable farming and forestry practices and to comply with the requirements of this Regulation, including through enabling sufficient and user friendly information". Specifically, that "adequate financial resources shall be available to meet the needs of smallholders".

Clarity on the long-term role of the existing VPAs and of FLEGT licensing and on the relationship between the existing VPAs and new forest partnerships will only emerge once the on-going Trilogue negotiations are concluded and a final text of the new deforestation law is agreed.

North America

Tropical hardwood imports drop to lowest level of the year

Imports of sawn tropical hardwood fell for a third straight month to a level well below any other month this year. August imports of 17,983 cubic metres were down 24% from the previous month as imports failed to break 20,000 cu.m for the first time in 2022.

Imports of Virola, Jatoba, Paduak, and Acajou d'Afrique all fell more than 50% from the previous month while imports of Ipe, Keruing, and Sapelli fell by more than 25%. Imports of Cedro, Mahogany and Meranti were up sharply while imports of Balsa showed a moderate gain.

Imports from Brazil dropped 50% in August while imports from Cameroon (down 39%), Congo/Brazzaville (down 37%), and Malaysia (down 27%) also fell significantly.

Canada's imports of sawn tropical imports were able to rebound from an anemic July, rising 23% in August. While the month's imports were 16% higher than that of the previous August, they remained below any other month in 2021 with the exception of July.

Imports of Meranti were at their highest level in three years and imports of Mahogany more than doubled. Total imports are up 30% over last year through August with imports of Sapelli, Iroko, Virula, Imbuia, and Balsa all enjoying healthy gains.

See: <https://apps.fas.usda.gov/gats/default.aspx>

Hardwood plywood imports rebound

After four months of decline, US imports of hardwood plywood bounced back in August, gaining 11% over the previous month. However, the 302,298 cubic metres imported was 7.4% less than the previous August.

Imports from Malaysia recovered from a poor July while volumes from Russia somehow managed to more than double in August even as the total dollar value of those imports fell by nearly 30%. Imports from Vietnam and China also showed healthy gains.

Total imports for 2022 are up 27% over last year through to August with most trading partners ahead more than 10%. The exception is imports from Russia, which are down 9% on the year.

Veneer imports take another big leap

US imports of tropical hardwood veneer made strong gains for the fourth consecutive month, this time rising 59% in August over the previous month. Totalling more than US\$5.4 million, August imports were up nearly 150% over August of 2021 and the highest since 2015.

Imports from Italy grew by 132% to their highest level in more than 10 years while imports from Cote d'Ivoire and India both gained more than 60%. Imports from Cameroon, despite falling 26% in August, remain ahead of last year's pace by 178% year to date.

Total hardwood veneer imports are up 49% year to date with every major trading partner ahead by at least 10%.

Hardwood flooring imports down

Imports of hardwood flooring fell 7% in August. Imports were nearly 6% lower than the previous August as imports from China, Indonesia and Brazil all fell sharply. Taking up the slack was imports from Malaysia, which nearly quadrupled in August, rising to their best month in nearly four years. Thanks to the gain, year-to-date imports from Malaysia are now up 39% over last year. Overall imports of hardwood flooring are up 13% over 2021 year to date.

Imports of assembled flooring panels were relatively flat in August, rising 1%. Imports from Brazil jumped 56% while imports from Vietnam fell 26% and imports from Canada dropped by 17%. Overall imports of assembled flooring panels are up 37% this year over the previous year through August.

Moulding imports dip

US imports of hardwood mouldings fell by a modest 2% in August. Imports from Brazil fell by 61% from July's total but were still level with that of the previous August and remain up 74% year to date.

Imports from most other countries were relatively flat for the month. Total imports of hardwood molding are up 29% year to date with imports from China, Malaysia, and Canada all up by nearly one third.

Wooden furniture imports down for a third month

While US imports of wooden furniture fell for a third straight month in August, they fell at a much lower rate than in the past couple of months. At US\$2.07 billion, August imports were down 2% from the previous month and were 8% below August 2021 figures.

Imports from India fell 24% to their lowest level in more than a year while imports from China fell 11% to their lowest level in more than two years. Imports from Malaysia and Indonesia both gained in the 10% range. Despite the downward trend, total imports for the year remain ahead of last year, up 6% year to date.

Lumber prices back to around their pre-Covid levels

Softwood lumber prices entered October at their lowest level in more than two years, bringing two-by-fours back to what they cost before the pandemic building boom and pointing to a sharp slowdown in construction.

Lumber futures ended October at US\$422.50 per thousand board feet, down about one-third from a year ago and more than 70% from their peak in March, when the Federal Reserve began raising interest rates to fight inflation.

Lumber has led the way down for commodities since the US central bank took aim at rising consumer prices and the overheated housing market. Now home builders say that cheaper wood is giving them wiggle room to offer

buyer incentives and to trim prices without crimping their profit margins.

Major cabinet companies resign from association over trade differences

American Woodmark, MasterBrand Cabinets and Cabinetworks Group have resigned from the Kitchen Cabinet Manufacturer's Association (KCMA) because of a difference of opinion regarding trade matters.

The KCMA said that the three companies voted to leave the group after the KCMA board voted down their proposals to withdraw petitions regarding broadening the scope of inquiries into Chinese efforts to circumvent tariffs on wood cabinets and vanities by funneling their products through third-party countries.

In a statement the KCMA said: "[In] April 2020, in response to petitions filed by KCMA to combat unfairly traded imports from China, the US Department of Commerce issued anti-dumping and countervailing duty orders on wooden cabinets, vanities and components thereof ("WCV") from China. The relief provided by these orders to the domestic industry was being eroded by WCV that were made in China and then transshipped through Malaysia and Vietnam to the United States.

In April 2022, the KCMA requested that the Commerce Department conduct scope inquiries and anti-circumvention proceedings to address this problem and protect tens of thousands of American cabinet jobs. The three companies' departure followed the KCMA board's discussion and rejection of their proposal to immediately cause KCMA to withdraw the scope and anti-circumvention petitions related to Chinese-origin WCV exported from Vietnam and Malaysia into the United States."

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

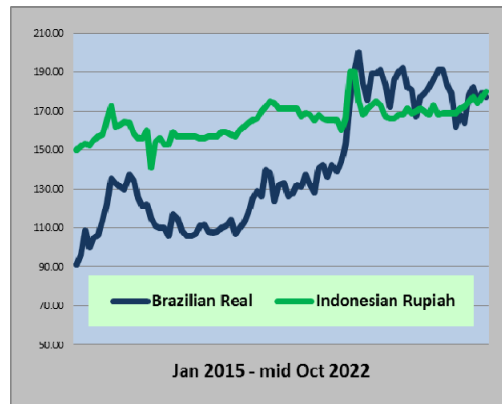
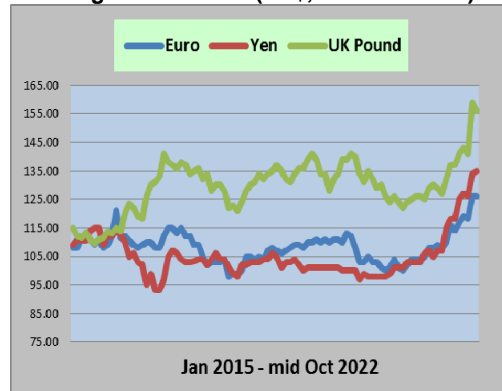
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO

Dollar Exchange Rates

As of 10 October 2022

Brazil	Real	5.2
CFA countries	CFA Franc	669.6
China	Yuan	7.1545
Euro area	Euro	1.03
India	Rupee	82.4
Indonesia	Rupiah	15,313
Japan	Yen	145.7
Malaysia	Ringgit	4.65
Peru	Sol	3.96
UK	Pound	0.904
South Korea	Won	1,429.2

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

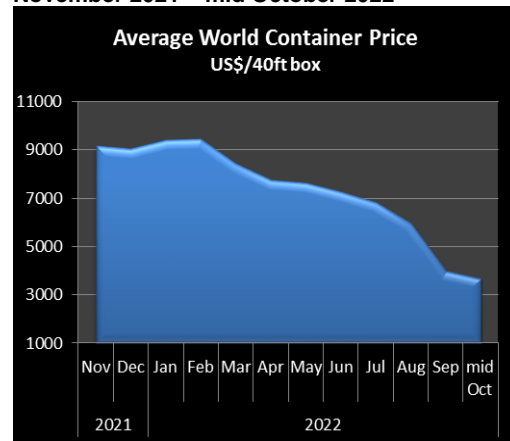


Abbreviations and Equivalences

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

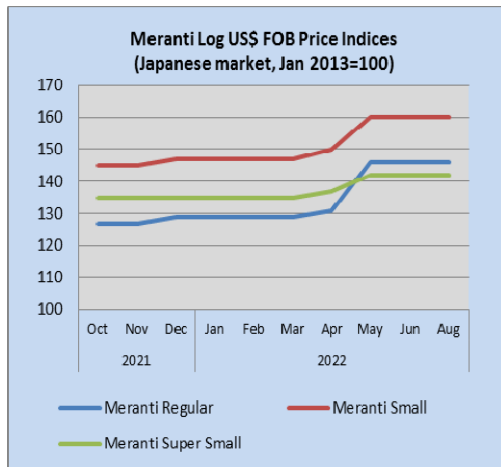
November 2021 – mid October 2022



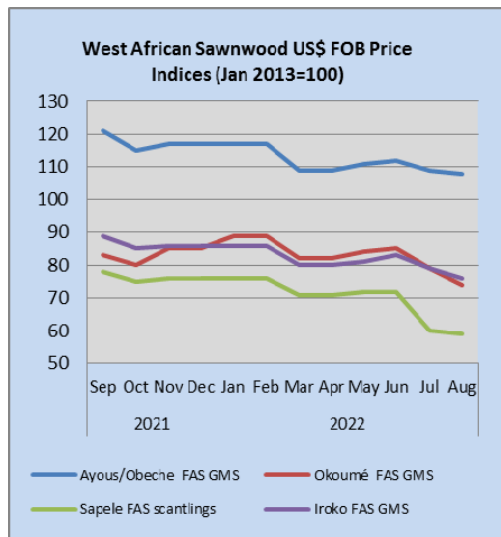
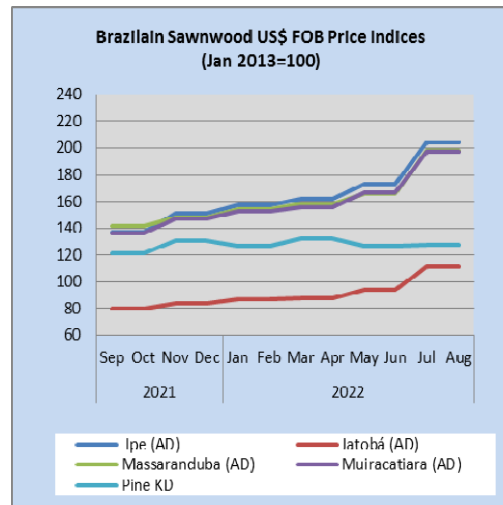
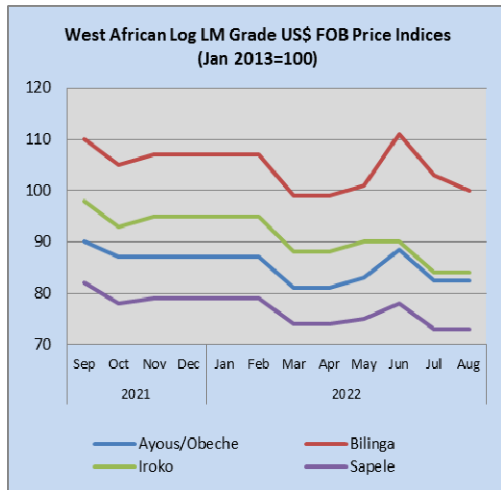
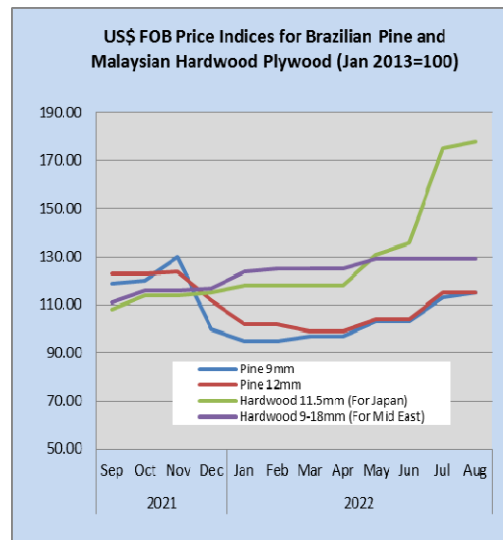
Data source: Drewry World Container Index

Price indices for selected products

The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



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

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