

## Market info (1<sup>st</sup> of October, 2016)

Raw material prices have stayed relatively stable. October is the harvest season so capacity to harvest logs might be redirected to harvesting corps for a short while and this will temporarily slightly impact veneer prices. However this is nothing new... we go through the same cycle every year. Smart factory owners make sure they stock up some extra veneers.

What is way more worrying is the evolution of the sea-freight which is way much less predictable. The last year we have been able to off-set the drop in euro value towards the USD due to heavy drops in sea-freight. This situation might now finally have come to an end. Shipping lines are all in deep financial trouble and some are actually failing. Hanjin went belly up leaving 35 vessels on the high seas with no ports to call upon because no one wants to harbor them because they are afraid not being paid. This also means that many clients cannot get their cargo... Luckily we are quite selective with our sea-freight partners and we do not have any cargo shipped with Hanjin. Anyway the fact is that the sea-freight needs to go up if not we will see more bankruptcies (evergreen?). Bankruptcies take supply out of the market and naturally drive up prices. So for those who still want to profit of the lower sea freight this might be your chance to optimize your returns.

From July the new rules of SOLAS (Safety of Life at Sea) have been implemented. Starting from July the VGM (Verified Gross Mass) of every container needs to be declared in order to be loaded on board. This means that we need to weigh every container. Loading 18 bundles of plywood therefore has become a problem. In order to face this challenge we have slightly reduced the number of pieces pro bundle. The matter of the fact however remains that transportation costs while in absolute terms remaining the same has already increase by +/-6%.

The market for Chinese exporters is good. We have increased our sales by almost 30% compared to last year. Compared also with last year around the same period, the factories orders are plenty. This is not only driven by exports however we see that local Chinese business is thriving as well. There are fewer factories (after a lot stopped last year) but those that survived are generally speaking in quite good shape. I know this might sound a bit crazy if you look at the state of the demand in Europe -in France for example- but in a global context demand for Chinese plywood is quite strong.

We can also see a further push to the extremes (not only in politics it seems). We see a push to the higher grades and therefore we have developed and deployed or premium grade which actually has been well received. We also get more and more questions about 1x pressed, more demand in recycled panels,... We can honestly say that selling medium market products

has become more and more hard. It is either a push for better, more technical products or a demand in cheap and cheerful produce.

Without any intention to push sales I would like to remind you that October is a good time to buy from a market cycle point of view as well as from a quality point of view. We do not yet have all stress surrounding Chinese New Year and factories still have some visibility on their capacity for the coming months (oct. / Nov.). The increase in demand for sea-freight has yet to kick in (attention also to incertitude about sea-freight in short-middle term future / see above). What for me however is more important is the fact that you do not want to ship just before Chinese New Year for quality reasons. Production capacity is then always overstretched, workers are tired,... and mistakes happen. In addition the weather is cold and veneers do not dry as good. If you then hot press veneers during the winter you have more chances to get delamination. We of course try to avoid this by checking as carefully as possible but I always advise my trusted clients to avoid this. Another experience is that you do not want your cargo to arrive at Christmas or New Year in Europe. It always leads to extra costs or headache. So that means you want to ship end of October or beginning of November. So it means you need to order . . . NOW .

Hope you have found this interesting to read.

And to end, I wish you a happy Golden week (Chinese National Day)