

Plywood News: 21st of September 2018

Amidst a – trade – war between the USA and China, Treecraft remains resilient and is back with news from the battle field in Linyi, Xuzhou, Guanxi and Pizhou. Hope you all enjoyed a well deserved holiday. We did enjoy and we are ready to work hard this new year!

The U.S. ~ China Trade War:

On the 11th of July 2018, the US government issued measures to impose a 10% tariff on imports of approximately US\$200 billion from China. On August 2, the US Trade Representative stated that this import tariff will be increased from 10% to 25%. The list of tariffs covers a lot of products going from mattresses to hardwood floors. Relevant for our industry is that wooden furniture, sofas, wooden floors, ... are affected. One of our major clients and hardwood flooring producer call this import duties and I quote/unquote: “A disaster for my business”. China did not hesitate to announce a series of counter-measures on the 3rd of August to impose tariffs ranging from 5% to 25% on approximately \$60 billion of goods originating in the United States including but not limited to a whole range of wood products such as logs & lumber.

I can imagine that you now think, cool but what does that, has to do with the trading in plywood between Europe and China? Well, much more than one might initially suspect. China could already not export plywood to the USA anymore due to anti dumping taxes introduced a while ago so that cannot be it. But now factories also see their clients that use plywood in their finished products for export affected. What do you think of the flooring factory that makes engineered flooring on a plywood base? What do you think of furniture factories that use a lot of plywood? Or sofa factories that use plywood in their frames? So, oh yes Trump is also affecting us.



Trade War.

Supply, raw materials:

Finally, some peace. The price of the glue coming out of the remaining glue factories has stabilized and so has the poplar price. Poplar prices did not increase but we found the veneers are getting thinner. So, in fact prices did slightly increase. The eucalyptus veneers increased by 2-yuan pro sheet. This represents a 4.5\$/m³ increase.

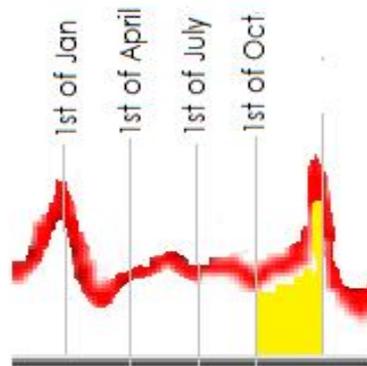


The blue-sky initiative:

The big enforcement and crack-down on polluting factories has settled down a bit. Pizhou city is still a bit affected however production can continue albeit during the night. In Linyi we can witness that those factories still courageous enough to continue are moving into new the industrial area. In Xuzhou it is business as usual except for those mills that have been closed-down. We have been warned however that from the moment pollution reading are worsening we can expect a new wave of controls, enforcements, ... in short = trouble. From experience we know that when it gets colder the coal driven electricity plans must produce more electricity hence drive up pollutions. So, avoid big shipments in Dec. / Jan., you might not get your cargo in time.

Sea freight:

Sea-freight kept stable in last months. We know this from experience, but we should not forget that soon prices will go up again. Attached you can see a 20-year assimilation of the fluctuations in volumes and prices over the months of a year. So NOW is the time to ship. Please do not wait until end of Dec. It is not wise.



Order situation:

Because of the supply chain difficulties at the beginning of 2018 many importers built up extra stock levels to overcome the volatility in the market. Now that the supply has somewhat stabilized there is currently too much stocks available. Where stock levels were too limited before the summer, there now seems to be plenty of availability. If you have the nerves and the wallet for it this is actually a pretty good time to buy. If I look at my wallet, I know we do ship a lot 😊.

Currencies:

The yuan is at a 3 - year low point however only about 2% lower than the same period last year. Compared to May June a lot more purchase power is lost. This has only a marginal impact on the purchase power of the Chinese importers. The impact is especially marginal because exporters gained 4% over increased revenues due to the weaker yuan.



Own lab:

As compliance with a lot of different standards is a must and because third party labs not always react as fast as we would want, Treecraft has invested in its own lab where we can do stress tests, bonding tests, etc.



Conclusion:

Be bold and brave and buy when the market is low, when the currency is at a 3-year low and when historically sea freights are at a yearly low. What are you waiting for?

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