

Plywood News: 08th April 2019

Finally we are back with some news on the market for Chinese plywood exports. Now that after Chinese New Year things came back to normal it is a good time to reflect on the market and share our views with our treasured partners and friends. Here come the good, the bad and the ugly (that would be our competition of course 😊)

Global market:

- Orders:

As you know in our newsletters we always speak out of our own experience and by talking to our stakeholders when making our newsletters. We speak from being in the market not from desk research of historical data. Therefore it is sometimes hard to validate our findings with data, but we can say that after Chinese New Year we experience a decrease in activity. All export companies complain that the market is bad. Our finding however is that mainly the local market is to blame as we are very much in line with our normal capacity. Chinese builders have a rough time and real estate prices are dropping or stagnating and there are very few transactions. Real estate companies find it hard to move their stocks leaving them cash poor. As a result new projects are delayed hence the demand drops in the local market. To compensate drop in demand locally these factories are looking to export more,... in addition the China-USD trade war has left some victims. We can start to see the effects. At a trade show last month in Shanghai I could even see Vietnamese factories advertise with slogans such as: AVOID WAR, BUY IN VIETNAM! Chinese factories previously heavy into exporting to the US are having a hard time adjusting. For Treecraft being Europe oriented, we experience no decline in orders.

Raw material:

- Veneers:

Now it's the best season to buy poplar. We are in the middle of the cutting season, the weather is very good (not too much rain) and therefore the price has dropped a bit. In Guanxi on the other hand it is raining cats and dogs with more than 40 consecutive days of rain. The limited amount of available eucalyptus veneer is often too wet. Prices are therefore up significantly. With the upcoming harvesting on farms and the consequently decrease of labor availability we can expect prices not to fall but rather go up from here. April is normally a sweet time to buy and prepare shipments in May.



Eucalyptus forest

- Glue:

On the 21st of March 2019 a chemical storage tank of Jiangsu Tianjiayi Chemical Co. exploded in the in the chemical park of Chenjiagang Town, Xiangshui County, Jiangsu Province. The explosion did not only destroy the company's site but affected 16 chemical companies as well. This seriously disrupted the supply of materials to make glue but prompted a big scale safety inspection of all local formaldehyde plants as well. All these events caused the price for glue to sky rocket.



The chemical part of Chenjiagang.

Operations?

- Labor cost:

The national's average salary increases around Chinese New Year – the time Chinese employer's and employees discuss labor terms – was 3% however due to the decrease in the availability of blue colored workers it is said that factories had to pay a 6% premium to their laborers this Chinese New Year. This is the lowest increase we have seen for a very long time and can be explained by the economic slow down.

- Environmental protection:

In the past 2 year - under the blue-sky initiative – it was required that environmentally friendly production and discharge facilities were built. Small plywood companies that could not afford the heavy investment or did not have the critical volume to justify a heavy investment have shut down. The industry reshuffle has caused many small enterprises to fail and to close. There is obviously a consolidation of the industry. On the up side it seems that the efforts are paying of. According to data released by the Ministry





of Ecology and Environment in January, the average number of days with a good air quality level in 20 major cities in the country was 79.3%. This might not sound very reassuring, but it is up 1.3 percentage points year-on-year and that is a significant improvement. We expect the production shot downs in 2019 will be fewer compared to last year as lots of standards are cleared and equipment is updated.

- Sea freight:

Sea freight after Chinese New Year dropped. The reason being that shipping companies increased capacity to cope with the volumes that needed to be shipped before Chinese New Year and that they yet must decrease supply. As supply currently greater than demand shipping companies are eager for bookings so they start to drop prices. Once the shipping companies start to recall the extra vessels the sea freight will most probably stabilize again. The decreased demand however might also have an impact on the current price levels.

- CE certification:

In Belgium, the FOD Economy supervises compliance with the construction products regulation (CE). The FOD Economy is responsible for checking the construction products placed on the Belgian market that fall under a harmonized standard. As part of this supervisory task, the FOD has recently decided to conduct a proactive campaign for a few product groups among which we can find wood sheet materials for use in construction (harmonized standard EN 13986). It is therefore worth being ready for potential audits and / or questions by the FOD. We at Treecraft take this very serious and support this by internal audits in our own lab, by third parties as well as by external for our procedure.

- Currency

Since our last news letter the Chinese RMB has gained 8% making exports harder. Our feeling is that this 8% has only been partially been rolled over to foreign buyers leaving mills with a tighter margin due to decreased demand and increasing RMB value.

Hope you enjoyed reading our newsletter. For more information or placing orders (sorry I could not help it) you can always call or e-mail us.

Shirley Ye,
Probably the Best Plywood in the world

Visit our new website

www.Treecraft.be

TREECRAFT CHINA
Room 605, 1st Building, Jiujiang Road 655,
Jiuting Town, 201615 Shanghai
P. 0086 21 5988 3287 | F. 0086 21 5988 3242

TREECRAFT BELGIUM
Pathoekeweg 130-1, 8000 Brugge,
West Vlaanderen
P. 0032 51 301 669 | F. 0032 51 311 101