

Plywood News: 26th of Nov, 2020

Dear TreeCraft enthusiasts,

We hope every-one is healthy & keeps positive!

We certainly are positive and optimistic about the future and we are here to help you to provide **insights, information and of course awesome plywood.**

Freight costs go up, Up & UP...

Every one involved in international trade has experienced the pain of unprecedented rising ocean freights. Treecraft is not any different. The very moment we sent out offers, the quotations are in effect already outdated and too low as freight costs vary weekly if not daily. And yet, even when we are willing to pay exburant prices, we cannot be sure to get shipping space. We at Treecraft were also wondering,... Why? Here is why we think we face these shipping issue:

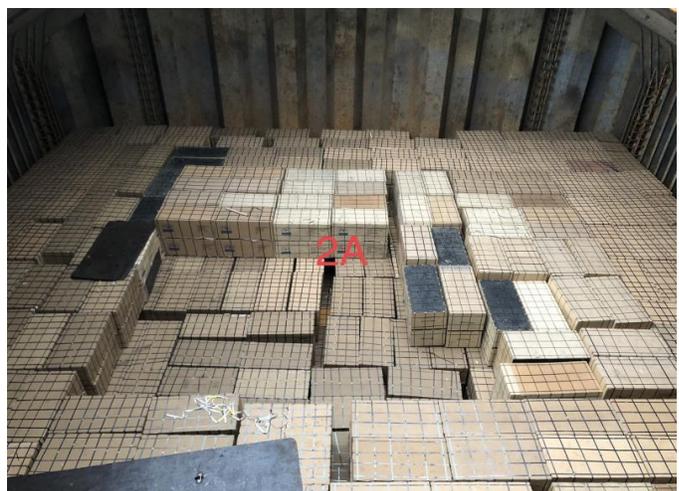
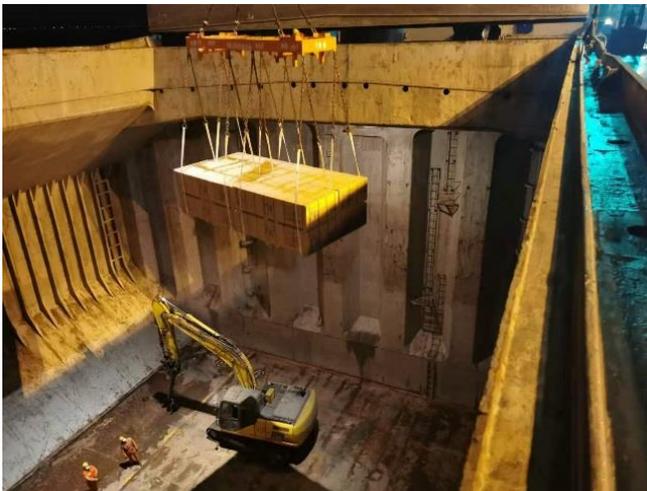
1. Since the outbreak of the coronavirus, the global demand for cargo transportation dropped sharply. As a consequence major shipping companies suspended routes, reduced the number of export containers in rotation and dismantled idle container ships, hence sharply reducing the supply.
2. Affected by the ongoing second wave of corona infections around the globe, the production by foreign production -outside china- has not been alleviated. As a result the demand out of China has resumed and has more than normalised hence creating a surge in demand.
3. In addition imports in China have not yet normalised because of interrupted production elsewhere leaving many empty containers accumulated abroad, creating an additional shortage in supply of containers in China.
4. To make matters worse we are now approaching Chinese New Year and all exporters want to get their inventory shipped before the end of January, yet again fuelling an increase in demand.

Unless shipping companies introduce more supply – they (the shipping companies) have no incentive to do so, as profitability is very high now - into the market, this situation is unlikely to change any time soon.

We believe the situation will not get better until after CNY.

Treecraft however offers solutions not problems.

In our quest to offer solutions to our clients, we have now started to ship in break-bulk. Thanks to our fast reaction & reliable partners we are now shipping the majority of our cargo by break-bulk. This move has allowed us to only marginally increase prices towards our clients. For the time being this seems to work but there is the fear that this also might become overdemanded. Break-bulk has the disadvantage that cargo is more likely to get damaged however we feel it is the only available option at this moment.



Proud to say that we have helped out several clients already that faced cancellation of contracts & delayed shipments in this crucial and difficult times.

Raw material: “top dollar-yuan”

Since Chinese New Year the raw material prices have continually increased. Due to shortage of hands, logistic problems and lack of logs - especially for poplar -, those that want materials have to pay top dollar (in this case RMB) up front. Accepting high prices alone is also not a guarantee to get materials, you nevertheless have to be patient. The price of poplar veneers is almost the same as eucalyptus veneers. To make matters worse, winter is approaching. During the winter it is hard to find dry material and due to surge in electricity production (with coal) we risk further production restrictions to bring down air pollution.

The glue, the flour, the local transportation, etc. all increased.

And also because of corona problem, several times environmental checking and changing equipment reasons there are a lot of small mills go bankrupt. They can not survive and have to turn to other local business or rent the factory to others.

This may also lead to higher level plywood filed in China but also will impact on the prices in future.

Local (China) business

Local demand is up and on the rise. There are hardly any case of corona left in China and the investment sentiment is bullish. The confidence in China's future has been boosted by the effective way China has dealt with the covid crisis. People and investment firms happily invest in China as it seems the only safe heaven for investment. Price fetched locally are better than overseas and payment terms more favorable. Therefore many factories have less appetite to produce for overseas markets.

Export (Europe) business

Due to 2nd out-break of corona in Europe, importers were cautious in September & October. Now it seems construction and demand remained rather robust and stocks are getting low. This has urged importers to review their purchase strategy and many placed orders. The biggest problem now is to get the goods (due to tension between local demand, lack of rawmaterials, etc.) and get it shipped. If demand in Europe stays on course we foresee a shortage in the European market – already existing – that will last until at least end of March.

Opportunity

Without the intention to be self serving we feel it is a great moment to still buy some cargo provided you can get it shipped by great bulk before the 15th of January.

Stay safe, optimistic and positive!

Shirley Ye & David Holvoet,

Probably the Best Plywood in the world