

Plywood News: 8th of March, 2021

Dear TreeCraft friends,

Time flies! We hope every-one is healthy & keeps positive as always!

As everybody still remembered the pain for the past 3 months for the **ocean freight**.

Bursting, dumping, skyrocketing freight...

The situation at the end of 2020 – Congested ports.



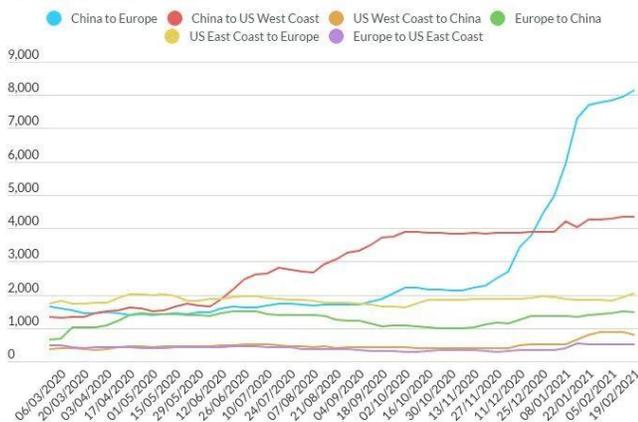
Freight costs after C.N.Y.

In the past 3 months we are suffering the great pain of unseen transportation prices. Super high sea freight, limited containers, higher local transportation, less drivers near C.N.Y., much longer waiting times, extra cost in the port for loading, etc.

The below table shows the increase in sea freight until after C.N.Y. Please pay attention to the blue line, ... Europe has been affected the worst by increasing container freight rates.

Spot Container Freight Rates

40-foot container rates (USD)



Source: Fitch Ratings, Freightos Baltic Index, Bloomberg



Thanks to our immediate reaction and early decision to switch towards great bulk, Treecraft managed to keep our delivery promises to our clients. As a matter of fact, we have been able to ship 99% of our planned volume in time!

We were hoping that after Chinese New Year, we would see a sharp decline in container freight prices however the drop has been marginal, and prices remain at an unworkable (high) level. Availability also remains an issue. Great bulk is a solution however due to increase demand for bulk shipments we also foresee an increase for bulk shipments. It feels like the ground is shifting under us even when we find solutions.



Normal container rates dropped a little bit after the holidays as there is less production in Feb. and early March due to Chinese New Year. The drop however is still far away from what we need to allow shipment by containers. At prices as high as 8000 USD it makes no sense at all for our (low margin) business.

Looking at the global port situation, the congestion is still unsolved. Containers cannot circulate effectively throughout the world as a big part of the globe is still in the grip of COVID-19.

Factories still hold many last year's orders and are eager to ship out their cargo. In addition, the demand is also quite bullish as China now production situation is quite regular and much better than other countries.

Since more and more people changed from containers to breakbulk shipments, the port is crowded with cargo. Waiting hours for loading become much longer. Thus, transit time also become longer than before. Chartering a breakbulk vessel has increased by almost 3 times, putting even pressure on great bulk shipment.

Great bulk may solve the price issue of container freight partially however it also creates other concerns. Great bulk shipments are often more subject to damage to the shipped cargo. Therefore, we have spent a lot of time and effort ensuring that our packing is great bulk shipment worthy. With success because at destination we witnessed that our packing came out of the ship in impeccable conditions compared to other cargo.

Treecraft breakbulk shipment cargo and very proud for our packing.

Our packing in the port:



Others packing in the port:



Our team has spent a lot of effort to change and especially strengthen the packing for breakbulk and the result now shows good.

Raw material.

After the Chinese New Year holidays the price of poplar veneers remain stable albeit at a very high level. The price for eucalyptus veneers, the film paper, the glue all increased in line with a global material inflation. For the moment prices are still stable as factories are working through their stocks however there is pressure to further increase plywood prices.

Local (China) business

Local demand is quite good and stable. There are hardly any case of corona left in China and production recovered very fast after Chinese New Year.

Export (Europe) business = Bullish

European importers were cautious to buy too many stocks – before Chinese New Year - because of high sea freight and the risk to find themselves with too high-cost cargo – in case sea freights would drop after Chinese New Year's -. Freight prices did not drop so having cargo available now is the most important issue for most importer. Those who were early to accept increased pricing now have stock and should greatly benefit from their early adaptation. Others are placing orders now, making the market rather bullish.

Opportunity

Never waste a good crisis also goes here. Change generates opportunity for those that are truly committed to a market and understand it well. We are Treecraft are truly focussed on shipping plywood from China to Europe. We are therefore able to act fact, furious and in a smart way, helping our partners to stay ahead. During this period, we have again proven our value to all our clients. Let us also help you!

Big move towards Engineered Veneer

Last year to completely reduce our impact on tropical forests, we have made a big shift from tropical top veneers to engineered top veneers. Today 95% of our cargo is shipped with engineered veneer versus tropical veneer. In addition to our commitment to the environment, this strategy also resulted in a complete elimination of being subject to prosecution under the EUTR legislation. No all credit goes to us but mainly to our clients that support this move towards a sustainable development.

Short term future?

Best month to ship plywood are April / May. In June & July capacity always drops due to harvest demands for labour and often also because of environmental restrictions on productions (as pollutions rises due to increase demand for electricity to power air conditionings). It is also normally – even if the situation is far from normal - low season for shipments. Shipping your cargo in May will give you sufficient time to plan and have cargo well in place without stress in August, ready for the season. Anticipation and careful planning are also crucial as breakbulk shipments are less frequent than container shipments and transit time is much longer.

Stay safe, optimistic, and positive!

Shirley Ye & David Holvoet,

Probably the Best Plywood in the world