

European demand for Chinese plywood fails to bounce back despite removal of EC anti-dumping threat

There are some reports that interest in Chinese hardwood plywood, which now leads the UK market for this commodity, revived a little after EC formally announced it would not impose anti-dumping duties on Chinese tropical redwood-faced plywood. However, during the period of uncertainty over the future status of Chinese plywood in the EU market, a significant number of UK buyers are believed to have switched to alternative suppliers, particularly in Malaysia. It's not certain how willing these buyers will be to return to Chinese product particularly as the price advantage that Chinese plywood has long held over Malaysian and Brazilian alternatives has narrowed slightly. This reflects strengthening of the yuan against the dollar and rising production costs in China which have been only partly offset by a recent decrease in freight rates between China and the EU. And following high-profile environmental campaigns targeting Chinese plywood (particularly faced with bintangor from PNG), UK buyers also tend to be more comfortable with the environmental credentials of Malaysian plywood over uncertified Chinese plywood. Overall, the expectation is that UK imports of Chinese plywood may already have peaked.

At present UK stocks of most forms of plywood are widely reported to be sufficient to meet current levels of limited demand. Prices in the UK are tending to fall short of replacement costs. Under such conditions, interest in the forward market is inevitably limited. Expectations are that this situation will not change at least until late summer.

Elsewhere in Europe, the German trade journal EUWID reports that demand for Chinese poplar plywood improved in recent weeks. Demand for filmed poplar plywood increased on the back of an improvement in construction activity increasing demand for shuttering. Demand for Chinese bintangor faced plywood in continental Europe has remained stable at levels lower than last year. As in the UK, continental buyers that switched away from this product during the period of uncertainty over possible anti-dumping measures have not returned in force now that the uncertainty has been lifted. European demand for Indonesian plywood, most of which is now centred on continental Europe rather than the UK, has remained slow in recent weeks. Although there have been efforts by Indonesian exporters to push prices up, the market has not been receptive and prices are generally regarded to be stable at around Indo96 +25% for 4x8ft BB/CC grade.

EUWID also reports that in an effort to exploit the strength of the euro against the dollar and boost returns, more and more Chinese plywood exporters are trying to invoice in euros, a practice that has inevitably met with strong opposition from importers.

Dutch and Belgian importers adapt to changing market conditions and boost market share across the EU

A recent supplement in the UK TTJ on Belgian and Netherlands suppliers highlights how companies in the two countries are adapting to increasing uncertainty in global wood supply and the trend towards just-in-time ordering through establishment of large concentration yards for supply of companies throughout the European continent.

TTJ notes that new voracious and still rising demand for wood from Asia - notably China, India and Vietnam - has fundamentally altered trading conditions in the EU.

The impact on EU hardwood products manufacturers has been rising raw material costs and commoditisation of the market, inhibiting affordable supply against specification.

Because of their central location in Europe and ready access to transport routes, Belgian and Dutch importers have been major beneficiaries of these trends. They have responded to the changing market conditions by establishing direct contact with large mills in major supply countries, building large warehouses, establishing hi-tech stock control and customer management systems, developing processing capacity to supply kiln dried and dimension, cut-to-size timber, and providing a range of other added-value services. One company representative noted that with their special grading, drying and handling services, they are able to service a wide range of customers and end-use markets with applications ranging from solid-doors, mouldings and flooring, to stair-cases and tables, and also exclusive joinery products such as the interiors of luxury yachts. Another interviewed company indicated they could supply anywhere in Europe within 48 hours.

Due to their scale, these companies are also well placed both to encourage suppliers to achieve forest certification and to benefit from economies of scale in FSC and PEFC chain of custody. As a result these companies can now combine high volume with accurate supply to specification, both in terms of timber quality and environmental credentials. Linked with their commitment to certification and desire to provide a wider range of further processed products, many of these companies are also now playing an important role to generate interest in and demand for lesser known tropical species.

So successful have these companies been, that many are now expanding warehousing and expanding their supply base. For example, one Dutch company noted that it is now developing a client base in the Far East (mainly for European oak) where many of the European furniture manufacturers it supplied in the past have migrated.

Market boost for certified Malaysian wood products

The market credentials of the Malaysian Timber Certification Scheme (MTCS - formally MTCC), which has long struggled to achieve universal acceptance in the demanding European market, recently received a significant boost. The scheme scored 88% in a gap analysis carried out by the University of Hamburg and GTZ as part of a joint project between the City of Hamburg (CoH) and MTCC. As a result, the CoH agreed to recognise the MTCS until it receives PEFC endorsement. The decision by the CoH overturns a previous policy of accepting FSC only. Two conditions imposed by the CoH in their decision have already been met. These conditions were that MTCS be submitted to PEFC for endorsement and that the MTCS "MC&I 2002" certification standard (which is broadly based on the FSC criteria but not recognised by FSC) must be ready.

MTCS now awaits two further decisions that would have a major bearing on marketability. The decision on PEFC endorsement is expected within the next 6 to 12 months. In addition the UK government's Central Point of Expertise on Timber (CPET) will be announcing their opinion on whether MTCC provides satisfactory evidence that timber is "legal and sustainable" as part of a major review of certification systems due to be completed this month. A positive result in the latter

would open the door to MTCS certified wood products being used in lucrative London Olympic contracts.