

## **UK plywood importers maintain low stocks despite rising prices**

The latest TTJ report on the UK plywood market notes that CIF Europe plywood prices from just about all sources – including both hardwood and softwood product – have increased over the last couple of months. In normal times this would generally encourage more buying as importers try to avoid having to pay more later and seek to exploit a rising market.

However current market conditions are very far from “normal”. As the TTJ notes, “if anything, rapidly-rising prices have served as a further incentive for UK consumers to keep their plywood stocks to a minimum. In addition, higher prices have pushed some buyers towards their credit limits and forced them to rein in their purchases”.

Nevertheless, this situation can only last so long. Quoting one importer, TTJ suggests that UK hardwood plywood stocks are “at an all-time low” and that “They will have to start buying soon.”

TTJ also indicates that significant volumes of Chinese hardwood plywood arrived in the UK during early May and that there is more on the water in early June. But, according to a leading importer, much of this is pre-sold and has not been bought to build stock in anticipation of future demand. It is clear that few UK importers now have real appetite to hold significant volumes of hardwood plywood in stock.

With increasing price pressure in the UK market, China now dominates the supply for undifferentiated commodity grade hardwood plywood. Malaysian producers are increasingly focusing on more specialised product, including FSC and PEFC certified. The relative strength of the Brazilian real on international currency markets is acting as a significant brake on UK imports of Brazilian hardwood plywood.

TTJ speculates that the GBP is likely to weaken further against the US dollar and other international currencies throughout the course of 2010 with the implication that imported plywood prices will continue to rise and there will be further pressure to find substitutes.

## **Reduced buying and increased plywood substitution across Europe**

Similar trends towards reduced buying and increased substitution of tropical hardwood plywood are reported elsewhere in Europe.

In a report on the central European market for Indonesian and Malaysian raw and film-coated in May, EUWID suggest that “high repurchasing prices mean that European buyers are now less interested in buying these products. Chinese and Russian grades continue to act as substitutes for South East Asian plywood as they have long done. A number of agents and importers reported that a few South-East Asian plywood grades were increasingly turning into niche products that were only sought by a few buyers and for specific applications. Moreover existing inventories are mostly large enough to meet the current demand in Europe, meaning that hardly any new contracts had been signed.”

EUWID also reports in early June that demand for okoume plywood in the key European markets for this product – including France, Netherlands, Spain and Italy – remains subdued. Efforts by French based manufacturers to raise prices in the face of raw material shortages following Gabon's log export ban starting in May 2010 have faced resistance from European consumers. Existing European stocks of okoume plywood are still high compared to current levels of very slow consumption. There are indications that manufacturers based in France dependant on imported logs are losing market share to those with capacity in Gabon better able to provide an assurance of stable long-term supply.

### **Panels based on waste plastic promoted as plywood substitute**

An emerging threat to commodity grade tropical hardwood plywood in certain lower grade applications in the European market was highlighted in a recent article in The Sunday Times, a UK national newspaper. The article reported on the activities of 2K, a start-up company in Luton, UK, which is recycling the plastic in redundant household items into "a sustainable alternative to plywood".

The article suggests that "there is a mountain of waste plastic and nobody knows what to do with it." However EU regulations on waste electrical and electronic equipment require local councils, manufacturers and retailers to organise the collection of used goods, which is driving a search for new ways of recycling waste plastic into useable product. 2K turns the unwanted plastic into a panel product called Ecosheet which is already being used by large UK construction firms such as Bovis Lend Lease and Wates for hoardings on building sites. Leading retailers such as Asda and Sainsbury's are now working with 2K on making signs and shop displays.

2K uses a process called powder impression moulding, whereby the waste plastic is ground together into a powder and bonded in a heat press, a little like an enormous toasted sandwich maker. The technique produces a strong plywood-type board even if the plastic is contaminated with other materials, such as metal.

2K expects to be processing 30,000 tonnes of waste annually from next year and to have five more factories in Britain. It is negotiating with licence partners to build factories in France and Spain and has had inquiries from round the world.

The Sunday Times notes that Ecosheet "is slightly more expensive than plywood", but 2K argues that, overall, it "works out two or three times cheaper because it lasts longer than plywood, does not need painting and can be recycled at the end of its life, saving disposal costs".

### **Carrefour success provides grounds for optimism**

According to the TTJ, visitor numbers were up at the Carrefour International du Bois (CIB) timber show in Nantes, France, in early June. Exhibitors also suggested the event provided further evidence that the international wood trade is emerging from recession.

According to CIB spokesperson Cecile Touret, preliminary figures show a 5% rise in attendance at the exhibition from June 2-4 2010 over the last event in 2008. The

figures suggest that well over 10,000 people attended the show, while preliminary reactions from exhibitors suggest there was an increase in the proportion of foreign visitors too which, in 2008, made up 15% of the total. Exhibitor numbers this year were around 500 with nearly a quarter from outside France.

TTJ quotes French hardwood specialist Ducerf, which was highlighting its new Coteperc range of heat-treated cladding at the show, “Business could still be better, but it is improving, with China buying again thanks to the strong dollar and England coming back into the market, particularly for [laminated] panel products,” said export director Florence Perrucaud.

More at: <http://www.ttjonline.com/story.asp?sectioncode=17&storycode=63063&c=2> and <http://www.timbershow.com/>