

Plywood makers see strong demand

Prices to stay firm in Japanese market this year

MANUFACTURING

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KUCHING: Plywood manufacturers are upbeat about strong demand and firmer tropical hardwood plywood prices in the Japanese market this year.

Imported tropical hardwood prices have remained depressed in Japan in recent years but this has changed drastically following Russia's invasion of Ukraine and trade sanctions imposed by Japan and western nations against Moscow.

Malaysia is the number one exporter of tropical plywood to Japan last year and it remained as the top supplier in the first quarter of 2022 (1Q22).

Ta Ann Holdings Bhd, one of Malaysia's key plywood manufacturers, had reported a 44% increase in the average selling price of plywood products in the January-March 2022 quarter from the corresponding period in 2021.

The Sibuh-based company exported 90% of its plywood output of 80,908 cubic meters in 2021 to Japan, up 2% from 88% in 2020.

But due to declined production, Ta Ann's plywood sale volume was down by 12% to 86,529 cubic meters last year from 98,242 cubic meters in 2020.

WTK Holdings Bhd also reported higher sales volume and average selling prices of its timber products in the export market 1Q22 from a year ago.

According to the *Japan Lumber Report* (JLR) in its May 2022 publication, Japan's imported tropical hardwood plywood and domestic softwood plywood are now in a very tight supply situation, thereby driving up prices.

The report said many tropical hardwood plywood companies in South-East Asia have declined most new order contracts due to the prolonged shortage of logs, the raw material to make plywood products.

It said Japanese companies take a lot of higher importing cost because the logs are high-priced, the minimum wages in Malaysia have increased and a weak yen hits the US dollar.

JLR said demand for imported hardwood structural plywood is getting stronger and market prices are more than 2,000 yen (RM67.10) per sheet, more than 100 yen

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Japan Lumber Report

(RM3.36) up from April in Tokyo market.

"The market price of concrete forming panel moved up to 2,000 yen (RM67.10) per sheet. It was less than 1,800 yen (RM60.39) before March, then moved up to 1,900 yen (RM63.75) in March.

"April export prices (from supplying countries) are US\$830-US\$840 (RM3,644.53 to RM3,688.44) per cubic meter C&F on JAS 3x6 concrete forming panel and structural panel prices are about US\$790 (RM3,468.89) per cubic meter, more than US\$20 (RM87.82) up from March.

"The future cost of concrete forming panel is 2,300 yen (RM77.17), which will arrive in July and August. So, the present 2,000 (RM67.10) yen is way below cost," it added.

JLR is a bi-monthly trade journal which is reproduced by the International Tropical Timber Organisation in its tropical timber market report.

According to the JLR, tropical plywood suppliers have said that log supply is tight and they see that worldwide wood supply is likely to get tight also because of the Russia-Ukraine war.

So, the export prices of hardwood plywood will definitely be higher.

Besides higher imported prices, the report said the drastic change in yen's exchange rate to 130 yen from 115 yen to the US dollar has left Japanese plywood dealers with no choice but to increase the sales prices of their products.

"Despite continuous climbing suppliers' export prices, the market of imported hardwood plywood has been stagnating and the prices are slow to move up in Japan.

"Circumstances changed all at once after Russia's invasion of Ukraine and the sudden depreciation of the yen since late March 2022.

"The supply of Russian larch veneer is totally stopped. So the domestic plywood supply gets tight by supply disruption of the

Russian veneer," it added.

Japan banned the imports of Russian veneer and logs as part of further sanctions against Moscow, following the latter's invasion of Ukraine in February.

JLR said there are many inquiries in Japan for structural plywood to replace tight supplied domestic softwood plywood.

Based on Japan's Finance Ministry data, Japan significantly increased its imports of tropical hardwood from Indonesia and Malaysia in March 2022 to 76,900 cubic meters and 71,000 cubic meters, up 35% and 16%, respectively, from the previous month.

From Sarawak, Japan's imports of plywood for the first three months of 2022 surged by more than 70% to 174,063 cubic meters worth about RM340.5mil (free on board value) from 101,427 cubic meters for RM274.2mil in the same period of 2021.

According to export figures from the Sarawak Timber Industry Development Corp, Japan paid RM208.3mil to ship 73,320 cubic meters of plywood products from Sarawak in March 2022 against RM82.9mil (29,685 cubic meters) in February 2022.

Ta Ann anticipates the tropical timber pricing momentum to remain "positively strong" for the remaining of 2022, given the limited supply and stringent environmental control over log harvesting and the gradual recovery of world economy with the easing of border restrictions in most countries.

Group managing director and CEO Datuk Wong Kuo Hea expects Ta Ann to achieve better production this year to meet the continuous strong demand for timber products in overseas market.

The group produces 100% Programme for the Endorsement of Forest Certification-certified plywood products, which is a strong selling point for the Japanese market.