

October 2018 General Hardwood Market Conditions

► General Outlook

While the worldwide demand for hardwoods remains as strong as ever we enter the closing months of 2018 with many questions to be answered.

Imports of tropical logs to China, for Q1 2018, were up 25%, in volume, compared to Q1 2017. Sawn tropical wood was up 15% over the same period. These volumes could increase significantly further, as retaliation trade tariffs, imposed by the Chinese government against the USA, drive American timber prices up and force Chinese buyers to seek alternative species. Couple this with EUTR regulatory actions becoming more frequent and vigorous across the EU, meaning more tropical timber producers could see China as an increasingly attractive market.

► North America

It is difficult to forecast the impact of the tariffs now being applied to timber being exported to China. In the last few months, most American shippers have said their Chinese business has been quiet, so, in the short term, we have seen more timber available and, in some cases, a softening of prices, especially in the quicker turnover thinner sizes. But at some stage the Chinese buyers will need to buy timber, so it's a wait and see scenario, at the moment. With most sizes currently available prices are softening for White Oak. The supply issues for Poplar that we had earlier in the year appear to be over, but prices remain firm, especially for FSC. Cherry and Maple prices remain stable. Ash availability is good but prices are firm. For Black Walnut, some shippers are talking of increased demand and prices are rising slightly as a consequence.

Note: for all species the FSC price premium is on the increase due to reducing supply options!

► West Africa

The serious delays at the port of Douala (Cameroon) continue. This has been a problem for some months now, and is causing serious delays to shipments and creating cash flow problems for shippers. This year some of the larger European owned operators have sold subsidiaries to non European corporations. A further indication that more African tropical timber will be heading to the Chinese/ Far East markets in the future. With the rainy season now in full swing these supply issues could push prices up.

At the forest level, the actual availability of Sapele is good at the moment, although some mills have stopped cutting more timber until the issues at the Douala port ease.

Framire has a very limited availability and it will be difficult to stock in all sizes going forward. The availability of Iroko is now the best it has been for a number of years, but, despite this, prices remain firm.

FSC, in all species, has limited availability.

Europe

In the last decade, there has been a 181% rise in EU log exports to China. This means there is intense competition for Oak log supplies for the majority of sawmills, with exporters reporting that they expect to pay record high log prices this winter. Most importers will have to order well in advance to try and ensure supply and the majority of exporters are insisting that their customers purchase lesser grades to secure the prime. Prices are firm and will continue to rise.

Providing you order well in advance, the availability of Steamed Beech is good, but certain key sizes and lengths in CND can be difficult to get. Like for Oak, the prices are firming, with many sawmills reporting higher log prices being paid.

Far East

The availability of Meranti has been under pressure for sometime now. The changes in Malaysian regulations for the supply of logs and a long and severe wet season have impacted on the harvesting and log transport, with mills consequently running short of logs. Prices are very firm and the strong Malaysian Ringgit against the US Dollar means log prices are increasing further to the sawmills. Some key sizes, like 25mm random width, and some 228mm and wider sizes, are now on extended lead times.

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