



## October 2018

# MARKET REPORT

## Southeast Asia & Greater China

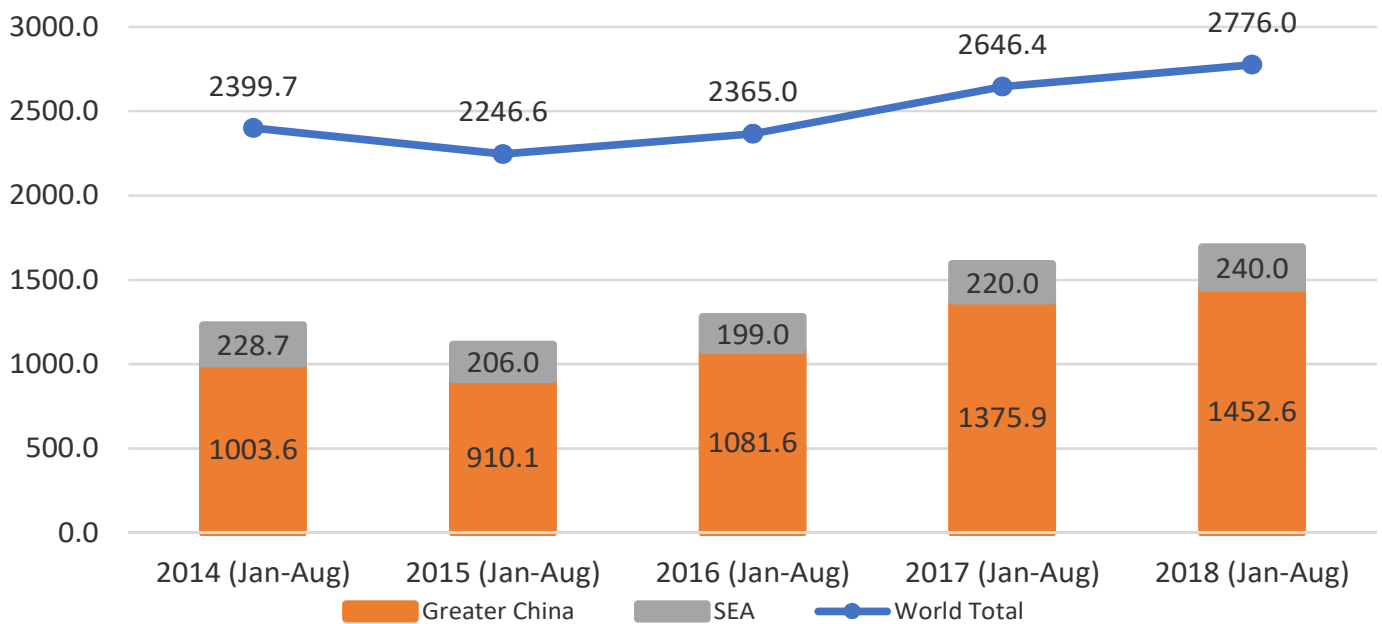
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## US-China Tensions Further Hit Hardwood Exports to Greater China Market

The escalation of US-China trade dispute further affected the exports of American hardwood to GRCH. The overall export value to SEA & GRCH grew at 6.1% (YoY) through Aug 2018, reached \$1.69 billion. The SEA & GRCH markets accounted for 61% of all global exports. Greater China market up 5.6% (YoY) to over \$1.45 billion. SEA markets grew at 9.1% to \$240 million compared to the same period of time of 2017.

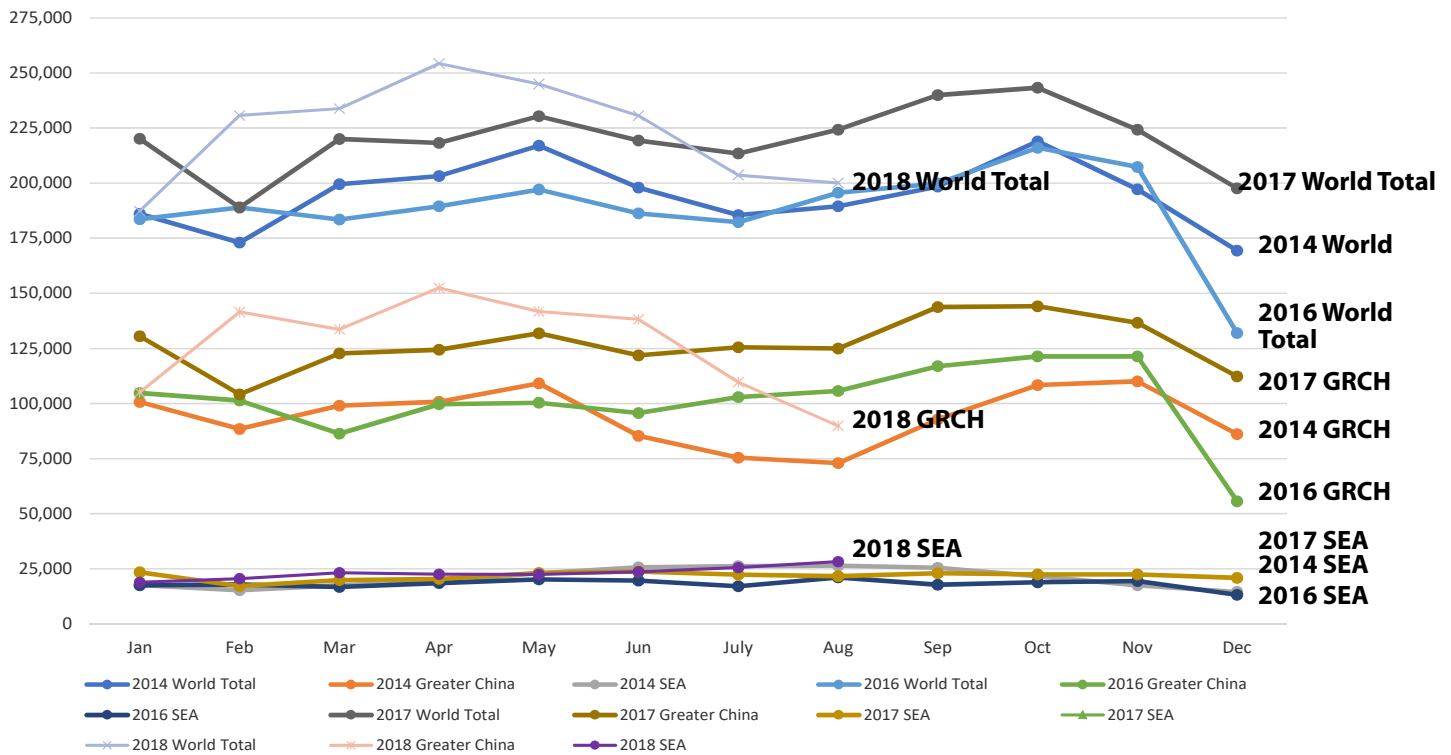
**US Hardwood Exports Value (USD million)**



	Hardwood Lumber	% change	Hardwood Log	% change	Hardwood Veneer	% change
<b>Greater China</b>	\$1.01 billion	2.7%	\$428.7 million	13%	\$5.8 million	-10.6%
<b>Vietnam</b>	\$145.7 million	16%	\$36.3 million	29%	\$4.3 million	11%
<b>Indonesia</b>	\$17.1 million	14%	\$0.88 million	-52%	\$4.8 million	-15%
<b>Malaysia</b>	\$10.8 million	-28%	\$0.51 million	-57%	\$3.99 million	-5%
<b>Thailand</b>	\$9.9 million	-27%	\$1.41 million	-11%	\$0.144 million	24%
<b>Philippines</b>	\$0.7 million	-30%	\$0.33 million	318%	\$0.645 million	346%
<b>Singapore</b>	\$0.31 million	-24%	\$0 million	N/A	\$0.1 million	-59%

Year-on-Year changes in U.S. exports of hardwood lumber, logs and veneer to Greater China and SEA, 2018 (Source: USDA)

## Lumber Value - World Total vs GRCH & SEA (USD'000)

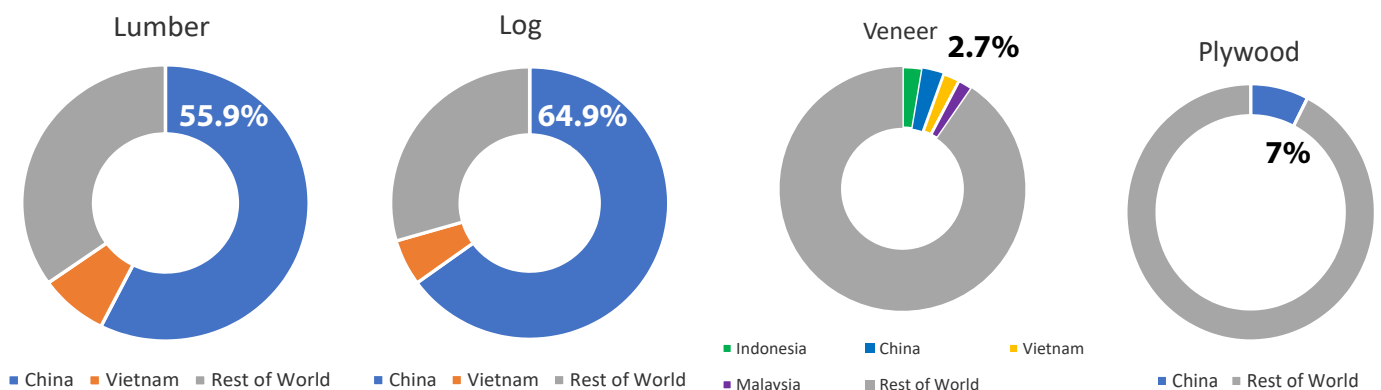


### Greater China market grows 5.6%

The hardwood exports to Greater China (China, Hong Kong and Taiwan) increased at 5.6% (YoY) to over \$1.45 billion. The growth rate was getting smaller as there has no significant progress to halt the ongoing trade disputes between U.S. and Mainland China. Taiwan market kept up the growing momentum and surged 26.5% (YoY) to \$20.3 million, in which over \$11.6 million (up 33% YoY) were generated from hardwood lumber and \$7.5 million (up 18% YoY) were from hardwood logs.

The value of hardwood lumber to GRCH worsen in Aug 2018, slump 28.1% compared to Aug 2017. The exports value of hardwood lumber and logs to Greater China increased at 2.7% to \$1.01 billion (YoY) and 13% to \$428.7 million (YoY) respectively. The value of hardwood lumber to GRCH shank at 28.1% in Aug 2018 compared to Aug 2017. Hardwood veneer declined at 10.6% to \$5.8 million (YoY).

Mainland China accounted for 55.9% of U.S. global exports of lumber, 64.9% of U.S. global exports of logs, 7% of U.S. global exports of plywood and 2.7% of U.S. global exports of veneer.

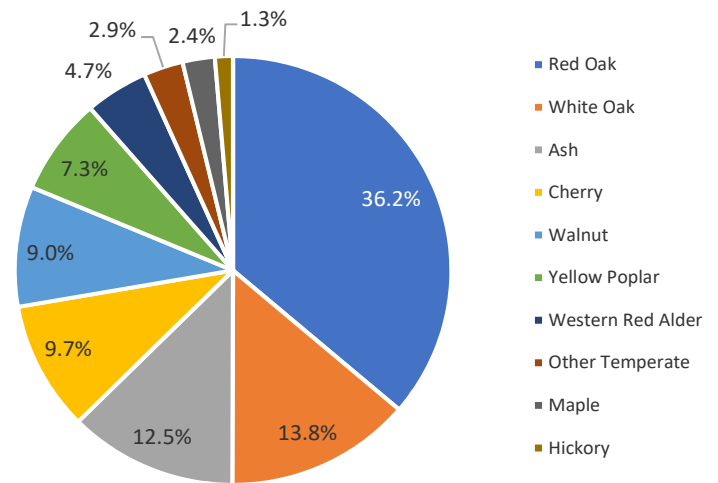


Some popular species such as red oak and ash lumber recorded shrank on year-on-year basis. Red oak lumber decreased at 6% (YoY) for both value and volume to \$361.6 million and 550,256 (M3). Ash lumber reduced 5% (YoY) and 14% (YoY) in value and volume to \$124.6 million and 183,933 (M3). Top six species were red oak, white oak, ash, cherry, walnut and yellow poplar through July of 2018. They generated over \$884 million exports and accounted for over 88.6% of the total hardwood lumber exports to Mainland China.

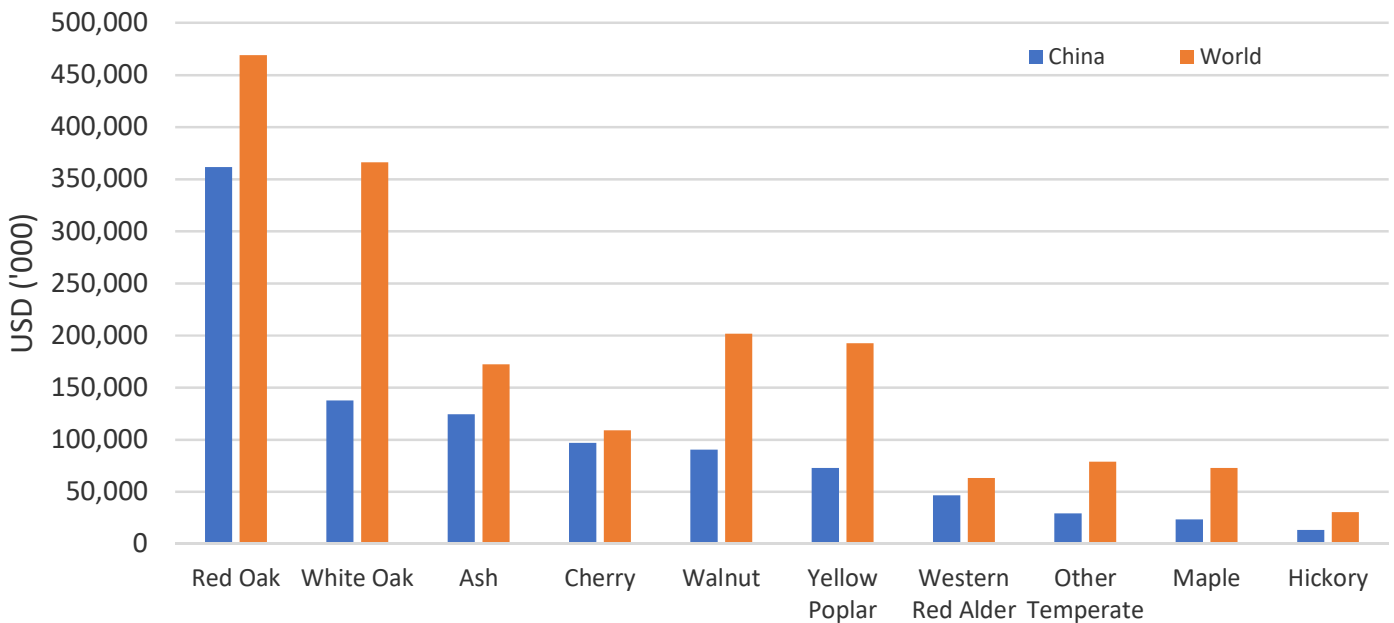
Lumber Species	Export Value (US\$ in million)	YoY % change
Red Oak	\$361.6 million	-6%
White Oak	\$137.7 million	13%
Ash	\$124.6 million	-5%
Cherry	\$97.1 million	25%
Walnut	\$90.3 million	28%
Yellow Poplar	\$73 million	-2%
Alder	\$46.6 million	11%
Maple	\$23.8 million	-1%
Hickory	\$13.2 million	-17%

US Hardwood Lumber Exports to Mainland China by Species Jan-Aug 2018 (Source: USDA)

Lumber species to China Jan-Aug 2018



Top Species to Mainland China vs World Total Jan-Aug 2018

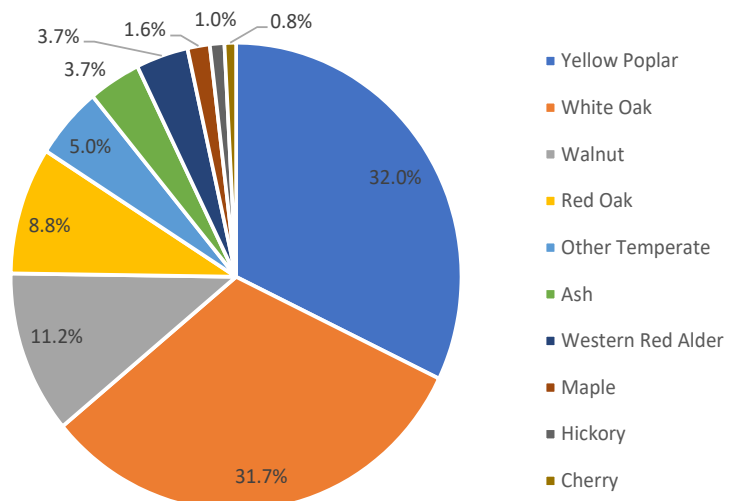


In the first eight months of 2018, Mainland China has purchased 89% of all cherry, 77.1% of all red oak, 72.3% of all ash, and 73.8% of red alder that has been exported.

## SEA market increases at 9.1%

Vietnam market kept up the growing momentum and it led the overall SEA market grew at 9.1% (YoY) to over \$240 million. The exports value of hardwood lumber to SEA up 8% to \$184.7 million and logs up 19.9% (YoY) to \$39.5 million. Vietnam increased 17.9% (YoY) to \$186.4 million and accounted for 77.7% of the SEA market. Indonesia and Philippines grew at 2.2% and 51.3% respectively to \$23.7 million and \$1.9 million respectively. The rest of SEA markets shrank on year-on-year comparison, Malaysia decreased 25.2%, Thailand down 25%; Singapore down 28.7%.

Share of species in SEA markets Jan-Aug 2018



SEA Markets	Top 3 Lumber Species	US\$ in million, YoY % change
Vietnam	Yellow Poplar White Oak Walnut	\$55.3 million, 3% \$39.4 million, 35% \$15.1 million, 69%
Indonesia	White Oak Walnut Maple	\$10.1 million, 21% \$2.1 million, -5% \$0.873 million, 24%
Malaysia	White Oak Walnut Yellow Poplar	\$4.2 million, 43% \$2.3 million, 10% \$1.3 million, 40%
Thailand	White Oak Ash Yellow Poplar	\$4.4 million, 12% \$2.1 million, 25% \$1.4 million, 55%
Philippines	Maple Walnut White Oak	\$0.155 million, 424% \$0.141 million, 35% \$0.137 million, 31%
Singapore	White Oak Tropical Ash	\$0.085 million, 29% \$0.06 million, 793% \$0.058 million, 12%

## Event Review

### IFMAC & WoodMac 2018

The annual IFMAC/WOODMAC show held in Jakarta, Indonesia from September 26-29 was dominated by machinery manufacturers from China and Taiwan with many local Indonesian agents and distributors representing their overseas suppliers. The American Hardwood Export Council, housed in a thermally modified timber (TMT) red oak pavilion, was clearly the leading overseas timber supplier. The show was co-located with KITCHEN + BATHROOM INDONESIA and INDOTOOLES & HARDWARE alongside at Kemoyran Expo, organised by Wakeni.

The American hardwood pavilion and furniture display was constructed of TMT red oak, supplied by Bingaman and Son Lumber Inc. PA, processed in Indonesia by Omega Mas in Surabaya, with newly designed TMT red oak furniture designed by Jarrod Lim. A number of U.S.-based AHEC wood exporters, such as Gutchess International, Robinson Lumber and Allegheny Wood Products, visited the show; AHEC Foreign Partner Member APP Timber also sent a full team of five staff to promote at that supplier booth. The sole AHEC member exhibiting independently was the new Foreign Partner Member, Global Timber. The Agricultural Counselor of the U.S. Department of Agriculture, Chris Rittgers, based in Jakarta also visited the show to meet with AHEC representatives.





With the ongoing tension between US and China, manufacturers from China are starting to move their production offshore where the labour and setup cost are relatively low. Indonesia is definitely going to be one of the countries that benefit from the tension and likely to see more growth for US hardwood in the coming months.

## Trade Visit in Shanghai to attend the AIA Shanghai Chapter Meeting and Dinner

John Chan had a short talk with the AIA Shanghai chapter executive committee members (president-Alton Chow, vice president-Silas Chiow and treasurer- Jason Briscore etc.) about design seminar proposed in mid-November or early December of 2018 and AIA Shanghai and AHEC will be jointly to organize the design seminar. The details would come out in the next couple weeks. It provides an opportunity for AHEC to promote CLT and TMT US hardwood products and technologies.

John Chan Exchanged Opinions with AIA Shanghai Executive Committee Members about US hardwood species for interior architecture and Interior design. They realized US-China Trade War is going on and have some concern if the trade war would yield impact on US hardwood availability and supply in China market. This is because many AIA architects have specified US hardwood species in their projects. John told them at this moment US hardwood supply and availability are still in normal condition.

They also expressed their concern if the Trade War continues for a long period would affect American architects to obtain projects in China. In the moment the developers and properties owners have been tougher their demands on designs and commitments from the design and architectural firms.

## AHEC Annual Meeting in Toronto (NHLA Annual Conference)

John Chan attended the AHEC Educational Seminar and Market Trend Discussion Panel Chaired by Mike Snow, AHEC Executive Director. The education seminar has provided a detailed update on US hardwood exports to the world and led a panel discussion with overseas director from China/Southeast Asia, Europe, Latin America and Middle East, India and Oceania and North Africa concerning trends in their respective regions. Additional topics have included an update on the impacts of tariffs and trade tensions with our overseas markets, and AHEC efforts to expand US hardwood exports by targeting non-traditional regions and applications made possible by new technologies.

After Mike's presentation, it followed with a market

panel participated by four overseas directors: David, John, Rod and Luis to answer the questions about each overseas market including difficulties, opportunities, strategies, challenges and how to develop market demand of US hardwood. John Chan represented AHEC SEA & GRCH answered questions related to US-China trade war's impact to US hardwood exported to China market after China imposed 5%-10% tariffs on September 24 until December 31, 2018. 5%-25% tariffs could start on January 1, 2019 if US imposes tariff on Chinese good to 25% on January 1, 2019. John also told the audiences during the market panel discussion that AHEC will try to develop new market in the third tiers cities in China and at the same time to develop local domestic markets in SEA through conducting seminars to specifiers such as architects and interior designers in the coming months of 2018 and in 2019.

John Chan attended the educational seminar presented by Andrew Waugh, Founding Director of Waugh Thisleton Architects and Dr. Henry Quesada, Associate Professor with the Department of Sustainable Biomaterials at the Virginia Polytechnic Institute and State University. This has been an excellent seminar about new technologies related to application of new hardwood products-CLT Tulipwood instead of softwood for structural buildings. Andrew Waugh, a British Architect has pioneered the use of Cross Laminated Timber (CLT) as a sustainable alternative to steel and concrete and has talked about the evolution. He said to date, this has been mostly done in softwood but his firm (Waugh Thisleton Architects) is now turning its attention to how hardwood construction products and systems could help to deliver high perform options in the future.

Henry Quesada has shared his research knowledge on the changes that hardwood lumber mills would need to go through to be able to produce lumber for CLT panels. Besides lumber cost and limitations on the PRG-320 standard, there are other technical aspects that a hardwood sawmill would have to consider to produce proper CLT raw material.

After the seminar John Chan exchanged opinions with Andrew and Henry regarding how these new products to be promoted in China and SEA. Both speakers are interested to explore new opportunity for CLT in China and SEA and agreed to keep in close communication.

John Chan made new contacts when visited the NHLA Exhibit Showcase and understood more of their market desire and plan. Most are deeply concerning the immediate impact of US hardwood exports to China from US-China Trade War. Many said they are holding up their production capacity because of the uncertainty of the demand of US hardwood of the domestic market in China.

Some Chinese US hardwood importers said that some suppliers from EU have offered European oak and beech, but the prices have been raised and the quantity is limited. Small European member such as Croatia has invited Chinese importers and media to visit its oak and beech sawmills. The trade mission by Croatia's government comprised of traders and timber trade media started last week. Another update report is that some Chinese furniture producers are gradually moving their production facilities to Vietnam or some producers are placing orders such OEM at some Taiwanese factories in Binh Duong and Hanoi.

The same concern and worry expressed by some Chinese timber traders and distributors about what is next of the tariffs imposed by both government after December 31, 2018. In August the exports of US hardwood lumber to China market dropped 17% from July and many expect that further slow-down of US hardwood lumber exports to China will continue in the coming months until both countries would meet again to settle the trade disputes. More programs to promote US hardwood will follow in dealing with the impact of the US-China Trade War.

## Upcoming Events

**4 December**

**Hardwood Grading and Design Applications Seminar**  
Bangkok, Thailand

**7 December**

**Hardwood Grading and Design Applications Seminar**  
Ho Chi Minh City, Vietnam

**10 December**

**Design Applications Seminar**  
Shanghai, China

**11 December**

**Hardwood Grading Seminar**  
Semarang, Indonesia

**13 December**

**Hardwood Grading and Design Applications Seminar**  
Taipei, Taiwan

**13-16 December**

**Taipei Building Show 2018**  
Taipei, Taiwan

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