

MARKET OBSERVATIONS



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We are in the midst of the "Asian exhibition season" with furniture shows in Malaysia, Indonesia, Singapore, Thailand, Vietnam and other non furniture shows in Shanghai and Guangzhou. We always visit all these exhibitions as they are a good barometer of this year's expected business. Regretfully we are not too impressed with our findings and the forecast for this year's business seems to be bleak. The most important finding (for us) was that there were very few American buyers visiting any of the shows. Might the slow USA recovery be the reason or are American buyers getting fed-up with the great number of shows? I think it might be a combination of both beside other reasons such as the turmoil in the Middle East and as a result of the high oil prices,

as well as the extreme and unpredictable weather patterns all over the world. Anyway, let's look a bit closer at all the shows; Malaysia had the usual two exhibitions held at the same time (MIFF and EFE) and this time it was the EFE outshining the MIFF. First of all the MIFF is held in premises totally unsuitable for such large event, secondly there was very little product innovation with exhibitors displaying the same kind of rubberwood furniture produced 15 years ago and, lastly, the majority of the exhibitors seemed not to be interested to build attractive stands. In conclusion one could probably trade these products via the internet without having the need to exhibit (and then avoid being forced to sell at discounted prices).

APP TIMBER Market Observations

This review is based on our recent trading activities and is not necessarily a correct overall view of business in Asia.

The EFE has improved a lot with a more professional display and even some better designed furniture. Of course it does not make sense to have two separate exhibitions (at three locations) so our advise to the both organizers is to sit together, cooperate with the government and build the same proper exhibition center as in Singapore. The IFFS in Singapore is truly a feast to the eye; many

exhibitors show new products with interesting designs and finishing techniques using a wide range of different raw materials. Most exhibitors built large inviting stands with lots of space for buyers to relax and discuss whilst enjoying a snack and drinks. The IFFS always attracts a very diversified group of buyers despite the fact that the overall number of visitors seemed to be much less than previous years. This was also very noticeable at both exhibitions in Malaysia but I guess the organizers will probably deny this. Our only advice to the Singapore organizers is to allow an additional entrance at hall 2 so the attendance will be more evenly spread over all halls. The IFFINA exhibition in Jakarta, Indonesia seems to be a growing event with increased visitors and an improved display of locally made products using a wide range of raw materials. I think this event will be the long-term winner in years to come especially since some of the Chinese based manufacturing is relocating to Indonesia. The VIFA show in Ho Chi Ming City, Vietnam was also better than the previous year with a good attendance. Most of the displayed furniture was either made from rubberwood, (white) oak or walnut. Vietnam has a very good potential as long as they keep innovating their products using a wider range of raw material. The TIFF show in Bangkok, Thailand is predominantly a local show with very few international visitors and most of the exhibitors are those with local showrooms around Bangkok.

What is the future of ASEAN furniture industry?

Many times we are being asked this question and I think you will get a lot of different answers from different persons. On purpose I say "ASEAN" (which excludes China as China will continue to be a major manufacturing base for all kind of timber products). So in Indonesia and Vietnam will continue to grow but both are becoming increasingly dependent on imported raw materials. In Indonesia there is already a shortage of rubberwood mainly due to Chinese buyers buying large volumes. Thailand is becoming less important as a furniture exporter (last month one of the largest furniture factories Fancywood closed their production) except for a handful of producers serving a

Certified Timber

This will be a new feature in our newsletter where we will introduce certified raw materials. One of largest supply programs of certified hardwood is **Red Grandis™** from Uruguay. This is Eucalyptus grandis sourced from FSC Pure plantation and supplied by our partners "Urufor". The timber is kiln dried and graded similar to the American NHLA Rules and sold in various thicknesses from 25 to 51mm. The timber is suitable for a very wide range of applications such as indoor & outdoor furniture, door & windows, mouldings, panels and flooring. Please contact our local sales teams for more information.

APP TIMBER News Flash

We like to keep you updated about all those new developments which could affect your business.

small group of buyers. The big question is if Malaysia will survive as a major furniture exporter; one of the largest problems is the lack of a large labor-force and the reluctance of the government to allow foreign workers into Malaysia. Combine this with the rising cost of rubberwood and lack of innovation and one cannot but wonder if there will be any real furniture industry left in 10 years from now. We do not do any business in the Philippines but as far as we are concerned this is not a major player and mostly involved in handicraft type of furniture. Countries like Myanmar, Cambodia and Laos might have the raw materials but lack political and actual infrastructure to become important players.

China posts surprise trade deficit

China posted a trade deficit of USD3.7bil in February this year which is the first since March last year and the largest in seven years. Exports were expected to slow down but not to this extent. Cash inflows from China's trade inflation which hit a high of 5.1% surplus over the last few years have been the cause of the recent inflation which hit a high of 5.1% last November 2010. So will this be a continuous trend? Probably not but the Chinese government is introducing new measure to become less depend on exports.

Freight cost and timber prices continue to rise

All freight cost (domestic and sea freight) are increasing since last month and more increases are to be expected due to rising crude oil prices as a result of the recent turmoil in the Middle East. Late last year I mentioned at the NHLA convention that I expect the sea freight to double within 5 years which was not received well and perceived as "dooms thinking" but our guess is it might even be earlier than 5 years. Combine this with the increased demand for timber products to rebuild the damaged homes in Christchurch, New Zealand, Queensland Australia and Japan once can expect landed timber prices to increase 15 to 25% within this year.

Wood for Good

We are in the process to set up a non profitable organization called "**Wood for Good**" to promote the use of timber especially in the SE Asian construction industry. The main focus of this campaign is to create awareness amongst professionals such as architects and engineers to teach them that timber is the **ONLY** sustainable building material (if managed well) compared to steel, concrete, bricks, glass, etc). The campaign will have to be funded by all those parties who have a serious interest in this good cause (we call them "the stakeholders") and they will have to play an active role in making this campaign a success. For more information please contact Michael Hermens at hermens@apptimber.com.

visit us at www.apptimber.com