

No 'Fake News' on the MDF and Particleboards Market

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Irrespective of other news stories 'fake' or not, the markets for MDF and especially Particleboard have had one of their best starts to any year thus far.

Demand for quality panels in China, Malaysia, Vietnam, Japan and other South East Asian countries has been very strong, both for the production of export furniture to the USA and for domestic consumption. Most furniture producers are reporting strong sales both for exports and domestic use. The market for MDF panels has been good whilst the demand for particleboard has been insatiable. Particleboard prices have risen significantly and have even been approaching the price of equivalent thicknesses of MDF. The strong demand for particleboard is good news for MDF as when the prices converge, some manufacturers will inevitably switch from particleboard to MDF.

Not only have the US and Asian markets been active buyers of MDF, we have also seen a significant improvement in demand from the Middle East and the market in Pakistan remains very robust. The only market that has seen a slowdown has been in India after the demonetisation exercise. India has always been a very challenging market with domestic panel producers controlling the market. Certainly for the first half of the year Malaysian MDF and PB producers can be choosy with their customers and will have ample market opportunities in other regions to worry too much about the Indian market.

Risks still remain and that risk is that costs could increase faster than price increases can be passed on to customers. Though panel manufacturers can absorb some of the local costs due to the appreciation of the US Dollar other international costs such as Resin, Wax, Energy, Wood and Freight continue to rise. The other risk is that the Supply : Demand dynamic will become unbalanced as new capacity comes on stream with the many new projects slated for Thailand, Vietnam and Indonesia. This may become the case much later in the year but at the moment there is a far greater risk on the Supply side.

The supply of MDF and Particleboard has been severely restricted by the late arrival of the monsoon rains in Thailand, Malaysia, Indonesia and Vietnam which has caused havoc with the supply of wood material and has caused a sharp rise in wood prices. There have also been short term supply restrictions due to the Chinese New Year holidays which have been early this year restricting wood harvesting. The other significant long-term effect on Supply is that Chinese manufacturers of MDF are reducing capacity as the costs of production increases, inefficient plants are closed down and raw materials become increasingly scarce to source.

The Net Effect of all this is that Supply of MDF and Particleboard will continue to be lower than Demand, at least until the end of 2017 and in the meantime those companies without a reliable direct source of wooden panels will find themselves either short of material or at best needing to purchase higher priced panels from Europe or South America.

The other positive development for MDF prices is the report that Plywood prices are also starting to increase significantly due to lower timber supplies and a rebound in demand from Japanese buyers. ITTO reported that infrastructure spending is set to increase in Japan in preparation for the 2020 Olympics.

At the time of writing this article, US President Donald Trump had formally withdrawn the US from The Trans Pacific Partnership, distancing America from its Asian Allies and thus reversing Obama's pledge to 'tilt towards Asia'. At first reading this may allow China's trade and commercial influence to grow within the region. Only time will tell to see if Donald Trump has other plans!☺