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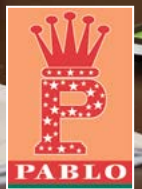
MARCH/APRIL 2021



Muhtar Suhaili, Chief Executive Officer of the Malaysian Timber Council, shares how the organisation is standing its ground amid the pandemic

Purchasing American hardwoods: Suggestions for Asian lumber buyers

Inspecting and utilising wood preservation equipment



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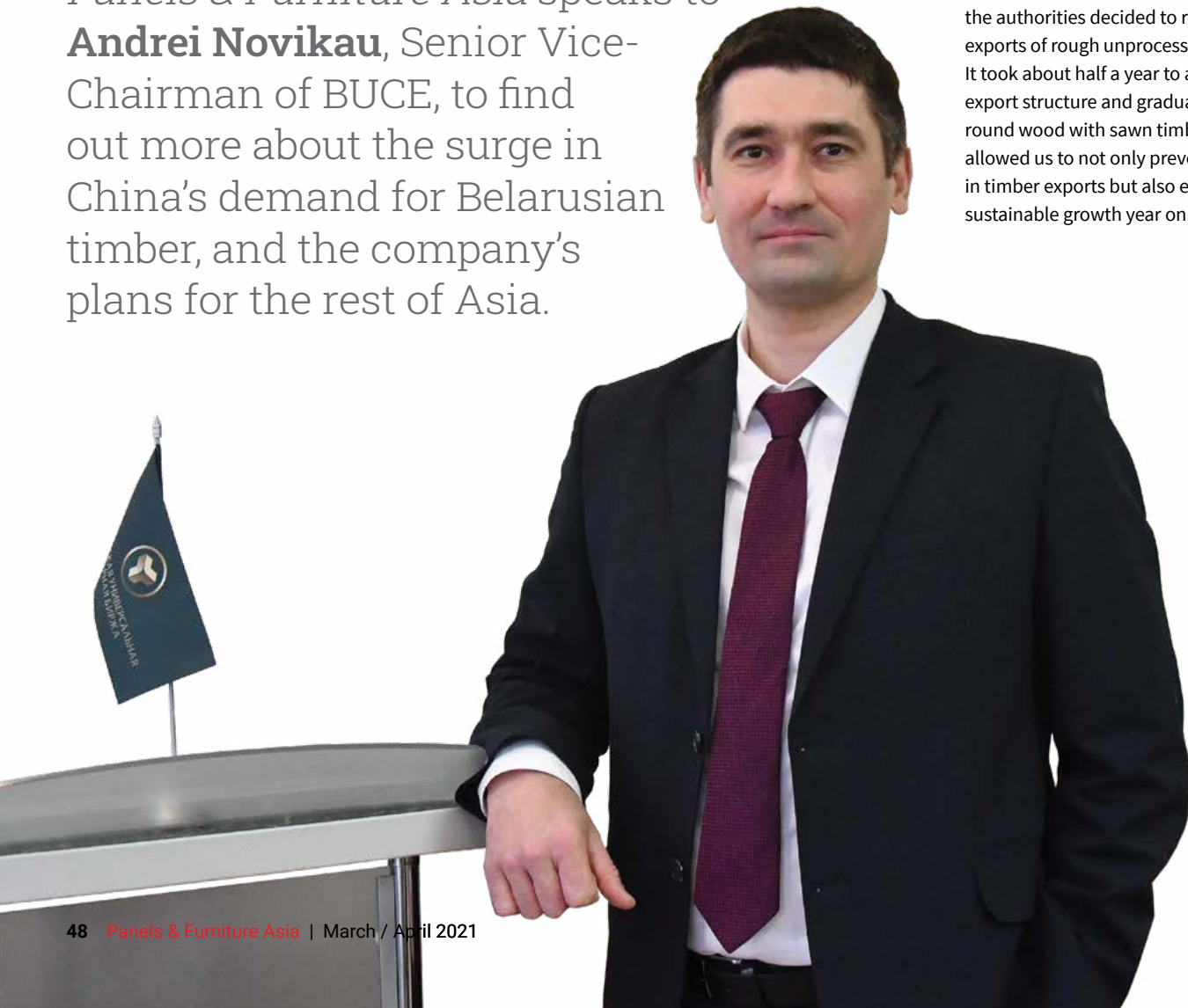
Belarusian timber: To China and beyond

With an annual turnover of US\$2.2 billion and over 25,000 members from 64 countries, the **Belarusian Universal Commodity Exchange (BUCE)** is the only commodity exchange in Belarus and one of the largest in Eastern Europe.

Panels & Furniture Asia speaks to **Andrei Novikau**, Senior Vice-Chairman of BUCE, to find out more about the surge in China's demand for Belarusian timber, and the company's plans for the rest of Asia.

The global export of Belarusian timber has increased tremendously over the past few years. Can you share some statistics and the possible reasons for this growth?

Covering some 40% of the country's territory, forests are among Belarus' main renewable resources with extraordinary export potential. Hence, it is quite natural that Belarus has always been a major timber exporter. Up until recently, round wood accounted for a sizable chunk of export sales via BUCE. The situation changed in 2018 when the authorities decided to reduce the exports of rough unprocessed wood. It took about half a year to adjust the export structure and gradually replace round wood with sawn timber. This allowed us to not only prevent a drop in timber exports but also ensure their sustainable growth year on year.



The share of woodchips and sawn timber in the total export sales of wood and wood products via BUCE is currently 98%. The remaining 2% include fuel pellets, fuelwood, wooden stakes and wind-fallen trees, among others. The geographical structure of export is quite diverse with Lithuania accounting for 34%, Latvia – 20%, Germany – 15%, Poland – 12%, Estonia – 10%, Azerbaijan – 3%, Netherlands – 2%, China – 2%, United Kingdom – 1%, Others – 1%. As you can see, neighbouring countries, particularly those in the Baltic region, are the biggest buyers of Belarusian timber. Yet, in most cases, they are not end consumers but rather transit hubs. Buyers from these countries merely resell our products to Northern Europe, Africa, Asia and other parts of the world.

Today, however, large foreign traders and end users can and do buy timber in Belarus directly. BUCE concentrates massive volumes of timber on its electronic marketplace for regular trading, and ensures a standardised quality of timber, competitive pricing and guaranteed fulfilment of contracts.

Recently, an increasing number of Chinese companies have been purchasing Belarusian timber. Is there a reason for this surge in demand from China?

Indeed, Chinese buyers of timber products were particularly active in 2020, accounting for nearly US\$10 million worth of purchase contracts. Of course, this may seem like a very small figure compared to BUCE's total turnover, but given the pace at which exports to China have been growing lately, this market has every chance to become one of the main export destinations for Belarusian sawn timber.

Statistics suggest that over the past year, the amount of timber purchased by Chinese companies has increased 45 times. There are several probable reasons for this spike in demand. Perhaps the most important reason is a flexible pricing policy applied by Belarusian exporters, as well



as convenient logistics solutions that involve cheap and fast railway transportation under the Chinese government's Belt and Road Initiative. While previously nearly all Belarusian timber was exported on FCA terms, buyers now have an opportunity to buy timber and have them delivered to major Baltic and Chinese seaports, as well as railway stations located along the new "Silk Road". This is the result of BUCE's close cooperation with Belarus' leading forwarding companies.

To further sweeten the deal for Chinese customers, BUCE has simplified the registration procedure, making it possible to complete all formalities within three business days. The electronic signature required for participation in exchange trades is now issued without payment, which means that entering the Belarusian timber market is completely cost-free. This, coupled with marketing efforts, has helped to increase the number of Chinese companies using BUCE's trading platform to 28. Nearly half of them got registered in 2020.

What tree species are most common in Belarus? Do share some examples of wood species suitable for panels, doors and furniture.

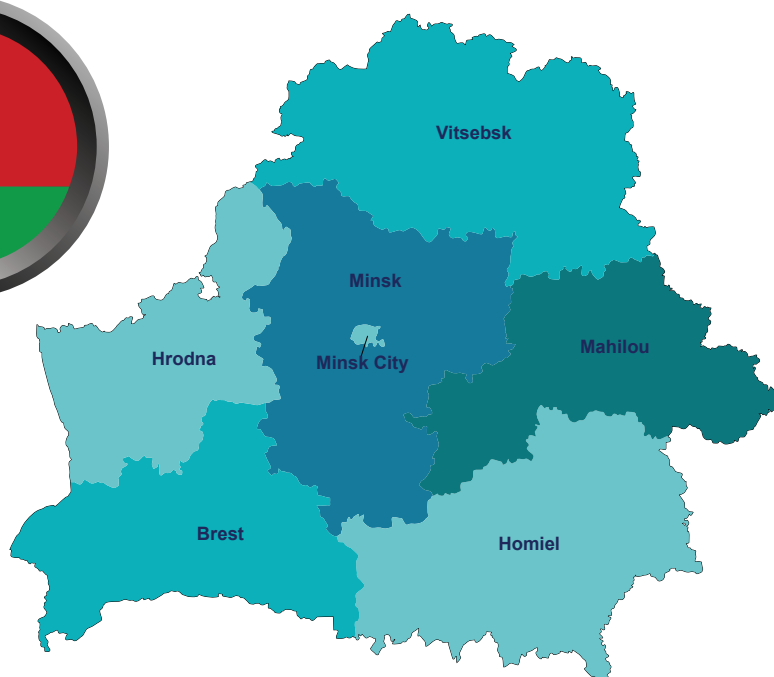
All in all, some 30 species of trees grow in Belarus. The most widespread conifers are pine and spruce, whereas

birch is the most common among broadleaved species. Other prevailing species include aspen, larch, rowan, alder, maple, oak and ash.

Pine, larch and oak are often used as raw materials for doors, while furniture manufacturers prefer pine, ash, alder, birch and oak. As for the construction industry, it is the largest consumer of edged boards, beams and stakes made of spruce and pine. Besides solid wood, various kinds of particle and fibreboards are also very popular, particularly in the furniture industry. More than 1,200 furniture factories operate in Belarus, producing a wide range of furniture items. About 70% of the total production volume is exported to Austria, France, Germany, Italy, the United Arab Emirates, the United States and other countries across the globe.

Tell us briefly about BUCE and its objectives.

Founded in 2004, BUCE is the only commodity exchange in Belarus with an annual turnover of US\$2.2 billion and over 25,000 members from 64 countries. All listed commodities fall into four main sections: metal products, timber products, agricultural products, and a standalone business-to-business electronic marketplace where all kinds of industrial and consumer goods are traded. Export makes up around 30% of BUCE's annual turnover, translating



to approximately US\$477 million in monetary terms. More than 80% of this figure is generated by foreign sales of timber to some 30 countries.

BUCE is one of a kind in several ways. Firstly, unlike most commodity exchanges, it is focused on real commodities rather than derivatives. Secondly, BUCE's clients are free to choose whether to trade on their own or via an exchange broker. Thirdly, any foreign company can become an exchange broker and promote BUCE's services in its home country. Finally, BUCE has a special unit that monitors exchange transactions to ensure that both parties fulfil their contractual obligations in full and on time. All these features serve one important goal – to create a favourable and risk-free environment for domestic and cross-border trade based on fair competition, transparency and efficiency.

How does BUCE work together with the Belarusian government and the governments of export countries on promoting Belarusian timber?

Since its foundation, BUCE has been closely cooperating with the Ministry of Forestry which is in charge of all forest resources available in the country. So,

it's hardly surprising that the very first transaction ever executed on BUCE was the export sale of 137,200 cubic meters of pulpwood to the tune of US\$2.9 million.

The promotion of timber exports is one of the Ministry's top priorities and BUCE enjoys full support of this regulatory body. We are also very good partners with the country's biggest timber exporter – Bellesexport – that acts on behalf of 90 plus timber manufacturers operating in all parts of Belarus. However, as you understand, marketing alone is not enough for successful and sustainable export business. Logistics is also of utmost importance. Therefore, BUCE has teamed up with several major domestic and international logistics companies to ensure that foreign buyers get an all-in-one service that covers delivery, warehousing and quality assurance. This integrated export policy has helped us boost sales on traditional European markets as well as gain foothold in less explored regions, such as Asia, Africa and North America.

With the assistance of Belarusian embassies abroad, we have established good business relations with the

majority of Chambers of Commerce, helping us to understand the situation in the local markets and spread the word about the advantages of BUCE's electronic trading solutions. In short, successful timber trading takes a lot of effort, time and teamwork. We are still at the beginning of the journey, but we believe that by joint efforts, we will be able to offer Asian clients an opportunity to do business with Belarusian partners – reliably, predictably and at very competitive prices.

Are there any plans specifically for the South East Asian countries (eg, Singapore, Indonesia, Malaysia, Vietnam)?

As far as we know, Belarusian timber is already available on the markets of South East Asian countries. However, these are not from direct sales but instead via intermediaries. A typical scheme looks as follows: a Lithuanian or a Latvian company buys Belarusian timber and takes it to a processing facility where it is kiln-dried, impregnated, graded and packaged. After that, it is shipped worldwide from one of the local seaports, such as Riga or Klaipeda. Now, we are trying to be more flexible. The main idea is to enable large Asian traders and end-users to buy resources directly from Belarus in addition to the already existing supply channels.

So far we have only managed make a foray into the Chinese market. In 2021, we intend to go further and start selling sawn timber to Egypt and other North African countries. South East Asia is likely to be the next target market. Right now, there is no clear-cut action plan but we are definitely interested in entering Singapore or Vietnam with our products as they are of high quality and can successfully compete with alternatives in terms of price. Yet again, these are merely speculations and everything may change considering how volatile the world market is. Nonetheless, one thing is certain: Belarusian timber exports will continue growing and their territorial coverage will keep expanding. **P**