



Korean wood tour

SEC members represented the U.S. industry learned more about the Korean market for U.S. wood products during a week tour in the Seoul area, February 23-29.

The delegation visited Korean manufacturers of doors, windows, and musical instruments. They also talked with 2x4 home manufacturers.

Participants represented their trade groups at the KY Housing Fair in Seoul, the largest construction materials show in Korea. The delegation gave presentations about U.S. products to potential end-users at an informational seminar in conjunction with the show.

The group included Erin McClanahan of Hampton Affiliates (representing WWPA), Jim Snodgrass of Contact Lumber (WMMPA), and Scott Morelock of Morelock Wood Products and Junichi Shibatani both representing the Oregon Economic and Community Development Department.

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Kiln-Dried Lumber and Glulam Set to Accelerate in Japan

By Craig Jenkins - FAS / Washington

Glue-laminated lumber (glulam) use in Japan saw a rapid increase throughout the past decade. With the Housing Quality Assurance Law (HQAL) set to take effect in June 2000, the use of these products will likely accelerate even more. Japan is also experiencing a related shift from green lumber to kiln-dried (KD) lumber. Similar technological and market forces are influencing both trends. Much of the KD lumber is lamstock used for Japanese production of glulam for both laminated posts and structural beams.

Possible Price Premiums

The HQAL, by requiring housing builders and suppliers to take responsibility for structural defects in housing, will stimulate the increase use of more dimensionally stable materials, namely KD lumber and glulam. Japan currently has limited kiln drying capacity. With demand expected to outstrip supply, exporters may experience price premiums in the Japanese market in the near future. Hirakaku beams (large dimension structural beams) are particularly promising: "An annual demand of 600,000 cubic meters for laminated "hirakaku" will be expected several years from now, but present supplies including domestic production and imports are less than 100,000 cubic meters."

Green Lumber Exports to Decline

In contrast to KD lumber and

glulam, green lumber exports to Japan are expected to continue to decrease by as much as 40%-50% over the next two to three years. Nevertheless, the market for green lumber is not about to disappear, as exporters who target more price-conscious buyers will find opportunity.

Precut Lumber Driving Change

P&B builders have moved away from the traditional method where each piece is hand cut, to the use of a precut package of posts and beams for each house. These packages are computer designed and each piece is cut to length, with each joint cut by machines, Japanese precut plants have increased recent years as significant cost savings and building-erection time can be achieved with precut materials. The number of precut plants increased from 181 in 1986 to 890 in 1998. The number of housing units supplied has grown even more rapidly, from 23,000 units in 1986 to 210,000 in 1998.

Japanese Imports to Increase

Though imports of glulam are rising rapidly, Japan meets most of its domestic needs. For example, for structural glulam, Japanese production was two and a half times greater than imports in 1998, with Japanese production of 374,000 cubic meters compared to 145,000 cubic meters of imports Japanese

(Continued on page 3)

Markets

March 2000

Japan housing continues on course

Annual Housing Starts for 1999 totaled 1,214,601 units, a 1.4% increase compared to 1998 and the first annual increase since 1996. Annual 2x4 housing starts for 1999 also increased 11.8% to 75,954 units and 2x4's share of total housing starts increased from 5.67% in 1998 to 6.25% in 1999.

Although starts remain near the 1.2 million level, the Japanese housing market remains the second largest market behind the U.S. After 27 months of continuous decline, year on year starts increased for the first time in March 1999. Since then, starts have been increasing steadily for seven out of ten months. Starts declined only in May (0.9%), November (0.6%) and December (0.8%), very marginal decline.

Housing starts should stay near 1.22 million in 2000 according to results from a recent survey of 16 major home building companies. The J2x4HBA is again predicting that 2x4 housing will pass the long set goal of 100,000 units in the next year.

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China's Wood Market

Chinese investors, with the cooperation of the National Timber Exchange, (NTE) are about to finish building a national clearinghouse for wood products; the Beijing National Timber Exchange (BNTE). Officials anticipate that a boom in wood products will support the BNTE as China's housing reforms create a growing demand for new homes. Officials are forecasting demand at 60 million cubic meters.

The NTE is a state-owned trading company that specializes in lumber. When operational, the NTE will supervise trading and provide price information directly to the BNTE. BNTE hopes to bring greater standardization to the domestic industry. At present, China's lumber industry suffers from a lack of standards, resulting in widespread consumer complaints and lawsuits. The BNTE has made arrangements for government inspectors to sample and certify the quality of lumber sold by vendors. Since imported products are already subject to inspection, foreign companies will not need this certification.

When finished, the Timber Exchange will consist of a main showroom building, 10 large offices (50 sq. meters) and 141 smaller offices. Ultimately, BNTE expects the main showroom to be devoted to furniture, with lumber in the smaller offices. Initially, interior wood products are expected dominant sales, but the BNTE expects structural wood to catch up in a short time.

BNTE is anticipating foreign participation: Limits on domestic production, combined with growing

demand, should lead to a jump in imports. Officials expect China's imports to reach 10 - 20 million cubic meters in 2000. WTO accession will also help to support imports by simplifying the registration process for foreign trading companies.

Officials at the exchange expect foreign companies to account for 3/5 of the floor space at the Exchange and claim to have leased the first floor showroom to a U.S. manufacturer of decorative wood products. Space on the remaining floors is still available and BNTE expects these areas to be rented out to foreign furniture manufacturers. The high overseas presence is not coincidental: BNTE has been marketing heavily to foreigners. The same day that U.S. Embassy officials visited the site, BNTE received a visit from the Embassy of New Zealand and made arrangements for a visit from the Swedish Embassy.

From USDA Gain Report

UES Submittal

SEC staff has finalized the western softwood application for the Unified Export Strategy for 2000/2001.

The plan and funding request highlights activities in Japan, China, Korea, the EU and Mexico. Activities in Oceania, Australia, and SE Asia were dropped from the plan.

New to the plan were specific activities for Taiwan. A 5% increase for the Market Access Plan funding should be available for the next plan year.

Programs

March 2000

(Kiln-Dried - Continued from page 1)

production relies largely on imported material (lamstock) for its glulam production. In 1998, Japanese softwood provided only 8 percent of total material inputs for glulam production. Though North American lamstock still has the largest market share, European whitewood lamstock, as with glulam, has experienced a remarkable market penetration

U.S. Competitive in Glulams

In addition to lamstock, the United States is also the number one exporter of glulam to Japan. Other leading exporters to Japan include Russia, Sweden, Austria, Finland, and Germany. Among structural glulam exporters, the U.S. specializes in large dimension beams whereas European production is oriented toward the structural post market.. U.S. Douglas-fir is favored for its strength and is the number- one choice for glulam beams.

Euro Lumber in Japan to Stay

European exports of lumber and glulam have been growing . Europeans capitalized on Japan's need for KD lumber. Most European softwoods for export are kiln-dried which provided for a rapid adoption by Japanese precutters with needs for size accuracy and proper moisture content. European whitewood also caught on quickly because of the light color, fine grain, and small knot size of European species, which include spruce, pine and larch. Prices are also competitive, due partly to favorable exchange rates and low shipping costs.

For the complete report see the SEC website/market research section.

FAS / Industry tackle regulations

The Foreign Agricultural Service and U.S. wood industry recently held technical discussions with Ministry of Construction (MoC) and Ministry of Agriculture (MAFF) officials. As a result the Government of Japan is considering U.S. requests to ease restrictions on the certification of wood products (Registered Certifying Organizations), the revised *Building Standards Law* (BSL) and the *Housing Quality Assurance Law* (HQAL).

The timing for these talks coincides with the Japan's *Public Comment Period* on these new building code regulations. Until March 9, 2000, MoC is accepting comments on the HQAL, and on the revised, "performance based". FAS/Japan and the U.S. wood industry have arranged English translations (on www.softwood.org) of key sections of the BSL for use by the U.S. side. On June 1, MoC implements the revised BSL, so the "window" for policy changes is only open briefly.

The changes in Japan's regulatory environment make it imperative that U.S. companies understand the process and the impact on exported wood products. Questions on the public comment process, the BSL, the HQAL, and wood product certification should be directed to FAS/Japan at agtokyo@fas.usda.gov.

by Casey Bean FAS/Tokyo

For the complete report see the SEC website/market research section.

American housing mission 2000

The U.S. Department of Commerce and Washington state are co-organizing an American Housing and Building Materials trade mission April 17--21, 2000 in Osaka, Hiroshima, Okayama, Takamatsu and Matsuyama. American manufacturers and exporters of housing and building materials and their Japanese representatives and distributors are welcome to take part in this unique marketing opportunity.

Participating companies will provide 15-30 minute presentations to Japanese builders, building materials importers, distributors and other industry professionals. 200-300 attendees are expected. Each company may display literature and samples at all seminar venues and meet directly with interested buyers in meetings pre-arranged by Commercial Service staff.

- Theme: "Interior Finish Methods and Products"
- Keynote Presentation: "Benefits of American Drywall Finish"

The fee to participate is \$450 - \$500 based on 10 participating American companies. Final cost may vary. Fee does not include airfare, lodging, shipping or transportation costs. Deadline for sign-up is March 13, 2000.

Interested U.S. companies should contact the Evergreen Building Products Association, or the US Department of Commerce in Japan.

For contact information see the SEC website members section.

Events

March 2000

SEC MEMBER ORGANIZATIONS

Alaska Department of Commerce

American Institute of Timber Construction

California Redwood Association

Center for International Trade in Forest Products

Evergreen Building Products Association

North American Wholesale Lumber Association

Oregon Economic Development Department

OSU Forest Products Department

Pacific Lumber Exporters Association

Pacific Lumber Inspection Bureau

West Coast Lumber Inspection Bureau

Western Wood Preservers Institute

Western Wood Products Association

Wood Moulding and Millwork Producers Association

New Publications

Two new publications are off the press and in the hands of SEC staff around the world.

The Pacific Lumber Exporters Association *Sourcing Guide*, lists contact information in four languages and shows, which PLEA companies, have multilingual staff.

The Western Wood Preservers Institute publication, *Wood that Works, Wood that Lasts* provides all the basic information for treated softwoods in four languages.

Trade Shows

SEC members are participating in numerous trade shows this spring.

- The West Japan Home Show will include EBPA and OECDD representation.
- Fensterbau, the window and door show in Germany, will include OSU and OECDD.
- The Good Living Show in Tokyo in April is supported by WMMPA and WWPA.
- The China Build Show in Guangzhou will feature a WWPA presentation on multi story wood frame construction.

Upcoming Events

- 📅 SEC Board of Directors Meeting, San Francisco - March 7, 2000
- 📅 SAIEDUE 2000, Bologna, Italy - March 17-21, 2000
- 📅 Western Japan Total Living Show, Tokyo - March 17-20, 2000
- 📅 FENSTERBAU 2000, Nuremberg, Germany - March 23-26, 2000
- 📅 Woodtech Malaysia, Kuala Lumpur - April 8-12, 2000
- 📅 Tokyo International Good Living Show, Tokyo - April 27-30, 2000
- 📅 Carrefour International du Bois, Nantes, France - May 5-10, 2000
- 📅 Interbuild 2000, Birmingham, UK - May 21-24, 2000
- 📅 Gardeners' World Live, Birmingham, UK - June 14-18, 2000
- 📅 European Wood Council, Luneburg, Germany - June 26-30, 2000
- 📅 ATMAC 2000 & Frame Australia, Melbourne, Australia - July 14-19, 2000
- 📅 Imported Housing Materials Exhibition, Kobe, Japan - Sept. 28-30, 2000
- 📅 Japan Home Show, Tokyo, Japan - Nov. 14-17, 2000

New information on
www.softwood.org

China/Brazil Wood
Packaging Requirements

SEC Travel Requirements

Details on upcoming
events

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