



Softwood Export Council Newsletter

MAY / JUNE 2002

China Opportunities

Opportunities for continued growth of US softwood lumber exports to China continue to expand. According to the Foreign Agricultural Service Trade Statistical Annual, exports of US softwood lumber to China increased from \$2.3 million in 2000 to \$12.6 million in 2001, an impressive 548% gain, at a time when other US export markets are in a decline.

The top five US softwood lumber species exported to China by value are: 1) Other cedars (incense and aromatic); 2) Ponderosa Pine; 3) Southern Yellow Pine (SYP); 4) Alaskan Yellow Cedar; and 5) Sitka Spruce.

Over the near term, opportunity for increased sales of US softwood lumber and building products will be in the furniture and interiors sector. US product are being used by furniture manufactures making medium-to-high quality wood furniture for export, are willing to pay extra for quality raw materials and have the capabilities to work directly with US

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Ignacio Martinez, American Softwoods Mediterranean Office Director, answers questions at the at the 2002 SAIE DUE Living Trade Show in Bologna, Italy, (see page 2)

Bush signs farm bill

On May 14th, President Bush signed in to law the 2002 farm bill, increasing federal subsidies by \$83 billion during the next 10 years.

The key provisions in the bill for the US softwood industry is the trade title language that increases Market Access Program funding from current \$90 million to \$100 million in 2002, \$110 million in 2003, \$125 million in 2004, \$140 million in 2005, and \$200 million in 2006 and subsequent years. Funding for the FMD program is also increased to \$34.5 million, up from \$27.5 million authorized annually under current law. In addition, language that gave preference to emerging markets was neutralized. The \$34.5 million

funding level for FMD will at keep the cooperator program at or near the status quo.

The U.S. wood products industry currently receives over \$9 million in funding from these programs annually. The programs have successfully changed traditional overseas buying habits, helped overcome foreign trade barriers, and laid the foundation for future export gains in new markets for U.S. wood products in a broad range of end uses. The MAP and FMD programs combined are currently funded at approximately \$130 million, which is divided among 65 different agriculture organizations.

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Markets

May / June 2002

Taiwan tariffs

*Tony Hallstead
FAS-FFPD*

On January 1, 2002, Taiwan acceded to the World Trade Organization (WTO) under the nomenclature of Chinese Taipei. Upon WTO Accession, Taiwan's average nominal tariff rate for agricultural products was lowered from 20.02 percent to 14.01 percent. Staged tariff reductions will be implemented annually until the average nominal tariff rate for agricultural products reaches 12.86 in 2004.

Prior to WTO accession, Taiwan's bound rate-of-duty for solid wood products ranged from 0 to 17 percent, although most product categories had a bound rate of zero. Following accession bound rates will be reduced to zero for all wood products except for some types of plywood. Unlike other sectors of the wood industry, Taiwan was reluctant to reduce tariffs for plywood. Because plywood is the most heavily protected sector of Taiwan's wood industry, bound rates ranged from 5 to 17 percent prior to accession. The final bound rates for plywood will range from 0 to 12.5 percent.

Contact Information

Softwood Export Council
520 S.W. Sixth Avenue #810
Portland, Oregon 97204 USA

Phone: 503-248-0406
Fax: 503-248-0402
Email: info@softwood.org
Web site: www.softwood.org

Craig Larsen, President
Allan Czinger, Programs Manager

BC to increase market promotions

*Matthew A. Cahoon,
US Embassy, Ottawa*

The British Columbia (BC) Ministry of Forests recently announced that the province will spend C\$20 million on forest sector diversification and international marketing, and has created an advisory board to help allocate the funds, this according to B.C. Forests Minister Michael de Jong.

Of the C\$20 million that the province will spend, \$12 million will be allocated to international marketing which will be used to promote the sustainability of B.C. forest practices, to support existing markets and to pursue new market opportu-

nities in China, Southeast Asia, and other countries. Market access initiatives will be undertaken, including removing technical barriers to trade and ensuring inclusion of BC products in foreign building codes.

The additional funding, \$8 million, is allocated to new product development, improving manufacturing processes and facilitating timber access for secondary manufacturers.

The Product Development and International Marketing Advisory Board will provide advice to the minister on the allocation of the funds. Membership is drawn from the public and private sectors.

SAIE DUE 2002

The Wood Moulding and Millwork Association (WMMPA) joined the SEC and the Southern Pine Council at SAIEDUE Living 2002, in Bologna, Italy. The show focuses on building materials for home interiors and is the largest trade show of its kind in Italy.

The tradeshow was a good venue to reach American Softwoods target market of window and door manufacturers in Italy. The traffic at the booth was steady and provided a good amount of opportunity to interact with members of the Mediterranean housing interiors industry.

SEC Mediterranean Office Director Ignacio Martinez was present to answer questions, promote US species, and provide some translation for US participants. Jim Costello Executive Vice President of the WMMPA and

Eric Sauder, and Derek Daly of Sauder Mouldings provided the US industry knowledge on mouldings and millwork.

Italy is one of our more important markets in the European Union for US softwood lumber. The Italian wood window industry still looks for high quality lumber for use in the manufacture of its products.

There are a few encouraging signs in Italy for the first half of 2002. According to trade data supplied by the Foreign Agricultural Service, exports of US softwood lumber products have increased by 2% for the first few months of 2002. In 2001, Italy and Spain combined were the 3rd largest export market for US softwood lumber products.

Programs

May / June 2002

(China—Continued from page 1)

softwood exporter and wholesalers.

In general, lumber price is still the number one factor in driving sales in China. However, in the furniture export sector, Chinese customers are willing to pay a bit more for attributes such as uniform and consistent grading, higher recovery factors, and reactive and attentive customer service. All of the mentioned attributes are areas in which US softwood producers excel.

China's recent WTO accession and the corresponding reductions in tariffs and trade barriers for a wide variety of forest products will help to create a level-playing field, particularly for medium-to-small sized US companies. However it also puts the Europeans, Canadians, and New Zealanders on an equal footing, with US companies as well.

There is also a tremendous potential in Chinese softwood market for structural uses. The PRC estimates 10 million housing starts in 2002, half of those in the urban population areas. Of the 1.3 billion people in China the developing middle class is approximately one-fifth of the population, and is living in the urban centers such as Shanghai, Beijing, and Guangzhou.

According to World Trade Atlas statistics, China imported \$90.9 million dollars of softwood lumber in 2001, an increase of 14% over 2000. The first quarter of 2002 shows import of softwood lumber has grown by 59% over the same period last year. US market share for softwood imports in China is standing at 6.8%. If trends continue for 2002, the US industry should export more than \$20 million of softwood lumber to China, making it the 6th largest ex-

AWDA winners announced

The winners of the 2002 American Wood Design Awards in Japan were recently announced and will be featured at a special ceremony, in Tokyo in early June, which will recognize the architects and designers of these wood structures.

Sixteen awards were selected from over 130 entries, both residential and non-residential projects, encompassing a wide range of design concepts, and using American wood products as part of their construction. The 2002 American Wood Design Awards marks the second time that US wood products cooperators (SEC, SPC, AHEC, APA-TEWA, and AF&PA) in Japan have

collaborated to make this design competition possible.

The Softwood Export Council sponsored three merit awards for the use of Douglas fir in a structural and framing applications. The Alaska Manufacture's Association sponsored a special citation for the use of Alaska Yellow Cedar. Photos of the winners are typically incorporated in industry advertising and publications, reinforcing the design versatility of US softwood species

Pictures and information on the 2002 winning designs are available on the SEC website at www.softwood.org.

SCGP for the Mid East and Mexico

The U.S. Department of Agriculture authorized \$10 million in supplier credit guarantees to Pakistan for sales of U.S. agricultural commodities under the Commodity Credit Corporation's Supplier Credit Guarantee Program (SCGP). The USDA acted in support of President Bush's commitment to provide economic assistance to Pakistan. Credit guarantees will be available on a first-come, first-served basis for applying exporters to cover sales of any of the commodities specified in the GSM list of commodities.

All sales must be registered with the Commodity Credit Corporation (CCC) by September 30, 2002 and exporters contractual arrangements must call for exports no later than November 30, 2002.

Publicized in the same day, the USDA amended the Supplier Guar-

antee Program for Mexico for fiscal year 2002. The amendment increases the program allocation from \$100 million to \$200 million. For more information on the Supplier Credit Guarantee Program link directly to the FAS web page through www.softwood.org.

SEC BOD meeting

The Softwood Export Council will be holding its spring board of directors meeting in Portland, Oregon, on Thursday, June 27th. The meeting will take place at the Benson Hotel from 8:30AM to 12:00PM. A block of rooms at the Benson have been reserved at a special reduced rate. Space is limited so make your reservations now. For more information, contact Allan Czinger at (503) 248-0406 or czinger@softwood.org.

Events

May / June 2002

SEC MEMBER ORGANIZATIONS

Alaska Manufacturers Association

American Institute of Timber Construction

California Redwood Association

Center for International Trade in Forest Products

Evergreen Building Products Association

Northwest Wood Products Association

Oregon Economic and Community Development Department

OSU Forest Products Department

Pacific Lumber Exporters Association

Pacific Lumber Inspection Bureau

Washington State Office of Trade and Economic Development

West Coast Lumber Inspection Bureau

Western Wood Preservers Institute

Western Wood Products Association

Wood Moulding and Millwork Producers Association

China market familiarization tour

The Softwood Export Council (SEC) is offering an opportunity to its members to participate in a market familiarization tour to Shanghai, China this June 8th - 16th, 2002. This tour will be held in association with the American Hardwood Export Council (AHEC) Greater China Convention and will offer opportunities to network with members of the Chinese furniture and interior fittings industry.

The tour will include: visits with

furniture and interior fittings producers using softwood products in their manufacturing facilities, as well as visits to new housing construction sites

This tour is a unique opportunity to learn more about growing market opportunities in China and gain valuable contacts in the furniture, and interior fittings industries. For more information contact Allan Czinger, at (503) 248-0406.

Upcoming Events

Carrefour Du Bois, trade show, wood import, Nantes, France; May 2002
Total Construction and Materials Fair, Osaka, Japan; May 2002
Provimueble, furniture trade show, Monterrey, Mexico; May 2002
Yami Send Off, Tokyo, Japan, June 4, 2002
American Wood Design Awards, Tokyo, Japan, June 5, 2002
AFPA Wood Design Conference, Tokyo, Japan; June 5, 2002
AHEC China Convention, Shanghai, China; June 13, 14 2002
SEC China Lumber Opportunities, China, June 10-14, 2002
SEC Spring BOD meeting, Portland OR; June 27, 2002
Gardeners World Live, trade show, Birmingham; U.K. June 2002
Tecnomueble, trade show, Guadalajara, Mexico; July 2002
CINTRAFOR IFPM conference, Seattle, WA; September 26-27, 2002
Taipei Constructions Show, Taipei, Taiwan; October, 2002
EXPO CIHAC, Mexico City, Mexico; October 17-22, 2002

For links to information on these events go to www.softwood.org/calendar

"The reasonable man adapts himself to the world; the unreasonable one persists in trying to adapt the world to himself. Therefore all progress depends on the unreasonable man."

-George Bernard Shaw



EMS

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Telephone: (503) 625-2688
 Fax: (503) 625-3678
 P.O. Box 1235
 Sherwood, OR 97140 USA
 Ed Schulmerich, President

an SEC Supporting Member