



# Softwood Export Council Newsletter

September 2008

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## International Opportunities



The US housing market continues to bounce along the bottom with recent annualized housing starts at the 895,000 level, the worst level in 17 years. Industry projections for 2009 are a little better with forecasts of a bit more than 925,000, still ugly by anyone's standards.

While the world economy in general is following the US downward, there are some opportunities to either regain old market share (Japan) or find some new markets (China and Middle East). The following reports show what may be new or expanding markets for US softwood producers.

## AMSO in China



American Softwoods seminar in Xiamen

*by Hande Ozer Buyuksahin:*

During the first half of the September SEC launched its fall China promotional events. In the first week, SEC hosted three seminars in Shenzhen, Xiamen and Shanghai. A total of 300 attendees, who are mainly architects, designers and wholesalers participated in the seminars. The second week was the exhibition at the Furniture Manufacturers Show (FMC) in Shanghai. FMC is an annual show which unites furniture manufacturers and suppliers in one place. According to the show

organizers, FMC had 15,000 exhibitors and 65,000 visitors in 2007. For 2008, it was expected to exceed these numbers and reach 70,000 visitors.

### American Softwood Seminars

SEC provides technical seminars in China every six months to increase market awareness. The seminars focus on specie and application introduction. In September, SEC and AmSo China staff organized the fall seminar series in Shenzhen, Xiamen and Shanghai. Shenzhen has been the center of the trade by its closeness to Hong Kong. The attendance was a total of 86 people who are designer, architects and local interior design association members. The second of the seminars took place in Xiamen. This is our second time in Xiamen where we had more 200 participants to our seminars last year. This year was also successful participation with 180 people. The attendees express their interest with their questions and comments after the seminars including requests about application and treatment of the wood as well as fire resistance. The Shanghai leg of the series was presented during the FMC show in order to attract both designers and manufacturers. The attendance was high reaching 80 people.

### FMC Trade Show 2008

SEC exhibited in the FMC show in the second week of September. The 4 day long show attracts furniture

manufacturers and suppliers from all over the Asia. The show is highly anticipated by Chinese manufacturers and more than 70,000 visitors were expected this year. AmSo members of PLEA also took part and worked the stand with AMSO staff.

American Softwoods booth was one of the main destinations. The booth had around 250 visitors who were looking for treated wood substitutes. The increasing price of Russian pine had changed the Chinese market. The two new species which were constantly asked in our booth were Ponderosa pine and Hemlock. Ponderosa pine is in high demand to use in furniture manufacturer. The other requested specie was treated western hemlock. The Chinese manufacturers feel that European and other species have gotten too expensive and that the Russian tax will soon affect that source as well. There was also particularly high participation from Korean manufacturers who are also looking for Ponderosa pine.

The new demand for Ponderosa pine and treated Hemlock offer the new market opportunities for American softwoods. The AMSO will increase its marketing efforts for these species and exhibit in other trade shows in the future.



### Japan Opportunities

The Japan housing market is slowly recovering from the abrupt slow down due to building code changes. As the market returns, Japanese home builders are faced with new questions on sourcing materials especially for 2x4 construction which is now about 25% of wood frame construction. Traditional Canadian sources have limited supplies because of the downturn in the US housing market and its problems with timber sources. The European suppliers are hampered by a strong Euro. A recent tour in the western US gave sawmills a new insight when a major Japanese home builder found acceptable products being produced by south of the border.

To help US producers rediscover the Japanese market, SEC and the AFPA staff in Tokyo are putting together a tour of major softwood users in Japan during the annual Japan Lumber Importers Association meetings in December. This annual industry meeting includes meetings with major Japanese ministries affecting the use of US softwoods as well as the Japanese wood and home building industries. One highlight of the meetings is the Industry sponsored reception where all the major softwood players in the Japanese market are invited.

This year the industry tour will include a major post and beam production fabricator, a major 2x4 housing production factory, jobsite house erection, and a special tour of Toyota, to better understand the reasons for production line mentality of the Japanese. Trip funding is available through your membership in PLIB, WCLIB, WWPA, or other SEC member organization..

The Center for International Trade in Forest Products (CINTRAFOR) recently returned from a reserach trip to Japan. The following are some or their conclusions:  
"One observation from this trip is that the SPF 2x4 dimension lumber supply is becoming very tight in Japan and this offers a potential market for U.S. SPF, hemlock and Douglas-fir.... The supply of dimension lumber in Japan is especially tight in the wider dimensions such as 2x10 and 2x12. Many builders are starting to adopt wood I-joists because they are unable to find a stable supply of 2x10's . This reflects the overall concern of 2x4 builders that the dimension lumber supply is starting to tighten across the board. Japan forest products producers are becoming very concerned with the stability of their raw material supply. There concern centers on what will happen in the future to the BC supply of dimension lumber with the pine beetle and a stronger Canadian Dollar. Many of the industry experts pointed out that mills are looking to domestic species as a hedge against disruptions in foreign supply. However, other experts pointed out that Japan lumber is not suitable for 2x4 dimension construction"  
A full report will available by the end of the year from CINTRAFOR

*By Eddie Pearce*

The markets across Europe remain sluggish. Housing starts in nearly all countries are at their lowest since the early nineties. This situation is confirmed by the fact that all the timber producing countries except for Germany are reporting lower export volumes of sawn timber. Finland lower by 17%, Austria by 5%, Sweden by 2% and Russia by 28%. The situation is also not helped by the fact that Europe is in the middle of its holiday season when activity in the timber trade normally slows down until September.

The only regions that are proving to be successful for exports of softwoods are the north African countries, such as Libya, Egypt, Morocco and Tunisia and the Middle eastern countries such as UAE, Saudi Arabia. Exports of sawn softwood to these regions have increased by about 15%. As a result of this downturn in exports a number of Nordic sawmills will be closed for longer summer breaks thereby resulting in production cut backs.

### **United Kingdom:**

The slowdown in the housing market has reached its worst position since the early 1990's. Nearly all the major house building companies have virtually stopped building. This has resulted in a 27% drop in the number of new house starts during the first 3 months of 2008 compared with same period in 2007 and this situation is reflected in the export levels of U.S. softwoods. As result of the downturn in the building industry, the UK imported 33% less sawn timber during the first 3 months of 2008.

### **Germany:**

Although the German timber industry is having success with exports, domestically the demand for sawn timber has slowdown. The reason for this is that new house construction has slowed considerably during the first 3 months of 2008, resulting in a 15.5% drop in new house completions. Despite this, U.S. softwood exports have continued to grow albeit very slightly during the first quarter of 2008.

### **France:**

The French timber trade has begun slowing down as a result of the lower demand for timber. This is a direct consequence in the downturn in the housing industry, particularly in private housing.

Despite of this situation U.S. softwood exports to France are 20.0% higher compared the same period in 2007, with Southern Pine being the main specie imported.

### **Belgium-Luxemburg:**

A similar situation to that which exists in France is also happening in Belgium. Despite a general slowing down in the building industry, export levels of U.S. softwoods have continued to increase and are 69% higher compared with same period in 2007.

### **The Netherlands:**

In the Netherlands the building industry appears to be going against the trend compared with the rest of Europe with the industry enjoying a relatively busy period. This is reflected in the U.S. export levels which are running 17% higher compared with the same period in 2007 with Douglas fir being the major specie imported at nearly 80% higher compared with 2007. Southern Pine is also increasing its export levels running at 38% higher than 2007.

### **Ireland:**

The Irish economy is at a very low ebb at this moment in time. The timber industry is suffering from the effects of a severe downturn in house building across Ireland. The consequence of this situation is that imports of sawn softwood from all sources has dropped by 13% during the first quarter of 2008.

### **Other Markets:**

During the past 3 years the UK office has been involved with promoting softwoods from the U.S.A. by participating at the Dubai Wood Show in Dubai, UAE. This is the largest trade show in the region which specifically targets the timber industry and it attracts many visitors from all around the Middle East and beyond, eg Pakistan and India.

In a recent report produced for SEC by Broadleaf Consulting, the value of the softwood timber exports to this region was \$576.6 million in 2007, an increase of 72.8% compared 2007. The

volume of timber shipped was 2.8 million m<sup>3</sup>, an increase of 45.6%. The U.S. timber industry recognises that it still has a considerable amount of investment of time and effort to make in this market to make real inroads into this market and it is for this reason that American Softwoods will be participating in both the Big 5 construction show in November 2008 and at the Dubai Wood Show again in April 2009.

## Upcoming Trade Shows and Seminars

### October

- USCB Sales mission
- Expo Cihac, October 14-18, Mexico City, Mexico
- Interbuild - October 26-30, Birmingham, UK
- EBPA/WSCTED Sales mission - October 20-24, SW Japan

### November

- Japan Home Show - November 12-14, Tokyo, Japan
- Big 5 Construction Show - November 23-27, Dubai, UAE

### December

- Japan Lumber Importers Association, December , Tokyo

### January

- Expo Mobiliaro, Jan 21-24 Mexico City

### February

- Delhi Wood Show, Feb 12-15, New Delhi
- KH Housing Fair, Feb 18-23 Seoul
- WoodMac China, Feb 17-20 Shanghai

### March

- Interzum Guangzhou, March 27-30 Guangzhou
- A+C Show, March 3-6 Tokyo

### April

- Dubai Wood, April 21-23 Dubai

### May

- Interzum, May 13-16 Koln

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