



Softwood Export Council Newsletter

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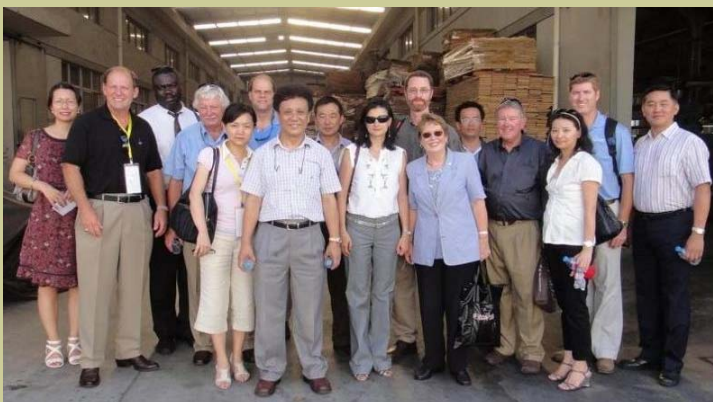
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FMC China Show 2010

During the second week of September American Softwoods and its members exhibited in FMC 2010 Trade Show. This year the show was well organized and fully booked by both domestic and international companies. According to organizers there were more than 800 exhibitors and 55,000 visitors.



The members of American Softwoods, PLEA, MMPA, MSA and PCC, met buyers from furniture and construction industry, Chinese officials and local lumber associations. The members were also invited to private tours to visit local manufacturers and sawmills. This year, the tours included local sawmills, Shanghai Port and a baby room furniture manufacturer who is a main supplier of Babies R US.

After the FMC Trade Show American Softwoods staff and its members held seminars in Shanghai, Nanjing and Beijing. The speakers, Jeff Morell, Professor, Wood Protection in the Department of Wood Science & Engineering Oregon State University and Jesse Young, a well know architect from Taiwan, presented American Softwood species and applications. The presentations and QA sessions allowed Chinese audience to understand how to use American softwood species in construction, interiors and furniture.

Western Softwood Lumber - International Markets

By Craig Larsen

The International marketplace for US produced softwood lumber is one of the few markets which have continued to grow over the past few years. In the recent past, during the strength of the US housing markets, international markets dropped to \$449 million and 76,424,000 board feet. By 2008 the market had climbed to \$584 million, \$372 million from western species, and 86,814,000 board feet. After a small retreat in 2009, current exports for 2010 are at 51% ahead of 2009 which should top the 2008 figures and climb to \$600 million.

Western Species have done well the past few years.



Douglas fir has climbed from \$58 million in 2005 to \$156 million (29% of all softwood export) in 2009 and Hemlock has climbed from \$11 million to 30 million during the same period. Ponderosa pine, has maintained a steady market at about \$24 million over the past 5 years.

International markets requirements are widely varied by specie, grade requirements and end use of the materials. Traditional US structural species, such as Douglas fir and Hemlock are found in many non structural products. Lower grades, of limited value in structural applications, find a home in crating, pallets, packaging and in the many re-manufacturing and gluing facilities, in parts of the world with much lower labor rates, for furniture and millwork components.

Wood frame residential construction is mostly limited to North America, Japan, and parts of Oceania. Even in those markets, North American framing system using 38mm x 89mm (2x4) structural members is limited to the US, Canada, and a small segment in Japan. Japan is the second largest wood frame building in the world, but of the almost 500,000 wood frame units in Japan last year, only 91,000 were 2x4 based. The vast majority were traditional Japanese metric post and beam timber construction using metric sizes. Structural framing sizes in Australia and New Zealand use 35mm and 45mm by 90mm and 100mm sizes. US softwood producers successful in these markets are providing metric sized lumber to compete with other imported products mainly from Europe and Canada.

Most of the US softwood exported is for non structural uses. Interior applications, such as doors, windows, frames, mouldings, flooring, paneling, and other millwork is a prime destination for both pine and fir species. Furniture parts and glued panels are also a destination for softwood lumber. Western species, such as Douglas fir and Hemlock, in the clear and other upper grades are prized in Europe for wooden window and door parts and frames. Ponderosa and other western pines are used in rustic pine furniture, and for upholstery frames in Mexico, China, and Vietnam. US producers are selling both metric and imperial sizes into these markets because much of the stock is ripped and resawn to provide "finished" metric sizes for the local markets.

A large portion of exported lower grades in softwoods are used in concrete forming for forming, wailers and support posts. Western softwood species have found distinct foreign markets based on species and size. For strength, long lengths, and large sections of solid lumber the Pacific Northwest is the place to go.

The Pacific Rim is the leading market for western species and Japan is the leading destination. Japan is the major export market for US produced Douglas fir importing \$77 million, (98,435,000 board feet) which was 50% of all Douglas fir exported in 2009. Western Hemlock and Hem fir were second at \$4.5 million, (7,200,000 board feet). Other notable specie include Redwood, Western Red and Yellow cedar and Ponderosa pine. For 2010 exports are on track to increase by more than 60% over 2009.

China is another market which has grown over the past 5 years. In 2005 the exports to China were \$23 million (33,072,000 board feet) and rose to \$35 million (49,566,000 board feet) in 2009. Hemlock was the leading US species imported in 2009 at \$7.5 million (13,356,000 board feet) which is 29% of all Hemlock exported. Douglas fir, Cedar, Hem-fir and Ponderosa pine where the other major western species, at over \$2 million each. Currently, in 2010, shipments have already surpassed 2009 totals, running 105% over, with "other pine" species doubling the volume of any other species.

Mexico is the second largest market for western species. Its imports have followed the US economy downward from \$102 million in 2006 to \$83 million in 2009. This year looks like a strong turnaround running at 37% over last year. The market value should top \$100 million again. Mexico is a low grade pine market with Ponderosa pine the leading known species imported, behind "other softwoods". Uses include furniture components, pallets, crating, and millwork. Douglas fir is also imported for some structural applications along the border. The major competition is Radiata pine from Chile.

Canada is a perennial top destination for US softwood species, but there is limited data as to how much is transshipped to the Pacific Rim via Vancouver and to Europe via the St Lawrence although anecdotal data points to a large percentage. It should be noted that western species are used in construction and remanufacturing and components through out Canada.

Australian market review

By Craig Larsen



DesignBuild Crew in Melbourne, June 2010

A shortage of 200,000 dwellings is helping fuel Australian home prices, which are 82 percent higher than in the U.S., but some say they will fall as interest rates rise in one of the world's priciest home markets. Economists say that it will take years to turn the shortage around and that's fundamentally what's going to drive the market. Over the next 10 years, Australia needs to build about 420,000 homes more than were built over the past decade to meet demand, notes the economist at the Housing Industry Association, the nation's largest residential building organization.

Australia's median home price was 6.8 times gross yearly income last year, compared with 5.1 times in the U.K. and 2.9 times in the U.S., according to the annual housing affordability survey. The nation of 22 million people has six of the 10 most unaffordable cities among the U.S., U.K., Canada, Ireland, New Zealand and Australia, the survey showed. The median home price in Australian cities cost A\$468,000 (US\$448,000) in August. The median price of a new home sold in the U.S. in 2009 was \$216,700, according to government data. Home prices in Australia surged 20 percent in the year to March in an economy with a 5.2 percent jobless rate, about half US and European levels.

Australia, the world's sixth-largest country by size with a land mass of 3 million square miles, had two-thirds of its people living in less than 0.5 percent of that area. State governments aim to keep more than half of new developments within the existing borders of the biggest capital cities. That's to minimize the impact of population growth on the environment, develop underused land, and locate homes closer to existing services and infrastructure.

There is concern about an Australia housing bubble. One investment strategist says higher rates may pop Australia's housing bubble. The nation's home prices need to fall 42 percent to "return to trend. Others note that the Australian housing market went through 2008 well worries about the 2011 and 2012 period." Relative to incomes, average house prices in Australia are "colossally high," The credit crisis that triggered a tumble in the U.S. and U.K. housing markets made Australian banks tighten requirements for home loans and curb financing for new developments. That's prevented mortgage defaults and over-construction, the two traits common to housing collapses.

For US western softwood producers the Australian market is making a small comeback in 2008 and 2009. In 2006, shipments of Douglas fir, Hemlock and Cedar were at \$267,000. In 2008 and 2009, shipments increased to \$2,076,000 and \$2,417,000 respectively, a 10 fold increase in 3 years. The market for US species is mostly Douglas fir (87%) and Western Red / Yellow Cedar (11%). As of July exports to Australia are up 20% over the 2009 numbers with WR Cedar seeing the biggest increase. Most of the product going into the market from the US is Australian scantling sizes of 35 and 45x90 mm and 35 and 45 x 100 mm to meet timber framing requirements.

Upcoming Trade shows and Seminars

October

- Expo CIHAC October 12-16, Mexico City
- USCB China trade mission October 25-29, Tianjin, Xiamen and Shenzhen

November

- Japan Home & Building Show, November 17-19 Tokyo
- Cancelled - Big 5 Construction Show, November 22-25 Dubai

December

- Japan Lumber Importers Meetings - Tokyo - Osaka

January

- Expo Promeuble, January 19-22 Mexico City

February

- KH Fair 2011, February 23-27 Seoul

March

- A+C Show -March 8-11 Tokyo
- Domotex China- March 22-24 Shanghai
- Interzum Guangzhou- March 27-30 Guangzhou

April

- Dubai Wood 2011 April 5-7 Dubai

May

- Interzum Cologne May 25-27, Cologne Germany

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Softwood Export Council- Promoting the expansion of export markets for primary and secondary softwood products manufactured in the United States.

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