CINTRAFOR

FACT SHEET

South Korean Markets for U.S. Wood Products Shifting Toward Processed Products

The Republic of Korea is the fourth largest export market for U.S. wood products, importing over $375 million of logs and processed wood products in 1993. While over 55% of the value of U.S. wood product exports was unprocessed logs, this number is down from 84% in 1983. Given the improved standard of living enjoyed by most Koreans, expenditures on housing and value-added wood products are expected to increase.

The Korean Forest Products Sector

Forests cover approximately two-thirds of South Korea, the result of a vigorous tree planting program initiated in the early 1960s. Protective rather than commercially productive in nature, Korean forests produced just 1.1 million m^3 of logs in 1993, or 13.6% of total domestic demand for wood. While domestic production of logs in Korea is low, total consumption of logs has increased from 4.0 million m^3 in 1970 to 8.7 million m^3 in 1993.

Korea's domestic wood processing industry, which relies on log imports for raw materials, imported 7.6 million m^3 of logs in 1993. The wood products industry has traditionally imported tropical hardwoods, but log export restrictions in S.E. Asia have reduced tropical hardwood availability and forced the restructuring of the wood processing sector. This restructuring has contributed to the substitution of temperate woods for tropical wood species. During the period 1980-1993, softwood log imports increased from 1.5 million m^3 to 5.4 million m^3 while tropical hardwood log imports declined from 4.5 million m^3 to 2.1 million m^3. The majority of tropical hardwood logs are used to produce plywood, while most softwood logs are sawn into construction grade lumber.

Selected U.S. Forest Products Exports to Korea

in $ thousands

Product	*1989*	*1993*	*% Change*
SW Logs	254,861	212,742	-17%
HW Logs	17,219	16,530	-4%
Wood Chips	11,441	21,691	90%
SW Lumber	11,258	17,709	57%
HW Lumber	11,988	31,178	160%
Plywood & Struct. Panels	NA	3,344	NA
Particleboard & MDF	NA	18,045	NA
HW Veneer	10,435	13,482	29%
Parquet Panels	58	13,447	23084%
Wood Doors and Frames	761	5,107	571%
Prefabricated Buildings	316	550	74%
Wood Windows and Frames	53	242	357%

Source: U.S. Dept. of Commerce Data

The U.S. Pacific Northwest has been the principal supplier of softwood logs to Korea. Rising log prices due to public harvest restrictions in the region, however, have provided other countries with an opportunity to increase their share of the Korean market. As a result, Korean log imports from the U.S. declined from 3.4 million m^3 in 1989 to 1.3 million m^3 in 1993, while log imports from New Zealand increased from 579,127 m^3 to 2.1 million m^3.

Although Korean log imports declined 13.9% since 1991, lumber imports increased by 45.8% and totaled 1.3 million m^3 in 1993. Most of this rise can be attributed to increased imports of tropical hardwood lumber. U.S. lumber exports to Korea increased from 23,000 m^3 in 1985 to 120,000 m^3 in 1993 and were almost equally split between softwoods and hardwoods. U.S. lumber imports were traditionally used in the production of high quality furniture and musical instruments, but due to the restructuring of the forest products industry, 71% of imported U.S. softwood lumber is used by the construction industry.

It is difficult to quantify total U.S. exports of value-added wood products to Korea, although export trends for some individual product categories can be identified. For example, during the period 1989-1993, exports of wooden doors increased from $761,092 to $5,106,515, and wood parquet panel exports increased from $58,306 to $13,447,000.

End-Use Markets

Residential Construction

The construction industry in Korea is responding to rapid economic growth, increasing standards of living and urbanization, all of which have increased the demand for affordable housing. There is currently estimated to be a shortage of 2.9 million housing units, primarily in urban areas. To alleviate this situation, the government has implemented a program to build 2.5 million housing units between 1992 and 1996, the majority of which will be multi-family units where the use of wood as a structural material is severely restricted. Given the shortage of affordable housing, however, the Korean Ministry of Construction has indicated an interest in evaluating western-style timber frame construction methods in multi-family housing units. Currently, wood can be used as a structural material in single family homes, although deficiencies in the building codes, high material costs, a scarcity of qualified carpenters, unfamiliarity with timber frame construction methods, and the perception of wood as a poor quality building material have all restricted its use. Despite this, strong potential exists for increased wood use in interior appearance applications such as flooring, doors, windows, and mouldings, and in the construction of vacation homes.

Furniture

The Korean furniture industry is a $2 billion industry, and the domestic demand for solid wood furniture is estimated to be increasing at a 30% annual rate. While Korean manufacturers focus primarily on the domestic market, the share of furniture exports has been steadily increasing and the Korean government has identified the furniture industry as an important growth sector. The furniture industry has traditionally relied upon tropical species as a source of raw materials, but opportunities for the increased use of temperate species have resulted from tropical hardwood supply constraints and changing preferences among younger consumers.

Musical Instruments

The musical instrument industry is the third largest end-use market for wood in Korea. In 1990, musical instrument production was estimated to be $475 million, with approximately 50% being exported. Japan is Korea's primary competitor in the export of musical instruments, and the strengthening yen should increase the international competitiveness of Korean musical instruments. As a result, demand for high quality lumber and veneer from the U.S., both hardwoods and softwoods, is expected to increase.

Tariff and Non-Tariff Barriers

Although access to the Korean market has improved, U.S. exporters still face many problems. While some trade barriers are specific to wood products (e.g., restrictive building codes, phytosanitary requirements for larch and pine products, and high tariffs), others are more generic (e.g., complicated customs procedures, limited port facilities, and export financing restrictions),

Market Outlook

The housing market is expected to remain strong, providing export opportunities for value-added wood products such as flooring, doors, windows and mouldings. Similarly, demand for wood products within the furniture, cabinet and musical instrument industries is expected to grow. Finally, niche opportunities exist for softwood plywood concrete forms, which can provide twice the life span of tropical hardwood plywood forms.

For more information about Korea or other international markets for forest products, contact CINTRAFOR.

Center for International Trade in Forest Products
College of Forest Resources, Box 35200, University of Washington, Seattle, WA 98195 Phone: (206) 543-8684 Fax: 685-0790