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CINTRAFOR Conference Lacks Doom and Gloom

By Linda K. Barr

The recent wood products conference in Seattle was perhaps notable for the scarcity of “doom and gloom” and dire predictions that have been a part of these conferences for the past several years. Economist John Mitchell, Ph.D., of U.S. Bancorp, set the tone with his observation that “nirvana is in the rearview mirror for at least awhile,” observing that a modest recovery in the U.S. economy is already underway, led by the housing sector, which seemed to be the consensus of speakers.

Part of the problem is that today’s view is relative, Mitchell said. The decade of the 1990s was almost unprecedented in terms of prosperity. Today’s unemployment rates, inflation rates, interest rates, GDP growth, and consumer spending rates are being compared to the 1990s, but a longer rear view shows that late 2002 compares very favorably to earlier decades and other recessions.

Mitchell told attendees at the conference, sponsored by the University of Washington’s Center for International Trade in Forest Products (CINTRAFOR) that the nirvana of a smooth-sailing economy is facing both headwinds and tailwinds. Dragging on the economy are such factors as negative appreciation in wealth, worries about terrorism and war, fear in credit markets and something called “creative destruction,” or entrepreneurial innovation, which is all “gummed up.” However, the offsetting tailwinds of low interest rates, low inflation, the weakening U.S. dollar, and time are likely preventing the U.S. from heading into a so-called double - dip recession.

Both Mitchell and Orawin Velz, Ph.D., keynote speaker and a senior economist with Fannie Mae, emphasized that the U.S. economy is beyond recession and into recovery, but the short-term forecast is for only modest improvement. They and other speakers noted that the continued strength in the housing industry is keeping both the forest products industry and the U.S. economy afloat. “A recession with realtors smiling is highly unusual,” Mitchell told his audience.

The drivers for the housing market are demographics, rising incomes, and interest rates. Interest rates are at historical lows, contrary to some past recessions, and interest-sensitive industries like automobiles and housing have benefited from this. An all-time boom in

mortgage refinancing has lowered debt burdens and freed up equity-cash for home improvements and other major purchases. In addition, demographics favor housing expenditures. Velz noted that baby boomers are in their peak earning and spending years. Immigration has been unexpectedly high, creating new households that are beginning to purchase their first homes (typically 10 years after arrival here). At the same time, housing is being constrained by land-use regulations, keeping housing inventories relatively

low and helping to maintain high price levels. Mitchell and Velz are convinced no national housing bubble is lurking. Interestingly, housing prices have increased in all 50 states despite rising unemployment rates. With equity markets a scary investment proposition and home values improving, more Americans are choosing to invest in homes and remodeling today, the economists concluded.

The Keys to Success

Representatives from Weyerhaeuser and Hampton Lumber pointed out the adaptations their companies have had to make to succeed in the changing marketplace. Both Don Haid, Ph.D., Weyerhaeuser’s analyst for the raw materials side of its business, and Ron Parker, chief executive officer for the successful, privately held Hampton Lumber Group, noted that producing more with less and the dominance of privately owned timber have made the difference for Western sawmillers, who are again producing volumes equal to their southern competitors. Haid says the link between logs and lumber “has allowed western production to run.” He points out that despite the downturn in log and lumber shipments to Japan, the export business continues to be viable and valuable to Weyerhaeuser and other shippers. “The keys to western region success are expanding supply through harvests, exports, and better recovery,” Haid says.

“Today’s unemployment rates, inflation rates, interest rates, GDP growth, and consumer spending rates are being compared to the 1990’s, but a longer rear view shows that late 2002 compares very favorably to earlier decades and other recessions.”

Director's Notes:

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The Center for International Trade in Forest Products addresses opportunities and problems related to the international trade of wood and fiber products. Emphasizing forest economics and policy impacts, international marketing, technology developments, and value-added forest products, CINTRAFOR's work results in a variety of publications, professional gatherings, and consultations with public policymakers, industry representatives, and community members. Located in the Pacific Northwest, CINTRAFOR is administered through the College of Forest Resources at the University of Washington under the guidance of an Executive Board representing both large and small companies, agencies, and academics. It is supported by state, federal, and private grants. The Center's interdisciplinary research is carried out by university faculty and graduate students, internal staff, and through cooperative arrangements with professional groups and individuals.

CINTRAFOR News Editor:
Kiley Dunn

I am sitting in a Kuala Lumpur hotel room that is trimmed elaborately in teak and mahogany, which soon may be endangered as a traded commodity species, or so say the experts at the Asian Timber and Forest Conference. All the presentation topics contain the word "challenges" in it. What challenges are the world of South East Asian timber trade and forestry facing? How is this impacting global trade? Here are observations gleaned from the two-day discussion:

The Asia Pacific region is immensely dependent on forest products trade. The need to change is survival driven. In Malaysia the timber sector alone accounts for 4.3% of its total export earnings (Kong). In the year 2000, the forest products sector in Asia provided employment for close to 4.5 million people who were involved in the manufacture of forest products (Ratnasingam). The New Zealand forestry and forest products industries contribute 4% of GDP and are on track to overtake all other sectors to be the largest export earner for the country by 2010.

There is increasing recognition in the Asia Pacific region that degradation and deforestation must be addressed. Largely due to over production of logs but also to land use conversion, the Asia Pacific region has experienced an exceptionally high rate of tropical hardwood removals. Not too long ago countries like Thailand and the Philippines, well endowed with forests, were important exporters of hardwoods. Their rate of deforestation was in excess of 2%, and by the 1990s they had ceased to be exporters and are now net importers (Krishnapillay). Malaysia is losing 1% of its forests annually (Krishnapillay). According to the World Bank, Indonesia has lost an average rate of approximately 1.7 million hectares per year between 1985 – 1997. More significant is that this rate accelerated after the financial crisis of 1997. A massive industrial overcapacity is frequently cited as a key driver for illegal logging (Tropical Forest Foundation). *Thailand* has suffered a negative wood balance for a decade; it depends upon imports for almost 80 % of its fiber needs (Monton).

Forest Certification throughout SE Asia is inevitable. There is growing pressure from consuming countries for producing countries to implement sustainable forest management. For Malaysia a national certification scheme is being formed under the Malaysia Timber

Certification Council, which will be recognized by the Forest Stewardship Council (FSC), and then adopted by the Forest Management Units, which are generally the states and districts of Malaysia. A large part (over one third) of New Zealand's plantation estate either has FSC certification or is applying for FSC certification (another 17%). That percentage will grow rapidly in the future. New Zealand national forest management standards are being developed under FSC protocols.

Log exports are shifting to secondary products. The net result of all the challenges is that exports of tropical logs and primary products are shifting to trade in secondary processed products, with the main products being furniture and parts, builder's joinery, and profiled wood. The main exporters in the expanding trade of secondary tropical forest products are Malaysia, Indonesia, Thailand, and the Philippines. These exports are directed at the markets of the USA, EU, and Japan. The US has seen the greatest growth of these products in recent years (ITTO). Instead of just exporting their way out of their difficulties, the SE Asian furniture industry is now looking for ways to move up the value chain, as regional product differentiation is becoming less clear and the competitive squeeze is tightening. A chair that cost \$17 US wholesale in Malaysia five years ago now fetches only \$5 because the same chair is made by 6 different SE Asian countries (including the ascendant Vietnam). China is pointing the way out with its importation of temperate and sustainably-managed, high-value hardwoods from Europe and the US. All this points to increasing substitution of some tropical hardwoods with temperate hardwoods, and, to a lesser extent, from softwoods.

Other trends to watch:

New Zealand's emergence as a major forestry nation. By 2010 the wood supply available from New Zealand planted forests will be 50% greater than the current annual harvest volume of nearly 21 million cubic meters.

China's dominance. Tropical hardwood plywood prices have gone bust because of decline in demand from Japan, the shift to softwood plywood production in Japan, and because of China's own booming domestic production of plywood (ITTO). SE Asia is watching the sustainability of China's Russian imports and concern is still high regarding China's overwhelming success in drawing Foreign Direct investment away from other countries in the region. To its regional trading partners, China represents both a threat and an opportunity for exports.



CINTRAFOR INDEX

- There are 116 million houses in the U.S., and the median age of this housing stock is now 33 years. The record level of sales of existing homes, coupled with the demand to update and upgrade, has created a \$160 billion dollar industry.

Butch Bernhardt, Jr., WWPA, CINTRAFOR IFPM Conference, September 2002

- 2x4 housing has increased its share to almost 15% of wooden housing starts, not so much through strong growth as much as through the weakness of the post & beam segment of the industry.

Ivan Eastin, CINTRAFOR IFPM Conference, September 2002

- Non-wood frame housing shares in 2001 made up 12% of the market; 11% of housing frames were concrete and the remaining 1% were made from steel.

Butch Bernhardt Jr., WWPA, CINTRAFOR IFPM Conference, September 2002

- The market share of western region lumber supply for housing starts has dropped from 43% in 1990 to 30% in 2001.

Butch Bernhardt Jr., WWPA, CINTRAFOR IFPM Conference, September 2002

- Repair and remodeling expenditures on engineered wood products could overtake single-family housing as the primary market by year 2010.

Matt Bumgardner, USFS, CINTRAFOR IFPM Conference, September 2002

- 13% of all wood products imported into Great Britain and China in 2000 were illegally sourced.

Betsy Ward, AF&PA, CINTRAFOR IFPM Conference, September 2002

- China has the fastest growing economy in the world, with a 10% increase in growth from 1990-2000.

Rose Braden, CINTRAFOR IFPM Conference, September 2002

- The Chinese government aims to increase per capita housing space from 215 ft² in 2000 to 270 ft² by 2005, and up to 330 ft² by 2020.

Rose Braden, CINTRAFOR IFPM Conference, September 2002

- Under WTO tariff reductions, China will reduce tariffs from an average of 7.6% to 4.4% by 2005.

Rose Braden, CINTRAFOR IFPM Conference, September 2002

- China has 1 million millionaires and at the same time 300 million people earning \$365 a year.

Rose Braden, CINTRAFOR IFPM Conference, September 2002

- Japan is the only country outside North America with a tradition of building and living in wood housing...until change happens, Japan is still at least a \$10 billion wood import market.

Tom Westbrook, CINTRAFOR IFPM Conference, September 2002

- Japanese housing starts are projected to be between 1.0 and 1.1 million until 2005; 900,000 and 1 million from 2005 to 2010; and between 750,000 and 900,000 after 2010.

Ivan Eastin, CINTRAFOR IFPM Conference, September 2002

- Japanese softwood chip imports remained well below record levels in 2001 and have dropped nearly 12% in 2002.

Bob Flynn, CINTRAFOR IFPM Conference, September 2002



Discrepancies in Forest Products Trade Statistics

By Ivan Eastin

The general public has little problem recognizing that the combination of small size and high intrinsic value of diamonds and other gemstones facilitate the smuggling and illegal trade of these products. This is aided by the fact that it is extremely difficult (but not impossible) to tell if a diamond was illegally exported simply by looking at it. In contrast, many people have a harder time understanding how large and bulky products like logs, lumber and plywood can be illegally traded or how there can be large discrepancies on the order of millions of cubic meters in the trade statistics between countries.

Within the timber trade there is a broad range of factors which contribute to discrepancies in trade statistics. However, the specific factors that have a disproportionately large influence on discrepancies in timber trade statistics include incompatible volume measurement systems, level of reporting detail employed within the Harmonized Trade System (HTS), allocation of transportation charges (FOB vs. CIF) in product valuation, time lags between reported exports and reported imports, incorrect or unknown specification of origin or destination of shipment (including triangular trade), under-invoicing of exports, mis-specification of wood products or timber species, and illegal trade and smuggling.

Despite the fact that these factors may or may not contribute to discrepancies within the trade statistics, they distort the trade statistics and contribute to unsustainable forest management practices and policies while reinforcing negative perceptions of the timber industry and international timber trade. Therefore it is of paramount importance that timber trade statistics be as accurate as possible to facilitate sustainable forest management practices, support the development of responsible government policies relating to forest management and timber trade, and promote a more positive public perception of the international timber trade.

Results and Discussion

In order to evaluate the extent to which discrepancies in trade statistics occur within the forest products sector, trade matrices based on the value of trade for the major exporters and importers of logs, lumber, and plywood were compiled. The trade matrices were carefully designed to ensure that the countries included in the matrices would account for at least two-thirds of the global trade in each product category. The trade data for each country was obtained from the World Trade Atlas, an on-line searchable trade database. The statistics included in the World Trade Atlas are derived from the official statistics compiled and published by each country.

Trade values were used to calculate trade statistics discrepancy ratios between the value of product that a country reported importing

from the exporting country and what the exporting country reported exporting to the importing country. The trade statistics discrepancies were calculated by the following formula:

$$\frac{\text{Reported Imports}_{AB} - \text{Reported Exports}_{BA}}{\text{Reported Imports}_{AB}} \quad (\text{Equation 1})$$

where:

Imports_{AB} refers to the reported imports by country A from country B.

Exports_{BA} refers to the reported exports from country B to country A.

Discrepancies in the Trade Statistics for Lumber

While over two-thirds of lumber exports are provided by just seven countries, the global trade of lumber is dominated by Canada which generated 34.9% of global exports in 2001. Other important lumber exporting countries include Sweden (8.6%), the US (8.2%), Finland (5.9%), Russia (3.4%), Germany (3.4%), and Indonesia (2.8%). All of these

countries were included in the lumber trade discrepancy analysis.

The largest bi-lateral lumber trade statistics discrepancy ratios

were consistently observed with Indonesia, and to a much lesser extent, Malaysia, Austria, and Sweden, Figure 1. The average bi-lateral trade statistics discrepancy ratio for Indonesia was 0.84, ranging from -1.40 to 0.968. The trade data clearly demonstrates that Indonesian lumber export statistics consistently and substantially under-report the value of lumber exported to virtually all of their trading partners. The frequency diagram of the lumber bi-lateral trade statistics discrepancy ratios in Figure 2 is centered on the 0-0.199 range of values and the mean value for this distribution was 0.226. Almost half of the discrepancy ratios (49.1%) were within 20% of zero compared to just 19.4% for logs and 26.3 for plywood. While approximately 18% of the discrepancy ratios exceed ± 0.6 , the lumber discrepancy distribution is nowhere near as skewed as that seen with the log discrepancy distribution.

Statistical tests were run to determine if there was a significant difference in the distribution of trade statistics discrepancy ratios: (1) between developed economies and less developed economies, and (2) across the three product categories. The expectation prior to running these tests was that the developed economies would have lower bi-lateral trade statistics discrepancy ratios. Similarly, we would expect to see smaller bi-lateral trade discrepancy ratios as the degree of product processing increased (i.e.,

“The trade data clearly demonstrates that Indonesian lumber export statistics consistently and substantially under-report the value of lumber exported to virtually all of their trading partners.”



plywood should be lower than lumber which should be lower than logs). This second hypothesis is supported by the fact that the aggregate FAO trade statistics for logs (0.221), lumber (0.104) and plywood (0.097) show declining trade statistics discrepancy ratios as the degree of processing increases.

The results of the first t-test test (developed economies vs. less developed economies) indicated that there was a statistical difference between developed and less developed economies for all products ($p=.03$), with the mean discrepancy ratio for less-developed economies being significantly higher than that of the developed economies. Further analysis indicated that at the individual product level there was a significant difference between developed and less developed economies for lumber ($p=.000$) but not for logs ($p=.409$) or plywood ($p=.884$).

The results of the second statistical test (logs vs. lumber vs. plywood) indicated that while there was a significant difference in the distribution of trade statistics discrepancy ratios for logs and lumber ($p=.036$) and logs and plywood ($p=.052$), there was not a significant difference in the trade statistics discrepancy ratios for lumber and plywood ($p=.984$). In addition, as discussed in the previous section, the average trade statistics discrepancy ratio for logs, lumber and plywood were found to be 0.387, 0.226, and 0.182. Thus we see that the trade statistics discrepancy ratio does indeed decline as the degree of processing increases and that the trade statistics discrepancy ratios for lumber and plywood are significantly lower than for logs.

Finally, we also looked at the impact of currency fluctuations on lumber trade statistics discrepancy ratios, using the US-Japan 2001 lumber trade value as an example. Despite the fact that there was a 9.8% variation between the monthly exchange rate values in 2001, the impact on the Japan-US trade statistics discrepancy was just 0.2%. While this is a single example using a single currency, it suggests that exchange rate fluctuations, in and of themselves, do not necessarily result in large variations in the trade statistics.

Conclusions

The analysis of the trade data demonstrates several fundamental characteristics of the trade statistics for forest products. First, the average discrepancy in the trade statistics is greater than zero and the discrepancy ratio becomes smaller as the degree of processing increases. Second, the majority of the discrepancy ratios observed for logs, lumber and plywood tended to be positive and concentrated above the average discrepancy ratio, indicating that in most cases the magnitude of the reported imports exceeded that of the reported exports. Third, there was a significant difference in the size of the discrepancy ratios observed between developed and less-developed economies across all products, although further analysis suggests that this difference was only

significant in the case of lumber. Finally, the trade statistics were statistically analyzed to establish what might loosely be described as a “normal” range of trade statistics discrepancies that might serve as a guide for trade analysts looking to identify unusual discrepancies in the trade statistics that might require further investigation, Table 1.



Table 1: “Normal” Range of Statistics Discrepancy Ratios for Logs, Lumber, and Plywood.

Product Type	Mean Trade Discrepancy	“Normal” Range of Trade Discrepancies
Logs	0.387	-0.037 to 0.812
Lumber	0.226	-0.106 to 0.558
Plywood	0.182	-0.176 to 0.540

Note: The “normal” range of trade statistics discrepancies are based on trade discrepancy values within approximately one standard deviation of the mean trade discrepancy.

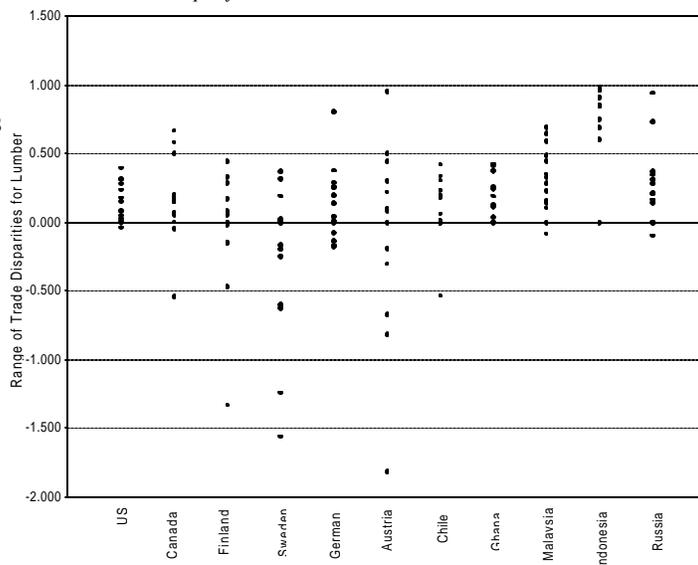


Figure 1. Scatter diagram of trade statistics discrepancy ratios for lumber.

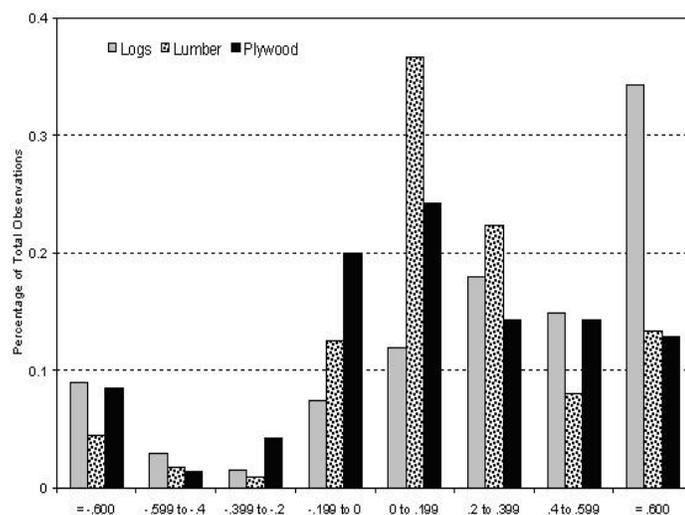


Figure 2. Distribution of trade discrepancy ratios for logs, lumber, and plywood.



A Survey of the Post and Beam Industry in Japan

By Joe Roos and Ivan Eastin

The ongoing economic downturn in Japan has seen residential housing starts drop from 1.64 million in 1996 to 1.17 million in 2001. The impact of the decline in Japanese housing starts on demand for US forest products has been dramatic. Despite these trends, there remain promising niche markets for US softwood lumber and engineered wood products. Recent market research in Japan suggests that there are two distinct market opportunities for US wood products in Japan: 1) commodity markets for structural lumber and 2) specialty niche markets for value-added products.

With the exception of baby square posts, the post and beam industry remains largely untapped by North American firms who prefer to focus on supplying standardized commodity items into Japan. US producers may be able to offset their higher production and transportation costs by supplying specialty products into the post and beam market. For example, as a result of recent regulatory changes in the residential construction sector, it may be advantageous for US producers to supply kiln-dried lumber and glulam products milled to the specific dimensions required by the post and beam industry. Most US sawmills, which produce lumber in standard rather than metric lengths, are ignoring this larger segment of the Japanese housing market. On the other hand, Canadian and European lumber exporters have made significant inroads into the Japanese post and beam market by supplying products that meet Japanese needs. Given that US producers cannot compete solely on the basis of price, a more effective strategy would appear to be to differentiate their products using non-price attributes that are valued in Japan.

Survey Results

The recent regulatory changes in the Japanese residential construction industry imply that builders are beginning to change the types of wood products that they use to build homes. To obtain demographic information and develop a better understanding of post and beam builder's changing use of softwood lumber, a survey was administered to Japanese residential construction builders between August and December 2001. Cluster sampling was used to divide Japan into four geographic regions (Kanto, Kansai, Kyushu, Tohoku) and a random sample was taken from each cluster. A total of 2,515 surveys were sent out in two separate mailings. A total of 460 usable surveys were returned, representing a response rate of 19%.

sales), medium builders (between ¥10 and ¥20 billion in annual sales) and large builders (over ¥20 billion in annual sales), Table 1. Over 70% of the survey respondents were small builders while 17% were medium sized builders and just over 10% were large builders. Survey respondents were fairly evenly distributed between the four geographic regions identified for the survey.

Table 1. Summary of survey respondents, by firm size.

Firm Revenue	Number of Respondent	% of Respondents
Small (Below ¥10 billion)	(Below US\$83 million) 328	71%
Medium (¥10-20 billion)	(US\$83-167 million) 77	17%
Large (Over ¥20 billion)	(Over US\$167 million) 52	11%

One of the more important results of the survey was the predicted increase in the New Post and Beam Building Method (often referred to as the "Rationalized Post & Beam System") where structural panels and metal connectors are used, Table 2. Companies were asked to identify the different types of construction technology that they used in 2000 and to predict the types of building technologies that they would be using in 2005. The biggest increase was observed in the predicted use of the New Post and Beam Method, which increased from 22% in 2000 to 39% in 2005. The expected increase in the use of the Rationalized System was observed across all of the geographic regions.

Table 2. Respondents current use of construction technology and predicted use in 2005.

Building Method	2000	2005(Predicted)
New Post and Beam <small>(Using Panels, Metal Connectors, etc)</small>	22%	39%
Traditional Post and Beam	64%	44%
North American Style 2x4 <small>(220 x 2440 mm Module)</small>	1.6%	2.4%
Japan Style 2x4 <small>(910 x 1820 mm Module)</small>	7%	7.6%
Wooden Prefab	0.8%	1.6%
Steel Prefab	1.2%	1.7%
Concrete Prefab	.33%	.57%
Other	2.8%	2.8%

Survey respondents indicated that their use of structural products has changed significantly over the past two years, Table 3. For example, survey respondents indicated that their use of structural glulam beams and kiln dry lumber had increased by 50.9% and 59.2%, respectively. In contrast, 61.9% of the survey respondents reported that their use of green lumber had decreased over the past two years. These results clearly show the trend away from green lumber toward kiln dry and laminated products.



The respondents were divided into small builders (under ¥10 billion in annual

The use of different structural materials for specific structural end-use applications is summarized in Table 4. These survey results show several interesting things. First, the use of kiln dried lumber is strong across all six end-use applications. A large portion of the demand for kiln dried lumber is derived from the manufacturers of pre-cut post and beam houses. The survey results indicated that 63% of the homes built by small builders were pre-cut homes, while 81% of the homes built by medium-sized builders and 89% of the homes built by large builders were pre-cut. The use of glu-lam beams for posts and beams was 32.4% and 21.3%, respectively, suggesting that these market segments are far from their saturation point and there is ample room for growth. Builders use of green lumber, while declining substantially over the past two years, is still surprisingly strong despite the new 10 year housing warranty. Finally, builders use of more innovative products (at least within the Japanese market), such as LVL, wooden I-joists, finger-jointed lumber and veneer wrapped lumber, is still very small. This last trend suggests that Japanese builders are much more conservative in their use adoption and use of new wood products than are builders in North America.

Table 3. Trends of Product Use Over Past 2 Years.

	Increased	No Change	Decreased	Not Used
Decorative Overlay Laminated Post	28.0%	21.8%	8.4%	41.8%
Glu-Lam Beam	50.9%	20.4%	5.0%	23.7%
LVL	20.4%	15.8%	9%	54.8%
Kiln Dry Lumber	59.2%	25.5%	8%	7.3%
Green Lumber	.9%	16.5%	61.9%	20.7%

The survey data was also analyzed to evaluate regional differences in materials use. Perhaps the biggest regional difference observed was in Kyushu where the use of green lumber was substantially higher than in the other regions. In contrast, the diffusion of engineered wood products into Kyushu was relatively low. For example, builders in Kyushu reported using glu-lam lumber in just 9% of their beam applications whereas builders in the other three regions used glu-lam lumber in over 30% of their beam applications.

The survey also examined the attitudes of Japanese builders towards four different factors, including

Table 4. Respondents use of softwood lumber in specific end-use applications.

Building Application	Wood I-Joist	Finger Jointed Lumber	Veneer Overlay Lumber	Glu-Lam Beams	LVL	Kiln Dry Lumber	Green Lumber
Floor Joist(<i>neda</i>)	1.1%	0.5%	0.3%	2.5%	0.9%	51.5%	21.3%
Sill Plate(<i>dodaï</i>)	0.3%	0.3%	0.0%	7.1%	0.5%	54.0%	29.4%
Beam(<i>hirakaku</i>)	0.4%	0.9%	2.5%	21.3%	1.5%	47.6%	23.4%
Post(<i>hashira</i>)	0.3%	0.9%	3.8%	32.4%	2.7%	44.8%	12.9%
Mid-Post(<i>mabashira</i>)	0.2%	4.7%	0.4%	9.3%	4.8%	55.2%	23.8%
Rafter(<i>taruki</i>)	0.0%	0.1%	0.0%	1.0%	0.4%	51.6%	43.5%

their preference for domestic lumber products, their price sensitivity, their attitude towards risk, and the importance the builder places on customer service. The attitudes were measured on a Likert-like scale of 1 to 7, where a score of 1 represented the lowest level, a score of 4 represented the mid-point and a score of 7 represented the highest level. The overall survey results showed that the levels of preference for domestic lumber (4.6), price sensitivity (4.3), and customer service (5.2) were all above the mid-point value of 4. In contrast, the level of willingness to pursue risk (3.1) was well below the mid-point.

In examining the differences in responses based on company size, the results suggest that the large builders are slightly more price sensitive and substantially more customer service oriented than are the small builders. On the other hand, the large builders demonstrated a relatively lower preference for domestic lumber than did the small builders. An analysis of the survey data based on geographic regions found that the responses of the survey respondents were fairly similar with the exception of builders in Kyushu. In Kyushu, the average scores related to their preference for domestic lumber products and their price sensitivity were 4.9 and 4.0, respectively. In contrast, the average scores for builders located in the other regions were 4.6 and 4.4, suggesting that builders in Kyushu are less price sensitive and have a higher preference for domestic lumber products than are builders in the other regions.

Conclusions

One of the most important findings of this survey is the projected growth of the rationalized post and beam market segment. The data shows that the rationalized (or new) post and beam construction method will grow 77% over the next 5 years. Overall kiln dried and engineered wood products showed substantial increases in Japan over the past 2 years. However, the highest rates of adoption were seen by large builders and builders in the three regions excluding Kyushu. The survey also showed that while the use of green lumber is declining, it is still widely used. The results of the attitude survey suggest that builders have become very price sensitive and are more open to using imported building materials. †



The rising trend in Western region (Coastal) lumber production is in contrast to Southern production, Haid notes. Timberland in the South, like much of Washington, is privately held, but a larger portion of Southern timberlands is in small, non-industrial ownerships. These owners tend to be “downward sticky on prices,” or more likely to withhold timber sales in weak lumber markets, which tends to keep prices higher and extends the lag time between changes in lumber prices and adjustment to raw material prices. Typically in the south, log prices lag lumber prices by 12 to 18 months, whereas the lag time is closer to one quarter in the West.

Parker attributes much of his company’s success to its privately held structure, which lets it make decisions about investments over longer terms than is often the case in companies where quarterly performance audits are publicly scrutinized. Parker sees the growth in his company as a key to success, and Haid points out that the trend in the Northwest is to fewer, larger companies, which is economically more efficient for its “wood basket tensioning” than many smaller companies. Haid reports that in 1990 there were 106 sawmills in Washington, which dropped to 56 mills by 2000, yet the Coast region remains a net exporting region today (producing considerably more than it consumes), production is up for the year, and it has held up well in the current oversupplied market. “Harvest in the Western region is much lower today than the early 1990s,” Haid says, “but the level of production is the same.”

Wood Demand

In addition to the record setting pace of home sales (both new and used) housing starts remain strong even if slightly lower than last year, and the second major domestic market for wood products, the repair and remodeling sector, is also humming. A representative from the United States Forest Service, Matt Bumgardner, Ph.D., who works in an eastern forest products lab, pointed out that engineered wood products, such as oriented strand board, laminated veneer lumber, and glu-lam beams, continue to make inroads in both new building and remodeling/repair markets. Consolidation among home builders and the aging U.S. workforce are two factors creating a favorable environment for the growth in the U.S. of engineered wood, says Bumgardner. Engineered wood supply has increased astonishingly; global production capacity has doubled in the last decade. Panelized construction is taking market share from stick-built homes, although modular component construction is decreasing. Growth is strong for glu-lams, the I-joist market is maturing, and a larger share of LVL is going into headers and beams than in the past. Other topics addressed included the wood chip markets, the softwood lumber dispute between Canada and the U.S., improvement in the potential market for wood products in China, and the American Forest & Paper Association’s recent participation in the World Summit on Sustainable Development in Johannesburg. Presentations from this conference are available on CINTRAFOR’s Website, at www.cintrafor.org/conference_tab/overview.htm . †



CINTRAFOR to Sponsor Inaugural 2003 Wood Summit



SEATTLE, October 24, 2002 – The Center for International Trade in Forest Products (CINTRAFOR) has agreed to sponsor the 2003 Wood Summit, produced and managed by Paperloop. *Wood Summit* is a focused exhibition and educational program positioned for professionals in the primary and secondary wood processing industry with emphasis on technology, training and innovation. This inaugural event will be held October 1-3, 2003 at the Oregon Convention Center in Portland, Oregon.

“We already have our conference tracks identified and are beginning to invite speakers with the help of our sponsors,” said Conference Chairman Bernard Fuller, Vice President—Wood Products for RISI. “Wood Summit is seeking or has secured affiliations with the leading industry associations and universities to provide a comprehensive conference program from timber harvesting to engineered wood products development in a single event. Our goal is to provide a positive return for the time and travel dollars of industry professionals who attend through an offering of practical educational and training programs, as well as market overviews. We also seek to generate excitement and anticipation to attend future Wood Summit events and renewed commitment to the industry through fresh and innovative ‘outside-the-box’ thinking.”

In addition to CINTRAFOR, other announced Wood Summit sponsors are the APA – Engineered Wood Association; Composite Panel Association; European Panel Federation; Oregon State University Department of Wood Science and Engineering; The Forest Products Society; and World Forestry Center. These prestigious organizations join Hatton-Brown – the official publications sponsor and publishers of *Timber Processing*, *Panel World* and *Southern Lumberman* – and RISI, the leading information resource for the timber and wood industry, in organizing and marketing the event. Initial estimates project that the show will attract approximately 4,000 to 6,000 attendees.

About Wood Summit

Wood Summit is produced by the leaders in the business-to-business information exchange arena with a long, proven track record in the wood processing marketplace. Wood Summit 2003 is being developed and managed by Miller Freeman’s former “Industrial Events Management Team”, producers of the 2000 Wood Technology Clinic & Show, and current producers of CMM International, as well as Paper Summit. †



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