

C I N T R A F O R

Working Paper 100

Niche Market Opportunities for Alaska Forest Products in Japan (2005 Update)

Daisuke Sasatani, Joseph A. Roos, Allen M. Brackley and Ivan Eastin. 2005

Executive Summary

Alaska exports to Japan decreased dramatically during the 1990's. This decline was caused by a variety of factors including the Japanese recession, a reduced Alaska timber supply, exchange rates, a market shift from green lumber to kiln dried lumber, and increased global competition. However, in 2005 Japan 's GDP, stock market, real estate, and consumer price index were up from the previous year indicating a strong economic recovery. Furthermore, the U.S. Dollar has weakened against the Japanese yen and many economists predict that the U.S. Dollar will continue to decline against the yen due to historically high U.S. fiscal and trade deficits. This will give Japanese companies more purchasing power for U.S. forest products.

In addition to economic changes, Japan 's demographics are changing rapidly. In the first half of 2005, Japan 's net population decreased and the population will continue to decline to the 1960's level of 100 million by 2050. While Japan 's general population is decreasing, the percentage of population over 65 is growing rapidly as the baby boomers reach retirement age. According to a survey published in the Nikkei Weekly Newspaper, one area baby boomers expect to spend money on when they retire is their house. The total size of Japan 's remodel market was 7.0 trillion yen (US\$ 60.3 billion) in 2003. The remodel market increased in 2003 and is predicted to increase as more baby boomers retire.

As explained above, the Japanese market has shifted from green lumber to kiln dried lumber. Alaska has more than doubled their kiln dry capacity since the late 1990's and this opens up Japan 's kiln dried lumber market. Additionally, the Ketchikan Wood Technology Center has established Alaska-specific lumber grade marks to differentiate Alaska timber species' unique characteristics. The Japanese market has always valued quality and there is now an opportunity to communicate Alaska lumber quality by promoting these new grade marks in Japan

The results of this research suggest that many niche markets exist for Alaska forest products:

1. Tract housing power builders

Tract housing developments built by a new category of builder called "power builders" have increased in Japan 's urban areas. This is a growing market segment in Japan and these power builders are large enough to import Alaska forest products in large quantities.

2. Kiln dried lumber

Alaska has substantially increased its kiln dried lumber capacity recently. Japan 's ten year warranty building requirement has increased demand for kiln dried lumber. There is ample demand for kiln dried lumber in both the 2x4 and post and beam housing markets.

3. Lamstock market

There has been an increase in demand for engineered wood and the number of Japanese glulam manufacturers. The results of the Ketchikan Wood Technology Center Alaska species testing program have shown Alaska lumber has superior strength properties compared with many other species making it suitable for lamstock.

4. Pre-cut lumber market

Almost 75 percent of Japanese post and beam starts used pre-cut lumber. Japan 's pre-cut lumber mills are a strong market to target with lumber sizes that could be used with their pre-cut lumber machines. The lumber sizes vary based on the application.

5. Alaska yellow-cedar for sill plate (dodai)

Due to its natural decay resistant properties, Alaska yellow-cedar is very popular for sill plates and other structural lumber used in ground contact applications in Japan .

6. Alaska yellow-cedar for garden accessories and tubs

Alaska yellow-cedar's decay resistant properties make it an excellent species for outdoor garden accessories such as decking and decking accessories, benches, gazebos, and lattice. As explained earlier, there are a lot of retirees in Japan and this number will be increasing. Many retirees spend more time in their gardens and the demand for garden accessories is expected to increase.

Also, Alaska yellow-cedar is considered a substitute for hinoki , (Japanese falsecypress). Japanese people traditionally take a bath daily. Soaking tubs are especially popular in Japan and most detached houses have one. An Alaska yellow-cedar tub could be developed and positioned as an upscale alternative to a hinoki tub.

7. Home improvement market for retirees

Japan 's baby boomers are approaching retirement age. Many Japanese retiring workers receive a large lump sum payment, which they often use to improve their house. The senior home improvement market is expected to grow substantially as baby boomers start to retire.

8. Remodel market

The remodeling market is expanding. There is an opportunity for lumber producers to collaborate with builders specializing in remodels, architects, and designers to develop higher quality products to sell to Japan .

9. Wood Chips

It has been estimated that over 2.3 million acres of timber have been affected in the Kenai Peninsula by the spruce bark beetle. One potential application for beetle killed spruce is wood chips. Japan has one of the largest pulp and paper markets in the world.

10. Gift Market

Japan 's gift market has strong potential for smaller wood products and craft items. This market offers tremendous opportunity for smaller wood products that can be packaged and shipped easily. It would also make the gift more attractive if wood items are bundled with other “made in Alaska ” items, such as smoked salmon.

11. Brand Strategy

As described above, the Ketchikan Wood Technology Center has registered proprietary grade marks for Alaska species. These grade marks are “Alaska Hem”, “Alaska Yellow Cedar”, and “Alaska Spruce”. These three grade marks should be developed into a brand that communicates the quality of Alaska forest products to forest products manufacturers, pre-cutters, and homebuilders.

Full Report \$50.00: [To Ordering Instructions](#)

Back to [Publications List](#)