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An Assessment of the Competitive Impact of Japanese Domestic Wood Programs on the Future Demand for US Wood Products in Japan

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Executive Summary

Since 1970, Japan has increasing relied on imports to meet its domestic demand for wood products. This reliance on imported wood has always caused a certain tension in Japan where forests cover two-thirds of the country. This tension is caused by the fact that along with the plentiful supply of wood, there is an extensive sawmill industry in Japan. Despite the closure of more than 13,000 sawmills over the past twenty five years (from 20,256 in 1983 to 5,927 in 2012), the Japanese sawmill industry remains uncompetitive and plagued by small, inefficient sawmills located in rural areas far from the main demand markets. High production and transportation costs have made both domestic logs and lumber uncompetitive within the domestic market and, as a result, lower cost imported wood products have become the primary source of supply within Japan.

Over the years, the Japanese government and the forest products industry have proposed a number of subsidies and policies designed to improve the competitive position of domestic wood products as well as the forestry and sawmill sectors. A recent regulatory initiative, the Forest and Forestry Revitalization Plan, proposes to develop an extensive system of subsidies and regulations designed to increase the volume of timber harvested from domestic forests while promoting the expanded use of domestic wood over imported wood in the construction of both public buildings and residential homes. Clearly any program designed to raise the market share of domestic wood in Japan will adversely impact the competitiveness of imported wood and would have serious implications for forest products manufacturers in the Pacific Northwest, many of whom are located in rural, timber-dependent communities which were particularly hard hit by the recent economic crisis. With the US economy still feeling the effects of the housing crisis, and housing starts remaining at historically low levels, export markets have been the one bright spot in an otherwise dismal economic landscape for the forest products industry. Total US forest products exports have increased by 46% since 2009, rising from $5.2 billion in 2009 to $7.5 billion in 2012. Japan is the third largest destination for US wood exports, with exports of wood products increasing from $517 million in 2010 to approximately $730 million in 2012. With the introduction of the new Forest and Forestry Revitalization Plan in Japan it is critical that the US undertake research to better understand the potential implications of the subsidy programs on the competitiveness of US wood products in Japan.

This research project was designed to gain a better understanding of how the newly implemented Forest and Forestry Revitalization Plan would impact the overall demand for wood products in Japan in general and the competitiveness of US wood products specifically. The objectives of the proposed research include the following: 1) describe the forest resource in Japan and assess the factors that influence the supply and demand of domestic wood products in Japan; 2) provide an overview of the major wood industries in Japan (lumber, plywood and glue laminated lumber); 3) provide an overview of the housing sector; 4) assess the changing demographics in Japan; 5) assess the broad range of forestry and wood subsidies and support programs in Japan and 6) assess the potential impact of the domestic wood policies and programs on wood use in Japan and the demand for imported wood products from the US.

Bibliography

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