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Japan

Solid Wood Products

Despite Japan's Weak Housing Market, European Wood Exports Keep Growing

2000

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Report Highlights:
European softwood exports to Japan increased almost 70% last year despite the weak housing market. The export growth is due to Europe's export orientation, Japanese consumer's general preference for white wood appearance, and the weak Euro.

Includes PSD changes: No
Includes Trade Matrix: No
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Executive Summary

Japan's imports of softwood lumber and manufactured wood products from Europe in 1999 totaled 1,870,000 cubic meters, up 70% from the previous year despite the sluggish Japanese housing market. U.S. softwood lumber sales to Japan were only up 10% last year. The European volume in 1999, well in excess of the last peak of 1,760,000 cubic meters in 1997, is a record import level of European wood. Northern Europe is now the premier source of Japanese structural glue-lam product imports.

The popularity of European wood in this market is due to the Japanese customer's preference for a white wood texture and appearance, Europe's readiness to meet market demand for kiln-dried stock, and Europe's ability to offer competitive pricing due to the weakness of the European currency, Euro, on foreign exchange markets. The demand for kiln-dried (KD) lumber is motivated by the warranty-driven quality requirements of the newly implemented Japanese Housing Quality Assurance Law.

Japanese Softwood Product Imports from Europe

Imports From:	Volume (cubic meters)	% Change from Previous Year
Finland	673,395	+59.9 %
Sweden	586,895	+93.4 %
Austria	464,209	+61.5 %
Germany	46,710	+93.0 %
Czechoslovakia	43,172	+52.1 %
Norway	24,336	+11.3 %
Netherlands	12,317	+109.1 %
France	6,931	+74.4 %
Latvia	5,010	+428.5 %
Estonia	3,373	+71.5 %
Others	3,752	+84.6 %
Total	1,870,100	+69.8 %

(Source: Ministry of Finance Customs Data)

The combined share of the 3 top exporters, Finland, Sweden, and Austria, comprised 92% of Europe's total sales. Export growth by Germany and Czechoslovakia, albeit from a low base, is also noteworthy. Due to the "most-favored nation status", Czechoslovakia, Latvia, and Estonia benefit from a special tariff concession in Japan. Whether these countries will continue expanding sales to Japan remains to be seen.

The bulk of species imported from Europe are whitewood and European red pine, but some Douglas Fir from France and Germany is used as stock for laminated wood production in Japan. Europe supplies kiln-dried and finger-jointed stock to the traditional Japanese post and beam housing market for structural applications as studs, joists, bracing and rafters as well as to Japanese pre-fabricated housing industry in the form of KD flitches and lam-stock for laminating wood industry.

More recently, European shippers have begun exporting dimension lumber, traditionally supplied by North American shippers, as well as structural laminated beams for the Japanese housing market. Undoubtedly, European cost-competitiveness, resulting from the weak Euro relative to the U.S. dollar, played a major role in boosting sales to the Japanese market plagued by lackluster demand and low prices.

During 2000, remarkable growth continues for European lumber shipments to Japan. In the first 4 months of 2000, Japanese total softwood lumber imports from world-wide sources grew some 14%, but imports from Europe grew 26%. For structural glue-lam product lines, imports from Europe more than doubled the volume from last year as shown in the table below.

Japanese Wood Product Imports from Europe (Jan.-Apr. 2000) **1/**

Product Line	Volume (m3)	% Change (00/99)	% Share in 2000	% Share in 1999
Total Softwood	3,204,261	+13.7 %	100.0 %	100.0 %
From Europe	**925,688**	**+26.0 %**	**28.9 %**	**26.1 %**
From Russia 2/	**192,371**	**+39.4 %**	**6.0 %**	**4.9 %**
Structural Glue-lam	130,182	+77.5 %	100.0 %	100.0 %
From Europe	**99,223**	**+111.8 %**	**76.2 %**	**63.9 %**
Total Volume	3,334,443	+15.3 %	100.0 %	100.0 %
From Europe	**1,024,911**	**+31.2 %**	**30.7 %**	**27.0 %**

(Source: Ministry of Finance Customs Data)

Notes: 1/ Includes all sawn lumber and manufactured products, such as glue-lam wood products.
2/ Russian share included in the total volume from Europe as a whole.

Comparing Japanese imports during the first 4 months between 1999 and 2000, the import share of European wood advanced from 27% in 1999 to 31% in 2000. The jump in market share was significant for the structural glue-lam product lines, growing from 64% in 1999 to 76% in 2000.