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Forest Products

European Lumber Export Strategy for the Japan Market—Interviews with Two Export Managers 1999

Prepared by:

Casey Bean/Sarah Hanson

U.S. Embassy

Drafted by:

Masaoki Nagahama

Report Highlights:

This reports summarizes the views of two European wood product export managers on the Japanese housing material market. European suppliers have gained a competitive foothold in Japan's market for structural and interior wood products. Increasingly, mills in northern Europe are focussing production on value-added items such as wood panelling, flooring, prefabricated housing parts for interior and exterior applications, wood doors and windows to accommodate requirements of the Japanese market. Sustainable forest management is a guiding principle of the wood industry in Europe, and some lumber producers carry an identification label on the product to show it is from wood of a managed forest.

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Following are summaries of two interviews with European wood product exporter managers who shared their views on marketing wood products in Japan. The views contain useful insight into Japan's market for wood products imports, particularly in light of the growing share of European lumber in the Japan market and its importance to the competitive position of U.S. wood exporters. One export manager comes from a Swedish wood exporting cooperative and the other from the Nordic Timber Council, a trade association of sawmills and wood exporters in northern Europe. (Source: *Japan Forest Products Journal* issues of June 5 and June 11, 1999)

Arctic Lumber Group of Sweden:

- The Arctic Lumber Group of Sweden is a group of five companies in northern Sweden, engaged in the sawmill business and secondary manufacturing of wood products. In order to carry out an effective export program, the group was formed as a cooperative unit in 1997.
- Forty-percent of the geographic area where the group operates is covered with commercial forests, with an annual growth rate for timber production reaching 7 million cubic meters including 60% of red pine and 20% of spruce. Out of this annual production volume, 5 million cubic meters are harvested each year, and approximately 30 million seedlings are planted on the timberland after harvest each year.
- Total employment on the payroll is 330 for five member companies combined, producing 400,000 cubic meters of lumber a year, including value-added products in the secondary manufacturing process accounting for 65% of the total volume. Wood-based interior and exterior building materials, a key product line of the group, have been sold primarily in Europe, but the market has been expanded lately to cover countries such as Libya and Morocco in North Africa.
- For manufacturing of wood flooring, wood stock comes from old-growth wood fiber of approximately 110-120 years old in age. Green lumber produced in the sawmills is kiln-dried up to a maximum 8% moisture content and fumigated in the ambient temperature of anywhere between 75 and 85 degrees centigrade for 2 weeks before the processed coating and finishing with natural oil.
- In order to form a long-term strategic business partnership with Japanese customers, the group is establishing a sales office in Tokyo, starting January 1999, and plans to export at least 35,000 cubic meters a year of products to Japan within the next few years.

Nordic Timber Council:

- 1998 lumber exports to Japan from northern Europe dropped substantially compared to the previous year. However, the drop in exports was to be expected, based upon the feedback from Japanese customers about depressed market conditions.
- Since November 1998, however, there has been a good recovery in the export business and prices available from the current market are at a satisfactory level. Export volume will inevitably change as a result of macro-economic market conditions, but customer demands for European softwood products have been stable and steady. In 1999, the focus will be less on flitches and semi-processed and more on the final, value-added wood exports in line with the market requirements.

- NTC is currently working with two major marketing projects in Japan. One of them is a plan to raise allowable stress design values for whitewood lamstock used in glulam production, based on technical data gathered from various timberland regions in northern Europe with varied wood and stress characteristics. Work is progressing on schedule and will be presented to the Ministry of Agriculture, Forestry and Fisheries shortly. The other project deals with redwood (pine) to be marketed into the furniture sector. With the help of a team of four professional furniture designers from Japan and northern Europe, various furniture pieces using redwood pine are being produced in fourteen furniture mills of Shizuoka for eventual exhibit at international furniture shows which will be held in Stockholm, Tokyo and Shizuoka next year as part of a promotional campaign to enhance market potentials for European redwood.
- Many mills in northern Europe are increasingly focussing production on value-added items such as wood panelling, flooring, prefabricated housing parts for interior and exterior applications, wood doors and windows to accommodate demanding product requirements of the Japanese market. By meeting head-on the marketing challenge of tough customer demand for higher grades and product quality, it is generally believed product quality in the European market will also greatly benefit.
- Construction market demand for wood products in Europe this year is down 7-8% from last year, resulting in a lackluster lumber market. There is an industry campaign under way in Europe now to help re-establish a stronger market position for wood in lieu of the concrete framing which has been popular in residential constructions, and it is paying off some good results.
- Sustainable forest management is a guiding principle of the wood industry in Europe, and some lumber producers carry an identification label on the product to show the products were made with wood resources of a sustainable forest management or seek a certification from the Forest Service Council to verify the nature of wood fiber used in the product. This principle of sustainable forest management will continue to guide the industry for a long time.