

Projection of North American logs and lumber import for 2011

The Japan American Lumber Conference held the regular meeting on December 6th and gathered demand information from local offices to make 2011 demand projection.

Total log demand projection is 3,063 M cbms, 3.4% up from 2010. Lumber demand is also up by 3.4% with 2,617 M cbms.

In log import, North American use by plywood mills contributes total increase. Log supply this year has been stable with expansion of import by China but 2011 supply depends on demand by other developing countries like India on top of China. If Russian log supply becomes shaky, purchase competition of North American logs may become fierce and shortage of Douglas fir logs may occur during 2011.

Demand trend by the area in Japan, Northern Japan is the only area with decline but this is because sizable increase in 2010 with over 62% so 2011 seems to be almost unchanged from 2010.

In lumber import, Northern Japan including Hokkaido anticipates over 3% increase. Tokyo Bay area also expects 3% increase due to steady starts of 2x4 house building despite unstable production and prices of SPF lumber by the supply side situation. Douglas fir lumber import from U.S.A. seems to continue growing like this year as the housing starts in North America is expected to stay inactive.

Strong yen helped increase import of logs and lumber this year then in 2011, housing starts seem to recover more and encouraging use of wood for public buildings helps increase of North American logs and lumber. Also almost all of North American logs and lumber are certified legally, which is advantage to develop more market in Japan.

Import projection of North American logs and lumber for 2011

| | Logs | Lumber | Total |
|-------------------|---------------|---------------|---------------|
| Northern Japan | 122 (85.3) | 266 (103.5) | 388 (97.0) |
| Tokyo region | 688 (101.9) | 1,218 (103.1) | 1,906 (102.7) |
| Nagoya region | 75 (100.0) | 300 (100.0) | 375 (100.0) |
| Osaka region | 165 (103.1) | 410 (100.0) | 575 (100.9) |
| Inland sea region | 1,500 (107.1) | 20 (117.6) | 1,520 (107.3) |
| Shikoku region | 300 (100.3) | 25 (108.7) | 325 (100.9) |
| Kyushu region | 30 (100.0) | 120 (120.0) | 150 (115.4) |
| Hokkaido region | 65 (103.2) | 167 (103.7) | 232 (103.6) |
| Others | 277 | 91 | 209 |
| Total | 3,063 (103.4) | 2,617 (103.6) | 5,680 (103.4) |

Unit : cbm Comparison (2011/2010) : %

Soaring prices of merkusii pine lumber

The prices of Indonesian made merkusii pine laminated free board lumber have finally exceeded \$100 per cbm

C&F. The reason is extreme shortage of logs to sawmills so that lumber production has dropped considerably. The demand has been firm so that the prices are expected to go up further yet.

Major suppliers' proposed prices are \$1,050 and some importers have accepted this level of prices.

Main supply area in Medan, Sumatra Island, sawmills struggle to have materials logs. Some sawmills have started using rubber wood instead of merkusii pine.

Rubber wood has been rather easy to buy but now because of higher international prices of latex, rubber wood owners postpone cutting down aged rubber wood trees so waste rubber wood logs are becoming short.

Prolonging poor weather is one of the reasons of merkusii pine log supply but some say labor is shifting to other more profitable works then others say obtaining harvest permit from the government is delayed.

Trapa starts supplying KD DF lumber

Trans Pacific Trading (Trapa, Vancouver, B.C.) newly added KD DF lumber in its exporting items and the first shipment will arrive in December.

Downie Timber is the producer of KD DF lumber then final process is done by another mill.

On top of KD DF genban and lamina for structural laminated lumber, total monthly export volume would be as much as 3,000 cbms with this KD DF lumber.

Trapa is one of major Canadian lumber exporters for Japan and China.

KD DF lumber Trapa supplies is 45 mm x 105,90,60 and 45 mm with length of 3, 3.65 and 4.0 meters.

Currently all the lumber Downie Timber produces are marketed by Trapa, which ships monthly volume of 1,000 cbms of KD DF genban (thickness of 47mm, width of 150,175,190, and 225 mm, length of 3, 3.65 and 4 meters) and 1,000 cbms of KD DF lamina for structural laminated lumber (thickness of 27 and 38 mm).

On KD DF lumber, Trapa hopes to bring the monthly volume to 700 cbms shortly.

Trapa is also a major supplier of SPF 2x4 lumber for Japan market. It has been marketing Tembec's 2x10 J grade SPF lumber with 2x4-8 of Ten Plus grade, which is slightly eased in grade compared to J grade. It newly started shipping 2x6 and 2x4 J grade lumber. Volume has been 30 to 35 containers a month but it hopes to double the volume by the second quarter of next year.

This is the last issue of the year. The next issue of the Japan Lumber Reports is dated on January 21, 2011.

We always appreciate your patronage and wish you a prosperous new year.

Editor in chief The Japan Lumber Reports