

# JAWIC

## Japan Wood Market Summary

May 2007

### 1. Domestic wood (Northern Kanto)

#### Tochigi prefecture

Urge for production is waning. Log arrival volumes vary from place to place but at a reasonable level and transactions are satisfactory. Unsold lots at producer-requested prices are few. Prices of sugi logs are gradually declining at large, anticipating the rainy season ahead. Sales of small-diameter logs from thinning are continuously dull and the prices are affected. Good news is that inquiries for small-diameter logs are coming in for reconstruction of the earthquake-hit Noto district.

#### Gunma prefecture

Sawmills' intakes and stock volumes are slightly lower than usual. Orders are mostly received by sawmills that can cope flexibly with demands from pre-cut mills. Due to the high price of Douglas fir logs, sugi is increasingly used for production of structural parts. Sawmills are in no hurry to supplement log stocks but supply is also decreasing, hence flat prices.

### 2. North American wood

Canadian old-growth logs are in short supply and prices stay high. No change for old-growth logs. The port inventory level increased by 19% from

the previous month to approximately 60 million board feet (scribner), or roughly 270,000 m<sup>3</sup>. Douglas fir shipment in May from Weyerhaeuser for IS sort was \$790/scribner, \$10 lower than the previous month, continuing its downward trend. Prices of North American logs in general dropped in February in reaction to sudden surge of shipments in January but stayed relatively unchanged since. At large sawmills at port areas, lumber shipment is at a satisfactory level except for hirakaku (both KD and green). Inland sawmills are facing dull sales and maintaining the minimum necessary log purchase position. Imports of dimension lumber remained low as trading companies tightened their grip. Shipments were also low and the stock level was flat. Signs of recovery are hard to find. Hemlock 3-meter for reman (studs and bracings) continued to be in short supply despite strong demand. Douglas fir lumber from Canada is being substituted by sugi due to high prices.

### **3. Tropical wood**

Sabah went back to rainy weather since the end of April, which affected logging activities. Log prices remained strong partly due to strong local currency against US dollars. Lumber prices also stayed strong mainly for hirawari (for reman).

In Sarawak as well, log production fell due to the weather. Prices of small-size logs are on the decline but regular size logs did not budge from the high level. Lumber prices are also strengthening.

In PNG and Solomon, log prices remained firm due to vigorous demand from Chinese buyers.

In Japan, log imports, shipments and stock level stayed flat. Lumber imports are showing increasing trend. Sales of both lumber and plywood remained low. The sharp rise of laminated lumber price seemed to have stopped. Import volume of white seraya has been extremely low.

#### **4. Russian wood**

The stock volume of export logs at the ports of Nakhodka and Vladivostok combined is 300-350 thousand m<sup>3</sup>, which is a normal level at this time of year. Low grade logs intended for China occupy roughly 50%. Exporters wouldn't change the tough position for red pine logs. At Wanino as well, about half of its stock of spruce and larch is of low grade. Red pine logs command \$155 (CIF), about the same level as the previous month, spruce remained flat around \$145 as Korean ports are fully occupied, and larch \$154, which is strengthening. Red pine genban (cants) KD is priced for \$330 and green \$285, nearly at the same level as the previous month.

Import volume at Toyama and Toyama-Shinko in April was 55,970 m<sup>3</sup> (red pine 35,629 m<sup>3</sup>, spruce 18,283 m<sup>3</sup>, larch 2,058 m<sup>3</sup>), about the same level as March. Import volume of lumber including red pine genban was 12,305 m<sup>3</sup>, which is a large decline from March. Shipments from Toyama are satisfactory and the stock level is 2.0 – 2.5 months equivalent.

With regard to domestic log prices, spruce is weakening, larch showing rising signs, and red pine unchanged. Lumber prices are slightly weakening notably in low grades due to increasing stock level. Lumber imported to Tokyo and Kawasaki in a concentrated fashion is sold at a slow pace. Sawmills are trying to increase lumber prices to offset the rising log prices.

#### **5 . Plywood**

Prices of both tropical and Russian peeler logs maintained their strength. Russian logs, especially, continued their gradual ascent. Future outlook is murky due to the expected increase of export tax. Tropical plywood producers are also facing high cost situation due to the rising log prices. Yet, domestic plywood production in March was at a fairly high level (283,000 m<sup>3</sup>), of which softwood plywood marked a record 224,000 m<sup>3</sup>. The stock level remained low (109,000 m<sup>3</sup>). There was healthy demand for domestic tropical plywood, especially those items in short supply from imports. Demand for domestic softwood plywood was not very strong and recovery was foreseen to start in the end of May. As for imported plywood,

both purchased volume and stock held by trading companies declined. As a result, prices are firming up but most importers are buying immediate needs only.

## **6 . Glulam**

Import costs are growing due to continued strength of Euro. Domestic manufactures are worried about the price increase of lamina by 15-20 Euro. Even though they tried to shift partially to lower-priced central Europe, demand from EU is strong there and therefore lamina prices are not coming down. Transferring the increase of lamina price to glulam is desired by manufactures.

Sales of domestically produced glulam in February – March were smaller than the previous months. In April, a number of pre-cut mills are increasing the glulam stock. Production of sugi glulam is still very small despite growing expectations. Most manufactures are asking 2,500 – 2,600 yen for a glulam post (10.5 cm square) and 72,000 – 73,000 yen for medium size glulam, yet reaction from the market is less vigorous. As regards imported glulam, May – July shipments from StoraEnso are anticipated to be about 4,500 yen/m<sup>3</sup> higher than the previous 71,500 yen. Although their asking price is much higher than the domestic products, there seem to be good many contracts.

## **7 . Wholesale**

Structural materials, both sugi and hinoki, seem to have hit the bottom. Intake of imported lumber is fairly small and sales are stagnant. Impregnated hemlock dodai is selling pretty well. Due to the price surge of Russian lumber, demand for sugi KD rafter is growing. Russian rafter stuck at a high price and forcing the buyers to keep a minimum-necessary-purchase position. Carpenters and builders are lacking business and they are in no hurry to purchase building materials. Nonetheless, medium-size power builders are buying some specific items despite high prices.

## **8 .Retail**

Prices of both sugi and hinoki structural materials are on the rise. Sugi KD studs, as a reaction to the high prices of whitewood glulam, are attracting buyers as substitute, hence strengthening prices. Hemlock KD squares and hirawari (for reman) are showing signs of slight increase in price. Prices of Russian red pine and spruce are stabilizing. Prices of non-structural materials remained stable as supply is limited. Glulam, both whitewood and redwood, remained strong. Substituting glulam with Douglas fir KD or hinoki KD lumber is taking place due to the widening price gap. Softwood plywood maintained its strength. Sales of both thin and thick products are satisfactory. Tropical plywood remained the same. Precut mills are receiving more orders than the previous month and builders are receiving more requests for estimate.