

Araman Looks at Exports Past and Future

Philip A. Araman, Project Leader at the Southeastern Forest Experiment Station in Blacksburg, VA, was one of the featured speakers during the 91st Annual NHLA Convention in New Orleans. His subject was Export Markets for Hardwood Lumber, Logs, and Veneer. Dr. Araman is a researcher who has specialized in international trade topics for the last several years and who is now working in Blacksburg in the field of hardwood utilization. His projects include computer aided manufacturing including computer vision systems for grading, edging and trimming hardwood lumber and computer aided pallet design systems. The following excerpts are from his talk.

I will concentrate today on hardwood lumber exports and markets, along with some discussion of dimension stock and I will touch on veneer and log products. When we talk about the export market we are talking about high quality material. It's a very international market. It involves things such as special packaging which is not done for the domestic market.

Most of our export lumber has to be kiln dried and there are many positive reasons for doing that. Overseas customers, in many cases, don't have kilns plus it helps with the quality control of the material. In most cases lumber is double end trimmed, end coated normally for appearance sake, and loads are well marked and shipped in containers for protection. We could have close to 500 million feet of Red Oak lumber going overseas this year. Other important species are White Oak, Ash/Hickory, Walnut, Maple, Beech, Birch, Cherry, Yellow Poplar, and Red Alder.

When we look at the major customers

who are buying this hardwood lumber, Canada is number one, followed closely by Japan, Taiwan, and then the other European countries as a group.

What kind of impact is this having on your industry? If we assume for example that you are producing 10 billion board feet of sawn lumber, about 10% on a board foot volume basis is going to the export market. That figures to about 23% of the total value of the material that you are producing when you add in kiln drying and look at the grades of lumber that are actually being exported. Back in 1975 the total exports amounted to about 200 million board feet. By 1980 it had climbed to almost 500 million board feet. In 1986 it was over 600 million board feet, and in 1987 over 800 million board feet. This year we are projecting about 1100 million board feet.

There are other changes. The Canadian market has traditionally been strong for the U.S. The European market came on strong between 1975 and 1980 and has been increasing again more recently. The Pacific Rim market-Taiwan, Japan, and South Korea-was relatively unimportant in the 1970's and early 80's and started picking up in 1986.

Why the increased exports? The biggest reason is that we are the number one producer of sawn hardwoods in the world. Your industry is the largest. The United Nations estimates that the U.S.A. is number one in the world with about 13% of total sawn hardwood production. This is followed by India, Russia, China, Brazil, Malaysia, Indonesia, Japan, and France. We do have abundant resources here in this country.

Why are they buying this wood? They like and appreciate fine hardwoods. The Japanese prefer temperate hardwoods in furniture. Their customers are demanding more real wood. Their resources are limited and young and the U.S. wood is less expensive (in view of the currency exchange). They prefer fine-grained, uniform colored hardwoods, slowly grown Oak, quarter sawn

material, and they also like inexpensive utility material.

Taiwan needs our wood to make export products going back to the U. S., Canada, Japan, and Europe. Local Oak supplies from Japan are limited and too expensive. Almost 30% of the furniture imports coming to this country are coming from Taiwan. Still, they constantly try to reduce their wood costs.

The Koreans, on the other hand, are buying more logs than the Taiwanese and Japanese instead of veneer for the export furniture market. They purchase a large amount of Rubberwood and Ramin because it is cheaper lumber for core stock. They could be interested in some of our "non-select species" if we promoted them better.

Let's take a closer look at our resources. We have an abundant resource but we have a species mix problem. We also have overall quality problems out there. In the world market the most highly demanded woods are select Red Oak, White Oak, and then Hard Maple, Yellow Birch, Black Cherry, Black Walnut, and Ash. When you look at our hardwood exports, we estimate that over 90% fall among these "select" species. But when you look at the timber inventory, only about 33% are among the "select" species, so that's a problem.

What about quality? If you went out into the woods and somebody forced you to bring in everything that we call "sawlogs" to your mill, the distribution for Forest Service grading rules would be about 15% grade 1 logs, 24% grade 2, 61% grades 3 and 4. If you took that kind of material and sawed it up in your mill, you could expect about 12% FAS and Selects lumber, 23% #1 Common, 27% #2 Common, and 38% below #2 Common. We have some problems here; we also have opportunities. One alternative to the lower grade material is to market more dimension stock. This is a solution practiced in other countries including Belgium and Japan. They are possibilities for you to consider to better utilize some of our medium and low

grade material and doing it right therein the sawmill and getting rid of the waste at that point in time.

What might the future look like as far as hardwood lumber export projections are concerned? Well, this year may turn out around 1100 million board feet sent overseas. This compares to some of my original thoughts as recent as about a year ago where I expected the 1988 data to come in at about 600 million board feet. Most people when they try to project the future, try to be conservative and don't look for jumps like that. But a lot of things have come into play—the weakening of the dollar and many things—and the export market has really built up. By 1989 if we have modest growth, we might be up around the 1200 million board footmark.