Southern Pine Exports Revive!

By JAMES E. GRANSKOG

Southern pine lumber exports have increased almost 400 per cent since 1975. Several developments appear to be enhancing the long-term outlook for southern pine in overseas markets. *Additional keywords:* Foreign trade, lumber exports.

Southern pine lumber exports are rising after decades of poor foreign sales. Shipments climbed to 261 million board feet in 1980, up almost 400 per cent over 1975. The 1980 figure was the highest in 40 years.

The recent sales surge reflects a renewed interest in the export of southern pine lumber and other wood products. Part of the awakening interest stems from the nation's growing concern overall with international trade. The escalation of oil prices during the 1970s dramatically illustrated a large trade deficit and the need to promote the sale of products abroad.

The South's role in forest products exports suddenly attracted attention in 1975 with the initial shipment of wood chips to Scandinavia. This also unveiled the South as one of the world's major timber surplus regions, with an increasing potential to supply forest products in the international economy. The subsequent increase in lumber shipments abroad warrants a look at some features on the overseas market for southern pine.

Shipments

Southern pine is not a stranger in foreign markets. When the lumber industry was near its peak in the early part of this century, southern pine comprised nearly half of the 3 billion board feet of lumber and logs exported annually from the U. S. However, as went the old-growth timber and the big mills, so did the foreign sales. Southern pine exports steadily declined—dropping to below 300 million board feet just before World War II interrupted international trade.

Southern pine exports failed to regain momentum following the war. For the next three decades, foreign shipments hovered in a range between 65 and 100 million feet yearly. Postwar export controls, strong domestic requirements, and restrictions abroad were limiting factors. Also, in 1960, the largest customer for southern pine was lost when trade with Cuba was discontinued.

Since 1975, however, southern pine exports have turned strongly upward (figure 1). From 1975 to 1980, the volume of southern pine shipped abroad rose from 67.5 million to 261.5 million board feet—an average annual increase of more than 31 per cent. The increase has been continual, except for a slight downturn in 1978 when strong domestic demand overshadowed depressed foreign markets.

Several factors have contributed to southern pine's export revival. First, an improving timber supply situation has attracted new and productive sawmill capacity. At the same time, a rising demand for lumber overseas has furnished opportunities for expansion of offshore markets. Then too, the severe recession in 1974-75 may have forced recognition of the importance of export markets whenever domestic demand declined. Looking back, it can be observed that during the Depression lumber exports performed relatively well compared with domestic consumption, which plummeted. In addition, the sale of chips abroad seemed to have fostered a greater awareness of the export market among southern lumbermen.

Another important factor helping exports during the 1970s was the decline in the value of the dollar, which made U. S. products more competitive in foreign markets. Formal devaluations were made in 1971 and 1973, and fur-

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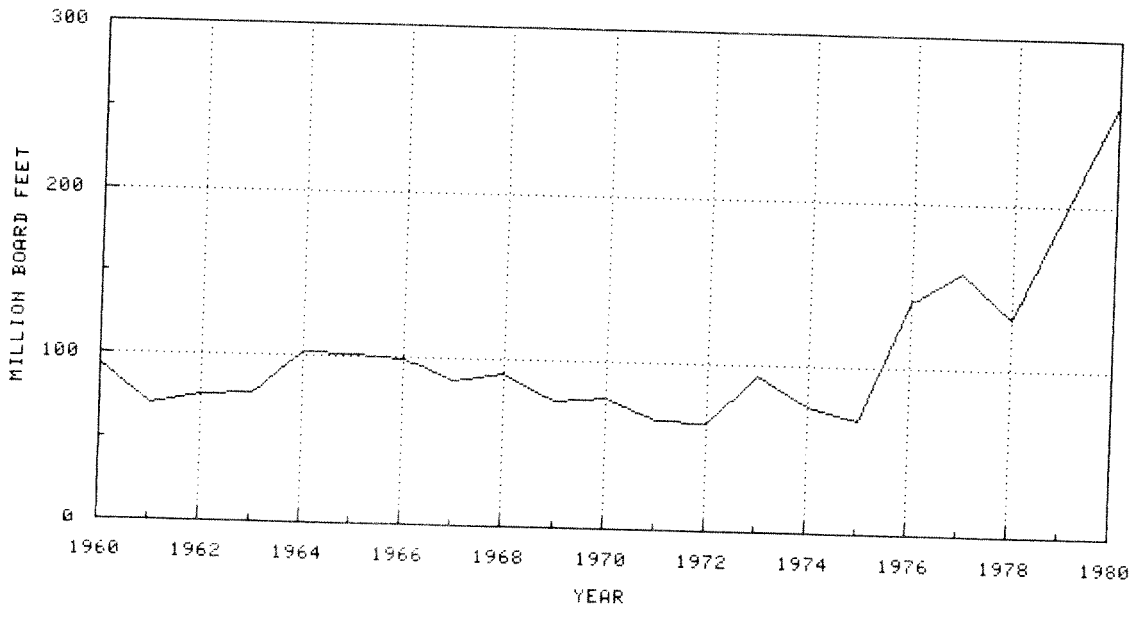

FIGURE 1.—*Southern pine lumber exports, 1960-1980.*

ther weaking occurred in the late 1970s. In effect, the price of U. S. goods in terms of foreign currencies was reduced, which was significant for price sensitive items such as lumber exports. This encouraged increasing southern pine lumber shipments to all of its overseas markets.

Markets

Southern pine lumber goes to two major overseas markets—western Europe and the Caribbean basin (table 1). The western European market consists mostly of countries within the European Economic Community (EEC or Common Market). Two countries within the EEC, West Germany and Italy, are the largest individual importers of southern pine lumber. The Caribbean market includes the Caribbean islands and the countries that rim the basin. Since most are small island nations, they don't often show up among the leading importers individually. If shipments to Puerto Rico are included, however, collectively the Caribbean basin is the most important offshore market for southern pine. Sales outside these two markets make up a small portion of overseas shipments. Egypt occasionally has made large purchases in recent years.

Pine lumber shipped to Europe is primarily clear material, which is used for joinery, paneling, and furniture parts. On the other hand, the Caribbean is primarily a market for construction lumber. Important differences also exist in grading, sizes, and extent of manufacture.

European exports are based on the Gulf Coast Classification of 1923, although the original descriptions have been amended over the years.[1] The lumber must also be the full nominal size rather than the net or actual sizes used in the domestic trade. Kiln dried saps and flitches are the most popular items; these are usually shipped rough for remanufacture to metric sizes, and also because of a 4.9 per cent EEC tariff on dressed lumber. In 1979, for example, 95 per cent of the southern pine exported to EEC countries was rough lumber.

In contrast, most of the pine shipped to the Caribbean market is sold according to domestic Southern Pine Inspection Bureau grades, mainly No. 2 kiln dried dimension. Also, a majority of material is dressed lumber. Even though stone or masonry housing construction is popular in the Caribbean, lumber is used extensively in roof structures.

Generally speaking, the markets are served from different exporting points. The South Atlantic ports of Wilmington and Charleston are key exporters of southern pine to western Europe, while Savannah and Miami primarily serve the Caribbean. Mobile and New Orleans, however, serve both markets. Overall, the largest center for southern pine exports is the Mobile customs district, which includes the ports of Pensacola and Gulfport as well as Mobile.

Prospects

Southern pine exports in 1981 have been slowed by the rise in the value of the dollar and weak demand in foreign markets. Shipments for the first six months totaled about 104 million board feet, suggesting that the final count for 1981 may be similar to the 1979 level of shipments. Despite current weakness, however, several developments appear to be enhancing the long-term outlook for southern pine in overseas markets.

Some developments mentioned earlier as helping the recent surge in pine exports also can support future increases. For example, the potential for expanding exports will be strengthened as foreign demand rises and pine timber supply and processing capacity increase. As demonstrated by current shipments, however, economic and monetary conditions can cause sharp deviations from expected trends.

As opportunity to ship southern pine to western Europe for structural purposes may be developing. All EEC countries are net importers of forest products, and the wood deficit is expected to widen substantially over the next two decades. In addition, timber frame housing is radually becoming more popular in some countries, notably in the United Kingdom.

Traditionally, EEC nations have imported structural lumber from Scandinavia and the Soviet Union. But prospects for increased supplies from these areas appear doubtful. In Scandinavia, timber harvests are near current annual forest growth. Also, while the Soviet Union has large reserves of softwood timber in eastern Siberia, that location is more suited to export markets in the Pacific. Consequently, EEC states can be expected to increase softwood lumber imports from North America. Canada and the U. S. South are primary potential supply regions for structural lumber to western Europe. The U. S. Northwest currently exports old-growth clear lumber to Europe, but structural lumber exports from this region are more apt to stay in Pacific destinations. Canada has recently enjoyed a currency advantage in European markets; however, Canadian sawtimber reserves are mostly in British Columbia, and economic accessibility and distance from the European market may be long-term limitations.

Still, southern pine must overcome institutional barriers to significantly penetrate the European market. Construction lumber grades and sizes in Europe differ from U. S. standards; therefore, southern lumbermen must either manufacture lumber according to European specifications or promote the acceptance of U. S. standards. Some acceptance was achieved when U. S. visual design values for southern pine were approved for inclusion in the British Standard Code of Practice in 1979. Also, a testing program is currently being developed to gain approval for southern pine machine stress rating values.

Some progress was made in reducing tariff and nontariff barriers as a result of the latest Multilateral Trade Negotiations. The EEC tariff on dressed lumber will be reduced from 4.9 to 4.0 per cent in 1987. In addition, all countries are obligated to adopt nondiscriminatory standards and certification systems.

Future shipments of pine to the Caribbean basin will depend in large part on the rate of economic progress in the area. Although many of the island nations and Central American countries are relatively poor, Mexico and Venezuela—the two largest economies—are experiencing rapid growth due to rising foreign exchange earnings from oil exports. Furthermore, a new U. S. policy to stimulate economic

TABLE 1.—*Overseas markets for southern pine lumber, 1979-80*

Market	*Per cent of overseas shipments*
EEC	*37*
Caribbean	*30*
Other Europe	*8*
Asia	*4*
Africa	*2*
Other	*2*
Total foreign	*83*
Puerto Rico	*17*
Total overseas	*100*

[1]Efforts are currently under way to update and incorporate the export grading standards into Southern Pine Inspection Bureau rules.

growth in the Caribbean was announced this past summer. The policy will be implemented primarily by adding resources to existing programs that assist long-range development. Southern pine could be an important beneficiary.

Another encouraging development for future southern pine exports is the involvement of industry trade associations and government agencies in efforts to expand overseas markets. The Southern Forest Products Association, in cooperation with the National Forest Products Association and the USDA Foreign Agricultural Service, is undertaking activities to promote southern pine lumber in selected foreign markets. For example, the SFPA has prepared the booklet "An Importer's Guide to Southern Pine" to inform and assist foreign buyers. Research is also under way at the Southern Forest Experiment Station of the USDA Forest Service to provide detailed information on the volume and value of southern pine and other solid wood products exported from the South.

A long-term commitment by southern pine manufacturers is also essential for developing export markets. Southern lumbermen must participate on a continuing basis if they want to take advantage of potential markets overseas. Foreign customers favor reliable suppliers. Offshore markets will not be available when most needed if exports are abandoned for short-term gains during strong domestic markets.

In summary, perhaps the future for southern pine exports can be characterized as one of economic opportunity tempered by institutional constraints. Only with a sustained effort by all parties involved—lumbermen, exporters, trade associations, and government—will the barriers be overcome and the opportunity be captured.

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