



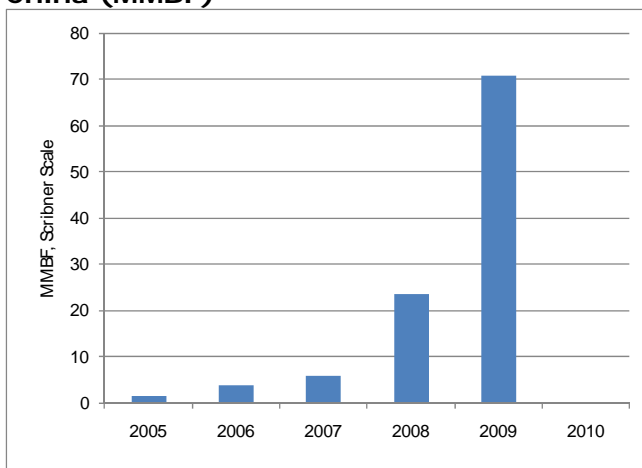
China Exports in Perspective

Volumes up Sharply

The press (including the Wall Street Journal¹) has been full of articles noting the very sharp increase in shipments of logs and lumber from the North American West Coast to China. Most of these articles include charts that look like the two below.

Figure 1 shows softwood **log** exports to China through 2009 from the Seattle and Columbia-Snake Customs Districts, which cover Washington and Oregon. Log volumes are up from 1.5 MMBF in 2005 to 70.8 MMBF in 2009. That is an increase of over 4,300 percent. 2010 volumes are reportedly higher, but not yet available from this source.

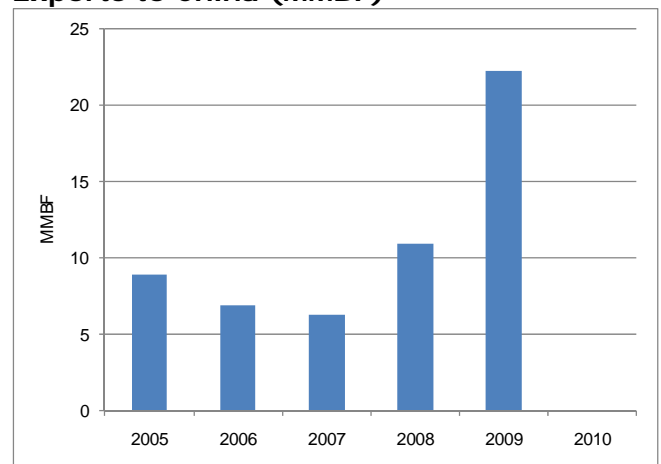
Figure 1. Recent Softwood Log Exports to China (MMBF)



Source: US Department of Commerce

Figure 2 shows recent softwood **lumber** exports to China from the same US Customs Districts. Graphs of lumber exports from British Columbia to China show a similar pattern. In general, logs from public forests in the western US and Canada cannot be exported. Since most of the timber in British Columbia is from public forests, the Canadian exports are therefore mostly in the form of lumber, not logs.

Figure 2. Recent Softwood Lumber Exports to China (MMBF)

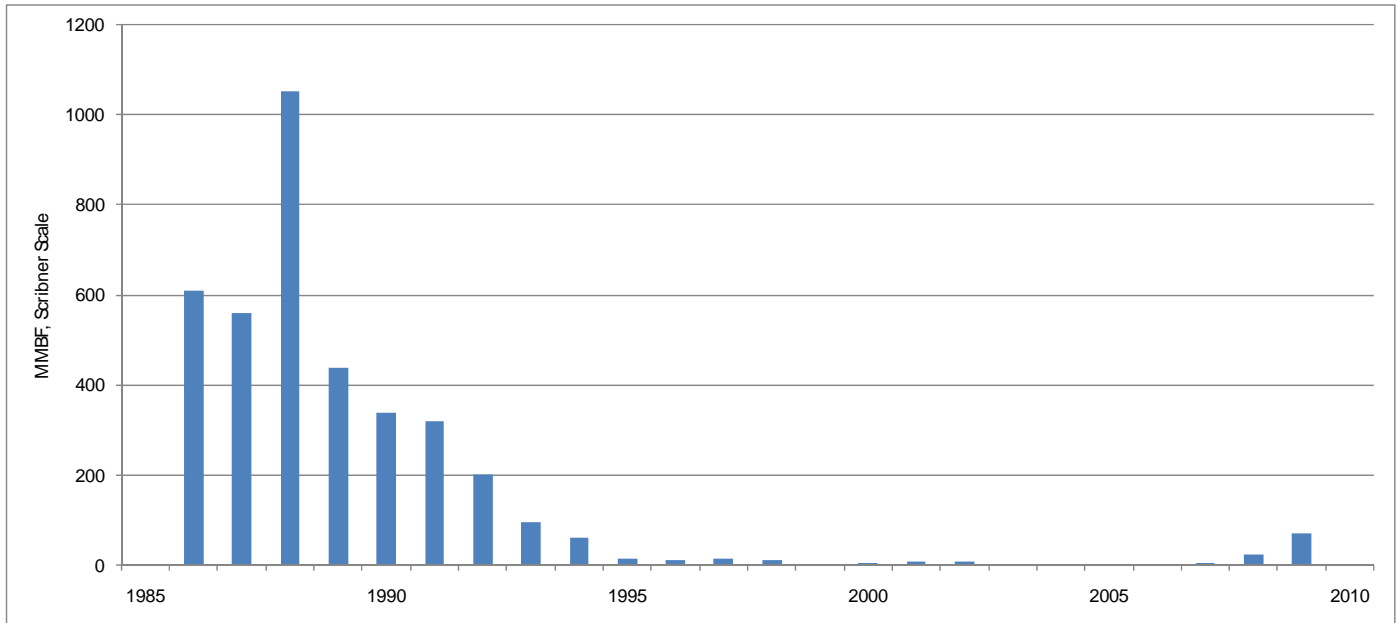


Source: US Department of Commerce

This surge in exports has been encouraged by two factors. First, the collapse of US housing starts has sharply curtailed demand for softwood lumber from both the US and Canada. Second, the log export tariff imposed by Russia has sharply reduced the logs being shipped from there to China.

¹ Carlton, Jim, 2011, US Lumber Hoisted by China Sales, The Wall Street Journal, February 8, 2011

Figure 3. Softwood Log Exports to China Since 1986 (MMBF)



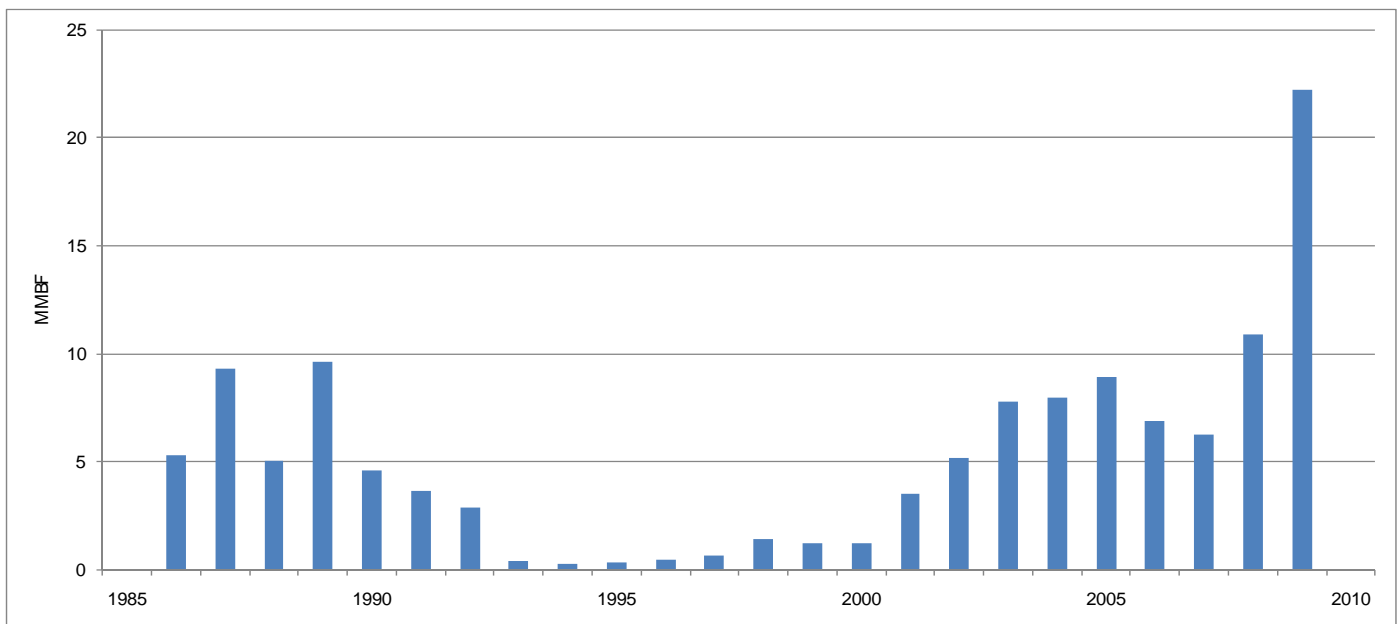
Source: US Department of Commerce

Some Perspective

As impressive as the recent increase in log exports appears, it is nowhere near the historical high. Figure 3 shows softwood log exports to China from the US Pacific Northwest since 1986. That 71 MMBF of logs

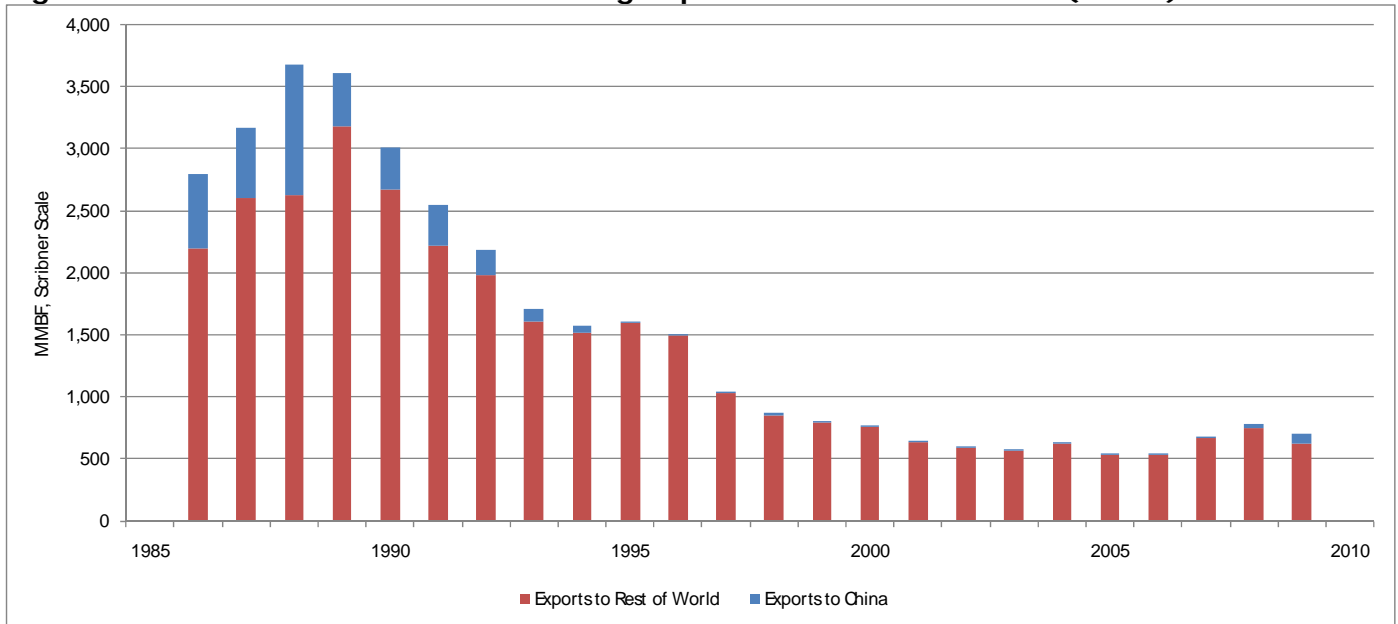
shipped in 2009 barely registers on the graph and is less than 7 percent of the volume shipped in 1988. That was an extraordinary year, occurring in the midst of a decline in log exports that began at 600 MMBF in 1986 and ended at 14 MMBF in 1995.

Figure 4. Softwood Lumber Exports to China Since 1986 (MMBF)



Source: US Department of Commerce

Figure 5. Pacific Northwest Softwood Log Export Volumes Since 1986 (MMBF)



Source: US Department of Commerce, USDA Forest Service

Figure 4 shows softwood lumber exports since 1986. Unlike logs, the 2009 softwood lumber export volumes are historical highs, with the 2009 volume roughly twice the next highest year (2008).

More Perspective

As robust as China exports are, they are a barely noticeable part of the total log and lumber exports from the West Coast. Figure 5 shows the total volume of log exports to China and to the rest of the world from the Pacific Northwest Customs Districts. The high log volumes to China in the late 1980s and early 1990s show clearly in the chart, but the China volumes barely show again until 2008 and 2009. China accounted for 40 percent of the log exports in 1988, but only 11 percent of exports in 2009.

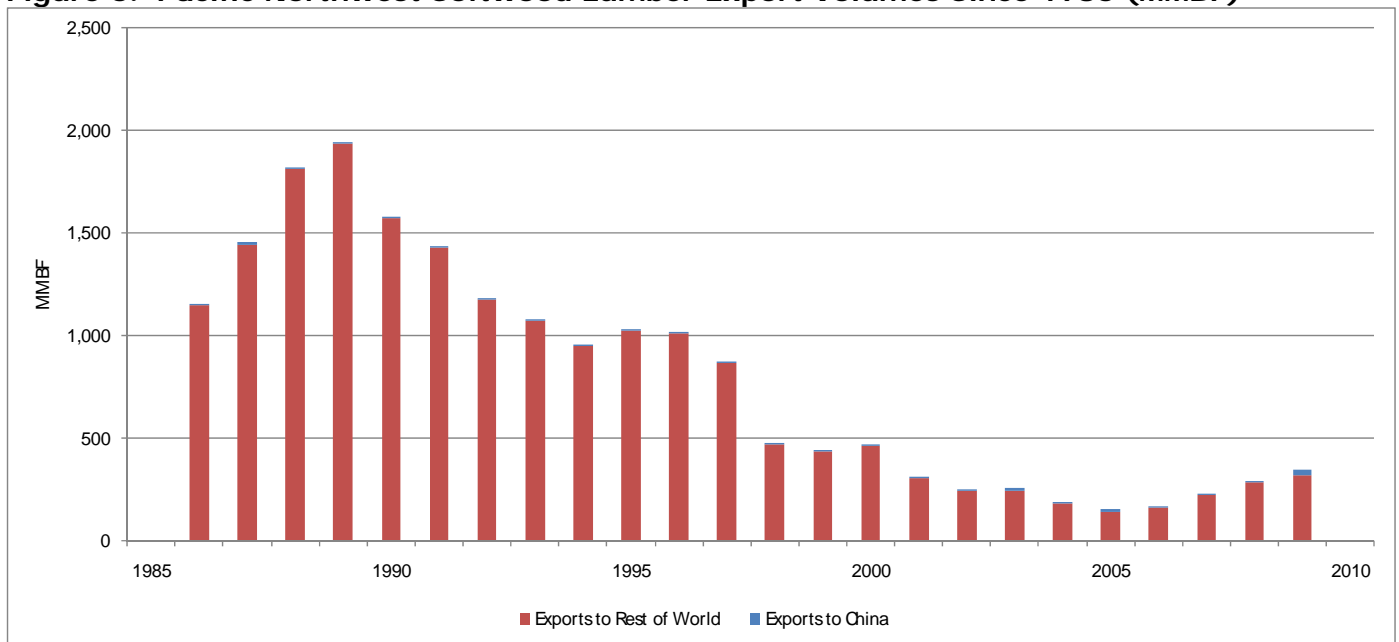
Figure 6 shows total lumber exports from Washington and Oregon. Volumes to China are nearly impossible to see until 2009, when they accounted for 7 percent of the total lumber shipped from the Pacific Northwest

ports. So China has not been a big importer of lumber from the US Pacific Northwest.

In any case, this is all good for timberland owners on the West Coast whether they are selling logs to exporters or to domestic sawmills (which then ship lumber overseas). Either way, the demand for logs is up.

We don't have enough historical data to be able to guess the long-term outlook for Pacific Northwest exports to China. Is the current increase in volumes the beginning of a periodic cycle in which log exports to China will again account for 40 percent of exports? China's recent growth and increasing demand for all sorts of commodities would suggest exports to the country could keep climbing. What will happen if Russia eliminates its log tariffs? Will Russian logs push West Coast logs out of the market? Or are there quality differences that will allow the US logs to compete successfully with the Russian wood?

Figure 6. Pacific Northwest Softwood Lumber Export Volumes Since 1986 (MMBF)



Source: US Department of Commerce, USDA Forest Service

Summary

- Log exports to China are up sharply
 - But not at historical highs
- Lumber exports to China are up sharply
 - And they are at historical highs
- Exports to China are only a small portion of the total exports
 - Which are not at historical highs
- All exports are only a small portion of the total logs and lumber produced

Up-Coming Event

University of Georgia’s Timberland Investment Conference

Reynolds Plantation, Greenboro, GA

March 23-25, 2011

<http://www.ugacfb.com/timberlandasset>

The agenda has not been finalized as of this date, but I am currently scheduled to be part of the panel on Changing Markets.

Forest Research Notes, Vol. 7, No. 3

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