

Featuring Lumber, Panels
and Wood Products Analysis

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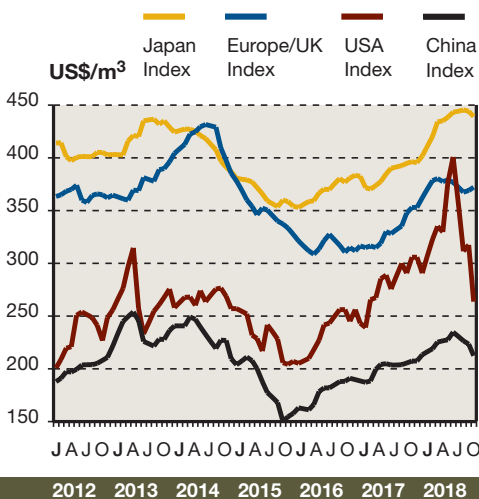
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GLOBAL PRICE TRENDS



Source: WOOD MARKETS

Note: Features structural lumber products from our Global Prices section

CHINA-U.S. TRADE DISPUTE

Uncertainty Spreading in Both Markets

The market uncertainty being caused by the China-U.S. trade dispute is now one of the most important topics to watch, even amid myriad changing developments and issues that continue to impact market dynamics worldwide. The first volley was made by the U.S., and then (on August 23) China retaliated with a 25% import tariff on U.S. SYP logs.

Following that, on September 17, the U.S. announced 10% tariffs on \$200 billion worth of Chinese imports (effective September 24). The next day (September 18), China announced 5%–10% tariffs on \$60 billion of U.S. goods (also effective September 24). Most of the timber and wood products exported from the U.S. to China are included on the list of items affected, and current Chinese tariffs are shown in the table.

Table 1
TARIFFS IMPOSED BY CHINA ON THE U.S.

Starting	Tariff
Starting AUGUST 23:	
SYP logs	25%
Starting SEPTEMBER 24:	
Hemlock logs, 15cm+	5%
Douglas-fir logs, 15cm+	5%
Hemlock logs, <15cm	10%
Douglas-fir logs, <15cm	10%
Spruce logs	10%
Lumber (Douglas-fir, SYP, hemlock)	10%

Southern yellow pine log shipments from the U.S. South had been slowing before the implementation of the 25% tariff, impacted by China Customs' decision in April to increase phytosanitary inspections and begin full enforcement of documentation requirements on incoming log shipments; as a result, the July trade data revealed a drop in SYP log exports of 25% from April. In addition, the CFR price of SYP logs being offered by U.S. suppliers has seen large declines in the last several months versus other species.

While the U.S. represented only a modest share of China's total log and lumber imports in H1/2018 (13% of softwood logs, 2% of softwood lumber, 7% of hardwood logs, and 21% of hardwood lumber), fully 54% of U.S. log exports and 38% of lumber exports went to China in 2017. Clearly, the U.S. export industry relies heavily on the China market.

China's predominant wood products exports to all markets are wood furniture and seating products (63%), followed by plywood (14%). Of China's timber and wood products exports to the U.S. in 2017, US\$12.9 billion (35.7% of the total) went to the U.S., led by wood furniture and seating (US\$9.28 billion). Overall, the U.S. represented 41% of China's wood furniture export value last year.

There is little doubt that both countries will be impaired by this tariff war, with both ultimately losing competitiveness in each other's markets. You can find further details in this month's *China Bulletin*. ■

By Russ Taylor, Managing Director

SPECIAL REPORT

CHINA'S SUPPLY CHAIN

New Report Highlights Many Changing Dynamics In China

The newest FEA report, *China's Import Demand for Softwood Logs and Lumber to 2023 • The Changing Supply Chain in China (with a Focus on Russia's Industry/Export Potential)* is now available.

Ongoing developments and emerging themes in China continue to significantly impact market dynamics, and these key themes are unmistakable to anyone who has travelled in the country in 2018.

In preparing this important new report, we observed from our field work an expanded presence of Russian lumber in China. There is movement away from green lumber to kiln-dried product, component lumber and specialty items. Furthermore, significant, ongoing investments into kilns and planers in Russia and Chinese mills at the border have increased the value of lumber and reduced the weight for onward shipment. A growing number of Chinese distributors and processing companies are tapping into the supply chain from Chinese mills in order to access Russian spruce and red pine lumber.

The Chinese government's objective is to ensure that wood demand continues to be met. The plan seems simple: delay harvesting of natural timber in favour of expanding domestic plantations, thereby increasing internal timber supply and reserving some natural forest for use later (by which time global supply will have become scarcer and even more expensive).

In terms of logistics, China has expanded the number of block trains (dedicated container trains from one origin to one destination) coming from Europe, western Russia and Siberia into Chinese land ports. These trains are part of the country's One Belt/One Road program (BRI), an initiative that continues to alter the flow of forest products and other goods to and from China.

Log supply to China is expected to be relatively tight until 2021. The impact of the log export tax on Russian Far East logs, along with tariffs on U.S. shipments to China, should put upward pressure on prices. ■

(A full pricing forecast for both logs and lumber by source to 2023 can be found in the complete report.)

MARK YOUR CALENDARS:

9th Annual Global Softwood Log & Lumber Conference

- Wednesday, May 8 and Thursday, May 9, 2019
- Hyatt Regency Hotel, Vancouver, BC, Canada
- Details to come

LATEST OFFERINGS:

China's Import Demand for Softwood Logs and Lumber to 2023

- Examines the changing supply chain in China, with a focus on Russia's industry/export potential
- Now available
- <https://www.woodmarkets.com/publication/china-book/outlook-to-2023/>

Russia Forest Industry Competitive & Export Outlook to 2025

Focus on China

- Scheduled for December 2018
- <https://www.woodmarkets.com/publication/russian-reports/russia-forest-industry-competitiveness-export-outlook-to-2025>

Global Timber/Sawmill/Lumber Cost Benchmarking 2016 Annual Basis & Q2/2017

- Available now
- <https://www.woodmarkets.com/publication/global-cost-benchmarking/>

CHINA BULLETIN (monthly)

- <http://www.woodmarkets.com/publication/china-bulletin/>

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