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Asian Markets for Pacific Northwest Timber: Rollercoaster or Train Wreck?

BY BOB FLYNN

Surging demand for softwood logs and lumber in China has led to a resurgence in the log export trade from the Pacific Northwest and a jump in lumber exports—at least until third quarter 2011. Since then the Chinese government has moved to sharply curtail its very hot residential construction market, the country's economic growth has slowed, and demand for U.S. logs and lumber has been significantly reduced. Those of us who are old enough remember the 1980s when China was a very good market for Pacific Northwest logs…until that market just disappeared. So, is it again time to "turn out the lights, the party's over?" or are better times ahead in the Asian markets for U.S. exporters? Other articles in this publication will look in depth at China and some other markets, but first let's review the overall Asian market.

PHOTO COURTESY OF JIM KNIGHT, PORT OF OLYMPIA

Longshore Local 47 loading logs at the Port of Olympia export log facility. The vessel Aster K was in loading logs bound for Japan consumption. Olympia has seen log exports increase since 2008.

Over the past decade, China has emerged as the dominant market for softwood logs and lumber in Asia (see Charts 1 and 2). Chinese imports of softwood logs jumped from less than 1.0 million m^3 in 1997 to 15.8 million m^3 in 2002, and then to a record 31.3 million m^3 in 2011. This was significantly larger than Japan's peak of 20.5 million m^3 of softwood log imports in 1979, and China's volume accounted for about 73 percent of the total softwood log imports in Asia in 2011. By comparison, Japan's share of the softwood log market in Asia has steadily fallen over the past 15 years, to just 9.4 percent in 2011, lower than South Korea's share of 13.5 percent. The fastest growing softwood log market in Asia since 2004 has been India, but this was from a very small base and in 2011 India only accounted for about 4 percent of the Asian softwood log market.

For the USA, China's emergence as a major log importer was of little consequence at first, since the vast majority of China's supply was sourced from Russia. In 2007, 91 percent of China's softwood log imports were from Russia, 5 percent from New Zealand and less than 0.5 percent from the USA. But in 2007, Russia began aggressively pushing up its tax on unprocessed log exports, and combined with rapidly escalating timber harvesting costs and the impact of the financial crisis, Russia's share of China's log market fell rapidly. By 2011, Russia accounted for less than 42 percent of China's softwood log imports, while New Zealand's share had jumped to 26 percent and the USA held a nearly 15 percent share. Other sources in 2011 included Canada at 7.8

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Asian Markets

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percent, Australia with 4.6 percent and "other" (primarily European sources like Romania and Ukraine) with 4.9 percent. Imports of softwood logs from the USA soared from just 95,000 m3 in 2007 to nearly 4.7 million m^3 in 2011.

A somewhat similar story was playing out in Japan, where Russia's share of the softwood log import market plunged from 54 percent in 2006 to just 8 percent in 2011. Over this same time period, the USA saw its market share improve from 25 percent to a peak of 45.5 percent in 2009, before dropping back to 40.5 percent in 2011. Canada has similarly benefitted from Russia's fall, as the Canadian share of Japan's log market jumped from just 11 percent in 2006 to 34 percent in 2011. (Note: Japanese plywood producers seem to favor Douglas-fir from British Columbia over the faster-grown Douglas-fir from coastal PNW.) The USA and Canada have also gained market share in Korea, but in India the story is all radiata pine:

PHOTO COURTESY OF BOB FLYNN

Almost all of the softwood logs imported in China and India are processed at tiny, low-tech sawmills like this one in Kandla, Gujurat state, in northwest India). Sawing accuracy may be poor, but recovery is relatively high due to very low labor costs.

In 2011, an estimated 92 percent of India's softwood log imports were from New Zealand.

Japan used to be the largest market for softwood lumber in Asia, accounting for close to 90 percent of imports in 2001, but today China is also the dominant importer of softwood lumber, with more than a 60 percent share of all Asian imports. By comparison, Korea and India remain relatively small markets for softwood lumber, although trends have been quite positive in recent years. The development of China's lumber import trade was good news for U.S. producers, at least initially, as U.S. exports of softwood lumber to Asia more than tripled in volume between first half 2009 and first half 2011. More than half of all U.S. exports of softwood lumber to Asia were directed to China. But Canada has had much greater success in China's softwood lumber market, with imports of Canadian softwood lumber in China surging from only 330,000 m^3 in 2006 to 6.8 million m^3 in 2011. Canada provided 46 percent of China's softwood lumber imports in 2011, followed by Russia with 36 percent and the USA with 8 percent.

However, in 2011 the Chinese central government became concerned about inflation and a perceived bubble in private residential construction, and moved to restrict credit and slow down speculative construction activity.

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Next Issue: Federal Forests in the PNW

Monthly softwood log imports (from all sources) fell from a record 2.9 million m^3 in August and September 2011 to a low of only 1.6 million m^3 in January 2012. Imports typically drop sharply in January, due to the Spring Festival holidays in China, but in second quarter 2012 imports remained at a relatively weak 2.2 million m^3 per month. For the first half of the year, Chinese imports of softwood logs were more than 15 percent lower than in the first half of 2011. Chinese imports of softwood lumber peaked in August 2011 at nearly 1.5 million m^3, and have averaged 1.3 million m^3 per month in second quarter 2012. In contrast to the log markets, China's imports of softwood lumber in first half 2012 were slightly higher than in the same period of 2011. Lumber has been gaining as a share of softwood imports, and now accounts for close to 48 percent of China's total softwood log and lumber imports, on a roundwood basis.

Japan's log market has improved somewhat in 2012, with first-half imports increasing 7.5 percent over the first half of 2011, and imports from the USA up by more than 14 percent. But softwood lumber imports fell by 5 percent compared with the previous year, and expectations of any surge in demand for rebuilding efforts following the 2011 earthquake and tsunami disaster have been largely disappointing. In addition, government efforts to promote the use of domestic timber in Japan have had an impact on the market: The share of logs purchased by Japanese sawmills from domestic sources has increased from 49 percent in 2001 to nearly 71 percent in the first half of 2012. The Korean market is largely unchanged in 2012, and India's softwood log imports have also shown no growth from 2011 levels.

Thus, timber growers and exporters in the Pacific Northwest and Alaska are largely depending on a recovery in the Chinese market for a rebound in demand for log or lumber exports. While the article by Jeff Cao later in this issue will look at China in more depth, I would just make the following points:

• China's need for imported logs (and log-equivalent forest products) has grown at an annual rate of 17 percent since 1997, considerably faster than its overall economic growth of about 10 percent.

• While China has done an impressive job of developing forest plantations (especially fast-growing hardwoods like poplar and eucalyptus), our analysis has shown very little prospect for increasing domestic softwood timber harvests.

(CONTINUED ON NEXT PAGE)

• Most imported softwood timber is used in construction activities in China, and while construction has slowed over the past year, it is simply far too important to the Chinese economy for the government to allow the slowdown to drop too far or to last too long.

• Making some type of engineered lumber from fast-growing hardwoods would be quite expensive (and require huge volumes of adhesives), and replacing softwood lumber with some type of steel "studs" would require too much energy. So the market for softwood timber is unlikely to be replaced by substitutes.

Basically, we are expecting that Chinese demand for softwood timber (in log and lumber form) will recover, so the concern for the U.S. industry (other than understanding when this recovery is likely to occur!) is largely centered on the outlook for supply from our major competitors. Briefly:

• Russia. Concerns about a flood of new log exports from Russia if/when log export duties are reduced have largely proven to be premature. The escalating cost structure in eastern Russia (and major shifts in timber ownership) have largely changed the industry in that region. Chinese imports of Russian softwood logs have fallen sharply in recent months, and in June 2012, for the first time ever, China imported a larger volume of softwood logs from New Zealand than from Russia. For the first half of 2012, Chinese imports of Russian logs were 20 percent lower than in 2011, and may only total about 11 million m3 for the year, the lowest level since 2001. Imports of Russian lumber were up 6 percent, but basically an expansion in Russia's timber exports will require very large investments in infrastructure development, and this will take years to develop, if it happens at all.

• New Zealand. Log exports hit an all-time record peak of 1.47 million m^3 in June 2012, including nearly 1.1 million m^3 to China. It is clear that New Zealand is expanding its position in the Asian log markets, with total volume in 2012 likely to be a record 13.5-14.0 million m^3. But supply is all from

Bob Flynn_Asian log
Imports

SOURCE: BOB FLYNN

China, Japan, Korea and India softwood log imports over time.

Bob Flynn_Asian lumber
Imports

SOURCE: BOB FLYNN

China, Japan, Korea and India softwood lumber imports over time..

planted forests, and age class distribution (as well as port and logging infrastructure capacity) may limit log exports to no more than 17-18 million m^3 for at least another decade.

• Australia. Total timber harvest is not likely to increase over the next 10-20 years, and the country is already a net importer of softwood lumber. Log exports did spike to 1.8 million m3 in 2011, but that was largely due to efforts to salvage some blowdown timber, and log exports are unlikely to exceed this for the foreseeable future.

• Canada. Softwood log exports to Asian markets jumped from 2.0 million m3 in 2009 to nearly 5.0 million m3 in 2011, including 2.8 million m3 to China. This expansion was a bit surprising, given Canada's long-term restrictions on exports of unprocessed logs, but was a logical move given the weak U.S. market and strong China market. Log volumes may well have peaked, but the real story in Canada has been their success in the Asian lumber markets. For example, on a log equivalent basis, Canada's exports to China last year were about 80 percent lumber and only 20 percent logs, almost exactly the reverse of shipments from the USA. During the first five months of 2012, Canadian exports of softwood logs to China declined slightly (down 1.1 percent compared with the same period in 2011), but despite the relatively weak Chinese market, shipments of softwood lumber from Canada increased more than 11 percent during this same time period. Of course, Canadian sawmills have an advantage in that they do not have to compete with Chinese log buyers when sourcing raw material for their mills, and we expect that the Canadian focus on China's lumber markets will continue even after the U.S. housing market recovers.

After reviewing the recent ups and downs in the Asian timber markets, what can we conclude? Demand for imported timber in China is likely to recover when their economy moves into a higher gear, presumably sometime after the new leadership takes over late this year, because domestic sourcing of increased volumes softwood is not really an option. Recovery in the U.S. housing market will likely push timber prices higher in the Pacific Northwest, leading to another relatively short-term drop in demand from China. But in the end, alternative softwood supplies are really quite limited and we believe the Chinese have little choice but to try to remain competitive in buying logs from the U.S. Pacific Northwest and lumber from Canada. The last year has been quite turbulent, but it looks like the roller coaster is only just beginning. ◆

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What's Next for China?

BY XIAOZHI (JEFF) CAO

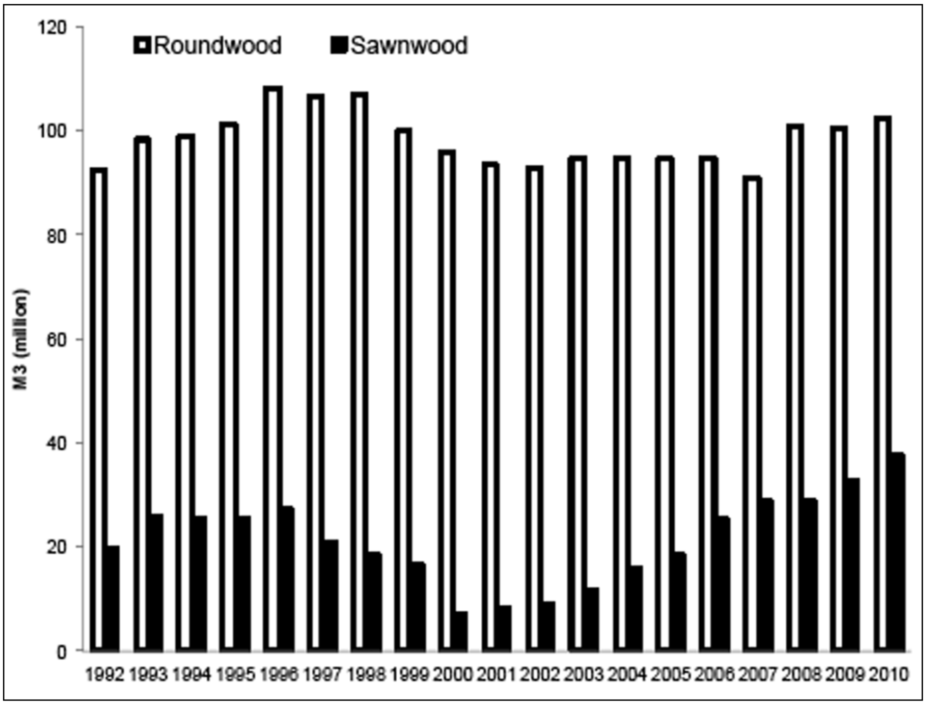
The Chinese economic data has been mixed in recent quarters. According to official statistics, GDP growth continued to slow in the second quarter of 2012 to 7.5 percent from 8.1 percent the first quarter. This represents China's sixth consecutive slowing quarter since the summer of 2009.

The housing market in most major Chinese cities has shown signs of slowing as the central government's tightening fiscal policies aimed at deflating the housing bubble start to take effect. Home prices in Beijing and Shanghai have declined by 3-4 percent from all-time highs. Chinese economic authorities have recently cut key interest rates and revised their growth forecast from 8 percent to 7.5 percent this year. After taking into account inflation factors, which are estimated at 3-5 percent, the real growth this year is projected to be around 3 percent, which is lower than 4 percent. Four percent is believed by many analysts as the minimum to maintain social stability and generate sufficient capital to invest in innovation and technology sectors as the country seeks to upgrade its growth model and to protect itself against possible escalation of global financial crisis.

On the positive side, however, despite the slowing growth, there are more job vacancies in China than there have been for a decade. Official data shows that China added more than 6.9 million jobs in urban areas during the first half of 2012, which represented a net increase of 390,000 jobs from the same period of last year. Adjusted disposal income per capita also increased by 9.7 percent and 12.4 percent in urban and rural areas, respectively. Chinese annual average wage in 2011 was 42,500 Yuan (roughly US$7K) in state-owned firms, 24,600 Yuan (US$4K) in the private sector, 56,100 Yuan (US$9K) in Beijing, and 52,700 Yuan (US$8.5K) in Shanghai. The government aims to raise the minimum wage level by at least 13 percent annually in the next five years to 2015. Also, the government is encouraging the development of social welfare housing projects for lower income populations as part of a national strategy to build a harmonious society. The most recent five-year plan calls for the construction of 36 million affordable housing units in urban cities. During the first half of 2012, 2.6 million new housing units were completed and the construction of 4.7 million new units has been started.

After all, the fact that China is experiencing a softening economy this year has significantly slowed its demand for wood imports, particularly with respect to softwood logs. China's imports of softwood logs in the first half in 2012 dropped by more than 15 percent, from 15.1 million m^3 to 12.8 million m^3 compared to the same period the previous year. Since Russia started to increase log export tariffs in April 2008, China's softwood lumber imports surged from 3.6 million m^3 in 2008 to 14.9 million m^3 in 2011, with an annual growth averaged at 60.6 percent. But in the first half in 2012, China's softwood lumber imports just barely reached 7 million m^3, up by merely 1.5 percent compared to same period of last year. As the largest overseas market for U.S. lumber and logs, China imported about $2.6 billion worth of softwood logs and lumber from U.S. in 2011, mostly western hemlock, Douglas-fir, and spruce, accounting for nearly 42 percent of U.S. total softwood logs and lumber exports in terms of value. Due to China's slowing economy, U.S. softwood lumber and logs exports to China during the first five months this year dropped by over 43 percent to $256.5 million, from $451.8 million of the same period in 2011. China's demand for U.S. hardwood lumber also slowed but to a much less extent, thanks to its strong furniture industry and fast-growing domestic home furnishing markets. China's hardwood lumber imports from U.S. fell by about 3 percent in both volume and value terms in the first half of 2012. It is worth noting that Vietnam has become a major competitor to China in exporting furniture to the U.S. Vietnam's hardwood lumber imports from U.S. increased by more than 56 percent in volume (66 percent in value) compared to the first half of 2011.

Over the longer term, it can be expected that China will continue to demand more higher-graded lumber and higher value-add imports as the domestic market continues to grow with more purchasing power. Boosting domestic consumption has been listed at the top of the Chinese government's working agenda under the national 12th Five-Year Plan (2011-2015). Many believe that China's continued urbanization process and the development of the vast west region, as well as the government's new stimulus centered on affordable housing construction will continue to fuel economic growth and support the strong domestic demand for wood building and furnishing products for the next 5 to 10 years. This will also be driven by a second round of interior renovations



SOURCE: FAOSTAT

Figure 1. China's domestic timber production.

as the increasingly affluent middle-class begin to replace furniture and refurbish condominiums and homes purchased during the first "golden decade" of the housing boom (1999-2009).

China's middle class is estimated to be around 300 million (around a quarter of the population), which is roughly equivalent to the population of the U.S. By 2020, the Chinese middle class is expected to reach 700 million (around 50 percent of the total population). With growing concerns of wooden furniture and flooring that emit toxic off-gassing and contribute to indoor air pollution, Chinese wealthy consumers are increasingly favoring high quality and environmentally friend products, which can offer new opportunities for U.S. wood products suppliers.

Other key factors impacting China's future demand for timber imports include Russia's restrictions on log exports and increasing timber supply from domestic fast-growing plantations. Following Russia's accession into the WTO in December 2011, some analysts expect the Russian government to lower log export tariffs but simultaneously impose a log export quota. So this will unlikely change the general trend of China's increasing Russian lumber imports and diversification of timber sources. Also, the control by the Chinese State Forestry Administration (SFA) on domestic timber production has been gradually eased since 2003 (see Figure 1). The current harvest quota that governs the period of 2011-2015 has been further increased by four percent over the preceding five-year quota to 258 million m^3, with a higher proportion of the quota being allocated to timber plantations that mainly consist of poplar and eucalyptus, along with a variety of pine species. In the next few years to come, more domestic timber, primarily non-coniferous plantation species, will become available to the industry to replace lower-grade imports.

However, rising cost pressure and a changing regulatory environment in international markets have emerged to become major challenges impeding Chinese industry's continued growth, particularly with respect to small- and medium-sized enterprises which comprise more than 90 percent of forest products companies. Most of these companies' supply chains are engineered to manage high-volume commodity production by capitalizing on low-cost production opportunities available in places with easy access to an inexpensive labor pool, relative loose environmental and social regulations, and favorable taxation policy for foreign investment. However, these factors are fading away. Global trade is subject to increasingly stringent laws and regulations. The Lacey Act Amendments in the United States, the European Union's Timber Regulation, and Indonesia's new timber legality assurance system are all examples of the recent strengthening of policy signals designed to promote sustainable timber production and transparent trade. Furthermore, the lack of poor enforcement of existing product quality standards and environmental standards has created a "race to the bottom" in the domestic market as companies do whatever it takes to undercut their competitors' prices and gain a competitive advantage in the marketplace.

What does these all mean to the Chinese forest sector in the future? There is a clear need for the industry to grow in a more sustainable and responsible approach. The success of this transition will depend on combined efforts from the public and private sectors requiring continued forestry institutional reforms toward a market economy, improved transparency of policy and standards, and concerted efforts by the industry, environmental and social groups, media and consumers. ◆

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India: An Opportunity for U.S. Woods?

BY CHRIS KNOWLES AND DAVID STALLCOP


Chris Knowles


David Stallcop

India has been striving to emerge as an economic superpower for years but has not been able to make the leap to join the global economic superpowers. It is the seventh-largest country by geographical area (3.29 million km^2), the second most populous country (1.2 billion), and the most populous democracy in the world. As a comparison, India has about three times the population of the U.S. with roughly one-third the area. India is bounded by the Indian Ocean on the south, the Arabian Sea on the west, and the Bay of Bengal on the east, totaling a coastline of over 7,500 kilometers. India has the fourth largest economy in the world, based on GDP, but at $4 trillion, India's GDP is less than one-third that of the U.S. and less than one-half of China.

India has been converting to an open-market economy since the 1990s, averaging more than seven percent annual economic growth since 1997. Services account for more than half of the country's economic growth and approximately one-third of the labor force. The Indian economy emerged from the global financial crisis in 2010 with growth exceeding eight percent; however, growth slowed in 2011 because of high inflation and interest rates. The growth rate recently was reported at 5.3 percent, lower than the projections of six percent. The growth in the Indian economy over the last few decades has resulted in the emergence of a significant middle class. The middle class is expected to exceed 250 million people and 50 million households by 2015-2016. Some predict the growth will continue for the near-term future estimating more than 110 million households and 540 million people in the middle class by 2025. The recent slowing of the Indian economy brings some doubt to these predictions. Despite the recent slowdown, the growth of the middle class is creating a growing population of people with expendable income.

The wood market in India is an unorganized and complex sector. Raw material supply is a major challenge for many Indian firms. Feeling the need for forest conservation, the government of India has placed a ban on natural forest felling, so the limited volume of timber originating from natural forests is through government auctions of those trees the forest department decides to cut. Despite the harvesting ban, demand has continued to grow, leading the industry to look for other sources of raw material. Agro-forestry provides sizeable volumes to the industry, especially the hardwood plywood sector. Imports are on the rise and have been growing significantly in recent years. India is facing a scarcity of wood. At present, imports of forest raw materials, promoted by industrial and trade liberalization, are filling the gap. A recent development that will take some time for implementation is that the government of India is planning to lease out degraded forest areas to forestry companies for timber production. If this happens, it could have considerable impact on timber supply in India. Given the dependence of so many forest dwellers on non-wood timber products, there is much resistance from social and environmental advocacy groups on the proposal.

The Indian market consumes between 90-100 million m^3 per year of timber. Approximately 40 to 50 million m^3 is from domestic timber farms and plantations. Another 5-10 million m^3 comes from national forests. Since there is a harvest ban on these lands the legality of these logs is often questioned. Currently annual imports of logs and lumber totals approximately 10 million m^3. Annually there is a shortage of between 10 and 20 million m^3. This gap in wood supply is expected to grow in the near term as the economy of the country continues to grow. This presents an opportunity for wood from North America.

The Indian wood market is relationship based. Indian importers look to develop strong, long-term relationships with their suppliers. A key element of these relationships is trust. It is not only important for the importer to trust the supplier, it is also important for the supplier to trust the importer. Suppliers from North America are often viewed with skepticism because they have a history of being opportunistic and working in the India market when the North American markets are down and then leaving India when North American markets are strong. While Indian importers prefer to develop relationships with their suppliers, they are also opportunistic and will not hesitate to take advantage of situations when they see opportunities to make a profit.

Opportunities in the market

It is illegal to harvest domestic species in India so the demand for wood products must be met by supply from plantations and imports. Preferences for wood products in India are as diverse as the country itself. Preferences differ by regions, with the northern part of the country (essentially New Delhi north) preferring softwoods and the southern part of the country (south of New Delhi) preferring tropical hardwoods. Plantations in India are predominantly hardwood plantations, with teak and poplar being the major species. There is a limited supply of softwood from domestic plantation sources in India.

The majority of wood imports to India are in raw log form. The primary reason for this is that the import duty on sawn wood is quite high. Radiata pine is the primary softwood species imported into India. The Indian market is very price sensitive and radiata pine is typically the least expensive softwood fiber available. There are opportunities for softwood from the U.S. when prices for radiata pine logs increase or when North American lumber prices are depressed. Tropical hardwoods dominate the hardwood market with species such as meranti and teak.

India is a country that does not have a history of using a lot of wood in construction. The building stock in the country is dominated by concrete and masonry structures. This leaves limited opportunities for softwood lumber in the market. Packaging and crating are major historical uses of softwood lumber. Shuttering (concrete form) is currently one of the most significant uses of softwood lumber. The wood is utilized once or twice before it is disposed of. Other uses for softwoods include core material for composite doors and windows, door jambs, and paint grade molding and millwork. The Indian market mostly utilizes lower-grade lumber, with limited opportunities for higher-grade products. Despite the preference for lower-grade lumber, there is a strong requirement for wane-free products since much of the imported material is remanufactured. Recently, there has been an increase in utilization of softwoods in the production of wooden furniture. Hardwoods have traditionally been utilized for furniture and continue to be utilized. As this market continues to develop there could be increased opportunities for species from the U.S.

Challenges

There are many challenges associated with doing business in India. As mentioned previously, the Indian market is relationship based. It may take a significant time to develop the relationship required to conduct business. This relationship-building process can be very expensive, potentially including several visits to India before conducting any significant business. Combine this with the fact that the Indian market is very price sensitive and the ability to make profit can be limited. An additional challenge is the history (or lack thereof) of softwood use in India. In many parts of the country, softwoods are not considered in applications beyond packaging and concrete forms. There is a lot of market development work that needs to be done to change the image of softwoods.

Understanding the Indian market is a tremendous challenge, particularly to someone just entering the market. There is tremendous diversity in the preferences of consumers across the country. This should come as no surprise considering the diversity of the Indian people, a country which has 16 official languages. In order to truly be successful, it is necessary to work closely with a local agent who understands the daily pulse of the market. It is imperative that you have a strong working relationship and full trust in any agent you hire. Indian companies have a reputation of filing a claim on every shipment. This does not always mean that there is a real problem with the product. In many cases the claim is filed for the sole purpose of connecting with the supplier and providing an opportunity to further develop the relationship.

PHOTO COURTESY OF CHRIS KNOWLES

Tropical hardwoods get resawed at a remanufacturer in New Delhi.

As evidenced by the recent massive scale blackouts that left approximately half of the country without power, infrastructure is a major challenge in India. While infrastructure is rapidly developing across the country, there is still a lot of development that needs to happen. The country has experienced rapid economic and population growth and has not been able to develop the infrastructure required to match that growth. This makes transportation and logistics much more difficult than most other countries in the world and reinforces the importance of working with a local agent.

The final challenge for U.S. wood products is transportation. It is a long haul to move products from the west coast of the U.S. to India and there is not really a good way to get there. Additionally, ships carrying wood to India from the Western U.S. pass by multiple traditionally strong and more valuable markets for U.S. wood species including Japan, China, Taiwan, and South Korea. Combine the increased freight costs with higher value applications in other markets and India can be a tough place for U.S. firms to be competitive.

What does this mean for forest companies?

India is not a market that should be taken lightly. There is currently opportunity for wood from North America in this market and all signs indicate that the demand for wood products will continue to grow. There are questions about the rate of growth with some predictions of strong growth while others predict more moderate levels of growth. While the opportunity is good, successfully selling wood into this market is a full-time job. In order to be successful and minimize claims on orders, it is essential that business is conducted through a reputable agent that you trust.

India is not a market that woodland owners in the Pacific Northwest should concern themselves with. The low-cost focus and preference for logs over sawn products puts wood from the Northwest at a competitive disadvantage over wood from the Southeastern United States and other locations that have lower freight cost. As India's need for wood products continues to evolve, there may be opportunities in the future where it should be considered as a market. That time has not arrived yet. ◆

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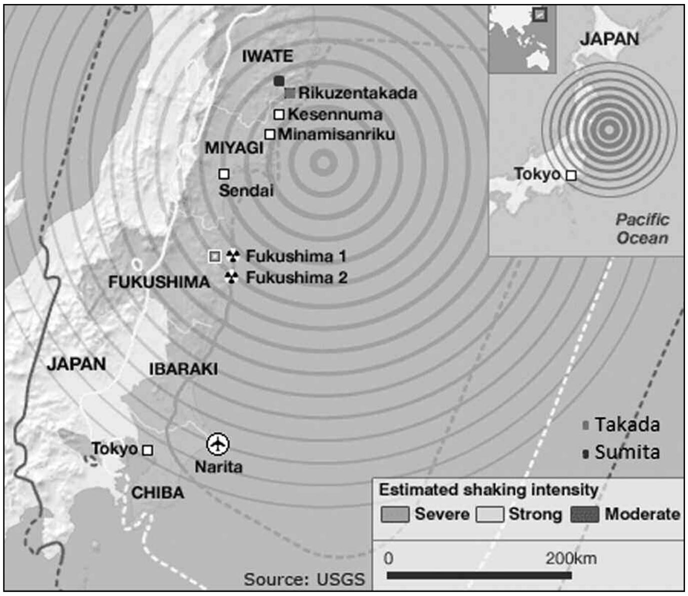
Japan Perseveres

BY ASHLEE TIBBETS

The tinted bus windows refracted excess sunlight, but did not obscure the wake of devastation left by the 2011 tsunami. The buildings that remained in Takada city were skeletal and hollow. Driveways led to empty fields where homes used to stand. The tour bus continued its way to the ocean shore, where a lone pine tree stood. The pine tree is the only one remaining of a former pine forest. Totaling 70,000 trees, the forest symbolized protection for the people of Takada. Now, the single pine tree represents hope and what remains of home.

Takada is the neighboring city to Sumita. Though a large portion of Takada was destroyed, Sumita was fortunate to sustain less severe destruction. Sumita, located in a heavily forested area of Japan, has relied on the timber industry and wood frame construction for generations.

Looking for a way to help create jobs, Mayor Kinichi Tada noticed global opportunities for temporary housing in Iraq and emergency housing in Sichuan, China, and Haiti. "I thought if the temporary wooden house could be sent to those victims who lost their homes it would help the beginning of the recovery process," said Mayor Tada. He was preparing to meet with Cabinet officials in Tokyo on March 22, 2011, to discuss the manufacture of temporary wooden house kits by a number of timber-dependent communities that would be stored across Japan in the event of an emergency. The Tohoku earthquake struck Japan on March 11, 2011. Fortunately, the plan was almost complete, and the mayor had already prepared blueprints and some specifications. The town quickly began producing the prefabricated kits and residents started moving in on May 2, 2011. Takada's devastation was staggering: 4,000 of the 20,000 residents lost their lives.



SOURCE: USGS

Sumita has received nationwide attention for its innovative and high-quality emergency housing, and the role the town played in providing immediate and long-term aid to nearby residents of Takata City. The result is Sumita-Town, 63 prefabricated cedar homes housing families that were left homeless by the tsunami. During the tour through Sumita-Town, I felt like I was walking through a neighborhood rather than an emergency housing site. Children's play areas were grouped along the perimeter, and the children I saw looked happy and healthy. Many of the homes were edged with pots of flowers and herbs, and there were a number of residents visiting with each other. Though the homes are small, they were clearly designed for community and well-being, not mere shelter. The materials used give the community a look of permanence. This community is nothing like the temporary housing sites of Katrina that most Americans are familiar with.

Sumita's builders constructed 93 units, 63 of which are located at the temporary housing site in Sumita-Town. The 320-square foot cedar-panel homes use 8.8 cubic meters (3,700 cubic feet) of lumber, all of which is FSC certified and produced by a local mill.

Each home can be assembled in five days by bolting the panels together. They are equipped with a kitchen, bathroom, and a living/sleeping room. The ceiling is open to allow for extra storage space or to highlight the feeling of more space in the home. Solar water heaters are installed on the roofs and heat is provided by pellet stoves with locally manufactured pellets. The community is also equipped with an enclosed sewer treatment system. The homes are designed to be easily disassembled and all materials are unpainted so they can be recycled. Although the homes are placed immediately next to each other, each home was intentionally built as a separate unit to give people the feeling of living in their own space.

In addition to being able to quickly construct and assemble the panelized homes, there were other priorities for the prefabricated homes' creators. Cedar was selected both because of the abundance of the material locally but also because it has a natural warmth. A number of timber-dependent communities are discussing how they might work with Sumita to build emergency housing as well.

To compare Sumita-Town's wood frame housing with traditional emergency housing, I visited prefabricated steel housing supplied by the government. Each unit in the common-wall housing was approximately 100 square feet and included a kitchen area, bath, and living/sleeping area. Truly temporary housing, the units are not insulated and therefore drafty and prone to significant condensation during Northern Japan's cold winters.

Finally, the tour visited a recently constructed retail area built with prefabricated steel panels to discuss government plans for rebuilding the area. According to the builders and architects on site, the government is planning a 20-year rebuilding plan, which will take place in three stages. The restoration stage, which includes cleanup and planning, will continue for the next two years. The rebuilding and development stages will continue until 2021. The government is now considering how new cities will be laid out to avoid major loss of life in the event of another large-scale tsunami. In brief, the plan locates industry and agriculture near the shoreline and housing on higher elevations. The major hurdle to this plan is the process of acquiring land for conversion to residential land.

Though Japanese housing starts have not recovered to the levels seen prior to the tsunami (over one million units per year in 2007), the export volume of U.S. softwood products

PHOTO COURTESY OF ASHLEE TIBBETS

Sumita-Town: Children's play area next to the temporary housing site for those who lost their homes to the 2011 tsunami.

increased for the 6th consecutive year since 2005 (in 2011, 409,365 cubic meters of material were sent to Japan, based on the FAS trade statistics). The post and beam structural market is strong for U.S. Douglas-fir lumber, and thus it is worthwhile to continue to promote U.S. wood products to Japan as this market is traditionally a relatively stable one.

According to the Japanese media, the reconstruction demand for the residential sector is estimated at approximately 321,000 units, and 48,000 units for the non-residential sector. All of these units will be built in the next three to five years. Mr. Kano, Minister of Agriculture, Forestry and Fisheries, commented in January 2012 that the Japanese government intends to supply 70 percent of the wood products necessary for the reconstruction programs in order to stimulate the local wood industry. However, according to the Environment Minister, only 1.18 million tons (5.2 percent) of the total debris (22.5 million tons) generated by the tsunami has been cleaned up after one year's work. At the current pace of disposal, completing the government's goal by March 2014 will be difficult.

Historically, the Japanese market has shown a strong preference to Douglas-fir for the structural members of the post and beam construction in terms of its strength and durability. In addition to opportunities for U.S. lumber for construction, there continues to be opportunities for products that can improve energy efficiency, construction performance, and construction speed. Japanese builders are interested in new technology that can help them build more efficiently and attract customers. In light of Japan's nuclear power plants closure, builders and consumers are particularly interested in energy-efficient building materials.

Though I only spent time in Takata, there are many towns that experienced the same kind of devastation and heartache. The people of that region have no choice but to look toward the future, whether that be tomorrow or a year from now. The only option for them is to keep trying and to keep pushing forward. The lone pine tree at the shore line will not stand forever, but the feeling of hope and renewal will last lifetimes. ◆

Ashlee Tibbets is an International Marketing Manager with the Softwood Export Council in Tigard, Ore. She can be reached at ashlee@softwood.org or 503-997-1044.

Six Oregon SAF Members to Receive National Awards at Spokane Convention

BY BOB ALVERTS

Throughout the years Oregon SAF Members have been recognized for their professionalism and excellence, and many of our colleagues have received national SAF awards. This year is no exception. Plan to attend the SAF National Convention in Spokane, October 23-27 and support these well deserved colleagues!

At the upcoming SAF National Convention in Spokane, six OSAF members will be recognized as SAF National Award recipients.

Clark Seely, retired associate state forester, Oregon Department of Forestry, of Salem, and who recently moved to Florida, will be receiving the John A. Beale Memorial Award for outstanding efforts over a sustained period in the promotion of forestry through voluntary service to the Society.

Steve Fitzgerald, Forestry Extension agent, OSU College of Forestry, of Redmond, will be receiving the Technology Transfer Award for outstanding service in Forestry Extension.

George Ice of Corvallis, and recently retired scientist with the National Council for Air and Stream Improvement, will be receiving the Award in Forest Science for his outstanding research in watershed science and hydrology.

Steve Wilent, forestry instructor at Mt. Hood Community College and editor of SAF's *Forestry Source*, of Rhododendron, will be receiving the W.D. Hagenstein Communicator Award for his outstanding communication and journalism work on forestry issues.

Eric Kranzush, forester with Giustina Land and Timber Company, of Eugene, will be receiving the Young Forester Leadership Award for his outstanding work by an SAF member under 40 years of age in developing the SAF regional website and other activities.

Blair Moody, forester with Rogue-Siskiyou NF-Medford BLM, of Medford, will be receiving the District 2 (Oregon) Presidential Field Forester Award for his outstanding sustained field work in silviculture and stand management. Kirk David of Athol, Idaho, was named District 1 (Alaska, Inland Empire, and Washington State) Presidential Field Forester Award. Kirk is currently the executive vice president of the Idaho Forest Landowners Association and assistant educator with the University of Idaho.

The selection of new SAF Fellows for District 1 and 2 were announced for 2012: Mark Buckbee, associate district manager (retired September 3), Roseburg BLM, Roseburg, Ore.; Mike Cloughesy, director of Forestry, Oregon Forest Resources Institute, Portland, Ore., Lawrence Davis, retired professor of Forest Management from University of California-Berkley in 1994, and also taught at Utah State University and Virginia Tech of Spokane, Wash.; Stephen Rickets, retired from the USDA Forest Service and serves as WSSAF historian, Port Hadlock, Wash., and Norm Schaaf, vice president of Timberlands and Administration for Merrill & Ring Inc., in Port Angeles, Wash.

Congratulations to each of these well deserved colleagues! It is great to be part of an SAF region with so many outstanding members.

If you haven't already registered for convention, there is still time to register and support these outstanding colleagues and attend the 2012 national convention. The program and field trips look great, and the Spokane venue is outstanding. To register go to www.safconvention.org or call the SAF National Office at 301-897-8720. ◆

Bob Alverts is District 2 Council representative and can be reached at 503-639-0405 or balverts@teleport.com.

Calendar of Events

URISA NW GIS Conference, Sept. 30-Oct. 4, Portland, OR. Contact: Bruce Kessler, 509-235-5500, bruce@kesslergis.com, www.urisa.org/gispro2012.

Washington Tree Farm Program Education Seminar, Logging Your Timber: Options, Opportunities, and Precautions, Oct. 6, Chehalis, WA. Contact: Donna Loucks, 360-736-2147, loucksd@localaccess.com, www.watree-farm.org/2012RegForm.pdf.

Easements in Washington, Oct. 10, Seattle, WA. Contact: The Seminar Group.

PNW Reforestation Council annual meeting, Oct. 10-11, Vancouver, WA. Contact: WFCA.

NAAEE annual conference, Oct. 10-13, Oakland, CA. Contact: NAAEE, 202-419-0412, www.naaee.net/conference/registration.

Ecological and Environmental Mitigation Banking, Oct. 19, Seattle, WA. Contact: The Seminar Group.

SAF National Convention, Oct. 24-28, Spokane, WA. Contact: National SAF, 866-897-8720, www.safnet.org/natcon12/index.cfm.

The Basics of Pine Region Forest Land and Timber Appraisal, Nov. 6-9, Spokane, WA. Contact: WFCA.

Partners in Community Forestry National Conference, Nov. 14-16, Sacramento, CA. Contact: Arbor Day Foundation, 888-448-7337, www.arborday.org/shopping/conferences/brochures/pcf/2012/.

Nutrient Dynamics of Planted Forests, Nov. 27-28, Vancouver, WA. Contact: WFCA.

PNW Forestry Leadership Academy, January 18-19, 2013, Silverton, OR. Contact: Mike Cloughesy, cloughesy@ofri.org.

Contact Information

The Seminar Group: 800-574-4852, info@theseminargroup.net, www.theseminargroup.net.

WFCA: Western Forestry and Conservation Association, 4033 SW Canyon Rd., Portland, OR 97221, 503-226-4562, richard@westernforestry.org, www.westernforestry.org.

Send calendar items to the editor, *Western Forester*, 4033 SW Canyon Rd., Portland, OR 97221; rasor@safnwo.org.

Policy Scoreboard

Editor's Note: To keep SAF members informed of state society policy activities, Policy Scoreboard is a regular feature in the Western Forester. *The intent is to provide a brief explanation of the policy activity—you are encouraged to follow up with the listed contact person for detailed information.*

Comments Submitted on Three Federal Issues. This summer, OSAF and an OSAF-WSSAF team prepared comments on forestry issues that were submitted to elected officials and federal agencies. The regional SAF effort focused on the U.S. Fish and Wildlife Service's recent critical habitat designations for the northern spotted owl. Concerns include adding more critical habitat despite the lack of proven benefits of the original designations. OSAF also submitted comments for the scoping portion of the latest round of management planning for BLM's western Oregon lands. Comments included the need for clear management objectives that are consistent with the O&C Act, and for related active management strategies that include older forests and T&E species. Also concerning BLM lands, OSAF sent a letter to Reps. DeFazio, Walden and Schrader on their "discussion draft" bill, the "O&C Trust, Conservation, and Jobs Act." The letter expressed support for such efforts to improve policy and management of O&C lands but also pointed out the need for active management of both timber- and habitat-centric land allocations, and the value of experienced BLM forestry professionals in the management of both allocations. Contact: Paul Adams, OSAF Policy chair, 541-737-2946; paul.adams@oregonstate.edu.

Stream Protection Rule Analysis Process Continues in Oregon. The Oregon Board of Forestry (BOF) and the Oregon Department of Forestry (ODF) are engaged in a rule analysis process that could lead to revisions of the riparian protection requirements to maintain and promote shade on small and medium fish-bearing forest streams. The process was prompted by studies that showed the current requirements in some cases did not prevent post-timber harvest temperature increases from exceeding the state's cold water protection standard. At the BOF meeting on July 26, ODF staff presented a range of alternatives to the current requirements for further consideration, which could lead to a selected alternative by January 2013. Reflecting the BOF's stated concern for the interests of private forest owners and other stakeholders, the ODF report specifically includes the option of non-regulatory implementation of the alternatives. The BOF accepted the rule alternatives and directed the ODF to move ahead with plans for further rule analysis and refinement, including additional stakeholder input and a science review. Results of these efforts will be considered at the BOF meeting on November 7. Contact: Paul Adams, OSAF Policy chair, 541-737-2946; paul.adams@oregonstate.edu.

WSSAF Testifies at EPA Session. On June 27 Harry Bell, Washington State Policy chair, testified at an EPA listening session addressing logging road regulation under the Clean Water Act. He mostly reiterated the national office testimony supporting the use of BMPs—but not Washington State BMPs—rather than NPDES permits in other states. Washington State has a unique set of soils, climate, topography, and political conditions that are not likely to exist elsewhere. Our BMPs are effectively zero tolerance rules enforced by the threat of fines. Effective and durable policy should recognize local conditions and be based on adequate science. Contact: Harry Bell, WSSAF Policy chair, 360-460-2502; harry@greencrow.com.

Secure Rural Schools and Federal Timber Sales. Thanks to concerted efforts by congressional delegations throughout the Northwest, in July the U.S. Congress extended the Secure Rural Schools and Community Self Determination Act (commonly known as SRS) for another year, thus continuing to provide financial support for rural schools and county roads. Supporting local government program financing from the federal treasury is increasingly difficult, and continuation of this program in its present form is highly unlikely. To deal with ongoing SRS issues that arose when the federal timber sale program collapsed in the early 1990s, several bills were offered by members of our states' congressional delegations during the past year, most featuring pilot project tests of the trust land management model. None has much chance of success. This topic is so controversial that neither the SAF nor the Western Governors' Association will take a position statement on what, if anything, should replace SRS. Putting people to work in federal forests is what many people would prefer to continued handouts from the federal treasury. This will take federal forest land policy reform and someone to lead it. Contact: Jay O'Laughlin, IESAF Policy chair, 208-885-5776, jayo@uidaho.edu.

Do Forest Roads need Water Pollution Permits? In June the Supreme Court announced it would review last year's ruling by the 9th Circuit Court of Appeals (NEDC v. Brown) that forest roads are "point sources" of water pollution requiring industrial discharge permits typically applied to factories and sewage plants under the Clean Water Act. In July the Transportation and Infrastructure Committee of the U.S. House of Representatives passed a bill that would prevent the 9th Circuit ruling from taking effect (see http://nafoalliance.org/featured/forest-owners-commend-house-committee-for-supporting-epa-forest-roads-rules/). The Supreme Court decision is expected in the first half of 2013. Contact: Jay O'Laughlin, IESAF Policy chair, 208-885-5776, jayo@uidaho.edu.

Forest biomass. The energy titles in the 2012 Farm Bill not being debated could help foster additional utilization of forest biomass, or not, depending on what the U.S. Congress does to align levels of authorization in the House and Senate versions of the bill, and, of course, how much is appropriated for various programs. Keep up to date with weekly developments at www.eesi.org/sbff. The states of Washington and Oregon continue to work on developing industries that can utilize forest residues, commonly called forest biomass. A Washington Forest Biomass Supply Assessment was released in March 2012 and is available from the Washington State Dept. of Natural Resources' Forest Biomass website at www.dnr.wa.gov/ResearchScience/Topics/OtherConservationInformation/Pages/em_biomass.aspx. This is also a good place to keep up to date on developments in Washington's efforts to create jet fuel from woody biomass. In July 2012 Oregon's Forest Biomass Working Group drafted a Forest Biomass Strategy that lays out a practical approach to developing the state's forest biomass industry. It focuses on market development and foundational actions needed to grow the industry. Public comments on the draft are being solicited through September 30. The draft report is available at http://cms.oregon.gov/energy/RENEW/Biomass/Pages/forest_biomass_working_group.aspx. Contact: Jay O'Laughlin, IESAF Policy chair, 208-885-5776, jayo@uidaho.edu. ◆

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