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EU Gateway Programme was held

As part of Japan-EU trade investment promotion campaign named "EU Gateway Programme," an exhibition and negotiation session of construction and building technologies was held at Hilton Hotel Tokyo on September 13 and 14, 2011. At the exhibition, related 35 companies, which participated from Europe, displayed their products and exchanged information with 430 people from Japanese companies over the two days. In the lumber sector, five companies dealing with general lumber, interior lumber, lumber for furniture, laminated lumber and window frames attended from Austria, Estonia, Latvia and Lithuania.



RZ-Holzindustrie, an Austrian company which is a regular attendant to this program, is stably supplying white spruce products grown in the Austrian Alps to the Japanese market. Though it sells their products to home improvement centers and building offices through trade companies, the person in charge says, "We decided to participate in the session because we would like to increase the number of customers." The company wants to boost its supplying volume to Japan. At present, the situation of prices remains grim; however, he wants to place priority on long-term trading saying, "Under the critical circumstances, we would like to continue

supplying to the Japanese market."

OU Vesset, first attended from Estonia, said, "We talked with people from 20 companies over the two days." According to the person in charge, the company started negotiation with Japanese companies three years ago

Hot Topic:

Short-term forecast of supply and demand for major timber was released. Demand for major timber in 2011 is expected to increase compared with the previous year. >> Page 2.



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and started selling wall panels and flooring materials this year.” Located in a western island of Estonia, it purchases materials from sawmills and processes them into end products. Though there are difficulties with the price, the company wants to penetrate into the Japanese market saying, “The weak euro and the dropped price of materials (logs) are advantageous for us.”

LAMEKO IMPEX SIA of Latvia has a sawmill and a processing factory. It produces white spruce lumber, red wood lumber and panel boards and sells them around the world. For the Japanese market, it has already started producing studs and rafters. JURES MEDIS of Lithuania, a specialist of structural laminated lumber, produces posts, beams and Glulam. It also produces log houses. Viking Window AS of Estonia exhibited wooden windows and doors, and UAB DOLETA of Lithuania introduced windows, doors, facade products, and fancy wooden items to Japan.

Forecast:

Short-term forecast of supply and demand for major timber

Forestry Agency has held the 2nd meeting on the supply and demand situation of timber in fiscal 2011 and formulated “Short-term forecast of supply and demand for major timber” (the fourth quarter of 2011 and the

first quarter of 2012). See Page 3.

Housing starts in 2011, as the main factor, are expected to be better than the previous year owing to the rush demand for the house eco-point system and etc. So, demand for major timber in 2011 is expected to increase compared with the previous year in both domestic and imported items.

In the fourth quarter of 2011 (October-December, 2011), the supply-demand situation is expected to be stable in general; whereas in the first quarter of 2012 (January-March, 2012), demand for domestic timber is expected to increase from that in the same period in a year earlier, because timber will be required for restoration in the disaster areas.

In the fourth quarter, supply of imported European lumber, which had been oversupplied since the second quarter of 2010, will be lower than the level of the previous year in the wake of the third quarter. However, in the first quarter of 2012, the imports are expected to recover a little as the inventory balance will be adjusted.

As prices are expected to drop due

to the strong yen and that housing starts are expected to be stable, demand will come from plywood manufacturers and sawmills. The supply-demand situation of North American logs in the fourth quarter will be better than that in the same period of the previous year. Especially, the amount of imports is expected to make a 20% of year-to-year growth.

In the fourth quarter, demand for North American lumber will be almost the same as the previous year while supply (imports) will decrease due to the increased stocks. Also in the first quarter of 2012, the demand will be the same level as the preceding year, and supply is expected to decrease.

Event:

Mokkiten Nagoya 2011 will be held

Mokkiten Nagoya 2011 with Wood EcoTec 2011 will be held at Port Messe Nagoya in Nagoya from November 2 through 5. The show is held once every two years, and

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Quarterly Supply & Demand for Major Timber

(1,000 cubic meters)

	2007	2008	2009	2010				2010	2011				2011	2012
	Total	Total	Total	1Q	2Q	3Q	4Q	Total	1Q	2Q	*3Q	*4Q	Total	*1Q
Domestic Logs														
demand for lumber	11,981	11,110	10,243	2,515	2,606	2,544	2,916	10,582	2,542	2,538	2,550	2,900	10,530	2,750
demand for plywood	1,632	2,137	1,979	558	618	644	670	2,490	595	626	640	680	2,541	610
American Logs														
supply	3,020	2,638	2,468	657	809	803	636	2,905	717	767	780	760	3,023	730
demand	3,053	2,645	2,486	665	747	717	704	2,833	735	750	720	740	2,945	730
stock	-	-	-	229	291	377	309	-	291	307	367	387	-	387
American Lumber														
supply	2,724	2,929	2,272	599	734	701	713	2,748	610	757	720	700	2,787	600
demand	2,797	2,908	2,333	600	704	703	730	2,737	571	738	710	730	2,749	700
stock	-	-	-	161	191	189	173	-	212	231	241	211	-	111
European Lumber														
supply	2,654	2,009	2,036	459	555	659	608	2,281	631	665	580	580	2,456	600
Southsea Logs														
supply	1,021	728	423	97	160	144	155	556	106	139	145	145	535	110
demand	1,080	821	501	135	143	144	137	560	147	124	126	126	523	125
(for lumber)	123	109	68	19	28	23	22	92	25	25	21	21	92	20
(for plywood)	957	712	433	117	115	120	115	467	122	99	105	105	431	105
stock	-	-	-	104	121	121	138	-	97	112	131	150	-	135
Southsea Lumber														
supply	450	643	537	126	155	157	149	568	150	177	155	150	632	150
demand	438	645	545	134	146	150	149	580	156	174	155	155	640	150
stock	-	-	-	91	100	106	106	-	100	103	103	98	-	98
Russian Logs														
supply	3,906	1,804	629	111	134	113	73	430	128	100	60	60	348	80
demand	3,846	2,063	860	139	130	118	107	494	96	98	62	65	321	90
stock	-	-	-	81	85	81	46	-	78	80	78	73	-	63
Russian Lumber														
supply / demand	954	666	679	160	192	136	146	635	208	191	140	150	689	180
NZ-Chilean Logs														
supply	809	869	533	182	229	145	166	722	197	174	170	180	721	200
demand	785	819	595	161	196	172	214	742	173	173	180	190	716	180
stock	-	-	-	114	147	121	73	-	97	98	88	78	-	98
NZ-Chilean Lumber														
supply	463	459	245	76	59	94	84	313	99	107	105	105	416	105
demand	468	446	264	95	66	87	72	320	113	92	90	110	405	110
stock	-	-	-	44	36	44	56	-	42	57	72	67	-	62
Plywood														
supply	7,087	6,159	5,140	1,329	1,527	1,539	1,406	5,802	1,465	1,795	1,530	1,390	6,180	1,440
(domestic output)	3,079	2,599	2,296	619	681	681	690	2,672	629	640	680	700	2,649	720
(imported)	4,008	3,560	2,844	710	846	858	716	3,130	836	1,155	850	690	3,531	720
demand	7,014	6,043	5,244	1,380	1,500	1,480	1,480	5,840	1,500	1,770	1,530	1,500	6,300	1,440
(domestic output)	2,790	2,673	2,408	653	674	651	731	2,709	671	660	680	700	2,711	700
(imported)	4,224	3,370	2,836	727	826	829	749	3,131	829	1,110	850	800	3,589	740
stock	-	-	-	1,034	1,062	1,121	1,048	-	1,013	1,038	1,038	928	-	928
(domestic output)	-	-	-	263	272	301	262	-	220	200	200	200	-	220
(imported)	-	-	-	771	790	819	786	-	793	838	838	728	-	708
Structural														
Laminated Lumber														
supply	1,814	1,528	1,555	390	467	517	492	1,867	464	486	470	460	1,880	460
(domestic output)	1,172	1,124	1,099	291	322	348	342	1,302	315	300	320	320	1,255	310
(imported)	642	404	457	100	145	169	150	564	149	186	150	140	625	150

*The figures for 3Q 2011 are presumption; for 4Q 2011 and 1Q 2012 are estimates.

*The figures for Southsea Lumber has included figures for Freeboards since 2008.

*Source: Forestry Agency

is the largest exhibition for wood working machineries in Japan. At the show, visitors can learn the world's top level latest technologies and information in the field of wood processing machines, cutters, drying machines, eco-friendly equipment, forest machinery, and disposal machines for wood waste.

As the interest toward the utilization of forest resources, forest industry and timber processing industry is rising worldwide, it is expected that both domestic and international business transactions will be actively promoted during the show.

Wholesalers' view

Southsea timber market in September

Domestic prices of Southsea logs that were dropping sharply started showing a sign of reversal in accordance with local prices that hit the bottom at the end of August. Prices for Southsea logs for both plywood and lumber at the end of September were down by 100 – 200 yen per koku compared to the previous month, but according to a trading company, in local areas,

some contracts for Meranti regular were already finalized at 300 dollars. Local prices increased by as much as 30 dollars per cubic meter from the bottom price. The downward phase for prices of Southsea logs lasted relatively in a short period of time. Prices are increasingly likely to go up again toward the end of the year.

As for prices of logs for plywood, the price of Sarawak was down by 200 yen both at the top and bottom of the price range from the previous month while prices of Solomon and Papua New Guinea were down by 100 yen both at the top and bottom of the price range. As for logs for lumber, the price of Sabah was down by 200

yen compared to the previous month both at the top and bottom of the price range while prices of Apitong/Keruing was down by 100 yen at the top of the price range and by 200 yen at the bottom of the price range. The price of Melapi was down by 100 yen from the previous month both at the top and bottom of the price range. All prices declined, but the market indication held from the previous month.

In producing areas, in Sabah that maintained a stable log shipment up to August, the crackdown on the illegal logging is being strengthened, and there is a concern that the

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Wholesale Price of Southsea Logs

(1,000 yen / 'koku')

	2011				
	May	June	July	Aug	Sep
Logs for plywood (lauan)					
Sarawak	9.9-9.7	10.0-9.8	9.9-9.7	9.6-9.4	9.4-9.2
Solomon	8.5-8.2	8.6-8.3	8.5-8.3	8.3-8.1	8.2-8.0
PNG	8.7-8.5	8.8-8.6	8.8-8.6	8.6-8.4	8.5-8.3
Logs for lumber					
Sabah	12.6-12.4	12.6-12.4	12.5-12.3	12.2-12.0	12.0-11.8
Apitong/Keruing	13.1-12.9	13.1-12.9	13.0-12.8	12.4-12.2	12.3-12.0
Melapi	13.4-13.2	13.4-13.2	13.3-13.1	13.0-12.8	12.9-12.7
Exchange rate / USD	81.23	80.51	79.47	77.22	76.84

*Due to transaction volum of logs for lumber is decreasing, the prices are largely affected by the quality of logs sold in the month.

Mokkiten Nagoya 2011

Wood EcoTec 2011

November 2-5
Port Messe Nagoya
JAPAN

The 40th Nagoya International Woodworking Machinery Fair
Wood Ecological Technology Fair 2011

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shipment for Japan will decline in future. Also, in producing areas including Sarawak, the weather is worsening, and partly due to the impact of the vacation period in local areas, the log arrival from October through December is likely to decline. The log arrival to Japan for this year is expected to be around 520,000 cubic meters.

The arrival of Southsea lumber products in August 2011 is still exceeding the previous year level, but there is no change in the sense of product shortage felt by people in the market. The movement of free boards is good as they are steadily

FOB of Southsea Logs

(US\$ per cubic meter)

	2010		2011		
	Highest	Lowest	Aug	Sep	Oct
			1st Week	2nd Week	2nd Week
Sarawak Logs					
Meranti SQ-up	246-250	175-179	306-310	278-282	276-280
Meranti Small (Small 70%, S.S. 30%)	213-217	137-141	258-262	225-229	246-250
Ocean Freight					
Sarawak	44.7	41.8	48.3	50.0	50.3
Yen/US\$	-	-	79.0	77.8	76.5

*SQ = second quality, S.S. = super small

used for remodeling works. In Stiffener, the demand is crowded out by softwood products. According to a person in charge of locally-

sawn products, major users such as home improvement centers and construction material shops are

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Supply/Demand of Southsea Logs

(1,000 cubic meter)

	Southsea Logs				
	Import	Demand		Stock	
	Total	Total	for PW	for Lbr	
2007	1020.7	1080.1	957.4	122.7	312.8
2008	727.8	820.5	711.6	108.8	220.0
2009	422.9	501.1	432.8	68.4	142.0
2010	556.1	559.6	467.3	92.3	138.0
2011 YTD	367.7	353.8	284.8	69.0	
Jan.	37.6	43.5	34.1	9.5	132.0
Feb.	51.0	45.4	37.4	8.0	137.9
Mar.	17.7	58.2	50.5	7.8	100.9
Apr.	45.9	35.2	27.3	7.9	108.0
May	48.5	41.2	34.8	6.4	115.4
June	44.5	47.6	37.2	10.4	112.3
July	64.6	41.4	31.7	9.6	135.5
Aug.	57.9	41.3	31.8	9.5	152.2
Sep.					
Oct.					
Nov.					
Dec.					

Imports of Southsea Logs by Origin

(1,000 cubic meter)

	Southsea Logs				
	Import				
	Total	Sabah	SRWK	Slmn.	PNG
2007	1020.7	179.6	576.5	100.9	163.6
2008	727.8	119.1	445.9	51.8	100.8
2009	422.9	73.0	267.4	46.3	36.2
2010	556.1	94.6	360.3	42.5	58.7
2011 YTD	367.7	96.1	168.5	13.0	90.1
Jan.	37.6	12.1	18.9	0.4	6.1
Feb.	51.0	13.3	23.7	6.5	7.6
Mar.	17.7	0.0	9.6	0.0	8.1
Apr.	45.9	10.3	19.6	4.7	11.3
May	48.5	16.4	23.6	1.4	7.2
June	44.5	0.0	17.7	0.0	26.9
July	64.6	23.8	28.2	0.0	12.6
Aug.	57.9	20.3	27.2	0.0	10.3
Sep.					
Oct.					
Nov.					
Dec.					

Import Results of Southsea Lumber Products

(unit: cubic meter; %)

	Overall Lumber Products			Lumber			Processed lumber			Free boards		
	YTD	y/y		YTD	y/y		YTD	y/y		YTD	y/y	
2011 August												
<i>China</i>	28,236	219,239	21.3	1,789	11,304	31.5	7,806	73,293	24.3	18,641	134,642	18.2
<i>Malaysia</i>	10,669	79,536	4.2	5,722	42,622	7.8	3,922	29,008	-7.1	1,025	7,906	42.6
<i>Indonesia</i>	14,404	106,182	1.1	1,828	14,050	10.9	2,655	18,410	13.4	9,921	73,722	-3.2
<i>Vietnam</i>	2,048	14,913	40.8	146	1,500	61.1	517	3,426	6.5	1,385	9,987	55.0
<i>Thailand</i>	777	8,197	12.9	0	22	-90.6	120	2,253	63.7	657	5,922	4.8

p.c.m=per cubic meter

Japanese Market Indications				
	2010	2011	2011	
	October	September	October	
North American	(Yen; wholesale prices, on truck)			
<i>Logs</i>				
Hemlock Coast No.3, 12" up	20,520	20,880	20,880	p.c.m
Douglas Fir SS No.3, 12" up	28,440	28,800	28,800	"
Douglas Fir Coast No.3, 12" up	25,920	26,280	26,280	"
Douglas Fir mid-dia., 8/11, J-sort	21,600	21,960	21,960	"
<i>Lumber</i>				
Hemlock 4"1/8 sq., 13' roof beam, std.	43,000	42,000	42,000	p.c.m
Hemlock 4"1/8 sq., 13' roof beam, KD.	55,000	54,000	53,000	"
Hemlock 3"9/16 sq., 13' purlin, std.	43,000	42,000	42,000	"
Hemlock 3"9/16 sq., 13' purlin, KD.	55,000	54,000	53,000	"
Hemlock 45x105mm, KD, floor joist, 4m	44,000	44,000	44,000	"
Hemlock 105mm sq., preserved sill, 4m	45,000	45,000	45,000	"
Douglas Fir 3"9/16 sq., purlin, std.	45,000	44,000	44,000	"
Douglas Fir hirakaku 120mm sq., Green	52,000	50,000	50,000	"
Douglas Fir 45x45mm, KD, rafter, 4m	53,760	52,640	53,760	"
Douglas Fir 45x105mm, solid, KD, floor joist, 4m	52,640	49,280	49,280	"
Douglas Fir 120mm sq., laminated, 6m	89,600	89,600	89,600	"
Douglas Fir hirakaku, KD, 3, 4m	57,120	58,240	58,240	"
Douglas Fir hirakaku, laminated, 3, 4m	89,600	89,600	89,600	"
Yellow Cedar 5" x 6W BC Clear	165,000	165,000	165,000	"
Yellow Cedar 120mm, sill (pithless), 4m	63,000	63,000	63,000	"
Spruce 8"3/4, board, Clear	200,000	200,000	200,000	"
European	(Yen; wholesale prices, on truck)			
Whitewood 105mm sq., 5-ply kudabashira, home-sawn	1,900	1,750	1,700	per piece
Whitewood 105mm sq., 5-ply kudabashira, imported	1,850	1,730	1,700	"
Whitewood 27x105mm, solid, 3m, Central	45,000	42,000	41,000	p.c.m
Whitewood 27x105mm, solid, 3m, Nordic	45,000	42,000	41,000	"
Whitewood 30x105mm, solid, 3m, Central	45,000	42,000	41,000	"
Whitewood 30x105mm, solid, 3m, Nordic	45,000	42,000	41,000	"
Whitewood rough lamina, randam length, Central	36,000	33,000	32,000	"
Whitewood rough lamina, randam length, Nordic	36,000	33,000	32,000	"
Redwood hirakaku, laminated, 3~6m	61,000	57,000	56,000	"
Dimension Lumber	(Yen; wholesale prices, on truck; green count)			
SPF 2x4~8", KD 8~20' J-grade	31,200	28,600	27,500	p.c.m
SPF 2x10", KD 8~20' J-grade	36,000	35,600	32,500	"
Whitewood 2x4~8", KD 8~16' J-grade	39,000	34,100	32,000	"
Whitewood 2x10", KD 8~16' J-grade	45,000	37,100	35,000	"
Japanese	(Yen; wholesale prices, on truck)			
<i>Logs</i>				
Japanese Cedar (Akita) 3.65-4m, 14-22cm dia.	10,100	10,500	10,400	p.c.m
Japanese Cedar (Fukushima) 3.65-4m, 14-22cm dia.	11,900	-	11,800	"
Japanese Cedar (Fukuoka) 3.65-4m, 14-22cm dia.	11,800	12,800	13,200	"
Japanese Cypress (Gifu) 3.65-4m, 14-22cm dia.	21,100	19,600	19,900	"

Japanese Market Indications				
	2010	2011	2011	
	October	September	October	
Japanese	(Yen; wholesale prices, on truck)			
<i>Lumber</i>				
Japanese Cedar post 10.5cm sq., 3m	41,500	43,700	43,200	p.c.m
Japanese Cedar post 10.5cm sq., 3m KD	60,800	63,300	63,000	"
Japanese Cedar roof beam 10.5cm sq., 3.65-4m	41,900	43,400	43,200	"
Japanese Cypress post 10.5cm sq., 3m	64,700	67,100	66,100	"
Japanese Cypress post 10.5cm sq., 3m, KD	80,600	83,300	82,800	"
*Japanese Cedar kowari lumber (Akita)	280	230	230	per piece
Japanese Cedar 2.7 x 10.5cm, KD (Kyushu)	60,000	62,000	62,000	p.c.m
Russian	(Yen; wholesale prices, on truck)			
<i>Logs</i>				
Whitewood mid-dia., short-length in Toyama market	5,600	5,500	5,000	per koku
Larch mid-dia., short-length in Toyama market	5,600	5,800	5,600	"
Red Pine mid-dia., short-length in Toyama market	6,200	6,100	6,000	"
<i>Lumber</i>				
Whitewood rafter in Chukyo market, Green	48,000	50,000	49,000	p.c.m
Whitewood rafter in Chukyo market, KD	58,000	59,000	59,000	"
Whitewood rail in Chukyo market	49,000	51,000	50,000	"
Red Pine rafter in Tokyo market	48-49,000	-	-	"
Red Pine nuki in Tokyo market	49-50,000	-	-	"
Radiata Pine	(Yen; wholesale prices, on truck)			
<i>Logs</i>				
New Zealand, A-sort	4,600	4,600	4,400	per koku
<i>Lumber</i>				
board, Chile				
12.0mm x 4m, random width (120,150, 180, 210mm)	31,000	32,000	32,000	p.c.m
Southsea	(Yen; wholesale prices, on truck)			
<i>Logs for plywood</i>				
Meranti (Hill SRWK) ordinary lot	7,350	8,150	8,100	per koku
Meranti (Hill SRWK) small lot	6,450	7,450	6,700	"
Kapur (SRWK)	9,350	9,000	9,000	"
Plywood	(Yen; wholesale prices, on truck)			
Type II 2.3mm x 910 x 1820, F4-star	480	480	480	per sheet
Type II 4.0mm x 910 x 1820, F4-star	680	680	680	"
Type II 5.5mm x 910 x 1820, F4-star	800	800	800	"
Concrete form (CF) Type I 12.0mm x 900 x 1800	1,030	1,250	1,250	"
Imported CF JAS 12.0mm x 900 x 1800	1,010	1,150	1,130	"
Imported structural PW JAS 12.0mm x 910 x 1820, F4-star	1,040	1,200	1,130	"
Structural Softwood PW 12.0mm x 910 x 1820, F4-star	930	1,080	1,080	"
Structural Softwood PW 24.0mm x 910 x 1820, F4-star	2,150	2,600	2,600	"
OSB	(Yen; wholesale prices, on truck)			
JAS 9.5mm x 910 x 2440	650	700	660	per sheet
JAS 12.0mm x 910 x 1820	640	700	700	"

*This item's quality has been downgraded since January 2011.

was 934,000 units, which exceeded the 900,000-unit mark for the second month running.

Owing to the preferential tax system and the rush demand for preferential interest rates of the Flat 35S, housing starts are generally on an increasing trend. However, there is a big difference between the healthiness of house construction and the operation rate of precut factories and the sluggishness of the movement of generally distributed materials. Distribution mechanism of materials has largely changed.

Analyzing the results according to the utilization, housing starts of owner-occupied houses increased for the second consecutive month to 31,039 units (up 6.9% from the same month in the previous year). Those of rental houses increased for the third consecutive month to 28,372 units (up 9.8%).

Those of built-for-sale houses increased for the 18th consecutive month, because those of condominiums remained brisk with 10,694 units (up 61.6%). Built-for-sale single-family houses showed the third consecutive month of year-to-year increase with 10,990 units (up 10.8%)

By structure, those of

wooden houses increased 11.5% to 46,901 units while those of non-wooden houses decreased 0.4% to 35,085 units. The percentage of wooden houses (based on the number of the units) was 57.2%.

Statistics: Plywood Supply in August

Japan's plywood imports in August increased for the ninth consecutive month to 318,000 cubic meters (up 10.9% from the same month in the previous year). However, they recorded a month-to-month reduction for the third straight month after they marked this year's peak with 434,000 cubic meters in May. Supply of plywood is on a decreasing trend.

Imports from Malaysia decreased for the second consecutive month to 126,000 cubic meters (down 17.9%). On the other hand, those from Indonesia increased for the fourth consecutive month to 105,000 cubic meters (up 54.2%). The country's supply share (33.1%) has become close to that (39.5%) of Malaysia. Supply from China largely grew to 68,000 cubic meters (up 32.6%). Total supply from the country during January-August increased 45.3% from the same period of the previous year to 577,000 cubic meters.

Japan's domestic production of regular plywood in August was 192,000 cubic meters while shipment was 186,000 cubic meters (excluding prefectures of Iwate and Miyagi due to the big earthquake). Japan Plywood Manufacturers Association

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Amount of Imported Plywood by Countries

	Overall Amount of Imported Plywood										m ³ ; %	
	Malaysia		Indonesia		China		New Zealand		Philippine		y/y	y/y
	y/y		y/y		y/y		y/y		y/y			
2011												
JUL	359,273	18.4	164,917	-0.7	101,381	32.9	69,313	39.7	8,025	127.1	1,791	-20.2
AUG	318,225	10.9	125,614	-17.9	105,190	54.2	68,099	32.6	6,319	2.2	2,426	7.3
SEP												
YTD	2,668,836	24.4	1,190,655	9.7	725,531	24.0	577,495	45.3	41,662	53.0	19,981	43.4

Supply and Demand of Softwood Plywood

	Domestic Production								Shipment		Inventory		m ³ ; %	
	3mm & below		3-6mm		6-12mm		12mm & over		y/y	y/y	y/y	y/y	y/y	y/y
	y/y		y/y		y/y		y/y							
2011														
*JUL	173,906	-12.4	-	-	2,276		13,867		157,763		174,295		82,736	
*AUG	170,565	-10.3	-	-	2,600		15,904		152,061		164,983		88,106	
SEP														
YTD	1,307,782	-13.1	-	-	15,067	36.8	122,776	-30.4	1,169,939	-11.2	1,346,588	-10.4	-	

*The figures excluding Iwate and Miyagi due to the Great Eastern Japan Earthquake

Supply and Demand of Regular Plywood

	Domestic Production								Shipment		Inventory		Imports		Total Supply in Japan		m ³ ; %	
	3mm & below		3-6mm		6-12mm		12mm & over		y/y	y/y	y/y	y/y	y/y	y/y	y/y	y/y	y/y	
	y/y		y/y		y/y		y/y											
2011																		
*JUL	197,232		2,141		7,962		17,848		169,281		198,087		151,888		359,273	18.4	556,505	4.4
*AUG	191,679		2,129		8,060		19,509		161,981		186,302		157,418		318,225	10.9	509,904	0.7
SEP																		
YTD	1,511,359	-13.6	17,924	4.3	62,989	21.3	161,237	-26.1	1,269,209	-13.2	1,569,212	-10.5	-	-	2,668,836	24.4	4,180,195	7.3

*The figures excluding Iwate and Miyagi due to the Great Eastern Japan Earthquake

estimates total production including those two prefectures to be 220,000 cubic meters (up 0.2% from a year earlier). Inventories at the end of the period increased 5,500 cubic meters

from the previous month to 157,000 cubic meters.

Production of pure softwood plywood (excluding Iwate and Miyagi) was

171,000 cubic meters while shipment was 165,000 cubic meters. The month-end inventories increased a little to 88,000 cubic meters.

Amount of Imported Plywood from North America 2011

2011													m ³ ; %
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
Canada	528	299	231	3,349	18,556	24,217	7,399	1,893					
y/y	68.2	47.3	-54.7	489.6	2,601.0	21,717.1	1,682.9	901.6					
USA	39	46	61	2,210	5,277	247	448	8					
y/y	-59.4	-	79.4	9,508.7	43,875.0	2,145.5	1,444.8	-94.0					

Plywood Market 2nd Week October

Companies compiled interim results at the end of September, and made a quiet start in October, mostly taking a wait-and-see stance. New housing starts for August that were announced at the end of September were 82,000 units. Wooden housing made a significant increase of 46,900 units.

Prices of imported plywood continue to fluctuate as a distribution company sold items whose arrival was large at low prices even though deficit was generated. Prices of lauan plywood for concrete forming and lauan structural plywood are down by around 20 yen per sheet compared to the previous week. However, the number of contracts made by importers shows that the arrival in September is highly likely to decline. It is expected that inventories will decline in the latter half of October and the demand-supply balance will improve.

As for domestic softwood plywood, there are price gaps at the distribution level nationwide. The situation remains tough for trading companies and wholesalers. However, plywood manufacturers are reviewing their production system, and are coming up with a policy to maintain the stability in product prices. Plywood manufacturers that have been producing at their full capacity since the earthquake are saying that they will return the production level to the pre-earthquake level from October. Manufacturers are hoping to secure the market stability while watching out for product inventories.

Canadian SPF Dimension Lumber

The import prices of Canadian SPF dimension lumber in early October were \$450 (US dollars)/mfbm for 2x4, 2x6, and 2x8 items and \$550/mfbm for 2x10, both unchanged from the previous month. Partly because the freight is declining as explained by an import company, the import prices of dimension lumber remain on a weak note. However, according to the import company, as a major Japanese user made a large purchase, the decline in prices seems to have stopped temporarily. The future prospect remains weak.

A person involved in the 2x4 housing business says that the domestic 2x4 housing market is polarized between relatively low-priced houses and high-priced luxurious houses. Recently, a famous 2x4 housing manufacturer strengthened its business relation with a major electronics retail store. However, according to the person involved in the 2x4 housing business, the housing manufacturer is hoping to quadruplicate its sales, and is trying to strengthen its material purchase activities. The manufacturer is also said to open a new model home park. Supplies of 2x4 lumber are stable, and 2x4 lumber has substantial price merits. "For housing suppliers, it is a construction method with substantial merits," said the person involved in the 2x4 housing business. Also, the 2x4 construction method is gradually spreading to the construction of low-rise buildings including senior care homes and day-care centers.

News in Brief

Chugoku Mokuzai Co., Ltd. (Kure City, Hiroshima Prefecture) and **Kaneshin Co., Ltd.** (Tokyo) developed a joint system called "D-HJS".

"D-HJS" is a construction method that uses "Dry Beams" manufactured by Chugoku Mokuzai and "Presetter" metal joints manufactured by Kaneshin. With this system, making a firm structural frame with solid lumber and metal fittings at a low cost is possible, and it is believed that the possibility of the use of the wooden post and beam construction method will spread. Using laminated lumber with this system is also possible. In addition, "D-HJS" has attained the S-Mark certification from the Japan Housing and Wood Technology Center. It has also cleared various proof stress tests, and plans regarding construction are also being carried out. Previously in a joint project, Chugoku Mokuzai and Kaneshin developed "HJS," a construction method that brought together Chugoku Mokuzai's structural laminated lumber called "Hybrid Beam" and Kaneshin's "Presetter," and the current project is the second stage.



Japan 2x4 Home Builders Association recently announced that from the statistics for new housing starts for July, the number of homes built in the 2x4 construction method reached a cumulative total of 2.0 million units. Within this amount, single-family houses totaled 1.28 million units, and apartments/condominiums totaled 0.72 million units. In 1974, the 2x4 construction method was allowed to be used by anybody as a construction method. With technological developments and promotional work conducted in collaboration by government and private organizations, the technology and performance of the construction method and the public's awareness of the construction method made advances. The share of the method consistently grew, and presently, it accounts for about 12% of the overall housing starts. Due to this growth, the amount of time needed to reach 2.0 million units from 1.0 million units was only 11 years, and this amount of time was less than half of the 26 years needed to reach 1.0 million units from the initial allowance of the 2x4 construction method in 1974. The association believes that the following will contribute to spreading the use of the 2x4 construction method: 1) raising the basic performance of earthquake resistance, fire resistance, and heat insulation, 2) establishing clear rules for both design and construction, 3) increasing flexibility in design, and 4) improving environmental aspects.

SxL Co., Ltd. (pronounced S by L; head office: Osaka City) improved the production efficiency of its "Unified Panel Structural Method" and developed "SxL Expand Structural Method," a new structural method that decreases construction time and conserves construction "energy". The company began using the method in part of its housing from September. The structural method uses the high rigidity of wood panels on an entire building and is an advancement on the "forever strong" aspect of the "Strong x Long" concept. By using wood material's special characteristic of being difficult in expanding and contracting, by carrying out processing in millimeter units at the factory, and by putting together



the structural body with a high precision at the construction site, strength according to design plans is attained. With the results of research on the proper structural materials and method at the developmental stage, the number of parts for the structural body decreased 22%, and the time for constructing 40 tsubo (about 132 m²) was shortened from 3 days to 2 days. Domestic "Core Cypress" that is highly effective in preventing rot and insect damage is used on part of the first floor panels contributing to both improving durability and promoting the use of domestic wood.

The **Gifu Prefecture Federation Forest Owners' Cooperative Association** began selling softwood plywood used for concrete forming called "Gifu Moriren Concrete Katawaku Yo Gohan" in September. The plywood is 100% cypress produced in Gifu Prefecture and is JSA approved with a size of 3 x 6 and thickness of 12 mm and with a formaldehyde rating of F4-star. Wood taken from forest thinnings and trees damaged by insects is mainly being used. The plywood is about 20% lighter than lauan plywood, but the strength is equal, and the price is about the same. The Nanao Factory

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(Nanao City, Ishikawa Prefecture) of Hayashi Plywood Industrial Co., Ltd. is carrying out the production. The association is expecting to make sales for public works.

The Japan Association of Lumber Drying Facilities conducts a survey on its 15 member companies regarding the delivery of drying equipment, and according to the survey, the total amount of delivery in 2010 was 289 kilns with a capacity of 12,675 m³ increasing 52.1% and 4.0% respectively from the previous year. Both the number of kilns and the capacity were the highest in the past five years. Based on type of drying equipment, steam-type totaled 205 kilns with a capacity of 10,991 m³ accounting for 87% of the overall capacity followed by dehumidifying-type with 19 kilns and a capacity of 429 m³ and heated water-type with 8 kilns and a capacity of 85 m³.

Comprised of companies involved in 2x4 housing components, the Tokai 2x4 Council compiled the results of processing in August. **According to the August results, panel processing totaled 357 housing units (15,659 tsubo; 1 tsubo = 3.3 m²), and fixed scale shipments totaled 62 units (2,154 tsubo) for an overall total of 419 units (17,813 tsubo)** greatly increasing by 95 units compared to the same month last year. The totals from January to August showed panel processing at 2,617 units (112,276 tsubo) and fixed scale shipments at 409 units (14,456 tsubo) for an overall total of 3,026 units (126,732 tsubo) with 348 more units than last year. As previously, the busy and pressure-filled condition at each company is continuing. Due to a rush in demand with the end of the special measure of Flat 35S, a peak was forecasted from August to mid-September. From October as a reaction to the peak, the amount of work is expected to decrease. Already the number of estimates has begun to decrease, and the member companies are being cautious.

Compiled by the Aichi Wooden Housing Precut Council, the results of precut lumber processing (17 factories) for traditional wooden houses in August totaled 68,827 tsubo continuing to maintain a good condition. Compared to the previous month, which recorded the highest amount this year, the total for August fell 6.6%, but compared to the same month last year, the total increased 13.0%. Because the Bon Holiday occurs in mid-August, processing results fall every year, but this year, the work of major housing manufacturers, which was skipped in early spring, appeared on the market, and every company in the council responded with almost 24 hour operations. Because of this, the 74,000 tsubo result in July was not reached in August, but based on monthly results for this year, the result in August was the next highest value. The forecast for the September results is expecting a rise to the 70,000 tsubo mark (70,266 tsubo), and the processing line of plywood and common lumber that accompanies structural material is also expected to be at full operations. Orders that are received are mainly from the work of builders of home-built-for-sale, but this is coming close to peaking out. Many companies are judging that “in future prospects, October and November will return to normal production.”

On September 16, **Mitsubishi Pencil Co., Ltd. (Tokyo) began selling a cap-type, gel ink ball point pen called “Woodnote,” which uses wood from planned afforestation as material for the shaft part.** The product is following the image of pencils and incorporates the taste natural daily goods, and by using incense cedar produced in planned afforestation in North America for its shaft, it takes the environment into consideration. In addition, the cap combines different material of resin with pop colors and is finished with a stylish design. The product was named “Woodnote” from the wood that is usually used for pencils being used for the shaft of the pen and because of the meaning of “taking a memo by wood.”

The pen comes in eight colors including black, blue, and green. The price is 294 yen for one pen, and sales of about 140 million yen are expected for the first year.



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