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Seihoko's new plywood factory started actual operations

Seihoku Group and Gifu Prefecture have been conducting preparations on Mori no Gohan Kyodo Kumiai's (Forests' Plywood Cooperative Union) "Mori no Gohan Kojo (Forests' Plywood Factory)" (Nakatsukawa City, Gifu Prefecture), and actual operations at the factory began on April 4.

The factory was planned as a factory that manufactures plywood using 100% domestic material and with the purpose of promoting the forest industry and creating jobs, and in January 2008, Seihoku Corporation, Gifu Prefecture, and Nakatsugawa City concluded an agreement concerning the location of the factory. In December of 2008, a ground breaking ceremony was held, and construction has been taking place.

In December of last year, construction was completed, from January, trial operations began, and on March 2, the factory obtained the JAS certification. Operations were scheduled to begin from April 1. However, due to the Great Eastern Japan Earthquake, Seihoku's Ishinomaki Factory was damaged, and ten technicians, who were sent from the factory to Gifu, were busy confirming the safety and whereabouts of employees and family members, so the starting date of operations was changed to April 4. A ceremony, which was originally scheduled for April 1 and which was scheduled to welcome the governor of Gifu Prefecture and other guests, was canceled, and only a press conference for the media was held.



In the future, an executive director said, "For the disaster recovery, we will manufacture a lot of plywood even if it means only one board," and responding quickly to the situation, full operations, which were scheduled to start from autumn, were moved up as the executive director explained, "From May, we will aim at a 110% production system." Along with newly hired employees from the region, 40 people will work at the factory including 16 technicians from the Ishinomaki Factory who lost their homes due to the disaster.

The site of the factory covers 9.8 hectares, and the floor area of the factory covers 3.5 hectares. As the first plywood factory in the country to be located in a mountain valley area, the amount of logs to be used annually is about 100,000 m³. The kinds of wood to be used are cedar, cypress, and larch, and they will mainly be procured from within Gifu Prefecture.

The factory will be equipped with the latest rotary lathe. The monthly production capacity is about 8,000 m³ with estimates of 250,000 sheets of 12 mm 3 x 6 boards and 125,000 sheets of 24 mm per month. The tree bark and tree core remaining from the rotary lathe will be used as fuel for boilers for steam reconditioning and drying. 3 x 6 boards of 9 to 28 mm of thickness will be manufactured in meter standards, and boards will also be cut according to the requests of home builders.

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Topics:

Reports on economic forecast after Great Eastern Japan Earthquake

Yano Research Institute Ltd. (Tokyo) released results of its analysis of "Great Eastern Japan Earthquake: Economic Restoration Processes and Impacts on Major Industries in Japan" on April 4. The report includes (1) Prefectural economy in the restoration period in the five disaster-affected prefectures (Aomori, Iwate, Miyagi, Fukushima and Ibaraki) and (2) Short-, mid- and long-term impacts on the 12 major industries including those of house construction and building materials.

According the report, the construction sector in the first year after the disaster can be expected to be 167% or to increase ¥1.337 trillion in value compared to 2010, suppose the impacts on Hanshin-Awaji Earthquake on the various industries can be applicable to the Great Eastern Japan Earthquake. It also says that gross prefectural production of the construction sectors in the five disaster-affected prefectures in four years after the disaster is estimated at least to exceed ¥12.200 trillion. On the contrary, the market of wholesaling and retailing industries in fiscal 2011 will shrink 14% from the previous year, and will require long time to recover.

It presents an opinion about impacts on the industries of housing and building materials as follows:

Short-term Impacts (~ 6 months)

Demand for rehabilitation such as temporary housing, water and sewerage, materials for bridges, and housing equipments is to be supplied by raising output in western Japan or by increasing imports. Some

consumers who anticipate price increase in condominiums may rush to purchase them.

Construction cost will go up dramatically due to the shortage of materials which is caused by the damage on manufacturers of housing materials, the rise in the cost of materials and fuels owing to the high price of crude oil and the competition to secure manpower in the construction sites. It is inevitable that the price of condominiums which will be developed from now will steeply increase. Some materials like plywood will be in short supply. It will be difficult to quickly supply the materials due to the manufacturers' corporate downsizing which they have promoted for the past few years.

Mid-term Impacts (6 months ~ 3 years)

There will be restoration demand in the disaster-affected areas such as housing starts, quakeproof construction and house betterment construction. Sales of existing condominiums will be good due to the escalating price of newly-built ones.

Buyers' motivation to acquire houses will drop in areas other than the disaster-affected areas. Due to brownout, demand for all-electric home will not grow. Consumers may hold off buying newly-built condominiums because of the high price.

Long-term Impacts (3 years ~)

Quake-resistance standards for houses will become stricter and energy-generating houses will become more popular. Newly-built condominiums in the Tokyo area are expected to have a stable potential demand of about 50,000 units. As the price of newly-built condominiums will sharply increase, the market of existing ones will be activated. In the industry of building materials, there could be industry restructuring by M & A.

Though the consumers' buying motivation will recover, housing starts will decrease due to the drop in the number of households and houses will become oversupplied. Except for the rush demand before the tax increase, demand for condominiums will stay inactive.

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Data

Exports of agricultural, forestry, and fishery products for 2010

According to *General Conditions for Export and Import of Agricultural, Forestry, and Fishery Products (Preliminary Figures)* for 2010 (January to December) recently compiled by the Ministry of Agriculture, Forestry, and Fisheries, the total amount of Japanese exports of agricultural, forestry, and fishery products was valued at 492.1 billion yen (10.5% increase compared to the previous year) exceeding the previous year's level for the first time in three years. Based on kind of product, the value was 286.5 billion for agricultural products (8.7% increase), 10.6 billion for forestry products (13.6% increase), and 195.0 billion for fishery products (13.1% increase) increasing for all three.

Last year, the total value of Japanese exports was 67.4054 trillion yen greatly increasing 24.4% from the previous year. Within this amount, the export value of agricultural, forestry, and fishery products accounted for about 0.7% of the total, and forestry products accounted for only 1.9% of agricultural, forestry, and fishery products.

In order to achieve the target of "50% self-sufficiency ratio for lumber in 10 years" of the forestry and forest industry revitalization plan, an increase in production of domestic lumber has become necessary, so for the buyers of domestic lumber, the concern regarding lumber exports is rising.

The export value of forestry products showed a two-digit increase compared to the previous year from 2007 to 2008, but due to the effects of the global depression and the

high yen exchange rate, it greatly decreased in 2009.

Because processed lumber products, which account for the largest share, increased 30.5% based on value and because lumber material also increased 59.1% in 2010, forestry products overall exceeded the previous year's results for the first time in two years.

On the other end, fiber board was the only one to increase in the previous year, and as a reaction, it had a double-digit decrease this year. Particle board also is making little progress decreasing for the third consecutive year.

In addition for both lumber material and processed lumber products, the amount of increase based on value is rather small compared to the quantity base due to the effects of the high yen, so the current environment for exporting can be seen as not very good.

Concerning the countries to which forestry products are exported, 2.9 billion yen of export value went to China accounting for the largest share of 27.3% and increasing 6.3% from the previous year. The Philippines followed at 2.0 billion yen with South Korea next at 1.2 billion yen.

Data

2010 Production of Laminated Wood

On March 14, Japan Laminated Wood Products Association released results of a research on domestic production of laminated wood in 2010.

Japan's production of laminated wood in the year was 1,454,600 cubic meters (up 16.4% from the previous year), which increased for the first

time in four years encouraged by various promotion policies like the law for promotion of wood utilization for public buildings. Total imports of laminated wood, those of laminated wood and Glulam combined, increased for the second consecutive year with 656,049 cubic meters (up 23.0%).

In domestic production, the percentage of laminated wood made of domestic timber rose 1.4 points from the previous year to 24.0%. The usage of domestic wood is stably growing. This seems to be affected by that domestic laminas have become more competitive against imported ones and that the usage of domestic wood is encouraged from the environmental aspects.

The association predicts domestic wood will be used more and more as the promotion law of wood utilization for public buildings will become widespread.

Domestic production breaks down into 152,400 cubic meters (up 1.2%) for fixtures and 1,302,200 cubic meters (up 18.5%) for structure. Production of the former had been declining each year since 1997 by about 10%; however, in 2010, it increased for the first time in 14 years though the growth is slim.

Production of laminated wood for structure, which marked double-digit increase in all items such as fancy posts, large-sectional, middle-sectional, and small-sectional laminated wood, also increased after four years of absence.

In other materials than domestic ones, the share of European ones increased 3.3 points from a year earlier to 60.5%, which reached the 60% mark for the first time in four years. The share of American

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materials also expanded 1.2 points to 12.2%. On the other hand, that of Chinese and Russian ones dropped as largely as 5.4 points to 2.2%.

Total imports in 2010, the sum of 91,673 cubic meters of laminated wood (up 19.7%) and 564,376 cubic meters of Glulam (up 23.6%), increased 23.0% as a whole.

range and by 700 yen at the bottom compared to the previous month. Prices of Solomon logs and Papua New Guinea logs were up by 300 yen at the top of the price range and by 200 yen at the bottom compared to the previous month. Prices of logs for lumber are also high. The price of Sabah log increased by 200 yen from the previous month both at the top and bottom of the price range. Prices

of Apitong/Keruung and Malapi were up by 300 yen both at the top and bottom of the price range compared to the previous month.

The arrival of Southsea lumber products has recovered to the previous year level, but in the market, frustration over supply shortage is getting stronger. As for Merkus

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Wholesalers' view

Southsea timber market in April

Due to the plywood shortage that took place after the March 11 earthquake, producing areas received a deluge of orders for Southsea lumber, especially, imported plywood. But as prices in producing areas have become too high with the product supply in the domestic market improving, the overheard market is cooling off now. Domestic plywood factories are operating at full capacity for both softwood plywood and Southsea plywood production. The plywood market is gradually returning to the level where it was before the earthquake occurred.

Domestic prices of logs for plywood, especially Sarawak logs, significantly increased at the end of April. The price of Sarawak logs increased by 800 yen at the top of the price

FOB of Southsea Logs

(US\$ per cubic meter)

	2010		2011		
	Highest	Lowest	Mar	Apr	May
			2nd Week	2nd Week	2nd Week
Sarawak Logs					
Meranti SQ-up	246-250	175-179	283-287	328-332	331-335
Meranti Small (Small 70%, S.S. 30%)	213-217	137-141	251-255	296-300	303-307
Ocean Freight					
Sarawak	44.7	41.8	44.7	48.5	47.0
Yen/US\$	-	-	83.7	84.8	83.0

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

Wholesale Price of Southsea Logs

(1,000 yen / 'koku')

	2010	2011			
	Dec	Jan	Feb	Mar	Apr
Logs for plywood (lauan)					
Sarawak	8.1-8.0	8.3-8.2	8.6-8.5	8.8-8.7	9.6-9.4
Solomon	7.5-7.4	7.7-7.5	7.9-7.7	8.0-7.8	8.3-8.0
PNG	7.8-7.7	7.9-7.8	8.1-8.0	8.2-8.1	8.5-8.3
Logs for lumber					
Sabah	11.6-11.4	11.8-11.6	12.0-11.8	12.2-12.0	12.4-12.2
Apitong/Keruung	11.8-11.7	12.0-11.9	12.3-12.1	12.5-12.3	12.8-12.6
Melapi	12.0-11.8	12.2-12.0	12.6-12.4	12.8-12.6	13.1-12.9
Exchange rate / USD	83.41	82.63	82.53	81.79	83.35

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

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 March												
China	24,109	68,467	23.4	1,563	3,931	30.8	8,877	24,832	32.4	13,669	39,704	17.6
Malaysia	10,674	30,877	23.2	5,567	16,518	27.9	4,089	11,482	11.4	1,018	2,877	57.0
Indonesia	12,032	37,927	5.3	1,379	4,904	4.7	2,282	6,583	45.7	8,371	26,440	-1.3
Vietnam	1,545	5,179	65.7	176	699	106.2	269	1,142	52.5	1,100	3,338	63.9
Thailand	1,061	2,976	4.6	14	14	-85.6	245	512	-14.8	802	2,450	14.2

Pine products whose prices are increasing in the domestic market, there is uncertainty about the logging situation in local areas. Prices of A-grade Merkus Pine products have reached the 1,200-1,300 dollar price range (per cubic meter). Prices of deck lumber such as Selangan batu range between 1,600 and 1,700 dollar while prices of Agathis products range between 1,050 and 1,100 dollars. However, the number of factories that produce Agathis products is declining. Also, replacing Merkus Pine products whose supplies are declining, supplies of rubber wood products are increasing.

In Indonesia, planted wood are being utilized more often in order to manufacture products. In Central Java, factories are using planted Falcuta as material for the production of plywood that is used domestically in Indonesia or exported to China or the Middle East. Recently, Falcuta plywood is also being exported to Japan, and is used for boxes for food items as its color is white.

Housing data: Housing Starts in March

According to a report released by the Ministry of Land, Infrastructure, Transport and Tourism on April 28, Japan's new housing starts were 63,419 units (down 2.4% from the same month in a year earlier) in March, which decreased for the first time in ten months. Floor area also decreased after an interval of 13

months to 5,750,121 square meters (down 0.5%).

After the Great Eastern Japan Earthquake, damage on the trend of housing starts was concerned, and it has become a reality as early as in March.

By application, housing starts of owner-occupied houses kept the

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Housing Starts

(unit of home)

	TOTAL	Structure		Owner / Occupant			
		wooden	non-wooden	owner-occupied	rent	COH	built-for-sale
2010							
TOTAL	813,126	460,134	352,992	305,221	298,014	8,003	201,888
2011							
YTD	192,380	104,697	87,683	67,288	66,592	1,649	56,851
Jan.	66,709	35,740	30,969	22,299	23,989	518	19,903
Feb.	62,252	33,532	28,720	22,126	20,840	442	18,844
Mar.	63,419	35,425	27,994	22,863	21,763	689	18,104
Apr.							
May							
June							
July							
Aug.							
Sep.							
Oct.							
Nov.							
Dec.							

*source: Ministry of Land, Infrastructure, Transport and Tourism

*COH=company owned houses to be rented to their employees, etc.

Supply/Demand of Southsea Logs

(1,000 cubic meter)

	Southsea Logs				
	Import	Demand		Stock	
	Total	Total	for PW		
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	106.2	143.6	118.6	25.0	
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	54.7	47.1	7.6	100.9
Apr.					
May					
June					
July					
Aug.					
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	106.2	25.4	52.2	6.9	21.8
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.					
May					
June					
July					
Aug.					
Sep.					
Oct.					
Nov.					
Dec.					

p.c.m=per cubic meter

Japanese Market Indications				
	2010	2011	2011	
	May	April	May	
North American	(Yen; wholesale prices, on truck)			
<i>Logs</i>				
Hemlock Coast No.3, 12" up	20,160	20,880	20,880	p.c.m
Douglas Fir SS No.3, 12" up	28,080	28,800	28,800	"
Douglas Fir Coast No.3, 12" up	25,560	26,280	26,280	"
Douglas Fir mid-dia., 8/11, J-sort	21,240	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	54,000	"
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	54,000	"
Hemlock 45x105mm, KD, floor joist, 4m	43,000	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	51,000	51,000	"
Douglas Fir 45x45mm, KD, rafter, 4m	54,880	52,640	52,640	"
Douglas Fir 45x105mm, solid, KD, floor joist, 4m	54,880	50,400	50,400	"
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	62,000	63,000	64,000	"
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	1,850	1,800	per piece
Whitewood 105mm sq., 5-ply kudabashira, imported	1,900	1,850	1,780	"
Whitewood 27x105mm, solid, 3m, Central	44,000	44,000	44,000	p.c.m
Whitewood 27x105mm, solid, 3m, Nordic	44,000	44,000	44,000	"
Whitewood 30x105mm, solid, 3m, Central	44,000	44,000	44,000	"
Whitewood 30x105mm, solid, 3m, Nordic	44,000	44,000	44,000	"
Whitewood rough lamina, randam length, Central	38,000	34,000	34,000	"
Whitewood rough lamina, randam length, Nordic	38,000	34,000	34,000	"
Redwood hirakaku, laminated, 3~6m	58,000	61,000	60,000	"
Dimension Lumber	(Yen; wholesale prices, on truck; green count)			
SPF 2x4~8", KD 8~20' J-grade	33,400	28,500	28,500	p.c.m
SPF 2x10", KD 8~20' J-grade	38,400	33,500	33,500	"
Whitewood 2x4~8", KD 8~16' J-grade	42,600	35,500	35,500	"
Whitewood 2x10", KD 8~16' J-grade	47,200	38,500	38,500	"
Japanese	(Yen; wholesale prices, on truck)			
<i>Logs</i>				
Japanese Cedar (Akita) 3.65-4m, 14-22cm dia.	9,600	11,900	12,000	p.c.m
Japanese Cedar (Fukushima) 3.65-4m, 14-22cm dia.	11,100	-	-	"
Japanese Cedar (Fukuoka) 3.65-4m, 14-22cm dia.	12,200	12,700	12,400	"
Japanese Cypress (Gifu) 3.65-4m, 14-22cm dia.	20,100	22,100	21,700	"

Japanese Market Indications				
	2010	2011	2011	
	May	April	May	
Japanese	(Yen; wholesale prices, on truck)			
<i>Lumber</i>				
Japanese Cedar post 10.5cm sq., 3m	41,300	44,100	44,400	p.c.m
Japanese Cedar post 10.5cm sq., 3m KD	59,300	64,700	65,200	"
Japanese Cedar roof beam 10.5cm sq., 3.65-4m	41,800	43,800	44,000	"
Japanese Cypress post 10.5cm sq., 3m	65,000	67,400	67,700	"
Japanese Cypress post 10.5cm sq., 3m, KD	79,700	84,700	85,300	"
*Japanese Cedar kowari lumber (Akita)	280	230	230	per piece
Japanese Cedar 2.7 x 10.5cm, KD (Kyushu)	59,000	63,000	63,000	p.c.m
Russian	(Yen; wholesale prices, on truck)			
<i>Logs</i>				
Whitewood mid-dia., short-length in Toyama market	5,200	6,100	6,400	per koku
Larch mid-dia., short-length in Toyama market	5,300	6,000	6,000	"
Red Pine mid-dia., short-length in Toyama market	6,100	6,300	6,400	"
<i>Lumber</i>				
Whitewood rafter in Chukyo market, Green	48,000	50,000	50,000	p.c.m
Whitewood rafter in Chukyo market, KD	58,000	60,000	60,000	"
Whitewood rail in Chukyo market	49,000	51,000	51,000	"
Red Pine rafter in Tokyo market	47-48,000	58-60,000	-	"
Red Pine nuki in Tokyo market	48-49,000	-	-	"
Radiata Pine	(Yen; wholesale prices, on truck)			
<i>Logs</i>				
New Zealand, A-sort	4,400	4,600	4,600	per koku
<i>Lumber</i>				
board, Chile				
12.0mm x 4m, random width (120,150, 180, 210mm)	29,500	31,000	32,000	p.c.m
Southsea	(Yen; wholesale prices, on truck)			
<i>Logs for plywood</i>				
Meranti (Hill SRWK) ordinary lot	6,600	8,400	9,300	per koku
Meranti (Hill SRWK) small lot	5,650	7,450	8,350	"
Kapur (SRWK)	9,100	9,900	10,550	"
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	660	680	680	"
Type II 5.5mm x 910 x 1820, F4-star	780	800	800	"
**Concrete form (CF) Type I 12.0mm x 900 x 1800	1,200	1,380	1,380	"
Imported CF JAS 12.0mm x 900 x 1800	980	1,300	1,300	"
Imported structural PW JAS 12.0mm x 910 x 1820, F4-star	1,030	1,400	1,400	"
Structural Softwood PW 12.0mm x 910 x 1820, F4-star	850	1,050	1,050	"
Structural Softwood PW 24.0mm x 910 x 1820, F4-star	2,000	2,300	2,300	"
OSB	(Yen; wholesale prices, on truck)			
JAS 9.5mm x 910 x 2440	640	685	680	per sheet
JAS 12.0mm x 910 x 1820	630	675	680	"

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

**The source of this item has been changed since July 2010 (the source from more upstream stage than the previous one).

Housing Starts in

(Continued from Page 5)

increasing trend; however, those of rental houses, which had already

been declining, decreased for the sixth consecutive month. And those of condominiums, which had jumped, decreased for the first time

in ten months. The growth rate in single-family houses, which had been increasing by double-digit for more (Continued on Page 9)

Housing Starts of Built for Sale, Prefabricated and 2 x 4 homes

(unit of home / %)

	Built for Sale						Prefabricated homes				2 x 4 homes	
	unit		y/y		unit		y/y		unit		y/y	
Annual Starts												
2007	294,777	-22.3	168,918	-29.2	124,238	-10.1	145,360	-9.3	98,555	-6.5		
2008	300,021	1.8	182,555	8.1	115,785	-6.8	154,427	6.2	107,715	9.3		
2009	168,836	-43.7	76,678	-58.0	91,254	-21.2	125,924	-18.5	91,730	-14.8		
2010	201,888	19.6	90,597	18.2	110,358	20.9	126,671	0.6	96,104	4.8		
Monthly Starts												
JAN. 2011	19,903	22.3	10,435	31.1	9,377	14.6	10,705	-1.6	7,791	8.6		
FEB	18,844	44.2	9,420	103.9	9,382	12.7	9,119	-5.5	6,386	9.9		
MAR	18,104	4.6	8,670	-1.3	9,324	9.6	7,918	-3.3	7,262	2.0		
APR												
MAY												
JUN												
JUL												
AUG												
SEP												
OCT												
NOV												
DEC												

Plywood Market Last Week April

Domestic plywood production volume for March was announced with figures for Miyagi and Iwate prefectures excluded as it was for February. The production volume in March was 166,000 cubic meters or 74.6% of the volume in March 2010, out of which the volume of softwood plywood was 138,000 cubic meters or 73.4% of the volume in March in the previous year. The shipment of softwood plywood was also down to 133,000 cubic meters or 67.8% of the shipment in March 2010. Inventories were 98,000 cubic meters, and the low inventory level which we are experiencing now is expected to continue for a while.

As for softwood plywood, inquires from customers are still strong, and a sense of supply shortage at the distribution level has not been mitigated yet. Thick plywood and special-size plywood (long plywood) are especially difficult to find, which is increasing frustration among customers.

The arrival of imported plywood in March was 280,000 cubic meters. The arrival was rather large, but as there are demands, there is no sense of oversupply. Purchase by Japan concentrated on producing areas right after the earthquake, leading to a sudden rise in prices. However, one and a half months have passed since the earthquake, and the purchase by Japan started slowing down a little. In producing areas of Southsea plywood, the shortage of logs and rise in prices are worsening. With the price of the adhesive also rising, product prices are expected to stay on an upward trend in future.

than one year, slowed down to 9.6%.

By structure, wooden houses jumped to 35,425 units (up 4.4%) owing to the growth in owner-occupied houses and built-for-sale single-family houses. On the other hand, non-wooden houses dropped to 27,994 units (down 9.9%) and the percentage of wooden houses increased 2.0 points from the same month in the preceding year to 55.9%.

Housing Starts by Region

(unit of home / %)

	Tokyo metropolitan		Chubu region		Kinki region		Other regions	
	unit	y/y	unit	y/y	unit	y/y	unit	y/y
2011								
JAN	25,489	-3.0	8,774	0.9	9,525	1.3	22,921	11.3
FEB	23,290	25.4	8,352	2.3	9,260	-3.6	21,350	5.8
MAR	22,588	0.0	8,357	-2.7	11,195	-6.8	21,279	-2.5

Housing starts of prefabricated houses declined for the third consecutive month to 7,918 units (down 3.3%). Contrarily, those of 2 x 4 houses went over the result of the

previous year for the fourth month running with 7,262 units (up 2.0%). Housing starts are expected to mark year-on-year decline from April until around summer.

News from China

Source: China Wood Monthly Market Report(www.chinawood.net), Vol.6 No.5, May 2011

China and Russia Timber trading center put into operation in Harbin

The timber trading center is the largest professional production and sale base of wood products to Russia, and also is the largest wood products supporting base in Northeast China. The main business of the Centre include: the forest rights inside and outside the country; the stumpage transactions; e-commerce trading platform for commodities; wood products show; information consultation; spot trading; wood products and finished furniture trade; integrated service platform for the timber industry; research and development of woodworking machinery. The project plan to build production area, processing area, showing trading area, storage area, comprehensive service area, totally 300 thousand m2 standard factory building and 100 thousand m2 commercial buildings. It can accommodate 200 furniture companies and 2000 businesses to manufacture and sale. Currently, the trading center has signed more than 100 wood processing companies which are successively entering the center.



Log Terminal in Suifenhe, by courtesy of Miku Ichioka

Suifenhe Port import logs rebound in Short-term

According to customs statistics, from January to February, Suifenhe Port imported 577 thousand m3 logs, and down 5.1% over last year. Logs worth of 86.12 million dollars, and increased 10.5%, which ranked first of all import commodities. Import price at \$ 149.2 per m3, and up 16.4%. On February, the port imported 294 thousand m3 of logs, and import volume increased 2.5% which is the increase since February of last year, the import value is 44 million dollars and increased 19.2%, which record the largest increase in year. Log export tariffs of Russia continue to remain at 25% and imported logs is less in 2010, the economic

situation is better than last year, so Suifenhe port import timbers rebound in Short-term.

Price Advantage of Russian timber is missing

According to Harbin customs, from January to February this year, Heilongjiang Province imported 806 thousand m3 of logs, which worth 120 million dollars, and increased 15%. Among them, logs sourced from Russia reached 725 thousand m3 and down 7.8%, which accounted for 90% of the province. Currently, with the global resource-based commodity prices rising, Russian logs prices is increasing. However, the domestic market effect by the real estate adjustment, flooring and furniture

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industries appeared depression. These have great impact of Russian timbers which mainly used in the domestic market. Second, compared to the shipping timber, Russian import logs have no longer advantage in cost. So Russian logs are obviously instead by Africa, Oceania, and Southeast Asia logs. Then, log export policy of Russia is decided. Russia plans to export processing products instead of logs, so they will exploitation in order to realize full domestic processing in the Far East in 7-8 years. Domestic companies have said that they should change strategy in the future. They will put logs rough processing in Russia, continuously improve product value, and extend the industrial chain, so as to reach high-end development.

China has become the largest import market of U.S. hardwood

At present China has become the largest import market of U.S. hardwood products. Experts predict that the prospect of Sino-

US cooperation is very optimistic as the United States has been the largest export country of hardwood products in the world for ten years in succession. The total import value of U.S. hardwood in China (including Hong Kong, Taiwan) in 2010 was 680 million dollars, up 66% from the last year, accounting for 27% of total global exports of U.S. hardwood as the top of U.S. hardwood market. The main reason for that U.S. hardwood is popular in China is species diversity. The most popular species in China last year is red oak, followed by white oak, tulip poplar, black walnut, white ash, red poplar, cherry, maple and hickory.

Manchuria recovers the imposition of value added tax

Approved by the people government of Manchuria City, Manchuria City Office of State Administration of Taxation of China recovers the imposition of value added tax on the sale of imported timber from April 1, 2011 according to Law of People's

Republic of China Concerning Administration of Tax Collection.

The standard of levy is as follow.

(1) Regardless of wood species, the minimum value added tax of log for one vehicle is 800RMB, the minimum value added tax of lumber for one vehicle is 1200 RMB. If the actual payable tax of the enterprise exceeds the minimum standard of levy, the enterprise should declare and back tax by itself.

(2) The tax department of the port should levy on the nonlocal enterprises according to above quota standard. If the enterprise pays tax repeatedly, Manchuria City Office of State Administration of Taxation of China will return corresponding tax according to the actual situation of the tax declaration of the nonlocal enterprise.

(3) Manchuria City Office of State Administration of Taxation of China will adjust approved standard and the way of levy timely according to the change of the timber market quotation.

Canadian SPF Dimension Lumber

The import prices of Canadian SPF dimension lumber in early May were \$475 (US dollars)/mfbm for 2x4, 2x6, and 2x8 items and \$575/mfbm for 2x10, with both prices unchanged for 4 months in a row. Right after the earthquake that hit Japan on March 11, there was speculation in the market that prices might rise, but it was gone without being materialized. Price-increase factors such as sluggish demand in the U.S. market that is a major market, increase in the freight, and weakening yen are still there, but the import prices remain the same.

Domestic demand for dimension lumber has been slightly sluggish since the earthquake. Housing starts for 2x4 housing in March were 7,262 units, falling below the previous year level for the 4th consecutive month. However, after the earthquake, some of housing materials became scarce, which caused a delay in the start of construction works or led to postponement of new construction works. The shortage of housing materials and equipment has been gradually mitigated recently, but the psychological impact of the earthquake still persists, and the operation rate at panel factories that process materials for 2x4 housing remains low.

News in Brief

Tostem Corporation, Inax Corporation, Shin Nikkei Co., Ltd., Sun Wave Corporation, and Toyo Exterior Co., Ltd., all of which are companies within the JS Group Corporation, **merged together and began under the new name of LIXIL Corporation** (head office: Tokyo) on April 1. The company will be the largest in the building materials and housing equipment and fixture industries with over 1 trillion yen in net sales and about 60,000 employees. With the

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decrease in the number of children, the growing population of elderly, and the progress of globalization, the environment surrounding the housing market is undergoing large changes, and with these changes, the company is aiming to raise the efficiency of its business management system under the strategy of "Selection and Concentration." The company will also invest in operating resources in the growing fields of housing reconstruction and remodeling and in foreign markets. The new company will consist of four in-house companies (domestic sales and marketing, global business, metal and architectural materials, and kitchen and plumbing fixtures). The company will have 13 branch offices, 83 branch stores, 287 sales offices, and 44 manufacturing sites and will develop production and sales in 17 countries overseas.

The Forest Tree Breeding Center, Kyushu Regional Breeding Office of the Forestry and Forest Products Research Institute, an incorporated administrative agency, recently **announced the development of three new kinds of black pine that are highly resistant against pine wilt nematodes** (pine wilt). The damage from pine nematodes is in an increasing trend, and in fiscal 2009, roughly 600,000 m³ of trees were affected in 46 prefectures not including Hokkaido. The damage in Kyushu was also large, and as a measure responding to this problem, "black pine highly resistant against pine wilt nematodes" # 51 was developed and put into use. Up to now, the 51 kinds of highly resistant black pines have gained resistance artificially in the "first generation of trees" by having healthy trees inoculated with a vaccine. For the newly developed kinds, a "second generation of trees" was developed by crossbreeding elite trees that have vigorous growth with the "first generation of trees." There are high expectations for adding trees with high resistance against pine wilt nematodes to trees with trees that have excellent growth. At the crossbreeding sites, these new kinds of black pine will be useful in the revitalization and preservation of black pine forests along the sea coast where diversity is abundant.

Announced by the Tokyo Lumber Retailers' Association, a group of lumber retailers based in old town of Tokyo, **the standard price of lumber products for April showed a large increase in price for cedar products and plywood due to the effects of the great earthquake**. In addition, a portion of the products is "undergoing a situation in which purchasing has become difficult." Products that increased in price include: cedar posts (green and KD, 10,000 yen per 1 m³), cedar LVL studs (5,000 yen per 1 m³), cedar boards (10,000 yen per 1 m³), cedar planks (10,000 yen per 1 m³), softwood structural plywood (200 yen per board), plywood for concrete forming (200 yen per board) lauan plywood for foundations (200 yen per board), lauan structural plywood (200 yen per board), thin and medium-thick plywood (100 yen per board), and particle boards (50 yen per board). Ipe wood, dragon spruce laminated wood, and merkus pine laminated wood (5,000 yen per 1 m³), which were all in short supply before the earthquake, also increased in price. Because obtaining plywood has become difficult, requests have been made to change blueprints so that small amounts of plywood are used and diagonally braced frames are used.

AICA Kogyo Co., Ltd. (Kiyosu City, Aichi Prefecture) **announced a price increase for phenol-based resin adhesives and melamine-based resin adhesives starting from the April 11th shipments**. The increase in price will be roughly 25-30% increase from the current price for both products. The company has responded to the notable rise in domestic price of benzene and naphtha by streamlining production and cost reduction, but conditions have arisen in which the limits of those efforts have been exceeded, so the decision was made to raise prices.

By way of a subsidiary, **Sumitomo Forestry Co., Ltd.** has **completed an agreement to acquire all outstanding shares of stock in Canyon Creek Cabinet Company**, which manufactures and sells wood cabinetry and is located in Washington State in America. Canyon Creek is a 100% owned subsidiary of Wood One Co., Ltd. (Hatsukaichi City, Hiroshima Prefecture), and the transfer of stocks is scheduled for July 31. Sumitomo Forestry Group is placing importance on its international business as an activity to emphasize earnings and is investing intensively in business resources. The purchase of stocks is one link into its business expansion in the Pacific Rim region as a long-term strategy. By starting a manufacturing business in North America, the company is aiming to develop a vertical integration type of business model for its housing sales business. Along with the progress in the solidarity of areas outside of North America, the company is also looking into maximizing horizontal synergy.

Recently compiled by the Tokai 2x4 Council, which is composed of companies involved in 2x4 housing components, **the processing results for March 2011 showed 310 houses** (13,033 tsubo; 1 tsubo = roughly 3.3 m²) **for panel processing and 46 houses** (1,562 tsubo) **for fixed scale shipments for a total of 356 houses** (14,595 tsubo). Compared to the same month in the previous year, there was an increase of 42 houses, but compared to the previous month, there

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was a large drop off with a decrease of 36 houses. Due to the Great Eastern Japan Earthquake on March 11, production and distribution of housing building materials such as plywood became stagnant. The shortage of products that took place before the earthquake was exacerbated, and many construction sites that have no choice but to stop construction have appeared. The shortage of plywood and material for heat insulation has been especially severe. Because the effects took a direct hit on the 2x4 construction method, which uses a large amount of plywood, the results for March decreased rapidly. There are also cases in which substitute material such as OSB can be used, but these cases are a small portion. For the member companies, the prospects of procuring plywood have not been made, and the companies are decreasing the number of days and hours of operations at factories as responding measures.

Complied by the Aichi Wooden Housing Precut Council, the results of precut lumber processing for traditional wooden houses for March (17 factories) a slight increase of 1% compared to the same month in the previous year and of 1.8% compared to the previous month to 57,711 tsubo (1 tsubo = about 3.3 m²; 1,594 houses). At the end of February, the processing for March was forecasted to be 63,500 tsubo, but due to the effects of the Great Eastern Japan Earthquake that occurred on March 11, a shortage of building materials such as plywood, sashes, glass, and heat insulation occurred, and operations at every factory came to a standstill. The result decreased about 5,800 tsubo (9.1%) from the forecast. Due to the effects of the earthquake, securing materials became difficult; the shortage of thick plywood especially 24 mm and 28 mm was severe. According to one individual, “Under the present conditions, we can’t even forecast how much the factories can turn out from April.” Showing the growing anxiety, one individual further said, “The shortage of things is showing signs of becoming long term, and it has cast a large shadow over our customers’ trust and confidence in us.” The amount of processing scheduled for April fell below 50,000 tsubo, and people are hoping for quick response measures that can somehow make up for the shortage in building materials.

Sponsored by the Japan Plywood Manufacturers’ Association and the Preserved Woodbased Material Promotion Committee, the **“Presentations on the Use of Preservation Processed Plywood”** was held at the **Mokuzai Kaikan in Shinkiba, Tokyo on April 6**. About 130 people from plywood users such as house builders and architects, sales companies, plywood manufacturers, adhesive manufacturers, and machinery manufacturers attended and listened to specialists talking about lumber preservation and preservation processed lumber, which have become rapidly more prominent in recent years with regards to the “Law concerning the Promotion of Quality Long-Life Housing” that came into effect in June 2009 and the “Law concerning the Promoting the Use of Wood in Public Buildings” that was worked out in October of last year. In his presentation titled “Increasing the Use of Wood and Preservation Processing,” Yusuke Imamura, professor emeritus of Kyoto University, said, “Among lumber, even with yellow cedar and even with cypress, the white, outer portion rots. In order to increase the life of lumber, preservation processing is effective.” He also talked about chemical injection processing, exterior surface processing, heat processing, which has become popular in recent years, resin processing, and chemical modification (acetylation).



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From the government’s trial calculations, 70,000 housing units were seen as necessary for the amount of emergency temporary housing for the victims of the Great Eastern Japan Earthquake, but according to the Housing Bureau of the Ministry of Land, Infrastructure, Transport and Tourism as of 1:00 PM on April 11, the number of constructed housing units totaled 10,279 units with 3,705 units in Iwate Prefecture, 4,385 units in Miyagi Prefecture, 1,959 units in Fukushima Prefecture, and 230 units in Chiba Prefecture.

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