THE HARDWOOD LOG EXPORT SITUATION

William Luppold

ABSTRACT

The export of hardwood logs to European and Asian countries is currently a topic of considerable controversy. This paper examines the recent history of hardwood log exports with respect to species, products, and markets. This analysis provides a basic understanding of the hardwood log export market and some of the potential impacts of log exports.

INTRODUCTION

Few issues have generated the degree of discussion within the hardwood industry as the exportation of hardwood logs. Export proponents claim that logs should be sold to the highest bidder and that timber sellers and owners benefit from the higher prices. Opponents of log exports cite loss of U.S. jobs and assert that increasing log prices are decreasing profit margins at domestic hardwood sawmills and veneer mills. Considering that log exports represent only a fraction of U.S. hardwood log production, the controversy surrounding hardwood log exports seems puzzling. Therefore, an examination of hardwood log exports might reveal information that can be used to put the pro-versus anti-export argument in perspective.

In this paper I examine historic trends and current hardwood log exports to Canada, Europe, and Asia. Specific factors examined are volume, species mix, quality, and area of the United States where exported logs are produced. The impacts of log exports also are discussed.

Unfortunately, analysis of hardwood log exports is difficult because of problems concerning data quality. Prior to 1990, estimates by the Bureau of the Census underreported volume and value of log exports to Canada because of the data collection procedures used by the U.S. Customs Service (Luppold 1992). Conversely, errors in Bureau of the Census computer programs caused exports to Europe and Asia to be overestimated (Luppold and Thomas 1991).

1The author is Project Leader, USDA Forest Service, Northeastern Forest Experiment Station, Route 2, Box 562-B, Princeton, WV 24740.
Since 1990, official U.S. exports to Canada have been based on Canadian import statistics (U.S. Dep. Commer., Bur. Census 1990). However, official estimates of log exports to Europe and Asia still contain errors primarily because of inaccurate export declarations by U.S. shippers (Luppold 1991). Because of these problems, revised data developed by Luppold and Thomas (1991) and Canadian import statistics developed by Statistics Canada were used in this analysis.

LOG EXPORTS TO CANADA

Canada has consistently been the largest export market on a volume basis for U.S.-produced hardwood veneer logs and sawlogs (Figure 1). In fact, the combined volume of log exports to Asia and Europe only exceeded the volume shipped to Canada in 1989 and 1991. However, the quality of logs exported to Canada is lower than the quality of logs shipped to Europe and Asia. For instance, in 1991 the average value of logs exported to Canada was less than one-half the value of logs exported to Asia and one-third the value of logs exported to Europe. Still, the relatively large volumes of logs going to Canada requires closer examination.

The three log products exported to Canada are sawlogs, veneer logs, and pulp logs (Figure 1 excludes pulp logs). At least 2 to 5 percent of the logs exported to Canada are reexported to European and Asian countries (Statistics Canada 1980-89). Sawlogs exported to Canada usually are sawn with the resulting lumber consumed in the Canadian market or exported to Europe, Asia, and the United States. Veneer logs exported to Canada are sliced in Canada or reexported to Europe, Asia, or the United States. Pulp logs exported to Canada are most likely processed into pulp or paper within Canada but at times may be reexported to the United States in the form of pulpwood or pulp chips.

Historically, Canadian import statistics provide only a minimum breakdown of species imported from the United States. However, recent statistics indicate that northern species such as maple, beech, birch, and aspen account for the majority of the logs exported to Canada. The oaks only account for 27 percent of exports to Canada with red oak much more important than white oak. Canada also has been an important market for cherry logs, but many of these logs are reexported or processed into lumber that is subsequently exported.

Although Canada is rarely mentioned by people advocating log export restrictions, exports to Canada could become a major issue if restrictions are instituted. The current free trade agreement between the United States and Canada makes it difficult to stop logs being exported to Canada. A less restricted ban affecting only overseas markets would be difficult to implement because logs could first travel to Canada and then be re-exported to European and Asian markets.
Europe has been and probably still is the largest export market for high-grade veneer logs. Although some high-grade sawlogs apparently are shipped to Europe, these logs may be sliced into veneer. Log exports to Europe increased shortly after 1973 when the Bretton Wood system of fixed exchange rates was replaced with a managed float exchange rate system. Data problems preclude examination of the early growth period of log exports between 1973 and 1979. Figure 2 shows the export of hardwood logs to Europe by major markets between 1979 and 1991, while Table 1 contrasts changes in species mix for this period.

As the dollar declined against major European currencies and as European economies experienced rapid growth, log exports grew, peaking to an all-time high in 1979. In the early 1980's, exports to Europe declined rapidly as European economic growth declined and the dollar appreciated by approximately 50 percent against European currencies. Again in 1985, the dollar began to decline against European currencies as log exports increased. However, in 1991, log exports declined even though the value of the dollar remained low against major European currencies. This decline appears to be the result of escalating U.S. log prices and a slowdown in the European economic growth.

Germany and Italy were the major European markets for logs in 1979. The relatively large amount of logs shipped to the Netherlands during the late 1970's indicated in Figure 2 may be misleading since a large proportion of these logs may have been subsequently transshipped or reexported to Germany or to other northern European countries. In the early 1980's, exports to all European markets declined; Italy experienced the largest decline. However, exports to Germany remained relatively high after declining between 1979 and 1980. The growth in log exports after 1985 was led by the southern European markets of Italy, France, Spain, and, more recently, Romania and Turkey.

As exports of logs to Europe have fluctuated, there has been a continuous change in the species exported. White oak, ash, and elm were the three most important species exported in 1979. Nearly 90 percent of the white oak was exported to Germany and the Netherlands while nearly all elm exports were to Italy. Ash exports were evenly divided between Germany and Italy. During the early 1980's, white oak exports to Germany remained dominant while elm exports to Italy virtually disappeared. Three other species—red oak, walnut, and ash—also were relatively important in the early and mid-1980's.

During the late 1980's there was a continuous decline in the dominance of the oaks and a steady growth in black cherry exports to Germany, Italy, and France, and in yellow-poplar shipments to Italy. By 1991, a dramatic shift caused oak exports to decline and cherry exports to increase.

Although the logs exported to Europe can come from virtually any forested region of the United States, timber grown in the north-central and
Figure 1.--Hardwood log exports to Canada, Asia, and Europe, 1981-1991.
Figure 2.--Hardwood log exports to Europe, 1979-1991.

M Cu. meters

- W.Germany
- Bel/Lux
- Italy
- France
- Netherlands
- All Other

Table 1.--Known species mix of coastal exports to Europe\(^a/\)
(cities may not add to 100 percent because of rounding error)

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\(^a/\) Does not include unidentified species or Canadian transshipments.
T = Trace amount.
Figure 3.--Hardwood log exports to Japan, by species, 1981-1991.

M Cu.meters

- Paulownia
- Alder-Maple
- W.oak
- Walnut
- Basswood
- Cottonwood
- Other
northeastern regions is preferred over timber grown in the South. This preference apparently influenced the price of veneer logs in northern regions, especially in the late 1970's. Unfortunately, the influence of exports is difficult to assess because veneer logs are not commodities with well-defined market prices. These logs usually are purchased on an individual or a small-lot basis with the veneer buyer and seller trying to make a qualified guess on how the log will eventually slice out.

THE ASIAN MARKET

Logs exported to Asia range from high-grade veneer logs to pulpwood and include medium- and high-grade sawlogs used for lumber production. Although log exports to Asia always have been influenced by exchange rates, reduced supplies of logs from traditional Asian sources, the development of the Taiwanese furniture industry, and the development of the Korean musical instrument industry also have influenced U.S. log exports. Because there are three large and dissimilar Asian markets, growth trends between 1981 and 1991 in each of these markets will be discussed separately. Accurate Asian export volumes prior to 1981 are unavailable (Luppold and Thomas 1991).

In the early 1980's, Japan was the only significant Asian market for U.S. hardwood logs, and paulownia was the most important species exported to Japan (Figure 3). Paulownia is a Japanese species that apparently was introduced in the United States when its seeds were used as packing material. Paulownia was considered a low value or weed species in the United States, but it became a species of considerable value once Japanese timber purchasers discovered its existence. Even though exports of paulownia have decreased in recent years, this species still accounts for at least 20 percent of the total value of hardwood log exports to Japan.

Between 1986 and 1988, exports of West Coast species (primarily alder) increased dramatically. Some of the alder shipped to Japan was used for paper production, though lumber apparently was recovered from better grade alder logs. In the late 1980's, Japan secured supplies of pulp chips and reduced the imports of alder pulp logs. The drop in alder log exports coincided with an increase in white oak veneer and sawlog exports. By 1990, white oak logs accounted for a third of the exports to Japan, with alder and paulownia the second and third most important species. In 1991, exports of white oak log exports to Japan actually equaled or exceeded the combined white oak exports to all countries in the European Economic Community. This large increase in Japanese demand for white oak logs may have forced some European buyers out of the U.S. market.

Exports of hardwood logs to Taiwan began to increase in the early 1980's as the Taiwan furniture industry grew (Figure 4). Because this industry was geared to sell furniture to the U.S. market, the species exported to Taiwan were similar to those used in the U.S. furniture industry. The strong relationship between the U.S. furniture industry and hardwood exports to Taiwan is the reason why red oak logs continue to be
Figure 4.--Hardwood log exports to Taiwan, by species, 1981-1991.

M Cu.meters

- R.oak
- Alder-maple
- Birch
- Ash
- W.oak
- Other

Figure 5.--Hardwood log exports to Korea, by species, 1981-1991.
the most important log export to Taiwan. After peaking in 1988, log exports to Taiwan dropped dramatically. At least part of this decrease seems to have resulted from a decrease in shipments of pulp logs.

Prior to 1986, the only noticeable log exports to Korea were relatively small quantities of black walnut (Figure 5). Since 1985 there has been an increase in shipments of hard maple, walnut, West Coast alder, and West Coast cottonwood. The shipments of West Coast species seem primarily for pulp production while high-value East Coast species are used for veneer production. By 1991, Korea was second only to Italy in imports of U.S. black walnut logs and was the largest overseas market for hard maple logs.

SUMMARY AND CONCLUSION

This analysis indicates that the growth in hardwood log exports over the last several years has been positive but variable. However, the vast variety of quality and species of hardwood logs exported makes it difficult to make blanket statements concerning log exports. Exports of lesser utilized species such as paulownia have been quite favorable to landowners but have had virtually no impact on the domestic market. By contrast, exports of high-grade white oak, walnut, cherry, ash, and other valuable veneer species have influenced the price of these species. Whether these impacts are positive or negative depends on whether one is a landowner profiting from the greater demand for timber or a domestic user of hardwood logs.

LITERATURE CITED


