International Trade

Exchange Rates

The US dollar continues to slide against other major currencies.

Trade Issues

Black Liquor Tax Credit

US Black Liquor Credit Winding Down; Cellulosic Biofuel, Biomass Benefits Unlikely

Black liquor funding for US pulp and paper mills—which was on track to total more than $7 billion--appears to have only eight weeks remaining as industry sources said that federal funding will end on time at year end and two other programs will not amount to as much funding as previously anticipated. Even with language expected to be included in pending health care reform legislation that would disqualify black liquor, US alternative energy tax credits to kraft pulp producers for black liquor combustion are seen to expire as scheduled at the end of this year without being revoked early. They will not be extended to next year, contacts added. The industry will also be excluded from a cellulosic biofuel credit available in 2009-2011, and a biomass subsidy will be limited to woodfiber consumption and will likely exclude black liquor, greatly reducing a potential windfall to pulp and paper mills next year.
Prices

North American Lumber

Commodity softwood lumber prices continue their sideways movement.

Pacific Northwest Coastal Log Values

Pacific Northwest log prices show a welcome bounce as year end approaches.
US South

Southern pine stumpages track commodity lumber prices.
Supply

North America Lumber

Capacity Losses During Downturn

The North American softwood lumber industry has permanently shed an estimated 10.3 bbf of production capacity since January 2007 (judged to be roughly the beginning of the major fallout from this downturn in the economy and the wood products industry). That volume is the sum of capacity estimates of 122 sawmills in the US and Canada that have been permanently closed since January 2007. The list was developed from Random Lengths WoodWire reports and the tracking of closures by Henry Spelter, an economist with the US Forest Service's Forest Products Laboratory in Madison, WI.

It is important to note that the above capacity figure represents the gross permanent volume lost since the peak year of 2006. Net lost capacity would be modestly lower, as a handful of new mills have started up during the period. Also, while some of the mills classified as permanent have been dismantled, many may be mothballed with potential to be restarted in the future. The permanent figure does not include dozens of mills across Canada and the US that have been indefinitely closed during the period. Spelter estimates that current closures classified as indefinite account for an additional 3.9 bbf of idled capacity. Also not accounted for are the many mills still operating but at reduced capacities.

To give all of the above some perspective, North American softwood lumber production peaked in 2005 at 74.9 bbf, and then slipped to 72.1 bbf in 2006. This year, total production is on track to finish at 38-39 bbf, a near-halving from the peak. If mills at the peak were running at 95% of capacity, the 10.3 bbf permanently idled since 2006 represents a 13% decline. Thus, while the volume is significant, a far more significant portion of idled capacity remains in place.

The permanent capacity losses have been evenly split between the US and Canada. The US West has been hardest hit, with 35 mills representing 3.2 bbf of capacity now gone. Twenty-two of the 35 mills were lost in the Inland region, and California. The US South lost 25 mills over the period, accounting for an estimated 1.8 bbf of capacity. In Canada, eastern provinces, including the Maritimes, lost more mills than the western provinces, including the Prairies. However, the capacity losses were evenly split between the two regions, each accounting for about 2.6 bbf.

A list of the mills closed permanently may be found on the Random Lengths Web site at [http://www.randomlengths.com/base.asp?s1=In_Depth&s2=TAK_In_Depth](http://www.randomlengths.com/base.asp?s1=In_Depth&s2=TAK_In_Depth)
US Lumber Production

US Lumber Output Down 25.3% Through August³

US lumber production through August totaled 15.515 billion board feet, down 25.3% compared with the first eight months of 2008, according to the Western Wood Products Association. Production through August was down 25.8% in the West, and 24.9% in the South. Nationwide, August production totaled 1.885 billion feet, off 24.1% from the August 2008 total.

Western Lumber Production

Western Lumber Output Down 26% Year-to-Date⁴

Western lumber production through September totaled 7.631 billion board feet, down 26.0% compared with the first nine months of 2008, according to the Western Wood Products Association. Production in the Coast region was down 23.1%, while Inland output fell 29.1%. Production in the California Redwood region was down 40.9%. September production in the West totaled 809 million feet, down 27.6% compared with the same month last year.

Canadian Lumber

Canada Lumber Production Up 16.2% in September⁵

Monthly lumber production by Canadian sawmills increased 16.2% to 1.772 billion board feet in September. Compared with the same month last year, lumber production declined 16.2%. According to Western Wood Products Association statistics, Canadian sawmills produced at a rate of 48% of capacity in August, compared with 46% in July. Through the first nine months of the year, Canadian lumber production has totaled 12.732 MMbf, a drop of 24.1% from last year. British Columbia has produced 6.274 MMbf of that total, and areas East of the Rockies are responsible for 5.920 MMbf.

Logs

Canada

Wood Costs Unchanged for Canadian Pulp Mills in 2009 Despite Tighter Wood Chip Supply⁶

Wood fiber supply to Canadian pulp mills has shifted from lower-cost residual chips from local sawmills to higher-cost wood chips manufactured from roundwood. The low operating rates for many sawmills has decreased the availability of relatively inexpensive residual chips, which has forced many pulp mills to either reduce production or to furnish their mills with high-cost fiber.

Lumber production in Canada has been substantially lower in 2009 as compared with earlier years. However, production levels in both western and eastern Canada are probably close to the bottom, and with the US lumber market predicted to improve in the latter half of 2010, Canadian sawmills are likely to be running at higher operating rates a year from now. Because lumber production has declined by about 50% over the past three years but pulp production has only fallen by 25%, many pulp mills throughout the country have increasingly had to rely on more expensive chips manufactured from roundwood.

British Columbia

BC Beetle Epidemic Running its Course: What Does it Mean for Lumber Availability?⁷

The mountain pine beetle epidemic in British Columbia is running its course. The BC forests minister recently declared the “epidemic is largely over,” and the pool of remaining live trees to colonize is nearing exhaustion. The epidemic leaves an enormous reservoir of dead trees that are slowly drying out and cracking, which diminishes their value for sawn wood. The puzzle for the entire lumber supply chain is what this implies for the future availability of lumber.

Trees dry at various rates depending on their exposure to sunlight, rain and weather. The deeper the cracks go and the more they follow a spiral course, the lower the amount of recoverable lumber. As trees dry, the expected yield of lumber inevitably falls. The question is when does it reach a point at which hauling them to a mill becomes unprofitable. A 1978 study on the impact of beetle-killed pine on lumber recovery indicated a gradual drop-off in recovery as the tree progressed from green top (attacked but still showing life) to gray loose-bark stage (no foliage, dead for at least five years). Only after the bark started sloughing off did the recovery drop off (about 11%) to the degree that it made conversion during weak lumber markets questionable.

Three recent studies during the current outbreak added further detail to these earlier results. The combined recovery and value of gray-stage (dead five or more years) in these trials fell by 17.5%-29% with 7%-8% of the drop contributed by the loss in volume recovery. These studies suggest that the drying wood could provide suitable material for sawmill even more than five years after their demise, but their economic feasibility is affected by lumber price level. In 2004, before the beetle became a major factor, Lumber Recovery Factors (LRFs) in the interior of British Columbia averaged 275 board feet per m³. Since then the volume of dead pine in the input mix has increased, likely depressing the LRFs.

Only indirect means are publicly available to gauge how much and to what degree that has affected the metrics of sawmill economics. One of these is to compare timber harvest with lumber production volumes (using BC Ministry of Forests and Statistics Canada data). Figure 1 shows our 2004 result juxtaposed against aggregate region-wide LRFs estimated from such data from 2005 to 2009 for the
BC Interior. These data show recoveries have by and large held up at the observed 2004 levels through 2007. In 2008 there was a significant drop off that has been maintained through 2009. The 2009 level of 257 bft/m³ is 7% below the 275 bft/m³ benchmark and represents an annual rate of decline of 1.5%. Extrapolating this for the next five years gives a putative LRF of 235 bft/m³ by 2015, which would represent a drop of almost 15% from the pre-beetle levels.

An LRF of 235 bft/m³ or even lower does not necessarily preclude the use of such trees but it could considerably reduce their value. Alternatively, an offsetting rise in the market price of lumber may justify their use. Figure 2 shows recent trends in BC Interior stumpage and delivered log costs. The decline, from an estimated C$61/m³ to C$38/m³, amounts to a 38% drop since 2005. In the context of an overall 7% drop in lumber yields and a similar loss in value due to a lower grade mix (using a 15% loss in value of beetle killed timber and assuming half the logs being processed come from dead timber) these losses effectively attenuate the decline to 28%.

To further put these declines into context, log costs have been falling across the spectrum of North American lumber producing regions. In the South, they have fallen by 21% over the same time span, in Montana by about a third and in Oregon, log costs have dropped almost in half.

**Demand**

**Lumber Demand, Prices will Rise Slowly Next Year Before Gathering Momentum in 2011**

The worst is almost over for the North American softwood lumber market as improving demand in 2010 is expected to breathe some life back into a beaten up industry. While the coming winter will likely be a tough one, rising housing starts, lean distribution channel inventories and some lingering government stimulus programs should kick-start lumber demand and even prices. After facing declining markets and prices since 2006, the 2010 outlook predicts that there will be enough building blocks in place to allow for some much needed market improvement. But it is in 2011—and especially in 2012 and 2013—that a real housing recovery is forecast to take hold, creating higher prices with significant price volatility occurring as sudden demand surges catch the lumber market by surprise.

The Wood Markets 2010 forecast for softwood lumber outlines a number of structural changes that are occurring in lumber supply dynamics in North America. "With permanent timber supply cut backs in Eastern Canada and the mountain pine lumber negatively impacting the economics of processing logs to lumber in BC, Canada’s lumber production has peaked and may never return to the record lumber output of 35.2 billion bf achieved in 2004,” explained Russell Taylor, President of Wood Markets Group (WMG). “In fact, Canada’s market share of US consumption is expected to remain in the 27% range in the forecast vs. a more normal 32-34% over the last 15 years due simply to lower timber harvests and therefore less lumber production. And Canada’s market share is expected to drop even further by 2020!” This will provide some much needed good news for producers in other North American regions, as the US South and the US West are expected to be the major beneficiaries of these changes in Canadian supply dynamics.

There are many wild-cards expected to impact lumber prices in each year of the five-year forecast. “A big element impacting the lumber price outlook will be the industry’s schedule or strategy for putting curtailed or even closed sawmill production back online, not to mention the log inventories companies can, or are willing to, build,” commented Russell Taylor. “How it balances or doesn’t balance with lumber demand will show up in how lumber prices move in the next five years. But by 2012 and especially 2013 when demand should outstrip supply at
various stages, stud and dimension lumber prices should climb to average an incredible US$200/Mbf or so higher than 2009 levels."

While the lumber market is going to get better, the challenge is in understanding all the economic variables and wildcards that can impact housing starts, repair and remodeling and overall lumber demand over the next five years. "Our analysis indicates that a slower recovery is expected initially, with housing starts in 2010 moving higher to the 700,000 unit range from about 575,000 units in 2009," said Gerry Van Leeuwen, Vice-President. "However, a looming deficit in new single-family homes will require a significant surge in US housing starts that is expected to exceed 1.5 million units by 2013—or back to more "normal" or long-term housing start levels."

Foreclosures to Drive Increased Repair & Remodeling Expenditures in the US

Prospects for the US market were outlined at a recent meeting of the UNECE Timber Committee. While residential construction has weakened dramatically and continues do so into 2009, the authors (James Howard and David McKeever, both with the Forest Products Laboratory in Madison, WI) expect high expenditures in residential repair and remodeling. Expenditures of USD227 billion are forecast for 2009, nearly equaling levels reached in 2006. Since 2000, household spending on maintenance and repairs to residential properties accounted for about 25% of total expenditure, with the remaining 75% for improvements. Given the unprecedented levels of home foreclosures in the US in recent years, residential improvements and repairs may be an even bigger part of the economy than usual. Many foreclosed homes need significant maintenance to become marketable. Expectations are for continued and growing investments to raise value of existing residential properties.

Further details, including full country market statements for the US, Canada, Europe and Russia, are available at: www.timber.unece.org

Housing

US

New Home Sales Advance in October

US sales of new single-family homes were at a seasonally adjusted annual rate of 430,000 units in October, 6.2% higher than the revised September rate and 5.1% above the October 2008 estimate, according to the Census Bureau. The October sales rate was the highest since September 2008. The median sales price of new houses sold in October was $212,200. The seasonally adjusted estimate of new homes for sale at the end of October was 239,000 units, representing a supply of 6.7 months at the current sales rate.

October Existing Homes Sales Jump in Rush to Beat Expiring Tax Credit

US sales of pre-owned homes were at a seasonally adjusted annual rate of 6.1 million units in October, up 10.1% from the September rate and 23.5% higher than the pace of October 2008. Sales were at their strongest pace since February 2007, according to the National Association of Realtors. The national median existing home price was $173,100 in October, down 7.1% from October 2008. A total of 3.57 million pre-owned homes were available for sale at the end of October, representing a 7.0-month supply at the current sales pace. Unsold inventory totals are 14.9% below a year ago.

Housing Starts Fall Sharply in October

Construction of new homes in the United States hit a six month low in October. The Commerce Department said housing starts dropped 10.6% to an annual rate of 529,000 units, the lowest since April. It was the biggest decline in 10 months. Groundbreaking for single-family homes fell 6.8% last month to an annual rate of 476,000 units, the lowest since May. Starts for the volatile multifamily segment tumbled 34.6% to a 53,000 annual pace, extending September’s slide. The slump in activity is a blow to the housing market, which had shown signs of stabilization after a three-year slump. Homebuilding contributed to economic growth in the July-September period for the first time since 2005. Analysts said slow healing in the housing market, relatively benign inflation and excess slack in the economy meant the Federal Reserve would be able to honor its commitment to keep interest rates near zero for an extended period.
The recovery in the housing market had been led by a popular $8,000 tax credit for first-time buyers. The credit was due to expire in November, but has since been extended and expanded. In October, it was unclear whether the incentive would be extended and this could have contributed to the slide in construction activity last month.

**US Housing Starts**

Source: U.S. Census Bureau

**Home Buyer Tax Credit Extension to be Signed into Law**

Industry and home builder groups applauded Congress for a new home buyer incentive program expected to be signed into law by President Obama. The legislation will extend the original $8,000 first-time home buyer credit to April 30, and create a new $6,500 tax credit for home buyers who have owned a home for five years or more who are purchasing a new residence. The legislation also raises the income eligibility limits for those hoping to claim the credit.

**Announcements**

**New Coalition for Wood Products Industry Announced**

A new, national coalition was announced, formed under the American Wood Council (AWC), which will provide an organizational structure for wood products companies and associations to work together on building codes and standards, green building policy issues, and federal and state environmental regulations affecting manufacturers. Companies of all sizes and from across numerous wood product segments are committing to join together to have an effective voice through the coalition. The coalition began forming in August and already has 40 supporting members representing more than 50% of lumber production, 70% of structural panel production, and 60% of engineered wood products. The coalition is expected to launch on January 1, 2010.
Timberlands Sales

Through September, 2009 timberland sales are well below the levels of recent years.

Molpus Acquires Anthony Forest Land for $173 Million

Molpus Woodlands Group and Anthony Forest Products jointly announced that Molpus completed the acquisition of 91,360 acres of unique pine timberland in the AR-LA-TX region of the South from Anthony for $173.15 million, equal to $1,895/acre (with an estimated average of $1,290/acre paid for the mature timber and $605/acre for the land). Under the terms of the sale, Molpus, on behalf of its investor client, will provide a substantial portion of the harvest under a long-term log supply agreement to Anthony’s lumber and engineered wood mills located in AR, TX, and LA.

Plum Creek Reported Sales of About 60,000 Acres of Rural Lands in 2009Q3

Plum Creek Timber Co. sold about 60,000 acres of rural lands during the third quarter of 2009. In its Q3 financial release on October 26, the company said the rural land sales included about 5,550 acres of small, non-strategic timberlands valued at approximately US$970/acre and some 10,400 acres of recreation lands that captured average values of more than $2,100/acre. Conservation sales totaled $15 million and consisted of about 44,000 acres in Maine. About 500 acres of development-quality lands were sold for approximately $9,200/acre, the release stated.

Openings, Closings, Curtailments

Willis Enterprises Buys Pacific Veneer Plant

Pacific Veneer plant in South Aberdeen has re-opened under the new ownership of Paul Willis and his company Willis Enterprises. The mill has the capacity to produce 210 million square feet of veneer annually, according to Weyerhaeuser. The terms of the sale aren’t being disclosed.

Certification/Environmental/Bioenergy

Biomass Crop Assistance Program Gets Over $500 Million Through March

The federal Biomass Crop Assistance Program (BCAP) will receive over $500 million funding through March 31, 2010. Appropriations for the balance of the year have not been determined. An FSA source said, “We have zero idea what the remainder of 2010 funding will be.” In the coming months, FSA will watch and see how the funds ($517,360,000 to be precise) are absorbed in the marketplace as a determiner for future allocations. Also, final regulations for BCAP are expected to be in place by April 1, with a draft coming perhaps by the end of 2009.

BCAP is a subsidy affecting biomass (mostly wood) deliveries to energy and pellet production facilities, in an effort to stimulate growth in the bioenergy sector. FSA will pay suppliers of biomass to facilities approved under BCAP a dollar-for-dollar match for each ton of biomass delivered, up to $45/dry ton (or $22.50/green ton). Market implications of such support are far-reaching, since a match of BCAP’s magnitude can push biomass pricing levels above those for pulpwood or of furnish to composite panel mills.

An approved pulp mill may use BCAP funds for loads of pure biomass to its cogeneration plant, or to support the delivery of pulpwood by identifying the percentage of bark and fines which will find their way to the boiler.

Bio-Fuel Levy the “Last Straw” for Forest Owners in New Zealand

A government decision to make big companies pay for some of their greenhouse gas emissions when using wood pellets and other biofuels is seen as the last straw by many in the forest industry. “The rest of the developed world is desperately trying to reduce its use of fossil fuels like coal and oil. Sustainable biofuels like wood pellets are being strongly encouraged,” says Forest Owners Association chief executive David Rhodes. “In New Zealand, our government is going to make some users of sustainable biofuels measure and pay for the tiny traces of methane and nitrous oxide they emit from their boilers. Yet these make up only 0.3% of the country’s energy emissions and 0.13% of its total emissions.”
Mr. Rhodes acknowledges that the proposed 5,000 tonne threshold means only a handful of very large emitters—such as the big pulp and paper mills—will have to buy carbon credits to cover these emissions, but he says the message sent by the policy comes across loud and clear.

“Forest owners see the government on behalf of taxpayers picking up the tab for the 1.2 million tonnes of methane generated by livestock each year. Then they hear the same government demanding payment from users of biofuels for generating relatively trivial amounts of the gas. The message that comes across to forest owners is that the government cannot be relied upon to develop an emissions trading scheme that is fair and rational; one that rewards good behaviour and makes polluters pay. Forestry is clearly one of the good guys of climate change. But it is little wonder that many in our sector have lost confidence in the ETS.”

**Emission Capture Study Funded for Paper Industry**

Battelle and Boise Inc. will conduct the first-ever feasibility study of new carbon capture and storage technology in the $140 billion pulp, paper and paperboard industry, under a $500,000 project announced by the US Department of Energy (DOE). Successful completion of the study could pave the way for pulp, paper, and other industries to use technology that captures CO₂.

**Launch of US$230 Million Australian Forest Carbon Fund**

South Africa’s Standard Bank is close to launching a USD 230 million forestry fund in Australia, aimed at selling carbon offsets. It will focus on companies that will need to meet emissions reduction targets under carbon trading laws awaiting approval by the Australian Senate. The fund will cover the planting and management of 50,000 ha. Perth-based agribusiness investment firm Rewards Group Ltd would plant and manage the forests.

**Updated BCAP Facilities List Released**

The Farm Service Agency released its updated list of facilities approved for inclusion in the Biomass Crop Assistance Program (BCAP). Suppliers to those plants (including wood pellet, electric generation, and cogeneration) are eligible to receive a matching payment up to $45/dry ton of biomass feedstock. The list is available at: [http://www.fsa.usda.gov/Internet/FSA_File/bcapfacilitieslist.pdf](http://www.fsa.usda.gov/Internet/FSA_File/bcapfacilitieslist.pdf)

**Conferences, Overview Studies, and Reports**

**4th Global Wood Fiber and Latin America Timberland Investment Trend Conference**

DANA Ltd., Pike y Compania, and Wood Resources International announce opening of registration for the 4th Global Wood Fiber Conference, to take place on March 16-17, 2010, in Sao Paulo, Brazil. In addition to the two-day Global Wood Fiber Conference, there is also the opportunity to attend a separate one-day Timberland Investment Trend Conference with a focus on Latin America. Following the two conferences, there is an optional two-day field trip available to visit forest plantations and wood chip export facilities in Southern Brazil. More information about this conference is available at [www.pulpwoodconference.com](http://www.pulpwoodconference.com).

**Background Reading**

**China’s Wood Products Industry: A Current Overview**

Providing an overview of the wood products industry in China is an imprecise effort. It is difficult to relate to how large and diverse China is as a nation. Equally, it is difficult to appreciate the size, diversity and fragmentation of the Chinese wood products industry. In fact, no doubt every story and statistic you may hear about China and its wood products industry is true—somewhere, somehow. The wood products industry in China, as we know it, began from a modest domestic base in the 1990s to today where it is the world’s largest importer of wood and the world’s largest manufacturer and exporter of finished wood products from panels to furniture.

China drives global wood pricing. Because the Chinese wood products industry has depended on imports for so long, it moves readily between regions and specie, finding the best values globally. China’s source of domestic raw materials ranges from tropica to the south to species like poplar and fir to the north. China has restrictive limits on harvesting natural forests and they are enforced. In fact, resource growth is primarily from plantations. So as the world’s largest consumer of wood, China is very dependent on imports. Its neighbor to the north, Russia, has among the world’s largest standing forests. In addition, to the south are immense tropical forests as well as nearby New Zealand with its radiata pine forests. At the same time, this nation so in need of natural resources scourers the world for wood well beyond its neighbors.

Increasingly, China imports from the African and South American continents from both logging concessions and the spot market. Even North America gets into the act with softwood log exports from the US to China up 31% and Canada up 45% for the first half of 2009 compared with first
half of 2008. At the same time, import of Russian softwood fell 18% over the same period. New Zealand softwood log importers grew 127%.

Russia in particular plays a significant and unpredictable role. Like many countries, Russia prefers value added manufacturing to raw log exports, and over the years has proposed extreme tariffs on raw log exports. The threat of 80% tariffs, now delayed until 2011, will dramatically affect where China sources wood and will have an equally dramatic effect on pricing elsewhere. The absence, or high cost, of Russian wood will most likely not cripple the Chinese wood products industry, but alter the sources of raw materials and hence affect pricing globally.

Chinese manufacturing is equally diverse in terms of efficiency, products manufactured and end-sale markets. There is a saying that China pays the most for the world’s wood, but then produces the world’s most economical wood products.

First, it’s a matter of scale. The Chinese industry is enormous and has developed around many concentrated manufacturing centers. For example, the south focuses on end products like furniture, while the farther north concentrates on panel manufacturing. Each of these numerous locations has an entire production chain: plantations, import log markets, high value wood users, residual wood users, pulp plants and an equipment support industry all connected by an excellent transportation system.

In fact, in some manufacturing centers you can drive for miles and never feel like you have left a factory. Logs in at one end, then veneer mills, adjacent to plywood mills, adjacent to a medium-density fiberboard or particle board mill with a furniture factory, pulp mill and a machinery plant thrown in somewhere—an efficient manufacturing model. Raw materials are in at one end, and a diversity of products are produced with very little waste out the other end.

However, historically many of the manufacturing plants in the Chinese wood products industry were very small. They were formed by families or cooperatives to take advantage of the boom in global demand, but were relatively inefficient with little capital investment. The majority of these small, opportunistic mills have closed over the last two years. It is the larger, more quality-focused mills that are surviving. There is no doubt that as the global wood products industry emerges from the current downturn, the Chinese industry will be more efficient and of higher quality.

Beyond efficiency of scale is the advantage of low-cost labor. In China, more so than the US, wood is an even larger percent of total production costs. The advantage of low-cost labor is how it is used. Labor is used to improve recovery. Especially in high valued engineered products, a piece of wood that in the US would be used in lower value applications is stitched together in China so that every piece of wood is used in its highest value application. Nothing is wasted. Just tear apart a piece of Chinese plywood or an engineered wood doorframe and you will immediately see the difference. It works for consumers worldwide and generates great recovery and efficiency for the Chinese industry.

In addition to its internal efficiencies, the Chinese wood products industry has capital investment advantages. Forest products are what are recognized by the central government as an “encouraged” investment category, meaning there are internal tax benefits for domestic sales and even greater tax benefits for exporting. Investors are also encouraged by various incentives. Most of the incentives are not too different from those available in other countries, but rarely are they applied to the wood products industry.

In terms of sales, the Chinese wood products industry has many global options, which provides the ability to move among markets for the best prices. This also allows the industry to remain more stable by shifting sales as varying global markets are weaker and stronger. In fact, China is the largest supplier of finished wood products not just to the US, but in Japan and the European Union as well.

As the worldwide wood products industry emerges from the current downturn, the Chinese industry, like it counterparts worldwide, will emerge differently. However, it is likely that the exponential growth of the Chinese industry, taking up market share in every developed region of the world, will slow. The industry will emerge fundamentally different in that the downturn will have eliminated the smaller, poorly capitalized companies and replace those with a more integrated industry. Sourcing wood globally and selling manufactured products globally from fewer, larger companies will occur.

China will remain both a threat and an opportunity for North American companies. Threats in that it will be the primary driver of wood prices worldwide and as it moves among sourcing regions prices will shift accordingly. Similarly, it will undoubtedly remain the world’s largest end product manufacturer with significant cost advantages. China is an opportunity in that the US and North American timber industry should be a beneficiary of its demand for raw materials. In addition, manufacturers can continue to balance manufacturing between global regions and still take advantage of their knowledge of US consumer expectations and domestic sales organizations.

In the end, while China will be a continuing threat to the North American wood products industry, it most definitely can be an opportunity. Taking advantage of that opportunity depends on where your company fits in the supply chain and your willingness to leverage your strengths globally.
Resources

Land Research Resource Guide\textsuperscript{25}

The Land Research Resource Guide is the result of an initiative of the National Association of Realtors. The goal of the Guide is to provide a directory of resources that focuses on real estate and land data. For details: \url{http://www.realtor.org/research/research/commercial_resource_guide}

Australia's Forest Sector Now Feeling Global Financial Crisis\textsuperscript{26}

After avoiding the worst of the economic fallout from the global financial crisis in 2008, Australia's forest sector is now experiencing some adverse effects according to a new Australian Bureau of Agricultural and Resource Economics report. The bi-annual report, Australian forest and wood products statistics, reveals a significant downturn in forest product production and exports, as the industry is affected by the international downturn in forest products trade and a drop in domestic housing sector demand. The report is available at: \url{http://www.abareconomics.com/publications_html/afwps/afwps_09/afwps_nov09.pdf}

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