



The New Normal? Hardwood Exports in a Changed World

Mike Snow

American Hardwood Export Council

August, 2021

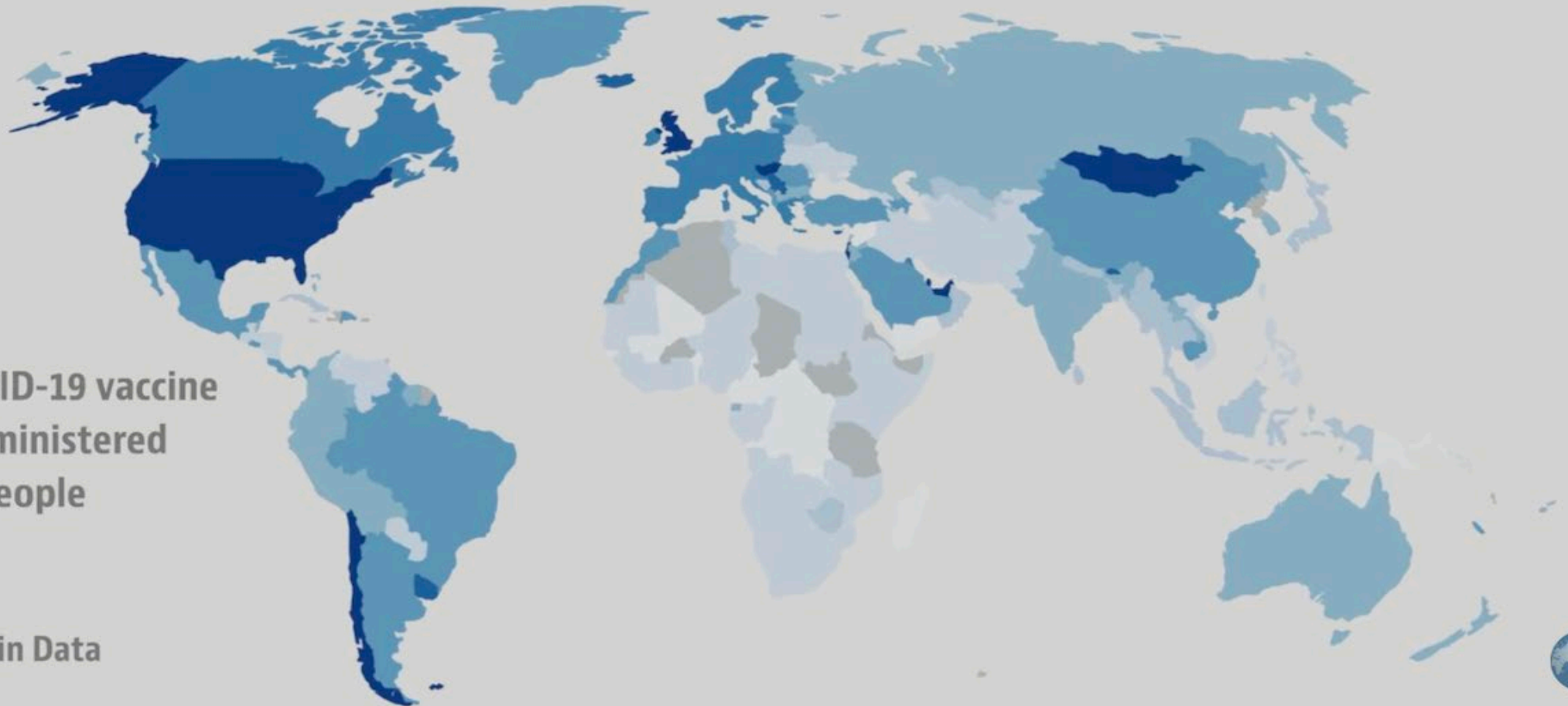
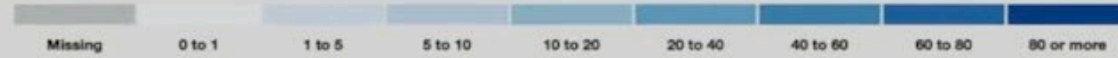
Global Middle Class will be Dominant by 2030



Figures in parenthesis indicate the increase/decrease in the number of people in each category by 2030.

Source: The Brookings Institution
Projections by World Data Lab

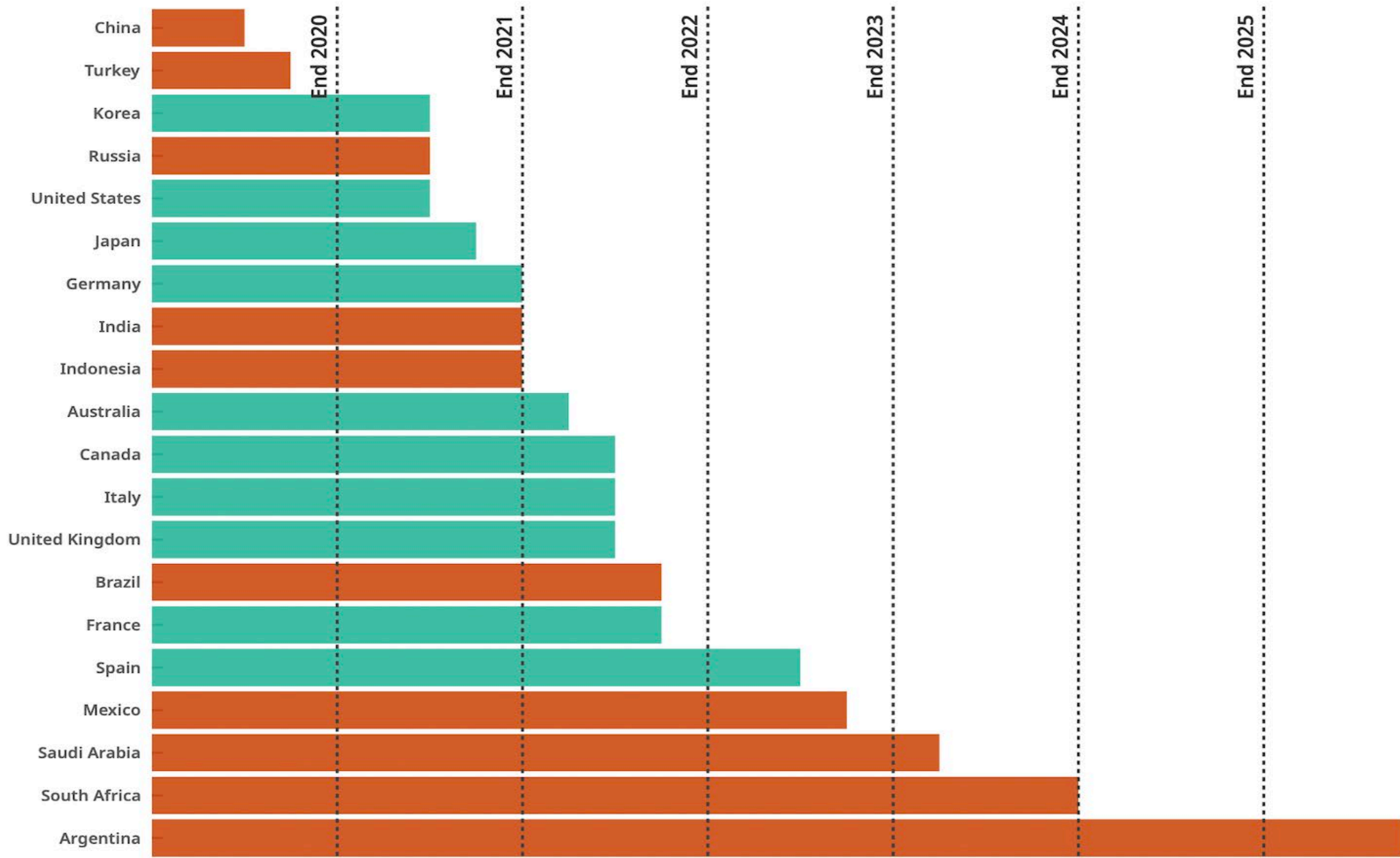
Ending the pandemic remains the key to economic recovery but vaccination speed differs widely, more health cooperation is needed



Total COVID-19 vaccine doses administered per 100 people

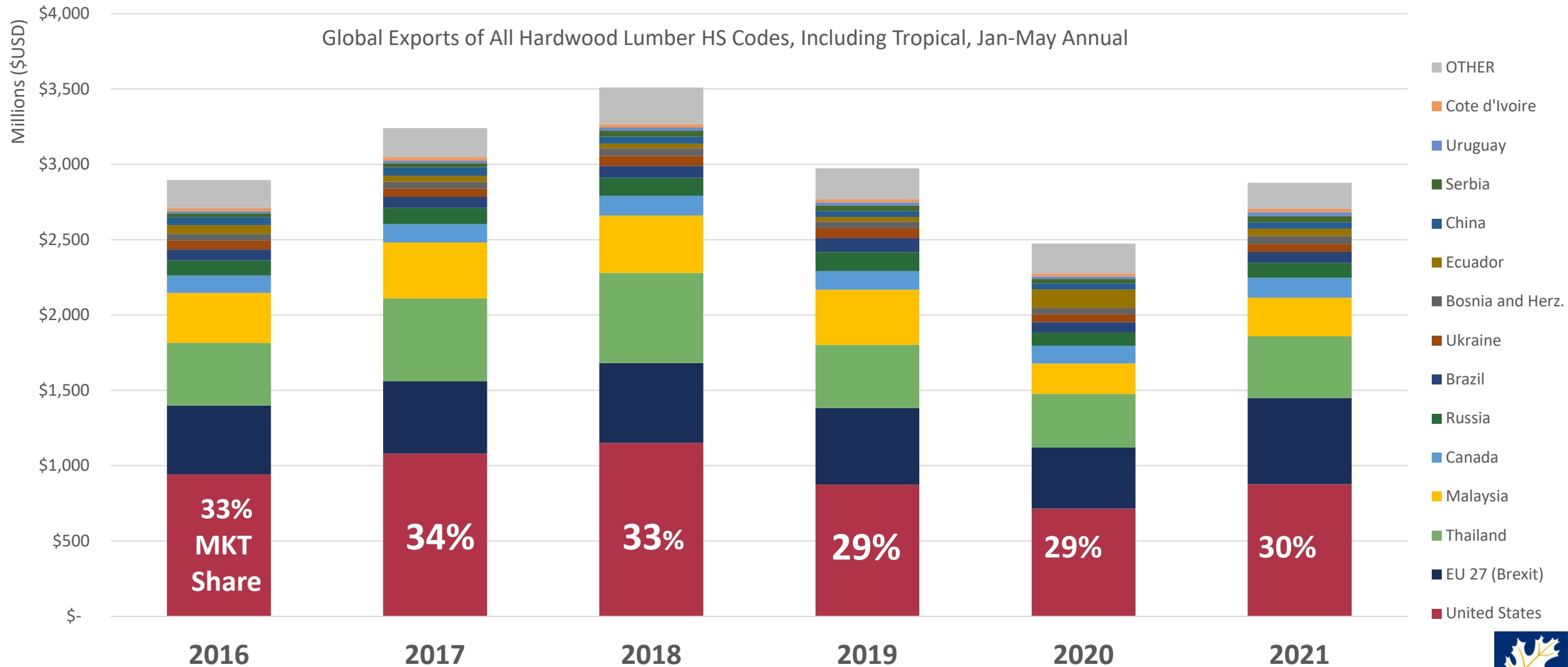
Source:
Our World in Data





Recovery to pre-pandemic level: a sustained increase in real GDP per capita above its Q4 2019 level. For countries recovering after Q4 2022, calculations are based on average quarterly growth rates in 2022. • Source: OECD (2021), *OECD Economic Outlook No 109 (Edition 2021/1)*

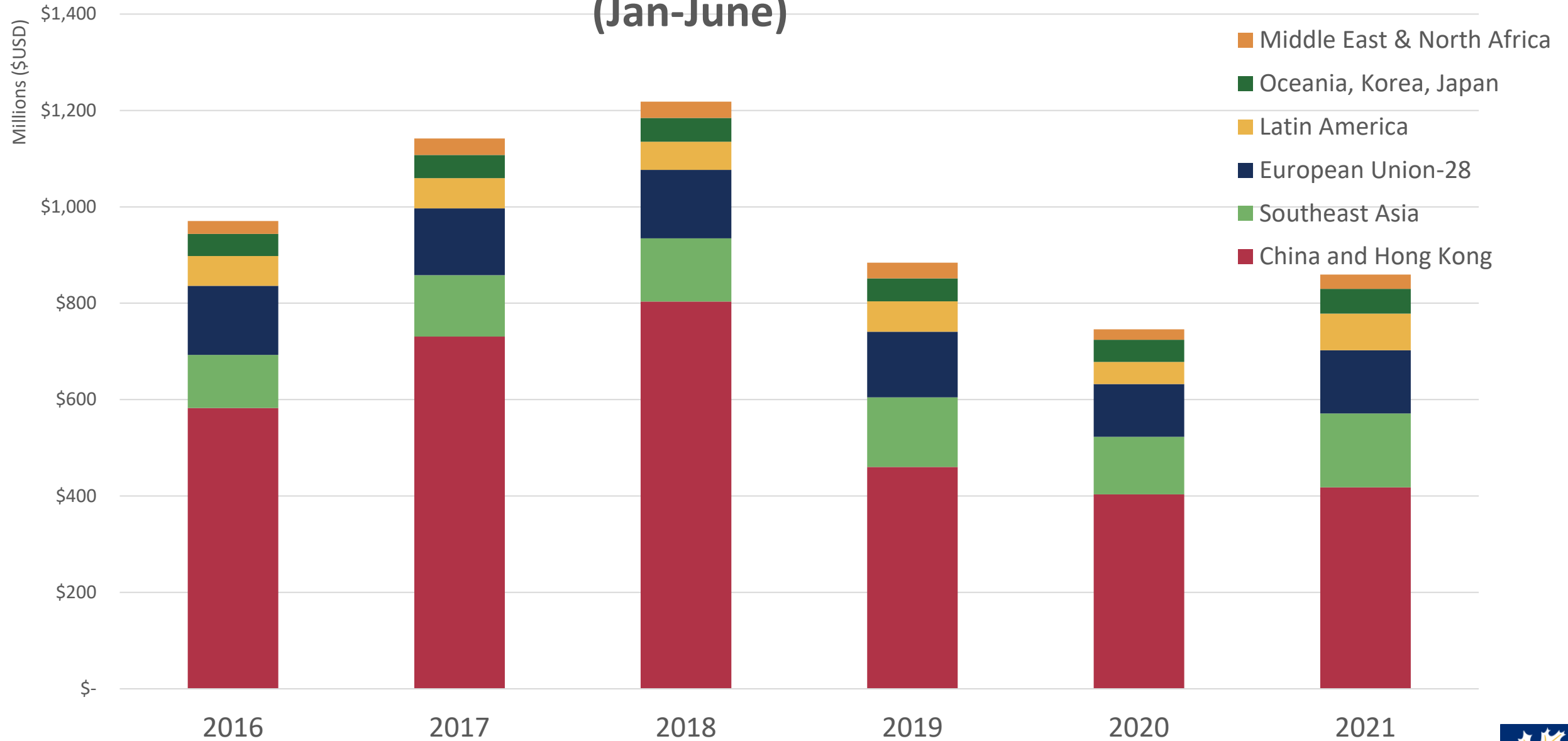
Global Hardwood Lumber Trade Still Recovering: 5 Months 2021



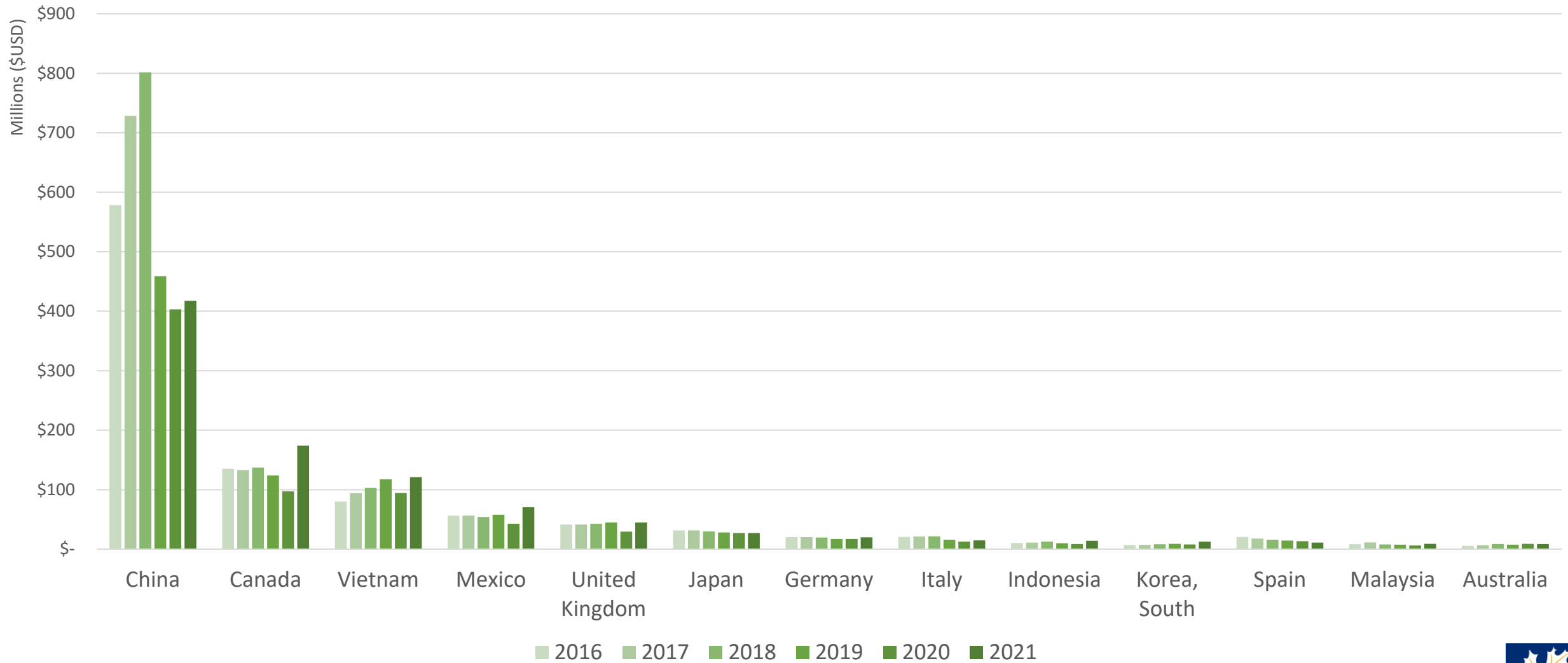
Source: Trade Data Monitor



US Hardwood Lumber Exports to Main Regions (Jan-June)



US Hardwood Lumber Exports by Value: Jan-Jun

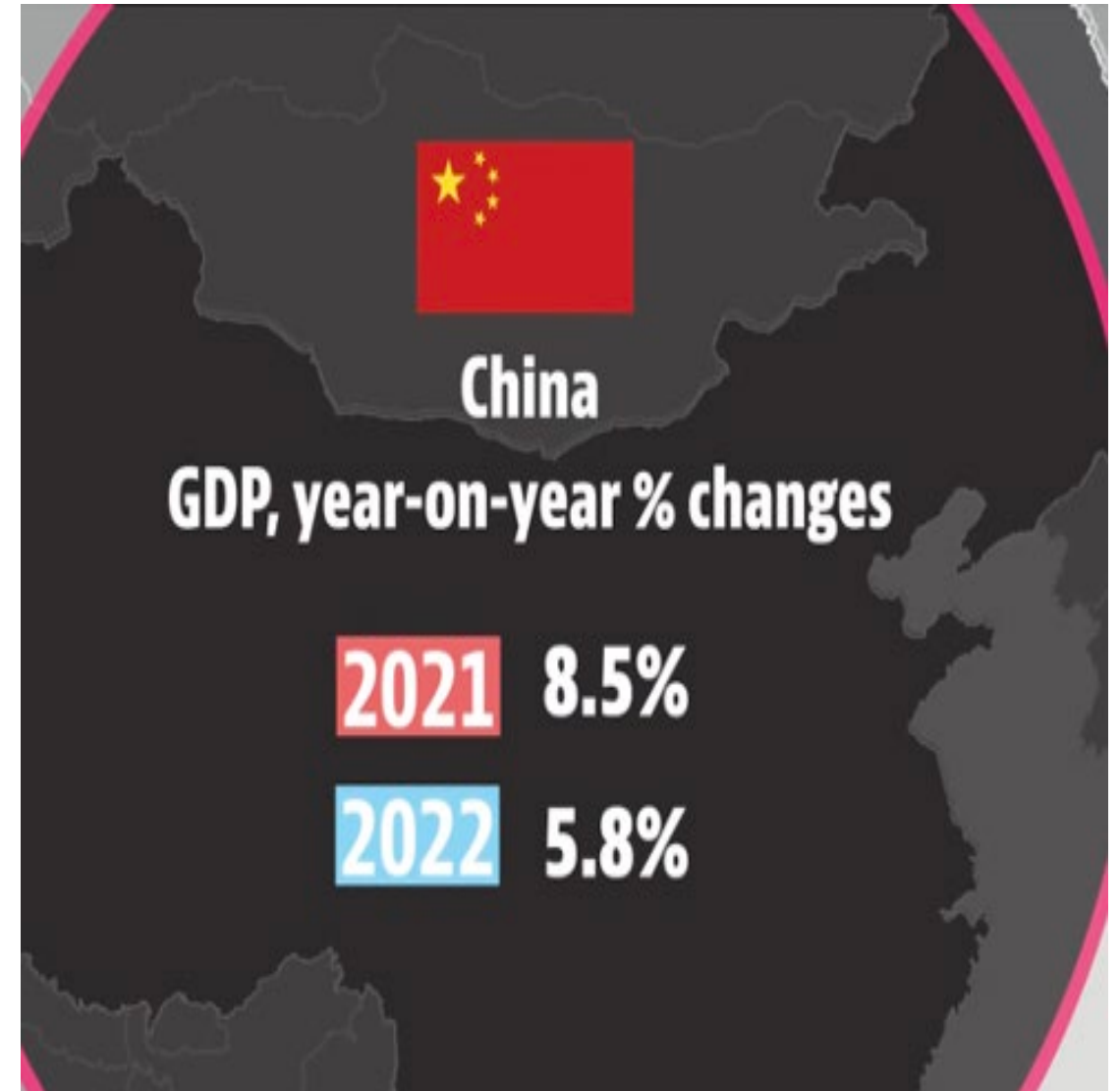




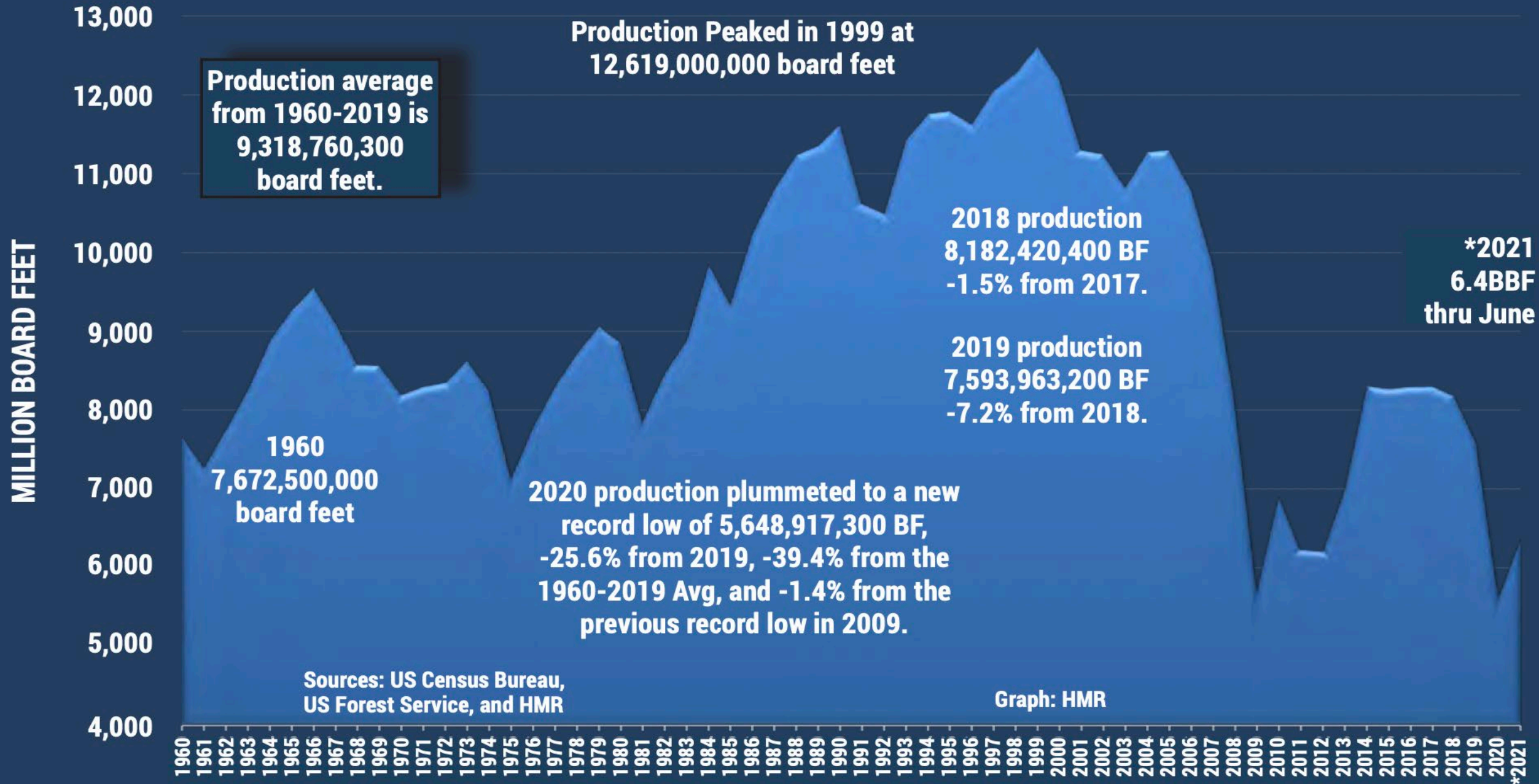
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Greater China Lumber Market

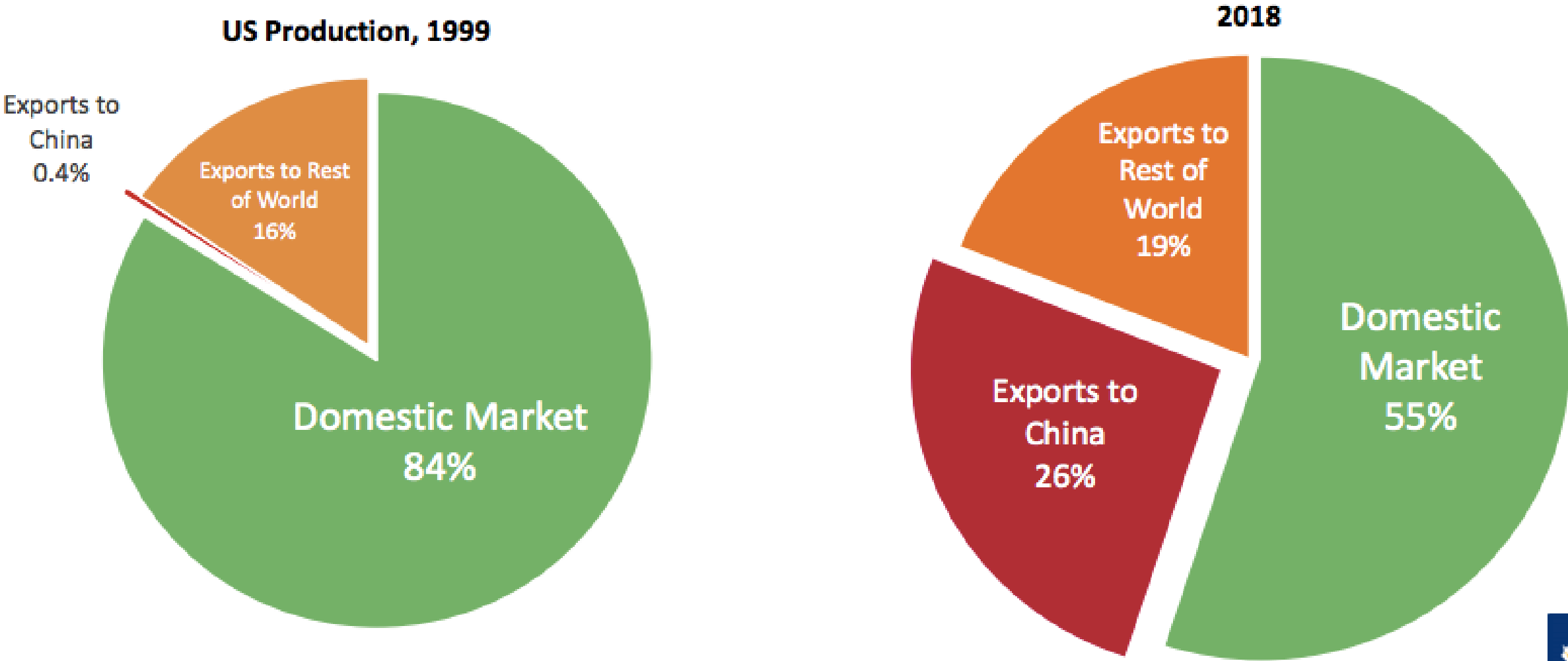
OECD Projected GDP Growth Rate



Eastern US Hardwood Sawmill Production



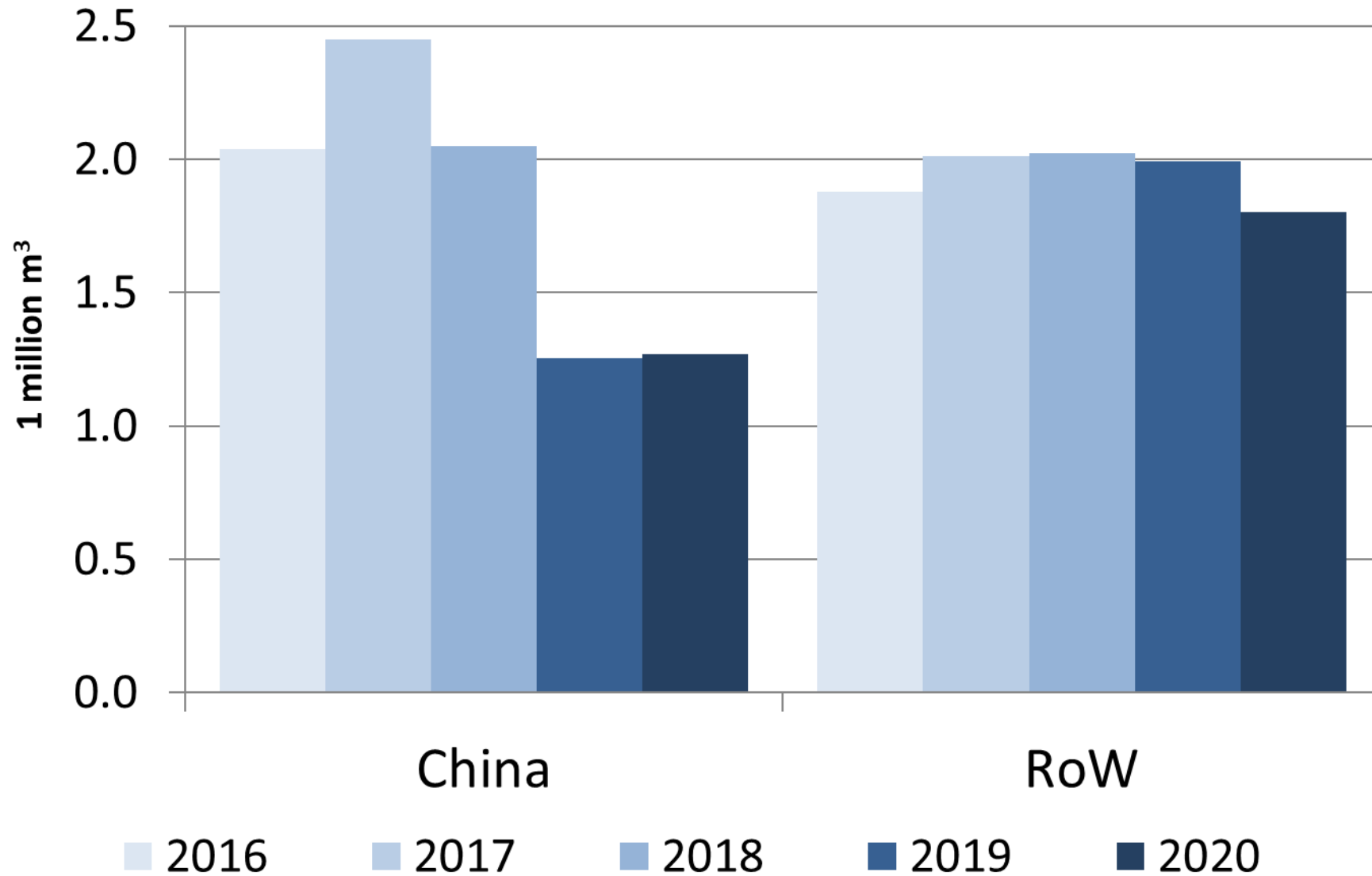
Where does Hardwood Grade Lumber go? (Pre-Trade War)



Source: Hardwood Market Report, American Hardwood Export Council (AHEC)



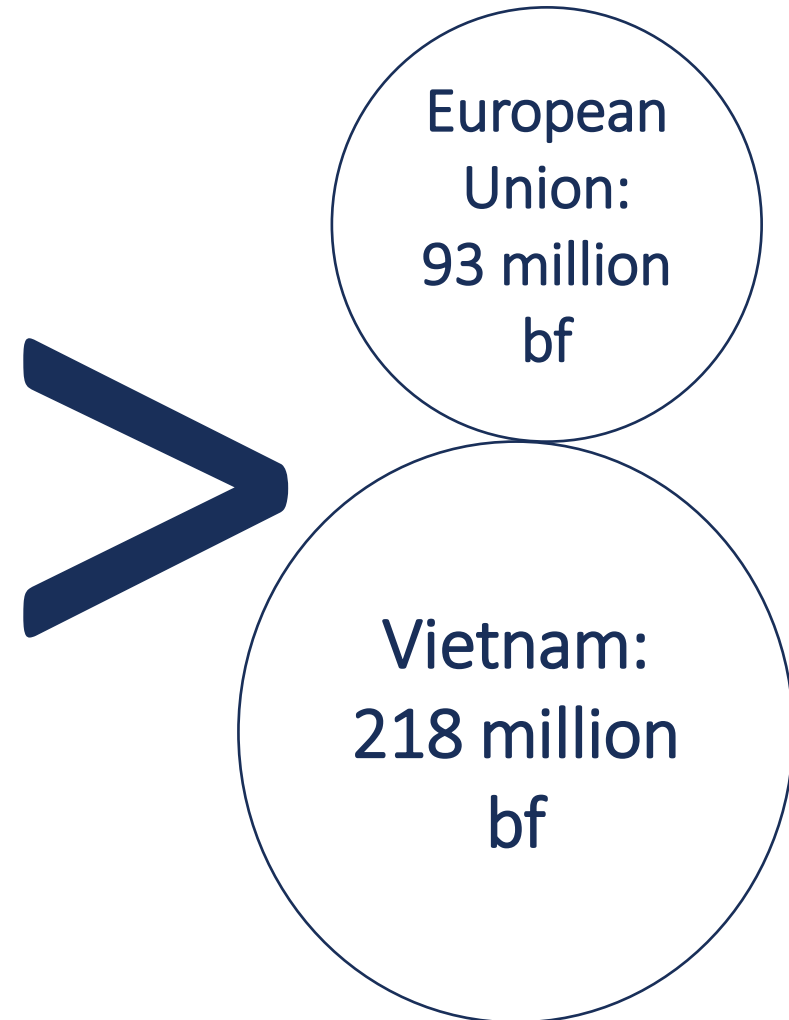
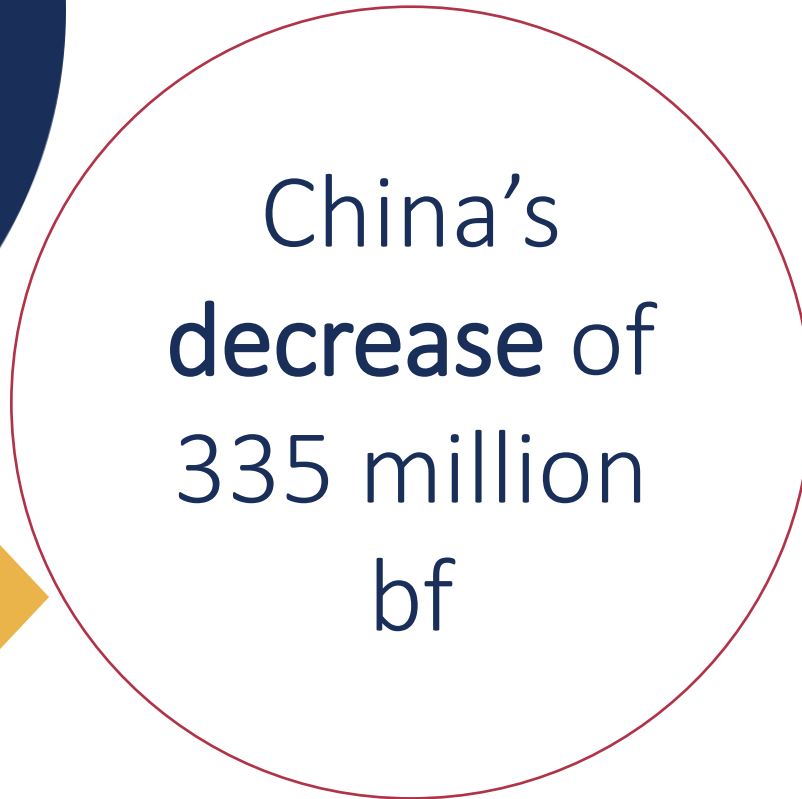
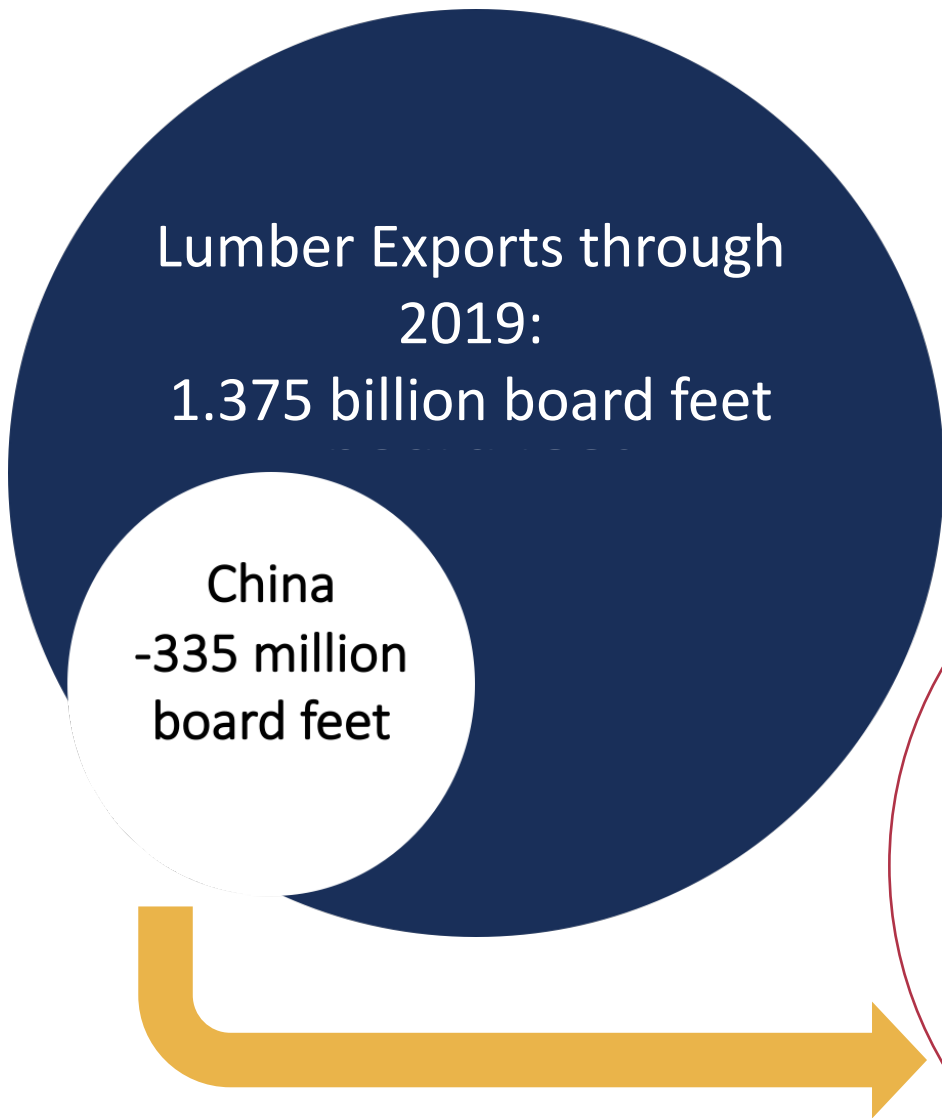
Exports of US hardwood lumber to China and Rest of the World (RoW)



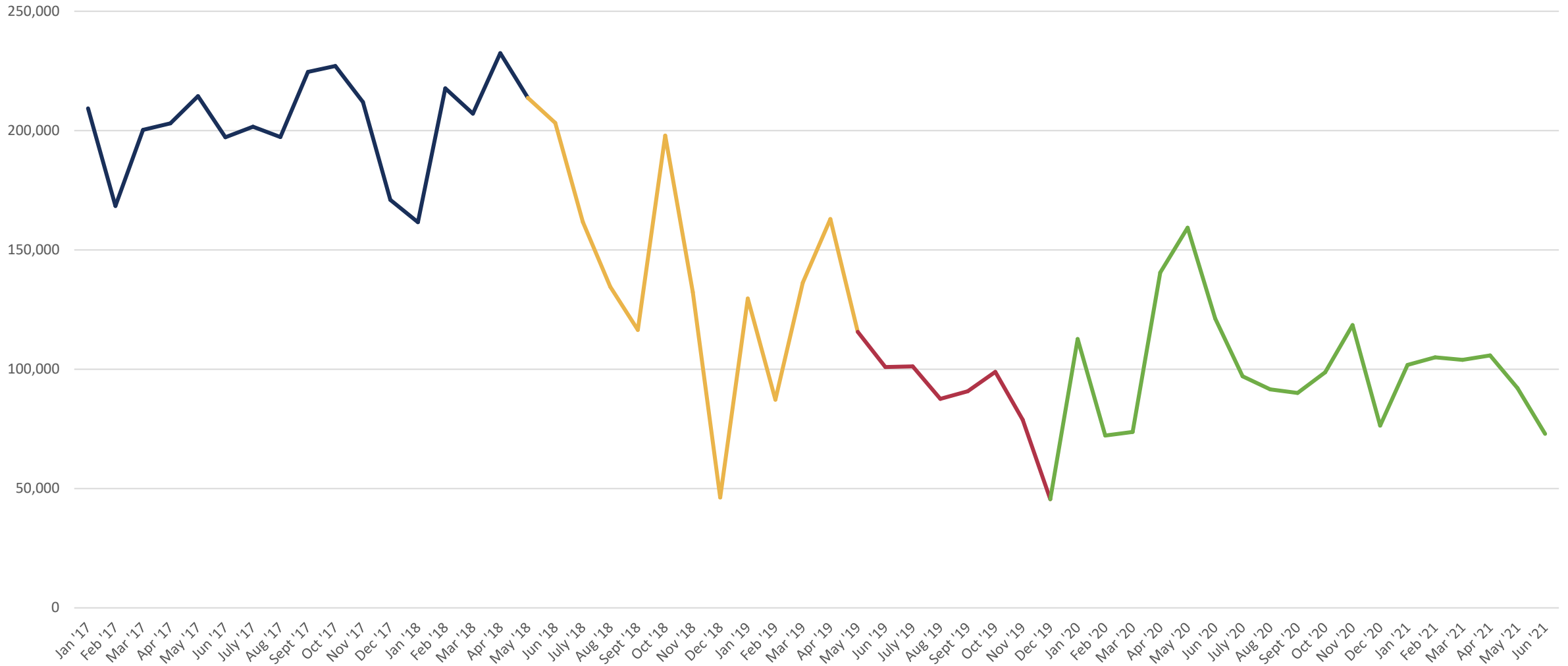
Source: AHEC analysis of USDA FAS GATS <https://apps.fas.usda.gov/gats/>



2019 Hardwood Lumber Exports to China were down 335 million board feet



US HDWD Lumber Exports to China (m3)



Blue – Before Tariffs

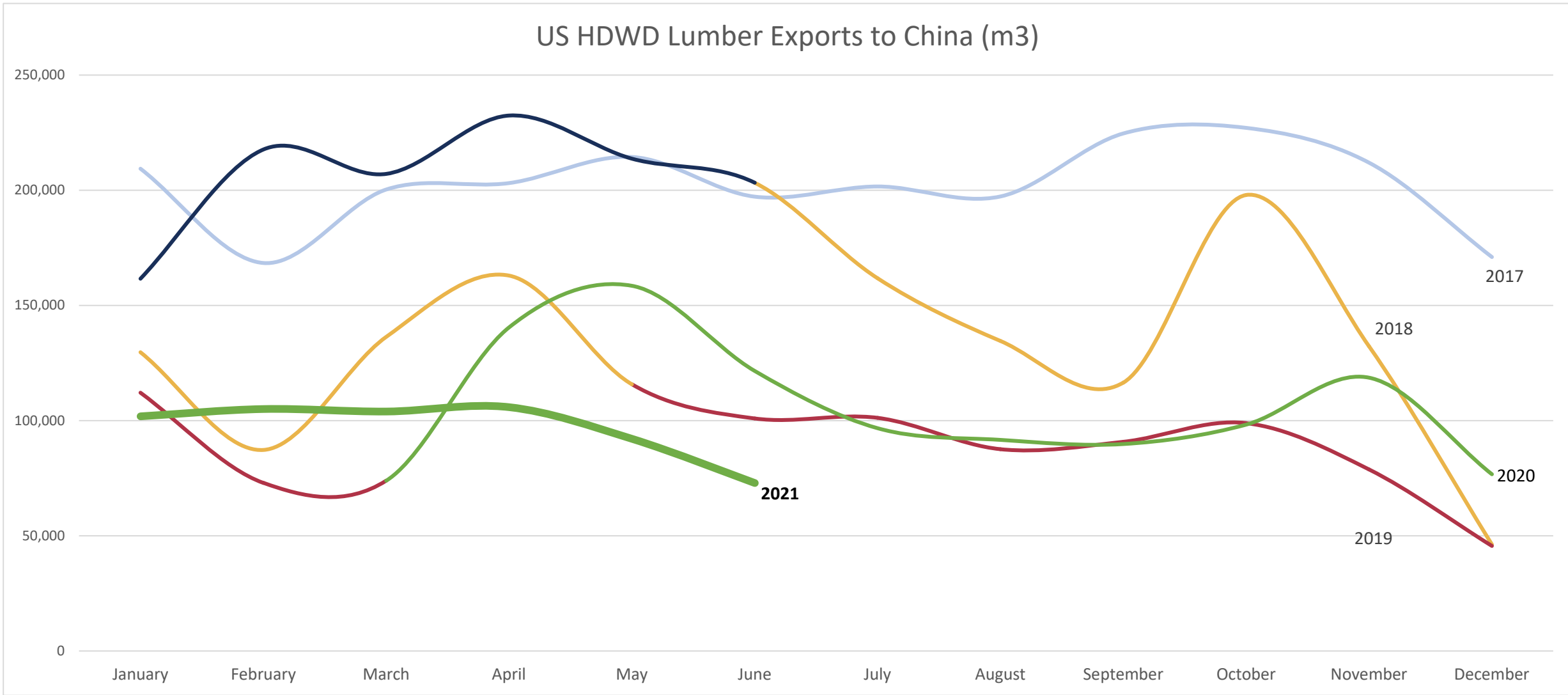
Yellow – Initial Tariffs

Red- Full Tariffs

Green – Tariffs Removed



US HDWD Lumber Exports to China (m3)



Blue – Before Tariffs

Yellow – Initial Tariffs

Red- Full Tariffs

Green – Tariffs Removed



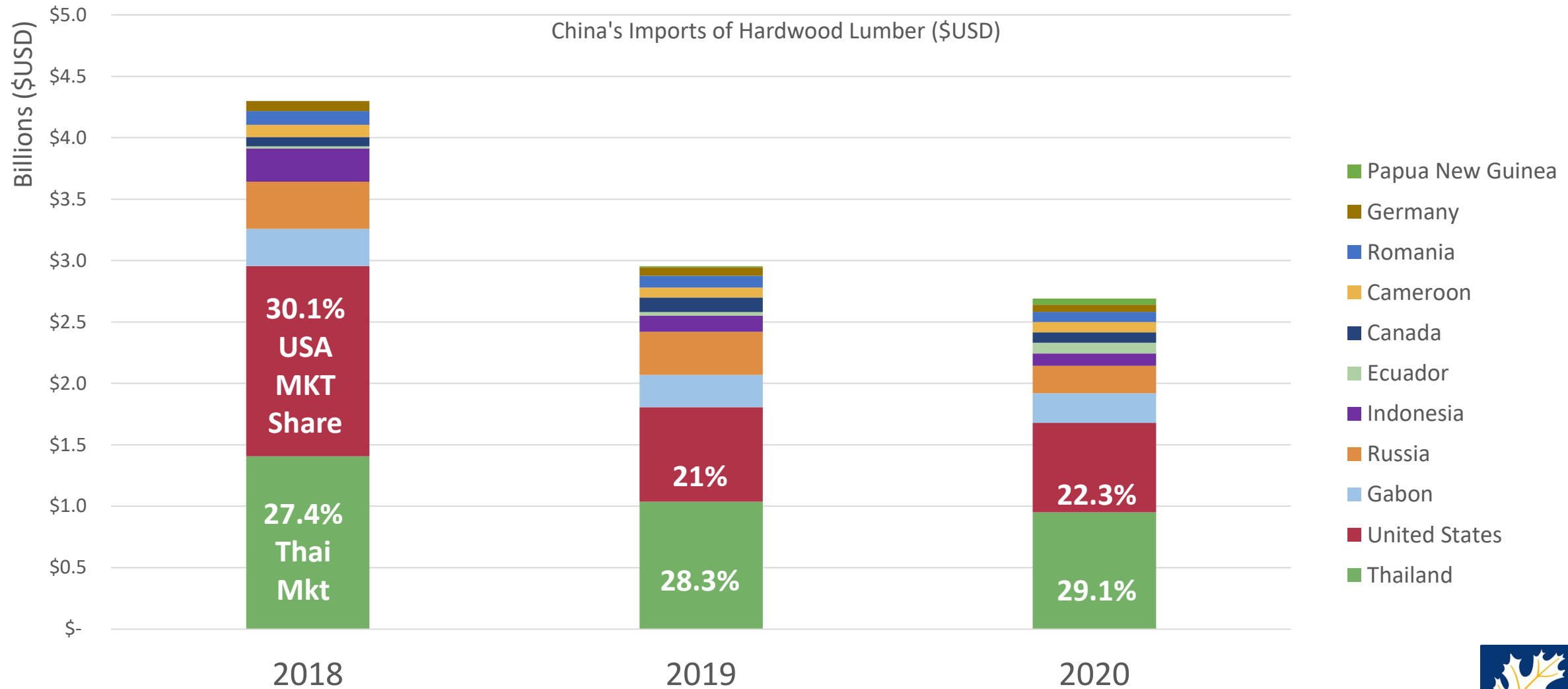
Other Red Oak Markets Necessary to Replace Reduced Demand in China



Source: Global Trade Atlas, all data for Jan-June



Thailand Surpassed USA as China's Largest HDWD Lumber Supplier During Trade War



Tariff Exclusion Through Sept 2021

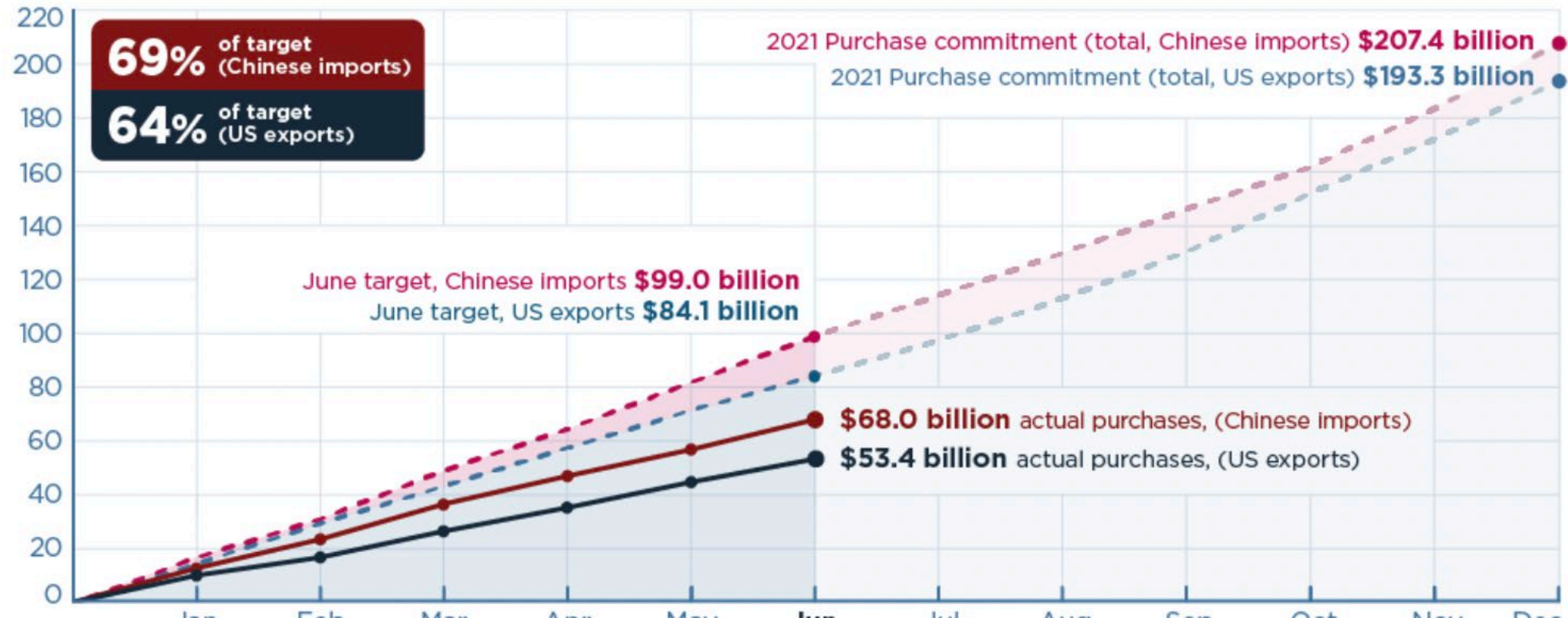
- On Feb 26, 2021, China State Council Tariff Commission (SCTC) announced an extension of tariff exclusions for hardwood products
- **No tariffs through September 16, 2021**



US-China phase one tracker: China's purchases of US goods in 2021

US exports and China's imports of all goods covered by the phase one deal as of June 2021

a. US exports and China's imports of all covered goods, billions USD



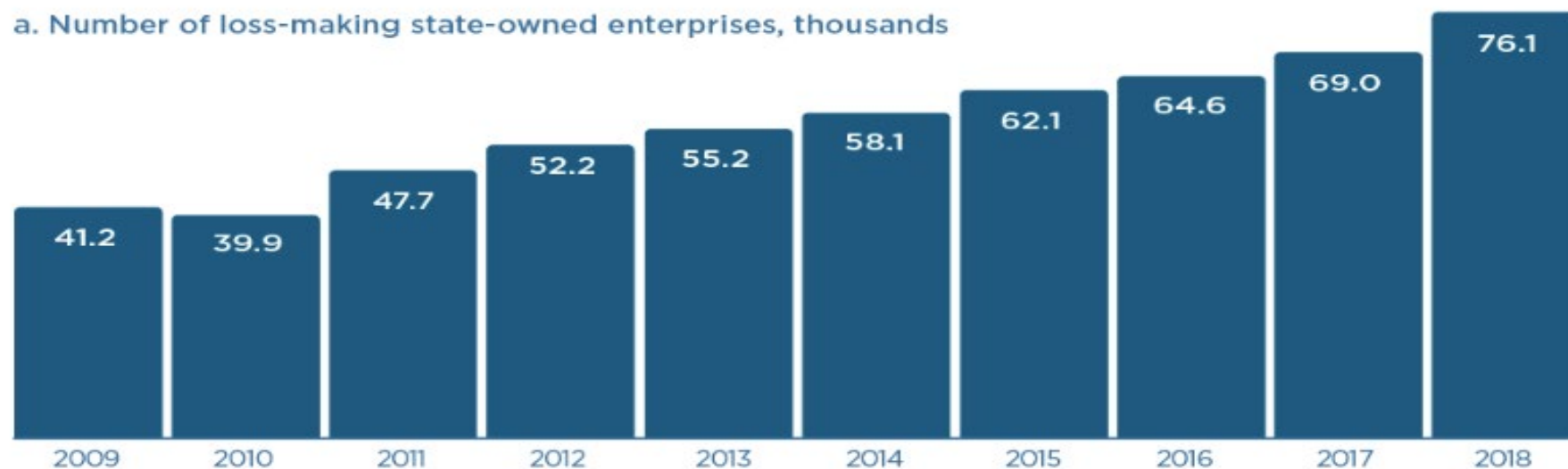


China at a Crossroads:

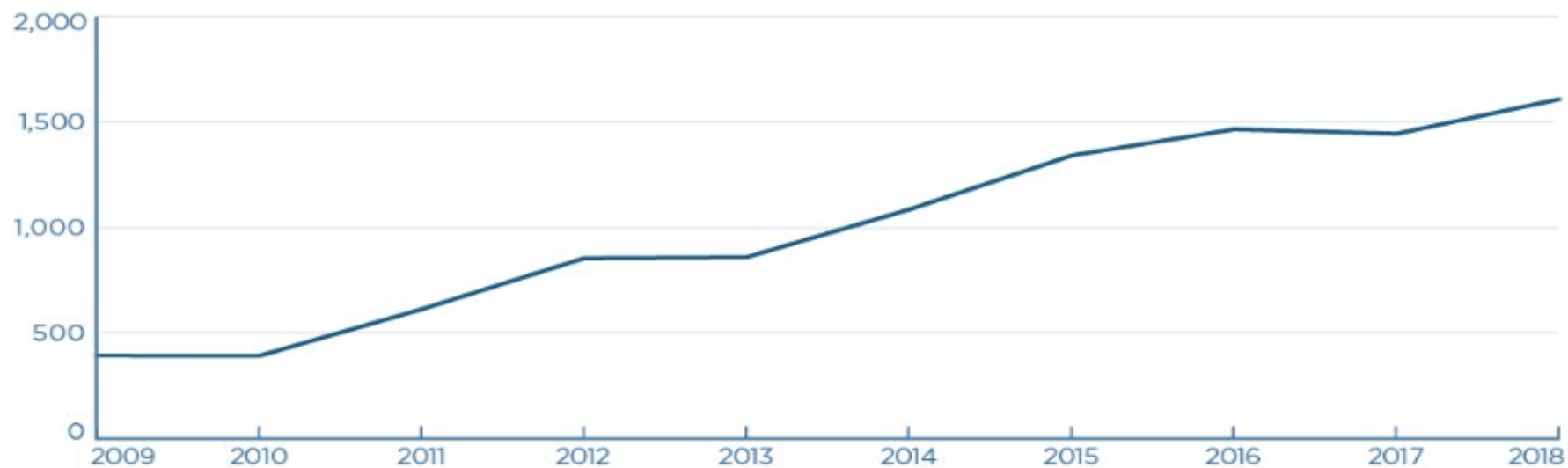
- Return of the “zombie” SOE
- Increasing government debt
- Declining returns on public sector stimuli/weak consumer demand
- Overdependence on manufacturing
- Geopolitics over economics
- Demographic “timebomb”

Zombie firms were a growing problem among China's state-owned enterprises before the pandemic hit

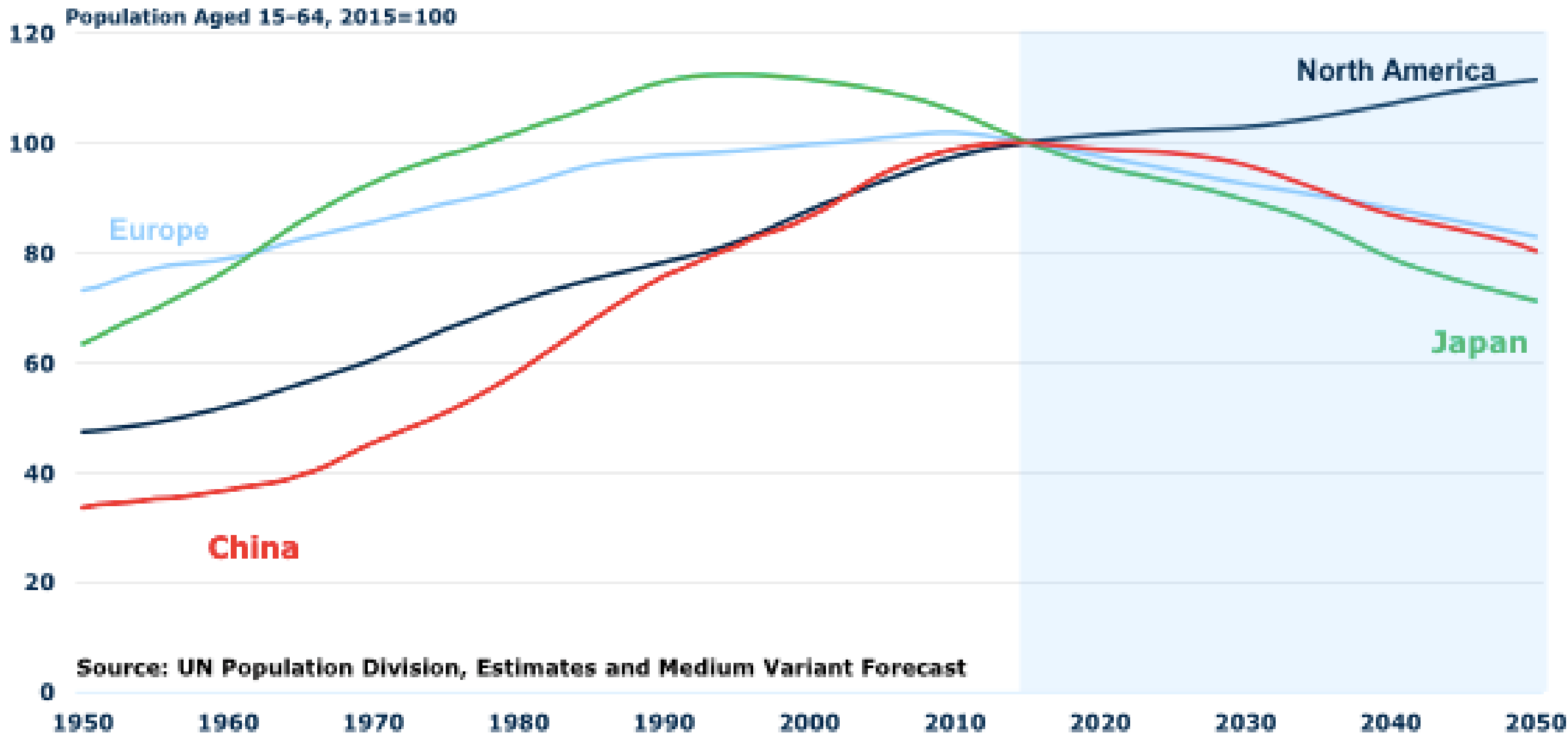
a. Number of loss-making state-owned enterprises, thousands



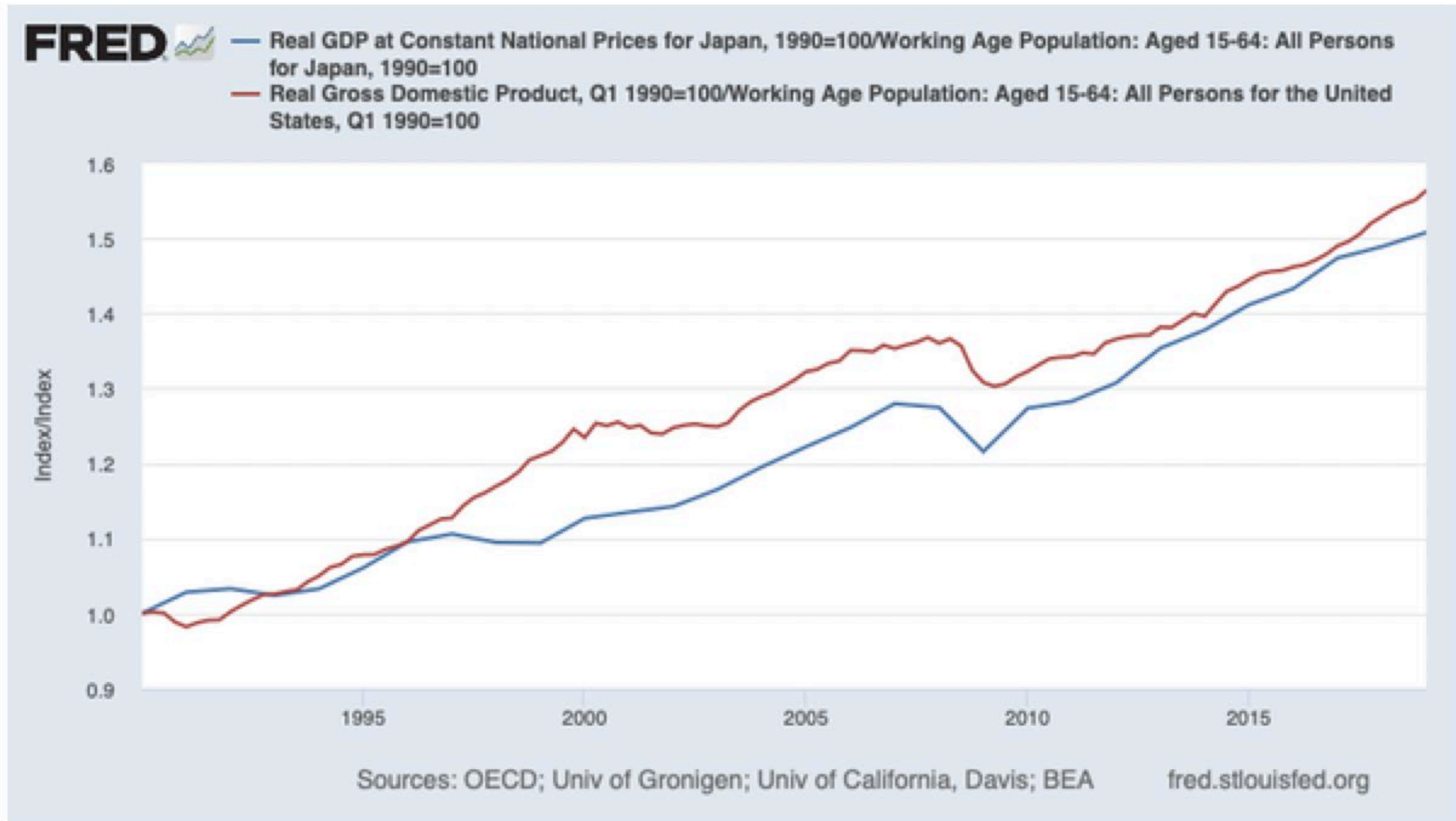
b. Amount of losses, billions of renminbi



North American is Only Major Economy With Growing Working-Age Population



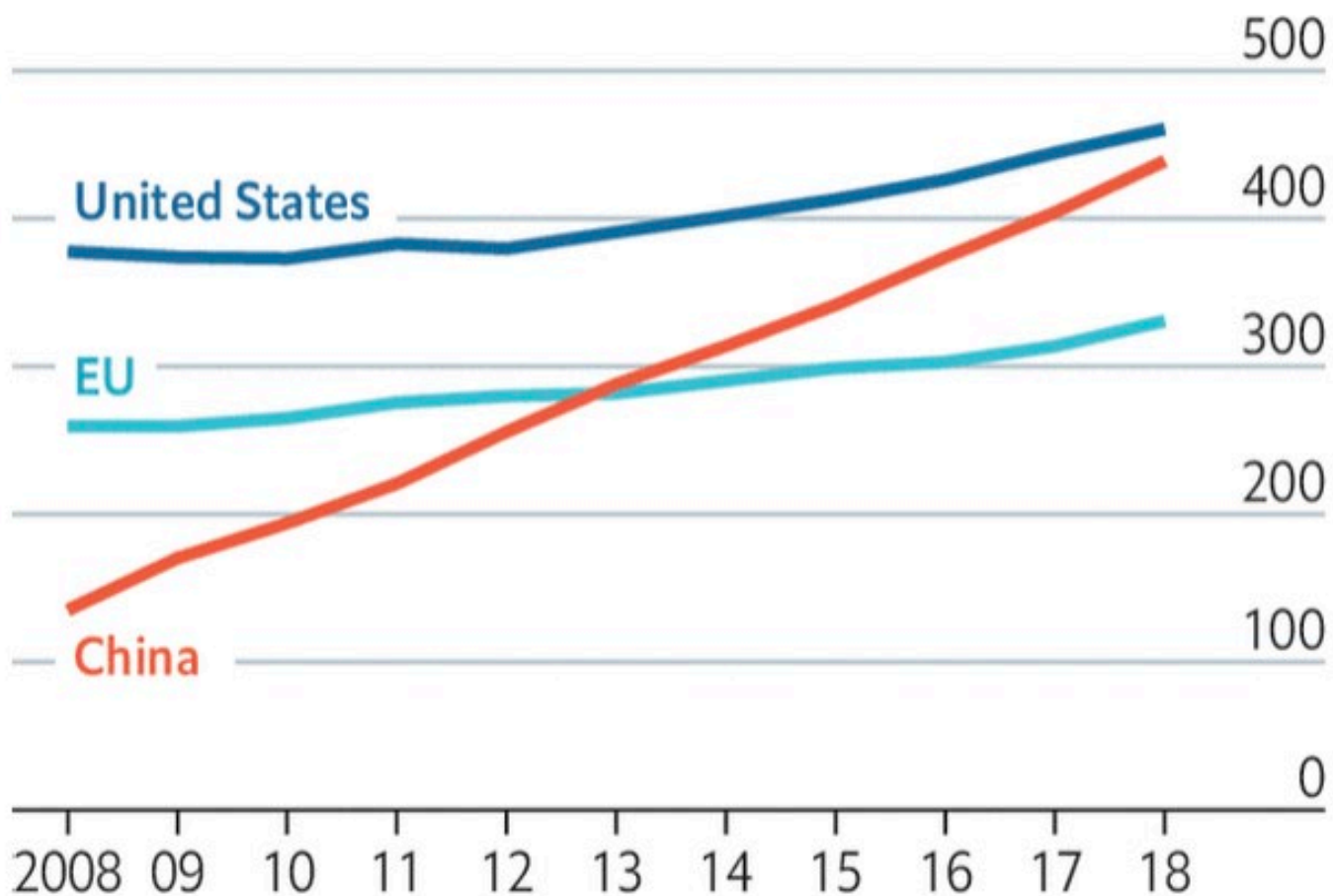
Japan's stagnation closely tied to demographics



Japan has done better than you think. FRED

Closing the gap

Gross domestic spending on research and development*, \$bn



Source: UNESCO

*2005 prices at purchasing-power parity



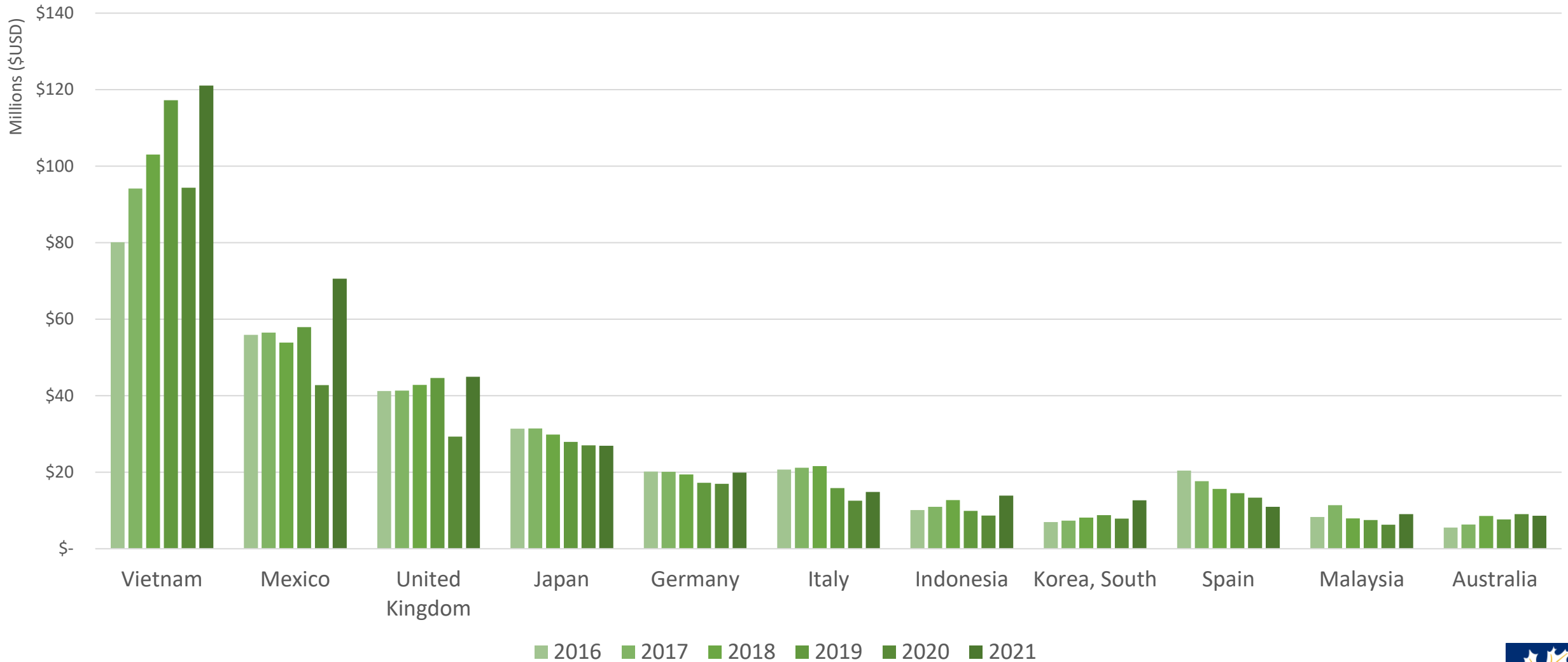
After China, Who's Next?

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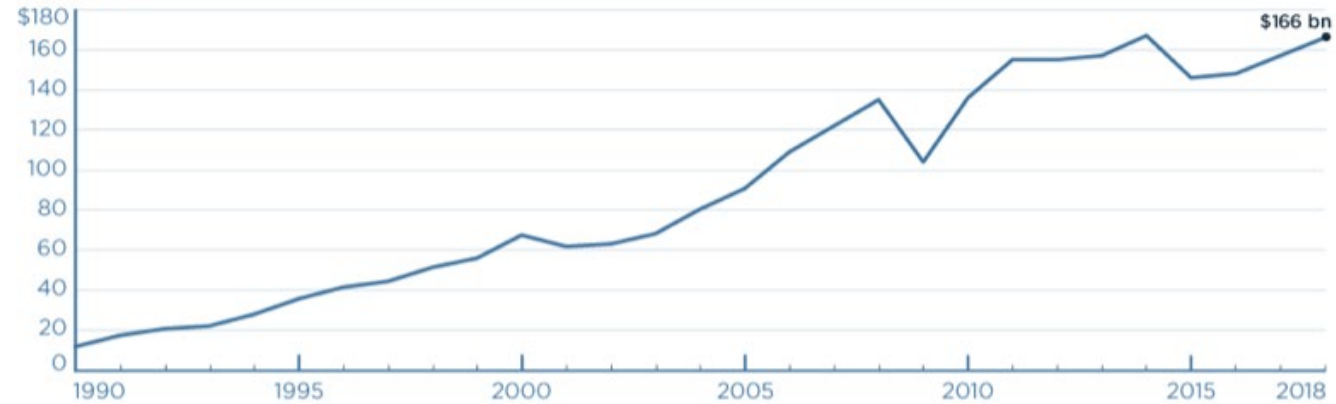
US Hardwood Lumber Exports by Value: Jan-Jun



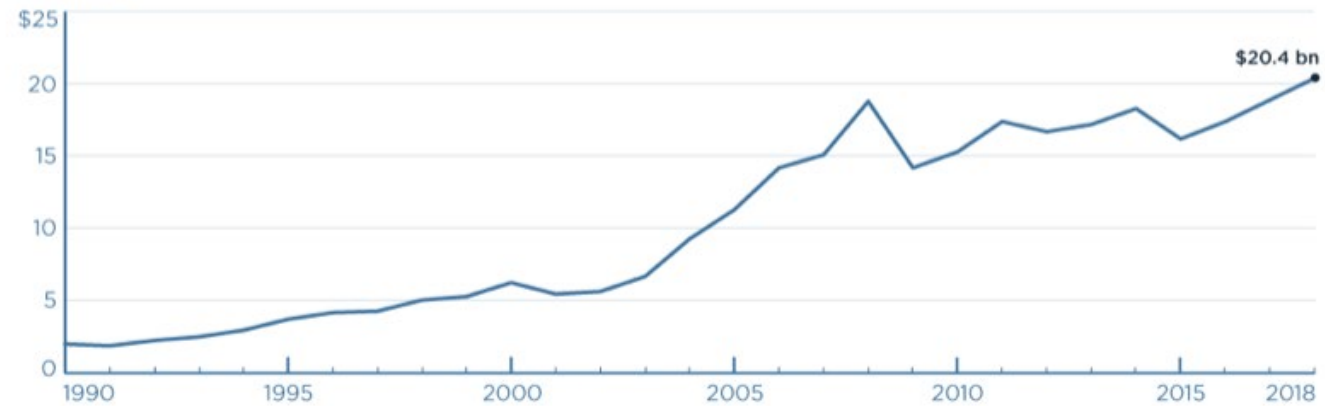
Mexico and Vietnam have increased their role in global supply chains since 1990

Value added to gross exports 1990–2018, billions of dollars

a. Mexico



b. Vietnam



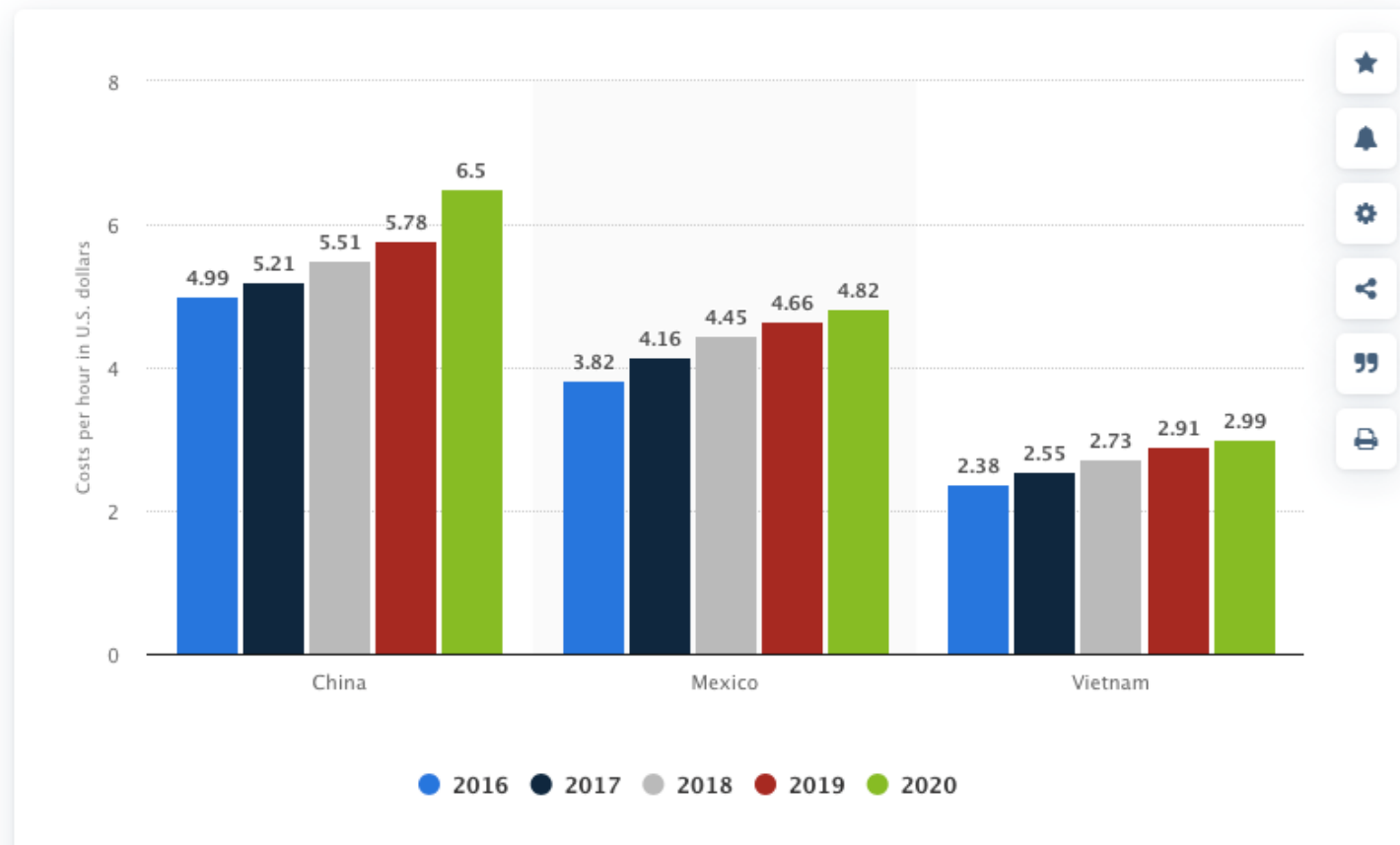
Note: Gross exports are sum of exports and reexports. The value added includes indirect domestic and foreign contents used in final exports.

Source: UNCTAD-Eora Global Value Chain Database, <https://worldmrio.com/unctadgvc/>.



Manufacturing labor costs per hour for China, Vietnam, Mexico from 2016 to 2020

(in U.S. dollars)



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Sources
IHS; Website (SourceToday)

Survey by
IHS; Website (SourceToday)

Published by
Website (SourceToday)

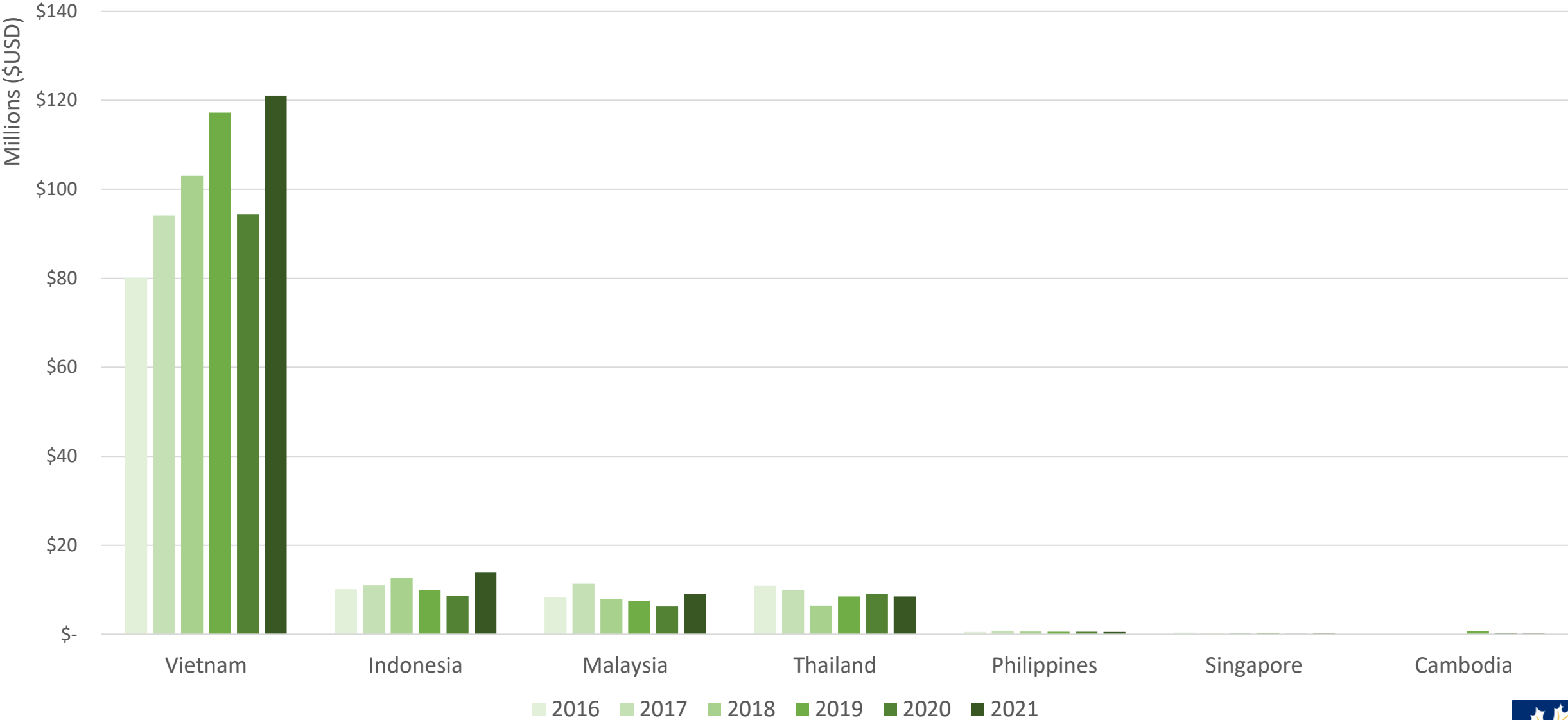
Source link
sourcetoday.com

Release date
April 2017

Details: Worldwide; IHS; Website (SourceToday)



US Hardwood Lumber to SE Asia: Jan-June



Source: Global Trade Atlas, all data for Jan-June



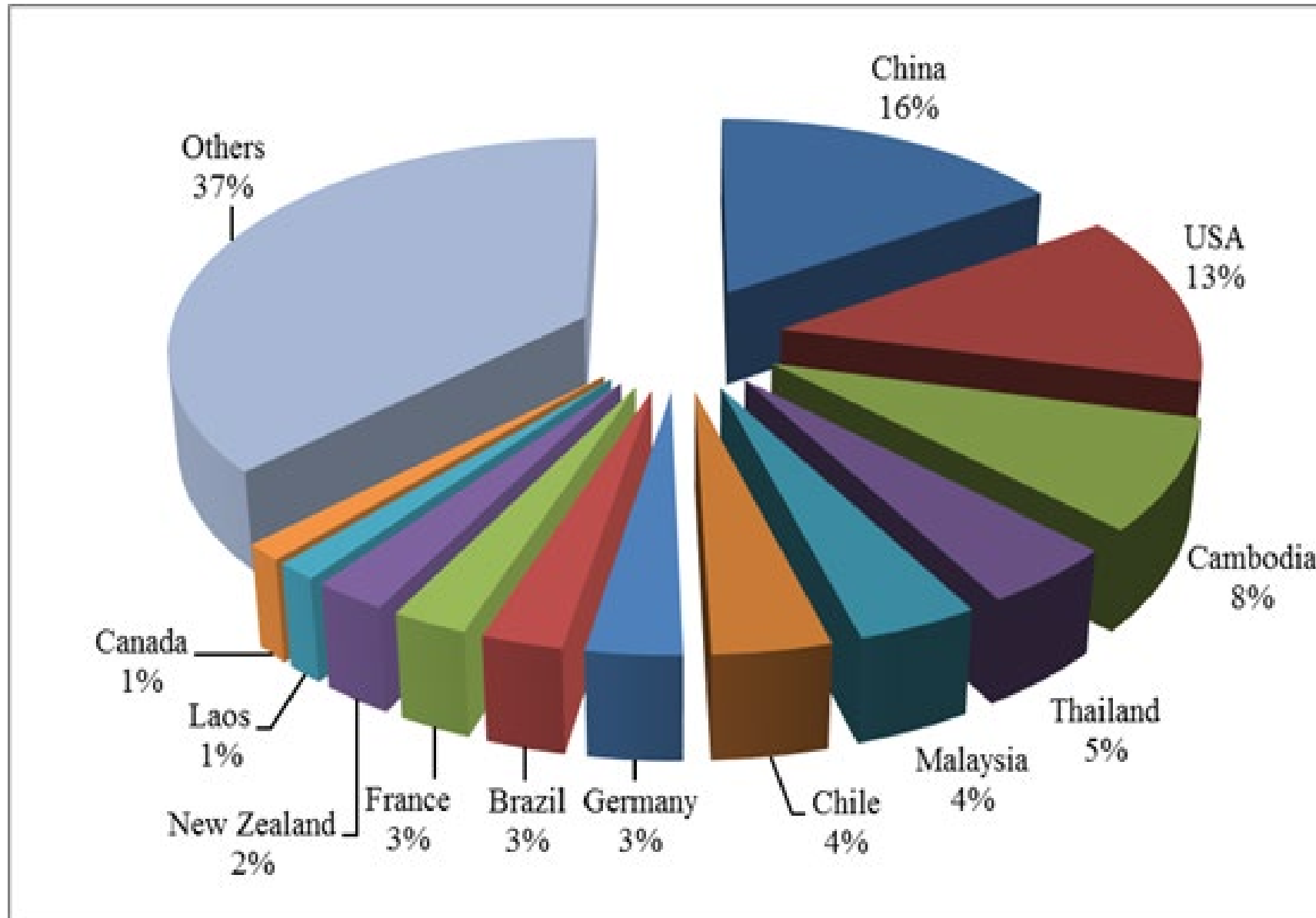
Asian hotspots

Daily new confirmed cases of covid-19
Seven-day moving average, 2021, '000

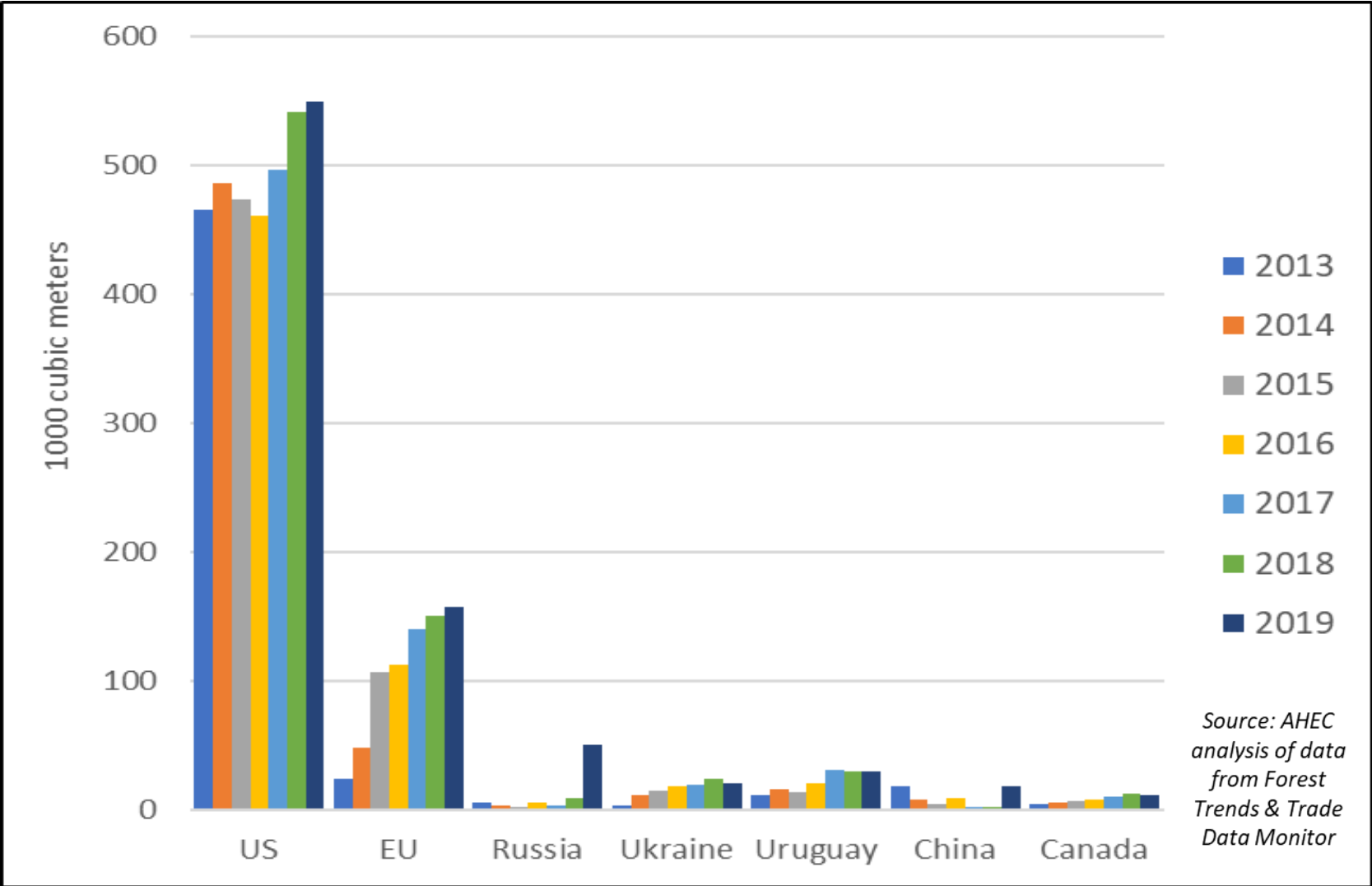


Source: Johns Hopkins University CSSE

Top wood suppliers for Vietnam



Vietnam Sawn Hardwood Imports from Temperate Regions: 2013 to 2019





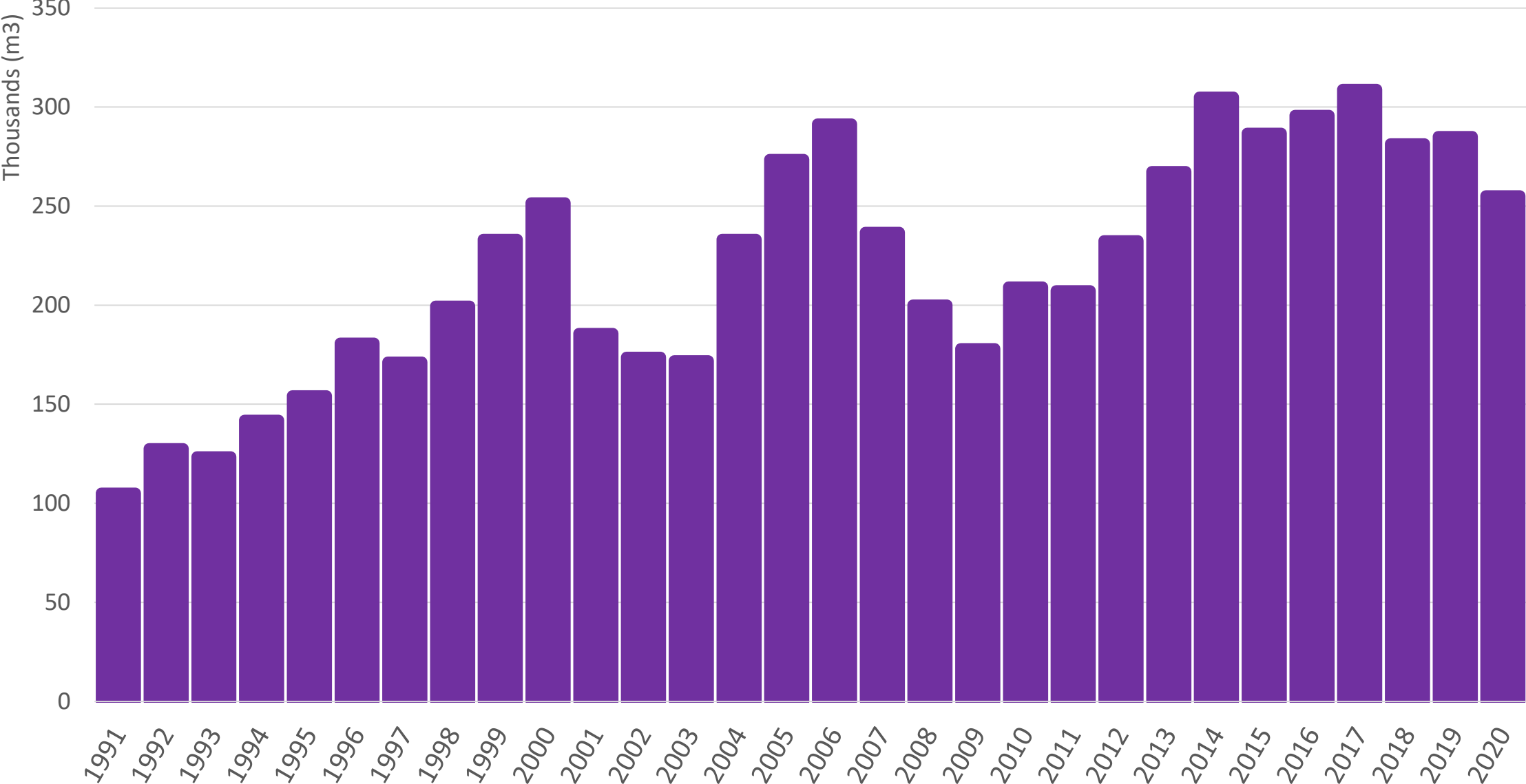
Mexico/ Latin America

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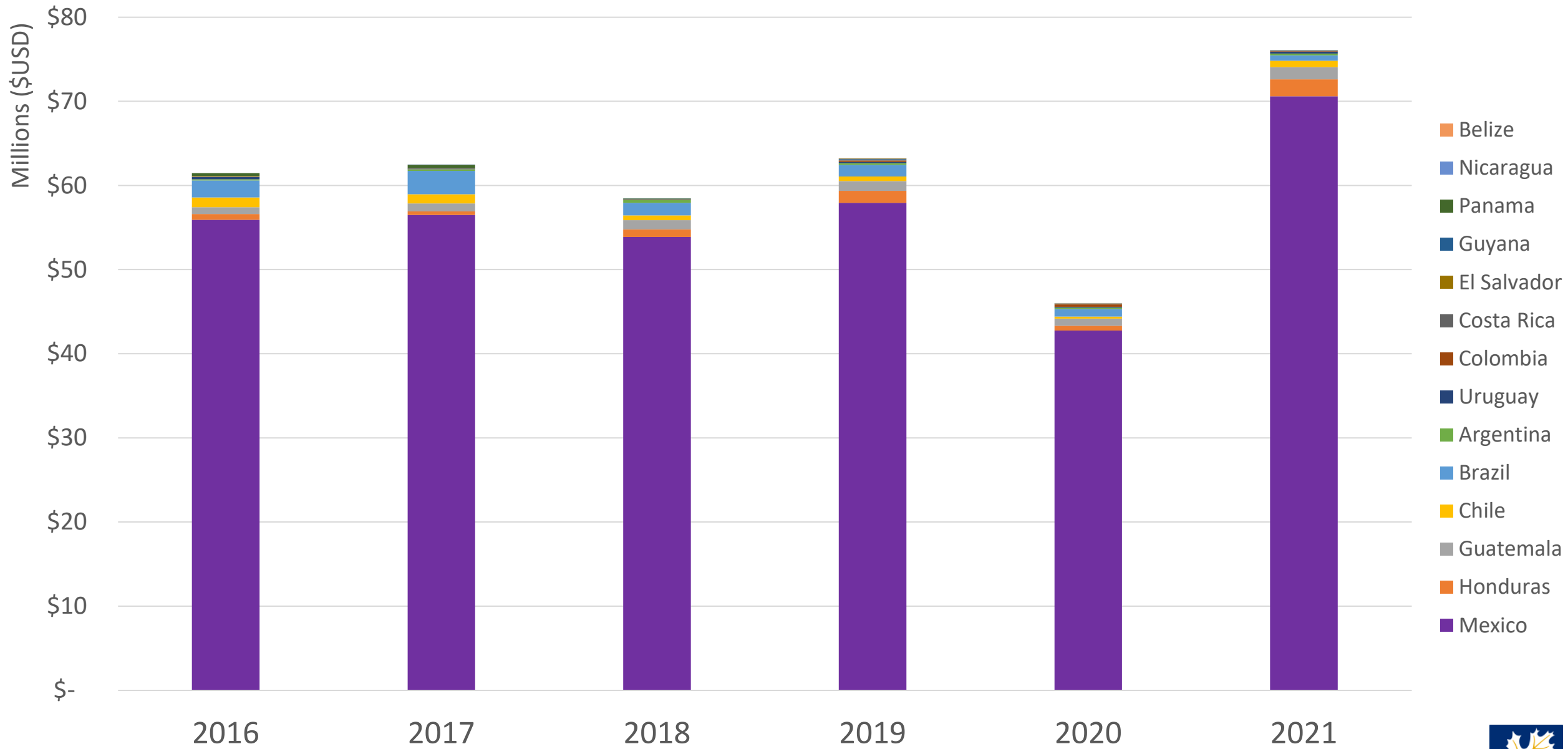
US Hardwood Lumber Exports to Mexico



Source: U.S. Census Bureau Trade Data



US Hardwood Lumber Exports to Mexico, Central and South America



Source: Global Trade Atlas, all data for Jan-June

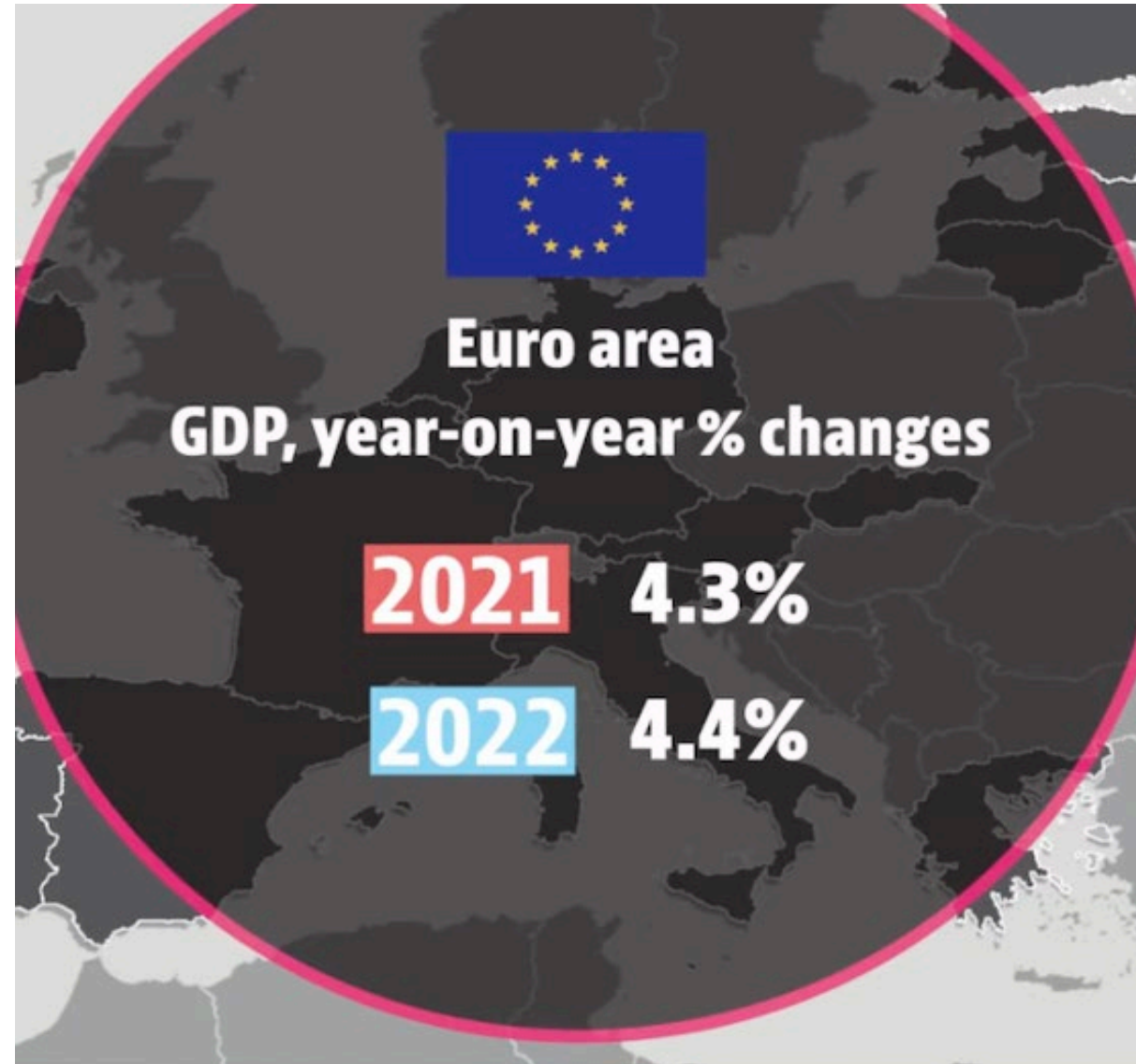




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Europe

IMF Projected GDP Growth Rate

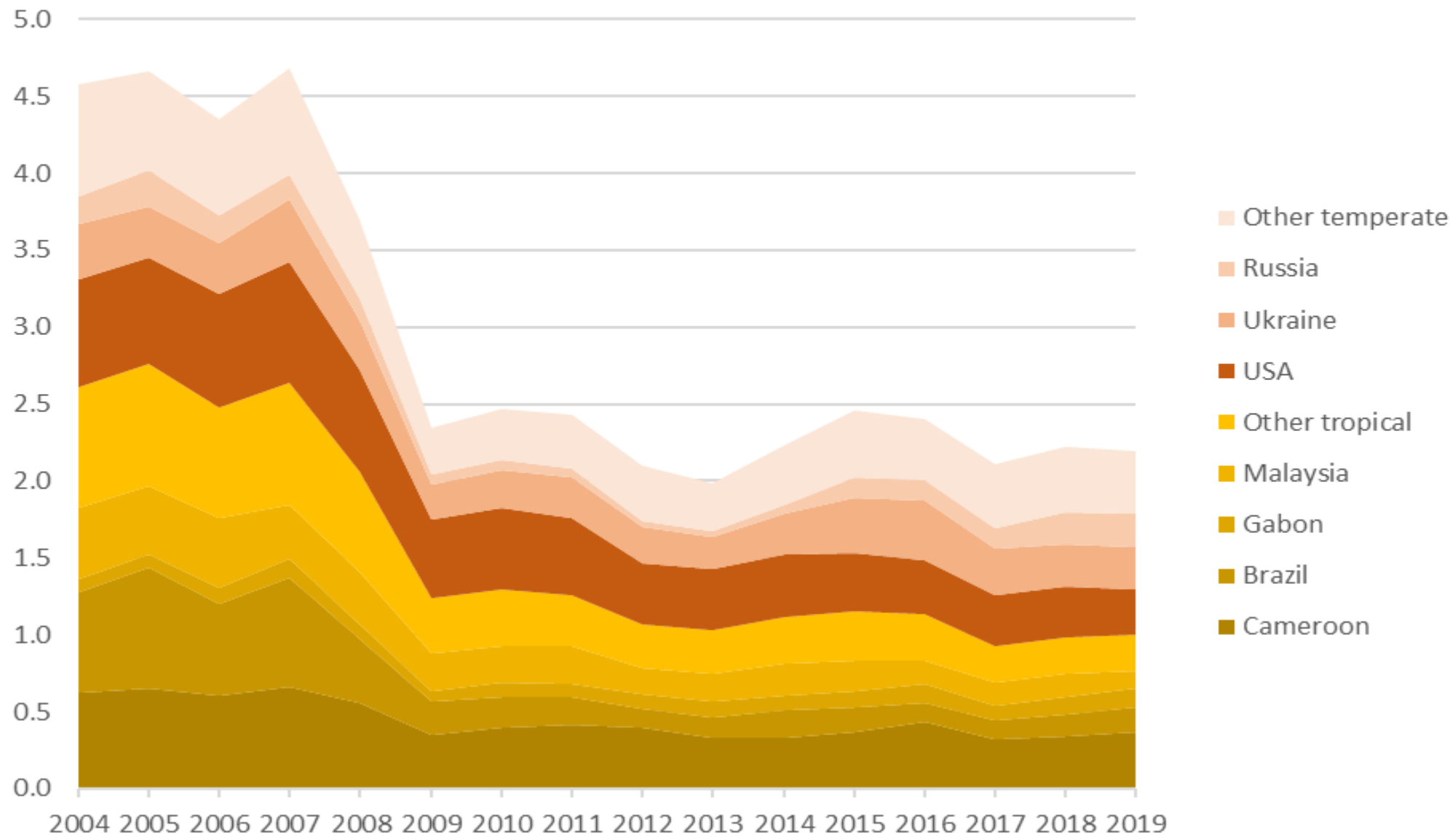


Pandemic Recovery Stimulus Spending to Drive Construction Industry:

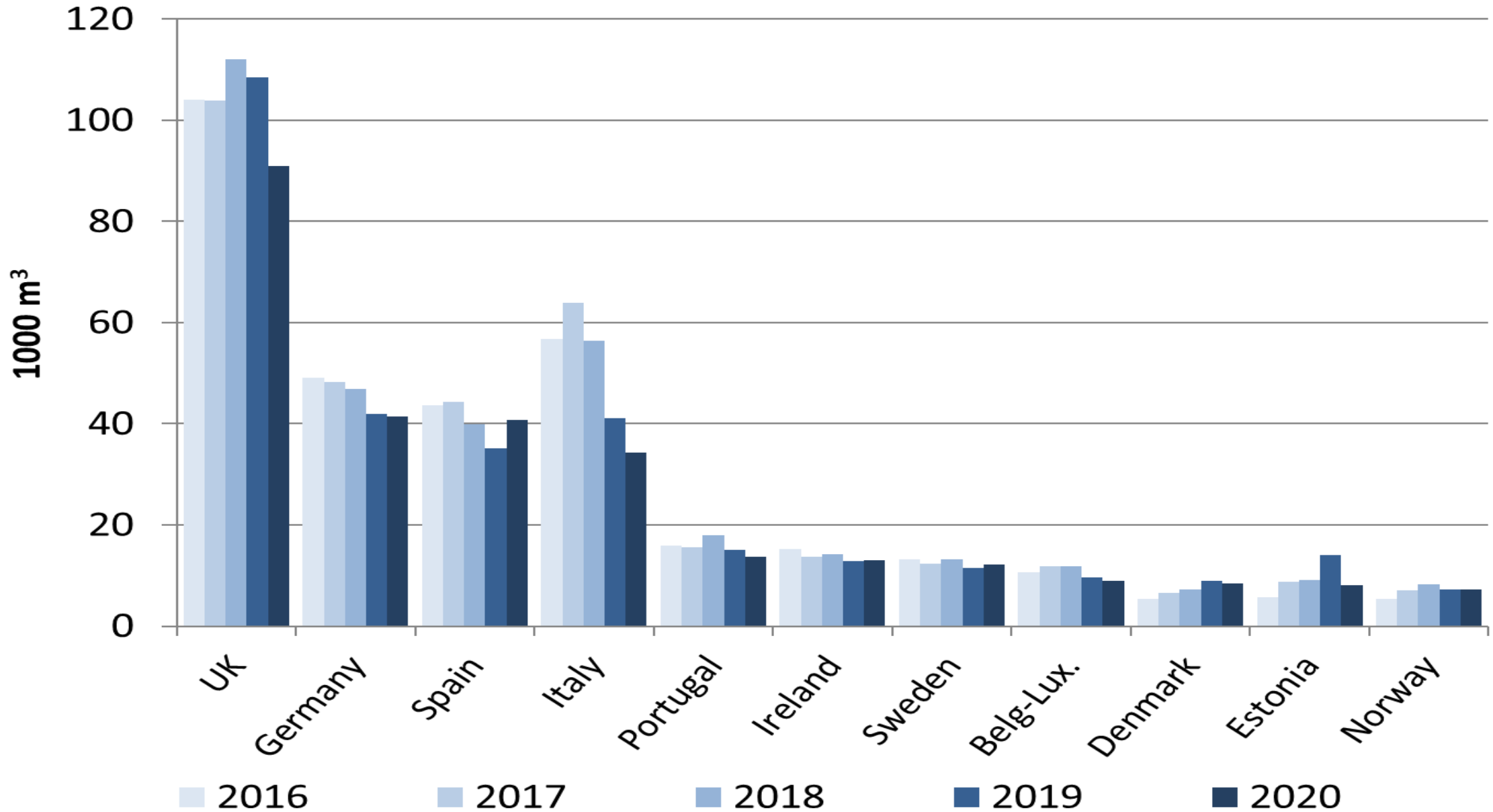
FINANCIAL TIMES

“Construction ‘supercycle’
predicted on wave of government
spending”

EU28 imports of sawn hardwood, by main supply country 2004 to 2019, million m3



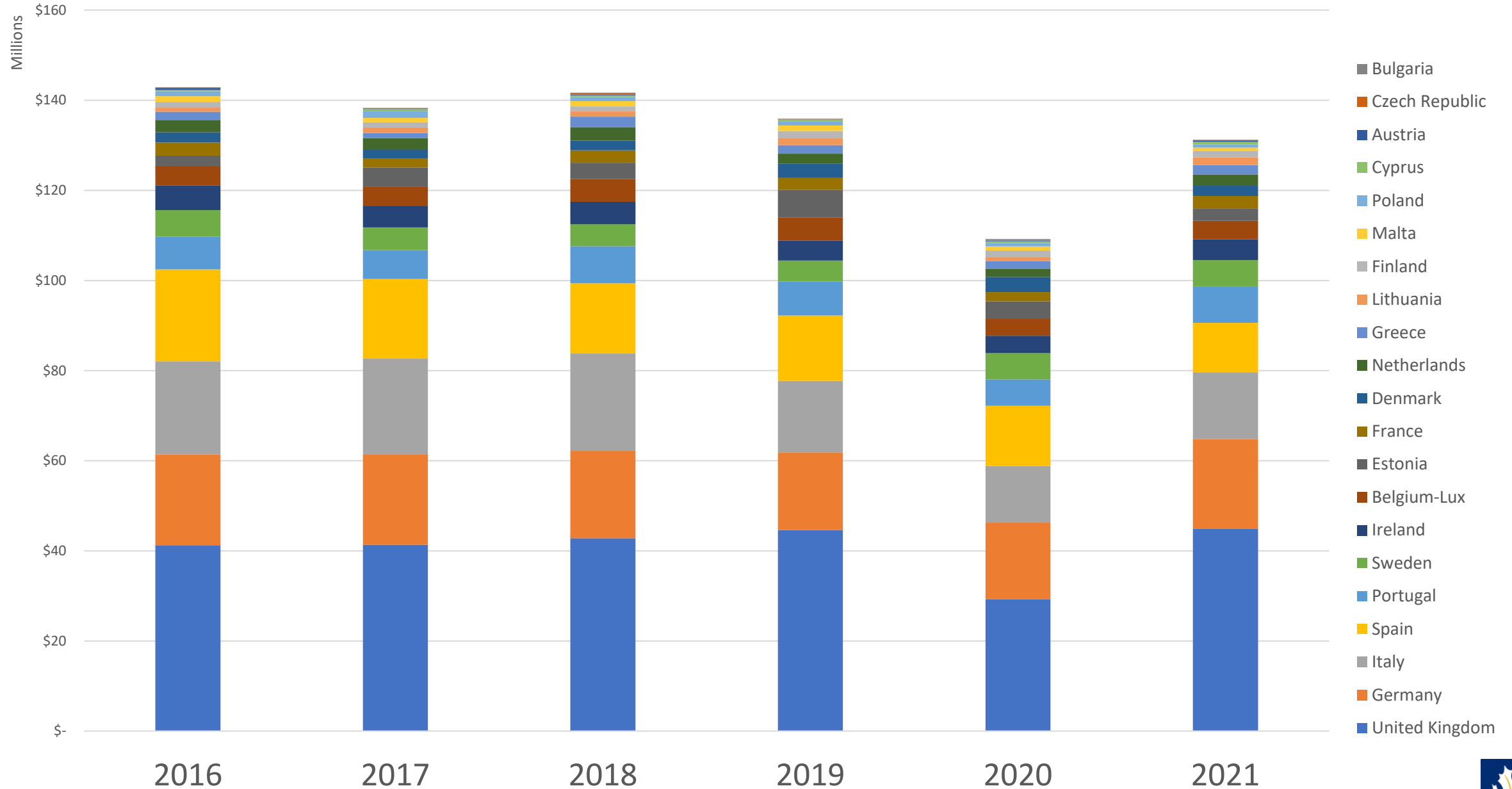
Exports of US hardwood lumber to European countries



Source: AHEC analysis of USDA FAS GATS <https://apps.fas.usda.gov/gats/>



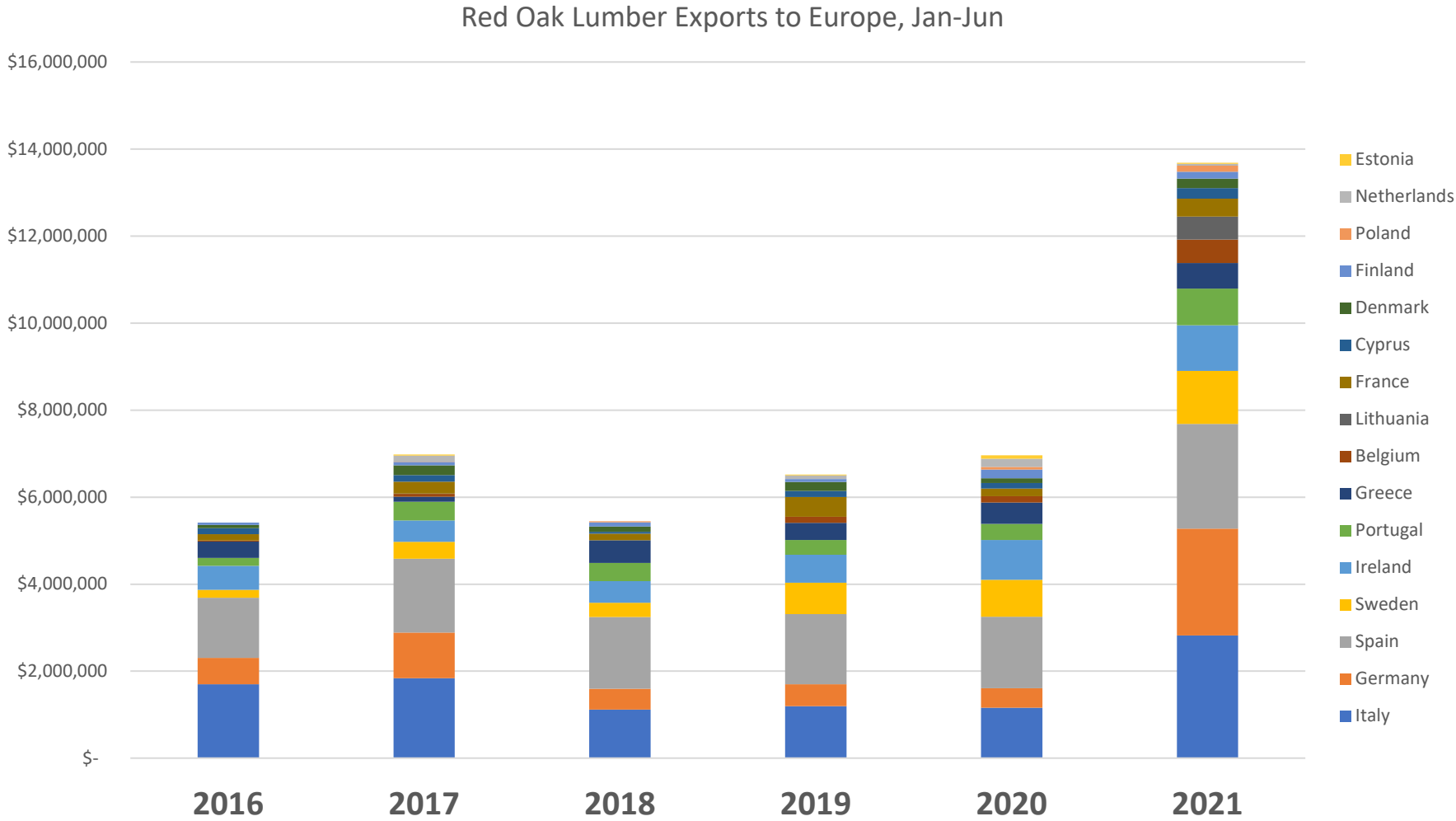
US HDWD LMBR to Europe: 6 Month Jan-June



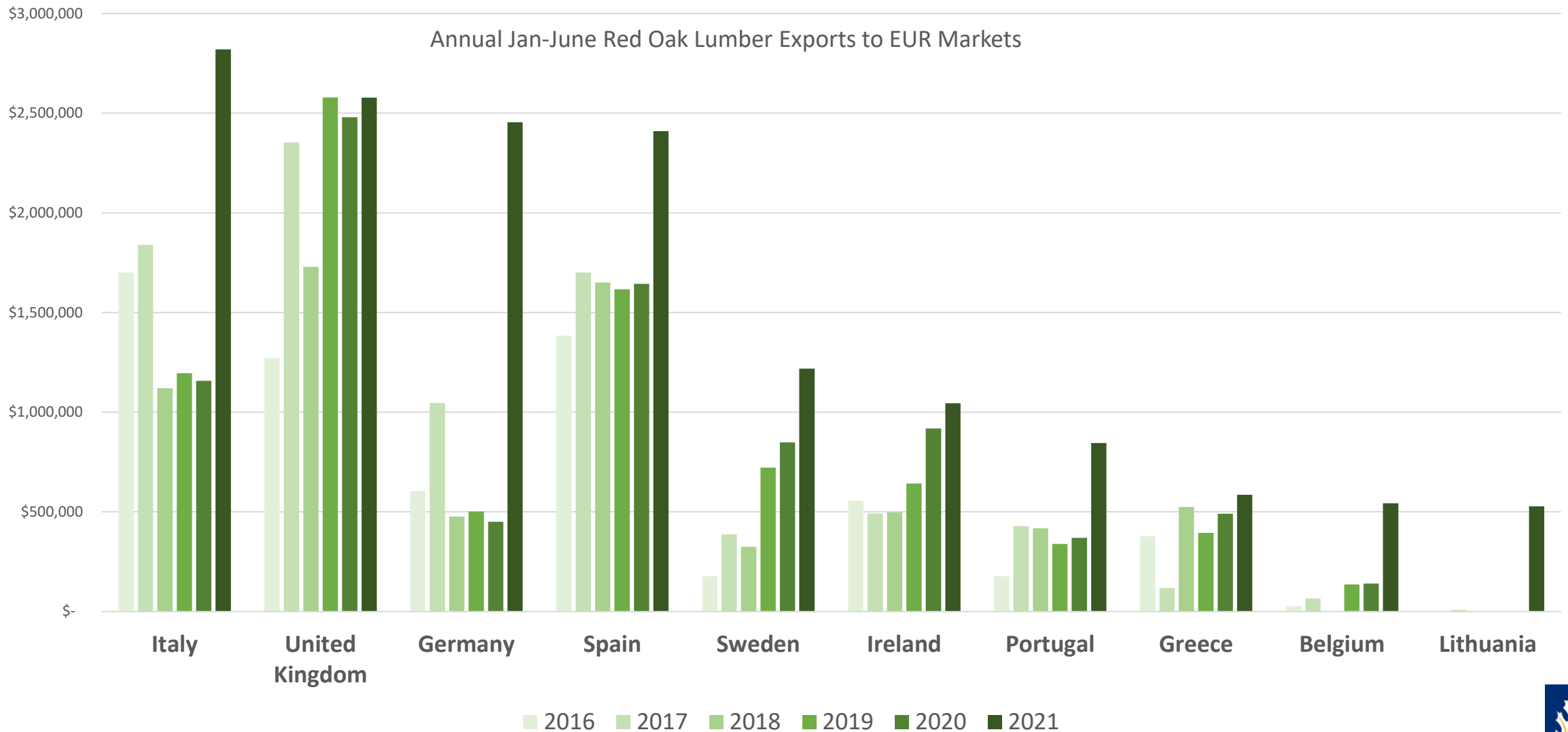
Source: Global Trade Atlas, all data for Jan-June

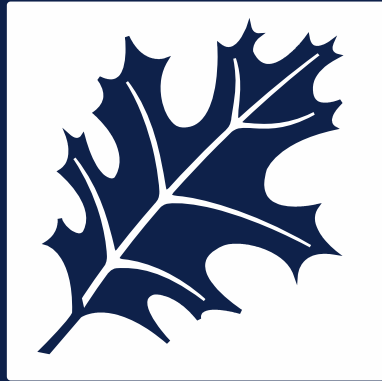


Red Oak Continues Strong Growth in Europe



Red Oak Continues Strong Growth in Europe





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Northeast
Asia/Oceania

IMF Projected GDP Growth Rate



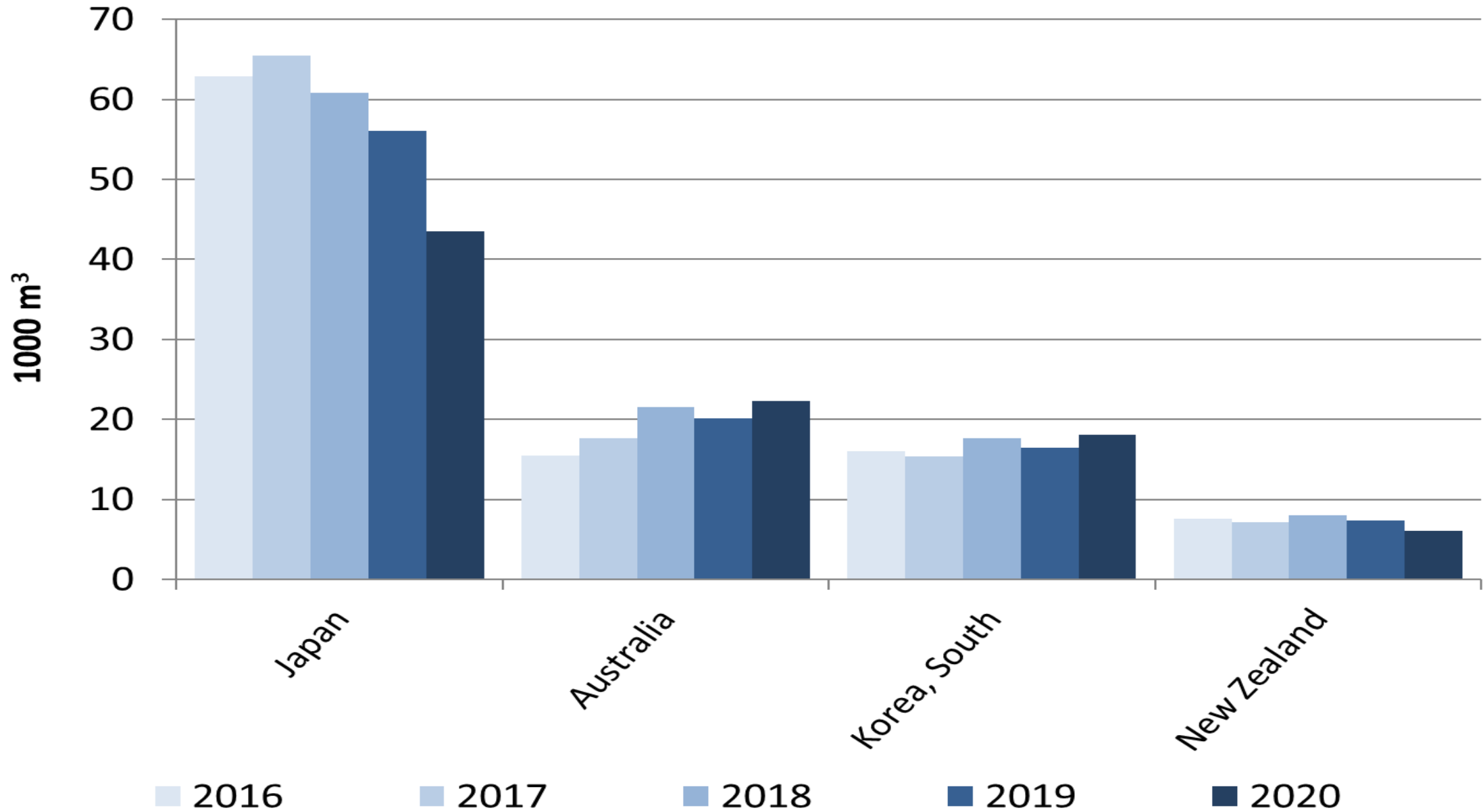
Japan

GDP, year-on-year % changes

2021 2.6%

2022 2.0%

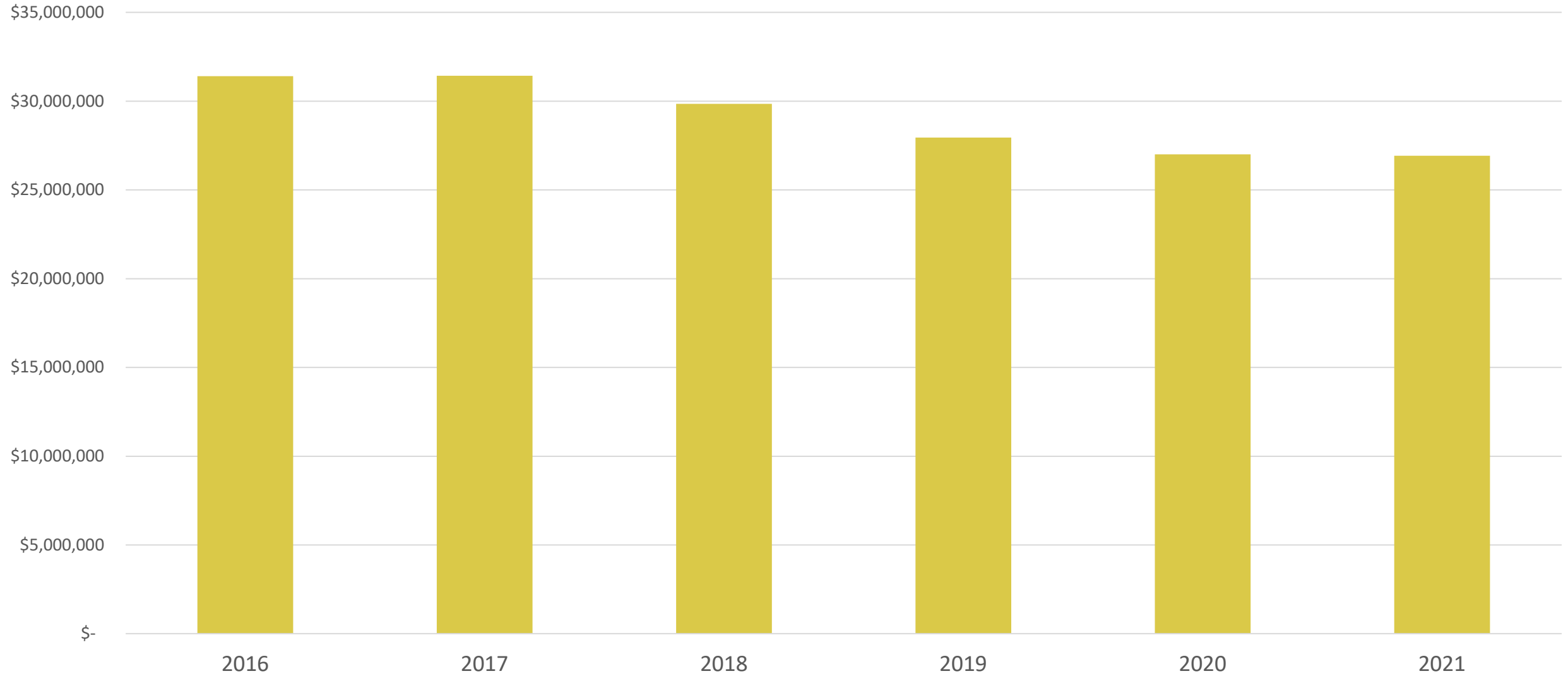
Exports of US hardwood lumber to NE Asia and Pacific



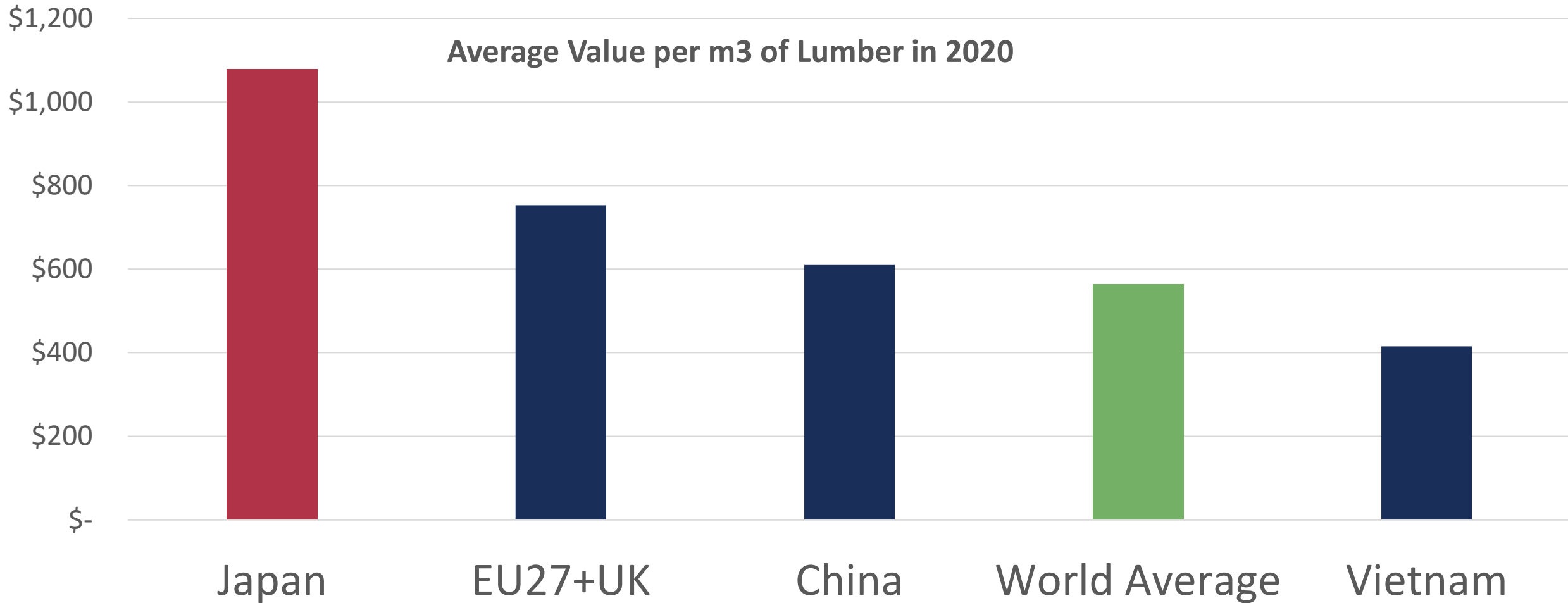
Source: AHEC analysis of USDA FAS GATS <https://apps.fas.usda.gov/gats/>



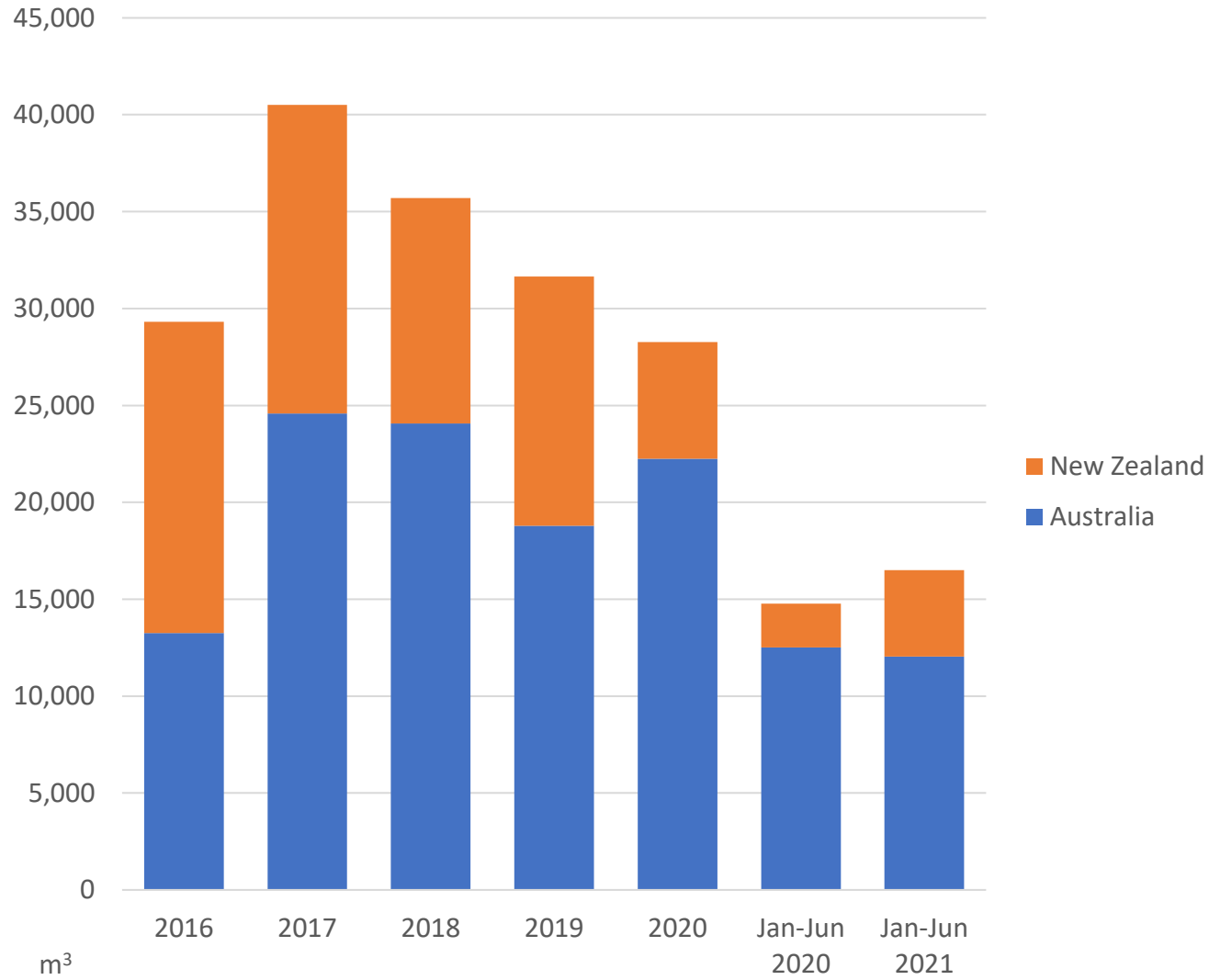
US Hardwood Lumber to Japan (Jan-Jun)



Japan is a Premium Market



JAN-JUN 2021 U.S. HARDWOOD LUMBER EXPORTS – AUSTRALIA & NEW ZEALAND



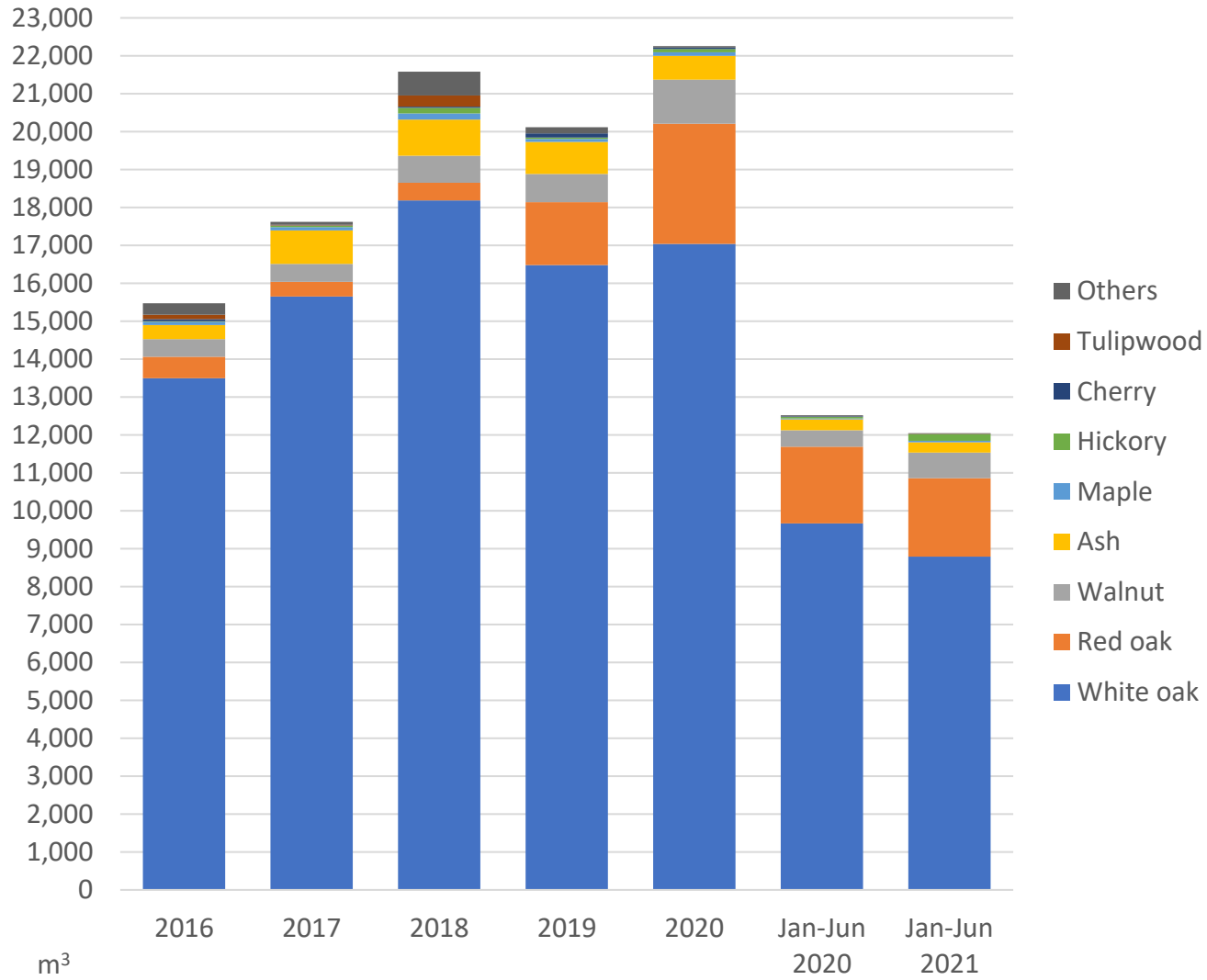
Source: USDA Foreign Agricultural Service

Jan-Jun 2021 saw an 4% decrease in the volume of US hardwood lumber shipped to Australia and a 98% increase in shipments to New Zealand.

US hardwood veneer exports to Oceania increased by 13% in value to USD 777,000, with the very significant increase in direct shipments to New Zealand.



JAN-JUN 2021 U.S. HARDWOOD LUMBER EXPORTS – AUSTRALIA



While white oak exports to Australia fell by 9% during the period, shipments of red oak remained stable year-on-year.

Source: USDA Foreign Agricultural Service

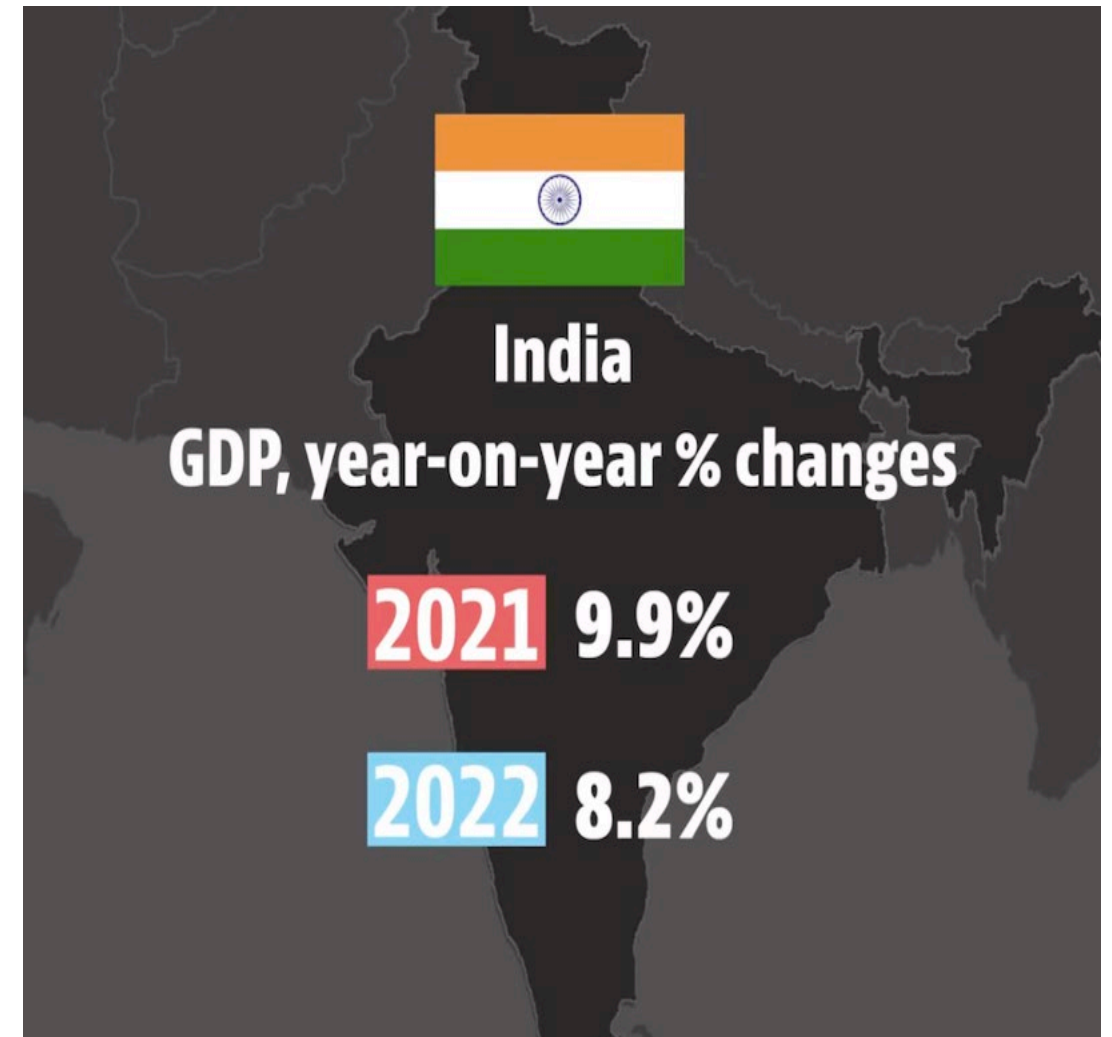




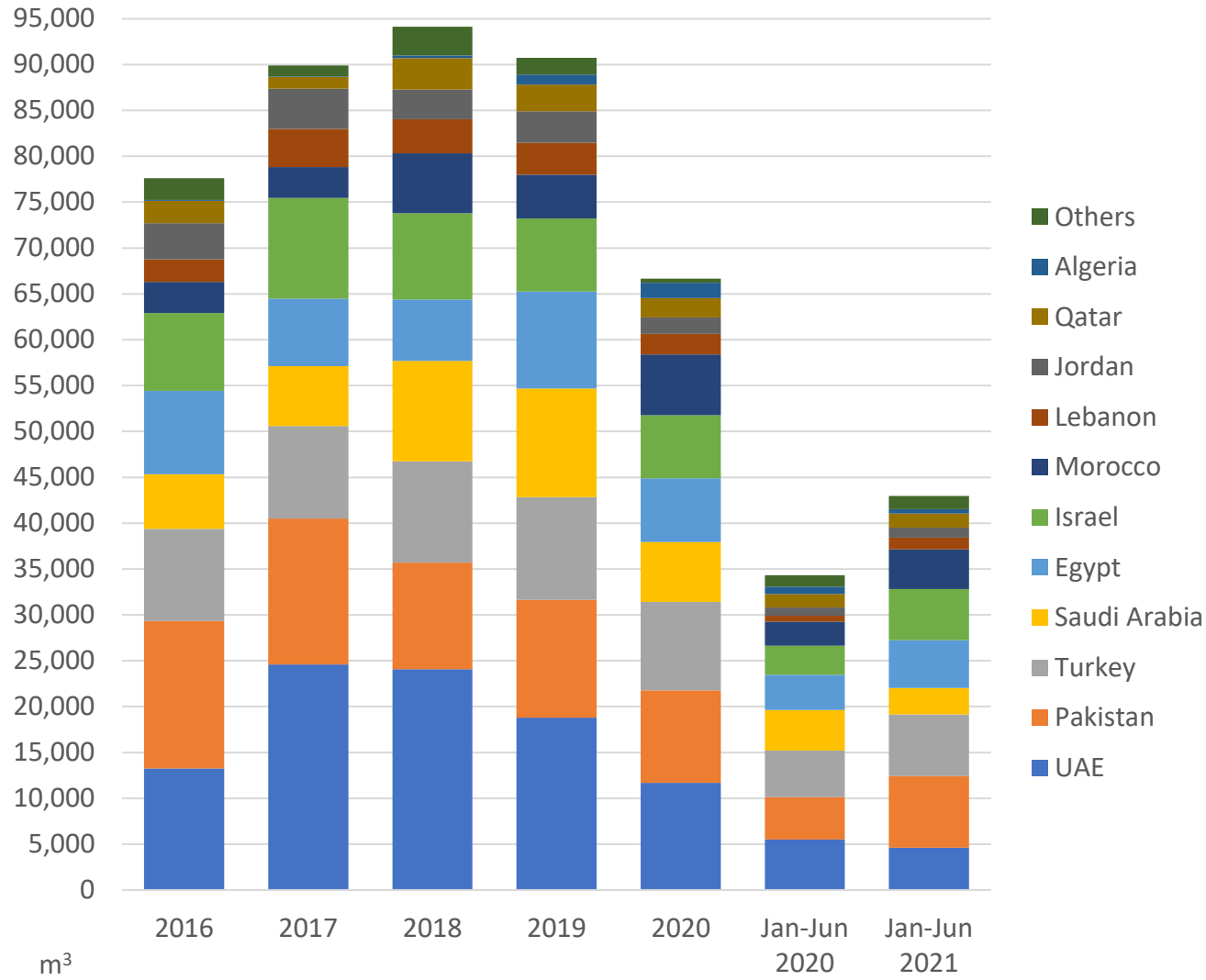
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The Middle East,
South Africa and
India

OECD Projected GDP Growth Rate



JAN-JUN 2021 U.S. HARDWOOD LUMBER EXPORTS – MIDDLE EAST & NORTH AFRICA



Source: USDA Foreign Agricultural Service

Jan-Jun 2021 saw a 25% increase in the volume of US hardwood lumber shipped to the MENA region.

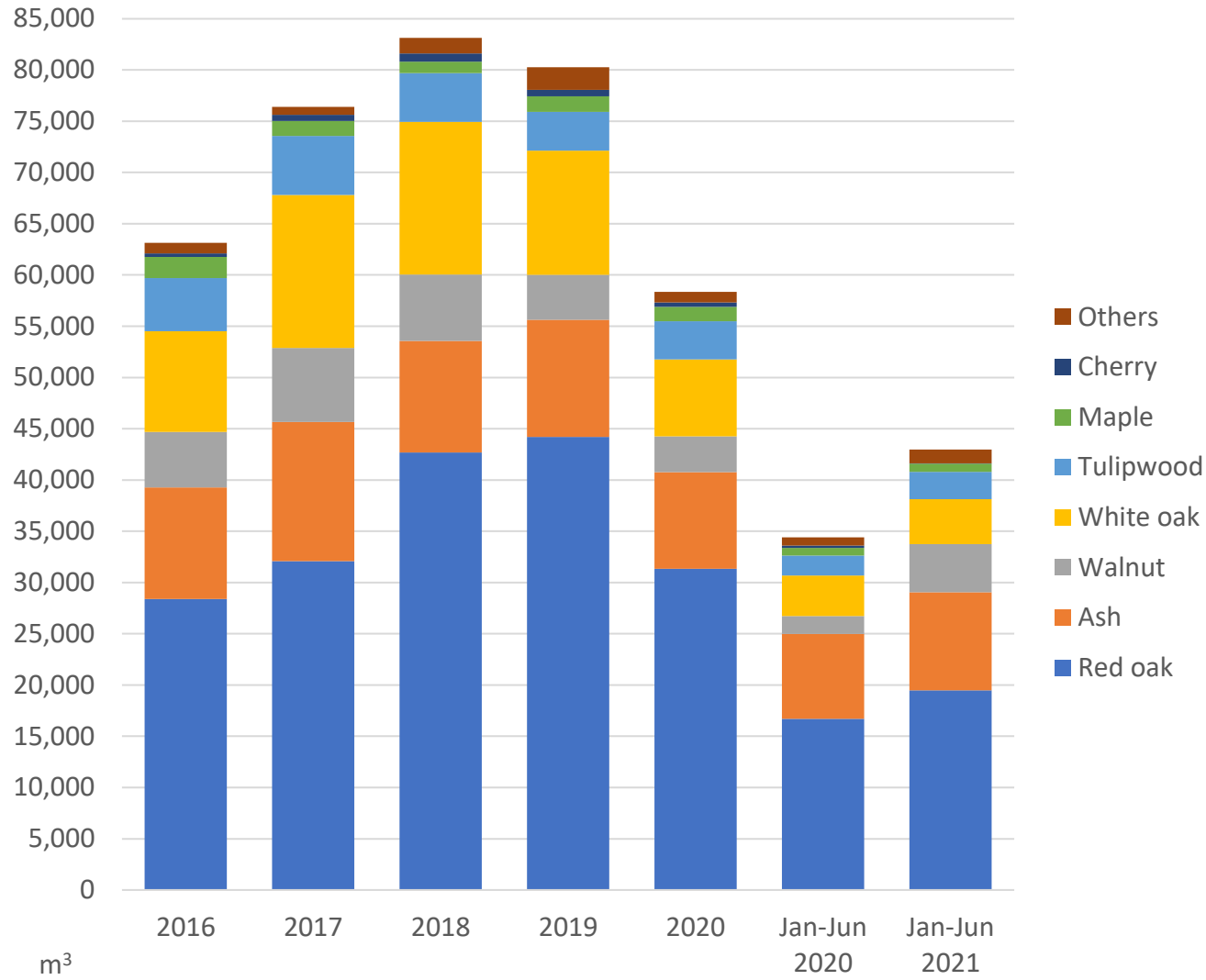
The biggest rises were seen in Israel, Pakistan, Turkey, Egypt and Morocco.

Shipments to the UAE (normally the biggest market in the region) decreased during the period by 17%.

US hardwood veneer exports to the MENA region increased by 17% in value to USD 11.77 million.



JAN-JUN 2021 U.S. HARDWOOD LUMBER EXPORTS – MIDDLE EAST & NORTH AFRICA



Source: USDA Foreign Agricultural Service

Tulipwood – 37% increase in exports - main importers were Israel and Turkey.

White oak – 11% increase in exports - main importers were Turkey and Israel.

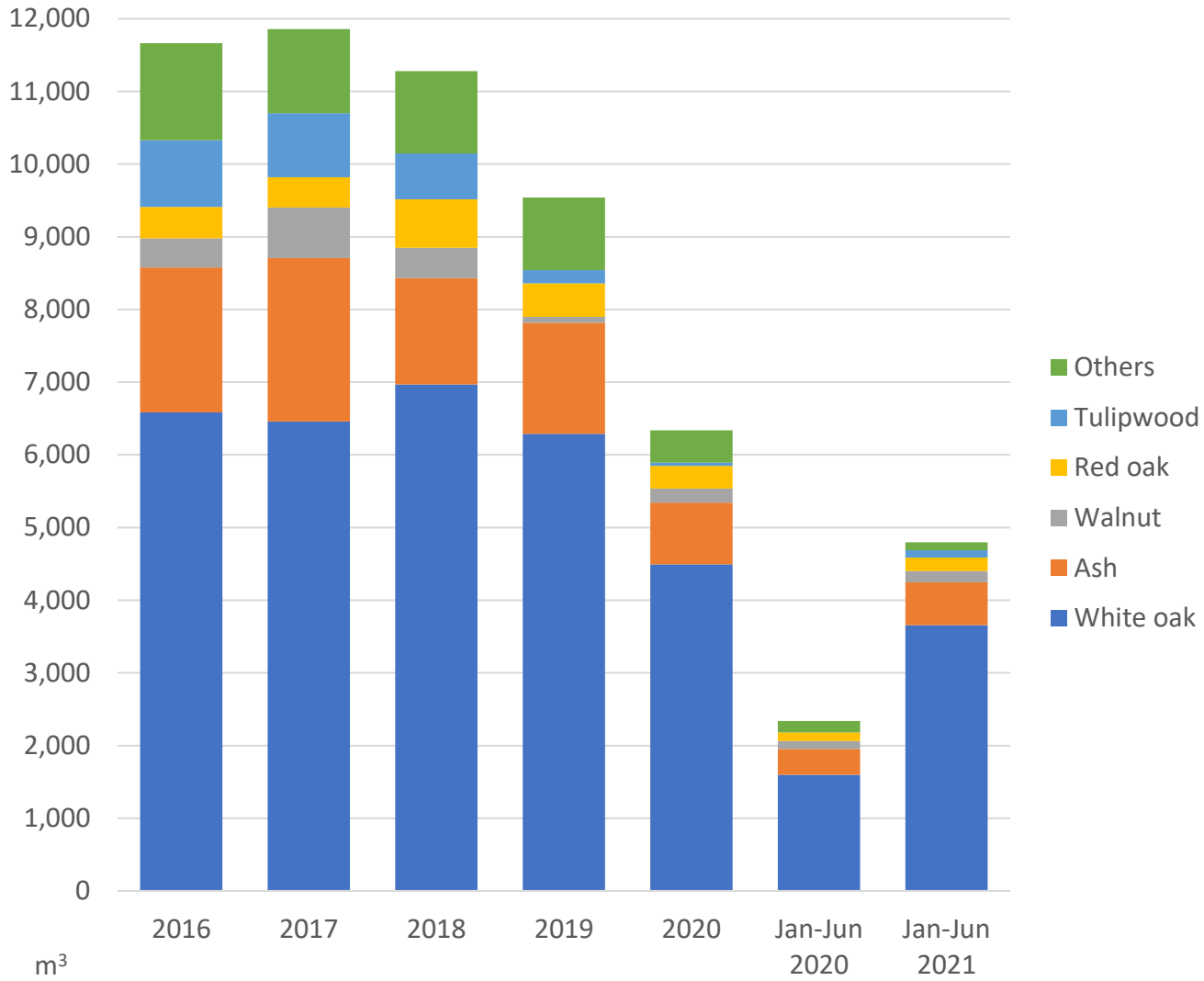
Walnut – 170% increase in exports – main importers were Pakistan, Turkey and Israel.

Ash – 15% increase in exports - main importers were Pakistan, Turkey (for TMT) and the UAE.

Red oak - 17% increase in exports - main importers were Saudi Arabia, Morocco, UAE and Egypt, but in demand in all markets in the region.



JAN-JUN 2021 U.S. HARDWOOD LUMBER EXPORTS – SOUTH AFRICA



Source: USDA Foreign Agricultural Service

January to June 2021 saw a 105% increase in the volume of US hardwood lumber shipped to South Africa after a very slow previous year.

Increases were seen across all the major US hardwood species exported to the market, but especially in white oak, which accounted for over 76% of the total volume shipped.

US hardwood veneer exports to South Africa also increased over the period by 6% in value to USD 1.49 million.



INDIA – HARDWOOD LUMBER END-USERS



The main hardwood lumber processing centres (furniture & handcraft manufacturers) are located in:

- Delhi-National Capital Region
- Jaipur & Jodhpur in Rajasthan
- Bengaluru (formerly Bangalore)
- Chennai (formerly Madras)

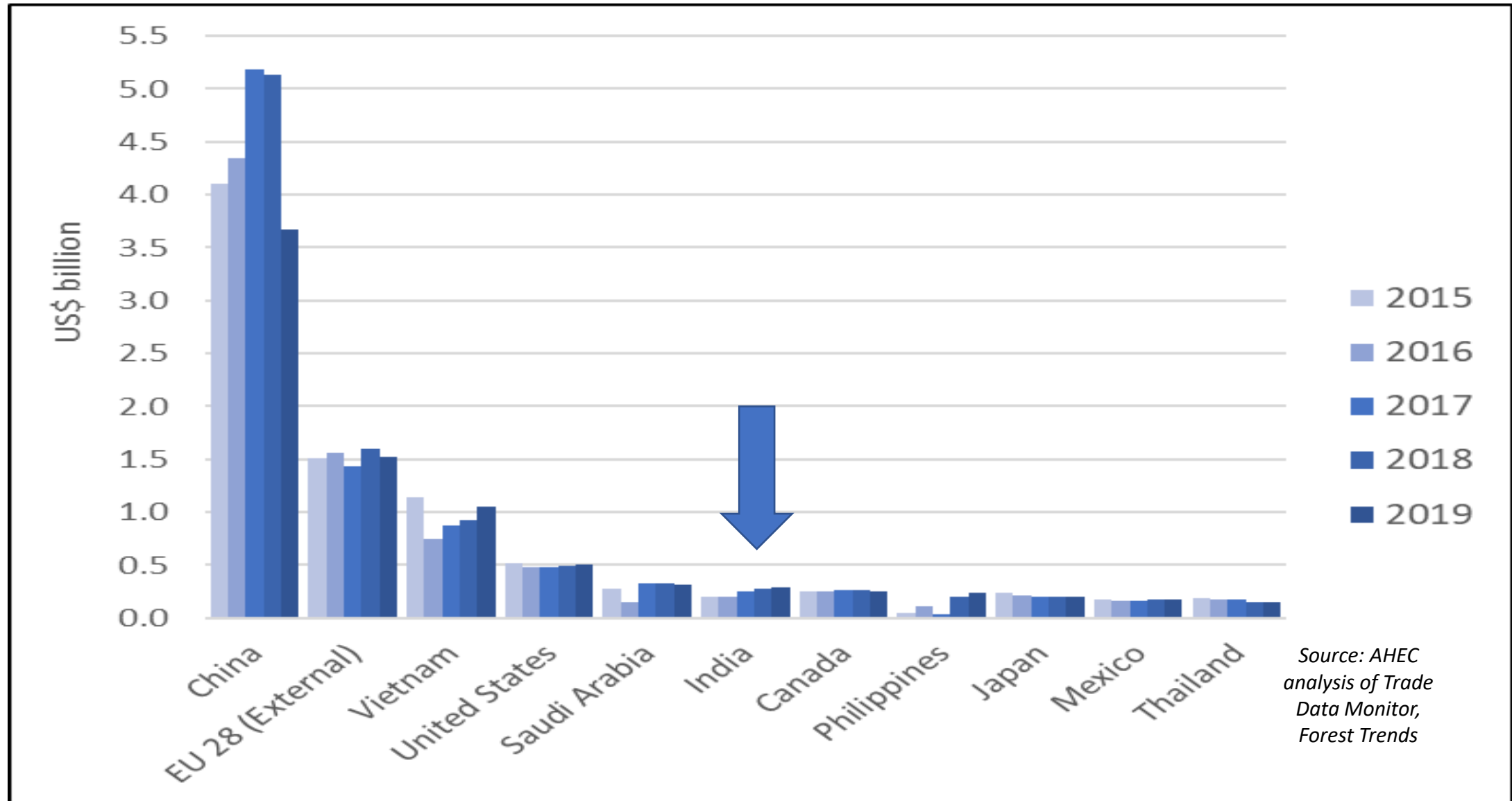
Manufacturers are located across the whole country, but other notable centres are:

- Mumbai & Pune
- Hyderabad
- Kolkata
- Ahmedabad (Ghandinagar)
- Lucknow
- Mysore (near Bengaluru)

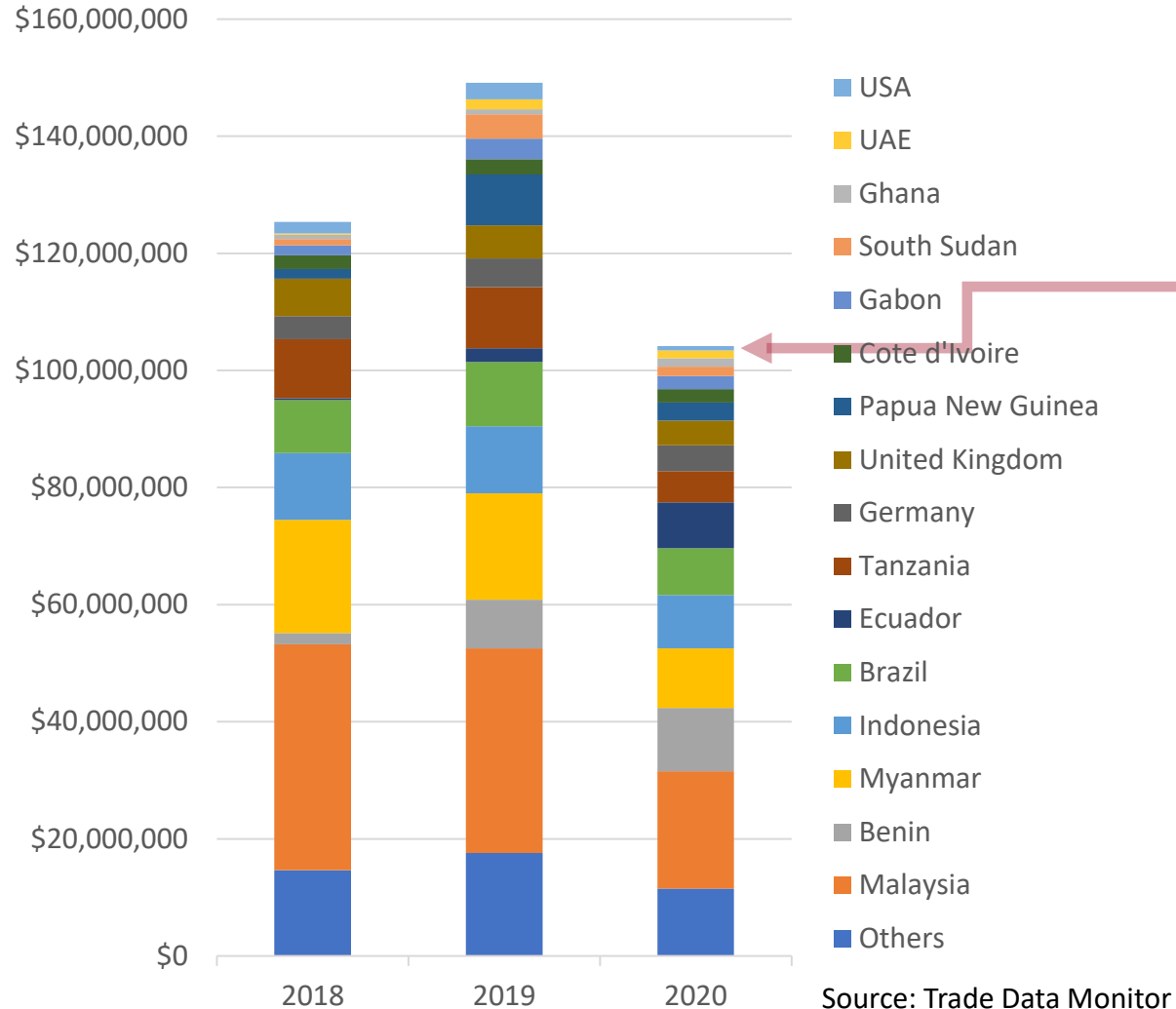


World's 10 Largest Sawn Hardwood Importers 2015 to 2019

(Imports From All Sources)



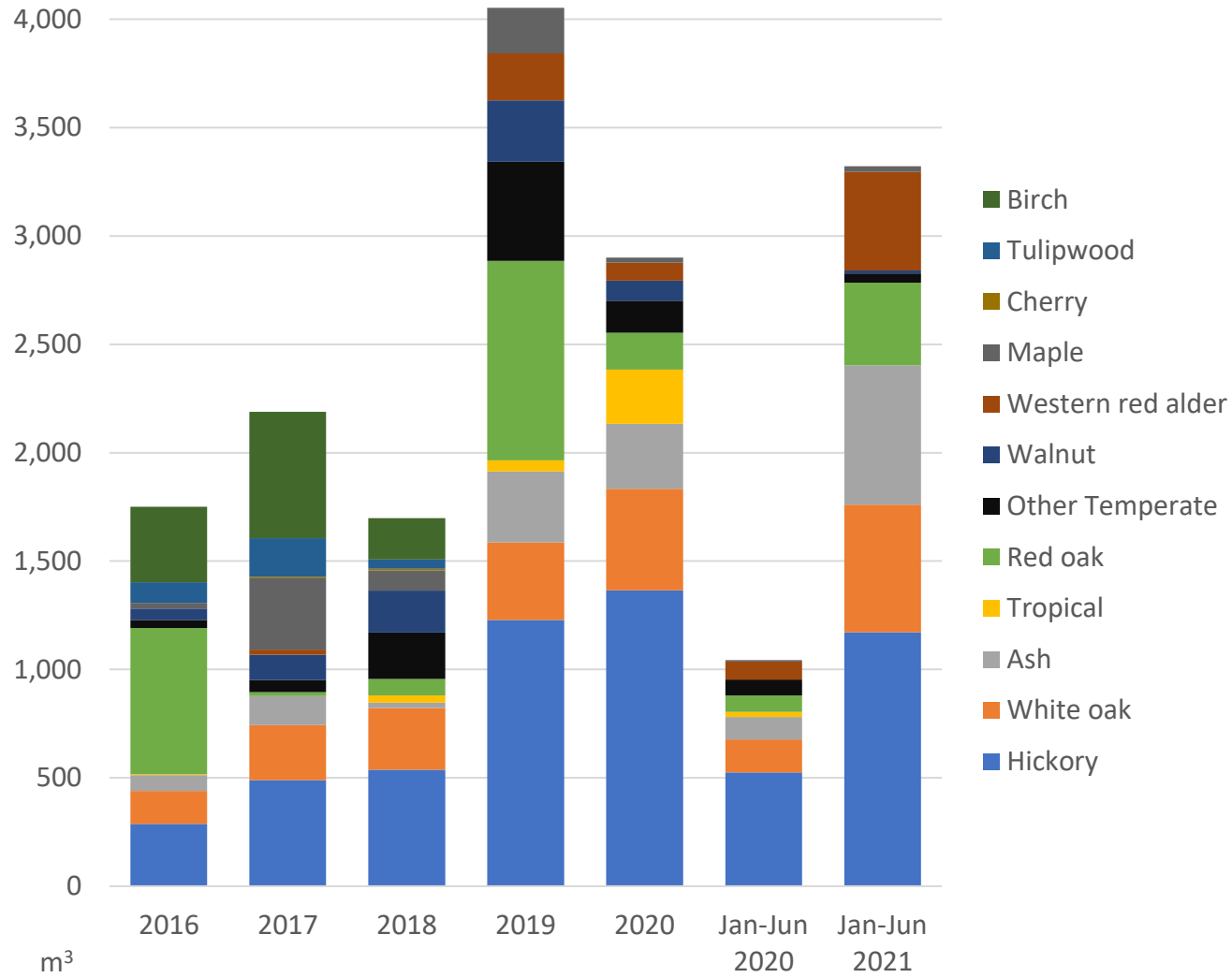
INDIA HARDWOOD LUMBER IMPORTS – JAN-JUN 2020



- India imported over USD 100 million of hardwood lumber in Jan-Jun 2020
- Less than 1% came from the United States
- Jan-Dec 2020 India market for US hardwoods:
 - USD 2.5 million of veneers
 - USD 2.9 million of logs
 - USD 1.7 million of lumber



JAN-JUN 2021 U.S. HARDWOOD LUMBER EXPORTS – INDIA



Source: USDA Foreign Agricultural Service

The volume of U.S. hardwood lumber shipped to India during the first half of this year was higher than the total volume shipped each year from 2016 to 2018.

Shipments of hickory, white oak, ash, walnut and western red alder were all up significantly as compared to the same period in 2020.

There is a definite shift towards importing more hardwood lumber in general and there is clear evidence of growing interest in American hardwood lumber specifically.

Direct exports of U.S. hardwood veneer to India were stable year-on-year at a value of USD 1.67 million

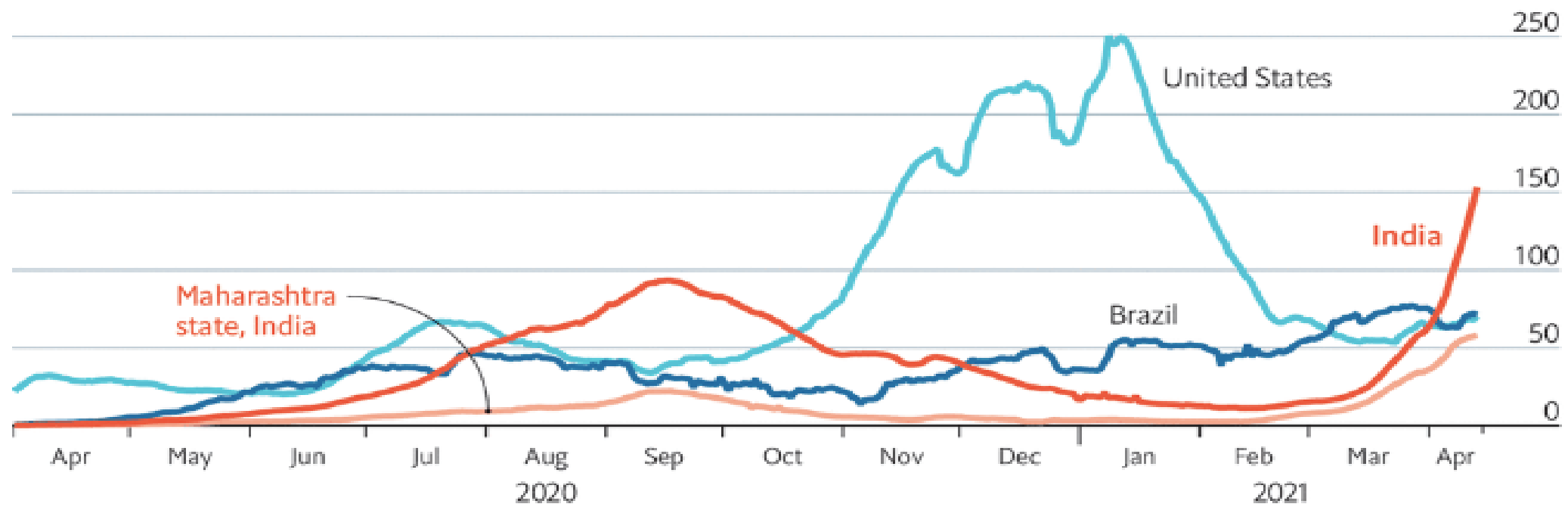


India is facing a sudden spike in covid-19 cases

Hit with a second wave of infections, the country has become the new coronavirus hotspot

Subcontinental shift

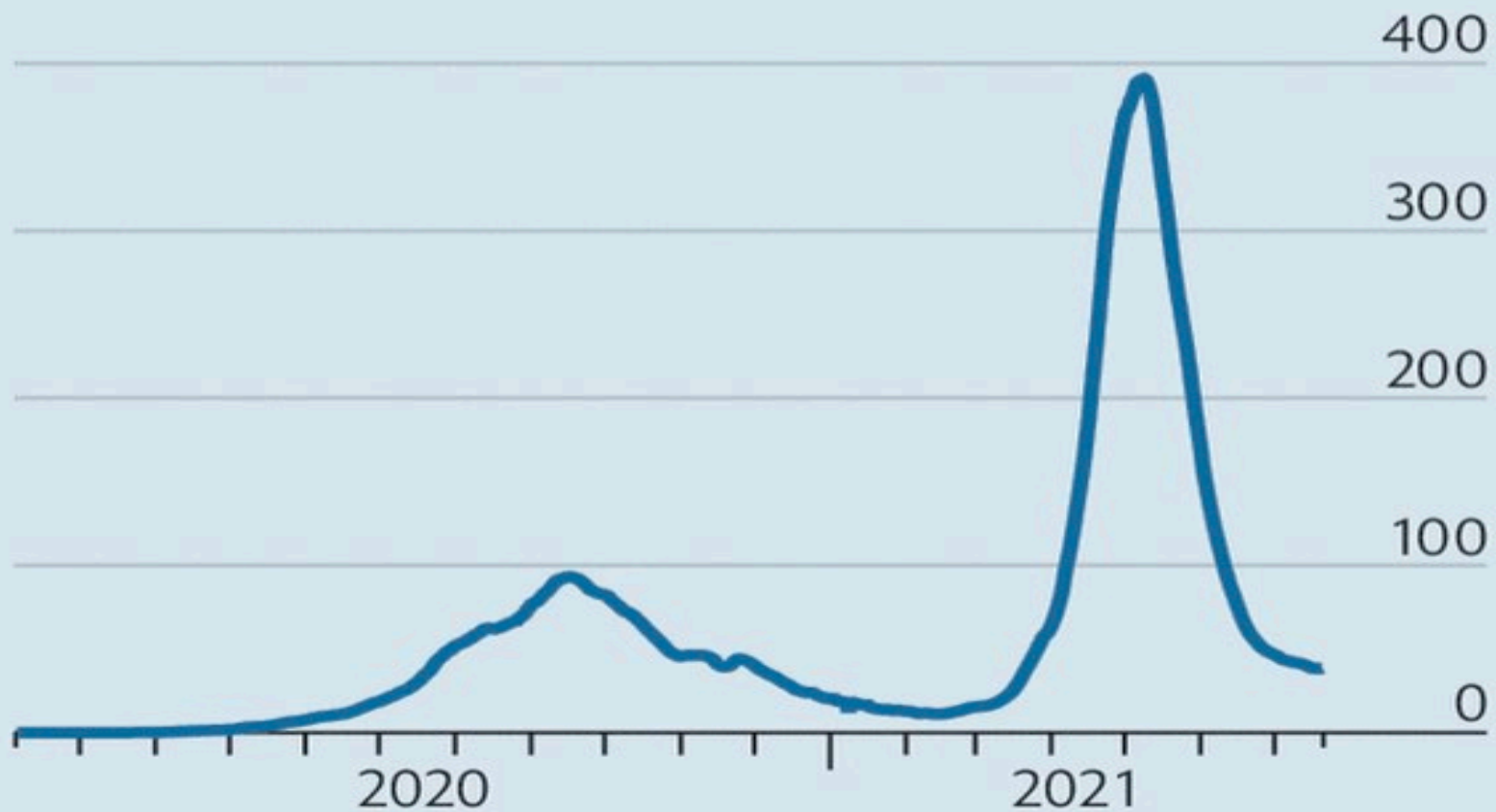
Covid-19, daily new confirmed cases, '000
Seven-day moving average



Source: Johns Hopkins University CSSE

Subcontinental spike

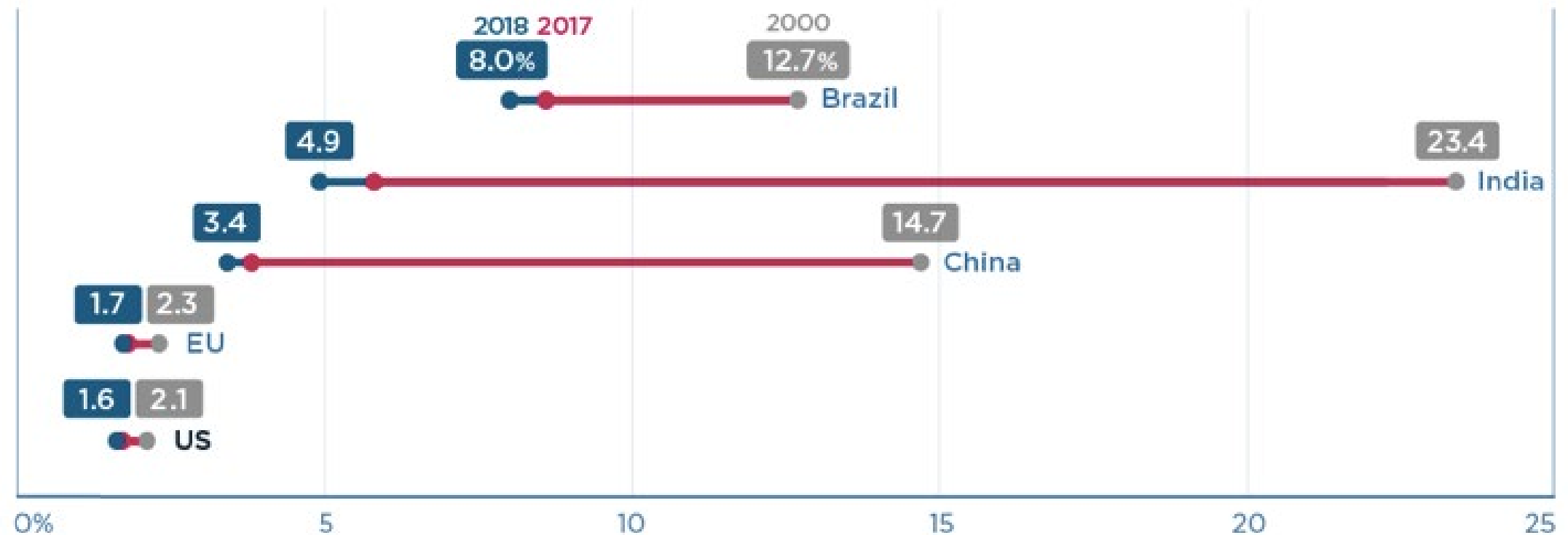
India, daily new confirmed cases of covid-19, '000
Seven-day moving average



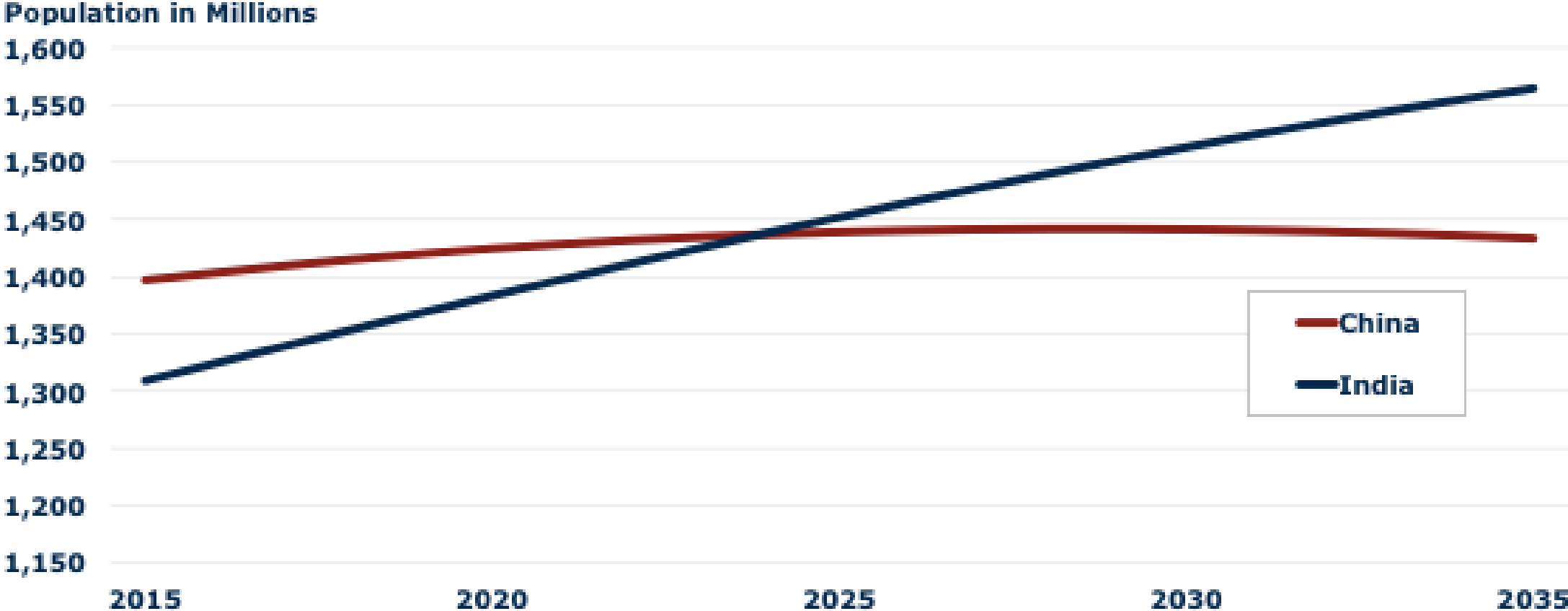
Source: Johns Hopkins University CSSE

Brazil, India, and China have reduced tariffs since 2000, approaching US and EU rates

Trade-weighted average tariffs for all products, percent, 2000, 2017, and 2018



Population Growth in India Will Outpace China



Source: UN Population Division
Medium Variant Projections





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Thank you.

msnow@ahcec.org