

# C I N T R A F O R

## Working Paper 114

### Trends in the Japanese Forest Products Market & Implications for Alaska Forest Products

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#### Executive Summary

With the U.S. housing market at a seventeen year low, it is becoming increasingly important to find global markets for U.S. forest products. One market that values Alaska forest products and offers tremendous opportunity is Japan. However, due to a previously strong U.S. Dollar, increased competition from Europe, and other factors, Alaska forest products have lost significant market share in Japan. The purpose of this research project was to examine recent trends that affect Japan's forest products market and present potential opportunities for Alaska forest products. Data was collected from government and industry organizations and industry experts were interviewed. The research identified five major trends affecting Japan's forest products market:

- Changing Building Regulations – The Building Standards Law was revised in 2007 requiring certification of the structural integrity of new residential buildings by qualified architects or structural engineers. This revision was in response to a recent building scandal where some architects falsified structural strength documents required by the Japanese government. As a result, a number of buildings in the Tokyo area were declared unable to withstand a moderate earthquake and condemned.
- Changing Timber Supply – Overall, Japan's lumber and log imports from North America have decreased. In contrast, lumber and log supplies from Europe, Russia, China, and within Japan have increased. However, several recent occurrences are constricting Japan's timber supply including a Russian log export tariff and increased demand from other regions. Many of the industry experts interviewed pointed out that mills are looking for new suppliers to hedge against disruptions in their traditional timber supply.
- Increasing Green Building and Green Procurement Policies – Japan has developed a green building certification program called the Comprehensive Assessment System for Building Environmental Efficiency (CASBEE). This system consists of various green building criteria. Additionally, the Japanese government has announced a public procurement program that requires all forest products purchased by the government to come from legally harvested timber.
- Changing Exchange Rates – The U.S. Dollar has depreciated approximately 6 percent against the Japanese Yen in the past two years. This makes Alaska and other U.S. forest products more price competitive in the Japanese market.
- Changing Demographics – Two of the most important demographic segments in Japan are the Baby Boomers and the children of the baby boomers or Eco Baby Boomers. The Baby Boomers are retiring and many are looking to improve their houses. Eco Baby Boomers are having families of their own and many are choosing to purchase value priced houses rather than condominiums or renting apartments.

Based on the analysis of Japan's forest products market, the researchers offered the following recommendations:

- Identify Alaska forest products companies interested in exporting to Japan. The first step to promote Alaska forest products in Japan is to identify companies interested in and qualified to export to Japan. These companies need to have the production capacity to do container load volumes and the commitment of management to pursue the Japanese market. Once these companies are identified, a

directory should be created in Japanese to distribute to Japanese forest products buyers. These companies should also be encouraged to participate in the Japan Home Show and trade mission described below.

- Utilize trade organizations to increase awareness of Alaska forest products. Alaska's presence in the Japanese market has dwindled and needs to be rebuilt. This can be done at a relatively low cost through utilizing resources that are already in place. There are two organizations that the authors recommend Alaska's forest products industry utilize in Japan. The first is the Softwood Export Council headquartered in Portland, OR and with a Japan office in Tokyo. The University of Alaska is active with the Softwood Export Council and can assist with making connections. The second is the State of Alaska's Japan Office located in Tokyo. Both of these organizations participate in forest products events held in Japan. The Alaska forest products industry should work closely with both these organizations. The contact information for these organizations is provided in Appendix A.
- Promote WWPA Alaska forest products' labels in Japan. A coordinated marketing effort should be organized to promote the three WWPA registered labels in Japan: Alaska Hem, Alaska Yellow Cedar, and Alaska Spruce. Each of these should be promoted as a brand with unique attributes. The goal should be to build brand recognition for Alaska species in Japan by promoting these species and their unique attributes. Literature should be developed in Japanese explaining each species, their unique attributes, and the end usage for which they are suitable. It would also be beneficial to include contact information for Alaska forest products companies that can supply each of these species.
- Promote the structural values of Alaska lumber in Japan. The revised Building Standards Law requires builders to certify the structural integrity of their buildings by approved architects. In order to do this, architects will need access to the structural values of members used for structural support. Therefore, the results of the in grade testing program conducted by the Ketchikan Wood Technology Center should be translated into Japanese. Japanese architects responsible for certifying building plans will need access to modulus of elasticity and bending strength calculations for Alaska yellow cedar, hemlock, and Sitka spruce.
- Target the glulam beam industry. One expected outcome of the revision to the Building Standards Law is an increase in market share for glulam beams. Mr. Miyazawa (Miyazawa 2007), of the Japan Housing Newspaper, emphasized the revision to the Building Standards Law will favor glulam beams over solid sawn lumber because the exact structural values are written on each glulam beam. The opportunity for Alaska forest products manufacturers is to target the glulam beam industry with lamstock. Japan's glulam beam industry has shown strong growth and there are opportunities for Alaska yellow cedar, hemlock, and Sitka spruce (CINTRAFOR 2008).
- Develop a certificate of harvest origin program for Alaska forest products. The Japanese government is starting to require all forest products purchased by government agencies to provide proof that the wood originated from legally harvested timber. This procurement program is still in the initial stages but what is clear is that some documentation will be required. As of now, the Japanese government is being very flexible with the documentation. At the GOHO Wood (Legal Wood) Conference in Japan, the Japanese official explained that companies can develop their own certificate and attach supporting documents such as timber sale receipts. Exporters should work closely with their Japanese customers and make sure that proper documentation is provided.
- Create an Alaska forest products display for the Japan Home Show held annually in November. One of the main conclusions to be drawn from this research is that Japan's forest products manufacturers are becoming very concerned with the stability of their raw materials supply. Their concern centers on what will happen in the future to Russian and European supply and so Japanese buyers are looking for new suppliers. However, in order for this to benefit Alaska forest products companies, Japanese companies need to be informed of what products exist and how to get them. An excellent venue to meet Japanese buyers and educate them about Alaska forest products is the Japan Home Show. The Japan Home Show is held in November in Tokyo. The Softwood Export Council has a booth each year and allows members to display products. An Alaska forest products display should be designed to display product samples, product literature, and copies of the Alaska Forest Products Directory.

- Organize a Japan Trade Mission for Alaska forest products companies. As a follow up to the Japan Home show, a Japan trade mission should be organized for Alaska forest products companies interested in the Japanese market. The primary purpose of this trade mission would be to introduce Alaska forest products companies to potential Japanese buyers. The secondary purpose of the mission would be to educate Alaska forest products companies about the Japanese market and the types of forest products used in the market. This trade mission should include Japanese mill visits, a seminar given by an Alaska representative explaining to potential Japanese buyers about Alaska forest products, and a reception to bring Alaska companies together with potential Japanese buyers. The visit should also include a visit to pre-cut lumber mills, laminators, and post and beam construction sites. This trade mission should be organized in cooperation with the Alaska Department of Trade, the University of Alaska, and the Softwood Export Council.

Invite potential Japanese customers to Alaska for an Alaska mill tour. This would be a way to introduce Alaska mill owners to Japanese forest products buyers. Additionally, it would allow the Japanese forest product buyers to educate Alaska mills about what products the Japanese market demands and their product specifications.

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