

# C I N T R A F O R

## Working Paper 91

[Back to Publications List](#)

## Niche Market Opportunities for Alaskan Forest Products in Japan

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### Executive Summary

Despite the poor economy in Japan, there remain promising niche markets for Alaskan softwood lumber. The unique characteristics of Alaskan softwood species are well suited to the demands of the Japanese market in general and Japanese post and beam home builders in particular. In addition, Alaskan species, particularly Sitka spruce and Alaska yellow cedar, enjoy a good reputation in Japan. For example, as a result of recent regulatory changes in the residential construction sector, it may be advantageous for Alaskan producers to supply kiln-dried lumber and glu-lam products milled to the specific dimensions required by the post and beam industry. Given that Alaskan producers cannot compete solely on the basis of price, a more effective strategy is to differentiate their products using non-price attributes that are valued in Japan. The primary aims of this research were to identify niche market opportunities for Alaskan timber species in the Japanese post and beam industry, describe those market opportunities and provide recommendations to help Alaskan sawmills evaluate the niche opportunities in Japan and objectively assess how those market opportunities match their own production and sales capabilities. The market opportunities in specific niche markets are described below.

### Residential Construction

The Housing Quality Assurance Act of 2000 requires that all builders provide a 10 year warranty on their homes, including the structural components used to frame-in the house. This requirement has had a significant impact on the species of lumber specified for structural components that are used in ground contact applications. In the future, Japanese builders are expected to increase their use of naturally durable timber species in an effort to reduce their liability and increase the performance of their homes. A second factor influencing material specification in residential construction has been the homebuyers' increasing awareness of, and concern about, "sick house syndrome". Sick house syndrome has received extensive coverage within the Japanese media and, while it is primarily attributed to off-gassing of volatile organic compounds (VOC's) from carpeting, paint, and vinyl wall coverings and their adhesives, this concern on the part of some homebuyers has caused a growing number of builders to reduce or discontinue their use of engineered wood products and pressure treated wood. The combination of these two factors provides Alaskan sawmills with a unique opportunity to increase their sales of Alaska yellow cedar lumber in both the post and beam as well as the 2x4 segments in the home building industry.

### Lamina For Glue-Laminated Beams

Currently there are six glu-lam beam manufacturers in Japan that utilize Alaska yellow cedar lumber to produce laminated *dodai* and posts. Alaska yellow cedar glu-lam ground sills tend to be used in higher end homes, although some builders of mid-price homes use yellow cedar glu-lam ground sills as a way of demonstrating the high quality of their houses and differentiating their homes from their competitors. In addition to ground sills, there are also opportunities to export lamstock produced from Sitka spruce and hemlock for use as posts and structural beams. This is particularly true because Alaskan timber species tend to be slow growth with narrower growth rings and correspondingly higher strength characteristics than the same species growing in other parts of the Pacific Northwest.

### Lumber For *Shoji* Components

Traditional Japanese homes typically have a *tatami* room. The *tatami* room may be where the family gathers or it may serve as a bedroom at night. *Tatami* rooms use a large volume of appearance grade wood in exposed applications such as beams, *shoji* screens, and moldings. While there are fewer *tatami* rooms being built in

Japanese homes today, there is still a good demand for high quality yellow and red cedar, as well as Sitka spruce and white spruce, for shoji components. In addition, the price premiums obtained for *shoji* grade lumber make this a good market for lumber manufacturers.

This research has demonstrated that there are a number of potential market opportunities in Japan for softwood lumber from Alaska. These range from rough green lumber to planed and kiln-dried lumber to laminated yellow cedar sill plates (*dodai*). The most promising opportunities were found to be yellow cedar *dodai* for the post and beam market, 2x4 and 2x6 yellow cedar dimension lumber for sill plates in the 2x4 market, Alaska yellow cedar, Sitka spruce, and hemlock lamina for the laminated beam industry, and rough, green or planed, kiln-dried yellow cedar, western red cedar, Sitka spruce, and white spruce lumber for the *shoji* manufacturing industry. Having identified a series of market opportunities for softwood lumber from Alaska is not enough though. A more important factor is to provide sawmill managers in Alaska with a series of marketing recommendations that will allow them to objectively assess and determine if exporting softwood lumber to Japan makes strategic sense for their company and, perhaps more importantly, that will assist them in determining whether their company is prepared to make the commitment of time and resources that are critical to achieving success in the Japanese market. A series of ten strategic marketing recommendations developed during the course of this study are presented and discussed.

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**Back to [Publications List](#)**