

Imports of European softwood lumber: Impact on family forest owners in Oregon

By Erlend Nybakk and Eric Hansen, Summer 2007

During the last decade, Europe has become the second largest exporter of softwood lumber to the U.S. market after Canada. Compared to Canada, who supplies the United States with one-third of its consumption, European imports of softwood lumber are relatively modest. Since 1997, however, imports from Europe have grown rapidly. In 2006, Europe supplied the U.S. with approximately four percent of its total softwood lumber consumption.

This article will first look at the last decade's change in imports of softwood lumber from Europe, the magnitude of change, causes for growing imports, main exporting countries and expected trends. Finally, the potential impacts on family forest owners in the Pacific Northwest will be considered.

Increasing imports from Europe

During the last decade, imports of softwood lumber from Europe to the U.S. have increased tremendously, from nearly zero in 1997 to a peak of \$930 million in 2005 (see Figure 1). The annual average increase was 49 percent from 1997 to 2006. The main reasons for this increase are limits placed on Canadian imports due to the softwood lumber dispute and oversupply in the European marketplace. Oversupply in Europe caused the lumber prices to drop, forcing European softwood lumber producers to consider alternative markets.

A substantial proportion of European imports come from Germany. In 2006, Germany accounted for 48 percent with Sweden and Austria representing 25 percent and 12 percent, respectively. The Baltic states and Finland are small players in the market (see Figure 2). The Baltic countries of Latvia, Estonia and Lithuania have had considerable growth in their sawmill industry in recent years. During the last decade, Lithuania's exports to the U.S. increased by an average of 60 percent, and in 2006, it was the fourth largest exporter of softwood lumber from Europe to the U.S.

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Imports drop with falling housing market

In 2006, the U.S. housing market began to falter. This coincided with a recovery in European markets for softwood lumber. As a result, European imports dropped by almost \$200 million in one year. Preliminary data from 2007 suggest another dramatic fall in European imports for this year (stippled line in figure 1).

The recent drops in imports suggest that previous growth may have been a short-term phenomenon based more on European market characteristics than on proactive strategies by European companies to develop market share in the U.S. This view is also supported by some European sawmill managers. However, there may be some companies that are in the market for the long term. U.S. companies have

a tendency to jump in and out of exporting based on the health of the domestic economy. For most European sawmills, the home market will probably be the most important market for the foreseeable future.

How will increased imports affect landowners in the Northwest?

Looking at import statistics from a bigger picture, one can see that imports from Europe were only 10-14 percent of the Canadian import in 2004 to 2006. Ocean shipping has become less expensive due to new technology, but land transportation is still relatively expensive. As a result, most European wood products stay on the East Coast of the United States. One can therefore conclude that European imports have few direct impacts on forest owners in the Northwest.

However, globalization of forest products has already affected forest owners worldwide. Increased trade and competition influence market prices globally, generally leading to lower log prices. On the other hand, a global marketplace presents opportunities for new markets and new products. Like forest owners in North Europe, forest owners in the Pacific Northwest have a tradition of supplying local markets. With the new market situation and globalization, it will be important to continue to seek new products, new markets and new ways of operating to maintain a competitive advantage.

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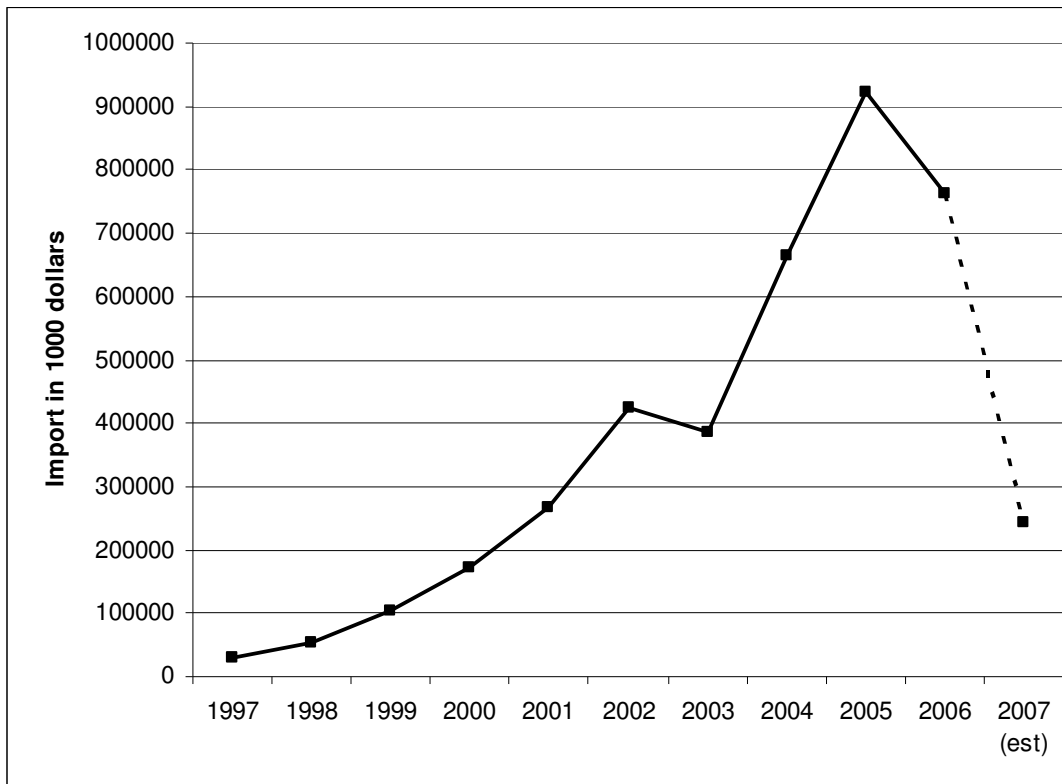


Figure 1. Import of softwood lumber from Europe (EU-countries) to USA from 1997 to 2006 in 1,000 dollars, with an estimation of import in 2007 based on statistics for the first three months in 2007 (broken line).

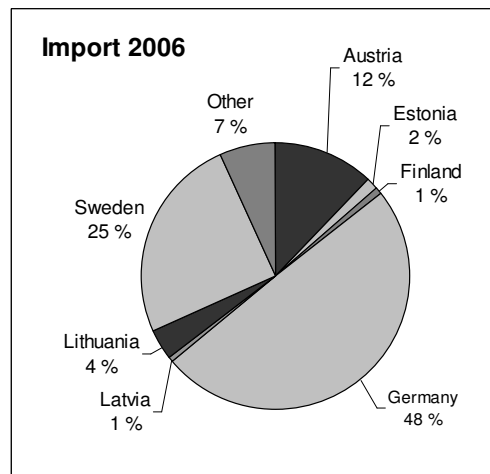
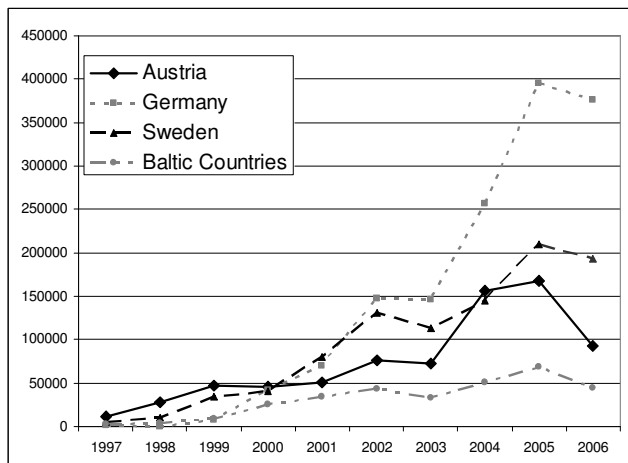


Figure 2. Left, import of softwood lumber from different European countries to U.S. from 1997 to 2006 in 1,000 dollars. Right, distribution of softwood lumber import to U.S. among European countries in percent in 2006.