

# CIS (Russia) & North America: Sawn Softwood Chapter Highlights

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# Sawn Softwood Chapter: Presentation Outline

## Russell Taylor:

- ◆ **Chapter Highlights 2005-2006**
- ◆ **Section 5.3: North America**
- ◆ **Section 5.2: CIS (Russia)**

## Jarno Seppala:

- 4. Section 5.1: Europe**
- 5. Timber Committee Forecasts 2006-2007**

# 1. Sawn Softwood Chapter: Chapter Highlights (to mid-2006)

## Key Highlights:

- **2005 was a stellar year for sawn softwood producers & exports in the UNECE region, but may be the high-water mark as North American markets look more challenging in 2006 and beyond (but Europe looks solid).**
- **Western Europe remained a net exporter in 2005, but offshore export markets in both the United States and Japan became variable and competitive because of the strong euro. In 2006, European exports retrenched.**
- **In 2005 Europe strengthened its market share in its largest overseas market, the United States, but this rapidly weakened by mid-2006 and beyond.**
- **U.S. housing and demand peaked in 2005 and was starting to slow down by mid-2006 – a trend that will continue until the end of 2007.**

# Sawn Softwood Chapter: Chapter Highlights (con't)

## North America:

- **US demand and prices for sawnwood reached new highs again in 2005 as a result of low interest rates and a roaring housing market.**
- **The long running US housing market finally peaked late in 2005 is forecast to decline by a total of 13-18% through 2007.**
- **The mountain pine beetle epidemic in BC has created a massive salvage and sawmilling operation.**
- **Government-imposed harvest reductions in Ontario and Quebec will impact sawnwood production in 2006/07.**
- **The long running Canada-United States dispute on sawn softwood has a new seven-year agreement following four years of litigation and duties.**

# Sawn Softwood Chapter: Chapter Highlights (con't)

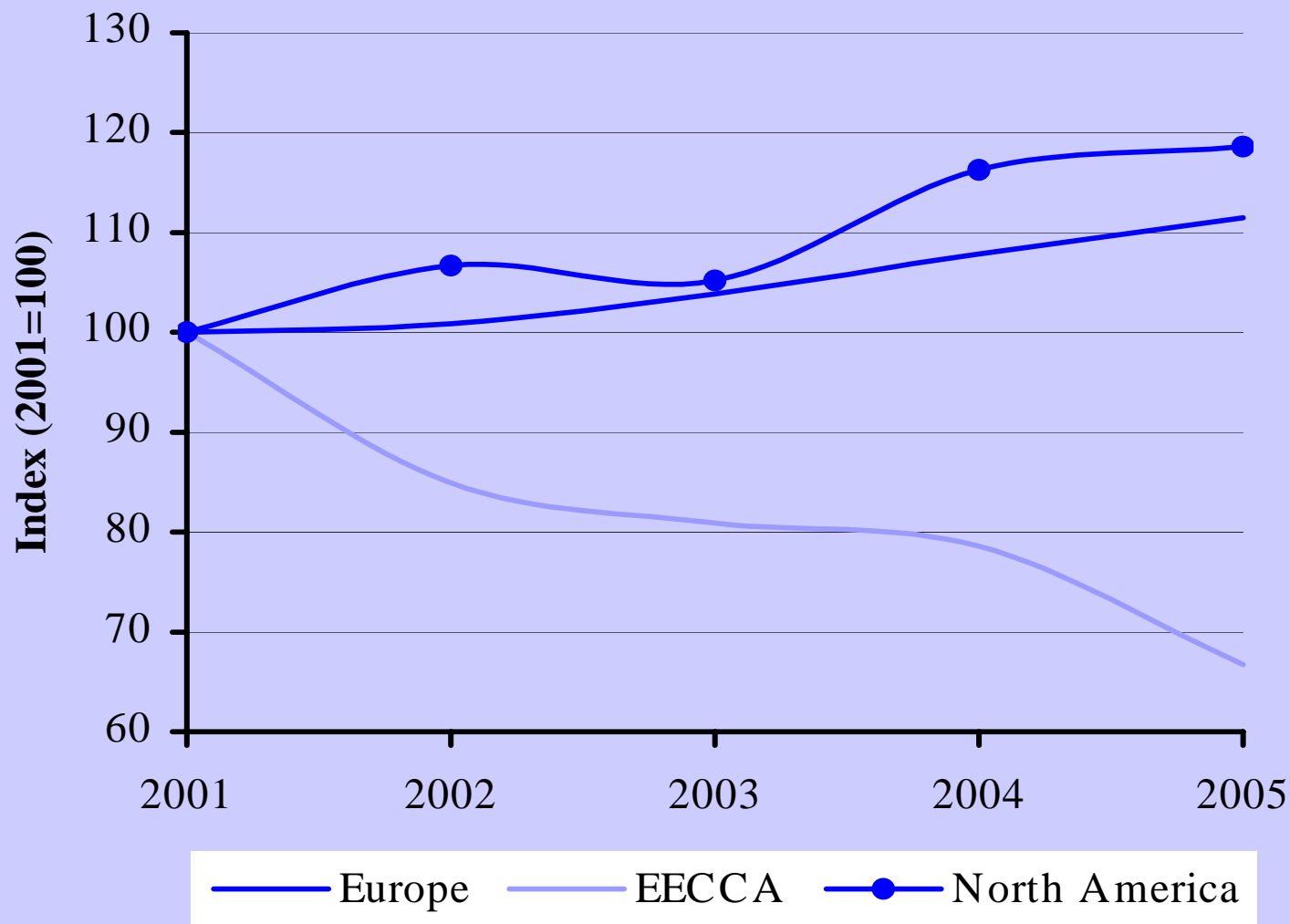
## Europe & CIS (Russia):

- **Membership in the EU by the Baltic States has caused log market prices to quickly converge with European prices, reducing profitability for sawnwood producers.**
- **Russia continued to expand its sawn softwood output (up 5.3%) and exports (up 19.5%) in 2005, gaining market share in many export markets at the expense of traditional suppliers.**
- **The long-awaited Russian Forest Code has not yet been adopted; combined with rising log export taxes, this could be a catalyst for expanding Russian sawn softwood output.**

# 2. North America: Sawnwood Trends

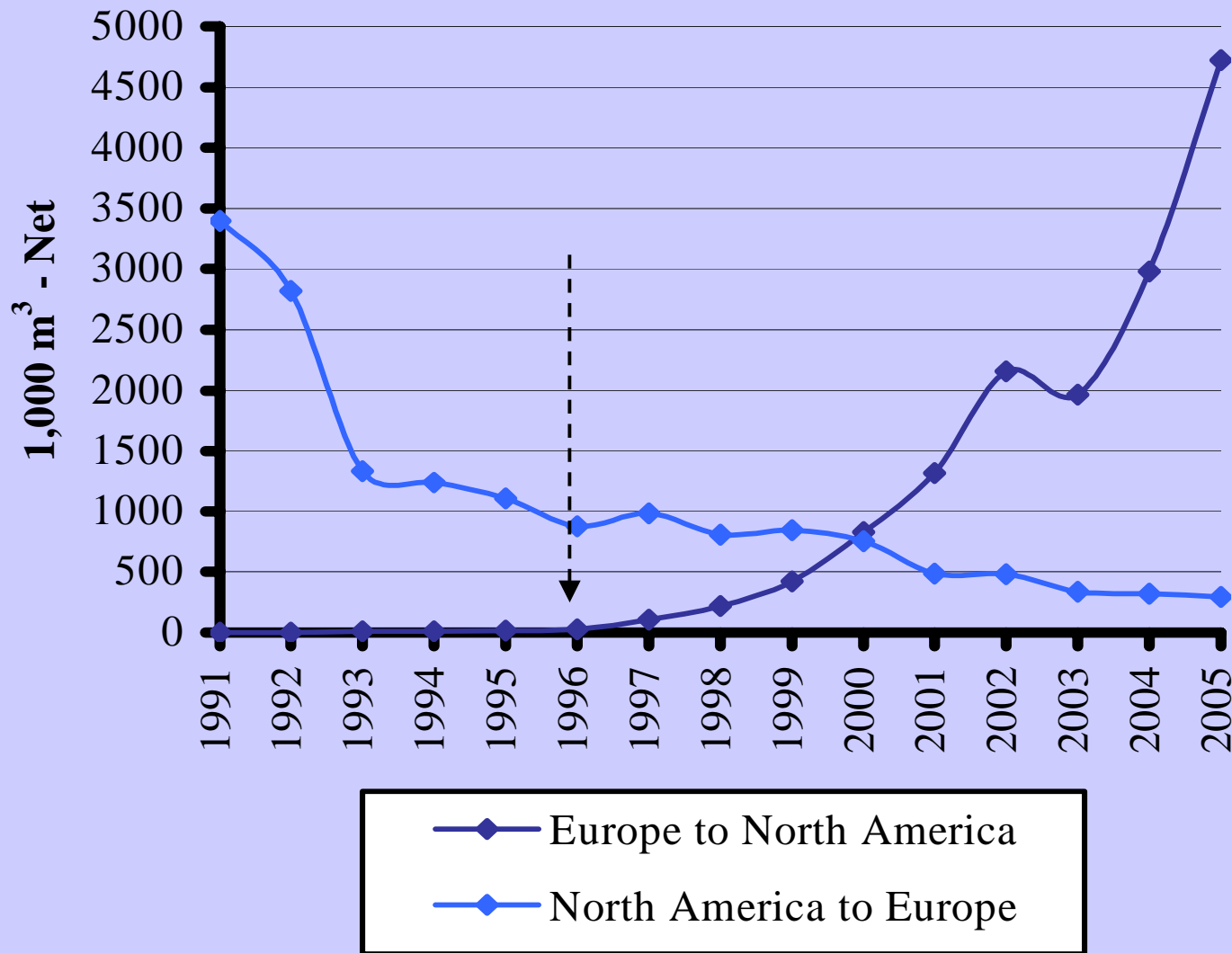
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# Graph 5.1.1: Consumption of sawn softwood in the UNECE region, 2001-2005



Source:  
UNECE/FAO  
TIMBER database,  
2006.

# Graph 5.1.3: Sawn softwood exports between North America and Europe, 1992-2005



Source:  
**WOOD MARKETS**  
Monthly Newsletter,  
2006

**US Tariffs on Canadian Lumber started in 1996!**

# Table 5.3.1: Sawn softwood balance in North America, 2004-2005 (x000 m3)

**Table 5.3.1 Sawn softwood balance in North America, 2004-2005 (1,000 m3)**

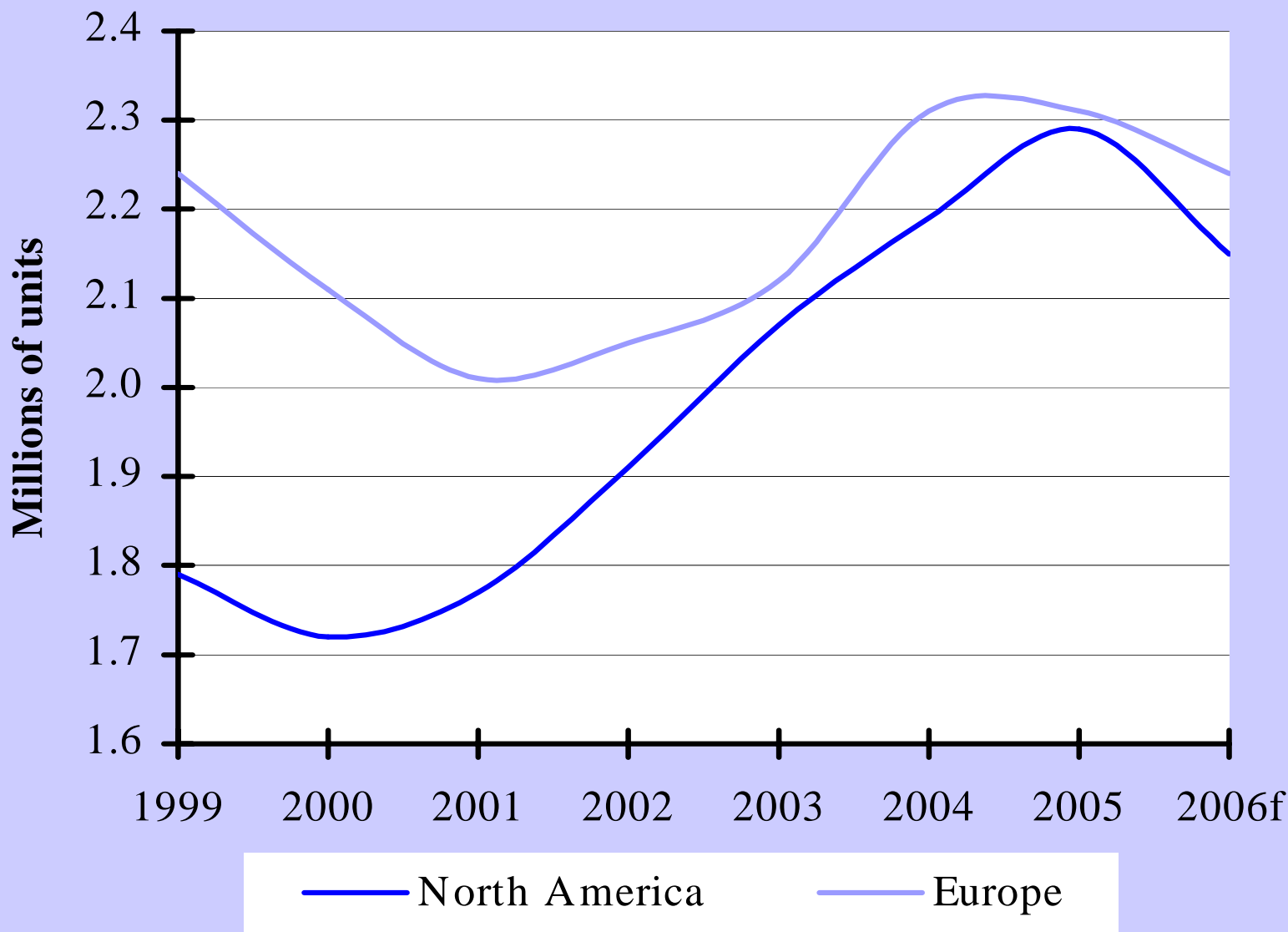
	2004	2005	Change %
<b>Production</b>	<b>125,563</b>	<b>127,656</b>	<b>1.7</b>
<b>Imports</b>	<b>42,133</b>	<b>42,805</b>	<b>1.6</b>
<b>Exports</b>	<b>41,127</b>	<b>41,361</b>	<b>0.6</b>
<b>Net trade</b>	<b>-1,006</b>	<b>-1,444</b>	<b>...</b>
<b>Apparent consumption</b>	<b>126,569</b>	<b>129,101</b>	<b>2.0</b>

**Source: UNECE/FAO TIMBER database, 2006.**

**US & Canada output/consumption peaked in 2005**

**North America has been a NET Importer in '04 & '05**

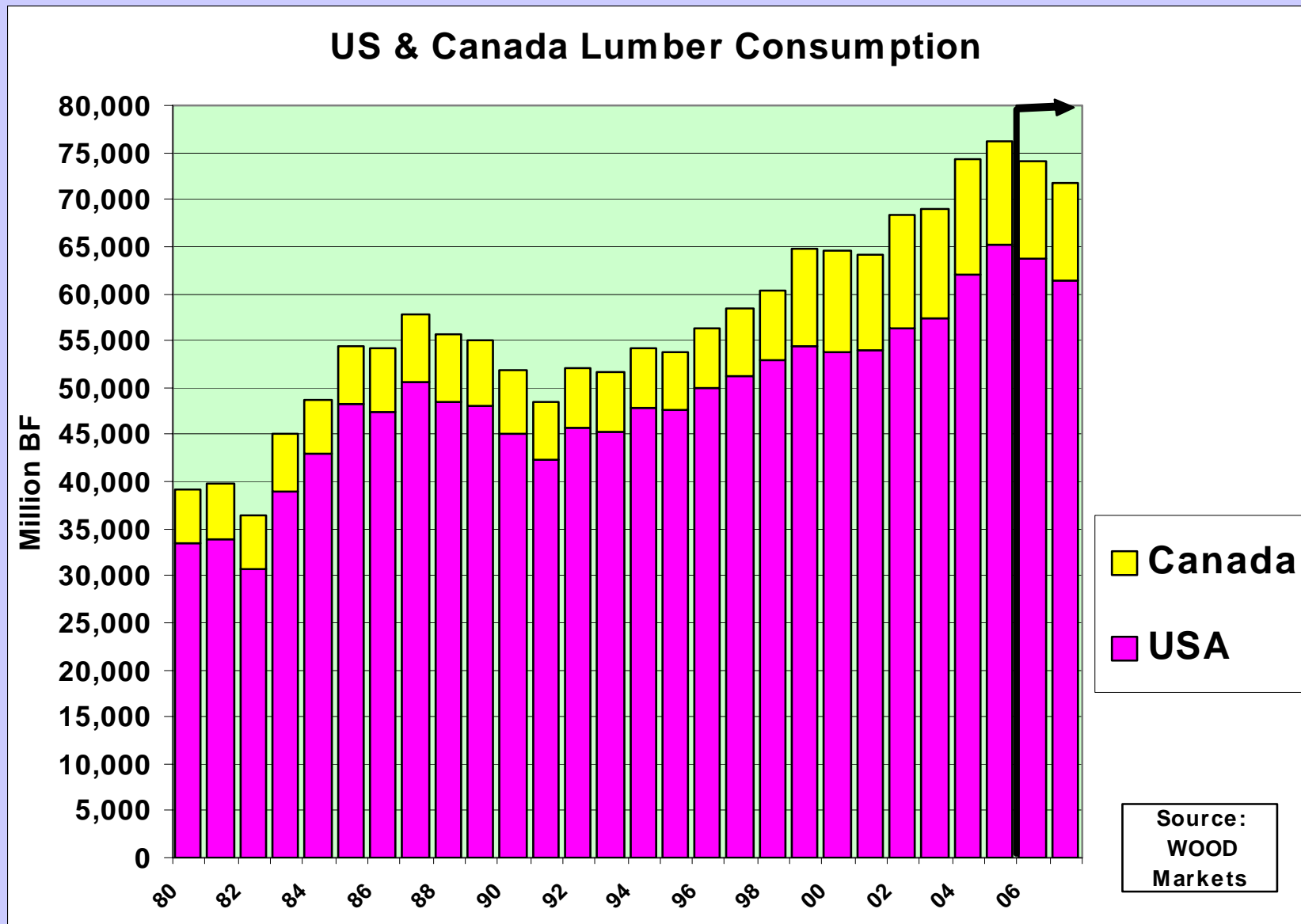
# Graph 5.3.1: Housing starts in North America and Europe, 1998-2006



**Note: f = forecast.**  
**Sources:**  
**CMHC,**  
**NAHB,**  
**Euroconstruct,**  
**2006.**

**Strong US housing has driven North America since '91**

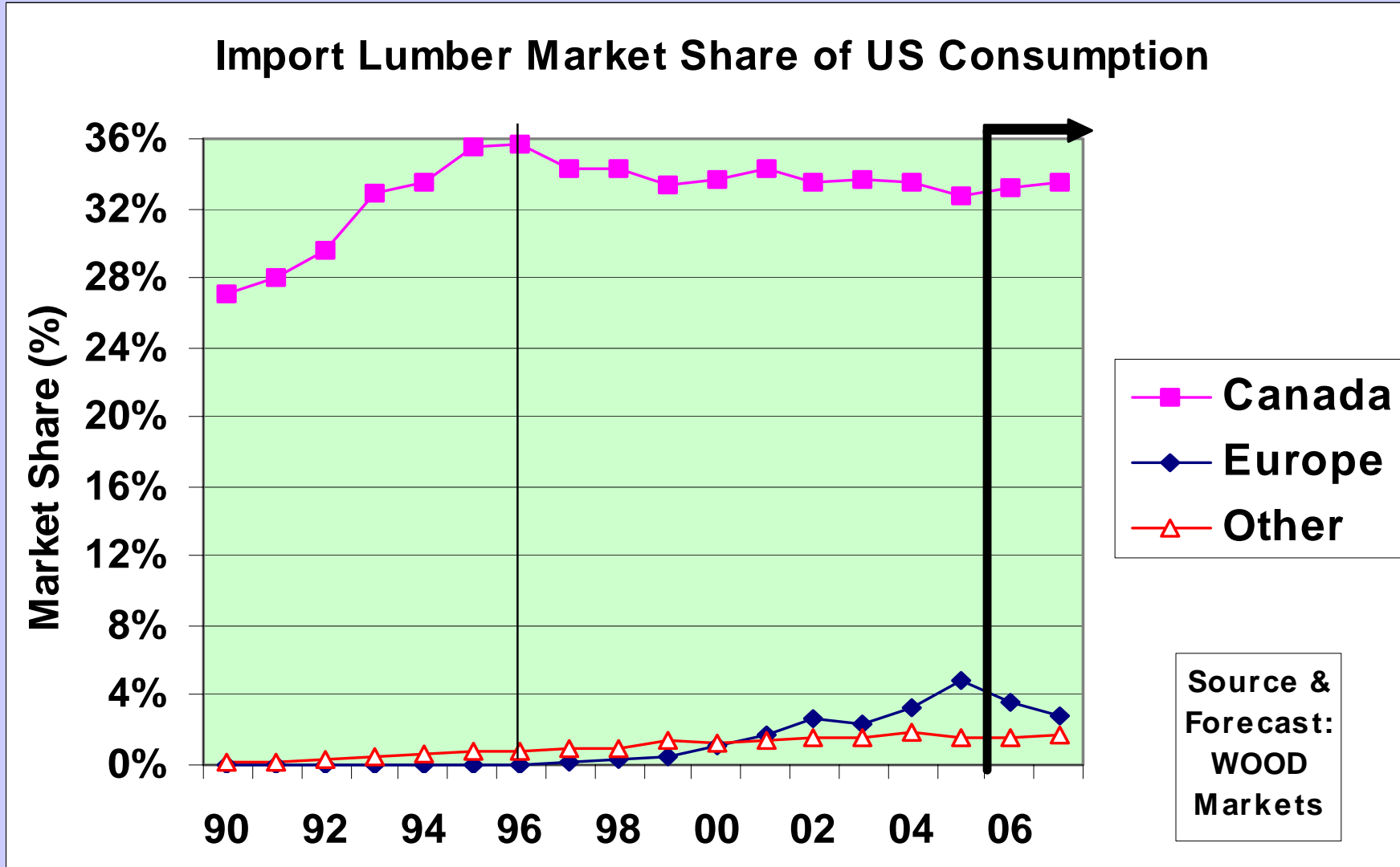
# US & Canada Sawn Softwood Consumption, 1980-2007



**Note:**  
2006 & 2007 =  
forecast by  
WOOD Markets

**Consumption to take “a breather” in 2006 & 2007**

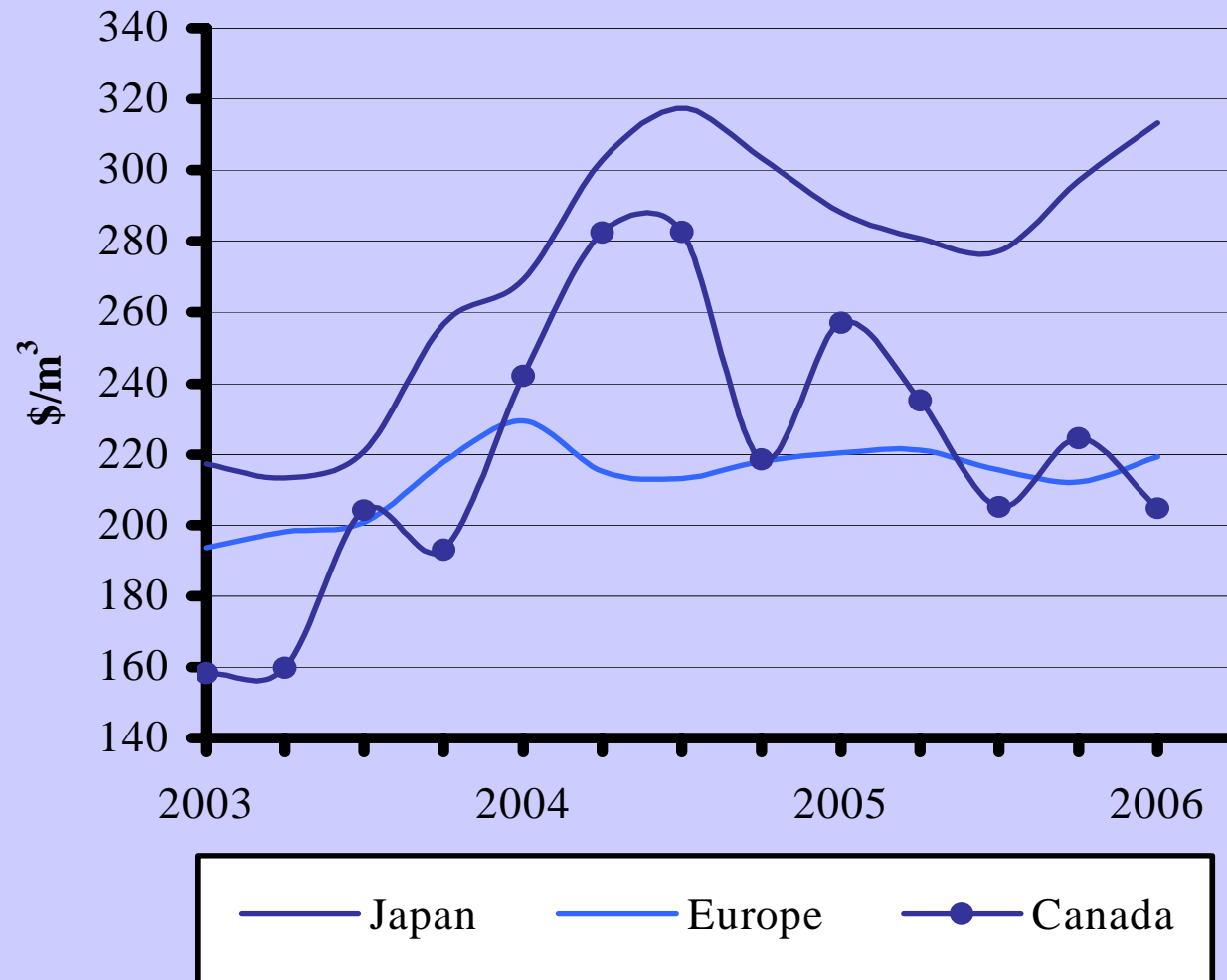
# Canada & Europe: Market Share of US Sawn Softwood Consumption, 1990-2007



**Note:**  
2006 & 2007 =  
forecast by  
WOOD Markets

**Canada's market share has been "managed" since 1996**

# Graph 5.3.2 Sawn softwood price trends in Canada, Europe & Japan, 2003-2006



**Note:  
Structural  
Sawnwood**

**Note: Canadian prices for US market with same trends as US prices.  
Source: WOOD MARKETS Monthly Newsletter, 2006.**

**No. America volatile; Japan rising; Europe steady**

# 3. CIS: Sawn Softwood Trends

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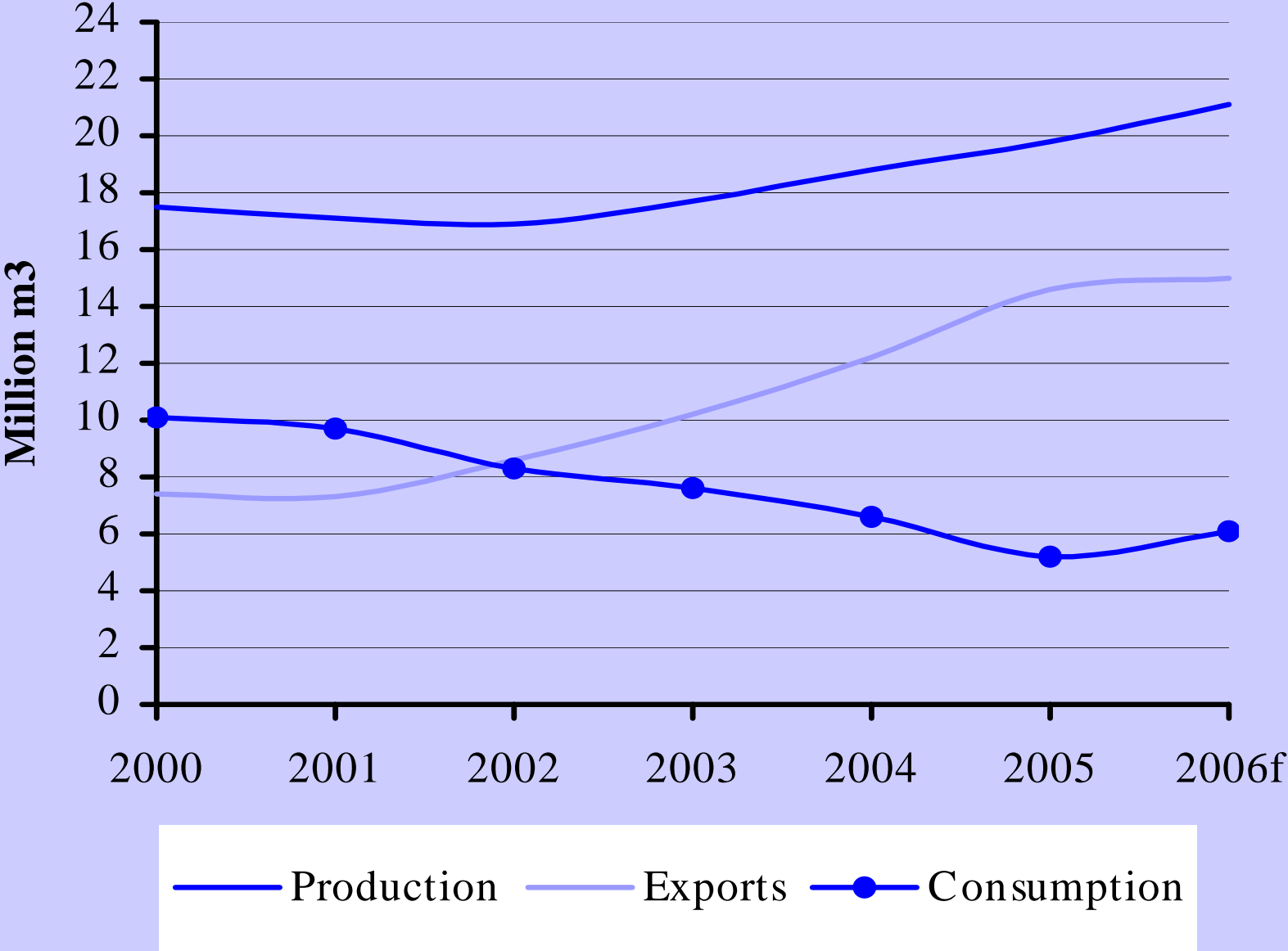
# Table 5.2.1: Sawn softwood balance in CIS, 2004-2005

**Table 5.2.1 Sawn softwood balance in EECCA, 2004-2005  
(1,000 m<sup>3</sup>)**

	2004	2005	Change %
<b>Production</b>	<b>22,757</b>	<b>23,612</b>	<b>3.8</b>
<b>Imports</b>	<b>1,004</b>	<b>1,006</b>	<b>0.2</b>
<b>Exports</b>	<b>14,564</b>	<b>16,810</b>	<b>15.4</b>
<b>Net trade</b>	<b>13,560</b>	<b>15,803</b>	<b>16.5</b>
<b>Apparent consumption</b>	<b>9,197</b>	<b>7,809</b>	<b>-15.1</b>

**Source: UNECE/FAO TIMBER database, 2006.**

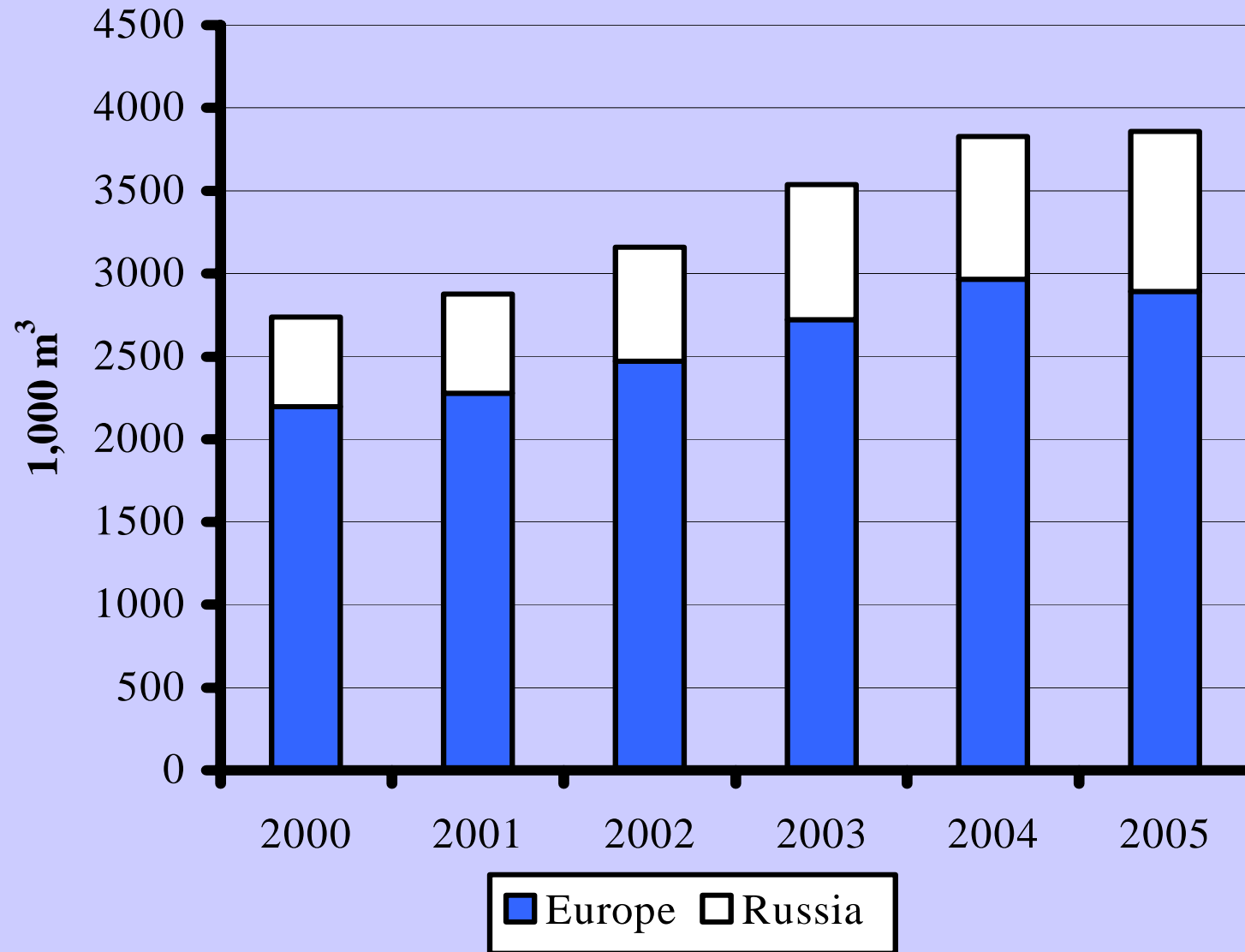
# Graph 5.2.1 Russian sawn softwood trends: 2000-2006



**Note: f = forecast.**  
**Sources:**  
**UNECE/FAO**  
**TIMBER database,**  
**2006 and**  
**OAO NIPIEllesprom,**  
**2006.**

**Russia output & exports continue to grow**

# Graph 5.1.2: European & Russian sawn softwood exports to Japan, 2000-2005



Source:  
Japan Lumber  
Journal, 2006.

# 4. Europe: Sawn Softwood Trends

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