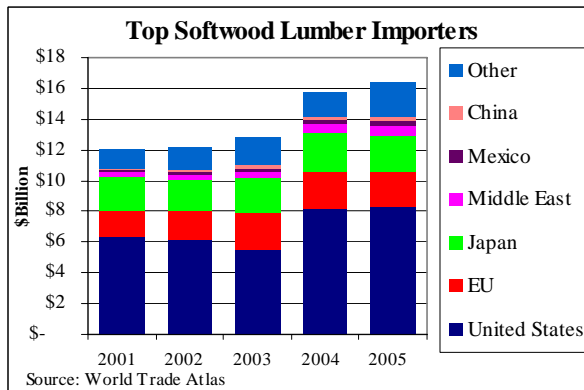


# Top Softwood Lumber Importing Countries

## Top Softwood Lumber Importers

The United States, the European Union (EU)<sup>1</sup> and Japan accounted for 79 percent of the estimated \$16.4 billion of softwood lumber imported by the major trading countries in 2005.<sup>2</sup> Between 2001 and 2005, combined imports by the United States, EU and Japan increased 26 percent from \$10.2 billion to \$12.9 billion. During this same time period, combined imports by the Middle East, Mexico and China increased 145 percent from \$530 million to \$1.3 billion, raising the importance of these markets for exporters around the world.



### United States

The United States imports more softwood lumber than any other country, accounting for approximately 50 percent of world imports. The construction of new homes as well as the remodeling and repair of existing homes drives U.S. softwood lumber consumption.

On average, housing starts consume an impressive 43 percent of the U.S. softwood lumber supply. Over the last several years, the U.S. housing market has been booming. In March 2006, privately-owned housing starts were at a seasonally adjusted annual rate of 1.96 million units, a 22-percent increase compared to 2000.

<sup>1</sup> EU countries include Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and the United Kingdom

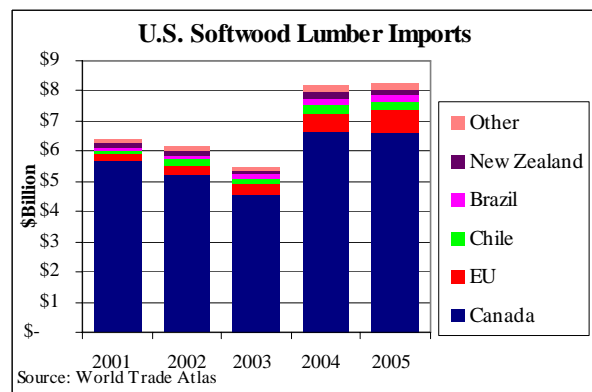
<sup>2</sup> For the purposes of this report, the major trading countries of the world have been defined as those countries that contain trade data in the Global Trade Atlas database. <http://www.gtis.com/faq.cfm>

Demand has primarily been driven by low interest rates. Rates for 30-year fixed rate mortgages decreased from



8.1 percent in 2000 to an historic low of 5.2 percent in June 2003. In May 2006, rates stood at 6.59 percent. When rates were as high as 10.1 percent in 1990, housing starts were just 1.2 million units.

The house remodeling and repair industry also consumes large quantities of softwood lumber, on average consuming 31 percent of the U.S. softwood lumber supply. In the third quarter of 2005, expenditures for improvements and repairs were at a seasonally adjusted annual rate of \$218 billion. The National Association of Home Builders has forecast these expenditures will reach a record \$238 billion in 2006. In 2000, these expenditures totaled \$157 billion.



In 2005, the United States imported \$8.3 billion of softwood lumber. Although imports from Canada increased from \$5.7 billion in 2001 to \$6.6 billion in 2005, Canada's market share decreased from 89 percent to 80 percent during this period. Imports from Canada likely slowed as a result of antidumping and countervailing duties that the U.S. imposed on Canadian softwood lumber beginning in 2002. Although the combined duties were reduced from 27 percent in

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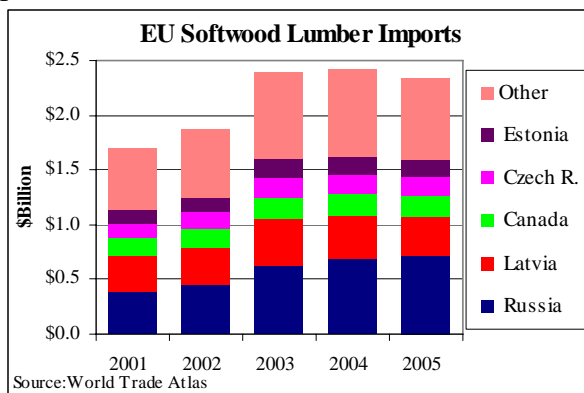
2002 to approximately 11 percent, imports from other countries enter duty-free.

Between 2001 and 2005, U.S. softwood lumber imports from the EU increased from \$215 million to \$788 million. During this time period, the EU increased its market share from 3 percent to 10 percent. Imports from Chile more than doubled, from \$127 million in 2001 to \$272 million in 2005. Imports from Brazil, New Zealand, and the Czech Republic in 2005 totaled \$191 million, \$171 million, and \$61 million, respectively.

## European Union

Between 2001 and 2005, EU softwood lumber imports increased 37 percent from \$1.7 billion to \$2.3 billion. Imports from Russia nearly doubled, increasing from \$383 million in 2001 to \$713 million in 2005. During this time period, Russia strengthened its market share from 23 percent to 31 percent. Although the value of imports from most other countries also increased, market share for these countries was either flat or down slightly.

In 2005, EU imports of softwood lumber from Latvia, Canada, and the Czech Republic totaled \$365 million, \$183 million, and \$180 million, respectively. Although imports from Chile totaled just \$53 million in 2005, imports increased 238 percent since 2001.

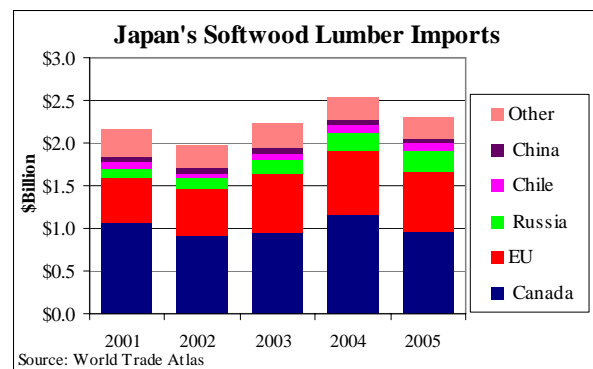


Of the top 15 countries shipping softwood lumber to the EU, the United States was the only one that decreased both in terms of value and market share. Between 2001 and 2005, imports from the United States decreased from \$124 million to \$99 million

and market share decreased from 7 percent to 4 percent.

## Japan

In 2005, Japan imported \$2.3 billion of softwood lumber, a 7-percent increase since 2001. Although Canadian softwood lumber has dominated Japan's imports over the last several years, its market share has slipped from 50 percent in 2001 to 42 percent in 2005. In 2005, imports from Canada totaled \$965 million. During the 2001-2005 period, EU market share increased from 24 percent to 30 percent. In 2005, imports from the EU totaled \$692 million. Although imports from Russia totaled just \$245 million in 2005, its market share increased from 5 percent to 11 percent between 2001 and 2005.



Japan's softwood lumber imports from the United States decreased both in terms of value and market share. Between 2001 and 2005, imports from the United States decreased from \$139 million to \$44 million and market share decreased from 6 percent to 2 percent.

## Middle East

The Middle East imported \$665 million of softwood lumber in 2005, a 123-percent increase since 2001<sup>3</sup>. Saudi Arabia ranked as the top Middle Eastern softwood lumber importer. Between 2001 and 2005, Saudi Arabia's imports

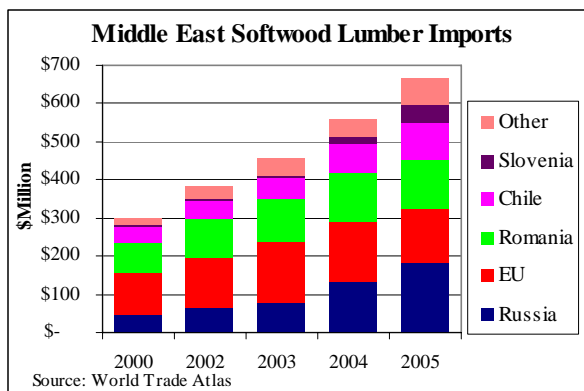
<sup>3</sup> A list of Middle East countries can be found at: <http://www.fas.usda.gov/ustrade/ustlists/FASCntryGrp.asp?QI=>

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increased 51 percent to total \$175 million. During this time period, the United Arab Emirates' imports increased 266 percent to total \$98 million, Israel's imports increased 44 percent to total \$75 million, and Iran's imports increased 459 percent to total \$70 million.



Russia has emerged as the top supplier of softwood lumber to the Middle East. Between 2001 and 2005, imports from Russia increased from \$48 million to \$184 million, increasing Russia's market share from 16 percent to 28 percent. This growth came largely at the expense of EU and Romanian market share. During this period, EU market share decreased from 37 percent to 21 percent and Romania's market share decreased from 27 percent to 19 percent. However, the value of softwood lumber imports from the EU increased from \$109 million to \$140 million, and imports from Romania increased from \$80 million to \$128 million between 2001 and 2005.



Of the top 20 countries shipping softwood lumber to the Middle East, the United States was the only one that decreased both in terms of value and market share. Between 2001 and 2005, imports from the United States decreased from \$3.5 million to \$3 million and market share decreased from over 1-percent to less than 1-percent.

### Mexico

In 2005, Mexico imported \$318 million of softwood lumber, a 123-percent increase since 2001. Imports from Chile increased 285 percent, from \$45 million in 2001 to \$175 million in 2005. During this same time period, Chile strengthened its market share from 32 percent to 55 percent. This growth came largely at the expense of U.S. market share, which decreased from 48 percent to 27 percent. However, Mexico's softwood lumber imports from the United States during this time period increased in terms of value, from \$68 million to \$85 million. Imports from Canada increased from \$13 million in 2001 to \$34 million in 2005, with market share increasing from 9 percent to 11 percent.

### China

In 2005, China imported \$317 million of softwood lumber, a 249-percent increase since 2001. Imports from Russia increased from \$25 million in 2001 to \$116 million in 2005. During this same time period, Russia increased its market share from 28 percent to 37 percent. Imports from Canada increased from \$9 million in 2001 to \$52 million in 2005, with market share increasing from 10 percent to 16 percent. In 2005, China's softwood lumber imports from New Zealand, the EU, Chile, and the United States totaled \$50 million, \$30 million, \$27 million, and \$14 million, respectively.

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