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Japan

Solid Wood Products

Annual Report

2005

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Report Highlights:
The Japanese housing market, which accounts for 85% of the country's wood use, grew 2.5% in 2004 after many slow years. Consequently, plywood and laminated wood producers as well as importers and distributors kept busy with many orders to be filled throughout the year.

Includes PSD Changes: Yes
Includes Trade Matrix: No
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I. **Executive Summary**

The Japanese housing market, which accounts for 85% of Japan's wood use, grew 2.5% in 2004 from the previous year, coming out of the doldrums of the last decade. Total residential housing starts were 1,189,049, 45% of which were using wood-framed construction methods. Housing starts for 2005 as of the end of June were reported to be 578,807, up 1.8% from the same period last year.

In line with the unmistakable recovery of the housing market and rapid growth in the variety of product demands, Japan's plywood industry, laminated wood product manufacturers and their distributors have been busy throughout the year with long back orders. Thus, Japanese plywood production in 2004 was 3,149,000 m3, up 4.1% from the previous year, and laminated wood production reached an all time high of 1,487,600 m3, up 5.7%. Softwood plywood production accounted for 68% of Japan's total plywood production, in line with the industry-wide trend of increased production of higher valued softwood products. Consequently, the market share of Russia, a major supplier of the softwood logs, jumped 26%. Japanese manufacturers produced 1,490,000 m3 of laminated wood products in 2004, another record high. Structural glulam products, used primarily by the housing market, accounted for 86% of this production.

End of Summary

II. **Strategic Indicator Tables**

STRATEGIC INDICATOR TABLE 1: CONSTRUCTION MARKET			
Country: Japan Report Year: 2005	Previous Calendar Year	Current Calendar Year	Following Calendar Year
Total Housing Starts (number of units)	1,189,049	1,180,000	1,190,000
--Of which, wood frame	540,756	535,000	542,000
--Of which, steel, masonry, other materials	648,293	645,000	648,000
--Of total starts, residential	1,159,050	1,150,000	1,160,000
----Of residential, single family	514,710	510,000	515,000
----Of residential, multi-family	674,339	670,000	675,000
--Of total starts, commercial	29,999	29,800	30,000
Total Value of Commercial Construction Market ($US million)	123,557	124,000	125,000
Total Value of Repair and Remodeling Market ($US million)	N/A	N/A	N/A
Are tariffs on softwood from the United States higher, equal or lower than softwood imported from other countries? 1/	Equal	Equal	Equal
Are tariffs on plywood from the United States higher, equal or lower than plywood imported from other countries? 1/	Equal	Equal	Equal
Are non-tariff barriers on softwood from the United States higher, equal or lower than softwood imported from other countries? 1/	Equal	Equal	Equal
Are non-tariff barriers on plywood from the United States higher, equal or lower than plywood imported from other countries? 1/	Equal	Equal	Equal
Are there market development programs for construction, softwood or plywood imports funded by foreign governments?	No.	No.	No.
If yes, identify the following:			
--Country	N/A	N/A	N/A
--Form(s) of competition: Export subsidy, trade show, trade servicing, permanent market representative (number), permanent office (location), or other. 2/	N/A	N/A	N/A
--Estimated annual market expansion outlay ($US million) by country	N/A	N/A	N/A
Is the acceptability of U.S. style timber frame construction (i.e., per building codes, mortgage availability, etc.) high, medium or low? 3/	High	High	High
Are consumer preferences for solid wood materials vis-a-vis non-wood materials in construction high, medium or low? 3/	High	High	High
From Post's experience, is the willingness of U.S. suppliers to deliver product per importers' specifications low, medium or high? 3/	Medium	Medium	Medium
If price quotes for construction and structural wood products are available, identify the leading source(s)	N/A	N/A	N/A
1/ If other than equal, explain in report text. 2/ If "other", then explain in report text. 3/ If low or medium, explain in report text.			

STRATEGIC INDICATOR TABLE 2: FURNITURE & INTERIORS MARKET			
Country: Japan Report Year: 2005	Previous Calendar Year	Current Calendar Year	Following Calendar Year
Total Housing Starts (number of units)	1,189,049	1,180,000	1,190,000
Total Number of Households (1,000 households)	48,015	48,015	48,015
Furniture Production ($US million)-Wooden- (Exch. 110.-/$) ①	1,564	1,600	1,650
Interiors Market Size ($US million) (Exch. 110.-/$) ②	5,859	5,900	5,950
Total Furniture Imports ($US million) ③	2,589	2,600	2,650
Total Furniture Exports ($US million) ④	613	620	625
Are tariffs on hardwood from the United States higher, equal or lower than hardwood imported from other countries? 1/	Equal	Equal	Equal
Are non-tariff barriers on hardwood from the United States higher, equal or lower than hardwood imported from other countries? 1/	Equal	Equal	Equal
Are there market development programs for furniture or interiors market expansion funded by foreign governments?	No	No	No
If yes, identify the following:			
--Country(ies) 2/	-	-	-
--Form(s) of competition: Export subsidy, trade show, trade servicing, permanent market representative (number), permanent office (location), or other. 3/	-	-	-
--Estimated annual market expansion outlay ($US million) by country	-	-	-
From Post's experience, is the willingness of U.S. suppliers to deliver product per importers' specifications low, medium or high? 4/	Medium	Medium	Medium
If price quotes for furniture and interiors products are available, identify the leading source(s)	-	-	-
1/ If other than equal, explain in text. 2/ If more than one country, report each country individually. 3/ If "other", explain form of subsidy in text. 4/ If low or medium, explain in test.			

Notes:
① Covers the following "wooden" products, as classified in the Japanese Government (METI) statistics.
-Chest of drawers (wardrobes, Japanese-style cabinet of drawers, or Tansu, Cabinets of drawers), Dressers, including mirror stands, Shelves (cupboards, other shelves), Desks, Tables, Chairs (sofas, dining chairs, etc.),
Beds, cabinets, other furniture, etc.
② Includes the following "metal" furniture in addition to "wooden" furniture.
-Desks and tables, Chairs, Filing cabinets, Storage cabinets, Fire-retardant containers, Kitchen furniture (eg. Sink cabinets, range tables, cooking tables, system kitchens), Beds, Racks, Partitions, etc.
③ Covers products under the following HS (Harmonized System) tariff codes in full 9-digits / customs clearance basis.
-9401.40-61-69-30-40-50-80-71-79-90
-9403.30-40-50-60-10-2070-80-90
④ Covers products under the following HS (Harmonized System) tariff codes in full 9-digits / customs clearance basis.
-9401.40-000, 9401.61-000, 9401.69-000, 9403.30-000, 9403.40-000, 9403.50-000, 9403.60-000, 9401.30-000, 9401.71-000, 9401.79-000, 9403.10-100, 9403.10-900, 9403.20-100, 9403.20-900, 9401.50-000, 9401.80-000, 9403.70-000, 9403.80-000, 9401.90-000, 9403.90-000.

STRATEGIC INDICATOR TABLE 3: FOREST PRODUCT TARIFFS AND TAXES (percent)						
Country: Japan Report Year: 2005	Product Description	Tariff Current Year	Tariff Following Year	Other Import Taxes or Fees 1/	Total Cost of Import	Export Tax
4401.21-22	Wood Chips	Free	Free	5.0	5.0	None
4403.10-20	Softwood Logs	Free	Free	5.0	5.0	None
4403.10.210-230	Temperate HW Logs	Free	Free	5.0	5.0	None
4403.91-92	Temperate HW Logs	Free	Free	5.0	5.0	None
4403.99.190-110-210-290-310-390.	Temperate HW Logs	Free-3.5	Free-3.5	5.0	5.0	None
4403.10.220	Tropical HW Logs	Free	Free	5.0	5.0	None
4403.41-49	Tropical HW Logs	Free	Free	5.0	5.0	None
4404	Split poles/Piles,etc.	5.0-7.5	5.0-7.5	5.0	10.0-12.5	None
4405	Wood wool,flour	2.5	2.5	5.0	7.5	None
4406	Railway sleepers	Free	Free	5.0	5.0	None
4407.10. Softwood Lumber < 160mm; Thickness						
-110; Pinus spp. Abies spp.	Picea spp; Planed	4.8	4.8	5.0	9.8	None
-121;Pinus spp.	Not planed	4.8	4.8	5.0	9.8	None
-129;	Other species	4.8	4.8	5.0	9.8	None
-210; Genus Larix	Paned or sanded	8.0	8.0	5.0	11.0	None
-290; Genus Larix	Not planed or sanded	10.0	10.0	5.0	11.0	None
4407.91-92	Temperate HW Lbr.	Free	Free	5.0	5.0	None
4407.99.100-210-290-400-500	Temperate HW Lbr.	Free	Free	5.0	5.0	None
4407.24; Tropical HW Lbr.	Virola, Mahogany	Free	Free	5.0	5.0	None
4407.25-26-29;Trop.HW Lbr.	Meranti,Lauan,etc.	6.0	6.0	5.0	11.0	None
4407.99.310-390	Tropical HW Lbr.	6.0	6.0	5.0	11.0	None
4408.10	Softwood veneers	5.0-6.0	5.0-6.0	5.0	10.0-11.0	None
4408.31;Meranti	Hardwood veneers	5.0-6.0	5.0-6.0	5.0	10.0-11.0	None
4408.39;Padok,Jeltong,Teak	Hardwood veneers	5.0-6.0	5.0-5.6	5.0	10.0-11.6	None
4408.90;Tsuge,Tagayasan, etc.	Hardwood veneers	5.0-6.0	5.0-5.6	5.0	10.0-11.6	None
4409.10;Softwood	Drawn wd,mouldings	3.6-5.0	3.6-5.0	5.0	8.6-10.0	None
4409.20;Non-Softwood	Drawn wd,mouldings	Free-5.0	Free-5.0	5.0	5.0-10.0	None
4410.11-19; Particleboard,	Waferboards, OSB	5.0-6.0	5.0-6.0	5.0	10.0-11.0	None
4410-90; Other boards/sheets	Wood materials	6.6-7.9	6.6-7.9	5.0	11.6-12.9	None
4411.11-19; Fiberboard	Density >0.8g/cm3	2.6	2.6	5.0	7.6	None
4412.13 Plywood, veneered panels & similar laminated wood.						
-119	Hardwood Plywood	10.0	10.0	5.0	15.0	None
-122	Hardwood Plywood	8.5	8.5	5.0	13.5	None
-219	Hardwood Plywood	6.0	6.0	5.0	11.0	None
-229	Hardwood Plywood	6.0	6.0	5.0	11.0	None
4412.14.011;Tangue/groove	Hardwood Plywood	6.0	6.0	5.0	11.0	None
4412.14.019;Others	Hardwood Plywood	6.0	6.0	5.0	11.0	None
4412.19.011;Tang./groove	Softwood Plywood	6.0	6.0	5.0	11.0	None

4412.19.019; Others	Softwood Plywood	6.0	6.0	5.0	11.0	None
4412.22; With 1 trop.ply	Laminated Lumber	6.0	6.0	5.0	11.0	None
4412.23;With 1 particlebd.	Laminated Lumber	6.0	6.0	5.0	11.0	None
4412.29-92-93-99;Oths	Laminated Lumber	6.0	6.0	5.0	11.0	None
4413.00	Densified Wood	7.0	7.0	5.0	12.0	None
4414.00	Wooden Frames	3.2	3.2	5.0	8.2	None
4415; Crates, Pallets,	Packing cases,boxes	2.8	2.8-3.9	5.0	7.8-8.9	None
4416.00; Casks,barrels,	Vats, Tubs,etc.	2.2	2.2	5.0	7.2	None
4417.00; Tools,Tool bodies	Tool Handles,Broom	2.2-2.8	2.2-2.8	5.0	7.7-7.8	None
4418; Builder's Joinery &	Carpentry of Wood	Free-5.0	Free-5.0	5.0	Free-10.0	None
4419.00; Tableware &	Kitchenware of Wood	2.7-4.7	2.7-4.7	5.0	7.7-9.7	None
4420; Wood Marquetry &	Inlaid Wood,caskets	Free-10.0	Free-10.0	5.0	Free-15.0	None
4421; Other Articles of	Wood (eg.hangers)	Free-3.9	Free-3.9	5.0	Free-8.9	None
9406.00; Prefabricated	Buildings & Parts	Free	Free	5.0	5.0	None
1/ Japanese domestic consumption tax, applicable to all goods and products sold in Japan.						

III. **Forest Situation**

-Total output from Japanese forestlands in 2004 was 450.3 billion Yen (approx. $4.1 billion), down 1.5% from the previous year. Decline in the output value of mushroom production was primarily responsible for the overall decline.

-Timber production totaled 233.2 billion Yen (approx. $2.1 billion). This was not a substantial change from the previous year, as shown in the following table.

Japanese Forests - Total Output Value (Unit: 100 million Yen)				
Product Sector	2004	2003	% Change 1/	2004::% Share
Timber Production	2,332	2,338	- 0.2%	51.7%
Charcoal Production	76	76	+ / - 0	1.7%
Mushroom Production	2,067	2,131	- 3.0%	45.9%
Misc. products	28	27	+3.7%	0.6%
Total Output	4,503	4,572	-1.5%	100.00

(Source: Ministry of Agriculture, Forestry & Fisheries)

IV. **Production**

1) Logs

-Japan's total log supply to the wood manufacturing industry was 30,855M m3 in 2004, up slightly from 30,516M m3 in the previous year. This total volume consisted of 15,615M m3 of domestically harvested logs and 15,240M m3 of imported logs. The share of domestic logs was 50.6% in 2004, up 2.9% from the previous year.

-Of the total domestic supply, 84% were softwood logs and 16% were temperate hardwood logs. While Japanese domestic softwood log supplies grew 4.5% from the previous year to 13,167M m3, temperate hardwood log supplies dropped 4.6% from the previous year to 2,448M m3 in 2004.

-In 2004, 87% of log imports came from the softwood exporting countries (North America, Russia, New Zealand) and 10% came from the tropical hardwood producing regions in the South Seas. The share of softwood log imports from Russia was 38% of Japan's entire log imports, up 9.4% in 2004 from the previous year. The shares of other log exporting countries declined across the board, mainly because of the demand for Russian larch logs to fill the need created by domestic softwood plywood production.

2) Lumber

-Japan's sawn lumber production in 2004 was 13,654M m3, down 1.8% from the previous year. 2005 production through May 2005 was 5,420M m3, down 3.4% from the same 5-month period in 2004.

-The number of lumber mills in operation as of the end of December 2004 was 9,420, down 5% (500 mills) from the previous year. Data shows that 76.5% of the lumber mills (7,200 - 7,600 mills) operated with an electrical power output between 22.5 and 300 Kilo-watts, indicating that the bulk of lumber production was sustained by sawmills with a fairly common productive capacity.

-The number of sawmill workers employed by the lumber industry as of December, 2004 was 55,118, down 5% from 58,593 in the previous year. 59.5% of the lumber mills operating in December, 2004 employed less than 4 workers, 25.4% of them anywhere between 5 and 9 workers and 11.2% of the mills between 10 and 19 workers per mill.

3) Plywood

-Japan's plywood production in 2004 was 3,149M m3, up 4.1% from the previous year. Softwood plywood production accounted for 2,150M m3 or 68% of the total production. With softwood species (primarily Russian larch and Japanese domestic species) as the raw materials used to make core veneers for plywood, softwood plywood production grew 14.8% from the previous year. Tropical hardwood plywood production, on the other hand, was 999M m3, down 13.2% from 1,151M m3 in the previous year and accounted for the remaining 32% of plywood production.

-Year-to-date plywood production through the end of May 2005 was 1,310M m3, up 3.4% from the same period in 2005. Year-to-date softwood plywood production through May, 2005 was 917,240 m3, up 8.9% from the same term last year, and accounted for 70% of the total plywood production. All indications are that softwood will continue to replace tropical hardwood as the major raw material for Japanese plywood production in the years ahead, due to the anticipated decline of affordable tropical hardwood logs, coming from the South Seas (i.e. Malaysia, Indonesia).

-The most interesting feature of the Japanese plywood industry during the last 2 years is a remarkable change in the growth rates of imported softwood species going into the plywood production. The industry has strategically focused on the softwood plywood production to cope with the stable growth of Japanese housing, construction and industrial market demands. The increased shares of Japanese domestic softwood and of Russian larch as raw materials, growing at the rates of 52% and 26% respectively over the previous year, are particularly noteworthy.

RAW MATERIAL LOG ARRIVALS FOR VENEER & PLYWOOD PRODUCTION			
(Unit: 000 m3)	2004	2003	% change
Total Raw Material Log Arrivals:	5,389	4,913	+9.7%
Sourced From:			
Japan's Domestic Timberlands:	546	360	+51.7%
Softwood (Domestic)	514	307	+67.4%
Temperate Hardwood	32	53	-39.6%
Imported Raw Material Logs:	4,843	4,553	+6.4%
Tropical Hardwood	1,321	1,489	-11.3%
Softwood(U.S./Canada)	15	20	-25.0%
Softwood (Russia)	2,953	2,346	+25.9%
Softwood(New Zealand)	453	579	-21.8%
Others	101	119	-15.1%

(Source: Ministry of Agriculture, Forestry & Fisheries)

-The number plywood and veneer mills in operation in 2004 was 286, down 6 mills or 2% from the previous year. The number of mill workers employed by these mills as of the end of December, 2004 totaled 13,296, down from 13,328 in the previous year.

4) Glulam (Glue-laminated Wood Products)

-Japanese laminated wood production in 2004 totaled 1,487,600 m3, up 5.7% from the previous year. This is largely a result of growing market demands for dried and dimensionally stable building materials, used in new residential structures.

-Japanese Production of structural glulam products grew rapidly. In 2004, the share of structural stock in the total glulam production was 85.8%, up from 84.6 the previous year.

LAMINATED WOOD PRODUCTION (000M3)			
Product Category	2003	2004	% Change
Structural Stock	1,190.7	1276.1	+7.1%
Non-Structural Stock	216,6,	211.5	-2.3%
Total Volume:	1,407.3	1,487.6	+5.7%

(Source: Japan Laminated Wood Industry Association)

5) Fiberboard Products

Particleboard production in 2004 was 1,186,129 m3, down slightly from 1, 248,578 m3 in the previous year. A decline in the use of particleboard as floor underlayment in low-cost apartments was accountable for the drop.

MDF (Medium Density Fiberboard) production was 438,534 m3 in 2004, up 4.4% from the previous year.

Hard board and Insulation Board production increased due to continued strength demands in for use in automotive dashboards, industrial crates and Tatami underlayment.

FIBERBOARD PRODUCTION BY YEAR (UNIT: 000M3)			
Product Line	2003	2004	% Change
Particleboard	1,248,578	1,186,129	-0.5%
Hardboard	64,859	66,206	+2.0%
MDF (Medium Density)	420,098	438,534	+4.4%
Insulation Board	365,925	388,638	+6.2%
Total Volume:	2,099,460	2,079,507	-0.90%

V. **Wood Consumption**

1) Lumber

-Because of stagnant market demands for new housing and growing competition from other building materials, such as structural glulam products and other forms of engineered wood products, traditional solid sawn lumber shipments show signs of continued decline, with the total volume sold in 2004 declining 21% over four years, as shown in the table below.

Industry's Lumber Shipments by Year					
Vol.\Year	2000	2001	2002	2003	2004
Volume (000 m3)	17,231	15,485	14,402	13,929	13,603
% Change (Yr./Yr)	-5%	- 10.1%	-7.0%	- 3.3%	-2.3%

(Source: Ministry of Agriculture, Forestry and Fisheries)

-Year-to-date lumber shipments through May 2005 were 5,323M m3, down 2.7% from 5,473M m3 the same period last year. With the variety of wood and building materials on the market expected to become increasingly diverse, this downtrend in traditional sawn lumber shipments is expected to continue in the foreseeable future.

2) Plywood

Plywood shipments in 2004 totaled 3,207M m3, up 8.0% from the previous year. Year-to-date shipments through May 2005 were 5,323 m3, down 2.7% from the same period last year.

Industry's Plywood Shipments & Production by Year (000 m3 : % Change)					
	2000	2001	2002	2003	2004
Shipments	3,112 (-4.2%)	2,648 (-14.9%)	2,718 (+2.6%)	2,967 (+ 9.2%)	3,207 (+8.0%)
Production	3,218 (-1.3%)	2,771 (-13.9%)	2,735 (-1.3%)	3,024 (+10,5%)	3,149 (+4.1%)

(Source: Ministry of Agriculture, Forestry & Fisheries)

VI. **Market Sector Analysis**

1) Construction Sector

-During the first half of 2005, Japanese housing starts were 578,807 units, up 1.8% from the same period last year. While there was some weakness in the performance of owner-built, custom housing starts, appreciable growth in the rental housing sector and "built-for-sale" (speculative real estate developer-driven) housing markets more than offset the weakness, resulting in positive growth for year-to-date housing starts, compared to the same period last year.

HOUSING STARTS IN THE FIRST HALF OF YEAR (JAN.-JUN.):					
		Custom	Condo-	Prefab.	2x4 Wood
Year	Total Starts	Housing	miniums	Housing	Housing
2004	568,681	68,516	97,728	75,283	40,824
2005	578,807	68,401	104,992	73,704	42,540
% Change	+1.8%	-0.2%	+7.4%	-2.1%	+4.2%

-While the volume of wood used in the housing construction and civil works sectors shows a consistent decline, the importance of this market to the wood industry remains as critical as ever, as shown in the table below.

Lumber Consumption in the Housing & Construction Sector (Unit:100,000 m3)					
Sector\Yr.	2000	2001	2002	2003	2004
Housing	138	126	117	113	110
Civil works	7.0	6.1	5.8	5.3	5.2
Total	145	132.1	122.8	118.3	115.2
% Change 1/	- 5%	- 9%	- 7.0%	-3.6%	-2.6%
% Share 2/	84%	85%	85.3%	85.1%	85.1%

(Source: Ministry of Agriculture, Forestry and Fisheries)
Notes: 1/ Year-on-year percent change.
2/ % share in the industry's total lumber shipments.

-Japanese housing starts in 2004 were 1,189,049 units, up 2.5% from the previous year. This represented the 2nd year of consecutive growth in housing starts, as the overall economy began to show signs of a slow but steady recovery. Two-by-four wooden stick-frame housing grew 11.3% and growth in the "Built-for-Sale" housing market was up 5.8%, with real estate developers capitalizing on affordable lot prices in the suburban markets of major metropolitan and regional cities.

Japanese Housing Starts: 2003 Vs. 2004 (Units)				
Sector	2003	% Change *	2004	% Change
Total Starts	1,160,083	+ 0.8%	1,189,049	+2.5%
Custom housing	372,652	+ 1.3%	369,852	-0.8%
Rental housing	451,629	+ 0.3%	464,976	+3.0%
Corporate housing	9,163	+ 1.7%	8,720	-4.8%
Built-for-sale	326,639	+ 0.8%	345,501	+5.8%
Wood-Framed	523,732	+ 4.0%	540,756	+3.4%
Wood Share (%)	45.1%	Up 1.3 points	45.5%	Up 0.4 points
By Framing Method				
-Condominiums	200,221	- 3.8%	204,081	+1.9%
-Prefab. Housing (Wood-framed)	159,224 (23,204)	- 1.0% (- 2.3%)	159,930 (22,304)	+0.4% (-3.9 %)
2x4 Wood-framed	81,502	+ 3.2%	90,706	+11.3%
By Floor Space (1,000 square meters)				
All Housing Starts	104,039	- 0.7%	105,540	+1.4%
Wood-Framed	56,346	+ 2.6%	57,617	+2.3%
Wood Share (%)	54.2%	Up 1.8 points	54.6%	Up 0.4 points

(Source: Ministry of Land, Infrastructure & Transport)
* %change from the previous year.

2) Furniture & Interiors Sector

-Largely as a result of rapid growth and the continuation of Japanese investments in more cost-competitive countries outside Japan, such as China and other Asian countries, the domestic lumber industry's shipments to the furniture sector dropped 8% in 2004 from the previous year. This downtrend is forecast to continue in the foreseeable future.

Lumber Consumption in the Furniture & Interiors Sector (000 m3)					
Volume \Year	2000	2001	2002	2003	2004
Volume	368	313	255	213	196
% Change 1/	-12%	- 14.9%	-18.5%	-16.5%	-8.0%
% Share 2/	2.1%	2.0%	1.8%	1.5%	1.4%

(Source: Ministry of Agriculture, Forestry and Fisheries)
Notes: 1/ Year-on-year percent change.
2/ Percentage share in the industry's total lumber shipments.

-In 2004, the value of Japanese wood furniture sales was 172 billion Yen, down 11% from the previous year, while Japanese furniture imports, including wood as well as steel products and their concomitant furniture parts, grew 8.6% from the previous year to $2.6 billion. Japanese furniture exports, on the other hand, reached $613 million in 2004, up 31% from the previous year. Of particular interest was the fact that Japan's exports of furniture parts in 2004 also grew 32% from the previous year. This is because much of the furniture that arrives as "imported" products to Japan is made from parts that were pre-fabricated in Japan according to Japanese market needs and then assembled offshore before being resold to Japan as a final product.

3) Material Handling Market

-Lumber consumption in the material handling sector in 2004 was reported as 1,571M m3, up 5.5% from the previous year. As shown in the table below, this is the first positive growth in this sector in a long time.

Lumber Consumption in the Material Handling Sector (000 m3)					
Volume \ Year	2000	2001	2002	2003	2004
Volume	1,862	1,588	1,536	1,489	1,571
% Change 1/	-0.5%	-14.7%	- 3.3%	- 3.1%	+5.5%
% Share 2/	10.8%	10.3%	10.7%	10.6%	11.5%

(Source: Ministry of Agriculture, Forestry and Fisheries)

Notes: 1/ Year-on-year percent change.
2/ Percentage share in the industry's total lumber shipments.

-One important factor contributing to the rise of wood usage in this sector was the 42% growth in the production of wooden pallets, shown in the following table.

JAPAN PALLET PRODUCTION BY MATERIAL (UNIT: 10,000 SHEETS)					
Material	2000	2001	2002	2003	2004
Wood	4,120	4,660	4,000	3,350	4,750
Plastic	540	630	710	770	900
Metal	278	278	366	387	374
Total:	4,938	5,568	5,076	4,507	6,024

(Source: Japan Pallet Trade Association)

VII. **Trade Highlights - Updates on Japanese Import Statistics:**

GLULAM IMPORTS BY YEAR (UNIT: 000M3)			
Product Category	2003	2004	% Change
Structural Stock	540,506	610,897	+13.0%
Non-Structural Stock	183,790	169,274	-7.8%
Total Volume:	724,296	780,171	+7.7%

(Source: Japanese Customs Data)

FIBERBOARD IMPORTS BY YEAR (UNIT: 000M3)			
Product Line	2003	2004	% Change
Particleboard	415,125	457,516	+10.2%
Hardboard	39,901	32,820	-17.7%
MDF (Medium Density)	456,049	510,499	+11.9%
Insulation Board	414	414	+/-0
Total Volume:	911,489	1,001,249	+9.8%

(Source: Japanese Customs Data)

PLYWOOD IMPORTS BY YEAR (UNIT: 000M3)			
	2003	2004	% Change
Total Volume:	4,575,672	4,940,517	+8.0%
Top 4 Exporters:	(96.9%)	(97.2%)	
From Indonesia:	2,241,809	2,423,823	+8.1%
From Malaysia:	1,848,612	1,995,388	+7.9%
From Canada:	73,859	49,340	-33.2%
From China:	273,185	334,116	+22.3%

(Source: Japanese Customs Data)

VIII. **PSD Tables** :

1) Softwood Logs

COMMODITY	SOFTWOOD LOGS				1000 CUBIC METERS	
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2004		01/2005		01/2006
Production	12650	13167	12700	13000	0	13200
Imports	10500	10743	11000	10800	0	11000
TOTAL SUPPLY	23150	23910	23700	23800	0	24200
Exports	7	7	8	8	0	9
Domestic Consumption	23143	23903	23692	23792	0	24191
TOTAL DISTRIBUTION	23150	23910	23700	23800	0	24200

2) Temperate Hardwood Logs

Commodity	Temperate Hardwood Logs				1000 CUBIC METERS	
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2004		01/2005		01/2006
Production	2600	2448	2600	2500	0	2550
Imports	870	728	880	720	0	700
TOTAL SUPPLY	3470	3176	3480	3220	0	3250
Exports	0	0	0	0	0	0
Domestic Consumption	3470	3176	3480	3220	0	3250
TOTAL DISTRIBUTION	3470	3176	3480	3220	0	3250

3) Tropical Hardwood Logs

COMMODITY	TROPICAL HARDWOOD LOGS				1000 CUBIC METERS	
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2004		01/2005		01/2006
Production	0	0	0	0	0	0
Imports	1300	1211	1250	1230	0	1250
TOTAL SUPPLY	1300	1211	1250	1230	0	1250
Exports	0	0	0	0	0	0
Domestic Consumption	1300	1211	1250	1230	0	1250
TOTAL DISTRIBUTION	1300	1211	1250	1230	0	1250

4) Wood Chips

COMMODITY	WOOD CHIPS				(1000 MT)	
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2004		01/2005		01/2006
Production	6000	5782	6000	6000	0	6200
Imports	13600	13971	13700	13900	0	14000
TOTAL SUPPLY	19600	19753	19700	19900	0	20200
Exports	5	1	5	2	0	3
Domestic Consumption	19595	19752	19695	19898	0	20197
TOTAL DISTRIBUTION	19600	19753	19700	19900	0	20200

5) Softwood Lumber

COMMODITY	SOFTWOOD LUMBER				1000 CUBIC METERS	
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2004		01/2005		01/2006
Production	13800	13,126	14000	13200	0	13500
Imports	8000	8553	8200	8600	0	8600
TOTAL SUPPLY	21800	21679	22200	21800	0	22100
Exports	6	11	6	6	0	8
Domestic Consumption	21794	21668	22194	21794	0	22092
TOTAL DISTRIBUTION	21800	21679	22200	21800	0	22100

6) Temperate Hardwood Lumber

COMMODITY	TEMPERATE HARDWOOD LUMBER				1000 CUBIC METERS	
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2004		01/2005		01/2006
Production	380	345	370	350	0	360
Imports	500	310	520	350	0	355
TOTAL SUPPLY	880	655	890	700	0	715
Exports	15	1	15	2	0	2
Domestic Consumption	865	654	875	698	0	713
TOTAL DISTRIBUTION	880	655	890	700	0	715

7) Tropical Hardwood Lumber

COMMODITY	TROPICAL HARDWOOD LUMBER				1000 CUBIC METERS	
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2004		01/2005		01/2006
Production	200	183	200	190	0	200
Imports	250	263	245	260	0	250
TOTAL SUPPLY	450	446	445	450	0	450
Exports	3	4	5	5	0	5
Domestic Consumption	447	442	440	445	0	445
TOTAL DISTRIBUTION	450	446	445	450	0	450

8) Hardwood Plywood

COMMODITY	HARDWOOD PLYWOOD				1000 CUBIC METERS	
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2004		01/2005		01/2006
Production	1200	999	1150	1000	0	1200
Imports	4100	4349	4000	4400	0	4500
TOTAL SUPPLY	5300	5348	5150	5400	0	5700
Exports	5	3	5	3	0	3
Domestic Consumption	5295	5345	5145	5397	0	5697
TOTAL DISTRIBUTION	5300	5348	5150	5400	0	5700

9) Softwood Plywood

COMMODITY	SOFTWOOD PLYWOOD				1000 CUBIC METERS	
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2001		01/2002		01/2003
Production	1900	2150	2200	2200	0	2250
Imports	60	45	90	50	0	50
TOTAL SUPPLY	1960	2195	2290	2250	0	2300
Exports	0	0	0	0	0	0
Domestic Consumption	1960	2195	2290	2250	0	2300
TOTAL DISTRIBUTION	1960	2195	2290	2250	0	2300

IX. **References on HS Codes**

1) Japanese industry and commodity statistics in this report are based on the following data, published periodically by calendar year by the Statistics and Information Bureau of the Japanese Ministry of Agriculture, Forestry and Fisheries.
   - Report on the Basic Raw Material Statistics in the Wood Industry.
   - Report on the Basic Lumber Industry Statistics.
   - Report on the Annual Plywood Industry Statistics.
   - Report on the Wood Chip Statistics.
2) Trade data for Japanese imports and exports are based on the customs clearance statistics of the Japanese Ministry of Treasury. The U.S. dollar value is based on the CIF value on the customs clearance basis.
3) HS (Harmonized System) tariff codes used in each grouping of forest product commodities in the trade matrices are as follows.

(1) Softwood Logs:
(**Import**) 4403.10-100; 4403.20 : (**Export**) 4403.20-000.
(2) Temperate Hardwood Logs:
(**Import**) 4403.10-210; 4403.91-000; 4403.92-000 , 4403.99-110; 4403.99-190, 4403-99-390, (**Export**) 4403.92-000, 4403-99-000
(3) Tropical Hardwood Logs:
(**Import**) 4403.10-220; 4403.10-230; 4403.41;4403.49, 4403-99-210 4403.99-290; 4403.99-310, 4403.99-391; 4403.99-392; 4403.99-399 (**Export**) 4403-41-000
(4) Wood Chips: (**Import**) 4401.21; 4401.22 (**Export**) 4401.21-000; 4401.22-000
(5) Softwood Lumber: (**Import**) 4407.10; (**Export**) 4407.10-000
(6) Temperate Hardwood Lumber:
(**Import**) 4407.91-000; 4407.92-000; 4407.99-500: (**Export**) 4407.91, 4407.91-900; 4407.92-000
(7) Tropical Hardwood Lumber:
(**Import**) 4407.24-000; 4407.25; 4407.26; 4407.29; 4407.99-100; 4407.99-100; 4407.99-210; 4407.99-290; 4407.99-310; 4407.99-390, 4407.99-400; 4407.99-390; 4407.99-400; (**Export**) 4407-24-000, 4407-26-000, 4407.29-000, 4407-99-200, 4407.99-300
(8) Hardwood Plywood: (**Import**) 4412.13; 4412.14: (**Export**)4412.13-100; 4412.13-900, 412.14-900; 4412.14-100
(9) Softwood Plywood: (**Import**) 4412.19-011; 4412.19-019; 4412.19-021, 4412.19-022; (**Export**) 4412.19-022

End of Report