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Japan

Solid Wood

Annual Report

2006

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Report Highlights: In 2005, housing starts in 2005 reached over 1.2 million for the first time in five years and starts in the first half of 2006 were up 6.6% from the previous year.

Includes PSD Changes: No
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I. Executive Summary

There were several scandals related to the construction industry in 2005. There were forgeries of Ministerial approvals of gypsum board screws, falsification of condominium design data for earthquake resistance, remodeling frauds, and an asbestos-processing problem. Despite such problems, housing starts in 2005 reached over 1.2 million for the first time in five years, up 4.0% from the previous year. The percentage of houses and condominiums built for rental became 59.3%, up 3.0% from the previous year. Accordingly, the percentage of wooden homes was 43.9%, down 1.6%. Also, the total floor area of wooden housing decreased 1.9%, while overall floor area in housing went up 1%.

Housing starts in the first half of 2006 were 618,455, up 6.6% from the previous year. This was due to multiple favorable factors such as recovery of business and a rise in stock prices, and it is believed that the amount of privately owned house "demolish and build" orders will rise in 2006. Moreover, a law called The Lifestyle Basic Law was enacted, which aims to improve the quality of housing, and is expected to affect housing in the future.

The overall value of forest product exports from the United States to Japan in 2005 was \$742 million, down from \$805 million in 2004.

End of Summary

II. Strategic Indicator tables

STRATEGIC INDICATOR TABLE 1: CONSTRUCTION MARKET			
Country: Japan Report Year: 2006	Previous Calendar Year	Current Calendar Year	Following Calendar Year
Total Housing Starts (number of units)	1,236,175	1,320,000	1,370,000
--Of which, wood frame	542,848	580,000	603,000
--Of which, steel, masonry, other materials	693,327	741,000	771,000
--Of total starts, residential	1,208,454	1,292,000	1,344,000
----Of residential, single family	496,397	531,000	552,000
----Of residential, multi-family	739,778	790,000	822,000
--Of total starts, commercial	27,721	30,000	31,000
Total Value of Commercial Construction Market (\$US million)	120,840	129,000	134,000
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?	Yes	Yes	Yes
If yes, identify the following:			
--Country	Canada, EU, Nordic Countries	Canada, EU, Nordic Countries	Canada, EU, Nordic Countries
--Form(s) of competition: Export subsidy, trade show, trade servicing, permanent market representative (number), permanent office (location), or other. 2/	Trade shows and permanent market representatives	Trade shows and permanent market representatives	Trade shows and permanent market representatives
--Estimated annual market expansion outlay (\$US million) by country	unknown	unknown	unknown
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-à-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: 2006	Previous Calendar Year	Current Calendar Year	Following Calendar Year
Total Housing Starts (number of units)	1,230,175	1,320,000	1,370,000
Total Number of Households (1,000 households)	49,040	49,296	49,549
Furniture Production (\$US million)-Wooden- (Exch. 1 51/\$) 1)	1,456	1,420	1,380
Interiors Market Size (\$US million) (Exch. 115/\$) 2)	5,859	7,100	8,100
Total Furniture Imports (\$US million) 3)	2,557	2,490	2,550
Total Furniture Exports (\$US million) 4)	694	750	800
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 developments 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 text.			

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 Fees 1/ or	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.	Free-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	Planed or sanded	6.0	8.0	5.0	11.0	None
-290; Genus Larix	Not planed or sanded	6.0	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	Free-5.0	3.6-5.0	5.0	8.6-10.0	None
4409.20; Non-Softwood	Drawn wd, mouldings	Free-7.5	Free-5.0	5.0	5.0-10.0	None
4410.21-39; Particle+simlrbd	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	10.0	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; Tangle/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	2.8-3.9	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-10.0	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 revenue from Japanese forests in 2004 was 437.4 billion Yen (approx. \$3.8 billion), down 2.5% from the previous year.

Revenues from timber production were 220.5 billion Yen (approx. \$1.9 billion). This lower level was mainly due to a price slump in Japanese cypress.

Cultivated mushroom production revenues were 206.4 billion Yen (approx. \$1.8 billion), which was the same level as the previous year. "Eringi" mushroom revenues increased due to production increase however fresh shiitake mushroom revenues decreased because of low prices.

The most recent version of the Forest Revenue Report is for 2004, and the 2005 edition will be released at the end of December 2006.

Japanese Forests - Total Outturn Value (Unit: 100 million Yen)				
Product Sector	2004	2003	% Change 1/	2004: % Share
Timber	2,205	2,314	- 4.7	50.4
Charcoal	65	76	-14.0	1.5
Cultivated Mushroom	2,064	2,067	- 0.1	47.2
Misc.	40	28	43.4	0.9
Total Revenues	4,374	4,484	-2.5	100.0

(Source: Ministry of Agriculture, Forestry & Fisheries)

IV. Production

1) Logs

Total log demand in 2005 was 29,041M m3. The demand for logs by wood chip manufacturers increased, however the demand for logs for lumber and plywood manufacturing decreased. Therefore, the overall demand for logs decreased by 1,814M m3 (5.9%). The volume of logs supplied from Japanese forests was 166,166M m3, which represents an increase of 551M m3 (3.5%), and the volume of imported logs was 12,875M m3, down 2,365M m3 (15.5%) from the previous year. The overall share of domestic logs was 55.7%, up 5.1% from 2004.

Japan's log demand breakdown: Logs for wood chip manufacturing was 3,865M m3 increased 104M m3 (2.8%) from previous year due to growth in the paper and pulp production industries. The supply of logs for lumber production was 20,540M m3 and for plywood production was 4,636M m3, which represents a decrease of 1,165M m3 (5.4%) and 753M m3 (14.0%) from the previous year respectively. The demand breakdown was therefore 70.7% lumber, 16.0% plywood and 13.3% wood chip.

Log supply: The domestic log supply was 161,166M m3 and increased 551M m3 (3.5%) due to improvements in plywood manufacturing technology that enabled Japanese small diameter logs to be more efficiently used for making plywood. The volume of imported logs was 12,875M m3 down 2,365M m3 (15.5%) from previous year due to the high log price, high ocean freight costs, and an unfavorable exchange rate.

Imported logs: The volume of imported tropical logs was 1,380M m3, of North American logs was 4,840M m3, and of New Zealand logs was 966M m3. This represents a decrease from previous year of 14.9%, 10.4%, 17.4% and 30.8% respectively.

Raw Material Log Arrivals For Total Wood Industry			
(Unit: 000 m3)	2005	2004	% Change
Total Raw Material Log Arrivals:	29,041	30,855	-5.9%
Sourced From:			
Japan's Domestic Timberlands:	16,166	15,615	3.5%
Softwood	13,695	13,167	4.0%
Temperate Hardwood	2,471	2,448	0.9%
Imported Raw Material Logs:	12,875	15,240	-15.5%
Tropical Hardwood	1,380	1,621	-14.9%
Softwood (U.S./Canada)	5,333	5,953	-10.4%
Softwood (Russia)	4,840	5,858	-17.4%
Softwood (New Zealand)	966	1,396	-30.8%
Others	356	412	-13.6%

(Source: Ministry of Agriculture, Forestry & Fisheries)

2) Lumber

Japan's sawn lumber production in 2005 was 13,244M m3, down 3.0% from the previous year. The number of sawmills in operation as of the end of December 2005 was 9,011, down 4.3% (409 mills) from the previous year. The number of sawmill workers was 49,159, down 5,952 (10.8%) from the previous year.

The volume of logs being supplied to the lumber industry in 2005 was 20,540M m3, down 5.4% from previous year. Out of this total, 11,571M m3 (56.3%) came from Japanese forests and 5,273M m3 (25.7%) came from North America.

Raw Material Log Arrivals For Lumber Production			
(Unit: 000 m3)	2005	2004	% Change
Total Raw Material Log Arrivals:	20,540	21,705	-5.4%
Sourced From:			
Japan's Domestic Timberlands:	11,571	11,469	0.9%
Softwood	11,352	11,229	1.1%
Temperate Hardwood	219	240	-8.8%
Imported Raw Material Logs:	8,969	10,236	-12.4%
Tropical Hardwood	265	286	-7.3%
Softwood (U.S./Canada)	5,273	5,898	-10.6%
Softwood (Russia)	2,263	2,810	-19.5%
Softwood (New Zealand)	835	943	-11.5%
Others	333	299	11.4%

(Source: Ministry of Agriculture, Forestry & Fisheries)

3) Plywood

Japan's plywood production in 2005 was 3,212M m3, up 2.0% from the previous year. Softwood plywood production accounted for 2,249M m3 or 70.0% of the total production. With softwood species (primarily Russian larch and Japanese domestic species) as the raw materials for making core veneers for plywood, softwood plywood production grew 4.6% from the previous year. Tropical hardwood plywood production, on the other hand, was 963M m3, down 3.6% from 999M m3 in the previous year and accounting for the remaining 30% of plywood production.

Year-to-date plywood production for the first half of 2006 was 1,592M m3, up 1.0% from the same period in 2005. Year-to-date softwood plywood production was 1,176M m3, up 7.4% from the same period last year, and accounted for 73.9% of the total plywood production. Softwood is now the most commonly used material for Japanese plywood. Tropical plywood can be used for concrete forms and also for specialty plywood such as those with a very thin overlay.

The supply of Japanese logs for plywood production was 833M m3, which surprisingly increased by 62.1%. The Japanese cedar log supply showed especially significant increases of 103.8% over last year and compensated for the lack of Russian log supply. Since improvement of rotary lathe in veneer manufacturing line designed to handle specially for small logs and can improve production compared to traditional line.

Raw Material Log Arrivals For Veneer & Plywood Production			
(Unit: 000 m3)	2005	2004	% Change
Total Raw Material Log Arrivals:	4,636	5,389	-14.0%
Sourced From:			
Japan's Domestic Timberlands:	863	546	58.1%
Softwood (Domestic)	833	514	62.1%
Temperate Hardwood	30	32	-6.3%
Imported Raw Material Logs:	3,773	4,843	-22.1%
Tropical Hardwood	1,108	1,321	-16.1%
Softwood (U.S./Canada)	13	15	-13.3%
Softwood (Russia)	2,506	2,953	-15.1%
Softwood (New Zealand)	124	453	-72.6%
Others	22	101	-78.2%

(Source: Ministry of Agriculture, Forestry & Fisheries)

The number of plywood and veneer mills in operation in 2005 was 271, down 16 mills or 5.6% from the previous year. The number of mill workers employed by these mills as of the end of December 2004 totaled 11,877, down 10.7% from the previous year.

4) Glulam (Glued-laminated Wood Products)

Japanese laminated wood production in 2005 totaled 1,234M m3, up 1.6% from the previous year. Small section glulam, mainly for posts and studs, increased 31.3% in the last three years and middle section, mainly for beams, increased 45.6%. Large precut plants shifted to dried material for dimensional stability and 70% of posts used at large precut plants are glulam now. Beams have the same situation as posts and its share is believed to still be around 50% so there is more room for growth. Douglas fir and Japanese cedar hybrid beam production will go into full-scale operation and larch or Japanese cypress glulam has been developing new market.

Laminated Wood Production (000m3)			
Product Category	2004	2005	% Change
Structural Stock	1,276	1,310	2.7%
Non-Structural Stock	212	202	-4.7%
Total Volume:	1,488	1,512	1.6%

(Source: Japan Laminated Wood Industry Association)

5) Fiberboard Products

Particleboard production in 2005 was 1,234M m3, up 4.0 % from the previous year. This marks a recovery from a decrease in production caused by the explosion of two particleboard factories two years before. This represents a full recovery, however, demand was stagnant and the market faced an oversupply.

MDF (Medium Density Fiberboard) production was 420M m3 in 2005, down 4.3 % from the previous year. The demand of privately owned houses did not grow very much and since this is the main use of MDF building materials and fixtures, Japanese manufacturers cut back production in light of the soaring cost of raw materials.

Hardboard production dropped 4.3% from the previous year. Although hardboard had been used as an interior component of cars, plastic parts have taken and so its use has been decreasing. Moreover, use of hardboard for packing iron and aluminum and for construction has also fallen.

Insulation Board production increased 1.8% over the previous year. The largest end use, 62%, was for tatami core and has decreased slightly, however increased demand for underlayment made up for the increased thanks to comparatively good housing starts.

Fiberboard Production by Year (Unit: 000m3)			
Product Line	2004	2005	% Change
Particleboard	1,186	1,234	4.0%
Hardboard	66	58	-12.1%
MDF (Medium Density)	439	420	-4.3%
Insulation Board	389	396	1.8%
Total Volume:	2,080	2,108	1.3%

(Source: Ministry of Economy, Trade and Industry)

V. Wood Consumption

1) Lumber

Solid Sawn Lumber shipments continue their decrease, going down 17% in the past four years. This is because the use of glulam is increasing not only for posts but also for beams. Moreover, thick plywood with a thickness of 24mm or 28mm called "Nedaless plywood" has become widely used, making a floor joist unnecessary. This substitution reduces the amount of wood and labor needed, thereby reducing total construction costs.

Industry's Lumber Shipments by Year					
Vol.\Year	2001	2002	2003	2004	2005
Volume (000 m3)	15,485	14,402	13,929	13,603	12,825
% Change (Yr./Yr)	-10.1%	-7.0%	-3.3%	-2.3%	-5.7%

(Source: Ministry of Agriculture, Forestry and Fisheries)

Year-to-date lumber shipments through June 2006 were 6,200M m3, down 4.5% from 6,493M m3 during the same period last year. The total volume of lumber shipments in 2005 was 12,825M m3, down 776M m3 (5.7%) from the previous year. The volume of all types of end uses decreased but the volume of kiln-dried lumber was 211.6M m3, up 0.7M m3 (0.3%). The volume of wood used in the housing construction and civil works sectors shows a consistent decline, because of the same reasons stated above.

Sector\Yr.	2001	2002	2003	2004	2005
Housing	126	117	113	110	105
Civil works	6.1	5.8	5.3	5.2	4.8
Total	132.1	122.8	118.3	115.2	109.8
% Change 1/	-9%	-7%	-3.6%	-2.6%	-4.7%
% Share 2/	85.0%	85.0%	85.1%	85.1%	85.6%

(Source: Ministry of Agriculture, Forestry and Fisheries)

Notes: 1/ Year-on-year percent change.

2/ % share in the industry's total lumber shipments.

2) Plywood

Plywood shipments in 2005 totaled 3,027M m3, up 4.7% from the previous year. Year-to-date shipments through June 2006 were 1,637M m3, up 10.0% from the same period last year due to strong housing start.

	2001	2002	2003	2004	2005
Shipments	2,648	2,718	2,967	3,027	3,168
	(-14.9%)	(+2.6%)	(+ 9.2%)	(+2.0%)	(+4.7%)
Production	2,771	2,735	3,024	3,149	3,212
	(-13.9%)	(-1.3%)	(+10,5%)	(+4.1%)	(+2.0%)

(Source: Ministry of Agriculture, Forestry & Fisheries)

VI. Market Sector Analysis

1) Construction Sector

Housing starts in June 2006 were 114,331 units, up 4.7% from the same time last year and the highest monthly total so far this year. Overall, since February, housing starts have been increasing and in the first half (January to June) of the year the total was 618,455 houses, up 6.8% from the same period last year.

Housing Starts in the first Half of Year (Jan.-Jun.):					
Year	Total Starts	Custom Housing	Condo-miniums	Prefab. Housing	2x4 Wood Housing
2005	578,807	171,905	104,992	73,704	42,540
2006	618,455	174,188	116,610	76,045	47,256
% Change	6.8%	1.3%	11.1%	3.2%	11.1%

(Source: Ministry of Land, Infrastructure & Transport)

Japanese housing starts in 2005 were 1,236,175 units, up 4.0% from the previous year. Housing starts have now been increasing for three consecutive years, far exceeded the demand forecast from the beginning of the year, and have been relatively high since 1997. However, the wood and building materials market faced an oversupply, causing a price slump for most items.

The housing starts in 2005 included many condominiums and houses for rent. Privately-owned homes, which influence wood and building materials demand the most, accounted for only 35,3267 houses, down 4.5% compared to last year, and was the lowest level since 1968. The percentage of wooden houses was 43.9%. Two-by-four wooden platform housing starts reached a record high of 95,843, up 5.6% from 2004.

Japanese Housing Starts: 2004 Vs. 2005 (Units)				
Sector	2004	% Change	2005	% Change
Total Starts	1,189,049	2.5%	1,236,175	4.0%
Custom housing	369,852	-0.8%	353,267	-4.5%
Rental housing	464,976	3.0%	504,294	8.5%
Corporate housing	8,720	-4.8%	9,547	9.5%
Built-for-sale	345,501	5.8%	369,067	6.8%
Wood-Framed	540,756	3.4%	542,848	3.4%
Wood Share (%)	45.5%	Up 0.4 points	43.9%	Down 1.6 points
By Framing Method				
-Condominiums	204,081	1.9%	229,352	12.4%
-Prefab. Housing	159,930	0.4%	156,254	-2.3%
(Wood-framed)	22,304	(-3.9%)	20,725	-7.1%
2x4 Wood-framed	90,706	11.3%	95,824	5.6%
By Floor Space (1,000 square meters)				
All Housing Starts	105,540	1.4%	106,593	1.0%
Wood-Framed	57,617	2.3%	56,494	-1.9%
Wood Share (%)	54.6%	Up 0.4 points	53.0%	Down 1.6%

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

2) Furniture & Interiors Sector

The domestic lumber industry's shipments to the furniture sector dropped 23.5% in 2005 compared to the previous year. On the whole, the wooden furniture market is on a downward trend because of the slow population growth, reduction in the number of marriages, and decreasing demand for furniture caused by the increase in built-in storage spaces. Moreover, since the production of furniture continues to relocate to Asian nations such as China, Thailand, Malaysia, and Indonesia, shipments of wood to the furniture industry in Japan continues its downward trend. However, this could remain steady or even increase because of comparatively good housing starts in the first half of 2006.

Lumber Consumption in the Furniture & Interiors Sector (000 m3)					
Volume \Year	2001	2002	2003	2004	2005
Volume	313	255	213	196	150
% Change 1/	-14.9%	-18.5%	-16.5%	-8.0%	-23.5%
% Share 2/	2.0%	1.8%	1.5%	1.4%	1.2%

(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 2005, the value of Japanese wooden furniture sales was 167 billion Yen, down 2.7% from the previous year, while the value of Japanese furniture imports, including wood as well as steel products and their concomitant furniture parts, remained unchanged from the previous year at \$2.6 billion.

3) Materials Handling Market

Lumber consumption in the materials handling sector in 2005 was reported as 1,400M m3, down 10.9% from the previous year.

Lumber and wood material had been the main material for the packaging of KD (knock down) automobile parts, motorcycle and plant exports. As shipping methods changed from the break bulk ship to the container ship, it enabled the use of other materials such as simpler steel boxes, corrugated paper boxes from a wooden frame or wooden boxes. Returnable knockdown packaging has been also introduced, so that conventional one time packaging has decreases, and in addition the amount of the wood packing is decreasing every year due to an increase in local parts sourcing.

Lumber Consumption in the Material Handling Sector (000 m3)					
Volume \ Year	2001	2002	2003	2004	2005
Volume	1,588	1,536	1,489	1,571	1,400
% Change 1/	-14.7%	-3.3%	-3.1%	5.5%	-10.9%
% Share 2/	10.3%	10.7%	10.6%	11.5%	10.9%

(Source: Ministry of Agriculture, Forestry and Fisheries)

Notes: 1/ Year-on-year percent change.

2/ Percentage share in the industry's total lumber shipments.

The total production of pallets in 2005 was a record-high 71,148M units, up 9.2% from the previous year. Wooden pallet production in 2005 was 52,568M units, up 10.6% from the previous year because of high steel and plastic material prices caused by the higher oil costs.

Japan Pallet Production by Material (Unit: 1,000 sheets)			
Material	2005 production	% Change	Million Yen
Wood	52,568	10.6%	112,870
Metal	3,687	-1.5%	33,689
Plastic	9,378	-3.2%	32,977
Other	5,515	15.0%	3,850
Total:	71,148	9.2%	183,386

(Source: Japan Pallet Trade Association)

VII. Trade Highlights – Updates on Japanese Statistics

Glulam Imports by Year (Unit: 000m3)			
Product Category	2004	2005	% Change
Structural Stock	611	670	9.7%
Non-Structural Stock	169	N/available	-
Total Volume:	780	-	-

(Source: Japanese Customs Data)

Fiberboard Imports by Year (Unit: 000m3)			
Product Line	2004	2005	% Change
Particleboard	458	391	-14.6%
Hardboard	33	22	-33.3%
MDF (Medium Density)	510	519	1.8%
Insulation Board	0	1	104.1%
Total Volume:	1,001	933	-6.8%

(Source: Japanese Customs Data)

Plywood Imports by Year (Unit: 000m3)			
Country	2004	2005	% Change
From Indonesia:	2,424	1,848	-23.8%
From Malaysia:	1,995	2,177	9.1%
From Canada:	49	32	-34.7%
From China:	334	403	20.7%
Total Volume:	4,941	4,574	-7.4%
Top 4 Exporters:	97.2%	97.5%	-

(Source: Japanese Customs Data)

XIII. 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