TARIFFS, TRADE WARS AND CORONA-VIRUS: American Hardwoods Exports in the Age of Uncertainty

Mike Snow
American Hardwood Export Council
March, 2020
Grade Lumber Consumption 2018

- Domestic Markets: 54%
- Exports to the Rest of World: 22%
- Exports to China: 24%

Source: Various Industry and Government Sources and Hardwood Market Report

Graph: HMR
2019: A Challenging Year For Export Markets

US Hardwood Exports to All Global Markets

- Hardwood Lumber
- Hardwood Logs
- Hardwood Veneers
- Hardwood Flooring

2007: $2,500
2008: $2,500
2009: $2,000
2010: $2,000
2011: $2,000
2012: $2,000
2013: $2,000
2014: $2,000
2015: $2,000
2016: $2,000
2017: $2,000
2018: $2,000
2019: $2,000
World’s 10 largest sawn hardwood exporters 2015 to 2019

Source: AHEC analysis of Trade Data Monitor, Forest Trends
World’s 10 largest sawn hardwood importers 2015 to 2019

Source: AHEC analysis of Trade Data Monitor, Forest Trends
China Still Largest Global Market
Final Destination of US Hardwood Lumber Exported to China

 Estimates of Chinese domestic market consumption in 2016 range to 85%.

- Manufactured goods exported to global markets
- Manufactured goods consumed by the Chinese domestic marketplace

Source: AHEC/China Timber Import Association
Graph: Hardwood Market Report
Quarterly US HDWD Lumber Exports to China

- 5 quarters of data since trade war
- Compared to previous 5 quarters, the market is down $820 million

Quarterly US HDWD Lumber Exports to China

- Q2 2018 vs Q3 2019: Down 60%
Tariffs Cut US-China Hardwood Trade by 50%

US HDWD Lumber Exports to China (m3)

Blue: Normal Trade  Yellow: Initial Tariffs  Red: Full Tariffs

January  February  March  April  May  June  July  August  September  October  November  December
2019 Hardwood Lumber Exports to China are down 335 million board feet.

China: -335 million board feet

Vietnam: 206 million bf

European Union: 128 million bf

Source: USDA GATS Trade Data
Changes in China, 2019 vs 2017

- **25% Tariff**
  - Red Oak: -48%
  - White Oak: -51%

- **20% Tariff**
  - Ash: -52%
  - Cherry: -29%
  - Yellow Poplar: -67%

- **5% Tariff**
  - Walnut: +7%
  - Western Red Alder: -44%
  - Maple: -51%
  - Other Temperate: -75%

Source: USDA GATS
Red Oak Hardest Hit

US HDWD Lumber to China by Species

- Red Oak
- Walnut
- Ash
- White Oak
- Cherry
- Yellow Poplar
- Western Red Alder
- Maple

Source: USDA GATS Trade Data
Red Oak Lumber Export Markets in 2018

China: 78%
Canada: 8%
Vietnam: 3%
Mexico: 3%
OTHER: 8%

Source: USDA GATS
US Losing Hardwood Lumber Market Share in China (Volume)

China's Imports of Hardwood Lumber (in Tons)

Source: Global Trade Atlas: “Hardwood Lumber all 6 Digit HS Codes”, data through November ‘19
US Losing Hardwood Lumber Market Share in China (Value)

China’s Imports of Hardwood Lumber (in billions, USD)

2017
- USA: 30%
- Thailand: 29%

2019
- USA: 21%
- Thailand: 28%

Source: Global Trade Atlas: “Hardwood Lumber all 6 Digit HS Codes”, data through November ‘19
### 10 Largest US Ag Product Exports to China, 2018

<table>
<thead>
<tr>
<th>Product</th>
<th>Value (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soybeans</td>
<td>$3,000</td>
</tr>
<tr>
<td>Hardwood Lumber</td>
<td>$1,500</td>
</tr>
<tr>
<td>Softwood Logs</td>
<td>$1,000</td>
</tr>
<tr>
<td>Cotton &gt; 1 1/8, Other, Feed, Ingrd &amp; Fod</td>
<td>$750</td>
</tr>
<tr>
<td>Hardwood Logs</td>
<td>$500</td>
</tr>
<tr>
<td>Grain Sorghum</td>
<td>$500</td>
</tr>
<tr>
<td>Other Hort Products</td>
<td>$500</td>
</tr>
<tr>
<td>Cattle Hides, Whole</td>
<td>$500</td>
</tr>
<tr>
<td>Tree Nuts And Preparations</td>
<td>$50</td>
</tr>
</tbody>
</table>

Source: US Census Bureau Trade Data, USDA GATS
$28 billion to Ag groups impacted by Trade War

Direct payments to:
- alfalfa hay, barley, canola, corn, dry peas, extra-long staple cotton, flaxseed, lentils, long grain and medium grain rice, mustard seed, dried beans, oats, peanuts, rapeseed, safflower, sesame seed, small and large chickpeas, sorghum, soybeans, sunflower seed, temperate japonica rice, upland cotton, wheat, dairy, tree nuts, cherry, cranberries, grapes

Based on farm plantings, acreage, or livestock count

Payments start late July, additional rounds in November & January
Total Agricultural Relief Funds – 2018-2019

- Total Ag Relief Funds
- ATP Funds for Hardwood Industry

$3.3 million
### Tariffs removed on oak logs & lumber, “other” logs, cherry and ash lumber, “other” lumber starting Friday Feb 28

#### 第二批对美加征关税商品第一次排除清单

<table>
<thead>
<tr>
<th>序号</th>
<th>EX</th>
<th>税则号列</th>
<th>商品名称</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ex</td>
<td>44039100</td>
<td>其他栎木（橡木）原木（用油漆、着色剂、漆酚油或其他防腐剂处理的除外）</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>44039960</td>
<td>北美硬阔叶木原木</td>
</tr>
<tr>
<td>3</td>
<td>ex</td>
<td>44079100</td>
<td>端部接合的其他栎木（橡木）厚板材（经纵锯、纵切、刨切或旋切的，厚度超过6毫米）</td>
</tr>
<tr>
<td>4</td>
<td>ex</td>
<td>44079100</td>
<td>非端部接合的其他栎木（橡木）厚板材（经纵锯、纵切、刨切或旋切的，厚度超过6毫米）</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>44079400</td>
<td>樱桃木木材，经纵锯、纵切、刨切或旋切，不论是否刨平、砂光或端部接合，厚度超过6毫米</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>44079500</td>
<td>白蜡木木材，经纵锯、纵切、刨切或旋切，不论是否刨平、砂光或端部接合，厚度超过6毫米</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td>44079930</td>
<td>其他北美硬阔叶材，经纵锯、纵切、刨切或旋切，不论是否刨平、砂光或端部接合，厚度超过6毫米</td>
</tr>
<tr>
<td>8</td>
<td>ex</td>
<td>47032100</td>
<td>其他漂白针叶材碱木浆或硫酸盐木浆（包括半漂白的，溶解级的除外）</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td>47062000</td>
<td>从回收（废碎）纸或纸板提取的纤维浆</td>
</tr>
</tbody>
</table>
A Perfect Storm in China?

- Economy slowing
- Return of State-Owned Enterprises
- Changes in Housing Market
- Demographic Timebomb
- Tightened Lending
- Rising Gov Debt Limits Policy
- Phase One Deal Incomplete
- Coronavirus Concerns
China's growth began slowing long before the trade war

Quarterly year-over-year GDP growth, percent

United States begins imposing Section 301 tariffs

China’s Economy

• 6.1% Q2 growth is slowest since 1992, but double the incremental growth of the U.S.  
  • 6.1% on a $13.6 trillion economy vs. 2.1% on a $20.5 trillion economy

• Manufacturing employment has been shrinking for several years as China’s service-based economy increases.

• China’s exposure to the U.S. is relatively small.

• China has lowered tariffs on the rest of the world, from an average of 8% to 6%.

• Exports to the rest of the world have increased, offsetting much of the loss of U.S. markets.
While imposing retaliatory tariffs on the U.S., China has lowered tariffs on everyone else (consistent with WTO rules)

- China’s average tariff on U.S. imports is now 20.7% (up from 8%)
- China’s average tariff on everyone else is now 6.7% (down from 8%)

Figure 4
China’s imports from the United States have declined much more rapidly than imports from elsewhere during the trade war

Index (100 = January 2018)

- May 1: MFN cut on pharmaceuticals
- July 1: MFN cut on consumer goods, autos, ITA products
- November 1: MFN cut on industrial goods
- January 1: Suspension of retaliation for US Section 301 tariffs against autos and parts; temporary MFN rates for 2019

From all other exporters

From United States

PIIE

ITA = Information Technology Agreement; MFN = most favored nation

Note: China’s monthly import data, not seasonally adjusted, 12-month trailing average.

Source: Constructed by the authors with data from Trade Map, International Trade Centre, marketanalysis.intracen.org.
China to inject US$174 billion of liquidity into markets amid new coronavirus outbreak

• China’s central bank has announced it will inject 1.2 trillion yuan (US$174 billion) into markets via reverse repo operations on Monday

• Investors are bracing for the worst when markets resume following a new coronavirus outbreak that has dented China’s economic activity

Wendy Wu
Published: 8:16pm, 2 Feb, 2020
PERCENTAGE OF LOANS GOING TO NONFINANCIAL FIRMS

SOURCE: NICHOLAS LARDY, CHINA BANKING SOCIETY

PRIVATE
STATE-OWNED

48% 36% 11% 83%

WHAT IN THE WORLD
Capitalism with Chinese characteristics

DIVERSITY AND INCLUSION REPRESENTATIVE OF OUR GREATER COMMUNITY
FAREED ZAKARIA GPS
US export targets for agriculture, energy, and manufactured goods under phase one deal may be difficult to achieve.

Total US exports to China by covered sector, billions USD

a. Agriculture

- Export value required by phase one deal
- Chinese GDP growth projection
- Actual
- US export trend projection

b. Manufactured goods


China Far Below Usual Post-CNY Consumption

Source: The Economist
Other Regions Aren’t Fully Absorbing Losses

Source: USDA GATS Trade Data
Majority of Exports Still Heading to Asia

- China has 39% of global market share, down from over 50% in 2017
- North America’s market share increased by 4% from 2018, though the total volume exported was roughly the same (-1%)
- SE Asia increased from 14% market share in 2018 to 19% in 2019

Source: USDA GATS Trade Data
Largest Markets Outside of China and Canada

US Hardwood Lumber Exports (m3)

- Vietnam
- Mexico
- United Kingdom
- Japan
- Germany
- Italy
- Spain
- Indonesia
- Thailand
- Malaysia

Legend:
- 2014
- 2015
- 2016
- 2017
- 2018
- 2019
Top wood suppliers for Vietnam
Vietnam sawn hardwood imports from temperate regions - 2013 to 2019
US Hardwood Lumber Exports to Europe
Red Oak Lumber Finding New Market in Europe

206% increase over last 5 years
+$11 million in added sales

Source: USDA GATS Trade Data
American Red Oak Lumber to Top 10 European Markets (m3)

- United Kingdom
- Spain
- Italy
- Sweden
- Ireland
- Germany
- Greece
- France
- Portugal
- Denmark

Year: 2016, 2017, 2018, 2019
US Hardwood Lumber Exports by Volume (cubic metres)

Source: USDA Foreign Agricultural Service
American red oak lumber exports to Australia (cubic meters)

Source: US Census Bureau
MENA Markets Remain (Relatively) Stable

US Hardwood Lumber Exports (m3) to Middle East and North Africa

Source: USDA GATS Trade Data
India

- Imported over $270 million of hardwood lumber in 2019
  - Only $4 million from US
- Immediate growth opportunity to replace CITES listed sheesham (*Dalbergia*)
- Feb 2020, IndiaWood Bangalore
India’s US Hardwood Lumber Imports (m3)

Source: USDA GATS Trade Data
American red oak lumber exports to India (cubic metres)

Source: US Census Bureau
American red oak lumber exports to Pakistan (cubic metres)

Source: US Census Bureau
India's Imports of Hardwood Lumber

- India imported over $270 million of hardwood lumber in 2019
- Only 1.4% ($4 million) came from the United States
- 2019 India market for US Hardwoods:
  - $5.2 million of veneer & plywood
  - $4.4 million of logs
  - $4.0 million of lumber

Source: Trade Data Monitor
2020 AHEC Pavilions

Feb
• Indiawood, Bangalore, 27-Mar 2

March
• Dubai Woodshow, 16-18
• Domotex Shanghai, 24-26
• Interzum Guangzhou, 28-31

June
• SE Asia Convention, Bangkok, 22
• China Convention, Chengdu/Wuhan, 25-26
• SylvaWood, Shanghai, 29- July 1

September
• FMC Shanghai, 8-12

October
• India Factory Visits (TBC)
• Intermob, Istanbul, Turkey, 12-16
• BIFA Wood, Binh Duong, Vietnam 27-30
Thank you. msnow@ahec.org
GROWING THE FUTURE FOR AMERICAN HARDWOODS

NEW MARKETS FOR UNDERUSED SPECIES

NEW APPLICATIONS

INDUSTRY NETWORKING

CAPITALIZE ON GREEN CREDENTIALS
BLUSHING BAR

CHANGING THE WAY RED OAK IS PRESENTED
NATURAL BORN – POLISH RED OAK CHAIR PROJECT
"Prominent designers brainstorm ideas for a set of single-material furniture pieces crafted from red oak, a sustainable species plentiful in U.S. hardwood forests."

- FINANCIAL TIMES AND FINANCIAL TIMES ONLINE
“...this fast growing species, which naturally regenerates and stores carbon dioxide, is also a sustainable-minded designers dream to work with.”

ARCHITECTURAL DIGEST PRO

1.6 million monthly viewers
“Europeans have heard of oak, but not red oak, so we created the Legacy project to help us inform, educate and inspire.”

WALLPAPER*

1.6 million monthly viewers
Red Oak Lumber Finding New Market in Europe

206% increase over last 5 years
+$11 million in added sales

Red Oak Lumber to EU (m3)

Source: USDA GATS Trade Data
GROWING THE FUTURE FOR AMERICAN HARDWOODS

NEW MARKETS FOR UNDERUSED SPECIES

NEW APPLICATIONS

INDUSTRY NETWORKING

CAPITALIZE ON GREEN CREDENTIALS
New Products

**TMT**
- “Thermally Modified Timber”
- Exterior use
- Ash, red oak, tulipwood

**CLT**
- “Cross Laminated Timber”
- Structural use
- Tulipwood
The Preservation Bench by Houtlander, shown at 100%
Design South Africa – TM red oak
The time is now: timber in construction
• AHEC-funded research has proven hardwood CLT’s viability

• Can replace concrete

• Current weakness is the glue

STRENGTH OF HARDWOOD CLT
First ever production of hardwood cross-laminated timber (CLT)
14.5 tonnes of CO$_2$ was stored in the structure – which is actually greater than the 13.1 tonnes of carbon emissions required to manufacture, deliver and assemble the whole structure.
Our brief to the architect
The largest CLT panels ever made

- 34m long
- 3m high
- 10m long
- 14m long
- 10m long

34m long
NEW INTERACTIVE ONLINE TOOL

DATA AT A NATIONAL LEVEL

DATA AT A COUNTY LEVEL
LIFE CYCLE ASSESSMENT TOOL

GROWN IN SECONDS

Select species:
- American red oak

Select lumber thickness:
- 4.4 (1 inch)

Select export port:
- East Coast

Select import port:
- W. Europe

0.57 seconds

It takes 0.57 seconds to grow 1 m³ of American red oak.

The replacement rate is calculated from total U.S. annual increment of the specified hardwood species derived from the U.S. Forest Service Inventory and Analysis (FIA) program and assumes that 2 m³ of logs is harvested to produce 1 m³ of lumber (i.e. 50% conversion efficiency). The rapid rate of replacement is due to the very large volume of hardwood trees in U.S. forests.

Key:
- Forestry
- Transport Forest-Klin
- Drying
- Transport Kiln-Customer
- Sawmill
- Carbon uptake

AMERICAN HARDWOOD EXPORT COUNCIL
LIFE CYCLE ASSESSMENT

MILAN EXPO FLOORING: 500 M2 OF U.S. WHITE OAK

REPLENISHED IN 25 SECONDS 14.5 METRIC TONNES OF CO₂ STORED
GROWING THE FUTURE FOR AMERICAN HARDWOODS

NEW MARKETS FOR UNDERUSED SPECIES

NEW APPLICATIONS

INDUSTRY NETWORKING

CAPITALIZE ON GREEN CREDENTIALS
American Hardwood Pavilion at the Dubai Wood Show
Working with NHLA to educate the European Hardwood trade
2020 AHEC Pavilions

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