

COFI MARKET ACCESS NEWSLETTER

International Market Development Activities Update



COFI **SPF GROUP** **Canada Wood**

October 2007 Edition

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In the next 10-15 years, YiXing local government is aiming to turn YiXing Economic development zone into an International Modern City for environmental protection, both for living and for working.... [more](#)

Russian log export tax surge to 25% by 2008

SPF shipment to China have increased five-fold in 2007 due to Russian log export taxes and increased customer awareness of the merits of Canadian SPF. The Russian government significantly raised export taxes on Russian Pine and Spruce in an effort to counteract the practice of [more](#)

In the Spotlight - Canada Wood Staff Profile: Meet Mr. Greg Hoing

A few years ago, Greg Hoing couldn't have imagined that someday in the near future he would be working to exploit the wood frame construction market in China, one of the world's most dynamic nations.... [more](#)

Calendar of upcoming events in China

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Korea

Korea Market Update

This year marks the 10th year since the outbreak of the Asian financial crisis in 1997. Indeed, Koreans have learned their lessons from the 1997 crisis, and the economy is now in much better shape to withstand any buffeting from international financial markets... [more](#)

Korean Housing Market Update

Building permits and housing starts for the first seven months of 2007 increased to 25.1% and 33.9% respectively to 131,020 buildings and 104,145 buildings. The increase was mainly attributed to the increase... [more](#)

Korean Wood Market Update

Korean imports of logs for the first seven months of 2007 increased 36.1% to US\$ 550,674,000, while Canadian log imports sharply rose to 62.7% to US\$ 45,163,000 accounting for a 8.3% share in the total Korean log import market owing... [more](#)

In the Spotlight - Canada Wood Partner Profile: Gaining a Foothold in the Korean Building Code - Meet Dr. Shim

Dr. Kook Bo Shim, visiting Korea Forest Research Institute scientist, has been working collaboratively with Forintek scientists since January 2007. Dr. Shim will stay at Forintek until December 2008... [more](#)

Korean Architects Not Afraid to Get Hands Dirty

Canada Wood has sponsored Wood Frame Construction Training Workshop, an annual event held by the Korea Wood Construction Association (KWCA) since 1996... [more](#)

Korea's 2 largest builders discover opportunity in Canada

September 2, 2007 Executives from Sam Jung Construction and Best House Korea (BHK) spent a week in BC to investigate opportunities related to importing wood construction materials. Their week long mission included visits to:... [more](#)

Korea – 25% growth for outdoor wood

The growth in demand for domestic treated wood was strong over the last five years, with 25% growth from 2005 to 2006. Landscaping and decking are the main applications... [more](#)

Calendar of upcoming events in Korea

Are you planning a trip to Korea? Before you leave, be sure to check out our calendar of upcoming events... [more](#)

United Kingdom

United Kingdom Market Update

Softwood trading activity has been quiet for many within the trade during August, and there have been few signs of increased activity in September. The market outlook for the remainder of 2007 remains uncertain, and the prospect of... [more](#)



Market: Japan



Japan Market Update

By Shawn Lawlor



Excluding bright spots in the manufacturing and export sectors, the spreading sub-prime mortgage crisis, falling corporate capital spending and sluggish domestic consumer activity rallied against Japan's economic recovery in the period of June through

Shawn Lawlor

Director, Canada Wood Japan

Shawn graduated with a Bachelor of Arts from the University of Ottawa in 1990 and later from the Asia Pacific Management Program at Capilano College in 1995. His career has spanned 15 years in international forest and building products marketing and sales with leading primary producers. Shawn joined the Canada Wood group in April 2007 to take on the role of Director, Japan Operations. He resides in Tokyo with his wife Christine and son Cole.

Gloomy Economic conditions result in the first negative quarter in the last 10, as poor consumer spending and a dramatic decline in housing starts are reported.

Japan Market Snapshot

- Total 2x4 fireproof structures built: 607 units as of August 31, 2007
 - Fireproof construction starts by year

May 2004 – June 2005:	129 Units
May 2004 – June 2005:	129 Units
July 2005 – June 2006:	189 Units
July 2006 - June 2007:	251 Units
July 2007 – August 2007:	38 Units
- (Year over year annual growth +47%)

Visit the Canada Wood Japan Web Site



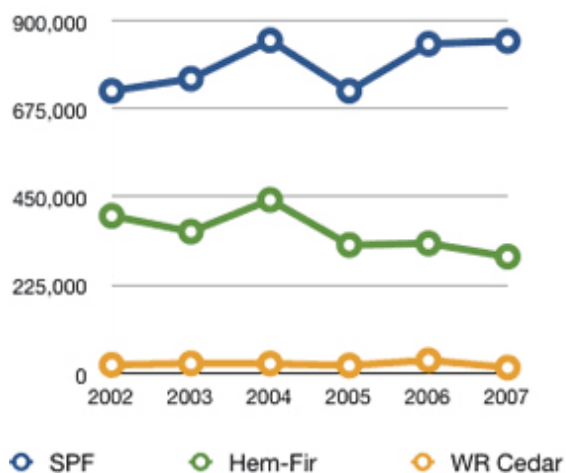
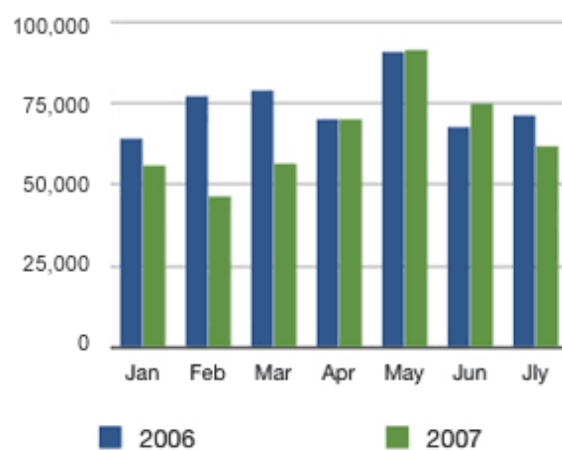
September.

GDP between June and August is expected to be revised by the Government of Japan to – 0.2%, marking the first quarter of negative growth in 10 quarters. The decline has been attributed to deteriorating corporate capital spending. Equity markets fell in stride with the widening sub-prime crisis in the U.S. Tokyo's Nikkei index fell from its recent peak at the 18,000 level in May to its current level of 15,765.

As equities fell, the yen resurged. With the current account surplus ballooning to its highest level in 22 years and as battle weary investors unwound yen carry trade positions, the yen gained 5% versus the Canadian dollar, 6.4% versus the US dollar and 4.3% versus the Euro between the beginning of June and mid September. Due to the deteriorating GDP and strengthening yen, the Bank of Japan is expected to hold its key discount rate at its next meeting in September. Corporate profits offered the one bright area to the economy. Corporate pre-tax profits of publicly traded companies rose 20.4% between April and June compared with the year prior, thus marking the 20th consecutive quarter of profit growth and establishing a post war record. Profits were led by manufacturers in the export sector.

Rising corporate profits failed to translate into increased domestic consumer spending – the other 50% of Japan's economy. Notwithstanding the 0.1% drop in the unemployment rate to 3.6% in July, consumer spending faltered with nationwide department store sales dropping 4.3% in July. Beyond Japan's healthy employment numbers, structural shifts in the labour market are negatively impacting average monthly wages. Average monthly wages were down 1.9% in July, the eighth consecutive month of decline. As Japan's baby boomers begin to retire and are replaced by less highly paid younger workers on an increasingly part time basis, average pay has fallen 10% between 1997 and 2005. In addition, lower paid part time employment represents 1/3 of new hires presently compared with 1/5 a decade earlier. Disposable income was also squeezed further this past quarter with gasoline prices hitting a record 145 yen per litre in August.

And now for the bad news: Japan's housing market registered a dramatic decline in July starts following weak demand and regulatory delays in building permit approvals as a result of Building Standard Law revisions which came into effect on June 20th. At 81,714 units, July housing starts posted a dramatic 23.4% decline over July of 2006, pushing seasonally adjusted annualized housing starts to 947,000 units. Prices in Japan's lumber markets largely held despite the drop in starts, however cracks in price levels began to emerge as Chugoku Mokuzai discounted KD Douglas Fir 105x180/Wdr HIRAKAKU by 3000 yen in an attempt to stimulate sales. Although global Tokyo Lumber Terminal inventory fell 5% in August, the inventory adjustment was thanks to a 41% and 39% respective drop in North American and Russian/Chinese inbound shipments compared with the month prior. Actual TLT outbound shipments fell 13% in August on slowing building activity.

Canadian SPF to Japan (MFBM)**Japan (MFBM) Last 7 months compared to 2006**

(Sources: MLIT, The Nikkei Weekly, Nikkan Mokuzaï Shimbun, Mokuzaï Kenzai Weekly, TLT Lumber Statistics, The Japan Times)

North American Style Canada Tsuga Timber-frame Structures Gaining Popularity in Japan

By K. Charles Tanaka



K. Charles Tanaka

Japan Program Administrator –
Canada Tsuga Promotions

Specially selected and sawn Canada Tsuga timbers (8x8, 10x10, up to 12x12) are gaining popularity as the timbers of choice for a group of timber-frame builders in Japan.

Led by a specialty wood frame manufacturers K.K. Akai Seizai and K.K. Daitec, a network of builders, designers and housing companies is developing the timber-frame market in Japan. Early in the spring of 2007, a small group of 16 timber-frame enthusiasts visited the BC West Coast to inspect the original source of Canada Tsuga fiber.

Upcoming Events - Japan

Oct. 3

Canada Tsuga E120 Seminar in Osaka

Oct. 9

Canada Tsuga E120 Seminar in Nagoya

Oct. 11-13

Nagoya Kenchiku Soh-Goh Ten Tradeshow

Oct. 20

Portable display & presentation at the K.K. Yoshisada Sano City Branch (Lumber Wholesaler) - Weekend Fair.

Oct. 28

Portable Display & presentation at the Orange Pre-Cut Plant in Gumma – Weekend Fair.

Oct. 31 – Nov 3

ECO-TECH Tradeshow in Nagoya

Nov. 11

Seminar at the Shinkiba Weekend Fair

Nov. 14 – 16

Japan Home Show

Dec. 15

Orange Pre-Cut Soh-Kai Tradeshow

Dec. 4

Western Red Cedar Educational Seminar, Tokyo

Dec. 6

Western Red Cedar Educational Seminar in Nagoya

Got Feedback? Tell Us What You Think

The Canada Wood Market Access Newsletter is "By the Industry...for the Industry!"



[Click Here to take survey](#)

Tell us what you would like to see in the next edition.

Subsequent discussions and marketing activities spurred the creation of a network that includes architects, structural engineers, pre-cut and pre-fab manufacturers, builders and house marketing companies. The group numbers approximately 32 companies and is behind efforts to test several timber-frame framed components in an effort to secure HOWTEC equivalency connector approvals to facilitate building permit approvals of timber-frame houses in Japan.

The raw materials are supplied on a custom cut basis through producers such as Western Forest Products. The timbers are milled rough and oversized. After being shipped to Japan, the rough timbers are then stored under cover for approximately 6 months to acclimatize the materials to the local climate before they are re-sawn and finished to final component dimensions.

The Timber-frame structures are presently marketed for residential applications but the commercial market represents a key opportunity for future growth. The commercial market will be targeted after key certifications are obtained.



Timber-frame components & Building site in Kofu City, Yamanashi Prefecture – July 2007 The latest Timber-frame structure by the group – All Canada Tsuga Timbers



One of the first Timber-frame houses built by the group Iwaki City, Fukushima Prefecture – All Canada Tsuga Timbers

Canada Tsuga Wooden Posts Chosen by Japanese Developer



Canada Wood was instrumental in bringing together Mr. Adachi Mitsuo, President of The Second House Chain and wooden post manufacturer, Canada Tsuga. Seeking to open a furniture and interior design centre in two of his next restaurant and garden shops in Kusatsu City, Shiga Prefecture, Mr. Adachi, visited the Canada Wood Pavilion at The Nikkei Building Materials show in Tokyo March 2007. Intrigued by Canada Tsuga on the Canada Wood Japan website, Mr. Adachi decided to visit and participate in the Canada Tsuga interactive display at The Nikkei Show. Mr. Adachi was in the midst of planning a

Mr. Adachi Mitsuo

President of Second House Chain

Japan housing starts to increase?

Japan's aging population means a shift in demand for housing. Like in North America and Europe, baby boomers are approaching or entering retirement. This is driving increased demand for senior's housing. Perhaps as important are the children of the baby boomers – the echo generation. Today, the leading edge of the echo generation is reaching 35 to 39 years of age, and as a population segment, the echo generation is almost as large as the boomer segment. This demographic of emerging potential homebuyers may challenge commonplace assumptions that housing starts will show a gradual decline in the next five to ten years. If history repeats itself, starts may actually start to increase! What may act as a spoiler though, is that a portion of these echo cohorts are beginning to inherit houses from their dying parents. To get your copy of the FII commissioned study that examines the Echo generation and what it means to Japan's housing demands, contact Wayne Iversen at iversen@cofi.org.

Did You Know?

Along with the Japan 2X4 Association, COFI secured 6 Type Approvals for fire-proof construction which enabled for the first time wood assemblies to meet the "fire-proof" ratings required for stringent urban centers in Japan. The 2004 fire approvals would result in more than 607 2x4 multistorey permits.



Fireproof Structure Example – Meiji Sei-Ryu-En Oita Prefecture, Kyushu
Floor Area:

B1 – RC 668 m²1F – 2x4 2,003 m²2F – 2x4 1,798 m²

600 square meter furniture store and interior design centre and was searching for suitable lumber materials to meet his building and design requirements. The building was developed as a glass enclosed post and beam structure with a floor design that would highlight bright and open spaces and accentuate the natural beauty of wood.

When selecting the posts for his project, Mr. Adachi had initially considered using laminated European Whitewood posts. However, after visiting the Canada Tsuga interactive display booth, Mr. Adachi was won over on the benefits of utilizing Hem-Fir E120-F330 posts in his project. Not only was he impressed by the superior strength properties of Canadian Hemlock compared with laminated Whitewood, Mr. Adachi preferred to use solid kiln dried Canada Tsuga E120 – F330 posts as he was concerned that laminated posts that were exposed to exterior elements held the risk of delaminating. As well, Mr. Adachi was impressed by Canada Tsuga's attractive fine grain which he wanted to showcase in the store interior.

After the trade show, follow-up discussions with Yutaka Miyazaki, Canada Tsuga Japan Promotions Director, resulted in Mr. Adachi advising his architect to build with Canada Tsuga and upon completion, the Vee – Vas Furniture and Interior Design Centre was opened on August 18th in Kusatsu City, Shiga Prefecture.

The Second House Restaurant Chain: Showcasing 2x6 SPF Construction & Design

Mr. Adachi's Vee – Vas project is his most recent commercial project which features the use of Canadian wood products. Over the past 30 years Mr. Adachi has built a chain of 10 "Second House" restaurants and garden centers in the Kyoto area and neighboring Shiga Prefecture. At the Second House spaghetti restaurant in Kusatsu City, next to the newly opened Vee – Vas location, Mr. Adachi built an 800m² building which utilizes 2x6 SPF panelized construction.

In the main restaurant hall, the Second House utilizes prefabricated 2x6 triangular panels which are assembled in a round helix structure. The assembly was chosen to allow for a wide open interior rustic design and for its energy efficiency. The panels were built with exposed Canadian OSB and 2x6 SPF framing adding to the rustic cottage interior feel that Mr. Adachi envisaged. The projects underline the growing opportunities that larger scale commercial projects represent for Canadian lumber producers. Judging from the bustling lunch time crowds frequenting the Second House restaurant, it appears that the design elements of Canadian forest products are winning over Japanese consumers as well.



TOTAL 4,469 m²
Lumber usage: SPF - 866 m³



Developer Mr. Adachi Mitsuo has chosen a wide range of Canadian Wood products to make his new developments more attractive and structurally sound.

In the Spotlight - Canada Wood Staff Profile: Meet Mr. Kevin Bews



Kevin Bews

SPF Manager

Kevin Bews, joined COFI/Canada Wood in 1998. He is a graduate of the University of Guelph, with a Bachelor of Commerce degree. He recently spent time in China attending the Canada Wood Asia staff meeting. He enjoys sports, traveling, and barbequing.

We continue to make steady progress in the marketplace and Canadian Wood products continue to gain prominence

Did You Know?

More than 400 architects received 2X4 design training in Japan from July-Aug 2007

Kevin Bews, originally from Calgary, Alberta, is one of the longest-serving veterans on the COFI team in Japan. He has resided in Japan for the past sixteen years. He came to Japan in 1991 to study Japanese after graduating from the University of Guelph, with a Bachelor of Commerce degree. After completing the Japanese language program at Sony Language Laboratory in 1993, he found employment with Sunpia Homes, a privately held Japanese housing company that manufactured and supplied housing components and building materials for wood-frame structures in central Japan. He was responsible for importing and selling North American building materials. In 1998, upon completion of his five-year contract with Sunpia Homes, he joined COFI. Operating from the Canada Wood Office in Tokyo, Kevin represents the SPF Group and is responsible for development, implementation and management of market programs in Japan that promote the use of SPF dimension lumber in residential, non-residential wood and non-wood structures.

Kevin attributes the successes that the team in Japan has had over the last thirty-three years to former and current colleagues. He is convinced that without the relentless hard work and commitment to the Japanese market by COFI staff, Canadian lumber companies, Canadian academics, and provincial and federal governments, COFI would not be in the position that it finds itself in today - Japan is a leading offshore market for Canadian wood products. He understands that serving the dynamic Japanese market will continue to be a challenge: Japan demands high quality wood products at competitive prices, the Japanese market is evolving, and competition in Japan has intensified over the years. However, Kevin strongly believes that COFI can further develop this lucrative market (annual demand for wood products in Japan is 90 million m³ in log volume) and even expand business by adapting to and facing new market challenges.



Canada Wood Japan veteran Kevin Bews (left) works tirelessly in the field promoting Canadian Wood Products amidst increasingly intense competition and poor economic conditions.



Market: China



China Market Update

By Wayne Iversen



Wayne Iversen

Canada Wood Program Manager,
COFI Vancouver

Wayne graduated from UBC with an MBA in marketing and BA in international relations. Wayne speaks fluent Mandarin and has recently celebrated 5 years as COFI's Manager of the Canada Wood Export Market Development Program. Away from work he enjoys many sports such as soccer and hockey as well as spending time with wife Karen and his five children.

In our last newsletter, we reported that China recently overtook the USA as Japan's largest trading partner. As of September 2007, China has reached another milestone by overtaking Canada as the US's largest trading partner. There is no slowdown in sight and investment growth will continue despite the central government's attempts to slow things down. Local municipalities in China in an attempt to increase tax revenue and employment happily saying yes to new investment projects while Beijing, fearing over capacity in certain sectors is saying no. It is little surprise then that investment projects approved by the central government rose by just 13.2 % in the first eight months of the year, while projects approved by local governments increased by 28.4 %.

SPF exports to China are at an all time high, averaging 12,500 MFMB over May, June and July. That is a fivefold increase over the same period last year when total SPF exports were 2,400 MFMB (see table 1). The 2X4 construction market is active as of late, with more than 330 units under construction by eight different builders/developers. The truss roof promotion initiative which includes a calling strategy aimed at prospective developers is now underway. The technical services team continues to build innovative 2X4 hands-on displays for seminars, workshops and trade shows as well as provides on-site technical support for the eight active 2X4 builders.

China Market Snapshot

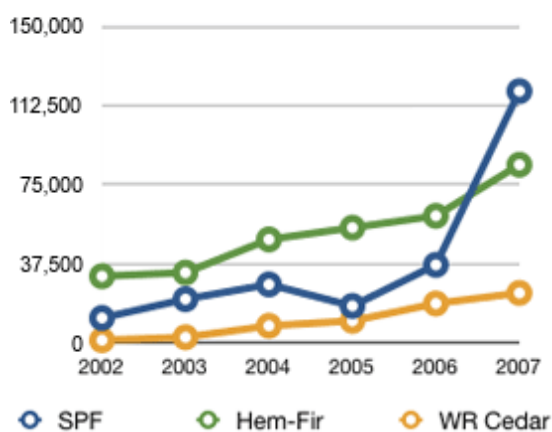
- 400 WFC starts
- Single family for the rich
- Can build up to 3 stories.
- 10+ builders
- Excess truss capacity
- Opportunity for MSR in Roof Trusses

Visit the [Canada Wood China Web Site](#)

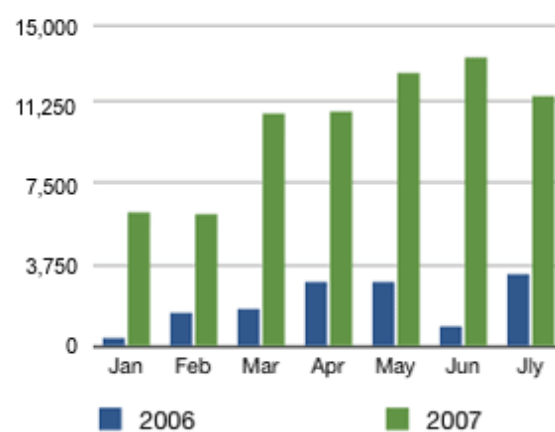


Canada Wood
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Canadian SPF to China (MFMB)



China (MFMB) Last 7 months compared to 2006



Canada Wood China: Three Months in Shanghai

By Paul Newman



Paul Newman

Executive Director - Market Access and Trade, COFI Vancouver

Paul Newman joined Canada Wood in 2003 and prior to that worked for COFI for 12 years. He also has experience working for a forest products firm and with the Canadian banking sector. Paul is a graduate of the University of British Columbia in wood science and Simon Fraser University in Business Administration. Paul is responsible for Canada Wood's Asian programs. He enjoys gardening, outdoor pursuits and reading.

This is a Long March however as opposed to a lightning blitzkrieg and will require determination and staying power by all concerned.

From May to August I had the pleasure and privilege of working with our overseas staff in Asia. Based out of the 'Dream Home Canada' facility in Shanghai, I participated in projects across China and also visited Korea twice.

The perspective of being on the ground at the 'sharp end' and a field rep as opposed to a head office type is an experience we should all have the opportunity to try at some point. In an earlier life I spent five and a half years in a field office, albeit in the European theater. I had forgotten how rewarding it is to be delivering projects as opposed to pushing paper around one's desk!

Not surprisingly a number of impressions formed during my stay. The first one is that Canadian industry and our government partners are fortunate to have a team of qualified and dedicated people working on our behalf. These people are working hard and intelligently to develop new markets and opportunities for our wood products. This is a Long March however (to quote Chairman Mao) as opposed to a lightning blitzkrieg and will require determination and staying power by all concerned. Engrained ways of thinking and building will take time to change. That said, in China events are moving in the right direction. Conservation of energy in building and construction is a huge issue as are widespread concerns about the effects of pollution. Now is the time to sell the benefits of wood in construction.

And this needs to be done. According to a Canada Wood commissioned report by top-ranked Tsinghua University, China uses 6.6 times the amount of energy required in the USA to generate an incremental unit of GDP output and 3.7 times that of Japan. Thirty percent of energy consumption in China relates to buildings. Conventional wisdom leads us to believe that it is globally recognized that wood is a 'positive' factor in developing a sustainable economy and environmentally sensitive built environment. But in China this is not presently the case. In fact central government policy is somewhat negative on expanded wood use. The reasons are complex but domestic scarcity of timber resources and a sense that wood construction is only for small buildings figures heavily.



Upcoming Events - China

Oct. 23-25

Veneer Processing and Products 3rd Inter'l Symposium in Shanghai, Shanghai Hotel

Oct. 31

Oct. 31, Landscape Seminar in cooperation with FII in Guangzhou

Nov. 5

Trusses and Hybrid Seminar in Hangzhou

Nov. 7

Trusses and Hybrid Seminar in Nanjing

Nov. 15-18

The 6th China International Exhibition On Housing in Beijing, No. 2 Hall, Booth No. B104, Beijing Exhibition Center

Nov. 15-18

Wall Show

Nov. 23

Grading Seminar in Shanghai

Nov. 26

Grading Seminar in Dalian

Nov. 28

Grading Seminar in Qingdao

Nov. 30

Grading Seminar in Dongguan

Nov. 25-30

QWEB AGM in Quebec, Canada

So the challenge facing us is to demonstrate why wood is relevant to China's needs and can make a meaningful contribution. Along with European and American colleagues, Canada Wood is establishing a Wood Dialogue initiative with key government and institutional entities. The idea is to present and debate the facts and then package this information so it can be widely marketed in China by western politicians and others.

We also need to think well beyond our current Canadian scope of application for wood to encompass new innovative ideas. These include European concepts of using wood assemblies in concrete frame high-rise structures and as roofing to upgrade masonry buildings. Canada Wood is joining forces with the European Wood organization in Beijing on Sept 24-25th to promote wood as infill construction in concrete frames at an energy efficiency trade fair organized by the National Development and Reform Commission, a powerful policy implementation ministry in the Chinese central government.

Having enjoyed my three months in Asia I am heading back again for another two month stint at the end of September. Japan should feature heavily this time as will China. Preaching the (wood is) good message is something we need to do fervently and with missionary zeal. To quote the famous bard – *"There is a tide in the affairs of men. Which taken at the flood leads on to Fortune. Omitted all the voyage of their lives is bound in shallows and in miseries"* (Julius Caesar 4 iii)



Building an Emerging Market: Paul Newman reports that progress is being made developing WFC in China, but continued efforts to promote benefits and innovation are required for wood to be viewed as a mainstream viable construction material.

Majestic Mansion: Luxury Development a Major Opportunity for WFC

By Leonard Mao



Leonard Mao

SPF Manager

Leonard Mao, joined Canada Wood in 2004. He is a graduate of Nanjing University of Science and Technology in China with major in material science and international trade. He has recently been spending time in Chongqing organizing the recently held truss and hybrid building seminar for builders and architects. Leonard enjoys swimming, and traveling.

Majestic Mansion is the only major luxury residential community being developed in Beijing that is not a high-rise.

Canada Wood Quality Assurance Team
Making a Difference in China

Wood Frame Construction Technical Support

 [Download PDF](#)

Technical Transfer Clinic Building Stairs
Establishing Quality as a Core Value

Canada Wood's quality assurance campaign engages homebuilders in China with several unique programs...

 [Download PDF](#)

Did You Know?

- More than 2000 visitors visited Canada Wood booth in the Steel Expo and Wall Show in Beijing.
- Canada Wood has partnered with European Wood and the American Forest and Paper Association in China to undertake projects and initiatives that have implications for all exporters to China. Projects include fire code development, an upcoming trade-show in Beijing and a 'Wood Dialogue' initiative which is being undertaken to educate senior policy officials in China as to the merits and role of wood in a sustainable economy.
- COFI developed the "Guide to Good Practice" reference manual for China and latterly for Taiwan and Korea. And more recently the Inspection Manual, a companion

Majestic Mansion is a master-planned luxury residential community situated on 90 acres at the northwestern edge of the Summer Palace. Located in a highly desirable section of Beijing known as the Haidan District, Majestic Mansion is the first major residential project in the immediate area, replacing aging housing structures. The location, which is surrounded by hills, offers views of the Summer Palace and its lake. The location has long been prized by the imperial dynasties for its natural beauty. The site also contains a school, a soccer field and government buildings, which have been preserved. Because of Majestic Mansion's proximity to government buildings and high-ranking government officials' residences and offices, the property is being marketed only to a select class of elite Chinese citizens.

Majestic Mansion is the only major luxury residential community being developed in Beijing that is not a high-rise. The project managers report that the completed development will consist of 467 units and have two country clubs on site: one that will cater for large public gatherings and the other, for the exclusive use of its residents. The larger clubhouse will encompass 100,000 square feet and include banquet, ballroom and meeting facilities, restaurants, various sports courts, an indoor/outdoor swimming pool as well as underground parking.

Majestic Mansion is being developed in four phases providing many opportunities for wood frame construction. Phase I, which is set on 10.5 acres, encompasses seven buildings and 67 units ranging in size from 3,000 to 10,000 square feet. To date, more than half have been sold, representing \$50 million in sales. The developer for this project was Greentown China. The luxury homes will be completed in early December 2007.



Designers Eager for 2x4 Design Help

- COFI Secured relaxations in the Chinese fire code for spatial separations between wood frame structures.
- Canada Wood is actively promoting WFC to future wood consumers with the University Outreach Program that provides ongoing seminars and building demonstrations to universities including: Tonji, Nanjing and Tsinghua.



In an exclusive area overlooking the legendary Summer Palace Lake, Majestic Mansion is the only major luxury residential community being developed in Beijing that is not a high-rise with plans to develop 467 units.

Opportunity in High Rise Buildings: A Canada Wood Success Story

Real estate prices in China continue to rapidly rise and space is selling at a premium. To accommodate more growth, a policy was enacted June 1, 2006 on all new residential housing projects being subject to space restrictions amounting to 70% of the new units having to be less than 90 square meters. In response to the demand for bigger houses in China an innovative developer in Chongqing started building empty shell rooms 90 m² by 6.1 m high, and in having the kitchen and bathroom finished, the apartment owner will be able to separate the room into 2 floors and make the apartment appear much bigger.

In this situation, wood construction has a design flexibility advantage because wood is very light and easy to work with. A one-layer wood flooring system and partition wall into the room was built and added attractiveness into the units as well. The idea for using wood came from attending a Canada Wood Wood Frame Construction Building Seminar, inspiring this particular builder to have confidence in using wood, resulting in the order of 10 containers of SPF from Canada.



Haiyan Zhang

Technical Director, Canada Wood Shanghai

Haiyan's educational training includes: Masters of Business Management Beijing Technology and Business University Bachelor, Civil Engineering, Tsinghua University College, Civil Engineering, South East University



With space at a premium in Chongqing, builders are making use of WFC flooring and walls to make units appear more spacious and attractive.

Designers building WFC will soon have detailed shop drawings approved by the Ministry of Construction to provide easier reference and acceptance of their designs. "Timber Structure Residential Building Standard Design" will provide WFC designers the same tools as designers specifying concrete and steel - using Standard Design Drawings published by the China Institute of Building Standard Design & Research with the approval of the MOC.

"Timber Structure Residential Building Standard Design" was approved by the MOC in 2006 as a national standard design document. The Canada Wood team consisting of Greg Hoing, Kerry Haggkvist, Chris Mattock and Haiyan Zhang provided technical

Building a New City: Canada Wood visits YiXing Economic Development Zone

By Jennifer Yu



Jennifer Yu

Project Director, Canada Wood Shanghai

Jennifer joined Canada Wood in 2002. She is a registered professional engineer in British Columbia, recently spending time in China conducting designer training programs on WFC as well as working with Shanghai local MOC on the development of a WFC Shanghai local code. She enjoys outdoor activities and reading and working with people from different businesses.

For more information, please contact Jennifer Yu at yu@canadawood.cn, or (021) 5030 1126

Everybody was impressed with Canadian technologies as well as the comfort, the spacious feelings and the flexibility in design that wood frame construction offers.

Did You Know?

- More than 400 participants attended Canada Wood Trusses and Hybrid Seminars in Beijing, Tianjin, Dalian, Chengdu and Chongqing from June-Sept. 2007.
- Chinese WFC advocates recently formed the China Developer Club made up of pro-wood developers and potential wood frame developers. The China Developer Club meets regularly to discuss the current conditions in the wood

In the next 10-15 years, YiXing local government is aiming to turn YiXing Economic development zone into an International Modern City for environmental protection, both for living and for working.

Jennifer Yu of Canada Wood Shanghai met the Party Secretary, Mr. Zhu Xu Feng and Director Mr. Shi Yan Wei of Jiangsu YiXing Economic Development Zone, a city, located along the west bank of Taihu Lake crowned many titles including: National Hygienic City, National Model City for Environmental Protection, National Garden City and China's Excellent Tourist City.

Since wood frame buildings are truly "green" buildings utilizing materials from renewable, sustainable forestry resources, Mr. Zhu said that it would be a perfect construction style suited for the residential and commercial buildings of this planned National Environmental and Garden city.

YiXing Economic Development Zone of Jiangsu province is located in the center of the delta area along the Yangtze River, 180 kilometers east of Shanghai, 135 kilometers west of Nanjing and 125 kilometers south of Hangzhou. The economic circle of 2 hours ride covers 16 big and middle cities in the delta areas along the Yangtze River. It is an important commercial and trade service center in the common border of Jiangsu Province, Zhejiang Province and Anhui Province.

"YiXing is the cradle of China environmental industry." Mr. Zhu said. "With the development of more than three decades, there have been more than 1000 environmental companies in the city now, including 20 top hundred companies in China. In 2006, environmental products, engineering and services reached a production value of 15 billion yuan. "

YiXing is scenic, with beautiful mountains and water combined together. The city lies in the mountains and waters while the mountains and waters lies in the city. "YiXing is an excellent tourist destination in China. Gorgeous landscapes and profound culture resources of 5000 years make a new modern YiXing" Mr. Zhu continued. "The urban green coverage in YiXing reaches 42% and road green coverage reaches 100%"

In the next 10-15 years, the local government is aiming to turn the YiXing Economic development zone into an International Modern City for environmental protection, both for



frame construction market and also allowing guests and members to network with professionals in the industry.

- SPF shipments to China have increased five-fold in 2007 due to Russian log export taxes and increased customer awareness of the merits of Canadian SPF. The Russian government significantly raised export taxes on Russian Pine and Spruce in an effort to counteract the practice of underreporting prices in order to avoid taxes. The tax rate today is 20% and the minimum export tax is 10 euro/m³; On April 1, 2008 these rates will go up to 25% and 15 euro/m³ and on January 1, 2009 they will go up again to 80% and 50 euro/m³.
- The PEFC Council (Program for the Endorsement of Forest Certification schemes) opened its new PEFC China Office in Beijing July 2007. The new office, headed by Benson Yu is located within Canada Wood Beijing, and will provide market support and information on PEFC certification for Chinese government and industry decision-makers interested in promoting sustainable forest management.

living and for working. In its master plan, there will be 6207 hectares of land to be developed in the next 10-15 years, in which 666.9 hectares of land is planned to be developed for residential buildings including 45.9 hectares for low density residential buildings, 439.6 hectares for middle density residential buildings, 133 hectares for high density residential buildings as well as 48.4 hectares for educational facilities. At present, YiXing government is targeting to have at least one third of the planned land (666.9 hectares) developed in the next 5 years and have the rest completed by the 2nd 5 years.



Canada Wood's Jennifer Yu has identified the YiXing Economic Development as a huge opportunity for Canadian Wood manufacturers to provide products and expertise over the planned 10-15 years of development.

As Mr. Zhu said, there would be lots of opportunities for Canadian technologies of wood frame construction in YiXing in the future given its green and environmental friendly features which fit right into the theme of the master plan of the YiXing Economic Development Zone.

Recently, Mr. Zhu, Mr. Shi and a group of officials from YiXing paid a special visit to Dream Home Canada (Canada Wood Shanghai office) and two residential wood frame construction demo villas. Everybody was impressed with Canadian technologies as well as the comfort, the spacious feelings and the flexibility in design that wood frame construction offers.

"YiXing Local Government would like to establish a friendly working relationship with Canada Wood in the development of YiXing Economic Development Zone, together to build an International Environmental Friendly city in YiXing" said Mr. Zhu at the end of the tour.

In the Spotlight - Canada Wood Staff Profile: Meet Mr. Greg Hoing



Greg Hoing

Director – Training & QA

Greg joined Canada Wood in 2006.

A few years ago, Greg Hoing couldn't have imagined that someday in the near future he would be working to exploit the wood frame construction market in China, one of the world's most dynamic nations.

Greg has very strong construction background having grown up in the family construction business. He started his own construction company 13 years ago and went on to work and build over 400 houses in Japan and Korea. However, in July 2006 Greg was looking for a new and exciting challenge so he accepted a move to China, taking on the task of leading the Training and Quality Services arm of Canada Wood based in Shanghai.

Greg soon learned that, although Japan and China are both East Asian countries, with similar origins of culture and language, China as a rising star in the global field has a very

He is a graduate of the Douglas College Business Management program. He has recently been spending time planning for the Canada Wood Awards of Excellence for Wood Frame Builders in China. When Greg is not working he enjoys golf, squash and spending time with his family.

I am so proud of having such a great team with me, without their hard work, we could not have attained the results we've achieved so far.

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different market environment compared to Japan. "The first word I learned was fapiao, or receipt," said Greg half-jokingly. "Somebody told me I need to know this word if you want to do business in China." In China, "Guan Xi", also known as personal relationship or networking, is much more pivotal in the day-to-day work. Over the past year Greg has met and dealt with many different people and touted the benefits of wood frame construction to them everyday. A lot of Chinese developers, builders and suppliers are convinced and have become good friends of him.

When Greg arrived in China one year ago, the entire Canada Wood technical team of Barry Reimche, Eric Zhang and Daryl Birtch had just left the market so Greg's first order of business was to rebuild the whole team to support Canada Wood's training and quality assurance activities in China. Greg's philosophy is to surround himself with efficient, experienced and skillful people, so one year later, with the additions of Construction Specialists Steve Ross and Kerry Haggkvist and support staff Chen Xiao and Freedy Lu, the most important job of developing a qualified, motivated team is complete. "I am so proud of having such a great team with me, without their hard work, we could not have attained the results we've achieved so far." said Greg.

With Greg at the helm of the tech team, they successfully started the first Builders/Suppliers WFC Association as well as the Wood Frame Developers Association in China. In order to reach out to more industrial professionals, they also designed, built, and organized simultaneous trade shows in Beijing and Shanghai that reached thousands of developers, builders and architects. The team is always thinking of innovative ways of delivering technical knowledge to the Chinese building community so they developed a new program of technical demonstrations at seminars and tradeshow that resonated well with the attendees.

There is a Chinese saying "Behind every successful man, there is a woman." Apart from work, one of Greg's most important "tasks" is to spend time with his wife and daughter who are all living and enjoying life in China. In fact they will be adding to the Hoing clan with a new baby due in November.

Greg is still learning and observing this changing country "it is really not an easy job to convince all the Chinese people that wood is good, but we will do our best and we are confident that, in time, we are going to be very successful!" Greg stated enthusiastically.



With Greg Hoing at the helm of the technical team in China, the first Builders/Suppliers WFC Association as well as the Wood Frame Developers Association in China was established.



Greg's team is always thinking of innovative ways of delivering technical knowledge to the Chinese building community with numerous demonstrations and seminars planned.



Market: Korea



Korea Market Update

By Mr. Tai Jeong



Mr. Tai Jeong

Technical Director, Canada Wood Korea

Email: jeong@canadawood.or.kr

Tai Jeong joined Canada Wood in 2006. Tai brings over 20 years of technical expertise in wood design and construction to the Canada Wood team. Tai is an accomplished building professional, having worked as an architect for 15 years, and is a registered contractor. In his time away from the office, he enjoys singing and sports.

This year marks the 10th year since the outbreak of the Asian financial crisis in 1997. Indeed, Koreans have learned their lessons from the 1997 crisis, and the economy is now in much better shape to withstand any buffeting from international financial markets than it was ten years ago. There will be no need for the kinds of sacrifices Koreans made ten years ago when housewives lined up to donate their gold to help pay the national debt.

At the time of the 1997 crisis, Korea was heavily in debt to foreign creditors, but the situation today is vastly different. Today, Korea is a net creditor to the rest of the world, with foreign assets of US\$ 379 billion, versus foreign debts of US\$ 286 billion. This surplus of US\$ 93 billion contrasts with the net foreign debt of US\$ 65 billion on the eve of the 1997 crisis.

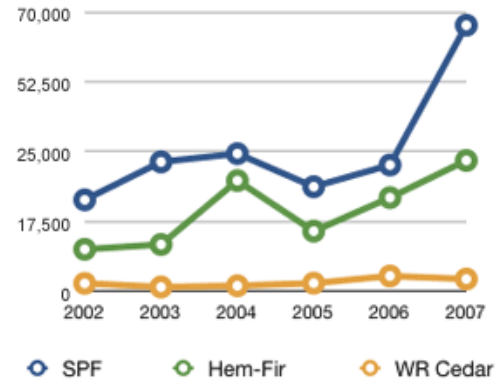
Korea's economy has rebounded, from US\$ 10,000 GDP per capita in 1995 to an estimated US\$ 20,000 GDP mark at the end of this year. The Korean wood industry has been longing to see this US\$ 20,000 GDP per capita mark which could initiate a boom in the wood framed housing market. To the country, this means the opening of new economic horizons to become an advanced nation. To the Korean wood industry, this means the opening of a new era to build and develop 10,000 buildings for the wood frame construction market per year.

In line with the meaningful sign of the US\$ 20,000 GDP per capita mark, the Korean wood industry also foresees that a new market for multi-family housing can be generated when the market size of wood framed buildings reaches 10,000 buildings per year. Of course, there are pre-requisite things we have to solve to make this happen in Korea. The building code and standards development work to allow wood use for multi-family and commercial construction is the key challenge. This past year, Canada Wood Korea is in active talks with the Korean government and industry along with the Korean technical group to revise and develop these building code and standards to specify and favor WFC.

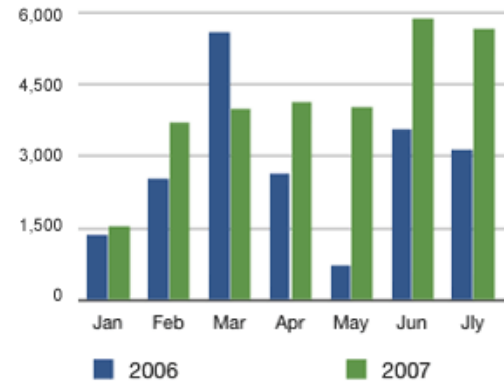
Canada needs to take the initiative in opening up the multi-family wood framed housing market in Korea. There is no doubt that the Korean wood market will grow significantly upon entering this new growing sector of multi-family construction.

Korean wood building market is now entering an era of 10,000 buildings per year. The future of the Korean wood market and the Canadian wood export market is dependent on our effort to create multi-family housing market in Korea. And our efforts will pay off.

Canadian SPF to Korea (MFBM)



Korea (MFBM) Last 7 months compared to 2006



Korean Housing Market Update

By Tae Ik Hwang

Korea Market Snapshot

- 6000 2X4 starts
- 200+ builders
- 2X4 allowed up to 4 storeys
- Medium-strong wood culture



Tae Ik Hwang

Technical Consultant, Canada Wood Korea

Tae Ik Hwang began to work as the Technical Consultant for Canada Wood Korea from March this year. Before joining Canada Wood Korea, he used to work for Korea Wood Construction Association (KWCA) as a technical director. Lately, he has been assisting Tai Jeong for the fire resistance tests of wood wall assemblies with Korea Technical Group.



Upcoming Events - Korea

October 10-14

Busan Kyung Hwang Housing Fair at BEXCO, Busan

October 12

CW-KWCA Technical Seminar during 2007 Busan KHH fair for consumers

October 27

CW-KWBDA Wood Building Design Technical Forum at Yewon University in Jeong Ju City, Cheonbuk Province for professionals

Building permits and housing starts for the first seven months of 2007 increased to 25.1% and 33.9% respectively to 131,020 buildings and 104,145 buildings. The increase was mainly attributed to the increase of Gross National Income. GNI, a key indicator of

November 12-16

Korean Media mission to Canada

November 19-23

Korean Technical Group's mission to NRC

Korea – 25% growth for outdoor wood

The growth in demand for domestic treated wood was strong over the last five years, with 25% growth from 2005 to 2006. Landscaping and decking are the main applications. The majority of treated-wood landscaping products are sourced from domestic suppliers because most of them are size-specific. The exception is for decking products which are typically imported. For your copy of the FII report that looks at the opportunity for outdoor wood products contact Wayne Iversen at iversen@cofi.org

Did You Know?

- Canada Wood publicity in leading Korean trade and architectural magazines were estimated to reach a circulation of 351,000 readers at \$119,000 CDN worth of advertising value.
- Korean imports of logs for the first half of 2007 increased 36.3% to US \$475,478,000, while Canadian log imports climbed 67.1% to US \$39,637,000 for the same period of 2006.

Visit the Canada Wood Korea Web Site



Canada Wood
캐나다우드

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Dr. Kook Bo Shim, visiting Korea Forest

Research Institute scientist, has been working collaboratively with Forintek scientists since January 2007. Dr. Shim will stay at Forintek until December 2008 with the support of Canada Wood to identify the key factors to be considered in the development of seismic provisions for the new Korean Building Code. Currently Dr. Shim is researching earthquake design provisions for small wood buildings, lateral load resisting systems for engineered wood construction, analysis of Korean and Canadian seismic design codes and regulations, and comparison of design values of structural softwood lumber designated in Korean and Canadian lumber standards such as KS F 3020 and NLGA grading rules. The resultant data will be shared with Korean code authorities with a view to amendments being made to the KBC relating to the seismic performance of wood frame structures.



Dr. Shim (right) talks to Mr. Lee of Samjung construction at the Forintek lab. Hands-on Experiences of Wood Frame Construction for Future Architects

Canada Wood has been maintaining close collaborative relations with KFRI and other Korean government agencies for many years and is working very closely with them for the development of code and standards for wood frame construction. Last year (Oct. 30 ~ Nov.2, 2006), Canada Wood hosted KFRI scientists and MOCT code officials to Tongji University in Shanghai to participate in the shake table test of wood frame structures and provided them an opportunity to experience a solid evidence of structural safety and superiority of wood frame construction against earthquakes.

*KFRI: Korea Forest Research Institute of Korea Forest Service

*KBC: Korea Building Code

*NLGA: National Lumber Grades Authority

Korean Architects Not Afraid to Get Hands Dirty

Canada Wood has sponsored the Wood Frame Construction Training Workshop, an annual event held by the Korea Wood Construction Association (KWCA) since 1996.

For the first time, KWCA's workshop was held in conjunction with the Rural Home Building Program, which has been organized by Research Institute Culture City (RICC), an NGO formed by a group of architects. The program was designed to give architectural students an opportunity to renovate old rural homes as volunteers for the underprivileged.



50 volunteers from 16 universities around Korea day and night constructing wood frame buildings worked round the clock.

However, the joint effort between KWCA and RICC enabled the future architects to build 3 new wood frame buildings this year in Yanggu, Kangwon Province; 2 art studios and 1 exhibition hall, the total floor area of 250 m². After the completion, two studios will be leased to young artists free of rent and, in return, they will provide art lessons to local school children for free.

WFC was chosen because of the construction flexibility and design versatility that suit best with volunteer architectural students.

Everyday some 50 volunteers from 16 universities around Korea toiled for the construction of the wood frame buildings. In spite of the heavy monsoon rain and temperature reaching 33 degrees and 90% humidity, these future architects have put in

some 2,500 man-days from 27 June till 13 August to complete the buildings from foundation to roof. 69 students who participated more than 3 weeks were awarded with the certificate for the completion of wood frame construction workshop.

And, in addition to the 69 students, 26 trainees recruited by KWCA joined the workshop for 2 weeks, from July 9 to 21, to learn the basics of framing and finish carpentry also earned the certificate of completion.

Canada Wood has provided SPF dimension lumber and OSB structural panels for the project and also provided technical consultation and lectures. The support of Canada Wood for the project has been publicized in various magazines and newspapers and generated more than CAD \$65,000 worth of advertising value.



2,500 man-days were clocked from 27 June till 13 August to complete the wooden buildings from foundation to roof.



From all the publicity covering the workshop, it's estimated Canada Wood generated more than CAD \$65,000 worth of advertising value from the newspaper and magazine publicity.

Korea's 2 largest builders discover opportunity in Canada

By Wayne Iversen



Wayne Iversen

Canada Wood Program Manager,
COFI Vancouver

Wayne graduated from UBC with an MBA in marketing and BA in international relations. Wayne speaks fluent Mandarin and has recently celebrated 5 years as COFI's Manager of the Canada Wood Export Market Development Program. Away from work he enjoys many sports such as soccer and hockey as well as spending time with wife Karen and his five children.

September 2, 2007

Executives from Sam Jung Construction and Best House Korea (BHK) spent a week in BC to investigate opportunities related to importing wood construction materials. Their week long mission included visits to:

- Prefab home manufacturer
- Show homes and construction sites of single family, row and 4 storey condos
- SPF Mill in PG
- Port Moody City Hall
- Forintek / UBC
- Construction wholesalers
- Value added manufacturers
- Bear Mountain, Victoria

Sam Jung Construction is currently developing 159 high-end luxurious 2X4 homes while BHK is constructing 22 2X4 homes with plans to build more than 200 2X4 homes in 2008. While in BC, the group of 10 was very encouraged by the opportunity to import Canadian construction materials into Korea. The group was pleasantly surprised by the interior design and layout in the show homes they visited. They observed that in Canada, builders tend to use less expensive construction materials, however, the end result is often nicer than



Currently Korea builds 7,000 2X4 starts annually and that number is expected to climb to 10,000 2X4 starts by 2009.

Did You Know?

The Korean WFC Building code underwent a favorable revision in 2005. As a result, structures up to 4 storeys can now be built in Korea.

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many higher end Korean homes because of the very comfortable layout and peaceful color schemes.

Berwick elderly care home. The group was extremely impressed with the elaborate design on this high-end care facility located 20 minutes from Victoria. Because of the many shops and services built into it, the owner describes his project as a 'cruise ship on land'

A recent survey of buyers and the supply chain show that the wood frame construction market is viewed positively, and that this market is expected to grow. More and more developers are in the process of trying out WFC and are building demonstration homes within large developments. Larger "chaebol" firms such as Samsung construction are considering 2x4 construction. In an FII funded survey, 60% of the design/construction companies surveyed said they are considering construction of wood-frame buildings and are monitoring trends in the wood housing market.

Mr. Lee of Sam Jung construction believes there is a tremendous opportunity SPF in Korea for exterior non-load bearing walls in reinforced concrete high-rise condos. He believes that 2X4 exterior walls possess several design advantages where exterior walls are designed with large openings for windows. COFI is currently following up on this potential opportunity by investigating Korean building and fire codes regulations related to non-load bearing exterior walls.

Currently Korea builds 7,000 2X4 starts annually and that number is expected to climb to 10,000 2X4 starts by 2009. Already by July of this year, SPF Shipments to Korea have reached close to 30,000 MFBM. Last year, SPF totals for the whole year was 31,000 MFBM.



Delegates eye engineered wood samples at Forintek's lab.



Group enjoys a quick lesson on MSR Lumber by Canfor's QC Supervisor Nick Gierc (right)



Market: United Kingdom



United Kingdom Market Update

By Patrick Cooper



Patrick Cooper

Market Development Coordinator,
Canada Wood UK

As a professional forester, Patrick has accumulated broad and international

Softwood trading activity has been quiet for many within the trade during August, and there have been few signs of increased activity in September. The market outlook for the remainder of 2007 remains uncertain, and the prospect of higher borrowing costs and the looming consequences for the market have resulted in a mood of caution. Some expect that demand for carcassing will remain flat during the second half of 2007. Lower grades of softwood are likely to remain difficult to sell.

Supplies from the Baltic countries and Finland remain tight, where mills continue to struggle with circumstances of reduced log availability from Russia. Scandinavian and German mills are supplying the UK with a large part of its needs. We are led to believe that increasing numbers of new entrants to the market from Germany are looking to take advantage of CE marking regulations to sell to the UK, a move that could result in the supply of timber in qualities that are not familiar or suited to buyers.

experience working for government, NGO and industry bodies, involved with forest management, certification and the timber trade."

Canada's trade with the UK, at current prices, exchange and freight rates appears to be viable, and conditions are not expected to change dramatically for the remainder of 2007

Did You Know?

- The total volume of softwood lumber exported to the United Kingdom from Canada during the period January to March 2007 was 42,535 mfbm, compared to 9,806 mfbm for the first quarter of 2006.
- COFI introduced wood frame construction to the UK and other European markets. (WFC accounted for 25% of British housing starts in the early 1980s.)

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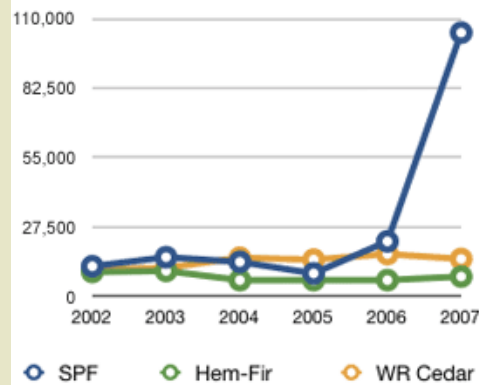
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Prices are expected to remain stable or rise gently in these conditions of flat demand and modest pressures on supply. While landed stocks are quite high, suppliers are unlikely to be tempted to reduce prices, because German log prices are increasing and are expected to feed through to lumber prices in spring 2008, and raised freight costs will make it difficult for Canadian suppliers to undercut prices. One might expect Canadian carcassing prices of GBP150-155/m3 (KD CIF) to continue for the foreseeable future, and Swedish production to continue to receive premium prices of GBP160-165/m3 in appreciation of better length specifications.

The trade relationship between Canada and the UK in commodity materials is dictated in part by exchange rates. In the first quarter of 2007 the Pound Sterling reached a high of CND2.35, but experienced a steep fall in value during the second quarter, roughly stabilizing with the Canadian Dollar in the summer months at a level of approximately CND2.13.

Canada's trade with the UK, at current prices, exchange and freight rates appears to be viable, and conditions are not expected to change dramatically for the remainder of 2007. During the forthcoming period, it is important for Canadian producers to act on clear marketing objectives with regard to the UK structural wood market, and develop sound relationships with suitable partners. Only in this way will sustainable trade develop, and full advantage be taken of current trade circumstances. To reiterate a point made in our previous UK market report, in the intervening years since Canadian players were major suppliers to the UK market, the perception of construction timber within the expectations of the construction industry has been raised by higher appearance products being produced in Scandinavia, the Baltic countries and Germany. Construction timber supplied to meet strength class requirements based on permitted grade allowances alone is no longer acceptable to many buyers. And finally one pointed comment received from within the trade is that UK buyers will quickly identify those players who are purely opportunistic, have no interest in building and maintaining a reputation, and no clear regard for customer satisfaction.

Canadian SPF to UK (MFBM)



UK (MFBM) Last 7 months compared to 2006

