Where do we go from here?
Tariffs, Trade Wars and US Hardwood Exports in the Age of Uncertainty

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American Hardwood Export Council
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www.americanhardwood.org
2019: A Challenging Year For Export Markets

US Hardwood Exports to All Global Markets

- Hardwood Lumber
- Hardwood Logs
- Hardwood Veneers
- Hardwood Flooring
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
Tariffs Cut US-China Hardwood Trade by 50%
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

Q2 2018 vs Q3 2019: Down 60%
Changes in China, 2019 vs 2017

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
2019 Hardwood Lumber Exports to China are down 335 million board feet

China: -335 million board feet

China’s decrease of 335 million bf

European Union: 128 million bf

Vietnam: 206 million bf

Source: USDA GATS Trade Data
US Losing Hardwood Lumber Market Share in China (Value)

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

Source: Global Trade Atlas: “Hardwood Lumber all 6 Digit HS Codes”, data through November ‘19
A Perfect Storm in China?

• Tariffs Still in Place
• Return of State-Owned Enterprises
• Changes in Housing Market
• Demographic Timbebom

• Tightened Lending
• Rising Gov Debt
• Phase One Deal Incomplete
• Coronavirus Concerns
Coronavirus 2019-nCoV Global Cases by Johns Hopkins CSSE

Total Confirmed: 24,630

Confirmed Cases by Country/Region:
- 24,405 Mainland China
- 28 Singapore
- 25 Thailand
- 22 Japan
- 21 Hong Kong
- 19 South Korea
- 13 Australia
- 12 Germany
- 12 Malaysia
- 11 US
- 11 Taiwan
- 10 Macau
- 8 Vietnam
- 6 France

China’s Tariff Exemption Process

- Chinese Companies and Associations ONLY
- USDA encourages feedback on process
- Applicants Must Demonstrate:
  - challenges seeking “alternative sources”
  - serious economic damage
  - major negative structural impacts or lead to “serious social consequences”
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.
US Losing Hardwood Lumber Market Share in China (Volume)

China's Imports of Hardwood Lumber (in Tons)

- **Thailand** 38%  
  - **USA** 19%  
  - **Russia** 12%  

- **Thailand** 37%  
  - **USA** 12.5%  
  - **Russia** 15%

Source: Global Trade Atlas: “Hardwood Lumber all 6 Digit HS Codes”, data through November ‘19
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)

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.
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**

<table>
<thead>
<tr>
<th>Year</th>
<th>% Exported</th>
<th>% Consumed</th>
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</thead>
<tbody>
<tr>
<td>2000</td>
<td>85%</td>
<td>15%</td>
</tr>
<tr>
<td>2016</td>
<td>80%</td>
<td>20%</td>
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</table>

Source: AHEC/China Timber Import Association
Graph: Hardwood Market Report
10 Largest US Ag Product Exports to China, 2018

<table>
<thead>
<tr>
<th>Product</th>
<th>Millions ($USD)</th>
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</thead>
<tbody>
<tr>
<td>Soybeans</td>
<td>$3,100</td>
</tr>
<tr>
<td>Hardwood Lumber</td>
<td>$1,100</td>
</tr>
<tr>
<td>Softwood Logs</td>
<td>$1,000</td>
</tr>
<tr>
<td>Cotton &gt; 1 1/8</td>
<td>$500</td>
</tr>
<tr>
<td>Feed, Ingrd &amp; Fod</td>
<td>$500</td>
</tr>
<tr>
<td>Hardwood Logs</td>
<td>$500</td>
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<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>$500</td>
</tr>
</tbody>
</table>

Source: US Census Bureau Trade Data, USDA GATS
Hardwoods Left Off Relief Funding

• $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: $30,000,000,000
- ATP Funds for Hardwood Industry: $3.3 million
Majority of Exports Still Heading to Asia

2019 US Hardwood Lumber Exports (volume) by Region

- East Asia 41%
- North America 25%
- Southeast Asia 19%
- EU-28 10%
- Middle East 2%
- Other 3%

- 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
China Still Largest Global Market

US Hardwood Lumber Exports (m3)

<table>
<thead>
<tr>
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<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
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<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td>Malaysia</td>
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</tr>
</tbody>
</table>

Millions (m3)
Largest Markets Outside of China and Canada

US Hardwood Lumber Exports (m3)
Top wood suppliers for Vietnam

- China: 16%
- USA: 13%
- Cambodia: 8%
- Thailand: 5%
- Malaysia: 4%
- Chile: 4%
- Germany: 3%
- Brazil: 3%
- France: 3%
- New Zealand: 2%
- Laos: 1%
- Canada: 1%
- Others: 37%
Vietnam sawn hardwood imports from temperate regions - 2013 to 2019

Source: AHEC analysis of data from Forest Trends & Trade Data Monitor
Red Oak Lumber Finding New Market in Europe

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
EU: Phyto Changes and Uncertainties

- Phyto for veneer?
- Prohibition of red elm in any form
- Confusion on oak/ash phytos and HD requirements
- USDA encourages feedback on process
American red oak lumber exports to Australia
(cubic metres)

- 2017
- 2018
- 2019 (Jan-Sep)

+595%

Source: US Census Bureau
MENA Markets Remain Stable

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

Source: USDA GATS Trade Data
American Hardwood Pavilion at the Dubai Wood Show
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 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
• Maderalia, Spain 9-13
• 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