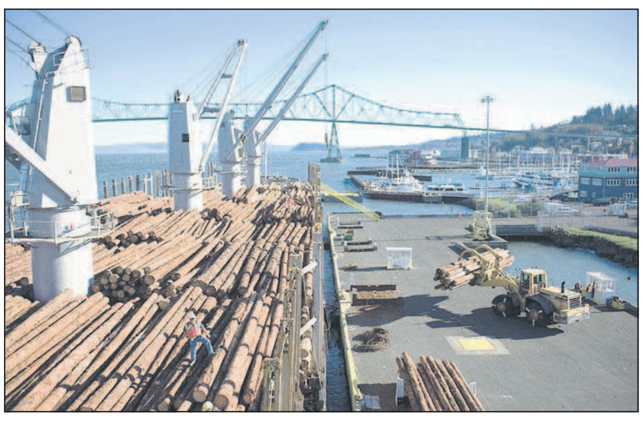
Chinese logging ban to boost demand for foreign timber

Competition for logs is strong with domestic sawmills

By MATEUSZ PERKOWSKI
Capital Press



EO Media Group File

A front-end loader hauls logs to the edge of the Port of Astoria's Pier 1 on Nov. 2, 2010. A ban on commercial logging of natural forests in China is expected to increase the nation's demand for foreign logs.

A logging ban in China's natural forests will likely increase its demand for foreign logs, but the impact on the Northwest's timber market is uncertain.

Though the nation will need to import more logs, it's unclear how motivated Chinese buyers will be to compete with domestic sawmills, which are currently offering high prices, experts say.

"To expand the market, they're going to have to go head-to-head with the mills," said Gordon Culbertson, international business director at the Forest2Market consulting firm.

According to USDA, a prohibition against commercial timber harvests in natural forests — as opposed to plantations — was enacted by China's government to counter decades of over-cutting, contributing to a 5 percent drop in its log production in 2017.

Since 2013, China's log production has fallen from more than 80 million cubic meters to less than 60 million cubic meters, and the logging ban in natural forests is expected to cause shortages for another three to five years, according to the agency's Foreign Agricultural Service.

"There's definitely increased demand from China. Whether U.S. suppliers want to fill that demand depends on their alternatives," said Kent Wheiler, director of the Center for International Trade in Forest Products at the University of Washington.

Ever since excessive logging in the headwaters of the Yellow and Yangtze rivers was blamed for massive flooding during the 1990s, China's government has moderated its harvest levels, Wheiler said.

The natural forest logging ban is the latest example of China's growing concern about the environment, which the government has been working to improve to avoid upsetting the country's populace, he said.

"They need to do what they're doing," Wheiler said. "They had significantly over-harvested."

New Zealand controls the largest share of China's market for imported logs at 36 percent, followed by Russia with 24 percent and the U.S. with 13 percent, he said.

Culbertson of Forest2Market said the strong U.S. dollar and healthy domestic timber market may prompt Chinese buyers to seek logs from Australia and New Zealand.

In the U.S., the log market has greatly improved as demand for lumber has strengthened.

The price per thousand board feet of framing lumber now averages about $440, up from less than $200 during the depths of the financial crisis in 2009, according to the Random Lengths timber industry information service.

"There's a lot of domestic competition for logs," Culbertson said.

Even so, China's demand for logs helps establish a price floor for U.S. timber producers, since the country provides an export outlet even if the domestic market softens, said Paul Owen, president of Vanport International, which specializes in log exports.

"It will keep prices, particularly in the Pacific Northwest, strong," he said.

The Northwest has an advantage in the species it provides to China: Hemlock and Douglas fir that are often used for concrete formwork in the construction trade, Owen said.

New Zealand, by contrast, ships radiata pine and New Zealand pine, which are often milled for furniture, he said. "It's a different market."

Capital Press File

Container terminal operations at the Port of Portland in 2015. Monthly container shipping will resume at the port as soon as January under a new agreement with Swire Group.

Port of Portland brings back container shipping

By MATEUSZ PERKOWSKI
Capital Press

The small-scale resumption of container shipping from the Port of Portland is expected to be an early test of its reconciliation with the longshoremen's union.

If their renewed relationship proves workable, the port hopes it will serve as the foundation for larger-scale container exports to East Asia, said Keith Leavitt, the port's chief commercial officer.

"We're in a very good spot of cooperation with labor. We look forward to proving that out," he said.

Ships from the London-based Swire Group are expected to begin calling on the port's Terminal 6 in January, roughly two years after the facility was abandoned by other ocean carriers due to productivity problems.

The deal with Swire Group, whose Cathay Pacific division already provides air cargo service at the Portland International Airport, was struck during Oregon Gov. Kate Brown's recent trade mission to Hong Kong.

For years, slow loading and unloading of containers at the terminal was blamed on a dispute between the terminal operator, ICTSI, and the International Longshore and Warehouse Union.

The Port of Portland terminated its lease with ICTSI earlier this year, retaking control of the facility.

Over the past five months, the port has settled its own legal disputes with the longshoremen's union and entered into a memorandum of understanding about their working relationship, said Leavitt.

The Port of Portland and ILWU will work jointly to bring more business to Terminal 6 and have agreed to regularly meet about operational issues before they become bigger conflicts, he said.

A spokesman for the longshoremen's union confirmed the new arrangement and legal settlements.

For agricultural exporters, who've been hurt by the shutdown of container traffic from Portland, the agreement with Swire Group will provide nominal relief, at least initially.

The main outgoing product will be Western Star trucks headed to Australia, with agricultural goods such as grass seed, straw and forest products supplementing those shipments.

Swire's ships will carry general cargo as well as containers, so they will only have a capacity of about 100 to 200 container per monthly call.

To compare, Hanjin — the bankrupt ocean carrier that once served Terminal 6 — handled about 1,600 containers per ship, with weekly calls.

"This is a much smaller container volume," said Leavitt. "It's a critical first step, but it's step one of many steps."

At first, Swire ships will deliver containers to Australia and New Zealand, then travel to East Asia to pick up U.S.-bound imports.

As the company grows more confident, it may begin shipping containers from Portland directly to East Asia — good news for agricultural exporters who must now truck their goods to more distant ports in Seattle and Tacoma.

"What we're hoping is those volumes will build as they establish their market presence," Leavitt said. "The hope is we'll be able to build other services with Swire and other carriers beyond that."

While the port's repaired relationship with the longshoremen's union is an important point, the container terminal still faces other challenges.

Before it contracted with ICTSI, the Port of Portland was losing money on the facility and subsidizing its operations with land sales.

With ICTSI now out of the picture, it must find a way to ensure Terminal 6 remains financially sustainable.

"We need to be able to at least break even," Leavitt said. "We're digging deep into that question."

The container terminal is more than 100 river miles away from the Pacific Ocean and cannot handle the massive new ships built by ocean carriers.