

SENT TO LSU AGCENTER/LOUISIANA FOREST PRODUCTS DEVELOPMENT CENTER - FOREST SECTOR / FORESTY PRODUCTS INTEREST GROUP

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## Measures to slow coronavirus disrupt Chinese market

The Chinese government's ongoing measures to control the spread of coronavirus, or Covid-19, have disrupted the country's softwood lumber market since mid-January. With the virus still spreading, government restrictions and precautions adopted by the industry are expected to persist.

Many manufacturing plants that process softwood lumber have extended shutdowns that were originally expected to last through the Chinese New Year celebration. Thousands of employees have worked from home throughout February. Extended shutdowns have slowed operations at Chinese ports, causing delays in loading and unloading containers. Restrictions on trucking across provinces have slowed shipments from ports.

Further, vessels carrying softwood lumber and other goods to Chinese ports have been diverted to South Korea and other alternative destinations. Canadian-based exporters noted that scheduled shipments of Western S-P-F to China were cancelled or delayed earlier this month because the vessel was rerouted to avoid Chinese ports.

Several industry gatherings were either postponed, cancelled, or relocated as a precaution against the coronavirus. Many North American-based exporters have cancelled scheduled sales trips to China, India, and other locations in Southeast Asia.

While quarantines and other precautionary measures have stifled China's foreign trade of softwood lumber this month, Canadian-based traders noted that the market harbors potential for a rebound if operations throughout the distribution pipeline return to at least close to normal. A few Canadian-based exporters returned to work last week, and resumed shipments to China as usual.

Some observers expect trade to regain its stride next month, and return to normal by April. Chinese ports were heavily laden with excess inventories of lumber from sources worldwide for most of 2019, which exerted downward pressure on prices and limited demand for Western S-P-F. Those accumulations have eased in early 2020, which could increase replenishment needs in China when end use factories resume normal operations.

The Russian government barred truck and rail shipments to China until further notice, effective January 31, halting transportation of wood products across the border. The new regulation closed 16 customs checkpoints along the Russia-China border. Russia is the leading supplier of softwood lumber to China. The lack of shipments this month contributed to the reduction in supplies of softwood lumber available in China.

U.S. exporters to China hope easing tensions surrounding the U.S.-China trade war help sales regain momentum later this year. U.S. softwood lumber shipments to China plunged 54% in 2019 to the lowest annual total in a decade. Tariffs tied to the trade war contributed heavily to the decline. However, China reduced tariffs on imports of thousands of U.S. products, effective this month. Some analysts say the tariff reductions could spread to softwood lumber later in the year as trade tensions between the two countries ease. Further, trade between the



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U.S. and China held up well by historical standards last year in many key items, despite tariffs ranging from 20-25%.

Southern Pine log exports to China, for example, recorded the second-highest total on record last year at 1.03 million cubic meters despite a 32% decline compared to the record 1.52 million cubic meters in 2018. U.S. exporters noted that the Chinese government subsidizes the country's Southern Pine log imports. Those subsidies offset most of the highest costs associated with the trade war tariffs. In many cases, the Chinese government quietly declines to collect the tariff from importers to encourage Southern Pine log purchases.

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