QUALITY CONTROL RELATIVE TO FOREIGN MARKETS

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It's a pleasure to be part of your program and to have this opportunity to share international lumber trade trends with you...trends which we feel will be making greater and more significant impact on the economy of this region and the nation in the months, and years ahead. I'd like to specifically tell you about some of the export potentials and quality control as WWPA views it.

The "quality" of quality control in lumber products is no less important in the international markets than it is in domestic markets. Any company's overseas business will be enhanced when its quality control personnel are sensitive to the different product mix which often dictates different quality control priorities. These, in turn, differ from one international marketplace to another. Do it right, and the company's quality control function can become a vital part of the company's offshore marketing success. Each country has its own identity and customs. The grading rules as written for our products and needs do not necessarily meet the needs of the people in other countries. Today, we will take a look at some individual areas and talk about the modifications you will have to make to be competitive.

JAPAN

In recent years, Japan adopted new grading rules and construction standards. The grading rules were patterned after those published by the WWPA, and the construction standards were patterned after U. S. style buildings. Consequently, a dual market for western lumber products exists in Japan. One of the markets is for clear and special items produced for use in traditional Japanese post & beam construction; and the second is for regular dimension products, such as our NGR, for use in platform-frame construction. The clear and special items include green hem-fir 4x4 stock surfaced 3-9/16" x 3-9/16", our standard size, and a metric size that comes out as 4-1/8" x 4-1/8". After these 4x4's are in place, either one face, two faces, and sometimes three or all four faces are exposed. They order accordingly - one face clear, two faces clear, etc. In the dimension grades, we must make some restrictions to remain competitive. White speck and honeycomb are the characteristics of which they disapprove. They would rather have no wane, but will accept the basic wane as permitted in our rules. However, they will not accept the extra wane we permit in 5% of the pieces. They want no white speck and honeycomb. They believe it is rot. Our full time representative in Japan is working
to educate Japanese buyers on the importance of structural values and product capability. He's working hard to turn them away from decisions based solely on appearance. But for now, if you want a portion of that market, you should avoid white speck, honeycomb and restrict wane. Japan also prefers lengths of 10', 13' and 20' and often requests metric sizes for the surfaced finished size. Again, to be competitive, you should be prepared to furnish the specified sizes and lengths. Some mills that have been shipping heavily into Japan and other international markets have started the length program in the woods and are bucking logs to the preferred lengths. Our competition in Japan comes from their own sawmills converting logs purchased in the U.S. and logs and products from Canada, Southeast Asian countries, Russia, Chile and New Zealand.

PEOPLE'S REPUBLIC OF CHINA

China has been the fastest growing market for U. S. wood products in the last three years. But with exception of companies presently shipping .... (and they, themselves, disclaim much understanding) the U. S. wood products industry knows little about the markets for its products in China. Most, if not all, U. S. lumber being shipped into China at this time is shipped on specs mutually agreed to between importer and seller. WWPA has distributed our NGR and Timber Rules which have been translated into Chinese. Competition for this market includes the Soviet Union, Southeast Asian nations, Canada, Chile, New Zealand and countries of North Africa.

MIDDLE EAST

U. S. sizes and species have been introduced to users in the market, but the Middle East buyers' knowledge of these or the characteristics is minimal. A Product Use Manual, consisting of the combination of our Volume I Dimension Book and the Volume II Select, Finish and Board Book has recently been printed in Arabic by the WWPA and distributed to the appropriate lumber buying parties and government officials.

Some 50 million feet of U. S. softwood lumber went into Saudi Arabia in 1982. This was mostly dimension and board products. Because of high moisture content, the warp that developed left a large percentage of the stock unusable. This led to requirement for a 15% maximum moisture content being placed on stock going into the area. Some recent reports indicate that western species have earned the reputation of yarding well, even after prolonged storage, when properly dried. Be prepared to ship metric sizes and lengths, particularly on boards, but there are no further restrictions on the NGR or board grades.
AUSTRALIA

Australia is a stable and very important market for U. S. lumber exports. In 1982, 6.3% of total softwood lumber exported from the States was destined for Australia. The products in demand are primarily R List Clears and Merchantable 8" x 12" and larger for remanufacture. The sawmill industry in Australia has the capability to manufacture most wood products and is protected by rather large import duties on finished products. Hence, the larger sizes for remanufacture. The sawmills also have the capacity to exceed the domestic supply of logs and provide approximately 80% of the lumber demand.

You want to be prepared to remove all bark from lumber destined for Australia and issue a statement on company letterhead stating such.

Most companies issue a statement such as "This lumber has been examined by _______ and found to have been produced from debarked logs or it has been stripped of as much bark as is practicable and to the best of my knowledge and belief, it conforms to the plant health requirements of the importing country as pertain to bark inhabiting insects of Conifers." You will also want to exclude all pieces containing wormholes. They are very fearful of insects entering the country and any indication of the presence of insects will lead to the fumigation of the ship before being unloaded. An anti-stain treatment is also a must. A major competitor in this market is Canada which has topped U. S. exports to Australia in eight of the last ten years. Other competition for this market comes from New Zealand and Chile.

EUROPE

Export R List Clears and Merchantable grades make up the bulk of U. S. products shipped into Europe at this time. However, a cooperative WWPA/SPPA and Foreign Agricultural Service venture now has a full time representative in the U. K. This should lead to an expanding market for other grades as well. Italy, in particular, as some of you know, is very quick to file complaints on stain in R List Clears. Anti-stain treatment is a very important function in quality control. However, it does no good to treat the lumber if the solution you are using is not properly mixed. This function should be the responsibility of one person on each shift. Tests should be done at regular intervals to assure the application is accurate. Also, checks should be made to assure all faces of each piece have been treated. Once an anti-stain statement is made on a certificate, you are responsible if stain develops. The U. K. requires a statement on company letterhead stating the bark has been removed. This, by the way, includes the cambium layer. There has been at least one occasion where the U. K. has required a fumigation of an entire ship because of only one lot containing bark and/or being infected.
The European countries are preoccupied with the growth ring count for clears and joinery. The more rings per inch, the better the piece and the higher the price it demands. Ten to fifteen rings per inch is a minimum for good joinery in Germany, for instance. Joinery, by the way, is terminology used for grades to be remanned into mouldings, door or window components, etc.

The major competition, other than for Douglas-fir clears, in the European market, comes from the Swedish, Finnish, Polish, Austrian, Russian and Canadian producers.

The grading rules used are those developed in Sweden and used, with minor variations, by all the other exporting countries. There are six levels in the Swedish rules: 1, 2, 3, 4, 5 and 6. However, grades 1 through 4 are usually grouped together and sold as unsorted to be used primarily for joinery purposes. This would be about the same as we do in selling D and Btr., or Mdg. & Btr. 5ths and 6ths are separated and sold on grade and mostly used in general construction.

Wane is virtually non-existent in European shipments. Not only is it severely restricted in the grading rules, their sawing practices pretty well eliminates it. Most Swedish sawmills sort their logs into 1/2" diameter classes and cut each size in a run. All logs are fed into the saws small end first. The logs are scanned entering the mill and if one is coming in large end first, it is automatically turned. As the saws are pre-set, they can control the size and number of pieces from each log.

Grades in the European export trade are, in comparison, much higher in appearance than the construction and common grades used in the U. S. The growth characteristics of most timber going into the European market is such that large knots are mostly non-existent and not acceptable.

In all European markets, buyers expect full sizes and most lumber is sold "shipping dry" which is said to average 18 - 19%. Lumber is sawn sufficiently heavy to result in virtually no minus tolerance when dry. Log sorting, drying techniques, growth characteristics, and accurate sawing result in exceptionally little variation in size. It is not uncommon to find all lumber in a dry unit to be within 2 mm of the stated size, with most being right on to 1 mm thick and none scant.

Buyers also expect a steady supplier. If they receive a consistent high quality product for a particular mill, they promote the product and mill and expect to receive similar products as needed.

The greatest volume of lumber into Europe is shipped rough. Most European mills have no planing facilities.

Scotch pine, called Redwood in their trade, is the preferred and predominant species. Its appearance is similar to lodgepole pine and it also has good machining characteristics.
In summary, to be competitive in this or any of the international markets, the major components of an export strategy should include:

1. **Continuity**

An assured supply is mandatory. The export market must be perceived as a separate, stable portion of a mill's output on a long-term basis. As domestic demand varies, prices inevitably fluctuate and can act as an enticement away from the more demanding export commitment. However, in order to have overseas sales as a buffer against downswings in the oft-fluctuating U. S. lumber market, the producer must be loyal when domestic demand and prices are lucrative.

2. **Quality**

The U. S. has been accused in the past of using the export market as a "dumping ground" for poorer quality products. This criticism is generally acknowledged to stem from a misunderstanding of grading specifications. Regardless of the validity of the charge, a concerted effort should be made to manufacture and prepare export shipments to the highest standards possible. The export customers, as a whole, expect and demand quality in both sizing and appearance and it makes economic sense to ship only the highest value products as a justification of the additional exporting costs. Good end-trimming, waxing, stenciling, and if necessary, packaging with adequate corner and weather protection can be very important to the buyer.

3. **Grading (sizes and species)**

Grade uniformity, size specifications and anti-stain treatments should be given proper emphasis. The sizes that seem peculiar to U. S. producers are used in the foreign country for specific, exacting and traditional applications that have very little margin for variance. An understanding of the grading standards and building codes of the country of destination is a critical consideration to entry into that market.

   Metric sizes are the most common dimensions required. U. S. lumber species are often unfamiliar and must be accepted according to traditional uses prior to incorporation into a country's lumber supply. These two elements underscore the importance of the fourth component.

4. **Personal Relationships**

This facet of the trade is vital to a successful endeavor. This includes visits, both to the country of the customer by the U. S. Mill owner or manager, and to the U. S. mill by the customer. These visits and personal contacts are conducive to long-term commitment and trust by both parties.
5. Appropriate Manufacturing Facilities

The firm interested in export should evaluate the mills' capabilities of manufacturing a broad spectrum of grades and sizes to meet the customers' orders. The mill must be flexible, efficient and extremely accurate.

Hopefully, this highlighting of the industry's export potential demonstrates to you, as it has to me, that it is a vital and important part of the overall marketing of lumber from Western mills.