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# **China, Peoples Republic of**

## **Solid Wood Products**

### **Timber Markets in China**

#### **2001**

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#### **Report Highlights:**

**Market liberalization and declining domestic supplies have brought about major changes in domestic timber markets. This report includes an introduction to several of China's major timber markets.**

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Includes PSD changes: No  
Includes Trade Matrix: No  
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## **Changing Times, Changing Markets**

China's timber markets are undergoing rapid change as a result of market liberalization. The brunt of these changes have been borne by government affiliated enterprises. The National Timber Exchange was closed in April, 2001, and its 12 branch offices have been closed or had ownership transferred to other companies. The Beijing National Timber Exchange (BNTE) was considerably less successful than originally hoped, due to a poor location north of town and problems with the management team. Having opened in early 2000, BNTE closed in July, 2001, ostensibly to move to a new location. Nothing has been heard from them since.

By contrast non government-owned timber markets are booming. According to a recent government survey, there are 995 timber markets in China, including 344 wholesale and 651 retail markets. However, only 82 of these markets are well-established, while the remainder are informal markets. More than 70% of these markets opened during the 1990s. The largest concentration of markets, 119, is in Zhejiang Province, south of Shanghai. There are also a large number of markets in Sichuan (104) and Jiangsu (99).

China's timber markets tend to be divided along regional lines, driven by differences in local economies and resources. Traditionally, timber markets in eastern and southern coastal regions are more involved in trading imported wood products than those in the north and west. These areas are home to much of the furniture and flooring industry. However, following the logging ban in 1998, imports of softwood logs from Russia skyrocketed. This sudden surge of imports turned Northeast China into a major log importing center. However, markets in this region are very narrowly focused on importing and processing Russian logs. In Suifenhe, one of the most important entry points for Russian logs, a large scale timber market was constructed last year to focus on import, processing and distribution of logs. Western China has also seen growth in imports, and a large timber market was established in Alashan, in the Xinjiang Autonomous Region early this year. This is the largest timber market in Western China, and was constructed to cope with local demand for timber from Kazakhstan.

## **Major Timber Markets in China**

Following is a brief introduction to four of the more well-established timber markets. Note that the list is short, and is focused on East and South China, which remain the strongest markets for hardwood lumber and logs. For more information, contact the China Timber Circulation Association at (8610) 6839-2603 (tel.) or [CTDA@263.net](mailto:CTDA@263.net). FAS does not endorse any of these markets.

### **Dongguang Houjie Xingye Timber and Plywood Market**

Houjie, Dongguang, located in the southern province of Guangdong, is known as a center for high-quality, well designed furniture in China. Dongguan is home to more than 2,000 furniture manufacturers, and is the largest furniture production and distribution center in China.

The privately owned Xingye Timber and Plywood Market opened for business in December, 1999, and is the largest timber distribution center in South China. The market covers 320,000

square meters and has 2,000 booths, divided into separate areas for timber, plywood and decorative board. The timber section of the market includes some 160 dealers, including 40 who deal in imported lumber. Roughly 60% of the timber and plywood sold in this market is imported, and a number of foreign companies have expressed interest in participating in this market. Top selling items include veneer and decorative face board, while walnut and cherry lumber are growing in popularity. Although the market includes a sawmill, imports continue to favor lumber over logs. The market provides services including licensing for sales, transport, quarantine and inspection, and customs. They also have a website at [www.asiawood.org](http://www.asiawood.org).

Imported timber is currently in oversupply in this market, as timber users have reduced inventories to reduce costs. The fastest growth in imports has been from Indonesia, while European hardwoods still retain a strong share. Mill officials attribute the small U.S. market share in this market to high prices relative to other sources. Domestic timber traded in this market includes Chinese ash, oak, white pine and Chinese larch. Sales have fallen in recent months due to the decline in exports. Timber dealers claim that margins have dropped significantly compared to two or three years ago.

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### **Shanghai Furen Forest Products Wholesale Market**

The Shanghai Furen market is well known for flooring and plywood products. In 1999 a new section was added for rare timber (see ATO Shanghai's GAIN report CH9827). This market is home to over 100 major foreign and domestic enterprises, and has quickly become a strong competitor to the Dongguang Houjie market for sales of imported wood products. Furen has benefitted from a central coastal location that has attracted buyers from North China.

Hardwood species continue to dominate at the Furen market, with European beech holding a large market share. U.S. lumber is represented by oak, cherry, maple and walnut. Over 50% of sales are tropical hardwood products, from Southeast Asia, including mahogany, rosewood and teak, primarily from Indonesia and Myanmar. Sales of European and U.S. hardwoods account for roughly 30% of the total. The remaining market share belongs to African, South American and Chinese wood products.

The market is currently conducting feasibility studies for wood-frame construction in conjunction with wood products distribution in the Shanghai area. The ultimate goal would be to establish a distribution center for wood-frame construction materials.

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### **Huadong Timber Market**

The Zhejiang Huadong Timber Market was established in 1997 in the city of Dongyang in Zhejiang Province. The market includes 388 booths separated into sections for logs, processed products and timber processing. Total sales in 2000 equaled 240,000 cubic meters, primarily from tropical and temperate hardwoods. The processed products area is focused primarily on wood flooring and molding.

The market serves the large number of manufacturers that are located in Dongyang. The city is home to 1,200 molding manufacturers with monthly sales of 13,000 cubic meters, and 300 furniture manufacturers. Molding manufacturers use European beech, American walnut and Southeast Asian teak. Furniture manufacturers tend to produce modern furniture from tropical hardwoods and U.S. and Russian oak for export to markets in Europe and North America. The area is also host to a large number of wooden handcraft manufacturers who rely primarily on domestic wood resources such as Chinese fir or linden.

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### **Nanxun Timber Market**

Established in 1987, the Nanxun Building Materials Market is located in Nanxun, Huzhou city, in Zhejiang Province. Nanxun registered sales of over RMB 7.8 billion in 2000. The construction materials market has 380,000 square meters of space and hosts over 3,000 dealers. The market is divided into sections for plywood, solid wood flooring, furniture, hardware and porcelain.

Nanxun is a major center for the wood flooring industry, with annual flooring production at roughly 36 million square meters. The recent addition of a market for flooring has made Nanxun the largest production and distribution base for wood flooring in China. Timber demand for use in flooring is estimated at 3 million cubic meters per year, of which 90% is imported. Nanxun is also the largest plywood distribution center in China.

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