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Approved by:
William Westman
AgBeijing

Prepared by:
Jorge Sánchez, Zhang Lei and Susan Zhang

Report Highlights:

Cooling off after nearly ten years of double-digit growth, China's wood processing industry is expected to reach a turning point in 2008-2009. The sector is currently facing several major challenges: raw material prices are rapidly increasing because of Russia's new tariff on log exports, increasing labor costs, soaring freight costs; and a shrinking market based on the poor economic situation worldwide. Therefore, Post forecasts both China's wood product imports and exports will decline in 2008-2009.

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Executive Summary

After years of rapid expansion, China's wood processing industry is expected to enter its adjustment period in 2008-2009. Several major challenges plague this sector: increasing raw material prices due to Russia's new tariff policy on log exports and soaring freight costs coupled with a globally bearish housing and furnishing market. Post forecasts a decline both in China's wood product imports and exports in 2008-2009.

China's wood imports by volume are forecast to decrease slightly in 2008-2009 due to the following reasons: 1) China's economic expansion is expected to continue to slow down, especially in the housing industry, due to higher prices and a recent slump in consumer demand; 2) the export market outlook shows no promise this year due to a slowdown in U.S. and European housing markets; and, 3) Russian log prices increased by approximately 45 percent since June of 2007 in response to the newly implemented export tariff on logs. However, Post still foresees developing opportunities for U.S. softwood exports to China, as Russia's log exports become less competitive a result of the new tariff. Importers in China will be looking for Russian softwood log substitutes, representing a formidable opportunity for other wood suppliers who will vie to fill the gap left in the market by the absence of Russian softwood logs.

China's softwood log imports in 2008 are estimated at 20 million cubic meters (m3), a 15-percent decrease from 2007 attributable to the above-mentioned conditions. Post forecasts softwood log imports in 2009 will decrease by 25 percent to 15 million m3, assuming the Russian government implements an planned 80-percent export tariff on logs in January 2009. China's wood product exports are forecast to decline in 2008-2009 as the market faces a gloomy economic world outlook with soaring freight costs and the continued appreciation of the Chinese Renminbi relative to the U.S. dollar.

Forest Situation & Outlook

Forest Resources: Post estimates China's forested area was 185 million hectares as of December 2007. The forested area in 2008, however, is estimated to decline to 180 million hectares, because of the heavy winter storms that hit South and Central China in January to February of 2008. According to China's 11th Five-Year Plan for Forestry Development, China plans to increase its forested area to 192 million hectares by 2010. China planted 3.9 million hectares of forests in 2007, of which 0.6 million hectares are timber forests. See below table for the area by forest type in 2007.

Forest Type	Area (1,000 hectares)	Percentage
Protective forest	2,790	71%
Timber forest - Of which, FGHY forest	610 219	16% 6%
Economic forest	478	12%
Fuel forest	8	0
Special-purpose forest	21	1%
Total	3,907	100%

Please refer to the table below for detailed information of China's forest classification.

China's Forest classification

First class	Second Class	Third Class	Forest Function
Public beneficial forest	Protective Forest	Soil and water conservation forest	Reducing flow of ground and rainfall, prevent soil and fertility loss.
		Water conservation forest	Protecting river and drinking water resource, adjust river water flowing
		Road protecting forest	Protect infrastructure such as roads, dykes and dams
		Windbreak and sand fixation forest	Reduce wind speed; restrain deserts
		Farmland and pasture protecting forest	Improving the natural environment of farmland and pasture, protecting the productive condition of agriculture and pasture
		Fireproofing forest	Prevent and restrain forest fire
	Special purpose forest	Scientific and education forest	Provide area for scientific research, educating and stationary observation
		Natural preservation forest	Protecting typical ecological system, Zone climate community, rare plants, animals and forests with special value
		Seed resource forest	Protecting seed resource and hereditary gene, good seed and cultivating new variety
		Cultural and memorial forest	Protecting nature, human cultural heritage, history, and human memory
		Tourism forest	Preserving natural scenic and entertainment area
		Environment protection forest	Purify air, prevent pollution, reducing dust and noise
		National deference forest	Protecting country line, screening and protecting military installations
Commercial forest	Timber forest	General timber forest	Producing timber in different sizes and types for industry
		Industrial fiber forest	Producing fiber for paper production and the wood-based panel industry
	Fuel forest	Firewood forest	Producing fuel for heat and life
	Economic forest	Fruit forest	Producing dried and fresh fruits
		Oil crops forest	Producing oil materials for industry
		Chemical materials forest	Producing forest chemicals, such as turpentine, rubber, and white wax
		Medicinal forest	Producing Chinese medicine
		Flavor seasoning forest	Producing seasoning

Developing fast-growing-high-yielding (FGHY) forests is one of the central government's major objectives as a measure to solve the conflict between wood demand and supply. Presently, the major FGHY forests species are softwood, such as Korean pine, spruce, silver fir, and Mongolian Scotch pine. See table below for details of China's FGHY timber forests plantation in major areas.

Items	Area (HA)	Percentage
Cultivated purpose		
- Large diameter logs	23,886	81%
- Plywood raw material	2,740	9%
- Pulp raw material	269	1%
- Other industry raw material	2,709	9%
Type of tree		
- Soft wood		
- Fir and cryptomeria	355	1%
- Korean pine, spruce, silver fir, and Mongolian scotch pine	19,638	66%
- Temperate Hardwood		
- Poplar and paulownia	4,266	14%
- Teak, Nanmu, birch, mahogany	1,427	5%
- Ash, juglans mandshurica maxim, Yellow pineapple, linden	1,879	6%
- Bamboo	1,060	4%
- Other	979	3%

Source: 2007 Forestry Statistics by the State Forestry Administration

Devastating winter storms in South China

According to official data, a total of 22.7 million hectares of forests, more than one-tenth of China's forest resources, have been were by the winter storms that hit 19 provinces in southern and central China in January-February 2008. Experts indicate that as a result of the storms, wood production will increase from the salvaged area in 2008; however, production is expected to decline in the following three to five years. The heavily damaged forest area will take at least five to ten years to fully recover.

China plans to finish its forestry property rights reform within five years

On July 14 2008, China's central government released the "Opinion on Carrying out Comprehensive Reform of Collective Forest Rights", which provides guidelines on the national collective forestry property rights reform. The Opinion stated that the collective forest property reform will be completed within five years. Collective forest land amounts to 170 million hectares, accounting for 72 percent of China's total forest land[1]. However, its output remains low due to the inefficient management resulting from unclear use rights. The average forest stocking volume of collective forest land is 49.5 m3/ha, 59 percent of the national average level. The reform is designed to clarify collective forest rights: property rights do not change, but still belong to the community and user rights are delivered to

[1] According to China's Ministry of Land and Resource, China's forest land was 236 million hectares in 2007. In China, forest land is defined as land area for arbor, bamboo, shrub, and mangrove, which includes forested land, shrubbery land, sparsely forested land, young afforested land, slash, and seedling nursery. Forest area refers to the area of forest land where trees and bamboo grow with canopy density no less than 20 percent, including land designated natural forest or planted forests but excluding shrubbery land and sparsely forested land. China's last forest inventory survey (in 2003) held total forest area at 175 million hectares.

farmers. The reform designates farmers as the main stewards for collective forest land management, who takes the ownership, disposition, and benefit rights of the wood production. Experts pointed out that the key point of the reform is to mirror the farmland household contract system as forest land, with a 70-year contract period, compared to a 30-year farmland contract.

China released its forest certification standard

In September of 2007, the State Forestry Administration (SFA) published a new forestry standard that applies to forestry certification and chain of custody (CoC) certification. This standard details the management system put in place to ensure CoC certification for forestry products. Please refer to GAIN Report CH8002 and CH8003 for detailed information of the standards.

FOREST AREA			
Country: China People's Republic of			
Report Year:	2007	2008	2009
Total Land Area (million hectares)	960	960	960
Total Forest Area (million hectares)	185	180	183
--of which, Commercial ('000 hectares)	111,000	108,000	109,800
----of commercial, tropical hardwood ('000 hectares)	5,550	5,400	5,490
----of commercial, temperate hardwood ('000 hectares)	52,170	50,760	51,600
----of commercial, softwood ('000 hectares)	53,280	51,840	52,710
Forest Type			
--of which, plantation ('000 hectares)	55,500	54,000	54,900
Annual Allowable Cut ('000 cm)	248,155	248,155	248,155

Production

Currently there are over 200,000 wood processing enterprises in China. Private enterprises account for over 80 percent of the total, and even 90 percent in some provinces where the wood industry is more developed. Geographically, the majority of wood products processors are located in eastern and southeastern China. The Yangtze River Delta, Pearl River Delta, north China located near Beijing, and northeast China with the production center located in Heilongjiang province are traditionally strong in wood processing. Recently, Inner Mongolia is emerging as very robust wood processing zone in China as well. All these wood industry clusters enjoy advantages in resources, skilled labor, transportation, government policy, and lower labor costs to some extent.

Log and lumber production continue to increase

Post estimates China's log production at 72.7 million m3 in 2008, 12 percent up from 2007, with the damaged wood from the winter storms significantly contributed to the production increase. Similar to 2007, log production in 2009 is forecast at 65 million m3. Post estimates lumber production at 34 million m3 in 2008, 20 percent up from 2007, and a five-percent growth in the 2009 forecast at 35.7 million m3.

Wood based panel and furniture production is expected to slow down

Post forecasts the expansion of China's wood-based panel production will slow down in 2008-2009, mostly due to a diminishing export market, shrinking demand from the furniture manufacturing sector, and weak activity from the domestic real estate sector. Post estimates China's wood-based panel production at 85 million m3 in 2008, declining slightly from 2007. China's wood-based panel production has expanded rapidly in the past six years, from 21.1 million m3 in 2001 to 88.4 million m3 in 2007, and an average annual growth of 27 percent over the last six years. The rapid expansion was mainly driven by strong demand from both the export market and the domestic furniture and decoration sector. However, the market situation has changed dramatically since the second half of 2007, a direct result of: 1) VAT rebate for wood-based panel and wood furniture decreasing from 11 to 5 percent; 2) the appreciation of the Chinese Renminbi; and 3) the bearish U.S. housing sector diminished China's export demand for wood-based panels and wood furniture. Industry sources indicate that about 1/4 to a 1/3 of wood-based panel plants closed in the past year due to increased competition, diminishing returns in the sector, and softening of demand.

In 2007, there were approximately 6,000 manufacturers of wood-based panels in China with about 5,000 plywood manufacturers, mainly located in Jiangsu, Shandong, and Hebei provinces, 600 particleboard manufacturers mainly located in Fujian, Guangdong, Jiangsu and Jilin provinces, and about 500 MDF/HDF manufacturers spread all over China. The major players are located in Shandong, Guangdong, Guangxi, Jiangsu, and Hebei Provinces. Guangdong Province, in south China, holds the highest sales for wood-based panels, and other provinces with high sales include Zhejiang Province and Shanghai Municipality in east China, Beijing Municipality and Hebei Province in north China and Sichuan Province in west China and other large regional markets. Guangdong Province is the largest consumer of MDF, with consumption exceeding 9 million m3 in furniture manufacturing alone. Higher demand and receptiveness to higher prices have attracted a number of MDF manufacturers both domestically and abroad to set up manufacturing and sales facilities in Guangdong.

China's wood furniture production is also forecast to decline slightly in 2008, as a result of government policies that discourage growth in this sector, the Chinese Renminbi appreciation, and rapidly declining export market sales. Additionally, the government of China (GOC) decreased the export VAT rebate on wood furniture from 11 to 9 percent in 2007 further mounting pressure on most small and medium-scale producers. Industry pundits rumor that the GOC will completely abolish the VAT rebate for wood furniture exports by the end of 2008, and in 2009, and wood furniture exports will likely be subject to a quota. If the rumor is true, China's wood furniture exports could drop by up to 40 percent in 2009.

China's Wood Product Output in 2007:

Product	Unit	2007 Output	2006 Output	Change (07/06)
Timber	Million M3	69.77	66.12	6%
* Of tropical timber	Million M3	4.84	3.76	29%
- Logs	Million M3	64.92	61.12	6%
* Of soft logs	Million M3	23.25	24.80	-6%
- Using directly logs	Million M3	22.84	21.86	4%
- Special-class logs	Million M3	0.89	0.80	11%
- Grade processing logs	Million M3	15.54	15.88	-2%
- Logs for pulp	Million M3	3.37	2.60	30%
- Logs for plywood	Million M3	4.85	3.83	27%
- Fir tree stem	Million M3	6.36	6.13	4%

- Other	Million M3	11.07	10.03	10%
- Fuel wood	Million M3	4.85	5.00	3%
Lumber	Million M3	28.29	24.86	14%
*Of tropical lumber	Million M3	1.45	0.65	123%
Wood chips	Million M3	9.74	8.41	16%
* Of tropical chips	Million M3	1.89	1.70	11%
Wood-based Panels	Million M3	88.38	74.29	19%
- Plywood	Million M3	35.62	27.29	31%
* Of hardwood plywood	Million M3	11.82	11.53	3%
- Fiberboard	Million M3	27.30	24.67	11%
* Of Middle Density Fiberboard	Million M3	24.99	22.22	12%
- Particleboard	Million M3	8.29	8.43	-2%
- Other	Million M3	17.18	13.90	24%
* Of block board	Million M3	13.24	11.55	15%
Wood flooring	Million M2	343.43	233.99	47%
- Laminated flooring	Million M2	94.86	84.71	12%
- Solid wood flooring	Million M2	77.84	73.55	6%
- Engineered flooring	Million M2	113.48	51.84	119%
- Engineered bamboo flooring	Million M2	20.48	6.13	234%

Source: 2006 Forestry Statistics by State Forestry Administration

Log prices up while lumber, plywood and flooring prices down in 2007

China's wood product prices have varied by product type for several years. In 2007, however, prices for major wood products such as lumber, plywood, flooring, and fiberboard decreased, due to increased production and weak market demand. See table below for average price information on China's major wood products in 2007.

China's major wood product prices in 2007

	2007 Average Price	2006 Average Price	Yearly change (05/04)
Timber	¥638/m3 ($91/m3)*	¥606/m3 ($87/m3)	5%
Lumber	¥1004/m3 ($143/m3)	¥1015/m3 ($145/m3)	-1%
Chips	¥700/m3 ($100/m3)	¥586/m3 ($84/m3)	19%
Wooden Flooring	¥128/m3 ($18/m3)	¥137/m2 ($20/m3)	-7%
Plywood	¥1909/m3 ($273/m3)	¥1952/m3 ($279/m3)	-2%
Middle Density Fiberboard (MDF)	¥1349/m3 ($193/m3)	¥1420/m3 ($203/m3)	-5%
Particleboard	¥1188/m3 ($170/m3)	¥974/m3 ($139/m3)	22%

* Post uses the prorated conversion rate of $1= RMB7

Trade

Overall, wood products trade is expected to decline in 2008-2009 after years of rapid expansion, due to the gloomy economic situation in international and domestic markets.

As the largest wood products manufacturer in the world, China consumed 337 million m3 of wood in 2007, with major applications in paper making (28 percent), construction and interior decoration (25 percent), and furniture manufacturing (13 percent). About 40 percent of consumed woods are imported. In 2007, log imports increased by 15 percent in quantity and 36 percent in value, and lumber imports increased by 7 percent in quantity and 4 percent in value. Compared with a 34 percent rise in value for softwood lumber imports, hardwood lumber imports only experienced a slight decrease of 4 percent in value in 2007.

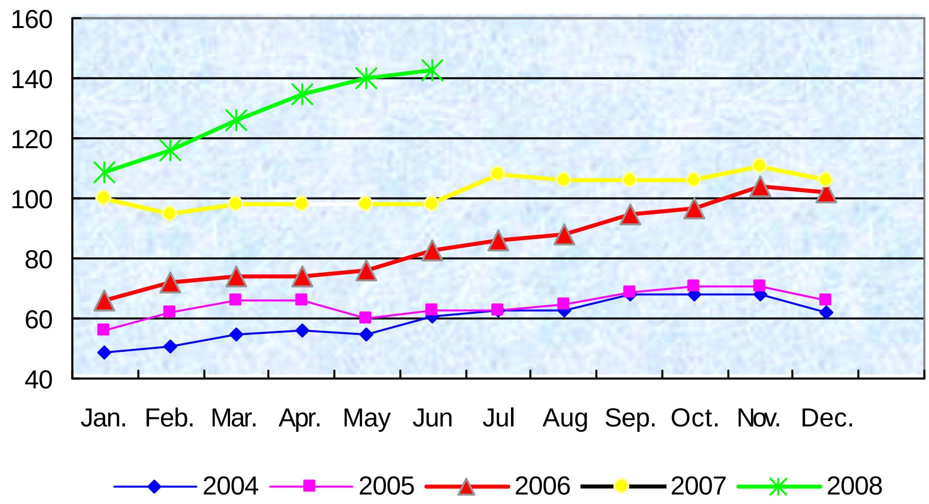
China's imports from Africa and Oceania increased sharply in 2007, while imports from Asian countries declined. In 2007, Russia was the largest log exporter to China in quantity, although the United States was the largest lumber exporter in value.

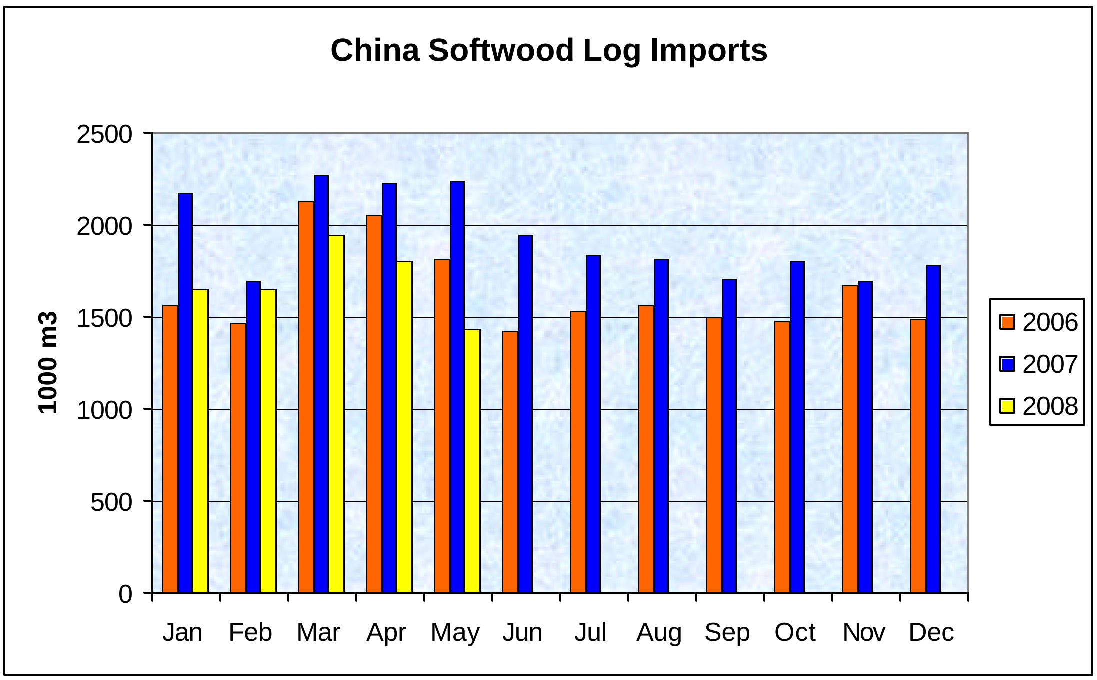
Imports

Log imports expected to decline dramatically, especially softwood logs

China's softwood log imports are forecast to decrease by 15 and 20 percent respectively in 2008 and 2009, mainly because the price of logs from Russia is expected to increase significantly. DAF (Delivered at Frontier) Manzhouli Port price of Red Pine logs from Russia has increased from $98/m3 in June 2007 to $143/m3 in June 2008. Russia dominates China's imported softwood logs market, accounting for more than 90 percent of China's total softwood logs imports. Soaring prices came as a result of: 1) Russia increased its log export tariff from a minimum 2.5 euros/m3 ($4/m3, 6.5 percent) in April 2006 to a minimum 15 euros/m3 ($24/m3, 25 percent) in April 2008, and the Russian Government announced the tariff would increase to 80 percent with a minimum of 50 euros/m3 ($80/m3) by January 2009; 2) Consumer demand from Europe, Japan, and South Korea remains strong, and buyers from the three regions can all offer higher prices than Chinese buyers; and 3) Russian sea freight nearly doubled in 2007.

DAF Manzhouli Port Red Pine Prices ($/m3)





China's demand for softwood logs is expected to decline due to the slow-down in the construction industry and a decline in the processing sector's activity. However, industry insiders believe that the decline in demand will not make up for the decline in imports from Russia. Importers in China will vie for alternative resources that can substitute Russian logs in the market. This represents a good opportunity for North American wood exports, for example, U.S. Douglas-fir and Canadian Spruce-Pine-Fir (SPF). In the first five months of 2008, imports of coniferous lumber (H.S. Code 440710) from Canada increased 71 percent. Industry contacts forecast a surge in these commodities as a result of soaring Russian log prices. Canadian SPF is a comparable substitute to Russian softwood in low-end markets (i.e., construction material and inner layers of wood-based panel and furniture production).

Post forecasts temperate hardwood log imports will decrease by eight to 10 percent in 2008-2009, not nearly as much as softwood logs. Although Russia is the largest temperate hardwood log supplier to China, its market share is only about 25 percent, much lower than the softwood log market share.

Tropical hardwood log imports are forecast to stabilize at eight million m3 in 2008, the rapid growth rate is expected to slow down by the end of the year due to availability of tropical wood and a decline in consumer demand from the processing sector. China's panels sector is a major consumer of imported tropical hardwood, as stated above, panel production is expected to stabilize in 2008-2009.

Lumber imports soar to fill the demand gap

Compared to log imports, China's lumber imports are forecast to increase 20 percent annually in 2008-2009 to fill the gap resulted from the declined log imports. Also, lumber is more efficient in freight given that freight cost is taking an increasing share of profitability. Trade sources report freight from the United States has doubled in the past year, and it is expected to continue to increase in the coming months.

Export

China's wood product exports are forecast to decline after years of rapid increases

China's wood product exports are forecast to decline in 2008-2009. The United States is the largest market for China's exported wood products, U.S. demand however, declined due to a slowdown in the housing construction market. Another mounting challenge to China's wood processing sector are soaring freight costs, because China does not have enough raw materials to meet its demand, and is not the final consumer for a large amount of its wood products. Freight costs are expected to counteract China's low labor costs, making China's wood products less competitively priced compared to last year in the international market. Additionally, the appreciation of the Chinese Renminbi relative to the U.S. dollar also contributed to making Chinese products less competitive in export markets.

Marketing

I. General Market Status

a) Market Overview

Swift economic development has allowed China's wood products industry an opportunity to educate its consumers and promote wood as a renewable, sustainable, and environmentally friendly construction and decoration material. China is emerging as a large consumer of wood products itself, although it still has a long way to go to reach the consumption levels of Japan, the United States, or Europe.

b) Distribution channels

According to the China Timber Distribution Association, approximately 70 percent of logs and lumber, whether imported or produced locally, are distributed through wood wholesale markets, while 30 percent of wood materials, which are used for paper-production or by large construction projects, are directly purchased by wood manufacturers and importers.

Medium or small-sized processors, decoration companies as well as large wood product companies purchase directly from the wholesale market. Finished consumer wood products are further distributed through professional building materials markets, specialized showrooms, e-business to the urban consumers, or exported. In large cities, most wood products are sold in construction material superstores, while in rural areas, consumers either acquire logs and lumber from wholesale markets or directly from local plantations.

II. Market Segment Analysis

Wood-based Panels

China's production of wood-based panels, including plywood, Medium Density Fiberboard (MDF), High Density Fiberboard (HDF), and particleboard are taking a leading role in world sales. Plywood is China's largest wood panel sector. With rising quality and increased applications, Chinese plywood is a dominant global product – the world's largest plywood manufacturer and also the world's largest exporter. In addition, China has been the world's largest manufacturer of MDF/HDF since 1999.

Low production costs and fierce price-competitiveness have translated into significant competitive advantages for China both domestically and in export markets. However, due to the lower quality of some domestic products, China still needs to import a large volume of high quality MDF/HDF and other wood-based panels to meet the demand in furniture manufacturing and for applications in laminated flooring, stereo components, automobile, packaging, and interior decoration. One of the major quality concerns are formaldehyde emissions. Additionally, wood-based panels made in China also need to meet the challenges of higher standards for shape and dimension - resisting twist, warp, distortion, glue exposure, bubble, and in-panel impurities.

Flooring

China is a major wood flooring manufacturer and exporter. Currently there are more than 3,000 enterprises engaging in wood flooring manufacturing in China. However, in 2007, the wood flooring enterprises, especially those export-oriented solid wood flooring manufacturers experienced a contraction in their markets. Abolishment of export subsidies and increasing costs throughout the chain (raw materials, labor, energy, transportation, and the Chinese Renminbi appreciation relative to the U.S. dollar) are forcing some smaller manufacturers out of the market. Many of the export-oriented manufacturers have turned to develop their private brands and explore opportunities in the domestic market.

Compared to solid wood flooring, engineered flooring and laminated flooring continuously enjoy their "golden periods" thanks to lower consumer prices, convenient maintenance, and strong marketing. In addition, technology advancement and solid wood veneer development have narrowed the gap between solid wood flooring, laminated and engineered flooring in terms of presentation and comfort, increasing engineered flooring's popularity with consumers in China.

Recently, bamboo flooring has also become popular. There are more than 100 manufacturers of bamboo flooring in China. Most of them are located in Zhejiang, Jiangxi, Hunan, Fujian, Jiangsu, and Anhui provinces, where bamboo is grown. Nearly 50 percent of manufacturers are located in Zhejiang province, many with capacity of over 200,000 m2 annually. As the only natural substitute of solid wood, bamboo flooring's increased popularity results from an environment where solid wood prices are sharply increasing. The United States and Europe are major importers of Chinese-origin bamboo flooring.

Furniture

China is also the largest furniture manufacturer and exporter to the world. China is a major furniture consumer, with the domestic market reaching up to $26 billion in 2007. However, after nearly twenty years of accelerated growth, China's furniture industry is facing serious excess capacity. The removal of preferential policies for export-oriented enterprises and strengthening Chinese Renminbi are also forcing furniture manufacturers to increase their competitiveness by lowering costs and opening new markets.

Fierce competition has also forced China's furniture industry to become more vertically integrated. With support coming from provincial governments, many manufacturers and associations are planning or have already started building furniture industry zones. For example, Pizhou Furniture City in Jiangsu Province with an investment exceeding $3 billion, covering an area of 3,130 acres and have attracted more than 500 famous furniture enterprises to operate in the zone. Haining City in Zhejiang province, Linyi in Shandong province, Jingyangjing in Shanxi province also have furniture industry zones covering over 1,647 acres and an expanding. A major Taiwanese furniture manufacturer recently invested $105 million for the first phase of a project and $300 million for second-phase projects in Jiashan, Zhejiang Province, aiming to establish the world's largest furniture and other wood products manufacturing site. Currently, this enterprise has over 8,000 employees with average monthly exports reaching over 3,000 containers. Its total export sales in 2007 totaled to roughly $800 million.

Driven by higher profits in the North American and European furniture markets and fast-growing domestic markets in large cities, some Chinese furniture manufacturers are becoming professional distributors, targeting both the domestic and overseas markets. In addition, many traditionally export-oriented enterprises including Markor from Xinjiang Province, Yihua, Lianbang, and Huangchao from Guangdong Province, Karsen and Mengshen from Zhejiang Province, and Biaozhi from Beijing Municipality are also actively opening their own retail outlets in Shanghai Municipality, Hangzhou City, Beijing Municipality and other major cities in China. Their goal is to service the high-end segment of the fast growing domestic market with premium quality furniture products.

Windows and Doors

The wood window and door industry in China has grown significantly during the last 10 years. In addition to the rapidly growing demand for wood doors in residential interior segments, institutional construction projects, especially hotels and restaurants, also promote stable growth in this business segment.

While importing some high quality wood windows and doors, China is enjoying increased exports of these products. In 2007, wood window exports totaled 46,064 tons, representing a 23-percent growth over 2006, while wood door exports totaled 337,826 tons, an increase of seven percent over 2006.

Currently, five wood door industry clusters have formed in China in the Pearl River Delta, Yangtze River Delta, Bohai Bay near Beijing, northeast, and southwest China.

III. Market trend and U.S. exporter opportunities

Post projects that over the long term, China will continue to import raw materials and export wood products in large volumes. China's wood processing industry will require more U.S. lumber because supply from Russia and tropical countries is declining due to export policy constraints, climate impact and the crackdown on illegal wood trading. The lower price of

U.S. hardwood lumber such as red oak will become more competitive with counterparts from Russia and other Asian countries. With the increase of wood product exports to the United States and the growing demand in the domestic market for better-quality decorative materials, U.S. woods have a promising future in the China market, over the next several years.

With increasing urbanization and economic development in China, it is estimated that demand for wood-based panels will reach approximately 80 million m3 by 2010. According to the 11^{th} Five Year Plan, China plans to adjust the ratio of the three traditional wood-based panels –plywood, MDF/HDF, and particleboard to 40:40:20, from 50:35:15 in 2006.

High value-added construction materials, such as MDF, Oriented Strand Board (OSB), and Laminated Veneer Lumber (LVL), will see greater investment in the future. Foreign invested manufacturers of wood-based panels have taken a 10-percent share of the market and will continue to grow rapidly.

With the 2010 World Expo approaching, demand will increase for treated softwood products and softwood plywood that can be used as construction materials as well as veneer domestically. Furthermore, the reconstruction plan after the May 2008 Sichuan Earthquake, which destroyed numerous buildings will also require a huge volume of LVL and treated softwood as well as lower priced hardwood materials.

Statistical tables

Table 1. Softwood Logs PS&D Table

Country	**China, Peoples Republic of**					
Commodity	**Softwood Logs**				1000 CUBIC METERS	
	2007	Revised	2008	Estimate	2009	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01-2007		01-2008		01-2009
Production	24500	23250	35700	26000	0	24000
Imports	20600	23245	21000	19700	0	16000
TOTAL SUPPLY	45100	46495	56700	45700	0	40000
Exports	0	0	0	0	0	0
Domestic Consumption	45100	46495	56700	45700	0	40000
TOTAL DISTRIBUTION	45100	46495	56700	45700	0	40000

Table 2. Temperate Hardwood Logs PS&D Table

Country	**China, Peoples Republic of**					
Commodity	**Temperate Hardwood Logs**				1000 CUBIC METERS	
	2007	Revised	2008	Estimate	2009	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01-2007		01-2008		01-2009
Production	32200	37320	51300	41700	0	36500
Imports	4370	5772	4400	5200	0	4680
TOTAL SUPPLY	36570	43092	55700	46900	0	41180
Exports	0	0	0	0	0	0
Domestic Consumption	36570	43092	55700	46900	0	41180
TOTAL DISTRIBUTION	36570	43092	55700	46900	0	41180

Table 3. Tropical Hardwood Logs PS&D Table

Country	**China, Peoples Republic of**					
Commodity	**Tropical Hardwood Logs**				1000 CUBIC METERS	
	2007	Revised	2008	Estimate	2009	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01-2007		01-2008		01-2009
Production	800	4350	820	5000	0	5100
Imports	9680	8069	10600	8000	0	8100
TOTAL SUPPLY	10480	12419	11420	13000	0	13200
Exports	0	0	0	0	0	0
Domestic Consumption	10480	12419	11420	13000	0	13200
TOTAL DISTRIBUTION	10480	12419	11420	13000	0	13200

Table 4. Softwood Lumber PS&D Table

Country	**China, Peoples Republic of**					
Commodity	**Softwood Lumber**				1000 CUBIC METERS	
	2007	Revised	2008	Estimate	2009	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01-2007		01-2008		01-2009
Production	12000	10700	14000	12800	0	13400
Imports	2600	2804	3060	3670	0	4400
TOTAL SUPPLY	14600	13504	17060	16470	0	17800
Exports	450	282	550	300	0	400
Domestic Consumption	14150	13222	16510	16170	0	17400
TOTAL DISTRIBUTION	14600	13504	17060	16470	0	17800

Table 5. Temperate Hardwood Lumber PS&D Table

Country	**China, Peoples Republic of**					
Commodity	**Temperate Hardwood Lumber**				1000 CUBIC METERS	
	2007	Revised	2008	Estimate	2009	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01-2007		01-2008		01-2009
Production	16800	16140	20160	19400	0	20300
Imports	1550	1570	1700	1880	0	2260
TOTAL SUPPLY	18350	17710	21860	21280	0	22560
Exports	550	442	650	500	0	560
Domestic Consumption	17800	17268	21210	20780	0	22000
TOTAL DISTRIBUTION	18350	17710	21860	21280	0	22560

Table 6. Tropical Hardwood Lumber

Country	**China, Peoples Republic of**					
Commodity	**Tropical Hardwood Lumber**				1000 CUBIC METERS	
	2007	Revised	2008	Estimate	2009	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01-2007		01-2008		01-2008
Production	680	1450	700	1800	0	2000
Imports	2270	2125	2230	2300	0	2500
TOTAL SUPPLY	2950	3575	2930	4100	0	4500
Exports	16	24	17	20	0	25
Domestic Consumption	2934	3551	2913	4080	0	4475
TOTAL DISTRIBUTION	2950	3575	2930	4100	0	4500