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Report Highlights:

The People's Republic of China's (PRC) wood manufacturing sectors are facing significant headwinds including rising costs, weakening economic conditions, COVID-19 related disruptions to operations, and increasing international competition. China's wood product imports are forecast to decline significantly in 2022 due to weak market demand, particularly in the housing sector, and logistics challenges. Recently released draft implementation regulations of the 2020 Forest Law do not stipulate any changes to existing PRC timber import policies and could leave the PRC as the world's top importer of illegal timber, a major cause of illegal deforestation.

Overview

As the second largest wood importer (after the United States) and the largest wood product exporter in the world, China's wood and wood products market has a significant impact on the global market. This report provides an overview of China's solid wood sector, wood consumption, wood trade (including log and lumber imports and wood furniture and wood-based panel exports), and PRC policies affecting the trade and production of wood products.

Solid Wood Sector

China's 2022 timber production (including logs and firewood) is forecast at 96 million cubic meters (m^3), a slight decrease compared to the 99 million m^3 produced in 2021[1]. The decline is primarily due to COVID-19 related impacts on timber production and slower economic growth, which has weakened demand from the wood processing sector.

The release of official provincial-level timber production data is often delayed by up to two years. However, based on 2020 data, Guangxi province remains the largest timber producing province, accounting for about 35 percent of total timber production. Guangdong, Yunnan, Fujian, Anhui, and Shandong provinces together accounted for 34 percent of total production in 2020.

Table 1. China: Timber Production by Province, 2019-2020

Province	Timber Production in 2019 (1,000 m3)	Timber Production in 2020 (1,000 m3)	Change (%)
Guangxi	35,002	36,000	2.9
Guangdong	9,451	10,170	7.6
Yunnan	7,455	8,460	13.5
Fujian	6,476	5,760	-11.1
Anhui	5,097	5,360	5.2
Shandong	5,163	5,070	-1.8
Hunan	3,314	3,770	13.8

[1] Source: Statistical Communiqué of the People's Republic of China on the 2021 National Economic and Social Development released by National Statistics Bureau (NSB) on February 28, 2022. **NOTE:** These are preliminary statistics and subject to change. For example, the 2021 Statistical Communiqué said that timber production in 2021 was 87 million m3. The number was later updated to 103 million m3 in the 2021 China Statistical Yearbook released in October 2021.

Guizhou	3,090	3,190	3.2
Jiangxi	2,770	3,020	9.0
Henan	2,560	2,670	4.3
Hainan	2,088	2,340	12.1
Hubei	3,044	2,320	-23.8
Jilin	2,050	2,280	11.2
Sichuan	2,438	2,230	-8.5
Jiangsu	2,325	2,140	-8.0
Heilongjiang	1,548	1,240	-19.9
Liaoning	1,070	1,180	10.3
Hebei	1,066	1,150	7.9
Zhejiang	1,235	1,020	-17.4
Inner Mongolia	853	880	3.2
Xinjiang	628	650	3.5
Chongqing	629	500	-20.5
Shanxi	257	280	8.9
Shaanxi	207	260	25.6
Tianjin	310	250	-19.4
Beijing	173	230	32.9
Gansu	61	90	47.5
Tibet	99	20	-79.8
Qinghai	-	20	
Shanghai	1	-	-
Ningxia	-	-	-
Total	100,459	102,570	2.1

Source: China Statistical Yearbook 2021 and China Statistical Yearbook 2020

China’s domestic logging is managed through a quota system. Under the Forest Law, provinces and autonomous regions are tasked with formulating logging quotas based on the principle that consumption (felling) is lower than growth (see Article 54). Prior to the 14th Five-Year Plan, the State Council issued national logging quotas by province; however, under the 14th Five-Year Plan each province formulates and publishes their own logging quotas, and the State Council only issues logging quotas for "key forest regions" (specific forested areas designated by the State Council as entitled to additional protections). The law states that quotas are to be announced publicly and approved by the State Council, however provincial level data remains difficult to obtain (see Table 2). Quota for "key forest regions" is formulated by the competent forestry department of the State Council and published regularly (see Table 3).

Table 2. China: Logging Quota for Major Timber Producing Provinces

	13th Five-Year Plan logging Quota (1,000m3)	14th Five-Year Plan logging Quota (1,000m3)	Change (%)
Guangxi	44,609	57,000	28%
Guangdong	15,360	18,868	23%
Fujian	21,733	22,164	2%
Hunan	11,178	11,081	-1%
Hubei	10,203	10,131	-1%

Source: Media Reports

Table 3. China: Logging Quota for Key Forest Regions

	13th Five-Year Plan Logging Quota (1,000 m3)	14th Five-Year Plan Logging Quota (1,000 m3)	Change (%)
Inner Mongolia Forest Industry Group	1,421	1,900	34%
Jilin Forest Industry Group	506	705	39%
Changbaishan Forest Industry Group	577	563	-3%
Longjiang Forest Industry Group	1,280	947	-26%
Yichun Forest Industry Group	N/A[2]	464	
Daxinganling Forest Industry Group	1,014	798	-21%
Total	4,798	5,377	12%

Source: State Forestry and Grassland Administration

[2] Yichun Forest Industry Group was established in 2018 and the 13th Five-Year Plan logging quota was published in 2016.

Consumption

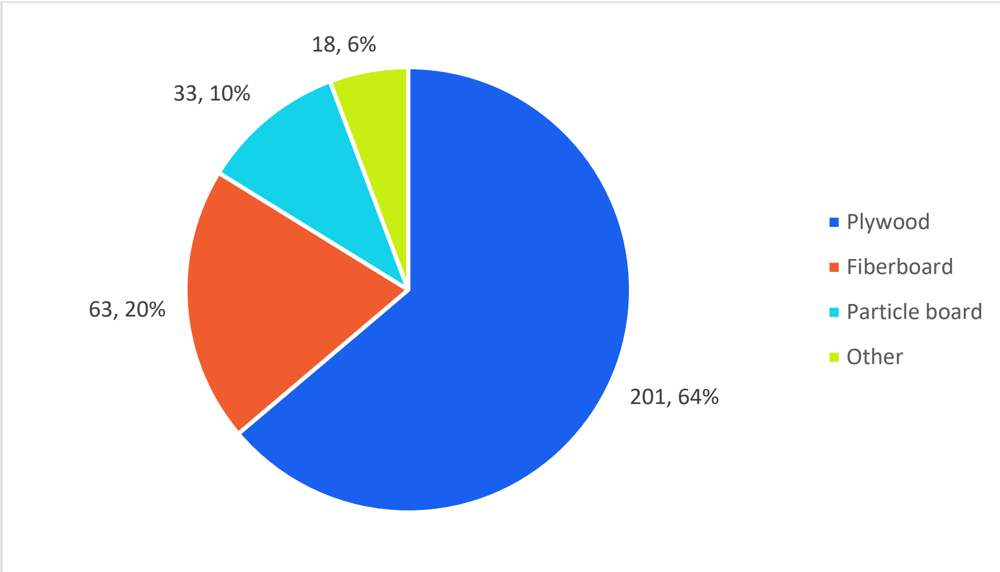
Annual wood consumption is estimated at 550-600 million m3, with construction, decoration (trimmings, moldings, etc. for roughcast/semifinished housing), paper making, and wood processing (furniture, wood flooring, wood-based panels, etc.) being the largest consuming sectors. According to the National Bureau of Statistics (NBS), new housing starts declined 11.4 percent in 2021 compared to 2020, and further declined 28.4 percent in the first four months of 2022. Although the PRC recently loosened controls on the real estate industry, including lower mortgage interest rates for first-time buyers, reduced down payment ratios, and housing subsidies, the housing market continues to struggle as consumers' economic fears weigh on spending. As one of the major wood-consuming industries, the downturn in the real estate market is a significant factor in overall lower domestic wood demand.

Demand in the wood processing sector has also weakened. Industry sources note that interruption to operations (in the form of COVID-related lockdowns and supply chain delays) and rising raw material costs are affecting profitability. As a major wood furniture producer, with annual production estimated at 250-320 million pieces, China depends on both domestic and export markets. Local demand has dropped along with the slowing of the economy since the fourth quarter of 2021, while according to China Customs, exports of wood furniture declined in value 13 percent in the first four months of 2022.

Panel furniture accounts for about 60 percent of total wood furniture production, with solid wood furniture taking the remaining share. Wood furniture production is concentrated in south China with Guangdong, Zhejiang, and Fujian provinces accounting for a combined 40 percent of China's total production.

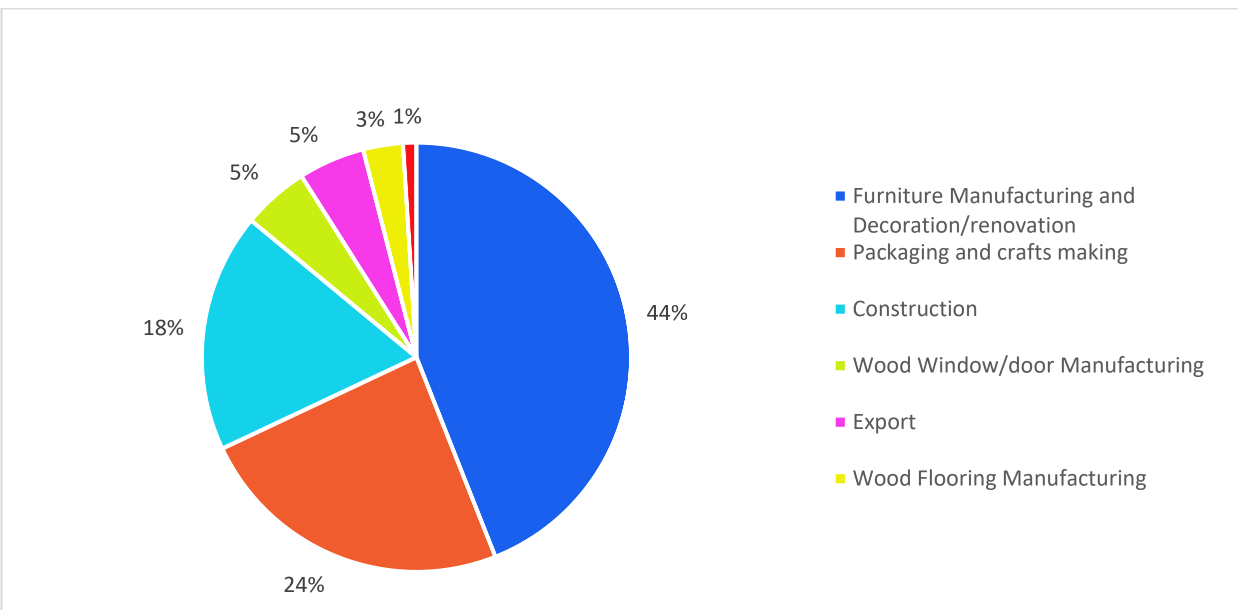
China is the largest wood-based panel producer, with annual production estimated at 300 million m3 (see Figure 2). China's wood-based paneling production is concentrated in Shandong, Jiangsu, and Guangxi provinces, which together account for about 60 percent of total production. According to industry sources, over 40 percent of China's wood-based panels are used for furniture manufacturing and decoration.

Figure 1. China: Wood-based Panel Production in 2021 (in million m3)



Source: China Timber and Wood Products Distribution Association

Figure 2. China: Wood-based Panel Consumption by Sector in 2021



Source: China Timber and Wood Products Distribution Association

Trade

Wood imports consist primarily of raw materials, such as logs and lumber, which together account for about 80 percent of China's total wood product imports by value. Fuel wood/wood chips (HS Code 4401) account for another 10 percent by value. Major exports include processed products, such as wood furniture and plywood, which together account for about 60 percent of China's total wood product exports by value. China's wood product imports are forecast to decline in 2022 due to weak market demand and logistics challenges. Exports are forecast to slightly increase.

Imports

China's wood product imports declined significantly in the first four months of 2022 due to supply chain challenges, high freight costs, weaker global demand for finished wood products and weaker domestic demand due to slower economic growth and COVID-19 related measures. Industry contacts expect imports to gradually recover during the second half of 2022 if the domestic economy and housing market can stabilize with support from possible PRC stimulus policies and incentives.

China's log imports totaled 63.6 million m3 in 2021; however, log imports declined 32 percent in the first quarter of 2022, representing the largest quarterly decline on record. Reasons for the decline include:

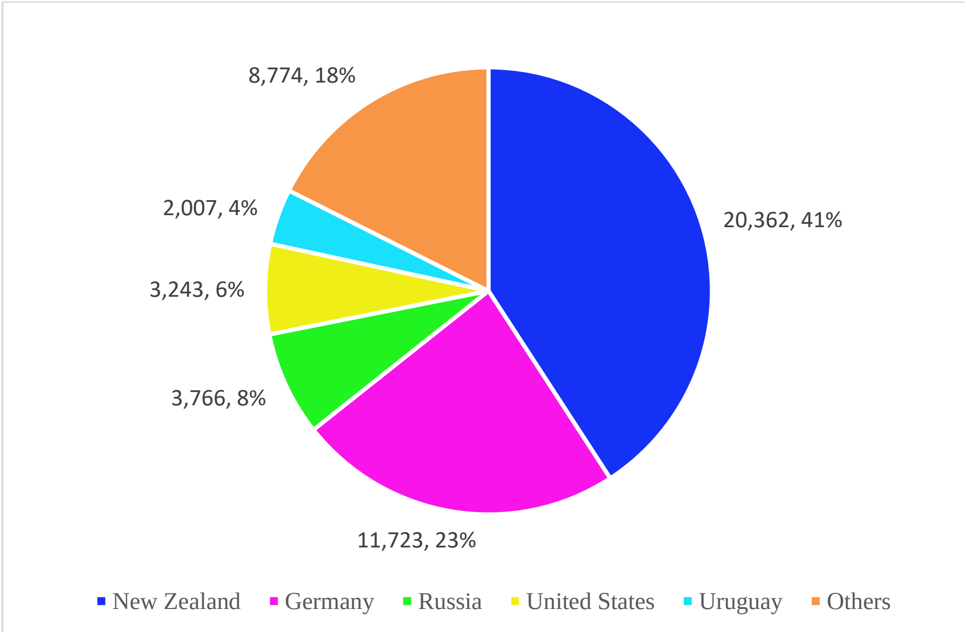
1) Declining imports from Russia due to a Russian export ban effective January 1, 2022 on logs including softwood and some high value hardwood such as ash, maple, oak, and beech. As a result, softwood log imports from Russia declined to 92,027 m3 in the first four months of 2022 from the 1,318,661 m3 during the same period of 2021;

2) Imports from European countries declined due to the Russia-Ukraine war, which reduced European logs available for export. Specifically, softwood imports from Germany, the second largest softwood log supplier to China, declined 50 percent in the first four months of 2022 from the same period of 2021 and imports from Czech Republic, another major log supplier to China, declined 49 percent;

3) Imports from New Zealand, the largest log supplier to China, declined 26 percent due to weak domestic demand; and

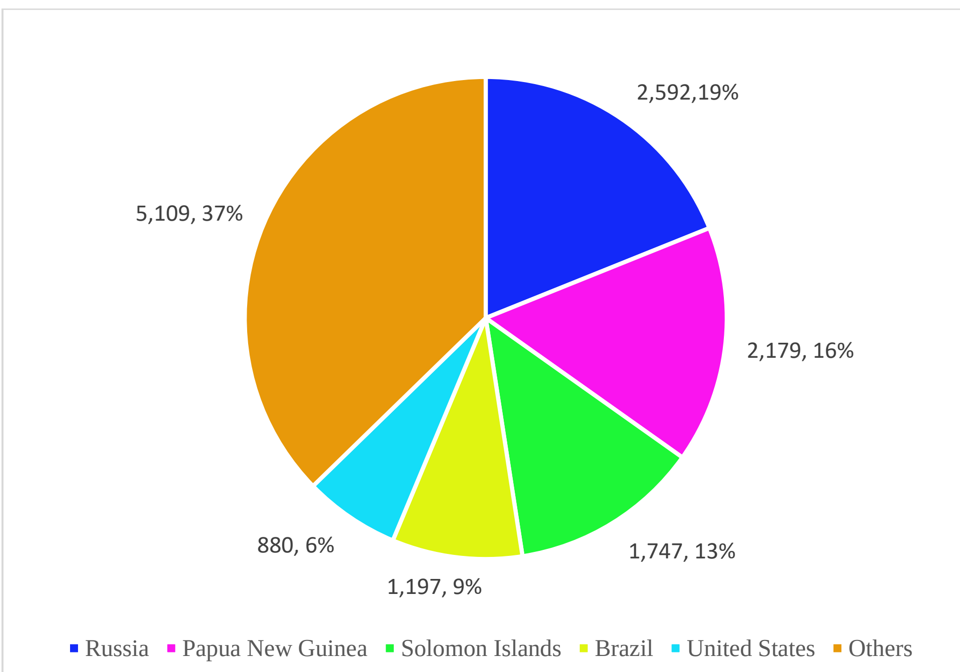
4) Imports from North America declined due to high prices, which were exacerbated by high freight costs. According to China Customs, import prices of U.S. softwood and hardwood logs increased 55 percent and 12 percent, respectively, in the first four months of 2022 from the same period in 2021.

Figure 3. China: Softwood Logs Import Volumes and Market Share, 2021 (1,000 m3)



Source: China Customs

Figure 4. China: Hardwood Logs Import Volumes and Market Share, 2021 (1,000 m3)

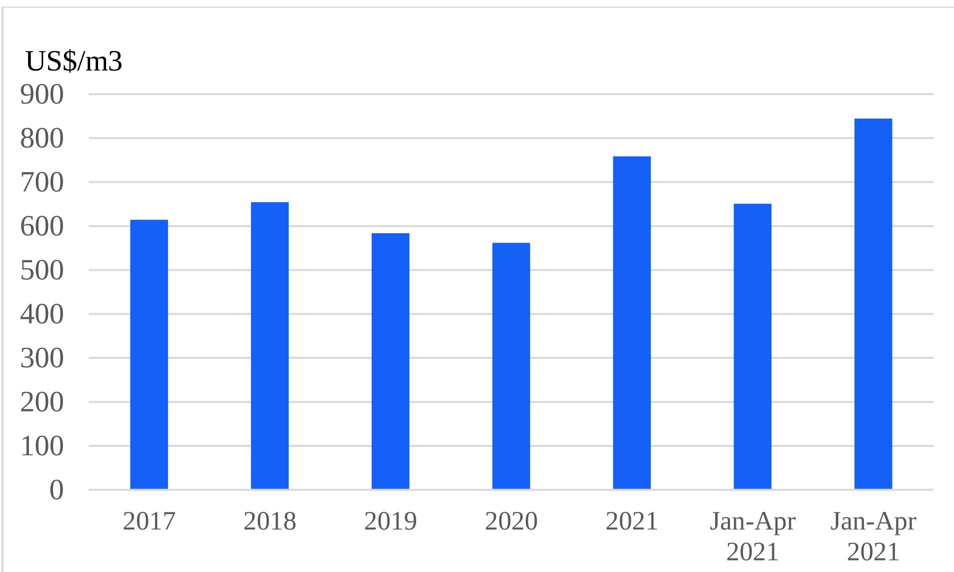


Source: China Customs

Lumber imports declined four percent in the first four months of 2022. Industry expects lumber will account for an increasing proportion of imported timber (as opposed to logs) due to more efficient freight for Russia's exports, which account for over 40 percent of China's lumber imports. It was reported in April 2022 that in order to support Russian timber enterprises, the Russian Ministry of Industry and Trade proposed that the export of lumber with a moisture content over 22 percent will be exempt from any export tax until the end of this year. Additionally, Russia's lumber exports to the European Union (EU) and U.S. are expected to decline, with much of the volume re-routed to buyers in China. According to Trade Data Monitor, in 2021, Russia exported over six million m3 lumber to the EU market and 72,904 m3 to the United States.

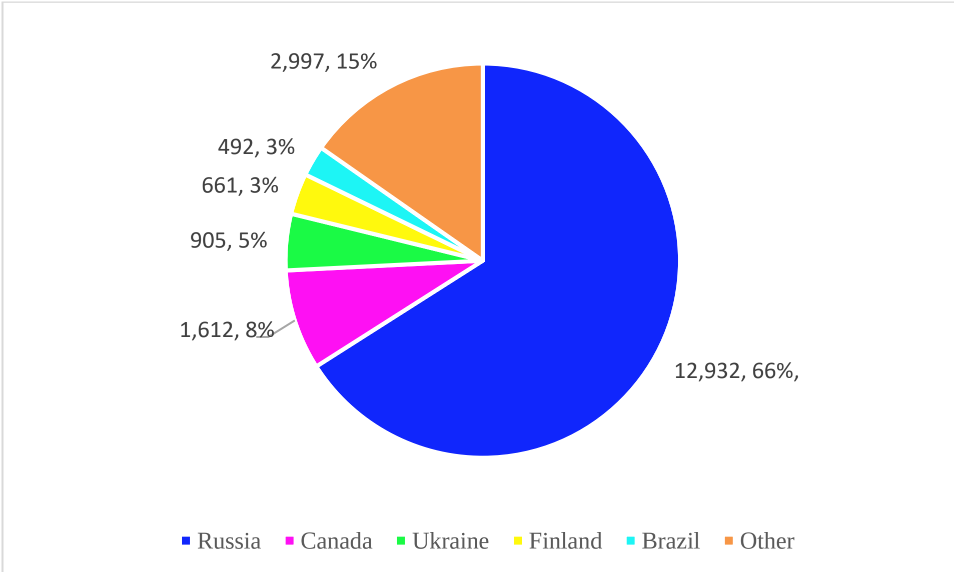
China's lumber imports from the United States declined 24 percent in the first four months of 2022, mainly due to the high prices. According to China Customs, import prices of U.S. hardwood lumber increased 30 percent in the first four months of 2022 from the same period of 2021 (by comparison, import price of Russian hardwood lumber decreased by four percent over the same period).

Figure 5. China: Average Import Price of U.S. Hardwood Lumber (US$/m3)



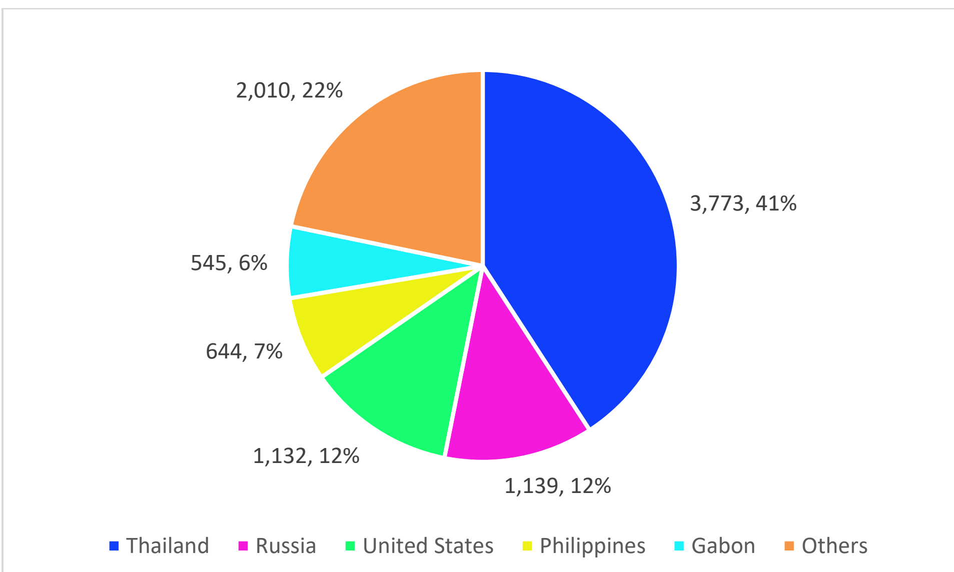
Source: China Customs

Figure 6. China: Softwood Lumber Imports and Market Share, 2021 (1,000 m3)



Source: China Customs

Figure 7. China: Hardwood Lumber Imports and Market Share, 2021 (1,000 m3)



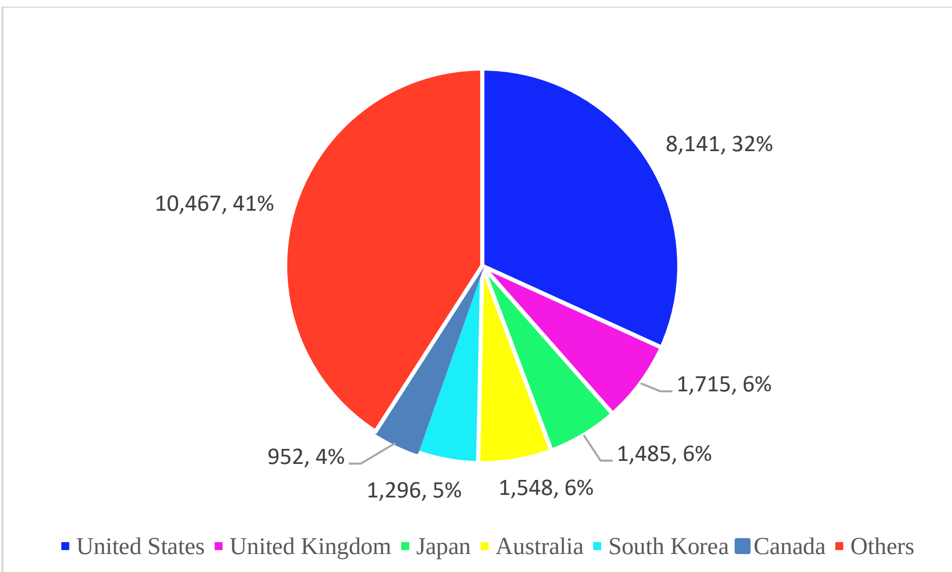
Source: China Customs

Exports

Wood product exports are expected to increase slightly in value in 2022. According to China Customs, wood products (HS Code 44) and wood furniture (HS codes 940161, 94016900, 94033000, 94034000, 94035010, 94035091, 94035099, 94036010,94036091, 94036099) exports totaled U.S. $44.2 billion in 2021, a 32 percent increase from 2020.

Wood furniture exports declined three percent by value and 13 percent by volume in the first four months of 2022. However, the decline follows record high exports during the first four months of 2021 when China's wood furniture exports totaled U.S.$7.6 billion, a 76 percent increase from the same period in 2020. Industry contacts indicated that China's wood furniture exports are currently facing serious challenges such as rising costs, logistics difficulties, high freight rates, and strong competition from other countries, especially Southeast Asian countries like Vietnam. The industry expects the situation to improve in the second half of 2022 with several factors including a weakening of the Chinese currency and easing of logistics bottlenecks boosting exports. The United States continues to be the largest importer of China's wood furniture, accounting for 32 percent of total PRC wood furniture exports in 2021. The industry continues to call for diversifying export markets to minimize market and trade risks.

Figure 8. China: Wood Furniture Exports by Destination and Market Share, 2021 (in Million US dollars)

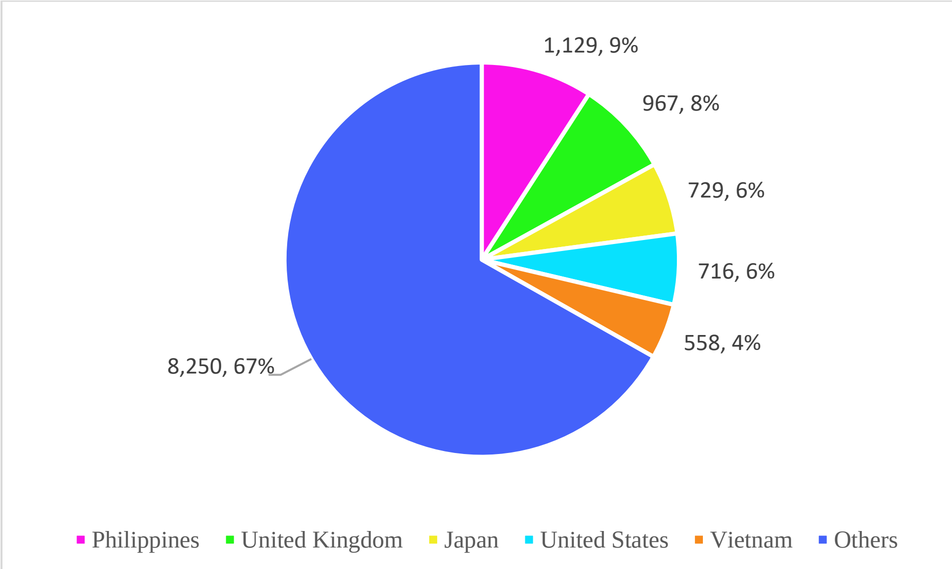


Source: China Customs

Plywood (HS code 4412) accounts for over 30 percent of China's wood product exports by value. Plywood exports for 2022 are forecast at 13.5 million m3, a 10 percent increase over 2021 based on strong international demand. Plywood exports increased 21 percent by value and eight percent by volume in the first four months of 2022. Unlike wood furniture, China's plywood export markets are diversified with the top five markets only accounting for about one-third of total export volume.

Although the United States was the fourth largest market for Chinese plywood exports by volume in 2021, after the Philippines, United Kingdom, and Japan; in terms of export value, the United States is the largest market, accounting for eight percent of total export value.

Figure 9. China: Plywood Exports and Market Share, 2021 (in 1,000 m3)



Source: China Customs

Policy

Wood Trade Certification Requirements

Wood products trade should be accompanied by required certificates/permits issued by competent authorities. Table 4 provides certification requirements for U.S. wood products exports to China. Please refer to the 2022 China FAIRS Annual Country Report for more information on China's certification requirements.

Table 4. China: Certification Requirements for U.S. Wood Products Exports

Certification	Attestation Required
APHIS Protected Plant Permit PPQ 621 (Application for protected plant permit to engage in the business of importing, exporting, or re-exporting terrestrial plants or plant products that are protected). U.S. FWS Export, Re-Export Permit	USDA is responsible for enforcing regulations specific to the import and export of plants regulated by the Convention on International Trade of Endangered Species (CITES) and the Endangered Species Act (ESA). In addition to USDA permits, the U.S. Fish and Wildlife Service (FWS) issues export and re-export permits for CITES or ESA-protected plants leaving the United States.
Certificate of Origin	Certifies origin of wood and wood product imports
Certification of Fumigation[3]	Certifies that logs with bark are fumigated to prevent pests

[3] All U.S. logs with bark to China must be fumigated in the U.S. However, if the fumigation is reflected in the Phytosanitary Certificate already, it is not necessary to attach a separate Certificate of Fumigation.

On December 20, 2021, the General Administration of Customs of the People's Republic of China (GACC) released Announcement No. 110 of 2021 titled *Phytosanitary Requirements for Pine Wood from Countries with Pine Wood Nematode Presence.* The announcement updates phytosanitary requirements including guidelines for sampling and treatment prior to export, phytosanitary certificate requirements, port of entry quarantine requirements, and designated ports for receiving pinewood imports for imports of pinewood logs and lumber from seven countries (the United States, Canada, Japan, South Korea, Mexico, Portugal, and Spain) with pinewood nematode (PWN) presence. The requirements went into effect on February 1, 2022. Please refer to USDA GAIN Report Pinewood Logs and Lumber Import Requirements Updated and Interpretive Guidance on Pine Wood Nematode Requirements for more information on the requirements.

Tariff Exclusions on Wood Products

On April 15, 2022, the State Council Tariff Commission (SCTC) announced another extension until November 30, 2022, for the Section 301 retaliatory tariff exclusions on 11 specific agricultural products, including six hardwood products (HS codes 44039100, 44039960, 44079100, 44079400, 44079500 and 44079930). This is the third time that SCTC extended the exclusion period for these commodities. Additional information on the tariff exclusions is available in the USDA GAIN report CH2022-0050. Importers may also apply for tariff exclusions for products that are not included on the eligible product list. Information on the procedure through which importers can apply for tariff exclusions on specific products is available in the USDA GAIN report CH2020-0017.

Climate Change and Deforestation

In November 2021, China and the United States released the U.S.-China Joint Glasgow Declaration on Enhancing Climate Action in the 2020s at the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP26). Both countries pledged to work together to address climate change and to reduce greenhouse gas emissions, including implementing key provisions of the Forest Law regarding the banning of illegal timber imports to China.

China's revised Forest Law entered into force on July 1, 2020. The amended regulation includes a ban on knowingly buying, processing, or transporting illegally sourced timber. However, on July 20, 2022 the National Forestry Grasslands Administration (NFGA) released draft implementation regulations (link in Chinese) that would likely leave the PRC as the world's top importer of illegal timber. As written, the draft implementation regulations do not stipulate any changes to existing PRC timber import policies such are requiring importers to conduct due diligence on the sourcing of products (a requirement for U.S. importers under the Lacey Act). The NFGA is allowing feedback on the draft regulations until August 19, 2022.

The PRC's unwillingness to curb the import of illegal timber disadvantages wood-product manufacturers and timber exporters in the United States and in other countries that ban trade in illegal and/or unsustainably harvested timber since legally sourced wood tends to cost more than illegal timber, giving cost advantages to manufacturers using illegal timber. An effective ban on illegal timber would also push Chinese demand toward legally and sustainably harvested forests, including in the United States.

According to the 2021 China National Land Greening Status Bulletin released by the Office of the National Greening Committee in March 2022, China planted 3.6 million hectares of trees in 2021. According to China's 9th National Forest Resources Census (2014-2018), China's top ten forest species are oak, fir, larch, birch, poplar, Masson pine, eucalyptus, spruce, Yunnan pine, and cypress. The ten species together account for 46 percent of the total forest area, and 44 percent of the total forest stock volume.

Conferences and Events:

Note: FAS China expects travel to China to remain restrictive for the foreseeable future. Zero tolerance for COVID has led the Chinese government to limit entry and mobility, and the sudden imposition of COVID restrictions can disrupt travel. For the latest information on travel to China please search for China in the Travel Advisories section of the website Travel.State.gov.

Interzum Guangzhou

City: Guangzhou

Date: late March (2022 event was postponed until July)

www.interzum-guangzhou.com

Interzum Guangzhou is now recognized as the largest and most influential woodworking machinery and raw materials fair in Asia. A U.S. wood pavilion for both hardwood and softwood suppliers is organized each year. It usually is held in late March. 2022 Interzum was postponed due to COVID. New dates have not been announced.

China International Furniture Fair (Guangzhou)

City: Guangzhou

Date: late March (2022 event was postponed, date TBC)

www.ciff-gz.com

This furniture show is well-known for its focus on the export market. It features modern, classic and outdoor furniture. It provides a good opportunity to observe trends in the furniture industry and identify different kinds of wood users in China. Leading China furniture manufacturers will showcase their new designs in this Guangzhou show. This show is mostly attended by international buyers from around the world.

Furniture Manufacturing & Supply China (FMC China 2022)

City: Shanghai

Date: September 13-17, 2022

https://www.furniture-china.cn/en/about-fur/fmc-fmp

Furniture China has been successfully held on 26 occasions. At the same time, it has transformed from a pure B2B offline trade platform to a dual-cycle export and domestic sales, online and offline combination full-link platform, original design display platform and "exhibition shop linkage" trade and design feast.

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China National Forestry Products Industry Association	China Timber Conservation Development Center
American Hardwood Export Council (China and Southeast Asia) Email: info@ahec-china.org	American Softwoods China Email: info@amso-china.org

Attachments:

No Attachments.