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2019 Wood Products Annual

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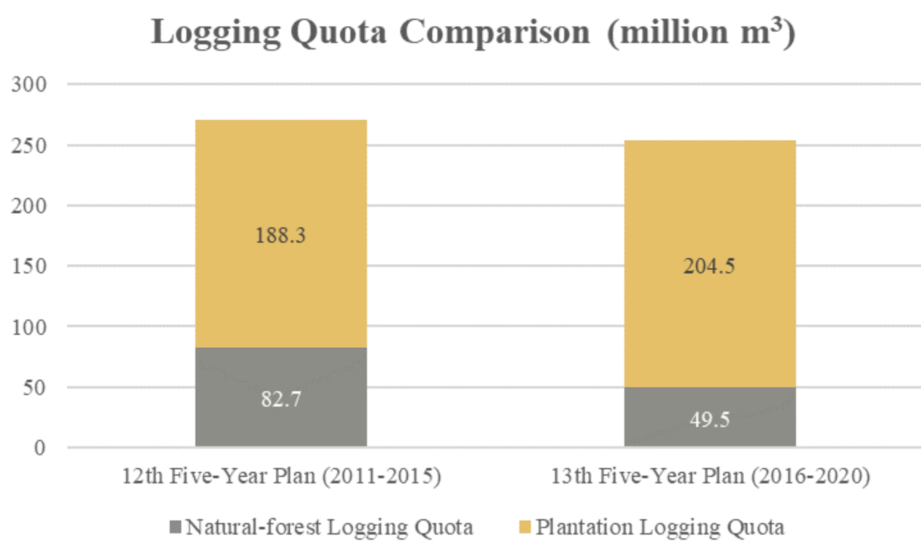
Report Highlights:
China's 2019 imports of wood products are projected to stabilize despite a slowing economy and high 2019 domestic stocks. Softwood 2019 imports are forecast up due to competitively priced foreign exports and increased domestic applications for softwoods in furniture manufacturing. Hardwood 2019 imports are projected down due to weak demand from the furniture manufacturing sector and the interior-decoration market. Growth in China's wood processing sector is expected to slow with weaker global demand for Chinese products and more stringent environmental regulations. Overall wood products exports from China will likely decline in 2019 due to robust foreign competition and declining U.S. demand, due in part, to additional U.S. tariffs on Chinese wood products. On May 13, 2019, the State Council Tariff Commission (SCTC) announced that the government would administer an exclusion process for the additional tariffs imposed on specific U.S. exports. Three wood products' (H.S. 44013100, 44013900 and 44032190) tariff lines are included in the first list of applicable products. Exclusions granted will be made publicly available, however, no records have been published at this time.

2019

China's forest area ranks fifth in the world, and according to the 9th National Forest Resources Census (2014-2018), forests cover roughly 220 million hectares (ha), with total standing wood volume estimated at 17.6 billion cubic meters (m^3). Forest area has increased 12.7 million ha from the 8th National Forest Resources Census (2009-2013). The complete Census report covering 2014–2018 will be released by the State Forestry and Grassland Administration soon. FAS-Beijing will provide a voluntary report summarizing the report after its publication. [1]

China's logging quota for the 13th Five-Year Plan (2016-2020) was reduced to 254 million m^3 from 271 million during the 12th Five-Year Plan. In addition, a commercial logging ban for natural forests is still in effect.[2] China imports large amounts of timber despite owning the largest plantation area in the world, since timber from natural forests are not easily substituted with plantation timber. Please refer to CH17061 for more information.



China is currently promoting sustainable forest management and chain of custody (COC) certification to key international export markets, such as the European Union and the United States, as both have strict market access requirements. There are three major forest certification schemes in China – China Forest Certification Scheme (CFCS), the Programme for the Endorsement of Forest Certification (PEFC), and the Forest Stewardship Council (FSC). In February 2014, the CFCS was endorsed by PEFC (an international certification for sustainable forest management).

[1] On April 10, 2018, following a wider government restructuring, the State Forestry Administration was renamed the State Forestry and Grassland Administration. The Administration is under the management of the Ministry of Natural Resources.
[2] Non-commercial logging is still in effect. Non-commercial logging refers to logging without a purpose to produce commercial timber, but for better forest management and health, for example, "forest thinning" is allowed in natural forests for the sake of tree growth and overall health.

China's Forest Certification Situation (as of May 2019)

	CFCS	PEFC	FSC
Certified Forests Area (1,000 ha)	8,760	6,922	965
Certified COC Companies	186	356	8,030

Solid Wood Products Situation & Outlook

China's 2019 timber (including logs and firewood) production is forecast at 90.0 million m^3, up from 88.1 million in 2018. Industry sources estimate timber consumption at approximately 600.0 million m^3 (round-wood equivalent).[3] Of this volume, construction and paper-making each account for 30 percent, whereas wood product exports and domestic wood manufacturing each account for 20 percent.

Industry sources suggest that the Government of China has implemented relatively strict environmental policies recently, causing less efficient factories to close. This has adversely impacted the wood processing industry in the short term, however, sources believe these policies will benefit in the long run, implying that these regulations will improve both the efficiency and competitiveness of the industry.

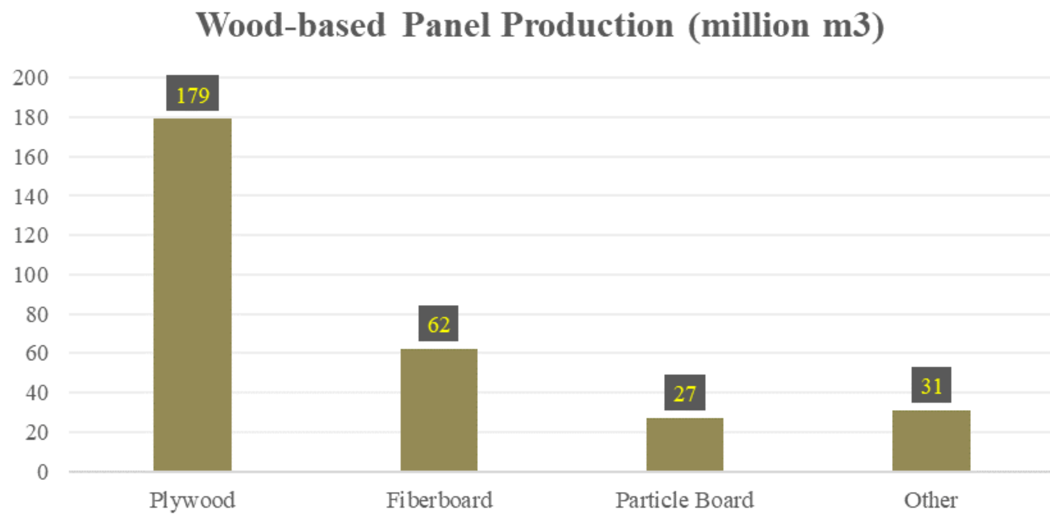
On March 20, 2019, the Ministry of Finance (MOF), the State Taxation Administration (STA), and the General Administration of Customs (GACC) jointly issued the "Announcement of Related Policy on Deepening the Reform on Value Added Tax (VAT)," (please refer to the link below for the original Chinese version of the joint announcement).[4] This regulation stated that the VAT rate for Chinese manufacturers would be lowered to 13 from the existing 16 percent. Sources believe the reduction will support the wood processing sector, however, many believe it will not compensate for losses endured from China's economic slowdown and decreased exports to the United States.

Wood-Based Panel Production

China remains the largest wood-based panel producer in the world, accounting for roughly half of global production. Production in 2019 is forecast at 325 million m^3, nine percent higher than in 2018 (299 million m^3), driven by strong demand from decoration facilities. Geographically, China's wood-based panel production is mostly concentrated in eastern provinces. Wood-based panel production in Shandong, Jiangsu, Anhui, Henan and Hebei provinces account for about 60 percent of China's total production. However, the industry concentration ratio is low because over 80 percent of wood-based panel manufacturers are privately owned and small-scale.

Industry sources indicated that a quarter of wood-based panel production is consumed by decoration, about a third by furniture production, and 40 percent by traditional decoration.

[3] Round-wood equivalent (RWE) volume is a measure of the volume of logs (round wood) used in the manufacture of wood products, including wood pulp, paper, wooden furniture, and wood-based panels.
[4] http://www.chinatax.gov.cn/n810341/n810755/c4160283/content.html



Source: State Forestry and Grassland Administration

Sources also indicate that plywood's significant share of production may decline in the future. First, raw materials for plywood require larger diameter lumber which is in short supply. In contrast, fiberboard and particle board require smaller diameter lumber (even branches or firewood), which is more accessible. Second, the quality of fiberboard and particle board is rapidly improving, which can be used to substitute for plywood (to a certain extent). Finally, fiberboard and particle board prices are more competitive than plywood.

Environmental restrictions and supply-side reform have drastically affected the number of operating facilities. China had about 6,400 wood-based panel manufacturers in 2017; this represents a 15 percent decline from the previous year. Also in 2017, local media reported that around 3,000 plywood, over 600 fiberboard, and 900 particle board manufacturing facilities closed.

Wood Furniture

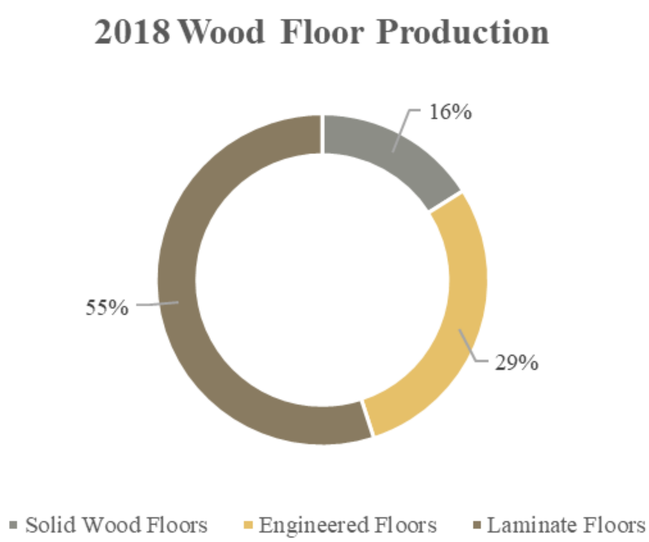
As one of the largest wood furniture producers in the world, China produces roughly 250 million pieces annually, with industry sources indicating 2018 production declined 10 percent from the year before. Industry believes this trend will continue into 2019 because of weaker domestic demand and international competition.

Observers also indicate the rapid development of decorated furniture that has squeezed market share of traditional furniture. It is reported that annual sales of a leading decoration enterprise amounted to over RMB10 billion (about US$1.4 billion). Estimates suggest that decoration value will maintain its rapid development and reach RMB160 billion in 2020.

China has approximately 4,100 wood furniture manufacturers, with Guangdong province accounting for over 30 percent of total furniture output. Although Guangdong remains the largest producing province in China, half of China's production used to be sourced from Guangdong several years ago. Industry has attributed the decline to three reasons: 1) Guangdong furniture factories moving to other Southeast Asian countries, such as Vietnam, to reduce production costs and enjoy a more favorable trade environment; 2) Guangdong furniture manufacturers establishing branches in inland provinces, such as Jiangxi and Sichuan, to reduce production costs and transportation costs (closer to target consumers); and 3) the rapid development of decorated products.

It is estimated that panel furniture accounts for 60 percent of total wood furniture production and solid wood furniture accounts for the remaining share. There are three emerging furniture styles in China's market: new Chinese style (combination of traditional Chinese style and western style), minimalist (extremely simple), and light luxury. Local media report that over half of solid wood furniture manufacturers in North China are engaged in new Chinese style furniture.

Wood Flooring
According to State Forestry and Grassland Administration, China's wood flooring production amounted to 714 million m^2 (square meters) in 2018, about a four percent decline from the year before. The production of solid wood floors was 117 million m^2, engineered floors 203 million m^2, and laminate floors 394 million m^2. Jiangsu, Zhejiang, Anhui and Shandong provinces are China's largest wood floor producers, accounting for over 60 percent of China's total wood floor production.



Source: State Forestry and Grassland Administration

TRADE

Imports

China's 2019 imports of wood products are projected to stabilize despite a slowing economy and high 2019 domestic stocks. Growth in China's wood processing sector is expected to slow with weaker global demand for Chinese products and more stringent environmental regulations.

Softwoods

Imports in 2019 are forecast up due to competitively priced imports and increased applications for softwoods in furniture manufacturing.

Log imports for 2019 are forecast at 36 million tons, about five percent higher than in 2018 (34 million tons).[5] In 2018, New Zealand was again the largest softwood log exporter to China, accounting for over a third of total imports, followed by Russia (20 percent) and the United States (12 percent).

Lumber imports for 2019 are forecast at 18 million tons, roughly fifteen percent higher than the previous year (15.6 million tons).[6] Russia continues to be the largest softwood lumber exporter to China, accounting for about 70 percent of total imports, followed by Canada (14 percent). However, Russia's Minister of Natural Resources and the Environment threatened to effectively ban all timber exports to China in early August, due to issues with supposed Chinese buying of illegally-logged timber products in Russia.

Hardwoods

Imports in 2019 are projected down due to weak demand from the furniture manufacturing sector and the interior-decoration market. China imports more temperate hardwoods than tropical, supporting the country's goal in sourcing more sustainable wood products.

Log imports for 2019 are forecast at 16 million tons, representing a 10 percent decrease from 2018.[7] Papua New Guinea is the largest hardwood log exporter to China, accounting for 17 percent of China's total imports, followed by Russia (15 percent), Solomon Islands (11 percent) and the United States (8 percent).

Lumber 2019 imports are forecast at 6.8 million tons, a 15 percent decrease from 8.4 million tons in 2018.[8] Thailand is the largest hardwood lumber exporter to China, accounting for 39 percent of China's total imports, followed by the United States (19 percent) and Russia (7 percent).

Exports

[5] (H.S. code 440311, 440312, 440321, 440322, 440323, 440324, 440325, and 440326)
[6] (H.S. code 440711, 440712, 440719)
[7] (H.S. code 440341, 440349, 440391, 440393, 440394, 440395, 440396, 440397, 440398, and 440399)
[8] (H.S. code 440721, 440722, 440725, 440726, 440727, 440728, 440729, 440791, 440792, 440793, 440794, 440795, and 440799)

Overall wood products exports will likely decline in 2019 due to robust foreign competition and declining U.S. demand, due in part, to U.S. additional tariffs on Chinese wood products. The United States is China's largest market for wood furniture and wood products. From January to July 2019, wood furniture exports were slightly down, with shipments to the United States down more than 10 percent; the United States accounted for nearly 40 percent of China's total wood furniture exports in 2018. Wood products exports to the world during the same period have also declined, as exports to the United States were down one-third.

U.S. and China Trade

The United States initiated an anti-dumping duty and countervailing duty investigation on wooden cabinets and vanities imported from China in March 2019, however, the investigation process is still in the preliminary stage. Also, additional U.S. tariffs were imposed on some of China's wood products exports in September 2018, and the tariff was increased to 25 percent on June 1, 2019. An additional 10 percent was applied on September 1, 2019 to some products; other products (some not having an additional duty applied September 1) will have additional duties of the same percent applied on December 15, 2019.

The United States is a significant supplier of timber to China, accounting for roughly 10 percent of China's log and lumber imports. However, China imports of U.S. forest products were roughly half the value of the previous year for the first seven months of 2019. Starting December 15, 2019, additional tariffs will be applied to many U.S. forest product exports. Please reference the table on the next page, which outlines China's tariff schedule on U.S. forestry products (listed by HS code and date of implementation for tariffs).

Similar to the United States, China also grants tariff exclusions to eligible products from the United States. On May 13, 2019, the State Council Tariff Commission (SCTC) announced that the government would administer an exclusion process for additional tariffs imposed on specific imports. Both enterprise and industry associations that import, produce, or use relevant products are eligible to apply through the new process for tariff exclusions. China's Ministry of Finance has published a procedure for requesting tariff exclusion and a first list of applicable products. Three wood products tariff lines (H.S. code 44013100, 44013900 and 44032190) were on the first list of applicable products. Exclusions granted will be made public, however, no records have been published at this time. Please refer to GAIN report CH19032 for more information on the exclusion procedure. Currently, a second round of tariff exclusions for Chinese enterprises and associations is ongoing, and closes on Oct. 18, 2019.

(Please see next page for China tariff schedule on U.S. forestry products)

Appendix Schedule of tariffs on U.S. forestry products

HS Code (8-digit)	Product Description	MFN* Rate	232	301	Proposed add'l tariff	Proposed add'l tariff	Total Applied Tariff
	Implementation Date	**1-Jan-19**	**2-Apr-18**	**1-Jun-19**	**1-Sep-19**	**15-Dec-19**	**15-Dec-19**
44011200	Non-Coniferous Fuel Wood, In Logs/Billets/Twigs	0%		20%	**10%**		**30%**
44012100	Coniferous Wood in Chips or Particles	0%		20%	**10%**		**30%**
44012200	Non-Coniferous Wood in Chips or Particles	0%		25%		**10%**	**35%**
44014000	Sawdust and Wood Waste and Scrap, Not Agglomerated	0%		25%			**25%**
44029000	Other Wood Charcoal	6%		25%			**31%**
44031100	Coniferous Wood in The Rough, Treated with Paint/S	0%		25%			**25%**
44031200	Non-Coniferous Wood in The Rough, Treated with Pai	0%		20%			**20%**
44032110	Wood in the rough of Korean Pine and Mongolian Scotch Pine, of which cross-sectional dimension ≥ 15cm	0%		25%			**25%**
44032130	Wood of Larch, In the Rough, Cross-Sectional Dimension ≥15 cm	0%		25%			**25%**
44032240	Wood of Douglas Fir, In the Rough, Cross-Sectional dimension <15cm	0%		20%			**20%**
44032290	Wood of Other Pin, In Rough, Cross-Sectional Dimension <15cm	0%		20%			**20%**
44032300	Wood of Fir (Abies Spp.) And Spruce (Picea Spp.), Cross-Sectional Dimension > 15cm	0%		20%			**20%**
44032400	Wood of Fir (Abies Spp.) And Spruce (Picea Spp.), Cross-Sectional Dimension is< 15 cm	0%		25%			**25%**
44032500	Other Coniferous Wood in The Rough, Cross-Sectional dimension ≥15c	0%		5%			**5%**
44032600	Other Coniferous Wood in The Rough, Cross-Sectional dimension is < 15cm	0%		20%			**20%**
44039100	Oak (Quercus Spp.) Wood in The Rough, (Excl. Treat)	0%		25%			**25%**
44039500	Birch (Betula Spp.) In the Rough, Cross-Sectional Dimension ≥ 15 cm	0%		25%			**25%**
44039700	Poplar and Aspen (Populus Spp.) In the Rough	0%		25%			**25%**
44039800	Eucalyptus (Eucalyptus Spp.) In the Rough	0%		25%			**25%**
44039960	North American Hard Wood (Inc. Cherry/Walnut/Maple	0%		20%			**20%**
44039980	Other Temperate Non-Coniferous Wood in The Rough,	0%		25%			**25%**
44039990	Non-Coniferous Wood in The Rough	0%		25%			**25%**
44042000	Non-Coniferous Hoopwood; Split Poles, Wooden Sticks	6%		20%			**26%**
44050000	Wood Wool; Wood Flour	6%		25%			**31%**
44071110	Wood of Korean Pine/Mongolian Scotch Pine, Sawn Lengthwise, thick>6 mm	0%				**10%**	**10%**

HS Code (8-digit)	Product Description	MFN* Rate	232	301	Proposed add’l tariff	Proposed add’l tariff	Total Applied Tariff
	Implementation Date	**1-Jan-19**	**2-Apr-18**	**1-Jun-19**	**1-Sep-19**	**15-Dec-19**	**15-Dec-19**
44071120	Wood of Radiata Pine, Sawn Lengthwise, Thick＞6Mm	0%				**10%**	**10%**
44071200	Wood of Fir (Abies Spp.) And Spruce (Picea Spp.), Thick >6mm	0%				**10%**	**10%**
44072910	Teak Wood, Sawn Lengthwise, Thick＞6mm	0%		25%			**25%**
44072930	Wood of Merbau, Sawn Lengthwise, Thick＞6mm	0%		25%			**25%**
44072990	Tropical Wood, Sawn Lengthwise, Thick＞6Mm	0%		25%			**25%**
44079100	Wood of Oak (Ouercus Spp.), Sawn Lengthwise, Thick＞6	0%		25%			**25%**
44079200	Wood of Beech (Fagus Spp.), Sawn Lengthwise, Thick＞6	0%		25%			**25%**
44079300	Wood of Maple (Acer Spp.), Sawn Lengthwise, Thick＞6	0%		5%			**5%**
44079400	Wood of Cherry (Prunus Spp.), Sawn Lengthwise, Thick	0%		20%			**20%**
44079500	Wood of Ash (Fraxinus Spp.), Sawn Lengthwise, Thick＞6mm	0%		20%			**20%**
44079600	Wood of Birch (Betula Spp.), Sawn Lengthwise, Thick＞6mm	0%		25%			**25%**
44079700	Wood of Poplar and Aspen (Populus Spp.), Sawn Lengthwise	0%		5%			**5%**
44079910	Non-Tropical Rosewood, Sawn Lengthwise, Thick＞＞6mm	0%		25%		**10%**	**35%**
44079980	Other Temperate Non-Coniferous Wood, Sawn Lengthwise, Thick＞6mm	0%		20%	**10%**		**30%**
44081019	Coniferous Wood Veneer Sheets, Thick≤6Mm	4%		20%			**24%**
44081090	Other Coniferous Wood, Sawn Lengthwise, Thick≤6Mm	4%		25%			**29%**
44083119	Other Veneer Sheets of Dark/Light Red Meranti & Me	4%		25%		**10%**	**39%**
44083919	Other Veneer Sheets of Other Tropical Wood, Thick≤6mm	4%		25%			**29%**
44083990	Other Tropical Wood, Sawn Lengthwise, Thick≤6Mm	4%		25%			**29%**
44089011	Other Veneer Sheets of Plywood, Thick≤6Mm	4%		20%			**24%**
44089012	Veneer Sheet of Temperate Non-Coniferous Wood, Thick≤6mm	3%		20%			**23%**
44089019	Other Veneer Sheets of Wood, Thick≤6mm	3%		5%			**8%**
44089021	Sheets for Plywood of Temperate Non-Coniferous Wood, Thick≤6mm	3%		25%			**28%**
44089091	Other Wood Sheets of Temperate Non-Coniferous Wood, Thick≤6mm	3%		25%			**28%**
44089099	Wood, Nes, Sawn Lengthwise, Thick≤6mm	3%		20%			**23%**

HS Code (8-digit)	Product Description	MFN* Rate	232	301	Proposed add'l tariff	Proposed add'l tariff	Total Applied Tariff
	Implementation Date	**1-Jan-19**	**2-Apr-18**	**1-Jun-19**	**1-Sep-19**	**15-Dec-19**	**15-Dec-19**
44092910	Other Non-Coniferous Wood Floor Strips/Boards	4%		5%			**9%**
44092990	Other Non-Coniferous Wood, Continuously Shaped Along any of its edges or faces	4%		25%			**29%**
44101900	Other Similar Board, Of Wood	4%		25%			**29%**
44109019	Other Particle Board, Of Ligneous Materials	6%		5%			**11%**
44111211	Fiberboard (Mdf), Thick≤5mm, D.＞0.8G/Cm3, Not Worked/	4%		25%			**29%**
44111219	Fiberboard (Mdf), Thick≤5mm, D.＞0.8G/Cm3, Worked	6%		20%			**26%**
44111229	Other Fiberboard (Mdf), Thick≤5mm, 0.5G/Cm3＜D.≤0.8G/Cm3	4%		20%			**24%**
44111311	Fiberboard (Mdf), 5＜Thick≤9mm, D.＞0.8G/Cm3, Not Worked	4%		20%			**24%**
44111319	Fiberboard (Mdf),5＜Thick≤9mm, D.＞0.8G/Cm3, Worked/Covered	6%		25%			**31%**
44111419	Fiberboard (Mdf), Thick＞9mm, D.＞0.8G/cm3, Worked/Covered	6%		25%			**31%**
44111421	Fiberboard (Mdf), 5＜Thck≤9Mm, 0.5G/Cm3＜D.≤0.8G/cm3	4%				**10%**	**14%**
44111421	Fiberboard (Mdf), 5＜Thck≤9Mm, 0.5G/Cm3＜D.≤0.8G/cm3	4%				**10%**	**14%**
44111421	Fiberboard (Mdf), 5＜Thck≤9Mm, 0.5G/Cm3＜D.≤0.8G/cm3	4%		25%		**10%**	**39%**
44111421	Fiberboard (Mdf), 5＜Thck≤9Mm, 0.5G/Cm3＜D.≤0.8G/cm3	4%		25%		**10%**	**39%**
44111429	Other Fiberboard (Mdf), 5＜Thck≤9mm, 0.5G/cm3＜D.≤08G/cm3	4%		25%			**29%**
44111499	Fiberboard (Mdf), Thick＞9mm, D. ≤0.5G/Cm3, Worked/Covered	4%		25%			**29%**
44119210	Other Wood Fiberboard, D.〉0.8G/Cm3, Not Worked/Covered	4%		25%			**29%**
44119290	Other Wood Fiberboard, D.〉0.8G/Cm3, Worked/Covered	6%		25%			**31%**
44119390	Other Wood Fiberboard, 0.5G/cm3＜D.≤0.8G/cm3	4%		25%		**10%**	**39%**
44119410	Other Wood Fiberboard, 0.35G/cm3＜D.≤0.5G/cm3	6%		25%			**31%**
44119429	Other Wood Fiberboard, D. ≤0.35G/Cm3, Worked/Covered	4%		5%			**9%**
44121019	Other Bamboo Plywood Solely of Sheets, Thick≤6Mm	4%		25%			**29%**
44129410	Other Blockboard/Laminboard/Battenboard	6%		25%			**31%**
44129910	Other Plywood, With At Least One Outer Ply of Non-coniferous wood	6%		25%			**31%**

HS Code (8-digit)	Product Description	MFN* Rate	232	301	Proposed add'l tariff	Proposed add'l tariff	Total Applied Tariff
	Implementation Date	**1-Jan-19**	**2-Apr-18**	**1-Jun-19**	**1-Sep-19**	**15-Dec-19**	**15-Dec-19**
44129999	Plywood/Veneered Panels/Laminated Board	4%		25%			**29%**
44130000	Densified Wood, In Blocks, Plates, Strips or Profile shapes	6%		25%			**31%**
44140010	Frames for Paintings, Photographs, Mirrors or Similar articles, of radiata pine	7%		20%		**10%**	**37%**
44140090	Other Wooden Frames for Paintings, Photographs, Mir	7%		20%		**10%**	**37%**
44151000	Cases, Boxes, Crates, Drums & Similar Packings Of	6%		25%			**31%**
44152090	Other Wooden Pallets, Box Pallets and Other Load B	6%		25%			**31%**
44160090	Other Wooden Casks/Barrels/Vats/Tubs & Other Coopers' products	12%		20%			**32%**
44170090	Other Wooden Tools, Broom or Brush, Boot or Shoe Lasts and trees	12%		25%			**37%**
44187900	Other Assembled Flooring Panels, Of Wood	4%				**10%**	**14%**
44189900	Builders' Joinery and Carpentry of Wood, Nes	4%				**10%**	**14%**
44199090	Tableware and Kitchenware of Wood, Nes	0%			**10%**		**10%**
44209010	Wood Marquetry and Inlaid Wood	0%		5%			**5%**
44209090	Wooden Caskets and similar articles or non-floor type furniture not falling	0%		25%			**25%**
44211000	Clothes Hangers of Wood	0%		25%			**25%**
44219110	Circle Sticks/Bars, Popsicle Sticks, Spatula and the like	0%		25%			**25%**
44219190	Articles of Bamboo, Nes	0%		20%			**20%**
44219990	Articles of Wood, Nes	0%		25%			**25%**