



People's Republic of China



OPPORTUNITIES FOR THE USE OF SOLID WOOD PRODUCTS IN TRADITIONAL STRUCTURES AND APPLICATIONS

Written by:

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Canada Wood
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1.- Executive summary

China evidences a clear preference for the import of solid wood products with the least value added content possible. Over the past five year period log imports from the fifteen principal suppliers have increased three-fold to 21.1 million cubic meters valued at US\$1.9 billion in 2003. The unit value of log imports has, during this period, decreased from US\$171.54 to US\$92.51 per cubic meter. This is the result of a decrease in the quality of logs imported and a higher percentage of less expensive coniferous log imports.

The principal suppliers of logs have consistently been Malaysia and Russia. Russian coniferous log exports to China during the past five years have increased from 1.3 to 12.2 million cubic meters. The trend towards an increasing volume of coniferous product has resulted in a growing acceptance and an increasing internal demand for a wide range of coniferous products. This has opened a window of opportunity for Canadian suppliers of coniferous solid wood products.

Lumber imports from the fifteen principal suppliers, during this time period, have experienced an almost three-fold increase reaching 4.2 million m³ valued at US\$899 million in 2003. The unit value of lumber imports has also decreased over this time frame, though not as drastically as for logs, from US\$242.70 to US\$211.58 per m³.

The volume of log imports continues to significantly exceed the volume of lumber imported. However, the value of lumber imports as a percentage of log imports has increased from 30.1% in 1999 to 46% in 2003. This trend is of interest to Canadian suppliers of processed solid wood products given existing log export restrictions.

China's growing need for solid wood products, the trend towards an increasing reliance on coniferous species, and an increasing ability to pay for these imports (given the development of export markets for value added solid wood products) justifies a considerably more sophisticated approach to the development of this market by Canadian exporters.

A majority of the Chinese companies involved in the lumber trade are primary processors reliant on imported logs. There is a growing interest in cants and lumber. There is also an increasing interest in considering long-term supply agreements with reliable suppliers. One of the market niches identified is hemlock cants with a landed cost of US\$295/m³ for No.2 & better quality, US\$205/m³ for No.3 grade or US\$145/m³ for economy grade.

Hemlock lumber has been used to manufacture forms for pouring concrete. While there has been a trend towards the use of steel forms this market niche also warrants further review.

At this time there is a growing market opportunity for underflooring and subfloor material. It has been reported that hemlock has been used in these applications though the preferred grades and species are No. 1, KD larch pine and No. 3 Chinese fir.

Opportunities exist in the interior decoration market, particularly the residential sector. The more promising are moldings, baseboard and casing products. This market tends to be dominated by hardwoods including lauan, black cherry and teak. It is a price competitive market and its development will require considerable effort.

The rising importance and development of the furniture manufacturing sector in China, and its reliance on the export market for the high end product, is another market that warrants further attention. At this time a growing volume of Canadian green, rough sawn lumber is being imported by a few Chinese companies. They reprocess this product into a wide range of consumer goods that are exported to North America, Japan and Europe. One of these is a line of garden furniture that is offered for sale in Canada by large retail chain.

The restoration of historical heritage sites offers a potential market for a range of Canadian solid wood products including timbers and larger sized lumber products. It could be a promising market for western red cedar products.

The growing Chinese market for solid wood products offers Canadian exporters numerous opportunities. It also poses many challenges. The logical next step in Canada's market development program should entail a large scale commercial development that would emphasize Canadian building technologies and materials. It should be undertaken with the participation of one or more Canadian partners and a large influential Chinese developer. The project should have a commercial objective. It should include the collaboration of the parties in the planning, market analysis, definition, and financing of the development. The construction of a commercial satellite urban project, consistent with the Shanghai Municipal Governments Satellite Community Policy Directive, would be the ideal venue. The development of "Canada Village" would provide an opportunity for industry and government to work together on what could become the largest residential, commercial and institutional wood frame construction project ever conceived and implemented.

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