

China's Wood Markets Amidst the Trade War

WHO WILL OWN THE FORESTS 2019
World Forestry Center, Portland, OR
September 18, 2019

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SCHOOL OF ENVIRONMENTAL AND FOREST SCIENCES

UNIVERSITY *of* WASHINGTON

College of the Environment





The Center for International Trade in Forest Products

1. We believe that using sustainably, responsibly sourced wood is good for the environment and for humanity.
2. We believe that “Peace is a natural effect of trade”.
3. Accordingly, we are involved in research and education to support and promote the use of, and trade in, sustainably produced forest products.



Kent Wheeler

- B.S. in Accounting
- Ph.D. in Marketing, University of Texas at Austin
- 30 years forestry industry experience, including 26 years with Weyerhaeuser Co.
- Lived in Tokyo for six years, Shanghai for four years, and Dubai for one year
- Career focus was market development and plantation operations
- Managed timber and bamboo plantations in China, Indonesia, Ghana, South Africa and Nicaragua
- Joined CINTRAFOR in July 2017

Outline

- China's wood products trade
- China's wood product exports
 - Furniture
 - Paper
 - Plywood
- China's wood product imports
 - Pulp & waste paper
 - Lumber
 - Logs
- Domestic wood supply

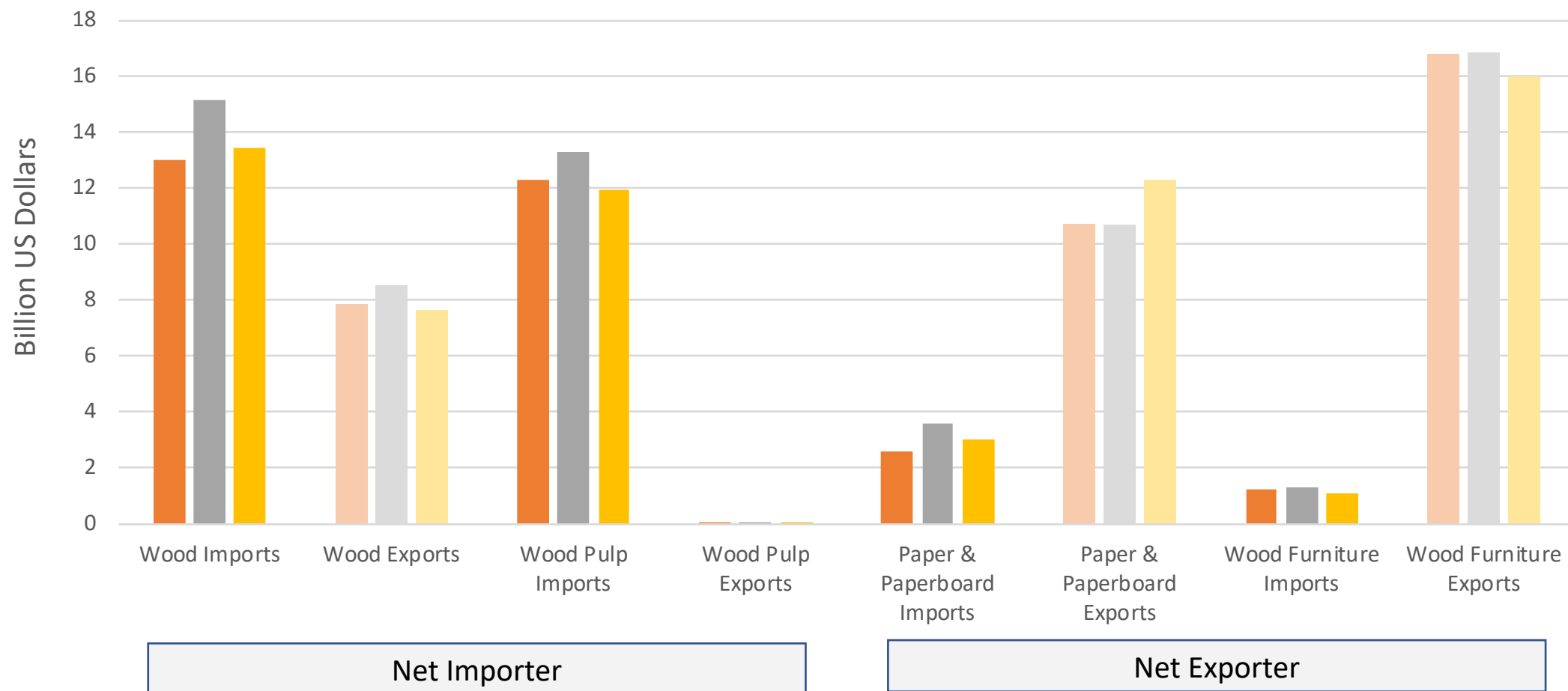
China's Wood Product Imports & Exports

All of HS Code chapters 44, 47, and 48. Wood furniture from chapter 94.

July YTD

2017 2018 2019

Source: Global Trade Atlas



China's Economy

- 6.1% Q2 growth is slowest since 1992, but double the incremental growth of the U.S.
 - 6.1% on a \$13.6 trillion economy vs. 2.1% on a \$20.5 trillion economy
- Manufacturing employment has been shrinking for several years as China's service-based economy increases.
- China's exposure to the U.S. is relatively small.
- China has lowered tariffs on the rest of the world, from an average of 8% to 6%.
- Exports to the rest of the world have increased, offsetting much of the loss of U.S. markets.

U.S. & China GDP 2018

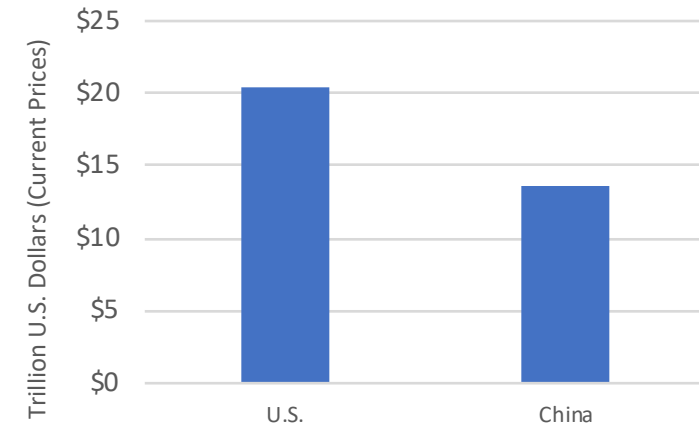
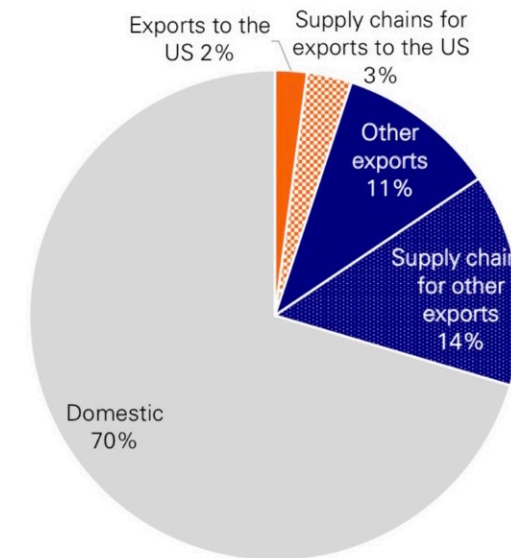


Figure 8: Exposure to the US = 5% of China's industrial output



Source : Deutsche Bank Research, World Input-Output Database.

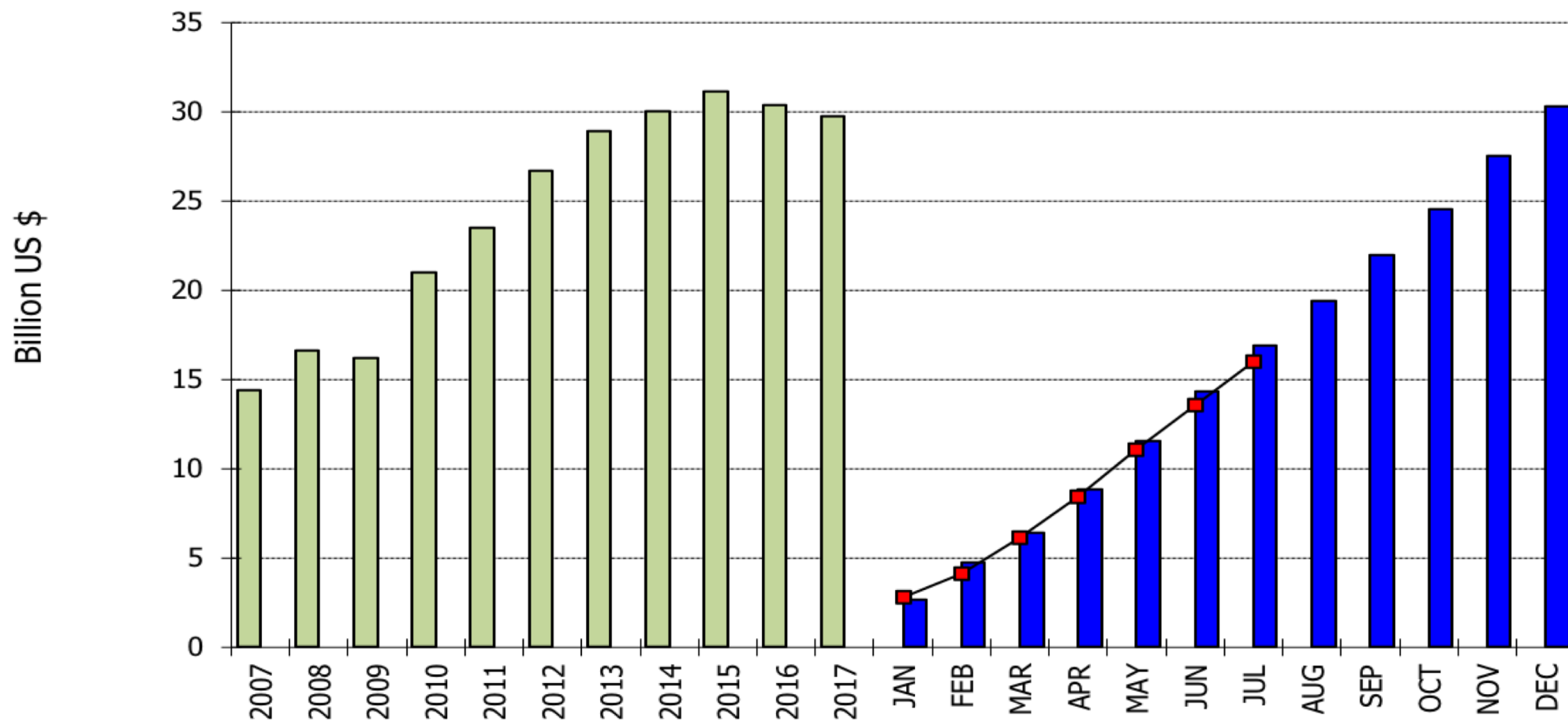
China Field Trip Notes (August 2019)

- China domestic economic slowing is a bigger impact than the tariffs
- Hardwood lumber price reductions practically offset the import tariffs and weaker currency
- Reduction in purchases from the U.S. are due more to uncertainty than tariffs
 - Uncertainty about next step in the trade war
 - U.S. suppliers are cutting prices; risky to have product on the water
- Want to do business with U.S. suppliers and hope the trade war will end soon

China Wood Furniture Exports

Blue Columns = 2018

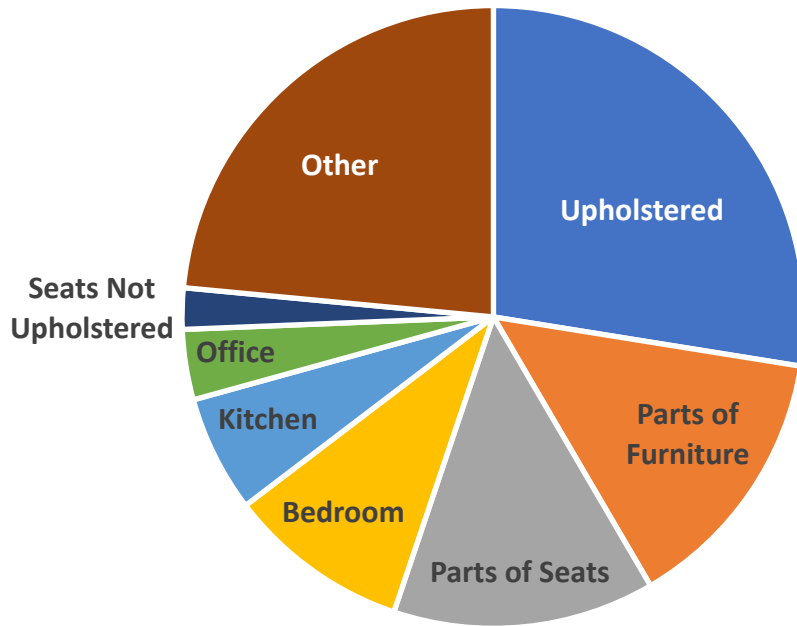
Red Line = 2019 YTD



Source: Global Trade Atlas

China's Furniture Exports

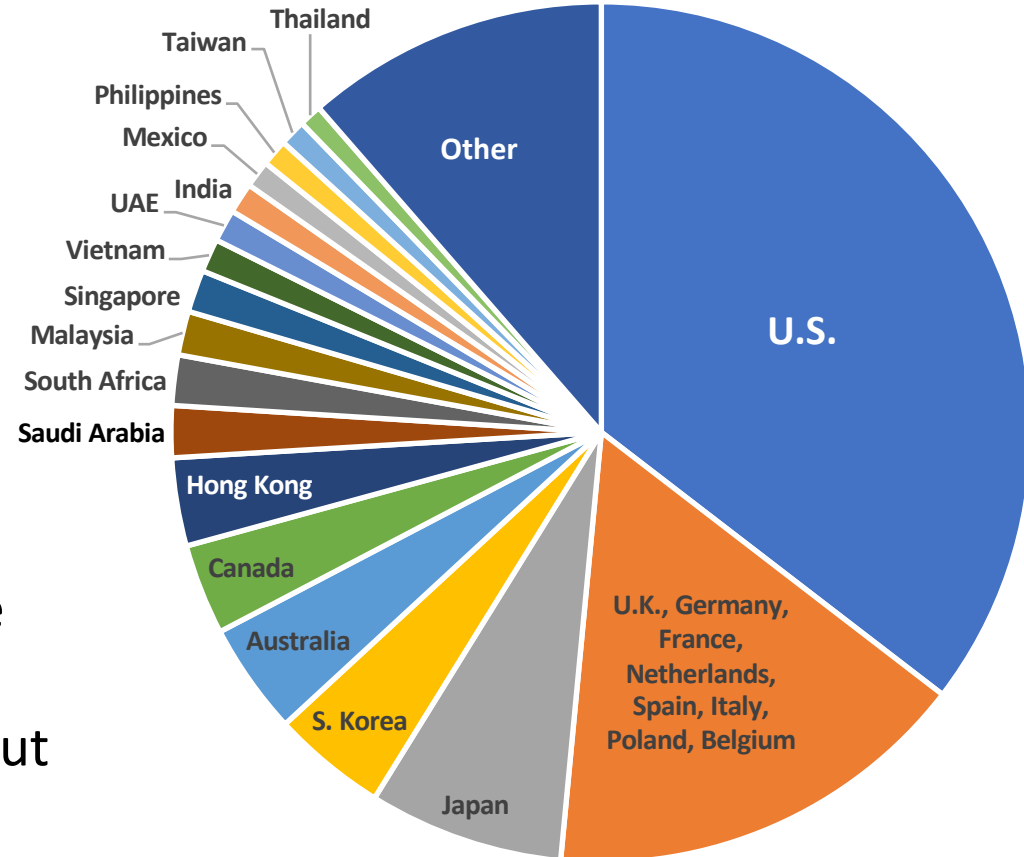
July YTD 2019



- Total exports were up 1.9% last year but are down 5.1% July YTD.
- Exports to the U.S. were up 8.9% last year but are down 16.4% July YTD.
- Exports to top 8 European importers are up 6.1% YTD.

China's Exports of Wood Furniture

July YTD 2019

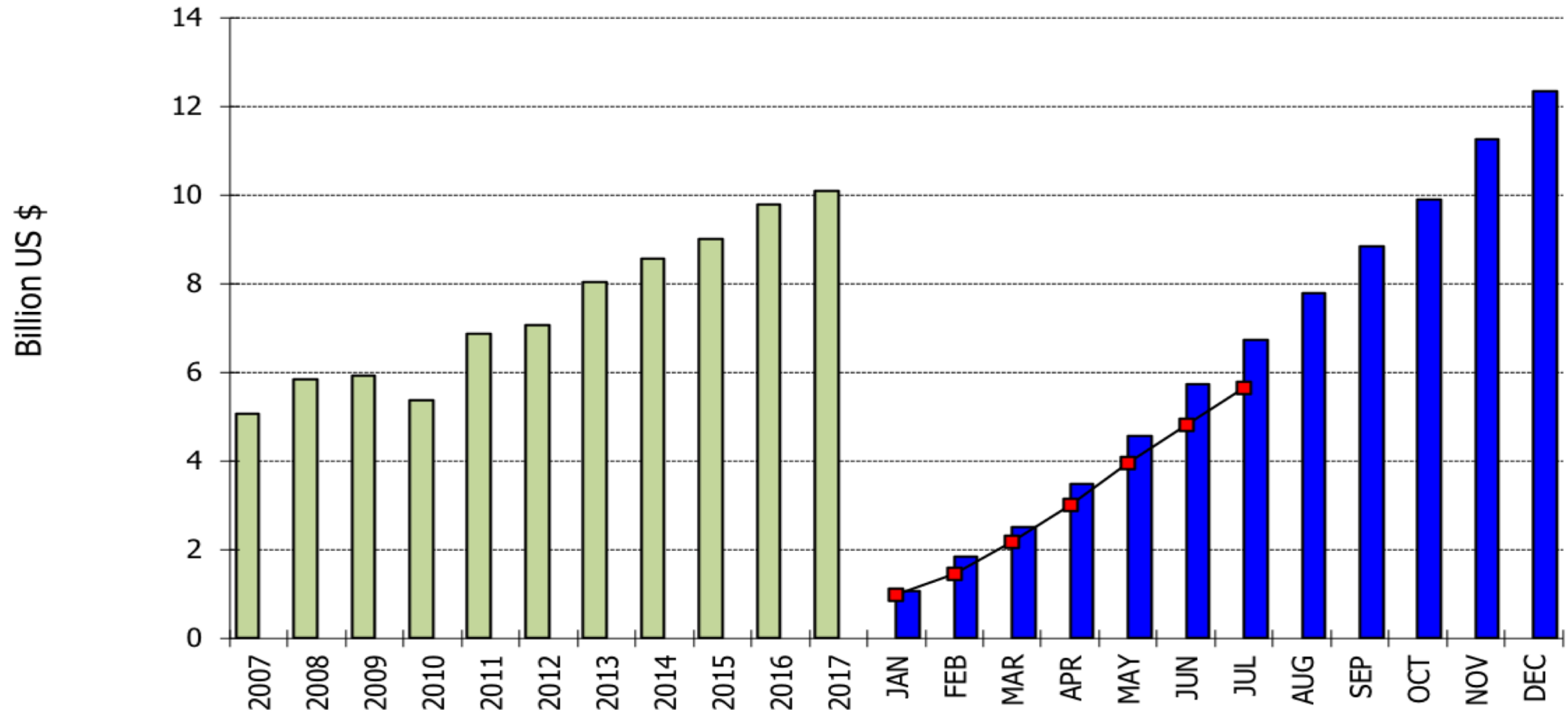


Source: Global Trade Atlas

China Wood Furniture Exports to US

Blue Columns = 2018

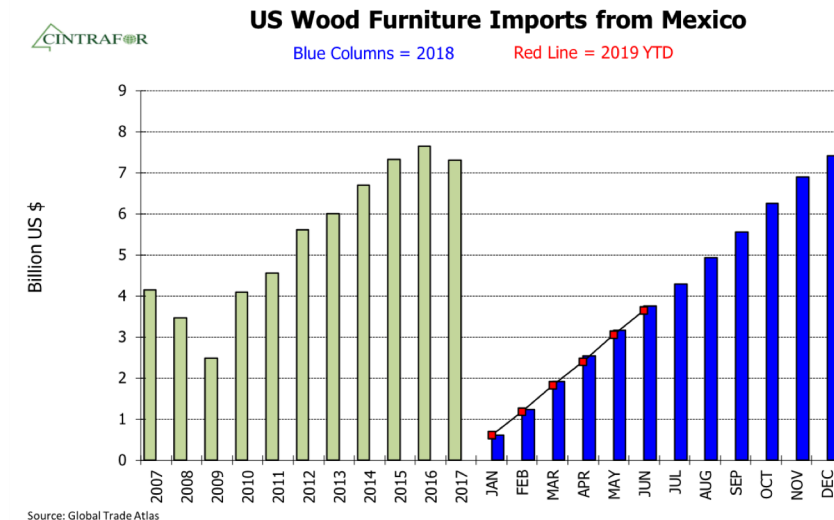
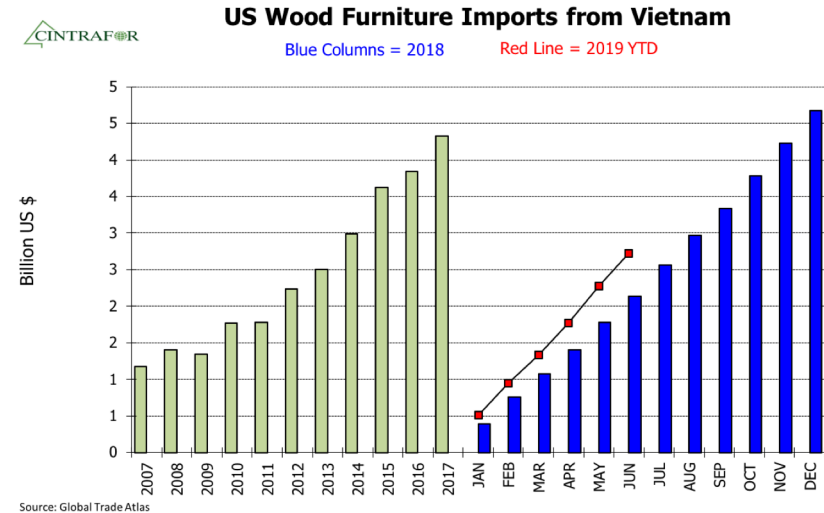
Red Line = 2019 YTD



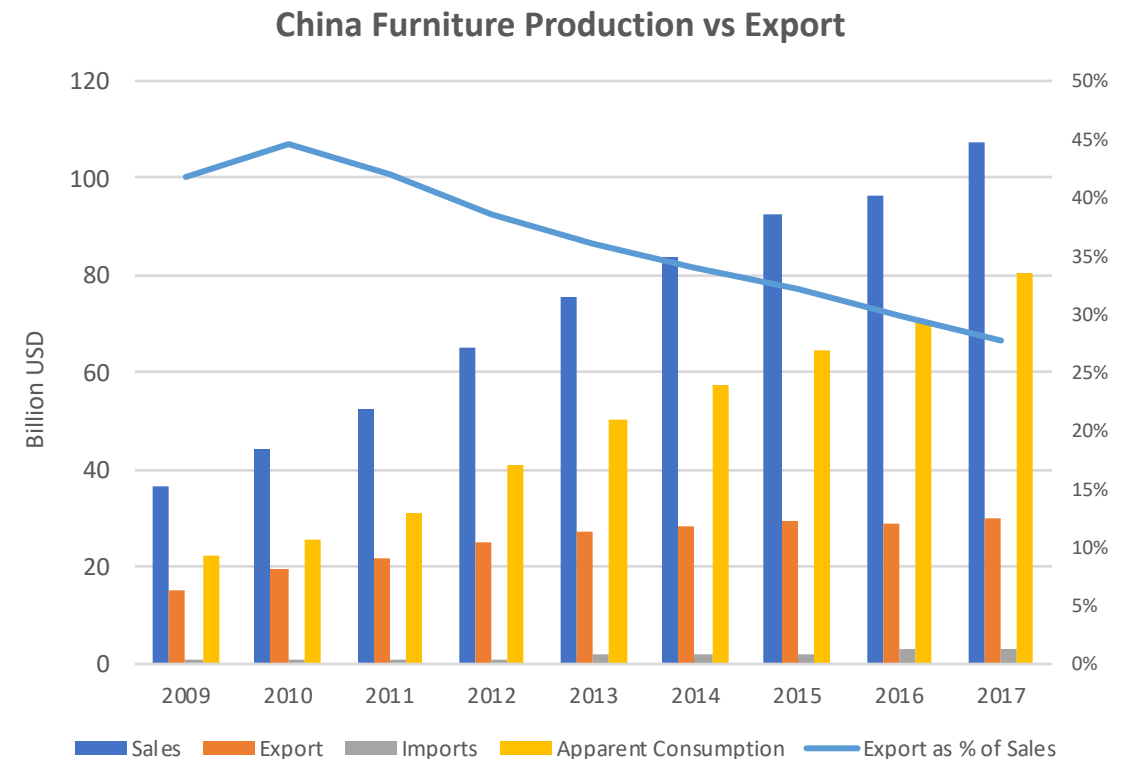
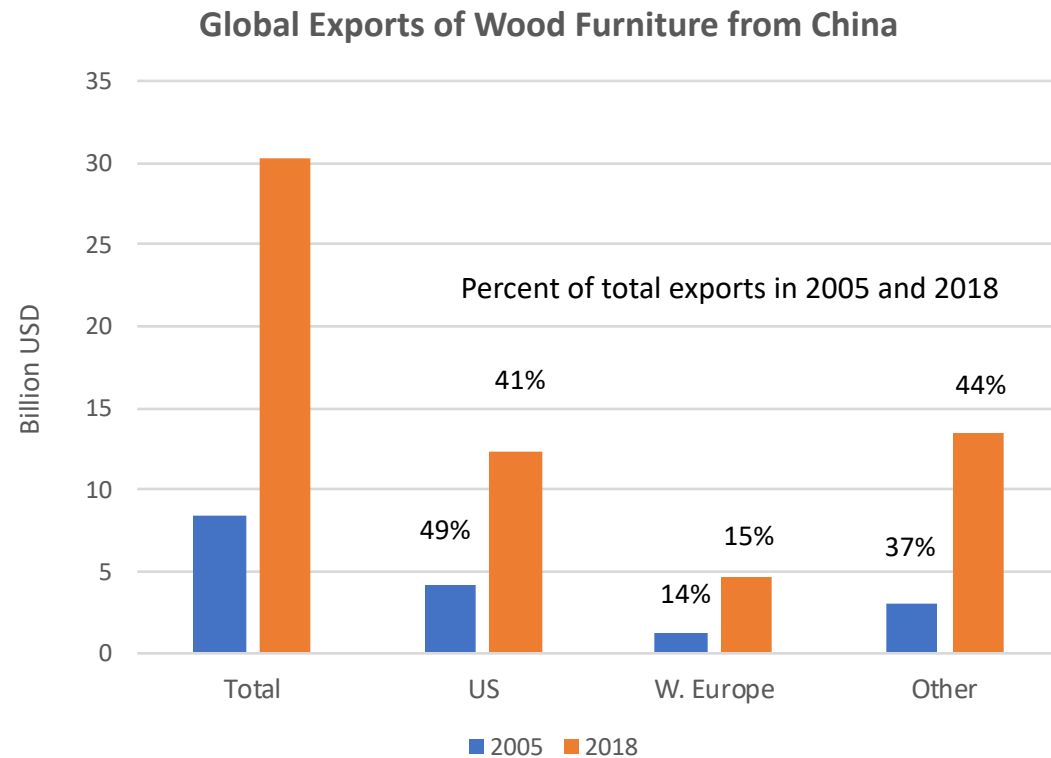
Source: Global Trade Atlas

China's Growing Markets for Wood Furniture

	<u>Growth July YTD</u>
Europe	6.1%
Saudi Arabia	27.1%
South Africa	35.7%
Vietnam	65.2%
UAE	7.9%
Mexico	23.7%
Philippines	31.3%
Taiwan	18.3%



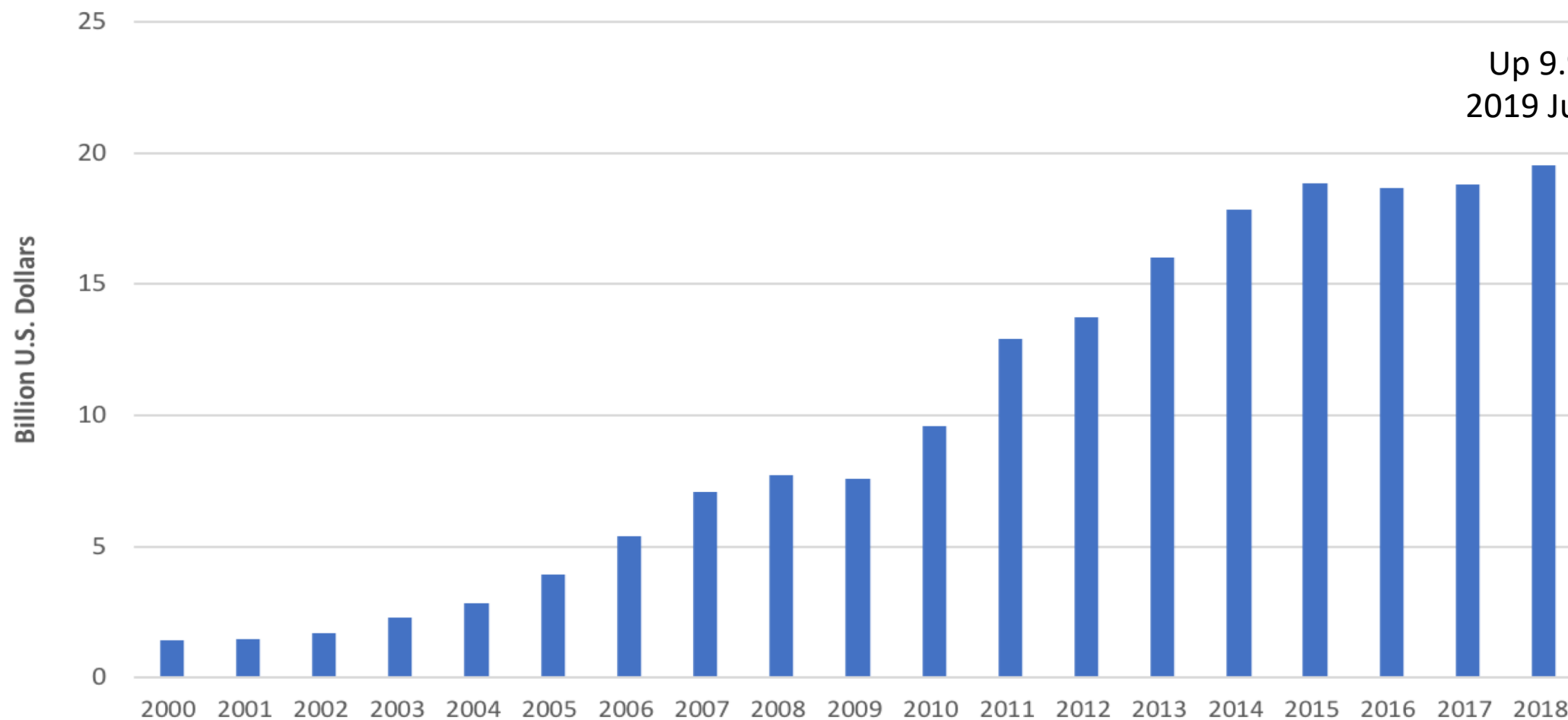
Domestic Consumption Growing Faster than Exports



China's Exports of Paper & Paperboard

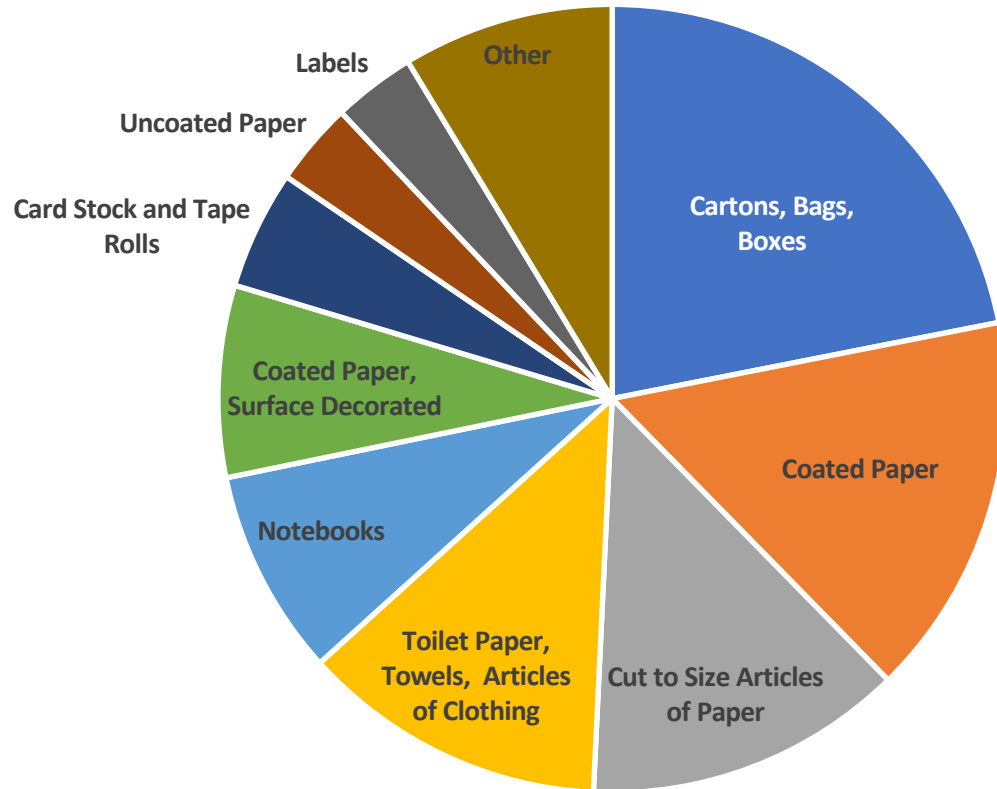
(HS Code Chpt. 48)

Up 9.9% in
2019 July YTD



China's Paper & Paperboard Exports

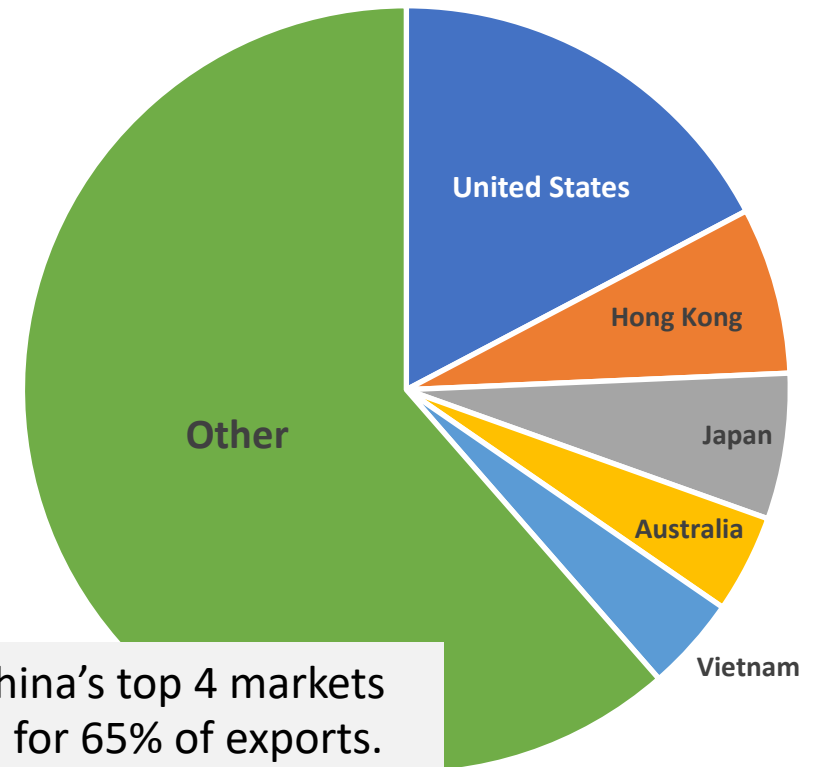
July YTD 2019



Source: Global Trade Atlas

China's Paper & Paperboard Exports

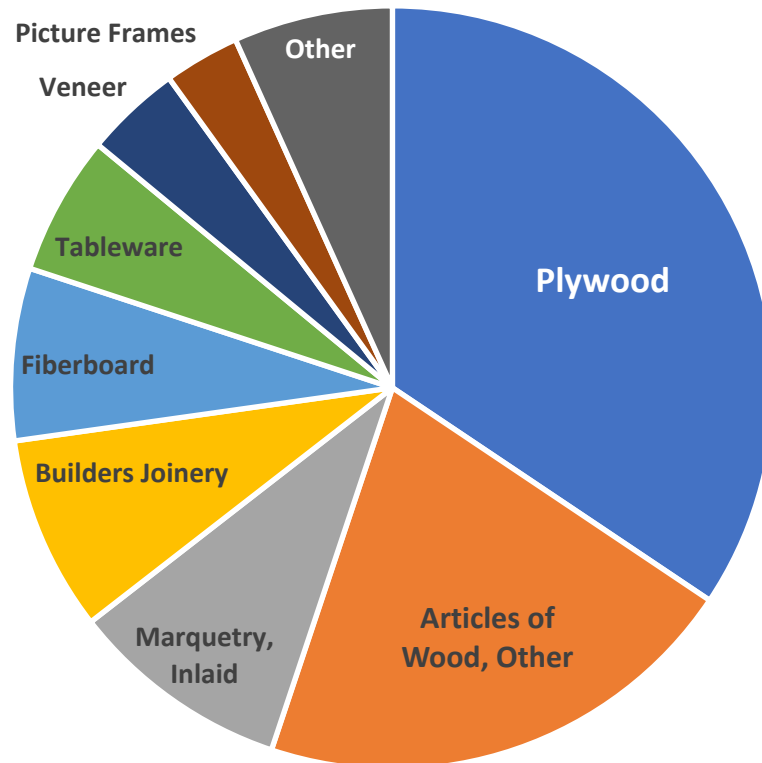
July YTD 2019



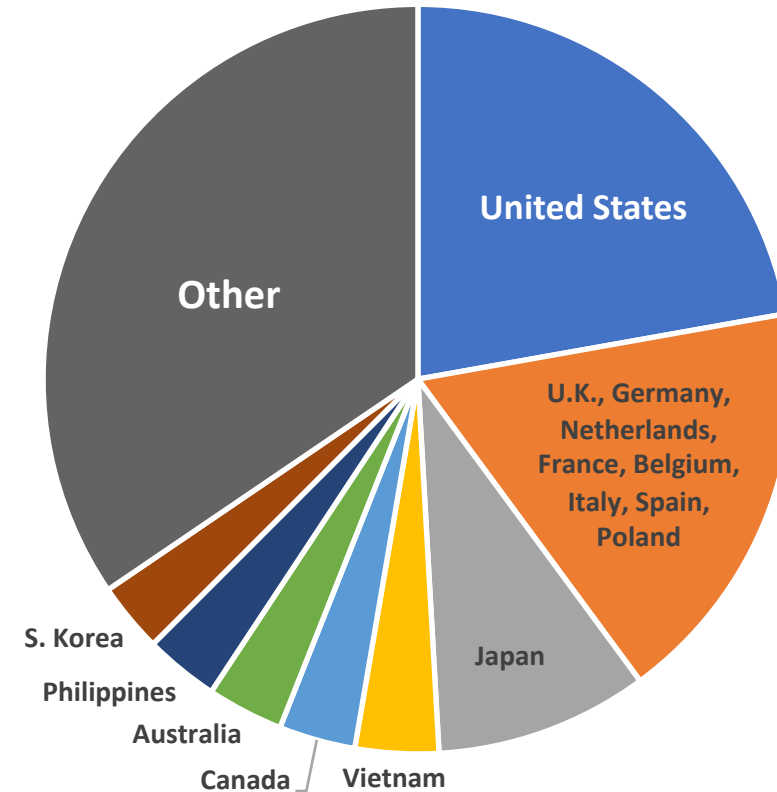
In 2000, China's top 4 markets accounted for 65% of exports. Now the top 5 markets account for only 39%.

China's Wood Exports (HS Chpt. 44)

China's Wood Exports
July YTD 2019



China's Wood Exports
July YTD 2019

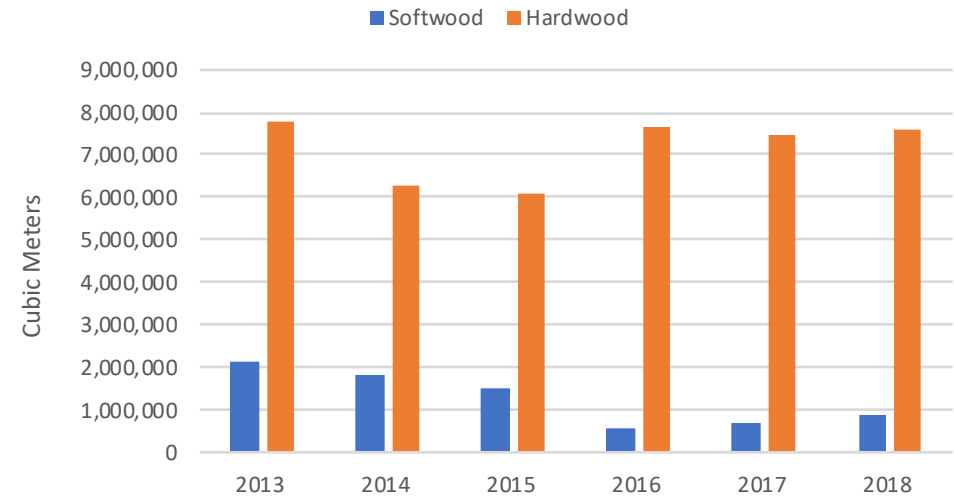


Source: Global Trade Atlas

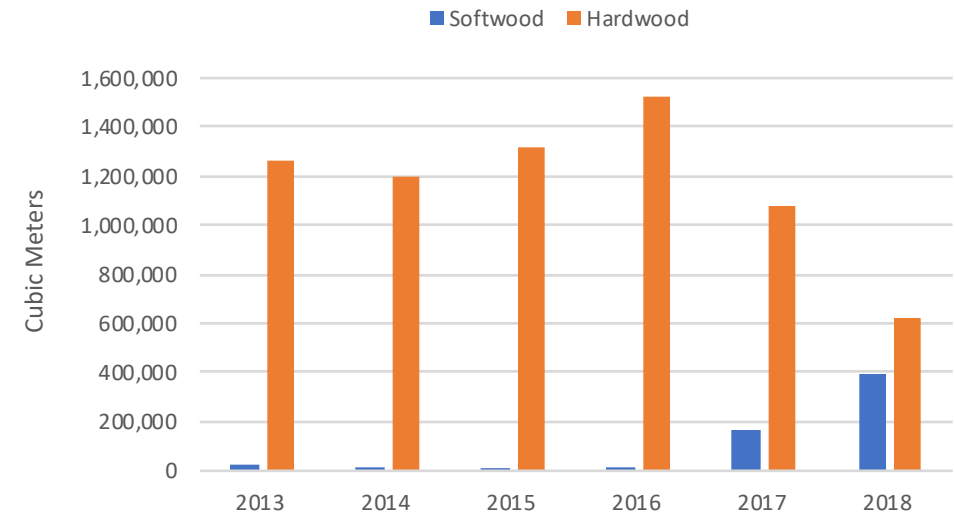
Plywood

- Plywood production in China is shrinking
 - Small mills being closed
 - Official production numbers are significantly overstated
- Hardwood plywood exports are down 10.7% July YTD
- Production of particleboard and “Fine OSB” (non structural) is growing

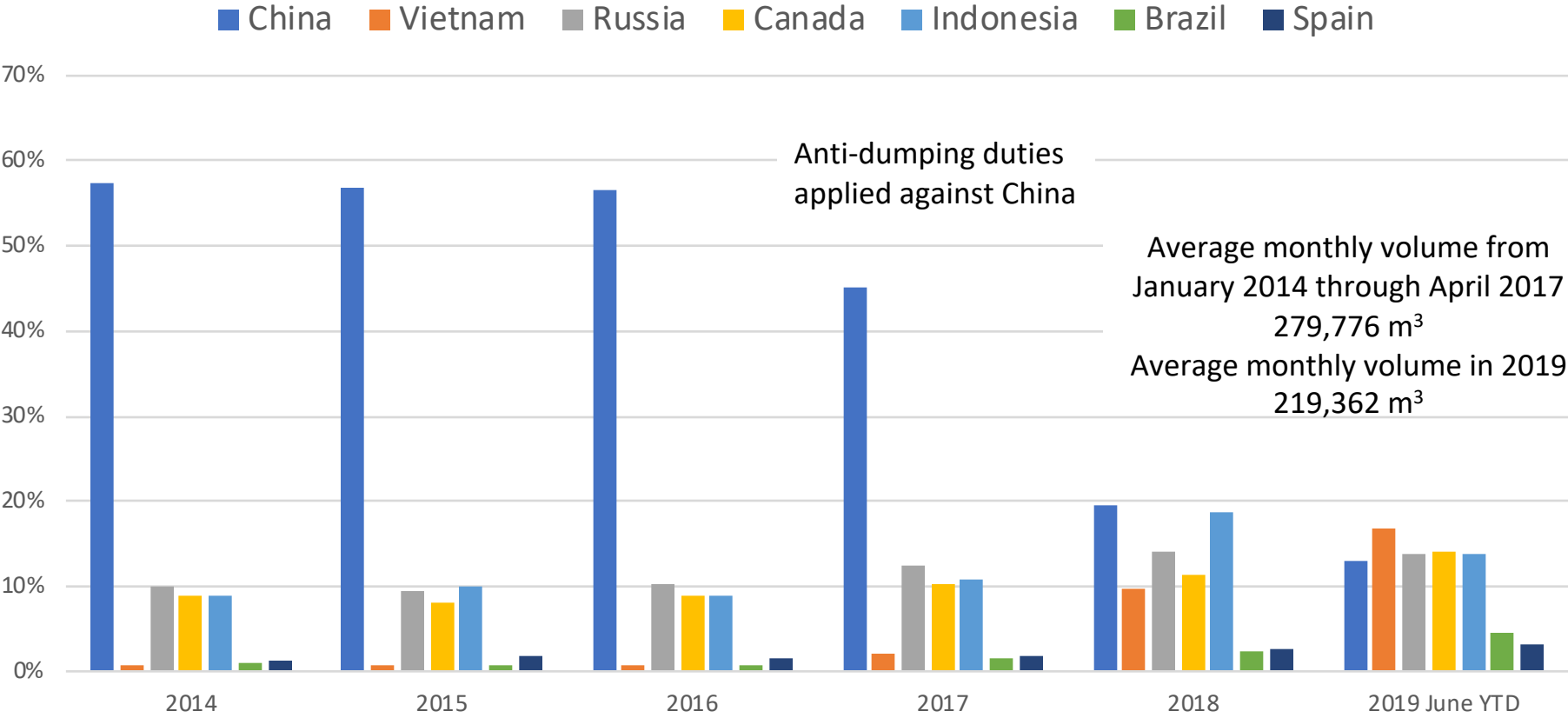
China's Plywood Exports



China's Plywood Exports to the U.S.



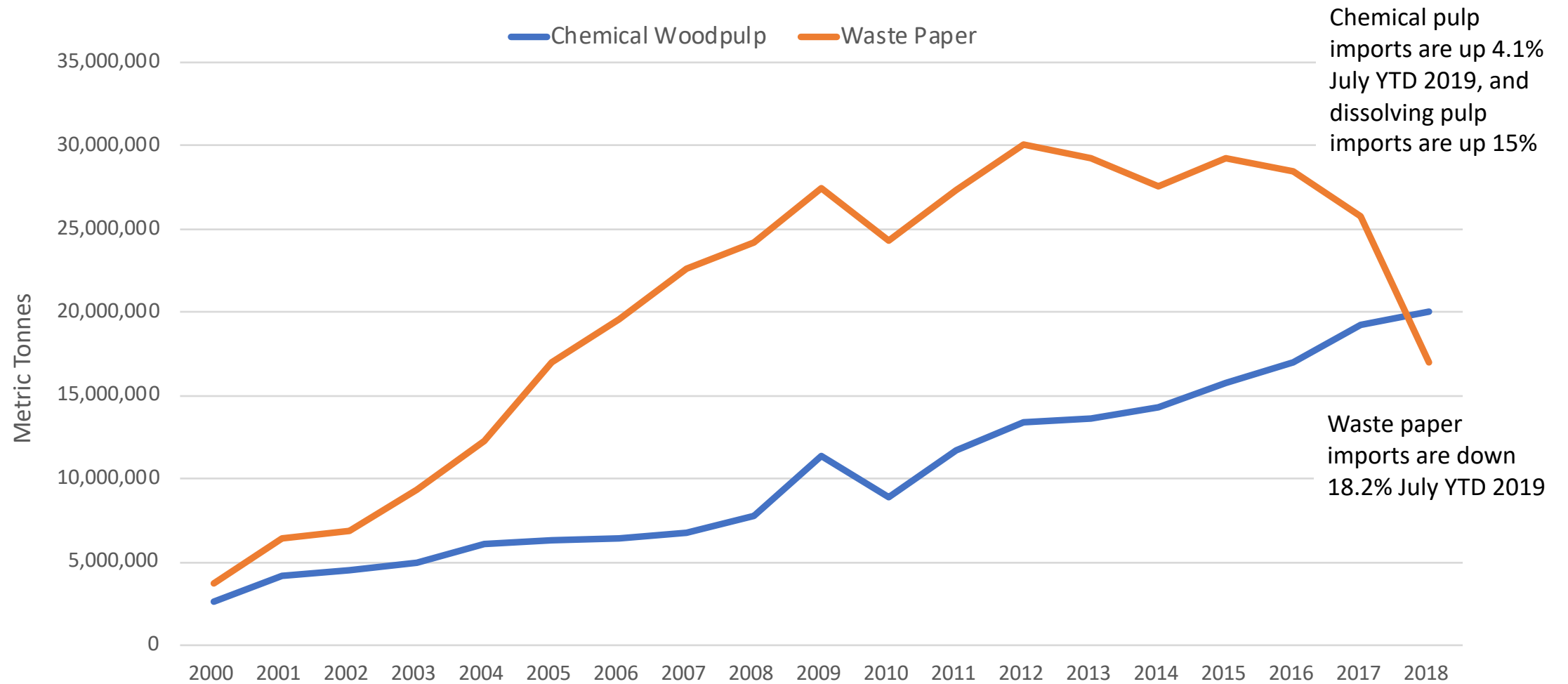
U.S. Hardwood Plywood Imports Sources of Supply



Rank	Partner Country	Unit	Unit Value(United States Dollars)		
			2017	2018	2019
	World	M3	587.99	728.65	677.36
1	China	M3	603.49	1216.06	1164.26
2	Vietnam	M3	1167.90	667.88	596.29

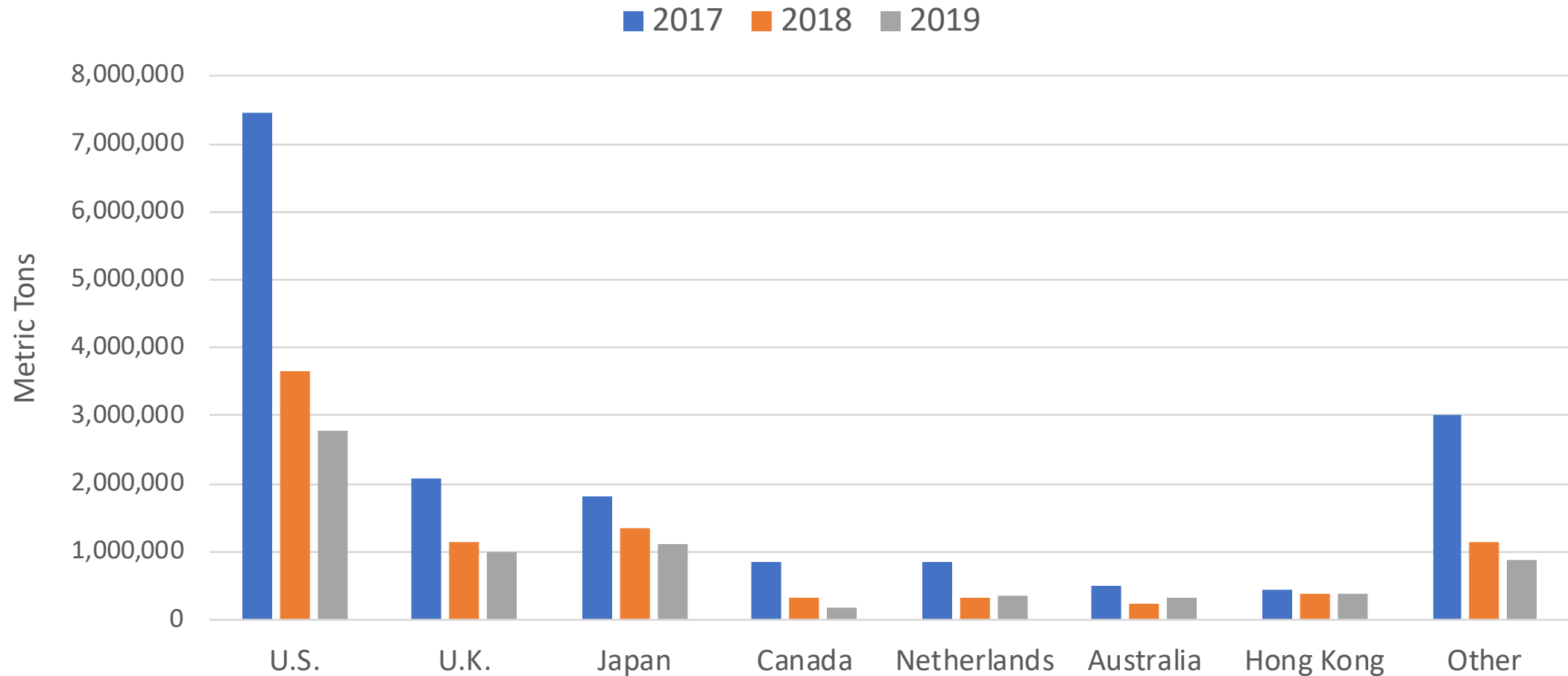
Source: Global Trade Atlas

China's Chemical Pulp & Waste Paper Imports



China's Waste Paper Imports

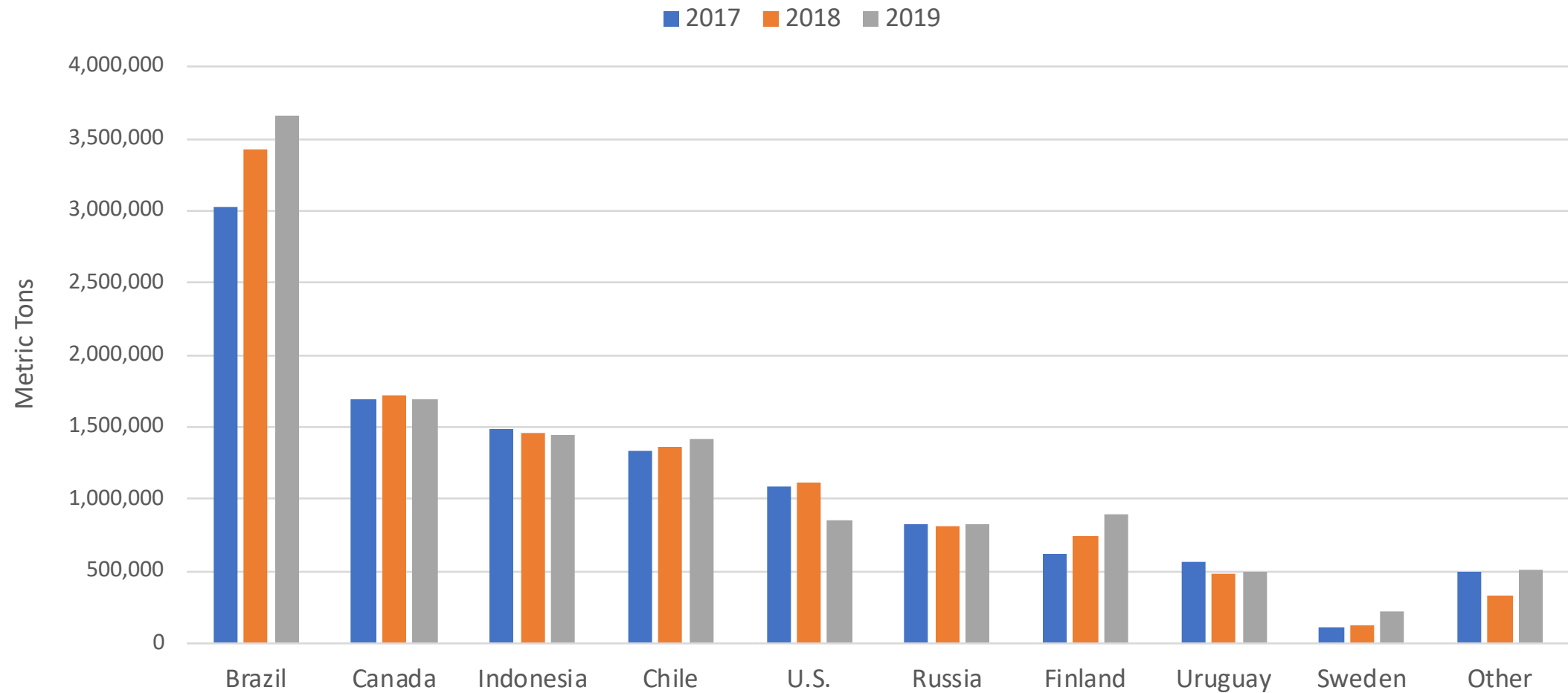
July YTD



Source: Global Trade Atlas

China's Chemical Pulp Imports

July YTD

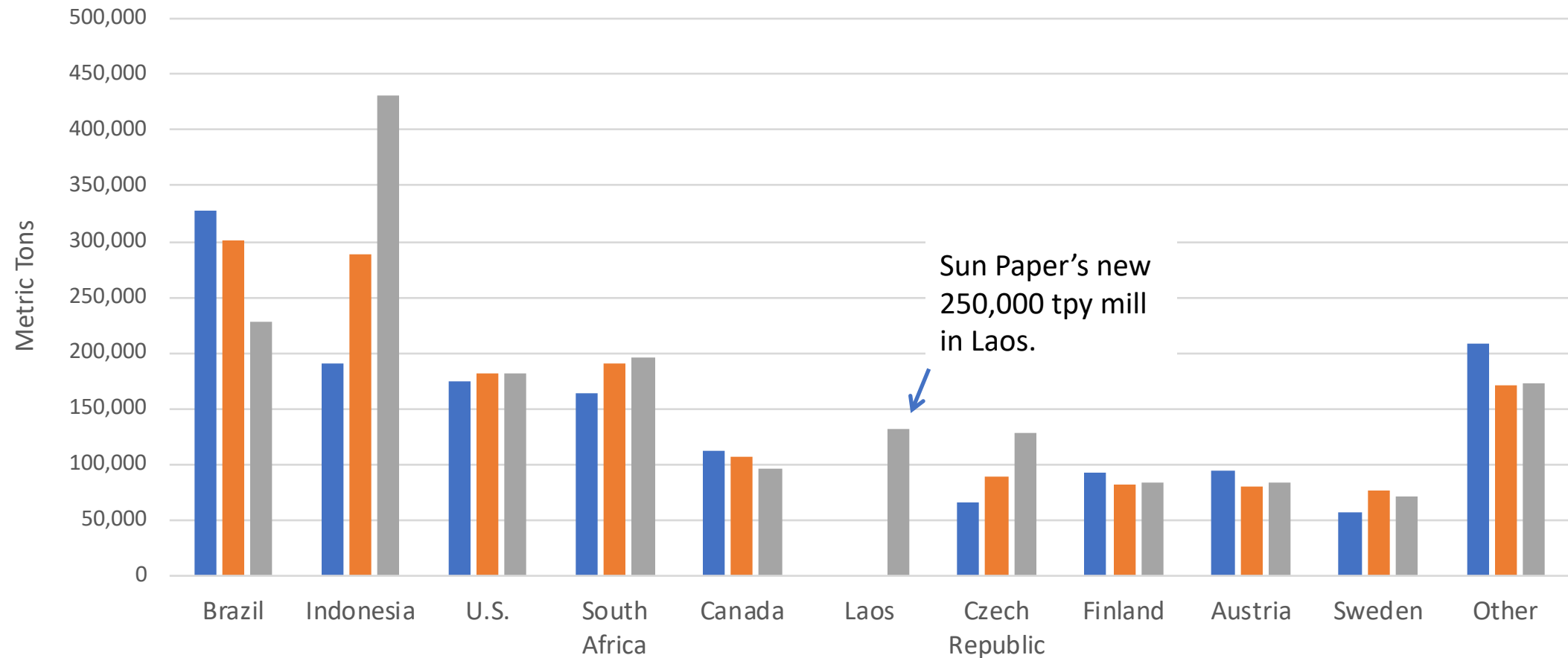


Source: Global Trade Atlas

China's Dissolving Pulp Imports

July YTD

■ 2017 ■ 2018 ■ 2019



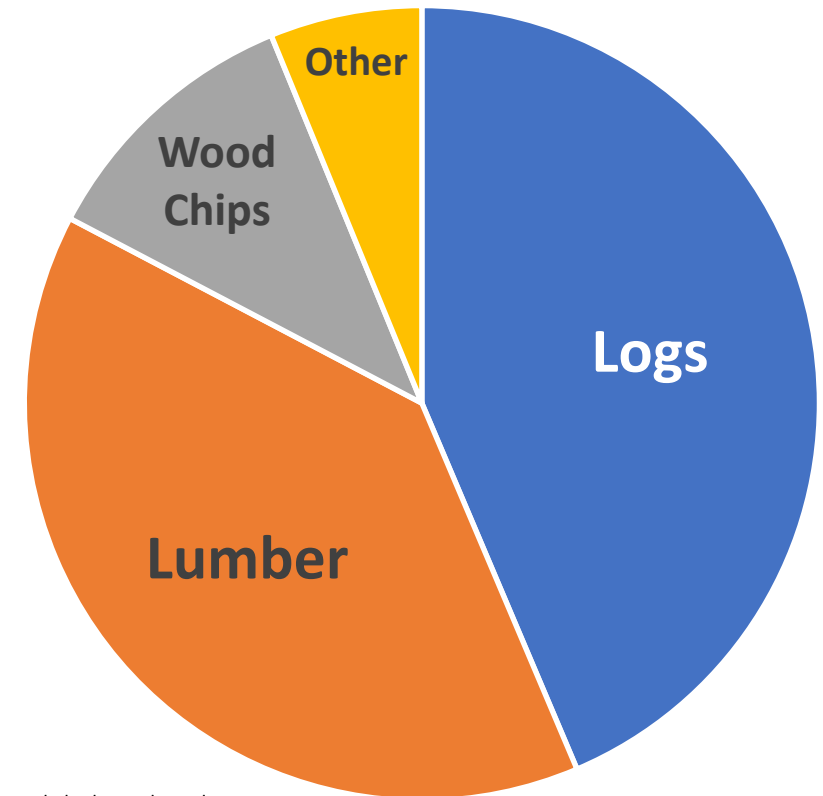
Source: Global Trade Atlas

China's Wood Imports

- On a roundwood equivalent basis, China's imports of process lumber have been growing relative to logs and the two are now roughly equal. This trend will continue to favor lumber imports.
- July YTD 2019...
 - Log imports down 5.0% in volume, 13.2% in value
 - Lumber imports up 2.6% in volume, down 14.7% in value
 - Wood chip imports up 0.8% in volume, up 12.6% in value

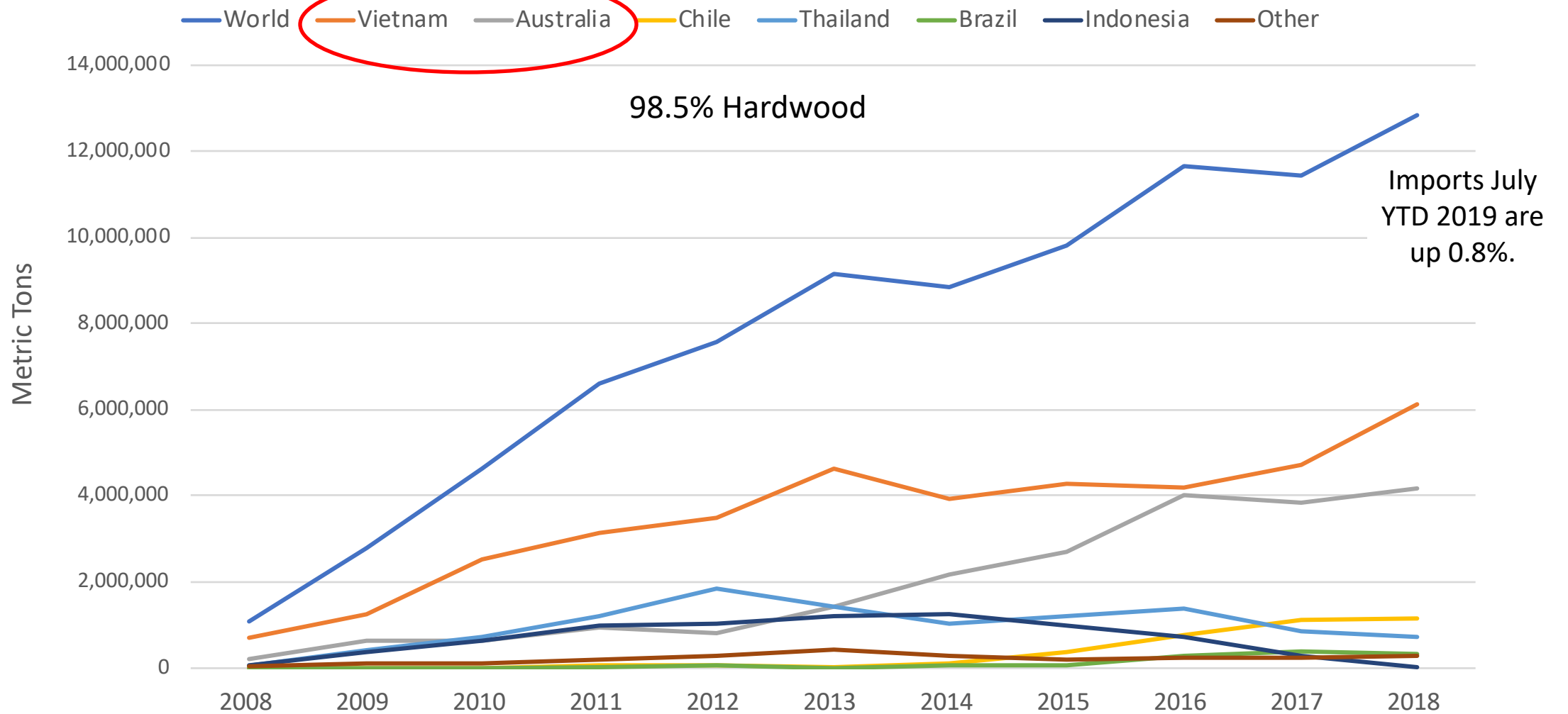
China's Wood Imports

Based on US\$ Value
July YTD 2019



Source: Global Trade Atlas

China's Wood Chip Imports

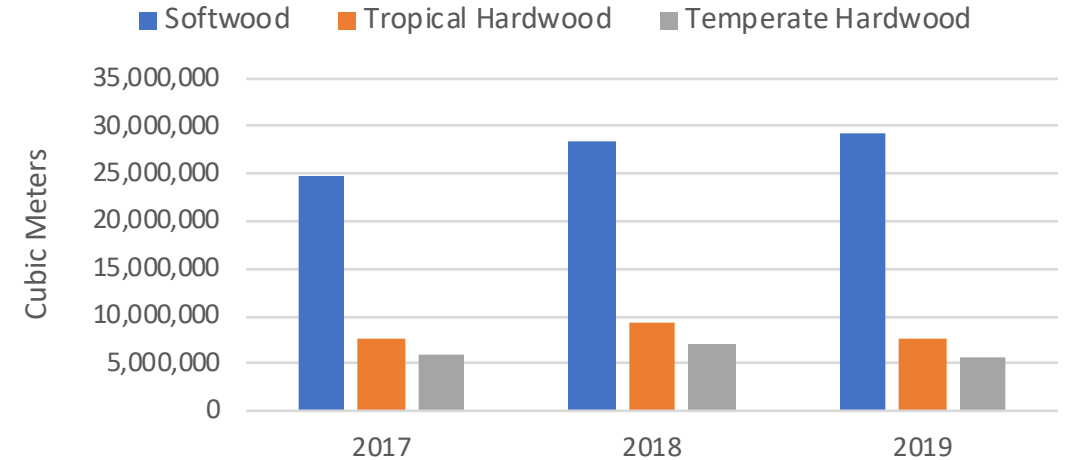


Log Imports

- In terms of volume, China imports about 2/3rd softwood, 1/3rd hardwood lumber. July YTD 2019 is 71% softwood.
- In terms of value, has been approximately 50/50 softwood vs. hardwood, but July YTD 58% softwood.

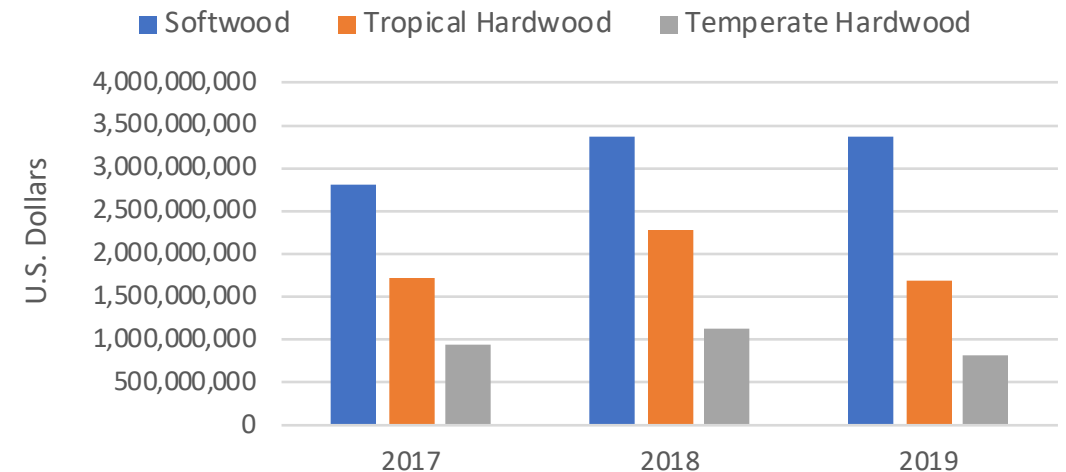
China's Log Imports

July YTD



China's Log Imports

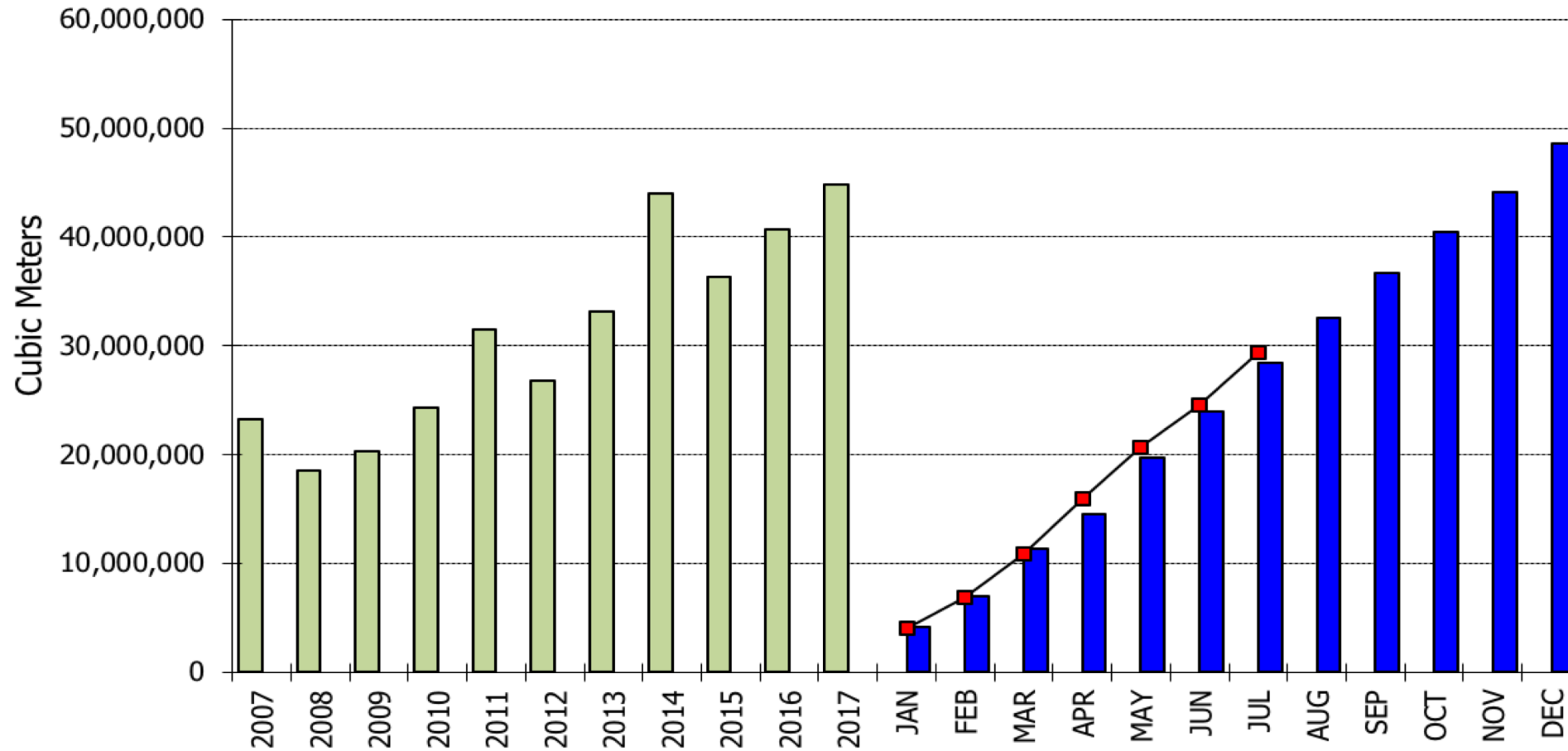
July YTD



China Softwood Log Imports

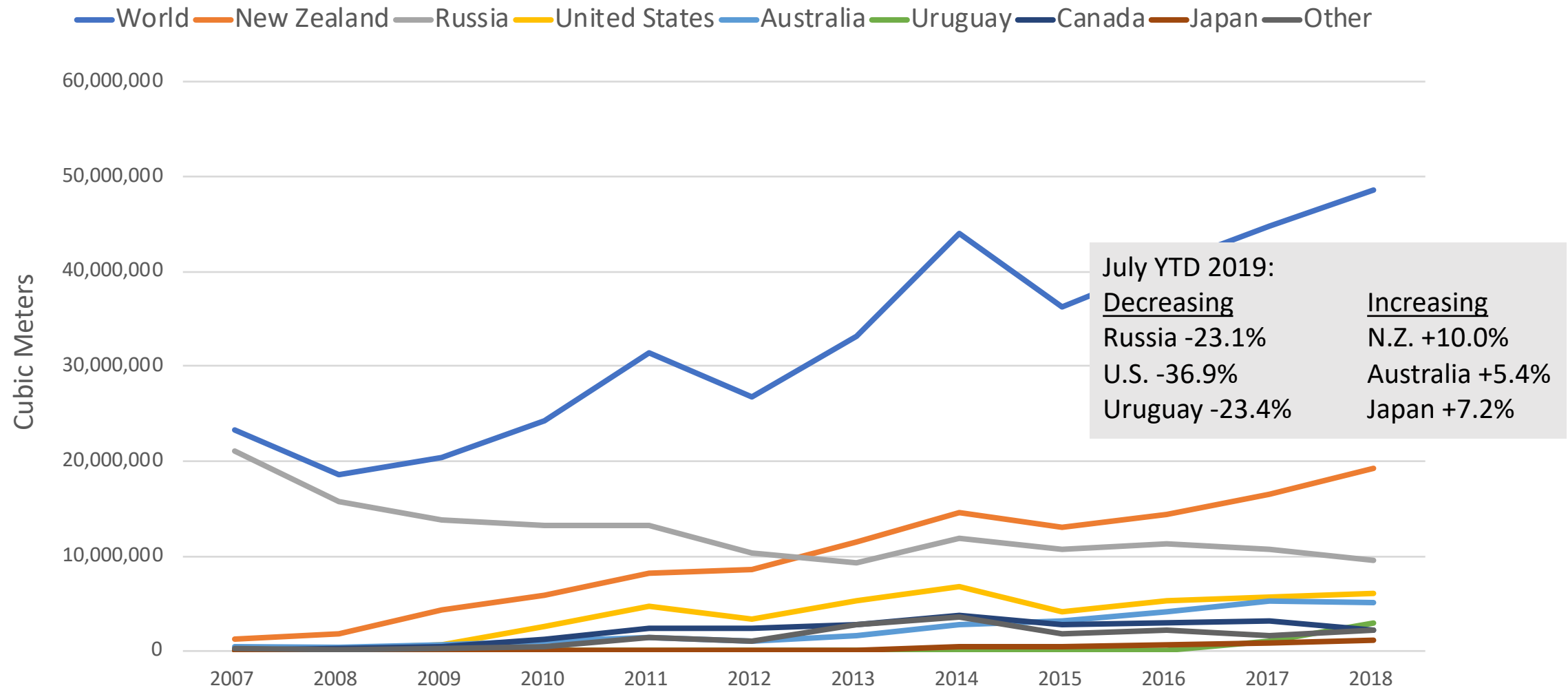
Blue Columns = 2018

Red Line = 2019 YTD



Source: Global Trade Atlas

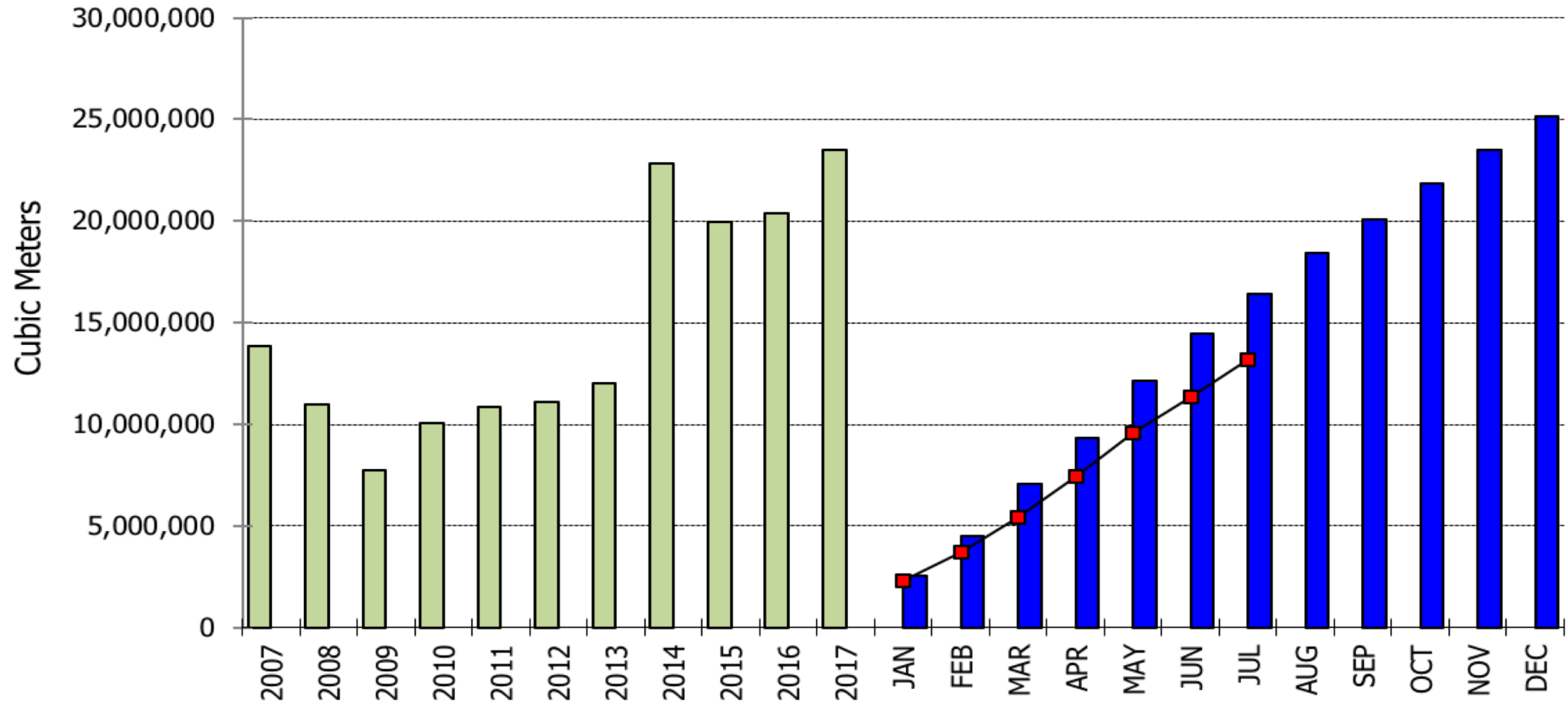
China's Softwood Log Imports



China Hardwood Logs Imports

Blue Columns = 2018

Red Line = 2019 YTD



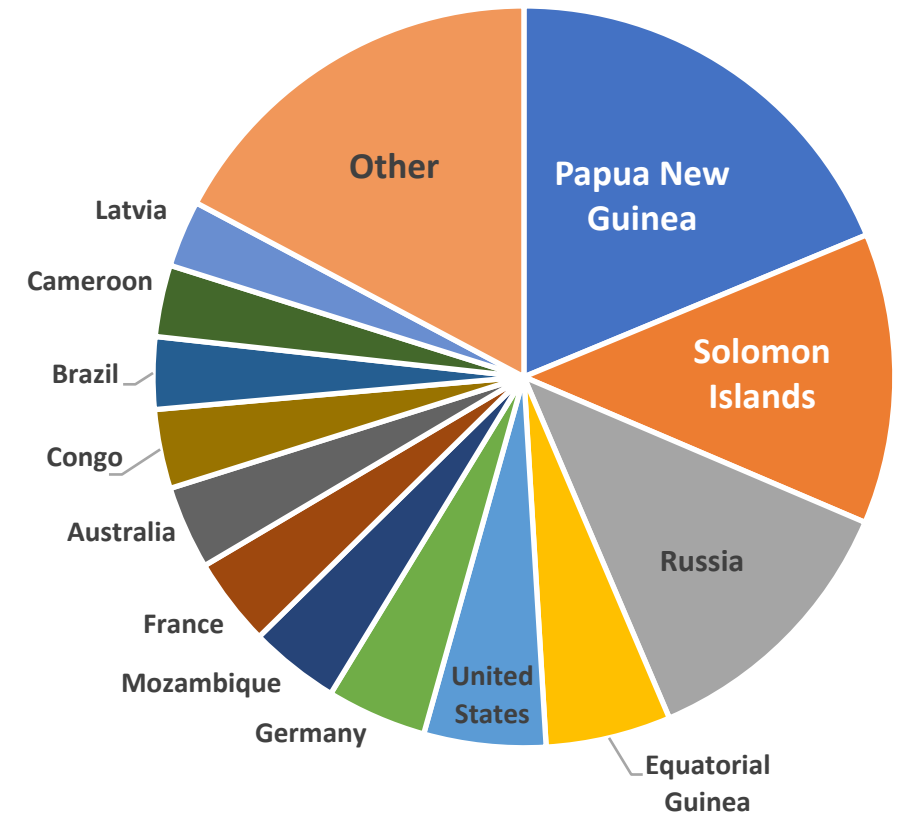
Source: Global Trade Atlas

Hardwood Log Imports

- China imports hardwood logs from many countries, but PNG, Solomon Islands, and Russia have for several years now been the largest suppliers.
 - Previously Malaysia, Gabon, Indonesia and Myanmar each supplied half a million or more cubic meters annually. Each is now below 5,000 m³/month.
- Total imports July YTD 2019 are down 19.6%
 - Decreasing: Russia -38.7%, U.S. -47.6%, Mozambique -32.4%, E. Guinea -23.1%
 - Increasing: France +7.0%, Australia 7.5%, Congo +61%, Brazil +173%, Latvia +9.2%

China's Hardwood Log Imports

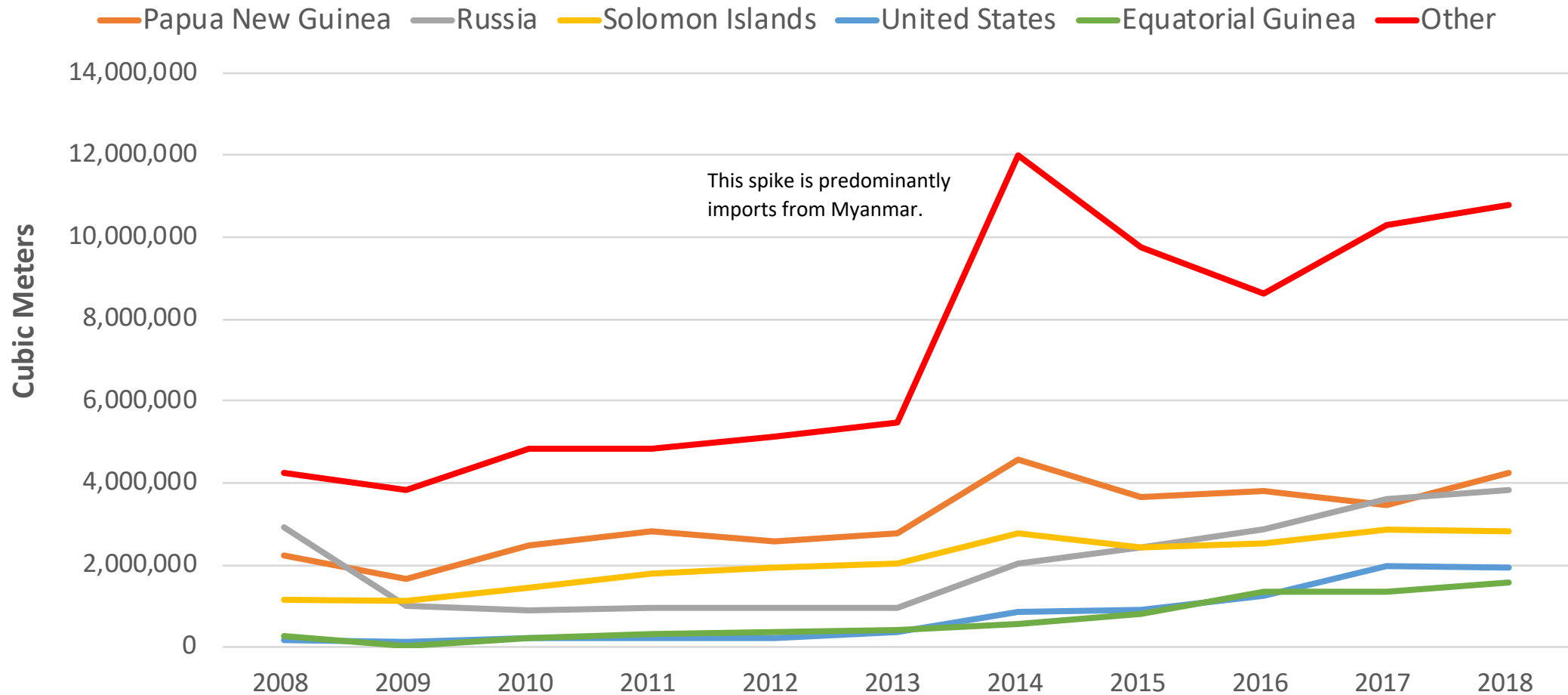
July YTD 2019



Source: Global Trade Atlas

China's Hardwood Log Imports

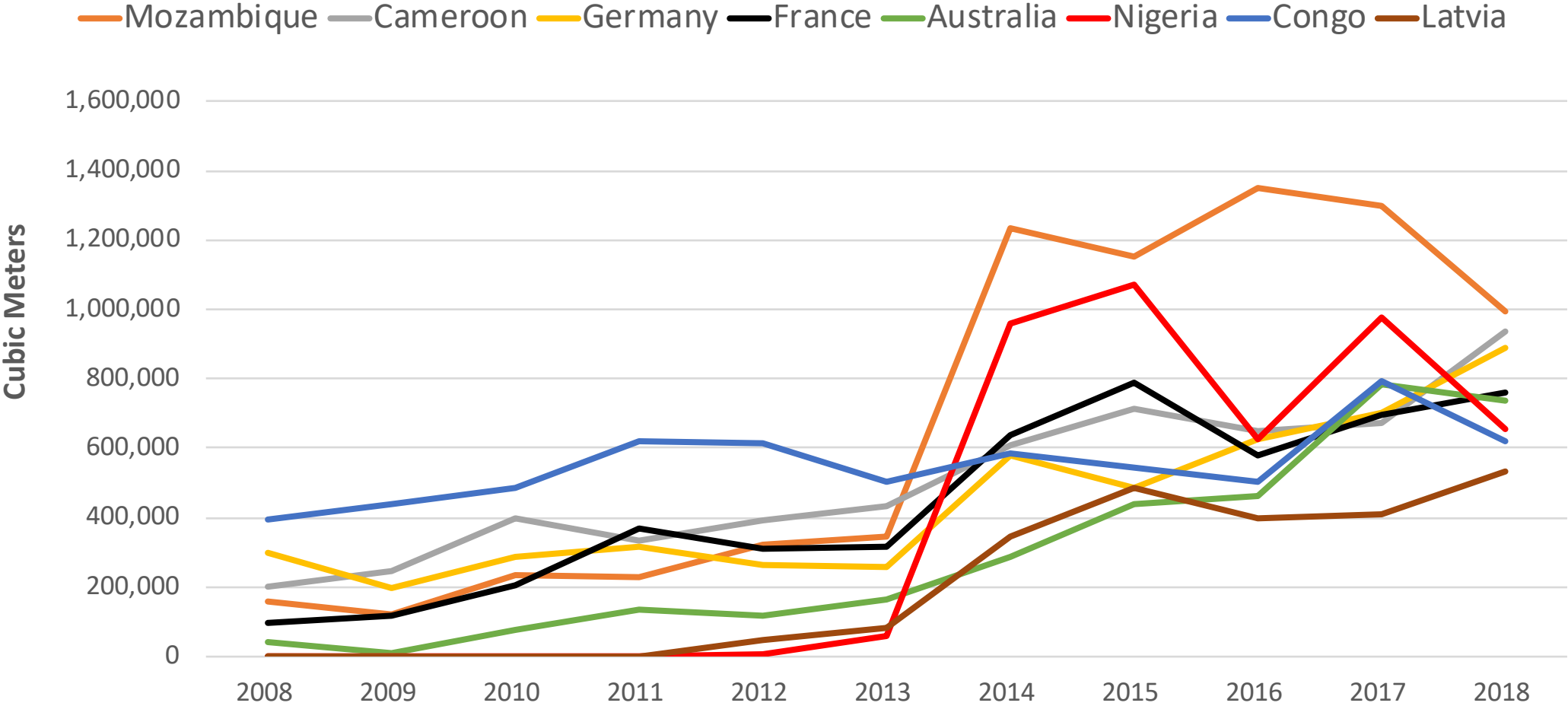
(Five largest suppliers in 2018 and all others combined)



This spike is predominantly imports from Myanmar.

China's Hardwood Log Imports

(Next eight largest suppliers)



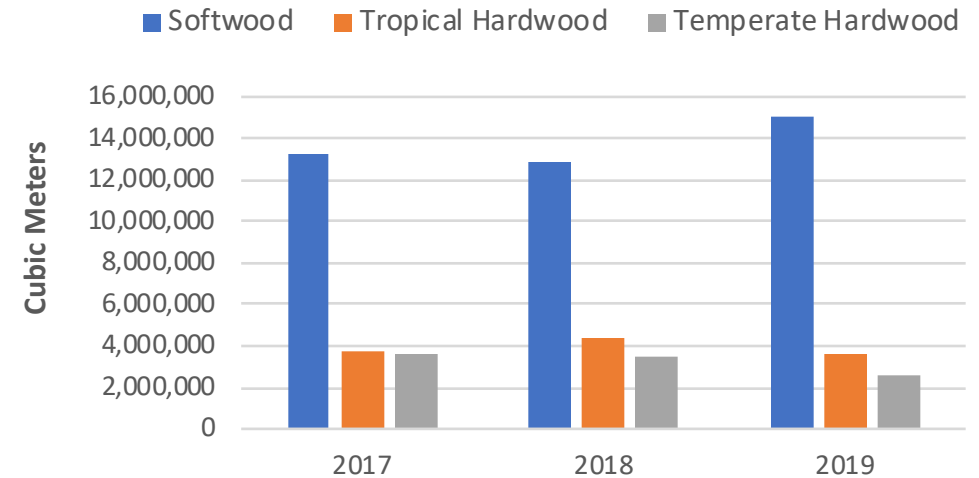
Source: Global Trade Atlas

Lumber Imports

- In terms of volume, China imports about 2/3rd softwood, 1/3rd hardwood logs. July YTD 2019 is a bit higher than prior two years, at 69% softwood.
 - 440399 Other split for all periods between tropical and temperate based on 2019's split of 64% tropical, 36% temperate
- In terms of value, has been approximately 50/50 softwood vs. hardwood, but July YTD 57% softwood.
 - 440399 Other split for all periods between tropical and temperate based on 2019's split of 55% tropical, 45% temperate

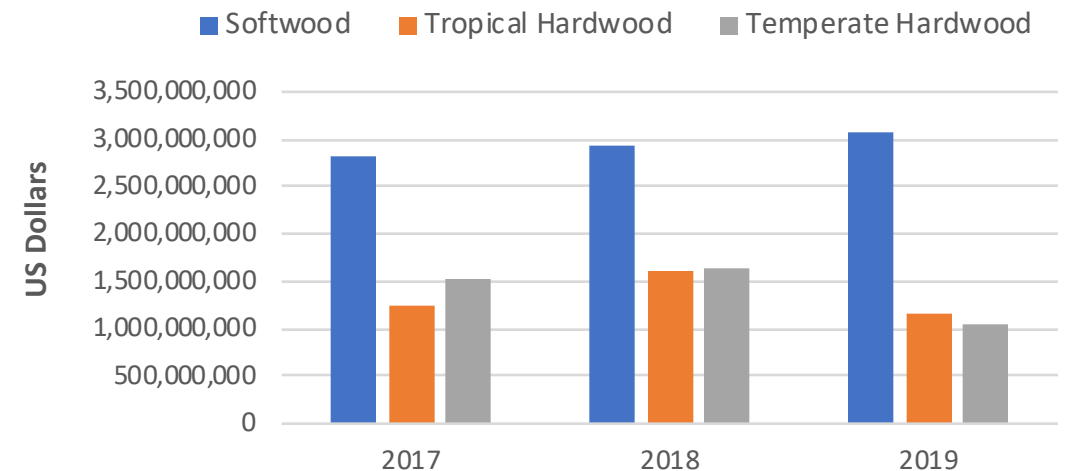
China's Lumber Imports

July YTD



China's Lumber Imports

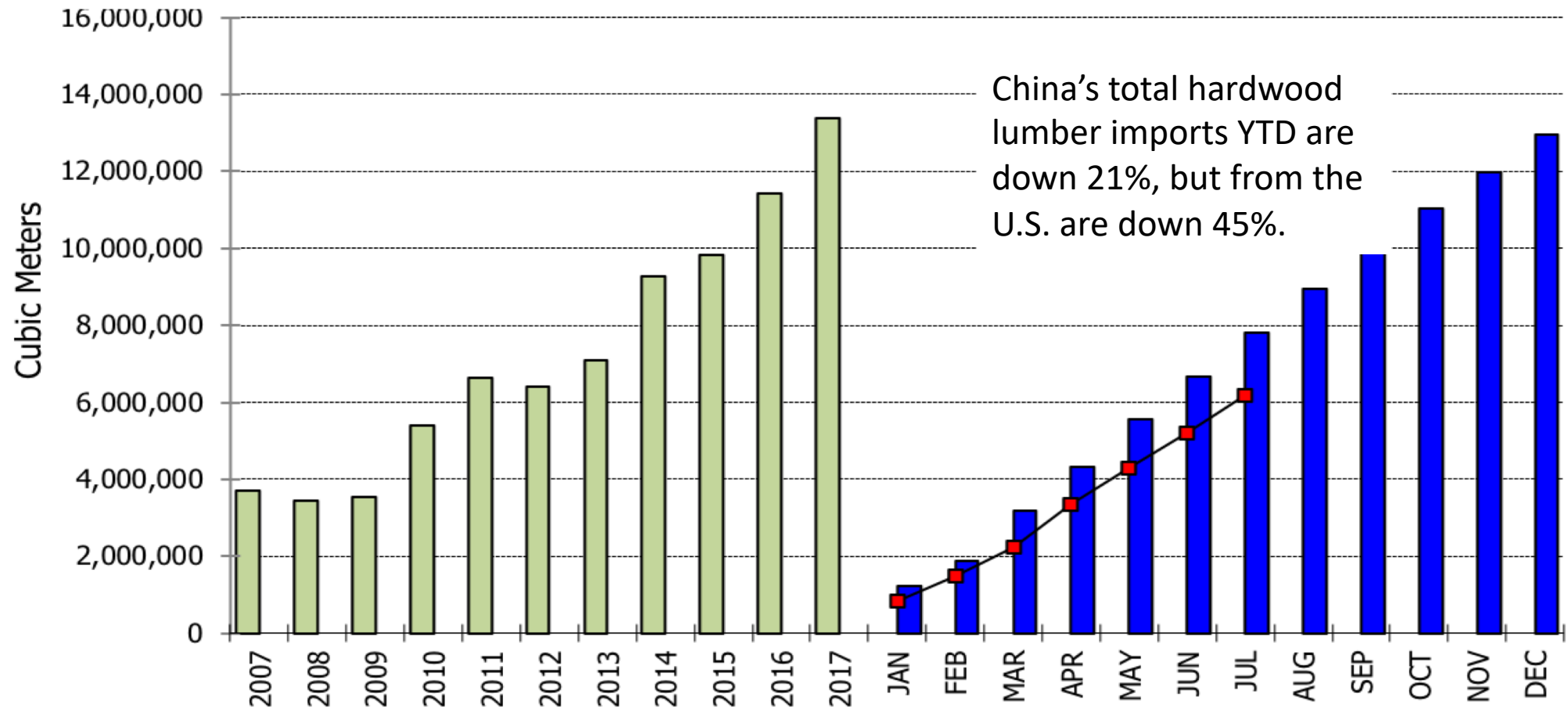
July YTD





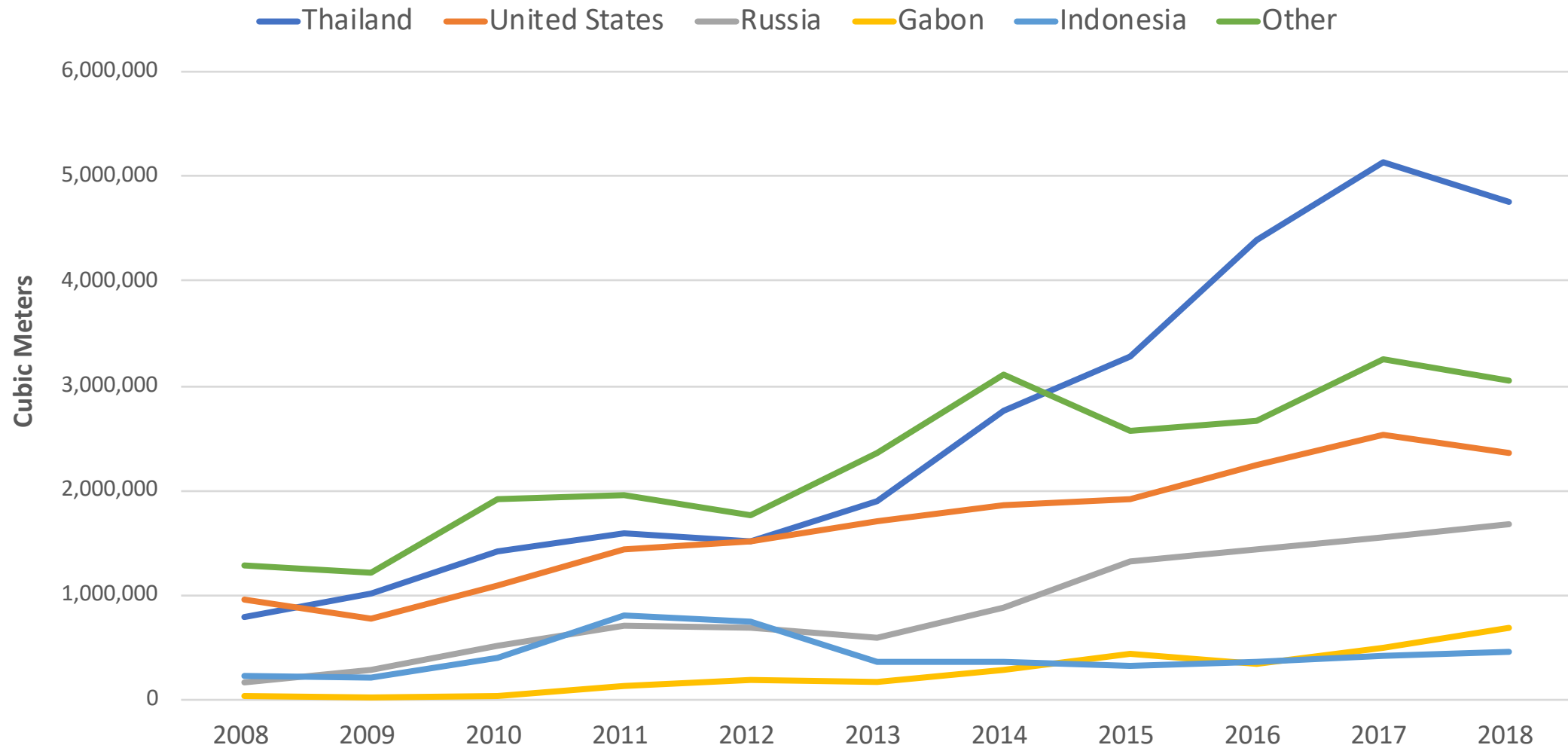
China Hardwood Lumber Imports

Blue Columns = 2018 Red Line = 2019 YTD



Source: Global Trade Atlas

China's Hardwood Lumber Imports

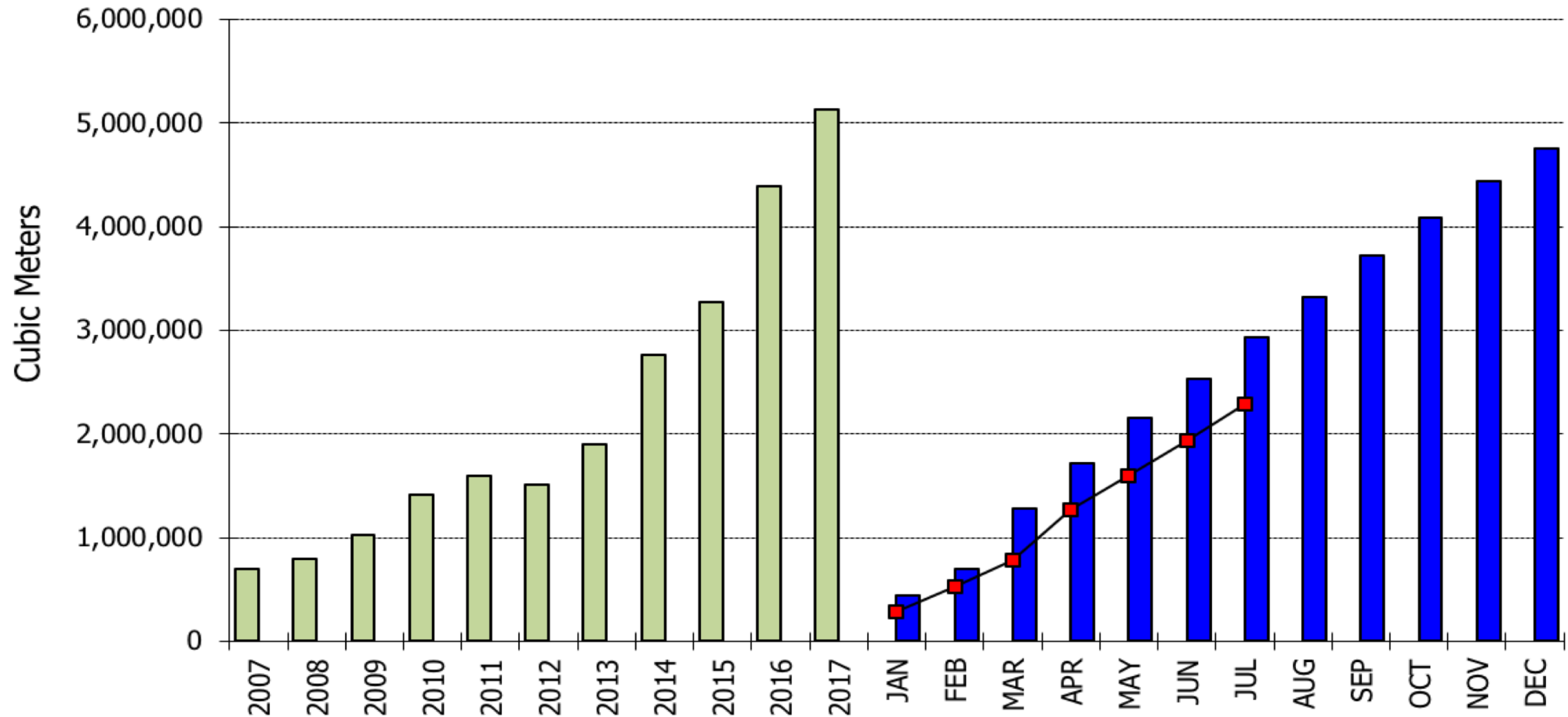


Source: Global Trade Atlas

China Hardwood Lumber Imports from Thailand

Blue Columns = 2018

Red Line = 2019 YTD



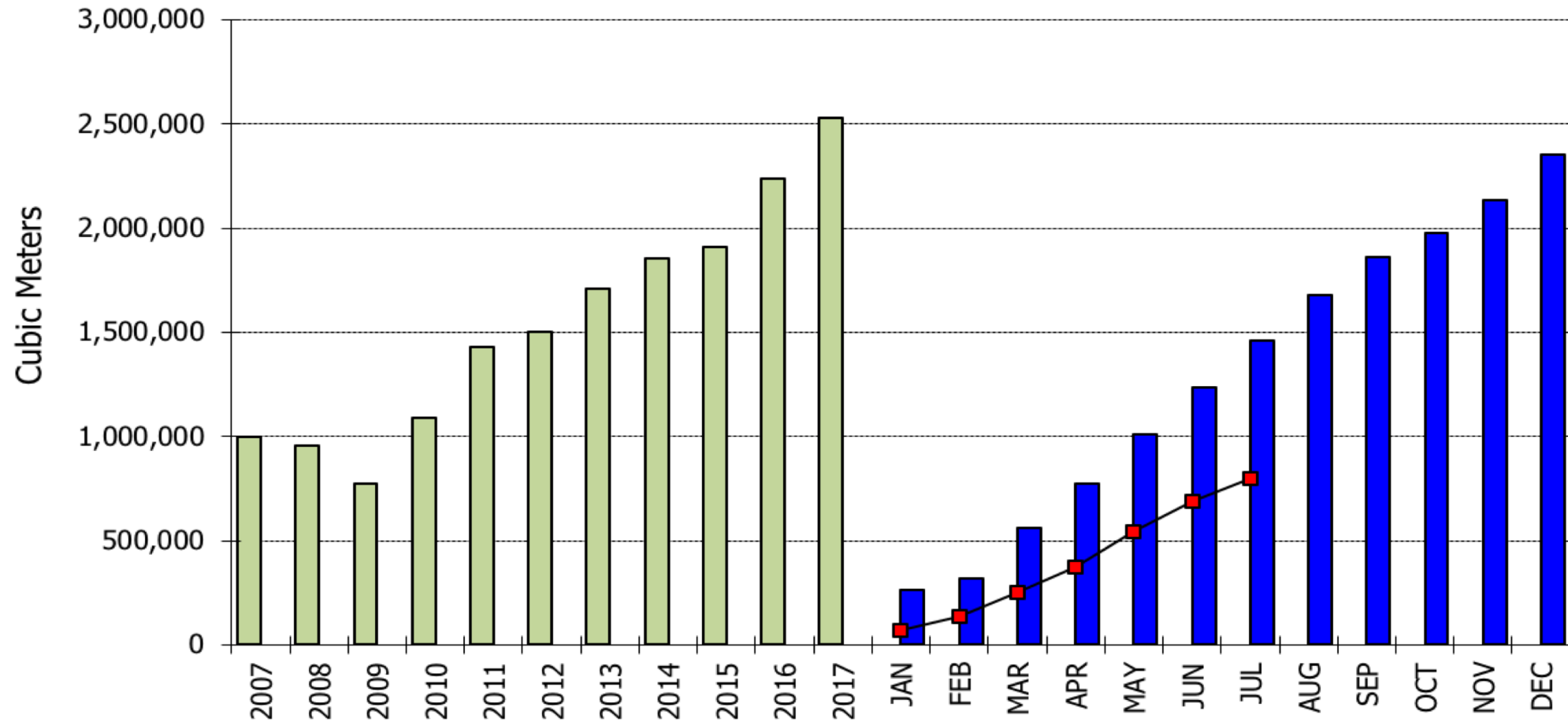
Source: Global Trade Atlas



China Hardwood Lumber Imports from the U.S.

Blue Columns = 2018

Red Line = 2019 YTD

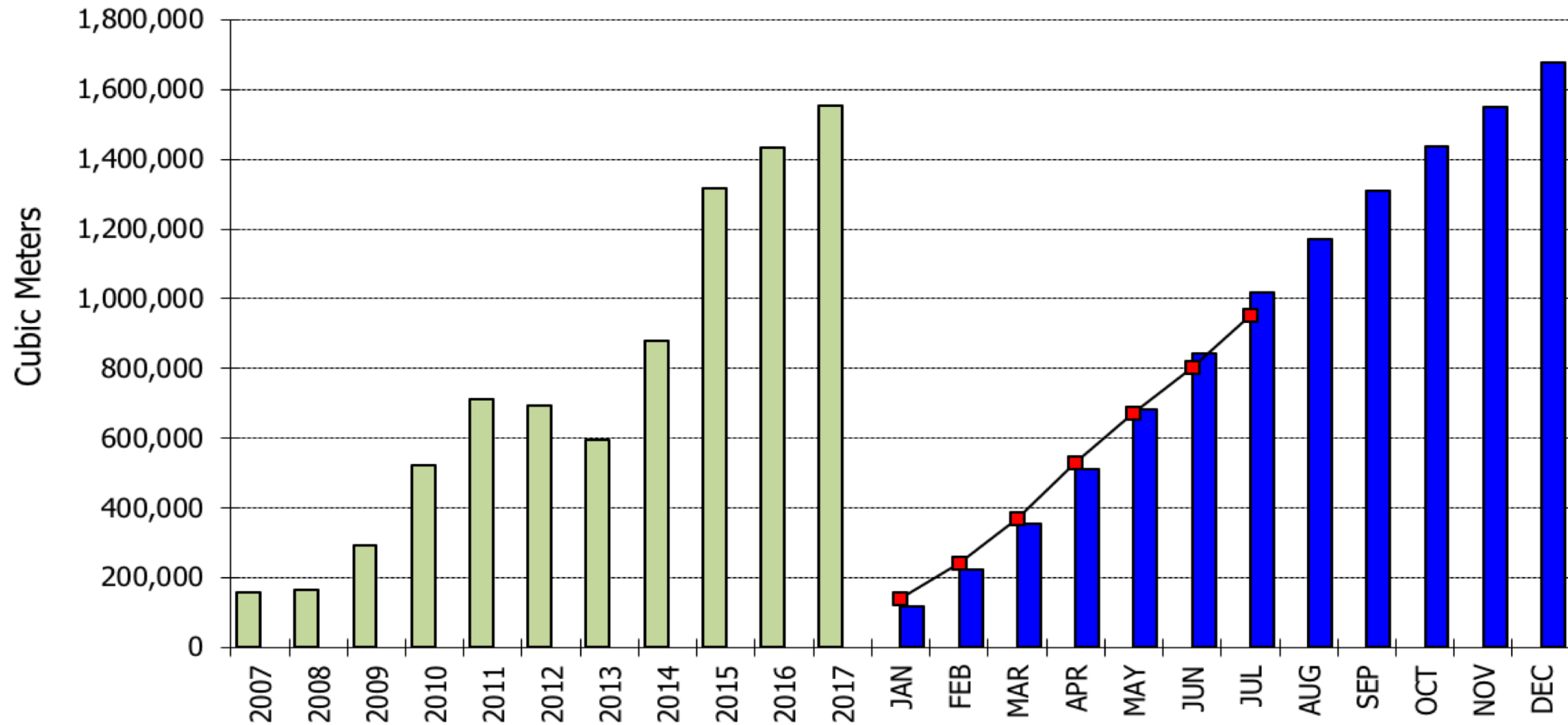


Source: Global Trade Atlas

China Hardwood Lumber Imports from Russia

Blue Columns = 2018

Red Line = 2019 YTD

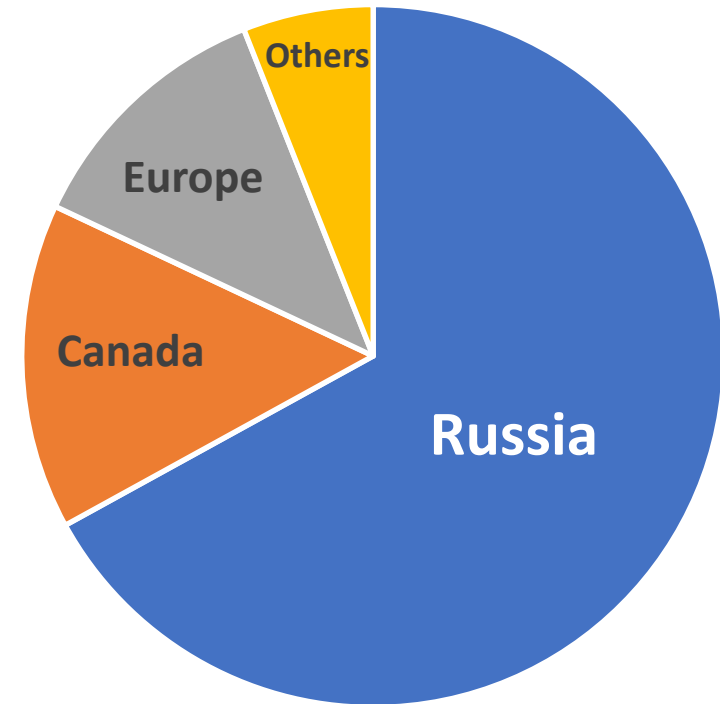


Source: Global Trade Atlas

Softwood Lumber Imports

- China's softwood lumber imports are dominated by Russia
- Total imports July YTD 2019 are up 16.9%
 - From Russia up 15.7%
 - From Canada up 29.2% (after 5 years of decline)
 - Increases from most European countries
 - Exports from U.S., New Zealand, and S. American are down

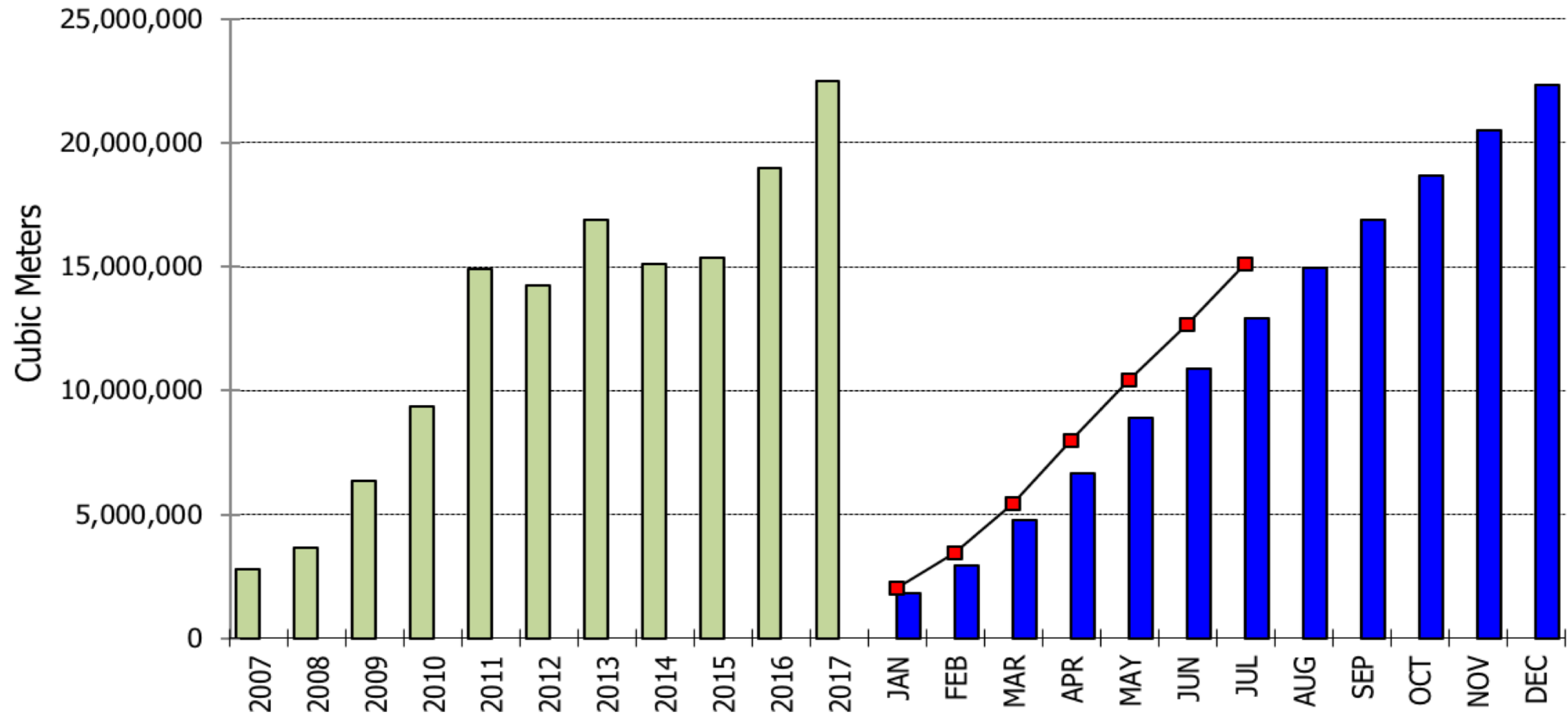
China's Softwood Lumber Imports
July YTD 2019



Source: Global Trade Atlas

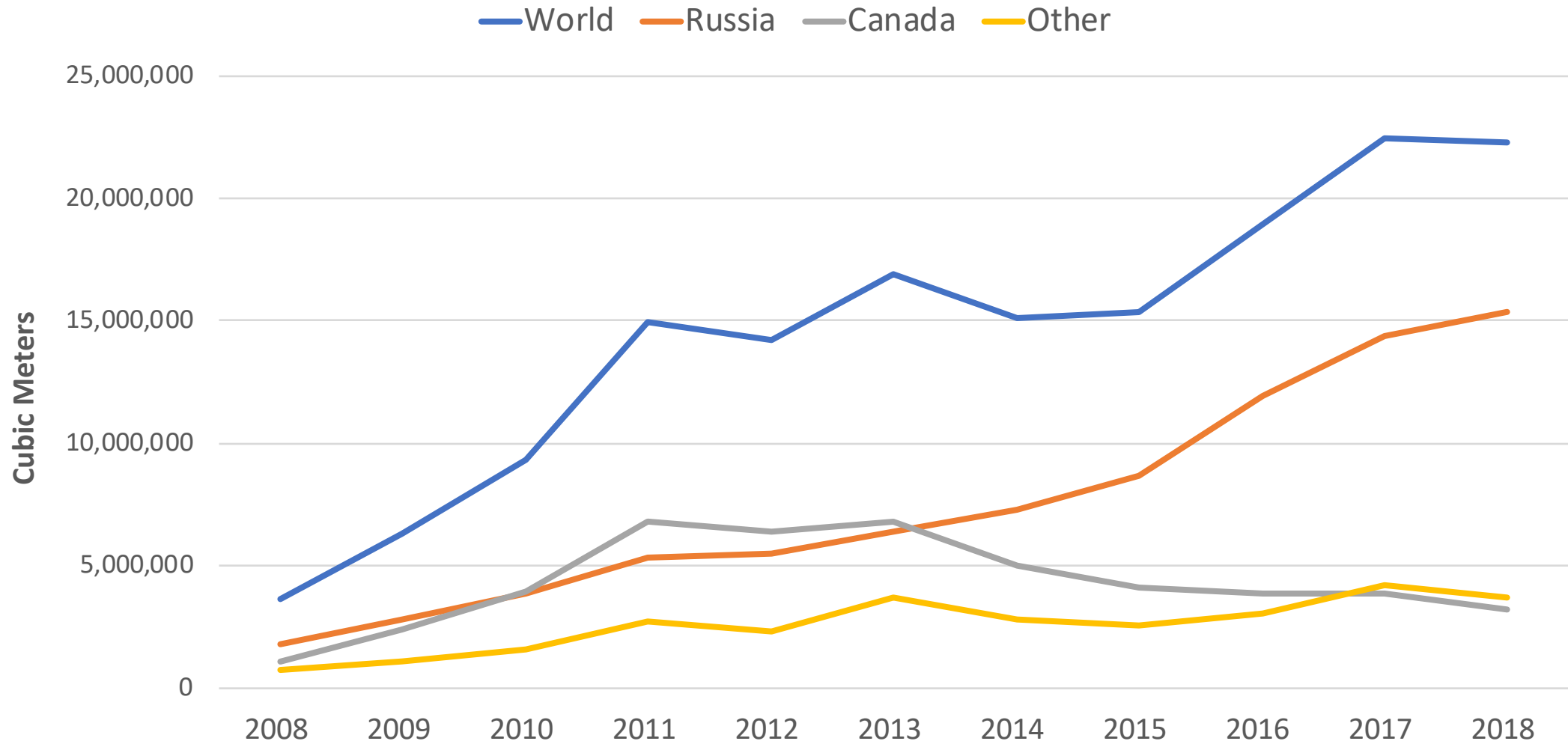
China Softwood Lumber Imports

Blue Columns = 2018 Red Line = 2019 YTD



Source: Global Trade Atlas

China's Softwood Lumber Imports



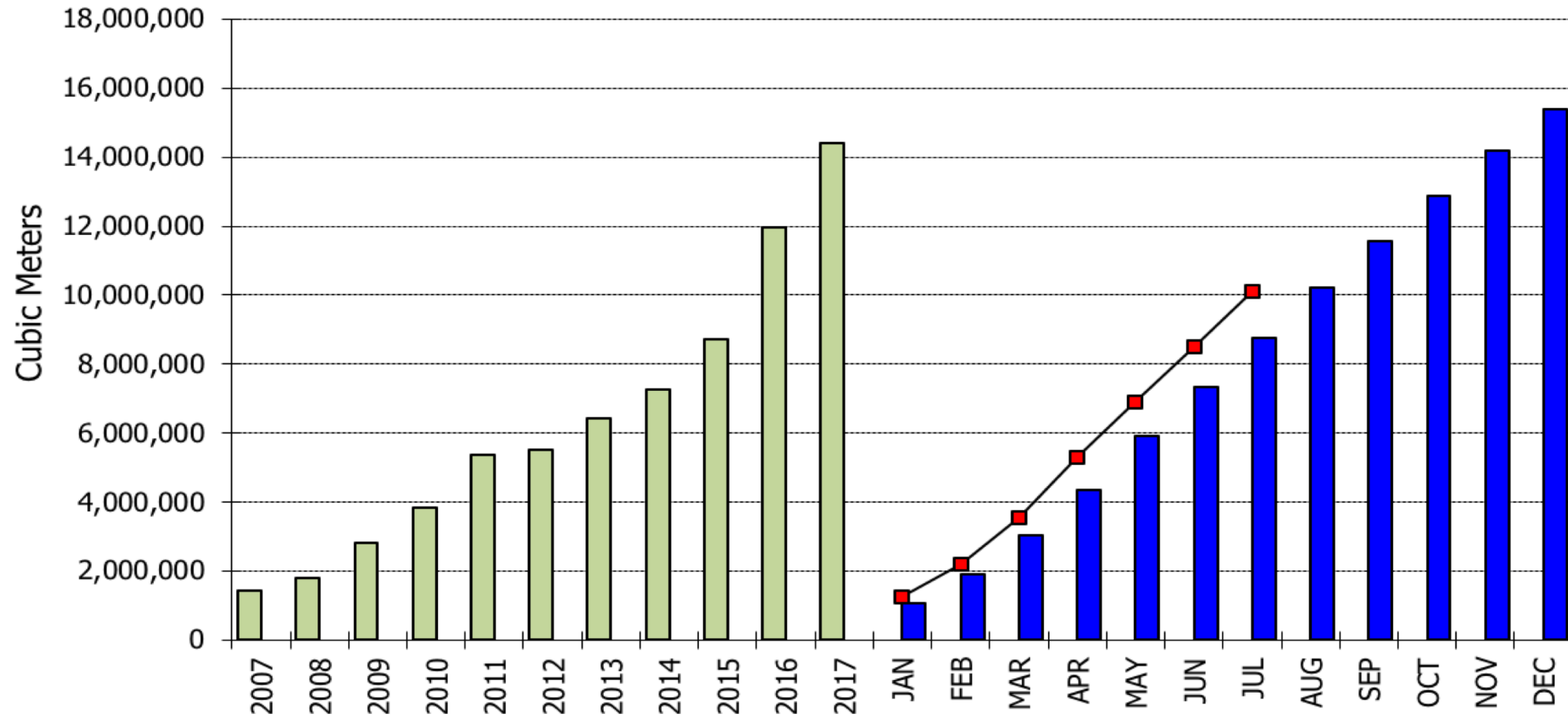
Source: Global Trade Atlas



China Softwood Lumber Imports from Russia

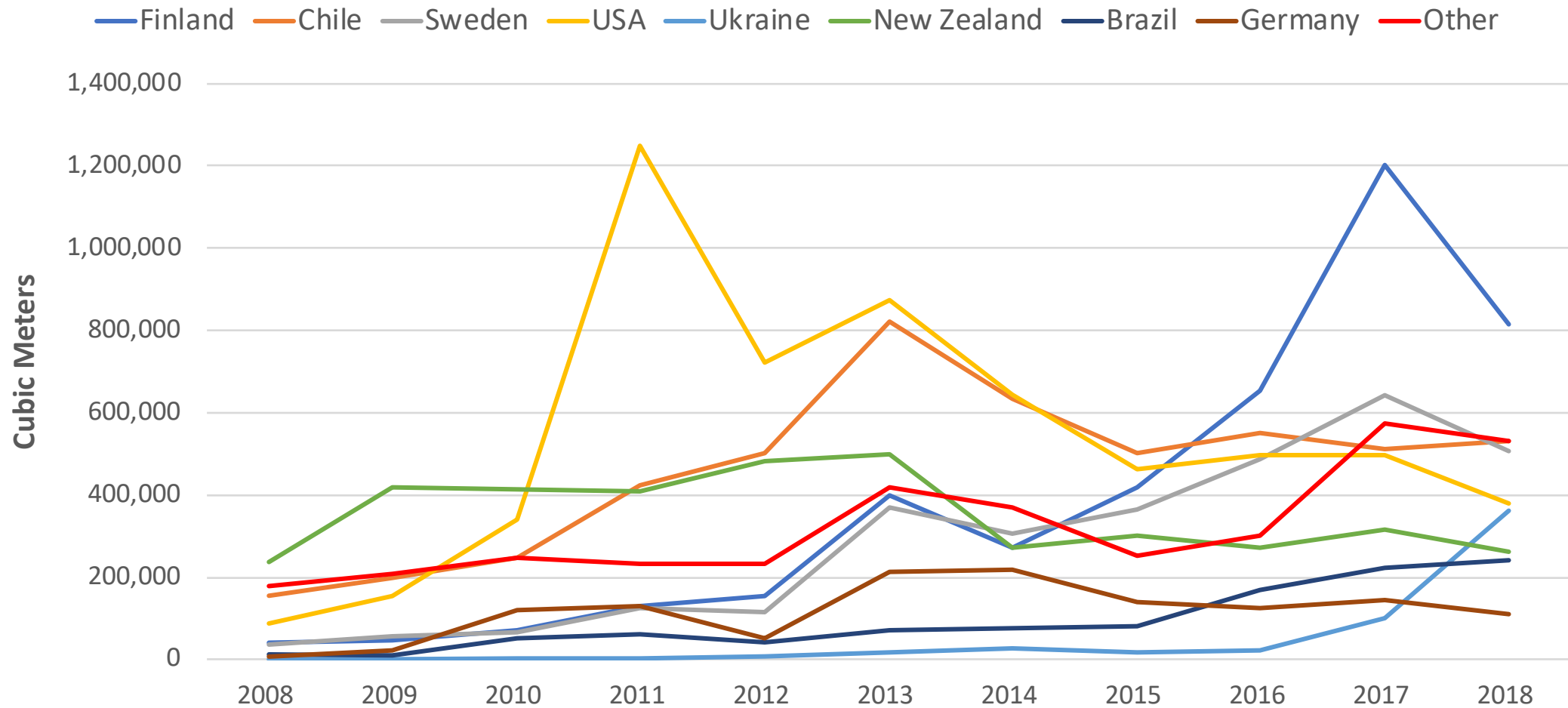
Blue Columns = 2018

Red Line = 2019 YTD



Source: Global Trade Atlas

China's Softwood Lumber Imports (Excluding Russia and Canada)



Source: Global Trade Atlas

Domestic Timber Supply

- Logging in natural forests has been banned and the ban is enforced.
- Domestic supply is growing.
- Plantations are primarily poplar in the central eastern provinces and eucalyptus in the southern provinces.
- China is investing heavily in innovative applications using domestic plantation wood, but will continue to be reliant upon imports for the foreseeable future.



Domestic Timber Supply

Item	Poplar			Eucalyptus		
	Area (ha)	Volume (m3)	stock volume per unit (m3/ha)	Area (ha)	Volume (m3)	stock volume per unit (m3/ha)
Total	9,972,600	623,841,400	63	4,455,200	160,361,700	36
in which, commercial forests	5,108,800	294,071,400	58	4,118,300	147,164,300	36
Percentage	51%	51%		92%	92%	
Key location area	Henan, Shangdong, Jiangsu, Nemenggu, Anhui, Heilongjiang, Hebei, Hubei, Jilin, Liaoning etc.			Guangxi, Guangdong, Fujian, Yunnan, Hainan etc.		

Source: 8th Forest Inventory 2014 (9th inventory completed but not yet released)



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