

News Release

China's Wood Products Industry, Export Opportunities & Potential Constraints Highlighted at Shanghai Conference

Delegates Discuss China's "Next Wave" at WOOD MARKETS Group's Shanghai Summit Conference

FOR IMMEDIATE RELEASE

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Vancouver, BC — China will continue to be the world's "engine of production" for a variety of wood products, and will also remain the largest exporter of finished wood products on the globe. While the Chinese outlook is generally bullish, there are however, a number of looming potential constraints that could limit the continuation of China's spectacular growth rates. These were just some of the themes and topics addressed at International WOOD MARKETS Group's third annual **China International Wood Products Summit**.

A number of senior Chinese speakers and a strong contingent of international speakers made the recently completed Summit the most successful conference ever. More than 220 international and Chinese delegates attended, with the conference being enriched by 40 table-top displays from a variety of Chinese and international manufacturers and organizations. "There were a strong number of first-time visitors to China at this year's Summit," said Russell Taylor, President, "who gained an in-depth understanding of the market and wood industry in China, both from an importer's and an exporter's perspective." The "next wave of product and market opportunities" was addressed during the conference through the numerous speaker presentations and product displays.

The WOOD Markets' third annual **China International Wood Products Summit** was held in Shanghai at the five-star Marriott Hotel. Representatives from the Chinese government, associations and industry interacted and did business with international producers, importers and exporters from fifteen different countries. "As this strategically important market for importers and exporters (as well as some offshore producers) continues to experience ongoing change," explained Mike Jahraus, Vice-President, "keeping on top of the changing dynamics in China is critical in order to identify emerging opportunities and better understand how China's exports can impact markets closer to home." Below are some of the key themes discussed at the conference.

1. China's Imports to Soar

One of the main topics emphasized was the need for China to continue importing logs in light of an anticipated log shortage of 90–130 million m³ by 2010. Future supply from Russia was cited as uncertain given Russia's interest in processing more logs locally and reducing illegal log exports. Expanding the role of plantations in China as a lower-cost, sustainable supply source is considered a major strategy by the Chinese government to increase the country's self-sufficiency.

2. China's Rapid Industry Growth

The "old" Chinese industry — one of irrational growth and low technology — is quickly being replaced by the production of higher-value-added and/or engineered wood products featuring much higher levels of technology and quality. "China's expanding industry scale and innovation should increasingly get the attention of potential foreign investors," said Russell Taylor. "This is a trend that already occurred in the Chinese furniture industry but not yet in other wood products."

3. China's Domestic Market

It became more than evident at the conference that, while China's exports are huge, domestic wood products consumption is growing at 15%+ per year, a faster pace than GDP. China's industry is massive, but an estimated 75%–85% of its output is consumed inside China to feed new property owners that have purchased apartments, and its growing middle class (those with an income of more than US\$10,000 per year).

4. China Exports Soaring

As the world already knows, China's wood products exports have been expanding at an exponential rate in virtually all products. Rising raw material costs, reduced value-added tax rebates, higher operating and transportation costs and a weakening U.S. market all hint that some of China's output may be directed into new export markets (e.g., Europe), new products, or back into its domestic market.

5. Critical Issues

A range of issues was discussed, from rising costs, weaker markets and threats of tariff/non-tariff barriers to sustainable forest concerns. Also addressed at the conference (and since surfaced in various media accounts) have been both the introduction of reduced value-added tax rebates and the impact of rising Russian log-export taxes (Russia supplies China with 70% of its imported logs). "One real issue that bubbled to the surface at the conference," explained Mike Jahraus, "is the direction in which China's wood product exports are headed; clearly, new wood products and markets need to be developed quickly in order for China to maintain its export levels, especially given the growing slowdown in the U.S. market." Other topics rounded out the conference, including illegal log supplies, certified wood, investment opportunities in China and China's role as either a customer or a competitor, providing delegates with an excellent perspective on what to expect from this country in 2007.

The conference venue was first-class, and the conference program received an overall rating of “five out of a possible six points” from delegates. The survey also indicated that many participants would like to attend our next conference in China. As a result, WOOD MARKETS is already planning a fourth annual China conference, with details to be announced shortly. Where and how China fits into key export markets will again be the headline topic at the next conference, as many 2006 participants have learned firsthand about the constant change in China and the need for industry and traders to get better informed about China’s wood products industry.

Note: Proceedings of the 2006 China International Wood Products Summit are now available.

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For more information, please contact:

Mike Jahraus or Russell Taylor
International WOOD MARKETS Group Inc.
(R.E. Taylor & Associates/International Wood Markets Research Inc.)
Vancouver, BC, Canada (+1) 604 801-5996
www.woodmarkets.com
mikej@woodmarkets.com retaylor@woodmarkets.com