

## **Chinese manufactured wood product exporters targeting European markets**

It was just a few years ago that wood industry pundits predicted that China's focus in the future would remain on the US market, with Europe largely insulated from the Chinese export onslaught. It was thought that the rich market diversity and the unique requirements/standards within Europe would provide a barrier to Chinese exporters. Well, with a slumping housing market in the US, a strong euro and increasing demand for building materials in Europe, the Chinese have quickly refocused their export efforts.

The strong export growth of Chinese wood products into Europe in 2006, particularly in plywood, coupled with the demonstrated ability of Chinese traders to pay top dollar for temperate and tropical hardwood logs around the world, surprised many in the industry. Here are just a few headlines from 2006 that raised eyebrows around the world and tell the story:

*“Log sourcing in Africa dominated by Chinese buyers”*

*“Chinese plywood exports to the UK triple from 2004 to 2006”*

*“China now Germany's largest hardwood plywood supplier”*

*“Chinese out competing French sawmills for oak round wood in France”*

*“China tied with Brazil with 24% of total European plywood imports”*

*“Chinese plywood exports dominate Spanish tropical plywood market”*

*“German imports of veneer from China (incl. Hong Kong) quadruple in 2006”*

The US market declined from a peak of absorbing 32% of all Chinese plywood exports in 2004 to taking just 26% in 2006. This proportional decline occurred at a time when total Chinese plywood exports more than doubled (from 4.2 to 8.3 million m<sup>3</sup>) – the result has been more and more Chinese plywood heading to Europe! This trend is expected to continue as in the first quarter of 2007, total Chinese plywood exports were up an astounding 49% in comparison to last year.

A combination of higher recovery rates, lower overhead and capital costs, innovative operating techniques, and of course, low cost labour, has provided China with a significant competitive advantage. China's position has also been enhanced by improving product quality and



external factors such as declining plywood exports from Indonesia and log shortages in Russia. However, rising domestic log costs, increased freight costs and declining Chinese export tax rebates are now putting a lot of pressure on Chinese manufacturers to raise prices.

Plywood is not the only export story – some of the next products expected to be exported in growing volumes to Europe includes furniture, doors, flooring and mouldings, as well as a host of other manufactured wood products.

As more and more Chinese manufacturers improve their quality control and upgrade their equipment, China is expected to have a growing impact in Europe – this could be good news or bad news, depending upon whether you are a customer or a producer.

To get the real story on China – we invite you to China! Consider attending WOOD MARKETS' 4<sup>th</sup> China International Wood Products Summit, in Qingdao, China. The event is at the 5 star Shangri-la hotel in Qingdao, which is known as one of the most beautiful cities in China. Qingdao is located just north of Shanghai and will be the home for the yachting events of the 2008 Beijing Olympics.



WOOD MARKETS' upcoming Summit Conference, held Sept 22-24, 2007, includes high quality international speakers, table top product displays that feature a variety of Chinese producers that are export-ready and ample time for networking with leading overseas manufacturers, importers, exporters and Chinese wood product manufacturers. Local wood industry tours are also available. For more information, delegate reviews, past attendees, speakers, topics, etc, please go to

[www.woodmarkets.com/conf\\_conferences.html](http://www.woodmarkets.com/conf_conferences.html).

Immediately following the Summit Conference WOOD MARKETS is also offering a six-day tour of Chinese plantations and wood processing operations – see further details at [www.woodmarkets.com/conf\\_tours.html](http://www.woodmarkets.com/conf_tours.html).