



Insights into China's Impact on the U.S. Millwork Business

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Last year at about this time, IWMG reported on the status of U.S. imports of hardwood and softwood mouldings in this newsletter. Since then, there have been significant new developments in this sector. To provide perspective, let's first take a quick look at the overall state of China's wood products trade.

In 2005, China experienced its first surplus in forest products trade, that is, the value of forest product exports was higher than that for imports. In 2006, this trend in export growth not only continued but accelerated, and China's trade surplus in forest products grew by an astounding 171% to reach US \$8.3 billion. The four main exports were wood furniture (32%), wood products - such as millwork (13%), paper products (11%) and plywood (11%). Although imports of logs and lumber continued to grow, China is trying hard to become less reliant on imports of raw materials by investing in plantations and increasing production from wood-based panel (MDF, plywood, particleboard) plants.

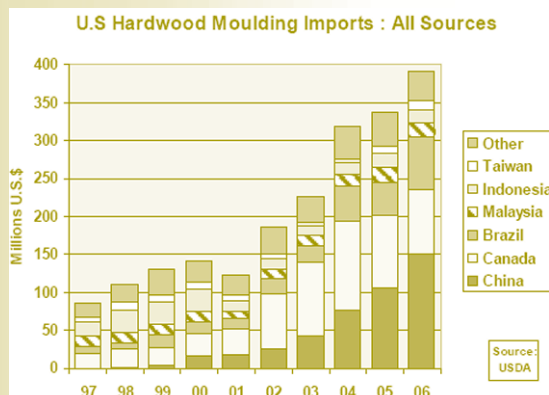
In addition, China is shifting away from solid wood to engineered wood products, and utilizing advanced finishing to enhance the quality of their exports! The Chinese government is also mandating a strong focus on "value-added" for the wood products industry, providing disincentives (i.e., lower VAT export rebates) to export products which are lower "value-added".

In recent visits to door and moulding plants in China, it was evident that manufacturers are investing in machinery (domestic and European) and quality control systems, in an effort to become more competitive in international markets.

Here is a quick snapshot of what happened in the moulding sector in 2006:

Hardwood moulding:

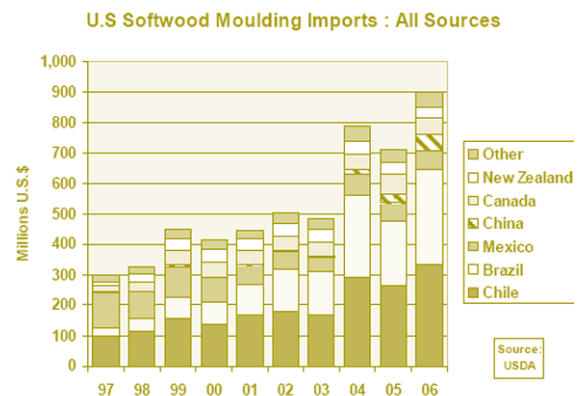
- U.S. imports of hardwood moulding into the U.S. increased by 16% in 2006 to reach US \$391 million.
- China further strengthened its 1st place position, increasing its exports to the U.S. by 44% to capture an amazing 39% of total import market share.



- Canada, Malaysia and Indonesia suffered the greatest declines in shipments to the U.S. market.

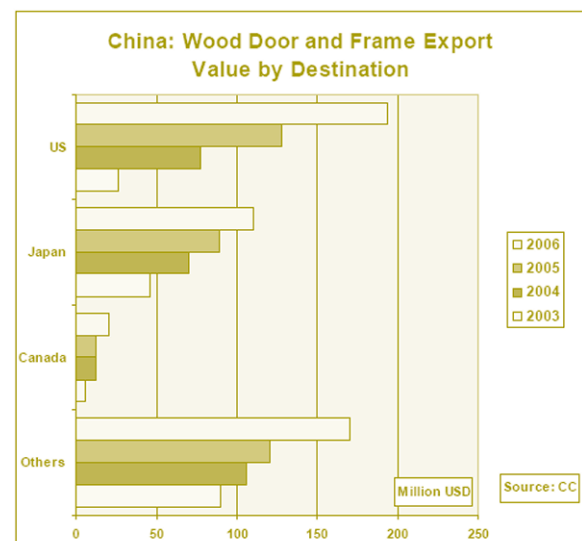
Softwood moulding:

- U.S. imports of softwood moulding increased by 27% in 2006 to reach US \$901 million.
- China was again the fastest growing source of imported softwood mouldings, up a whopping 80%, edging out Canada to capture 4th place!
- Canada and New Zealand suffered the greatest declines in shipments to the U.S. market.



Wooden Doors:

Door exports from China have also grown very rapidly, with the U.S. being the major target market. These exports have been fueled by a multitude of new door plant investments, which have almost quadrupled the size of the wooden door industry in China in just the last three years.



In 2006, total wooden door exports from China grew by 41% to reach just under US \$500 million. Exports to the U.S. grew by 51% in 2006 and represented 39% of all exports. Other markets that grew rapidly for Chinese exporters in 2006 included Ireland (up 108%), the UK (up 82%), Canada (up 60%) and France (up 41%).

What is the current status and what can be expected in 2008 and beyond?

China is emerging as a major factor in the U.S. millwork sector as moulding and door exports continue to grow rapidly. You can find out for yourself what the opportunities are in this sector and what is really happening at IWMG's China International Wood Products Summit 2007, Sept 22-24. Come and join leading overseas manufacturers, importers, exporters and Chinese wood product manufacturers attending this conference in Qingdao, China. Qingdao, known as one of the most beautiful cities in China, is located just north of Shanghai and will be home to the yachting events in the 2008 Beijing Olympics.

Conference speakers and events will address:

- Where are the current and future wood product opportunities for buyers and sellers in China?
- Which raw materials present new and lucrative opportunities in the face of rapidly changing global supply dynamics like Russian export taxes, certified wood, tropical log export restrictions, etc.?
- How will wood products react to changing Chinese government policy, such as declining value-added tax rebates or increasing Chinese export taxes?
- What is the current status and what are the future implications of fast-growing plantations in China?
- Who are some of the leading wood product manufacturing companies in China and what is their future outlook?

In addition to the high quality, insightful presentations that will be featured, this conference will also include Chinese and International table top displays, top-notch millwork factory tours, and ample time for networking.

IWMG's China International Wood Products Summit 2007 in Qingdao will be directly followed by a 6-day tour of Chinese plantations & export-oriented manufacturers (plywood, door, moulding, engineered wood products) (September 24-30, 2007).



As a U.S. hardwood and/or softwood moulding manufacturer or distributor and, after considering some of the above market trends, can you really afford to ignore China?

This conference is aimed at industry players who are interested in buying wood products from or selling raw materials to China and who want to better understand how China will fit with their current & future business. The conference is ideal for both first-time & regular visitors to China. A presentation by Rosalie Leone, Executive Director and CEO of the AMD, will be a highlight of the conference, as she will provide conference delegates with valuable insights on the U.S. millwork industry and what AMD members are looking for from Chinese millwork exporters.

To obtain further details and a full color brochure on IWMG's 4th annual China International Wood Products Summit 2007 and the China plantation and industry tour, please visit our website at www.woodmarkets.com, contact us at info@woodmarkets.com, or call us at 604 801-5996. Please remember, special 'early bird' pricing is available for both the conference & tour.

International WOOD MARKETS Group has covered the moulding and millwork sector in numerous articles and publications since 1990 (e.g., the 3rd Edition of the Clearwood (Pine) Lumber, Moulding and Millwork Sector: Outlook to 2008). Our consultants have been directly



engaged over the years in assisting U.S. and offshore moulding and millwork companies on a variety of market topics, issues, investment options and strategies. We look forward to seeing you in China!

Jeff Johnson 2nd VP of AMD and president of Western Pacific Building Materials, had this to say about our conference held in Shanghai last year:

"The Shanghai China International Wood Products Summit (2006) conference was very enlightening for me; the speakers were very good, the tempo was fast-paced and it provided lots of up-to-date facts and real insights into the Chinese wood industry. The table top displays at the conference were a highlight and allowed me to really explore opportunities with many good quality Chinese companies that were very keen and able to export to the U.S. Finally, the factory tours showed me the different management techniques used in China and how they are becoming such a force (in the global marketplace)."