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China, Peoples Republic of

Solid Wood Products

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Report Highlights:
After several years of rapid growth, China's log imports in 2007 are forecast to level off because Russia, the largest exporter of logs to China, has been imposing and will continue to impose measures designed to limit its logs exports. Imports U.S. logs are expected to increase slightly because China's first fumigation facility capable of accepting large diameter logs from Alaska began operation in August 2005. China's total lumber imports in 2007 are forecast to increase five percent. However, softwood and temperate hardwood lumber imports are expected to increase 20 percent to fill the market gap created by Russia's log export restrictions. Tropical hardwood lumber imports are forecast to decrease 16 percent because of the world's tight supply. China's logs and lumber production in 2007 are expected to increase six and ten percent respectively because China increased its logging quota to 248 million cubic meters in the 11th Five – Year (2006-2010).

Includes PSD Changes: Yes
Includes Trade Matrix: No
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Executive Summary

China's wood imports are forecast to continue growing, driven by the increasing demand resulting from China's ongoing economic expansion. China's log imports in 2007 are forecast to hold steady because Russia is expected to limit its logs exports. China's total lumber imports in 2007 are forecast to increase five percent, the imports of softwood and temperate hardwood lumber are expected to increase 20 percent to fill the market gap from Russia's log export restrictions. Tropical hardwood lumber imports, however, are forecast to decrease 16 percent because of the worldwide supply shortage. China's log and lumber production in 2007 are expected to increase six and ten percent respectively because China increased its logging quota to 248 million cubic meters in the Government of China's (GOC) 11th Five Year Plan (2006-2010), 11 percent more than its 10th Five Year Plan. The U.S. wood imports are forecast to continue growing moderately, driven by export demand (primarily furniture) and domestic construction demand (primarily interior decoration).

Production

Forest Situation & Outlook

Forest Resources: Post estimates China's forested area was 182 million hectares as of December 2005. The latest official data of China's forest resources is China's Sixth Forest Inventory Report (covering 1999-2003), which estimated China's forested area to be 175 million of hectares, with the forest stocking volume at 12,456 million cubic meters. Forest coverage is estimated at 18 percent. For more information of the latest inventory report, please refer to GAIN Report CH5027, which is available at http://www.fas.usda.gov/gainfiles/200503/146119239.pdf

China has the largest tree plantation area in the world. Post estimates China's year-end 2005 tree plantation area to have reached 55 million hectares. Although Post doubts the GOC's forecast that China's timber production from tree plantations will meet its demand for timber by 2015, China's plantation area is expected to expand rapidly in the coming years. The land will mainly come from replanting currently inefficient, sparse forestland. According to the latest forest inventory, China's sparse forestland amounted to six million hectares. Given the fierce competition from urban development and agricultural production for China's very limited available land, developing plantations and improving the productivity of China's existing forest resources are the most viable ways for China to meet its wood demand without further exhausting its natural forests. Imports, however, will continue to fill the shortfall between production and demand. In 2005, China planted 3,647,900 hectares of forests. The survival rate for such plantings, however, often is quite low, so caution must be exercised in extrapolating these data to forecast forested area and stocking volumes years into the distant future. See below table for the area of different forest type.

Forest Type	Area (1,000 hectares)	Percentage
Shelterbelt forest	2,679	73%
Timber forest - Of which, FGHY forest	607 229	17% 6%
Economical forest	338	9%
Fuel forest	16	
Special purpose forest	8	
Total	3648	

Ecological forests, including shelterbelt and special-purpose forests, accounted for 74 percent of China's total area planted during 2005, essentially the same as 2004's 75 percent. The similar number indicates that China's forestry policy focus is shifting to ecological preservation from timber production.

Logging Quota: China increased its logging quota to 248 million cubic meters (not including the bamboo logging quota) in the 11th Five – Year (2006-2010). This represents an 11 percent increase over China's previous Five-Year Plan (223 million cubic meters). The 25 million cubic meters increase comes mainly from the quota for short-term industrial raw material forests planted in recent years. According to the new logging policy, any unused quota for plantation timber forest can be carried over to the following year.

	New (2006-2010) Logging Quota (1,000 cubic meters)	Old (2001-2005) Logging Quota (1,000 cubic meters)	Change (percent)
Logging Type			
- Harvest cutting	117,437	84,518	39%
- Intermediate Cutting	56,241	60,532	-7%
- Other Cutting	74,477	78,052	-5%
Consumption Structure			
- Commercial timber	157,697	115,902	36%
- Non commercial timber	90,458	107,200	-16%
Forest Type			
- Natural forest	91,214	137,033	-33%
- Plantation	156,941	86,069	82%
- Of plantation, industry raw material forest	54,229	0	

Under the new quota, plantations account for 63 percent of China's total logging quota, meaning plantation timber has replaced natural forests as the major wood source in China. Under the old quota, plantation timber accounted for only 38 percent of the total logging quota. The major plantation planting provinces are in southern China, including Guangxi, Guandong, Hunan, Fujian and Sichuan. These provinces account for about 40 percent of China's total plantation area. The major plantation species in China are Chinese fir, Masson's pine, and poplar. Together they account for about 60 percent of total plantation area.

Forestry reform: Reform is one of the key words of China's the forestry policy section of China's 11th Five-Year Plan. China's forestry reform will focus on two main points:

1) Forest classification management: Under this system, a forest is classified as either an ecological public use forest or a commercial industry forest, depending on its major purpose. Different policies and management systems are developed for different forests. The government of China (GOC) is the major investor in public forests.
2) Reform of forestry property rights (FPR): FPR reform is focused on commercial forests, especially collective commercial forests. These are forests that belong to a group, a village, or a town, but not to individual farmers.

The reform is designed to greatly improve China's forestry production. Unclear forest use rights have long constrained the efficient development of China's forestry sector. This is especially true with the collective forests, because it belongs to the community, so there is little incentive for an individual to manage the forest more efficiently. The ongoing FPR reform is expected to solve this problem. The outcome, however, will depend on whether the GOC matches these laudable goals with sufficient funding and enforcement.

Forest Certification:

China's forest certification scheme is being developed. The Draft Regulation on Forest Certification has been finished, but not officially released yet. Official sources indicated the Regulation would be released in August at the earliest, but no later than the end of 2006. The third party certification organization's facility – Beijing Zhonglin Certificate Center -- is under construction. Trials are being conducted in selected provinces, including Heilongjiang, Zhejiang, Guangdong, Sichuan, and Fujian.

China's forest certification regulation includes nine principles, 45 standards, and 118 indexes, which are very similar with Forest Stewardship Council's (FSC) scheme. Despite the similarity to the FSC scheme, industry sources indicated that would be very difficult for China's scheme to get FSC's recognition. The Program for the Endorsement of Forest Certification (PEFC) seems more inclined than FSC to recognize China's scheme.

Nevertheless, FSC continues to actively promote its scheme in China. In late March 2006, FSC's China National Working Group (NWG) was established in Beijing. One of the NWG's purposes is to promote FSC in China. This FSC NWG is planning to develop at least six regional standards for tropical, subtropical and boreal forests located in both western and eastern China. Currently, four forest management units, located in Zhejiang, Guangdong, Helongjiang, and Jilin Province, have passed FSC certification. There are 146 wooden product manufacturers that have passed FSC's Chain of Custody (CoC) certification.

Despite these forest certification activities, Post believes market demand will drive development of China's forest certificate program. China will have to use certified timber if that is what its customers demand. On the other hand, China can greatly influence the forest certification programs worldwide because of its dominant role in the processed wood products sector, especially furniture. If it mandates that wood-processing industries in China must use certified wood, then they will be forced to comply. However, Post deems it unlikely that China would impose such a mandate because continued economic growth still trumps environmental preservation in China. Also, Chinese consumers have shown little or no interest in the issue of certified wood. They generally are very price conscious, so, except for a very few high-income, environmentally conscious Chinese consumers, they would not be willing to pay a premium for certified wood products.

U.S. wood exporters that are concerned about complying with forest certification requirements must know their customer; they need to know who is the real end consumer and final destination of the wood they export to China. In general, U.S. exporters of hardwood used to produce wood molding for the Chinese interior decoration market will not have to meet any wood certification requirements because currently there are none and, as noted above, there would be virtually no market for certified wood products because Chinese consumers will not pay a premium for them. U.S. exporters of hardwoods used to produce furniture that is destined to Europe, however, will need to know the requirements of the final destination country. There is more of a market for certified U.S. hardwood in Europe than in China because Europeans are much more willing than Chinese consumers to pay a premium for products manufactured from certified wood.

FOREST AREA			
Country: China People's Republic of			
Report Year:	2005	2006	2007
Total Land Area (million hectares)	960	960	960
Total Forest Area (million hectares)	182	185	188
--of which, Commercial ('000 hectares)	109,200	111,000	112,800
----of commercial, tropical hardwood ('000	5,460	5,550	5640

hectares)			
----of commercial, temperate hardwood ('000 hectares)	51,300	52,170	53,000
----of commercial, softwood ('000 hectares)	52,440	53,280	54,160
Forest Type			
--of which, plantation ('000 hectares)	54,600	55,500	56,400
Total Volume of Standing Timber (thousand cubic meters)	14,162,700	14,396,200	14,629,600
--of which, Commercial Timber ('000 cum)	8,497,620	8,637,720	8,777,760
Annual Timber Removal ('000 cum)	391,000	398,800	406,800
Annual Timber Growth Rate ('000 cum)	518,000	531,000	544,000
Annual Allowable Cut ('000 cum)	248,155	248,155	248,155

Solid Wood Products Situation & Outlook

Production:

Log production in 2007 is forecast to increase six percent, slightly lower than 2006's estimate of nine percent, because 2006 is the first year during which the newly increased logging quota is in effect. Hardwood and softwood log production in 2006 are expected to increase 9 and 11 percent respectively, because the softwood plantation area is slightly larger than the hardwood area in China.

China's lumber production is forecast to increase 10 percent in 2007, slightly lower than in previous years. The supply of imported logs, especially from Russia, is expected to be tighter than in recent years, hence the relative cooling of lumber production. (See Trade section for details).

China's major wood products production in 2005

	2005 Production (million m3)	Yearly change (04/03)
Timber	55.60	+7%
- Logs	50.23	+7%
- Fuel wood	5.37	+11%
Lumber	17.90	+17%
- Tropical lumber	0.57	-46%
Wood-based Panels	63.93	+17%
- Of tropical timber	1.52	-61%
- Plywood	25.15	+20%
- Fiberboard	20.60	+32%
- Particleboard	5.79	-10%
- Block board	9.81	+11%
- Others	2.60	-3%

China's major wood products price in 2005

	2004 Average Price	2005 Average Price	Yearly change (05/04)
Timber	? 479/m3	? 522/m3	+9.0%
Lumber	? 812/m3	? 821/m3	+1.1%
Chips	? 298/m3	? 471/m3	+58.1%
Wooden Flooring	? 74/m2	? 122/m2	+64.9%
Plywood	? 1655/m3	? 1614/m3	-2.5%

Middle Density Fiberboard (MDF)	? 1274/m3	? 1313/m3	+3.1%
Particleboard	? 1043/m3	? 984/m3	-5.7%

(Source: Forestry Statistics by State Forestry Administration)

China's wood processing industry currently is characterized by excessive competition, low technology, small scale and low profit margins. Post expects this will change in the near future because competitive market forces will drive the smallest and least efficient manufacturers out of business. Recently, several large wood-base panels producing lines were built in South China. The annual production capacity of each line ranged from 200,000 to 450,000 cubic meters. This expansion notwithstanding, China's wood processing industry has a long way to go before it becomes a real competitive player in the world market.

China's wood substitution policy: On November 29, 2005, China's General Office of the State Council released its Document No. 58 of 2005, -" Accelerating the Conservation and Substitution of Wood Resources". The document was drafted by the China Wood Conservation Development Center, under the auspices of the National Development Reform Committee (NDRC). The document is an advisory policy guideline, not a mandatory standard. Chinese sources close to the drafting organization told Post was told that the policy would not decrease China's wood imports, because the policy is targeted to protect China's forest resources and environment. Please see CH6051 for the complete translation of the document.

Industry and quasi-governmental sources have indicated there is little support for this policy paper because they do not think plastics/steel products are good substitutes for wood. Also, wood is more environmentally friendly, and less energy consumed. Industry considers wood-based panel as a good substitution for solid wood because of its higher utilization rate. Finally, most industry sources do not think the policy will decrease China's wood consumption because consumer-driven market demand, not this policy paper, will drive the demand for wood products. However, several industry sources worry that if the GOC implements financial incentives and tax policies that favor wood substitutes demand for wood and wood products may decrease. Based on the current circumstances, however, Post expects the policy will not impede China's wood imports. Demand for wood products in the world is strong, therefore, as a major supplier of these products, China's wood consumption is expected to continue growing, not decreasing.

China's new consumption tax policy: On April 1, 2006, China imposed a five percent consumption tax on solid wood flooring and disposable wooden chopsticks. Post does not think the new tax is a result of the substitution policy discussed in the previous section of this report. The objective of this new tax is to discourage the consumption of timber resources. Although the price of solid wood flooring has increased 40-50 percent in the past two years, it is the shortage of raw material, not the consumption tax, which is causing the overall price increase.

Post expects the new consumption tax will not hurt U.S. wood exports to China, because the tax is imposed on solid wood flooring, while most U.S. wood is used as the facing for laminated flooring.

Trade

Overview / Outlook

Logs: Post forecasts China's 2007 log imports to hold steady, because Russia (China's major softwood and temperate hardwood logs supplier) is expected to limit its log exports, and the world's tight supply of tropical hardwood logs due to environmental concerns. Softwood logs imported from the United States are expected to increase slightly because China's first fumigation facility that accepts large-diameter Alaska logs began operation in August 2005.

The Russian government has taken the following measures to reduce unprocessed wood (mainly logs) exports and encourage high-value wood products exports: 1) In May 2006, Russia increased the export tariff on logs from a minimum 2.5 euros/m3 to a minimum 4 euros/m3 (6.5 percent); 2) By July 2007, log export tariff will be increased to 10 percent from the current 6.5 percent; and, 3) Russia has reduced the import tariff for wood processing machinery to encourage domestic wood processing industry. For more information of Russian's policy, please refer GAIN Report RS6029.

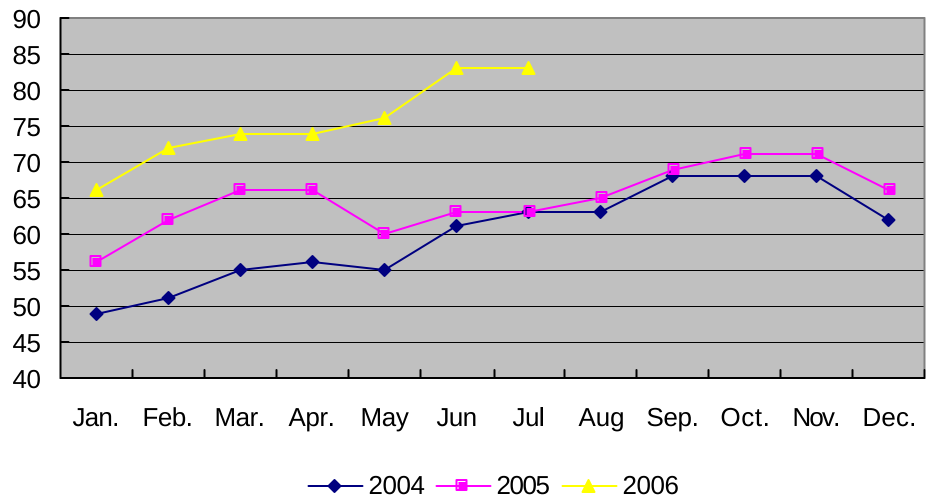
Lumber: China's softwood and temperate hardwood lumber imports in 2007 are forecast to increase 20 percent. The forecast assumes that lumber from Russia will increase significantly as a result of Russia's log export restrictions. Tropical hardwood lumber imports in 2007 are forecast to decrease slightly, for the same reason as mentioned above.

Russia continues to be the largest wood supplier to China, accounting for about 65 percent of China's total imported log and 18 percent of its imported lumber. Despite the Russian government's effort to reduce logs exports, Post forecasts Russia will maintain its dominant role in China's wood market as either logs or lumber, because: 1) Russia's wood is well accepted in Chinese market as a result of its low price, high quality, and familiarity to Chinese producers and consumers; 2) The Chinese and Russian governments have targeted forestry as one of the key cooperative fields between the two countries in the near future; and, 3) more and more Chinese enterprises have invested in Russia's wood processing industry, and China is their major target market for their wood products (mainly lumber). Therefore, Russia's wood will continue flowing into China, either as logs or lumber.

Some good news for U.S. wood exporters is that Russia's wood price is expected to increase in the near future, because: 1) the Russian government has increased its export tariff on logs about US$2/m3; 2) On April 10, 2006, China's railway transportation fee increased about 5 percent, from ?0.0861/ton.km to ?0.0905/ton.km; and, 3) In April 2006, China's "Double VAT rebate" policy was eliminated, which added US$2/m3 to the price of Russian logs. Please refer to GAIN CH5052 for more information about "Double VAT rebate" policy, which is available at http://www.fas.usda.gov/gainfiles/200507/146130349.pdf

Post received the graph below from a Russia log exporter. This is the company's Delivered At Frontier (DAF) quoted price (Unit: US dollar). The graph illustrates the price increase well.

A Russian Log Export's Quota for Delivered At Frontier (DAF) Price
(Unit: US dollar/m3)



Despite Russia's current dominance of the Chinese wood market, Post expects there will be more opportunities in China for U.S. wood exporters in the coming years, because 1) Russian log prices are expected to increase as a result of above-mentioned reasons; 2) the depreciation of U.S. dollar to the Chinese Yuan makes U.S. wood more competitive in the Chinese market; 3) other major suppliers' wood exports to China are shrinking, such as Indonesia, Thailand, and Malaysia; and, 4) The first fumigation facility in China that accepts Alaska logs started operating in August 2005, which reduced the cost, including fumigation and freight, of exporting Alaska logs to China. In addition, the United States is considered as one of the most stable and trusted wood suppliers to China, because of its rich forest resources and good forest management.

The flow of tropical timber into China is expected to decrease year-by-year because of the shrinking supply. In addition, China is facing great international pressure as one of the major tropical timber buyers in the world. Tropical timber imports from Malaysia, Indonesia, and Myanmar have decreased sharply, as a result of the restrictive measures imposed by these and other exporting countries. Currently, other suppliers such as Papua New Guinea and Gabon are filling the market gap for tropical timber. However, Post believes that China cannot rely on those countries to supply tropical timber in the long-term because China's great demand for tropical timber will exhaust those suppliers' limited resources. In the long term, China must find substitutes for tropical timber to produce flooring and wood-based panel. This opens a market opportunity for U.S. wood exporters because the United States is one of China's major temperate hardwood suppliers. Active market promotion, training, and education will help to increase the market share of U.S. wood in China.

Market Segment Analysis

Construction Sector

Overview

China's construction sector is forecast to continue its moderate growth rate in the coming years. Contributors to this growth include the 2008 Olympic Games, the 2010 World Expo, infrastructure construction, China's ongoing rapid urbanization process, and housing in rural areas because of farmers' increasing income.

Post forecasts, however, that the development of the urban real estate sector, which is the major consumer of U.S. wood for construction, will slow. Urban property prices have been beyond the reach of many consumers. Several recent surveys show that consumers' buying intentions for property in big cities has decreased to a historical low. In response to the soaring property prices, the government has developed a string of regulatory measures that are designed to cool this red-hot market. (See Policy Section for more details).

Marketing

Interior decoration (including flooring) is the largest U.S. hardwood consumer in China's construction market. Also, decoration consumes most U.S. hardwood in China because the wood for decoration is finally consumed in China, not re-exported back to the United States as is the case with processed products, namely furniture. Therefore, interior decoration is a very good market sector for U.S. hardwood. Wood consumption in decoration is expected to increase with an increasing number of Chinese consumers realizing that wood is healthier than other non-natural products, such as plastic, glass, and steel.

Interior decoration is important to Chinese urban dwellers because, in most cases, they only buy one property during their lifetime and they spend more than half of their time at home. Also, urban apartments in China are sold as a concrete shell, without any interior decorations and the buyer Therefore, U.S. exporters of wood destined for residential interiors should focus their marketing campaigns on at Chinese consumers more than real estate developers. Post's market intelligence indicates that an increasing number of Chinese consumers consider health as the most important factor when they choose decorating materials. That means a market opportunity for U.S. hardwood since Chinese consumers consider U.S. wood to be healthy and high quality. Given the higher prices of the U.S. wood, cities with higher incomes, such as Shanghai, Beijing, Guangzhou, and Shenzhen, present the best market opportunities for U.S. hardwood exporters, because residents of these cities can afford to pay for high quality U.S. hardwoods.

Preserved wood has become increasingly popular in China's garden and outdoor landscape construction because it looks natural and lasts longer than un-treated wood. Major species used for treated wood in China are southern pine, red pine, radiata pine, and Hemlock spruce. Although U.S. southern pine is considered as the strongest and most treatable species in the Chinese market, it is experiencing competition from South American South Yellow Pine, because it is priced 60-70 percent less than U.S. southern pine. More promotional activities will be help to educate consumers about U.S. southern pine's qualities.

Wood Frame Housing: Although an increasing number of Chinese consumers have realized that wood frame housing is energy efficient and healthy, Post does not think it can become China's major residential construction type, like in the United States, because of China's limited useable land and high population density. These obstacles notwithstanding, there are some potential markets opportunities for the U.S. wood frame housing industry, including:

1) Low-density residential construction in the suburbs of large cities, such as Beijing, Shanghai, and Guangzhou. Wood frame houses can be marketed as luxury goods to high-income consumers in these localities.
2) High-income rural areas, such as some rural areas in Zhejiang and Jiangsu provinces There are farmers in these areas that can afford wood-frame houses. A good example is that American Forest & Paper Association's China office received a request for information about wood-frame houses from a Liaoning (Northeast of China) farmer.

Also, there is more available land in rural areas. However, more promotion, demonstration homes and education are needed to let farmers know the advantages of wood frame houses.

Policy

China recently released three building codes and standards relating to construction: 1) Evaluation Standard for Green Building (GB/T 50375-2006); 2) Residential Building Code (GB50368-2005); and, 3) Technical Standard for Performance Assessment of Residential Buildings (GB/T 50362-2005). According to the AF&PA China office, the latter two codes for residential buildings do not include obstacles for the construction of wood frame house under three stories. However, the fire separation requirement for wood frame construction in the Residential Building Code is not consistent with the requirement of the existing Code for Design of Timber Structures (GB50005-2003) which was published in 2003.

On May 29, 2006, the Chinese central government released a new housing policy. The new policy is aimed to curb speculative and investment-oriented housing demand, and to cater to the needs of middle - and low-income groups. The policy, which went into effect on June 1, 2006, includes the following:

1) The minimum down payment for rental properties and properties 90 square meters or larger was increased to 30 percent from 20 percent. The down payment for owner-occupier and smaller than 90 square meters remains unchanged at 20 percent.
2) The period of time was increased to five years from two years which owners must retain ownership of a property if they want to avoid paying a transaction tax of 5.5 percent on the entire value of the property.
3) Local governments are required to make 70 percent of their annual land supply available for low-cost housing.
4) For newly approved marketable residential property, apartments smaller than 90 square meters must account for at least 70 percent of total construction area.

Construction Sector Strategic Indicator Table

Construction Market			
Country: China, People's Republic of			
Report Year:	2005	2006	2007
Total Housing Starts (thousand units)	17,810	18,700	19,600
-- of which, wood frame (thousand units)	10	11	12
-- of which, steel, masonry, other materials (thousand units)	17,800	18,689	19,588
-- of total starts, residential (thousand units)	16,230	17,040	17,890
---- of residential, single family (thousand units)*	11,210	11,770	12,360
---- of residential, multi-family (thousand units)	5,020	5,270	5,530
-- of total starts, commercial (thousand units)	1,580	1,660	1,710

Furniture

Marketing

China's domestic demand for furniture is forecast to increase 10-15 percent annually for the next five years. The increase is attributable to Chinese consumers' increasing income and an increasing number of first-time homebuyers in China that are in the market because, as part of the GOC's transition from a centrally-planned to a market-driven economy, it no longer provides state-run housing as part of employment. Private homeowners tend to spend more money on interior decoration than those that live in state-owned apartments. Also, China's commercial and manufacturing sectors are forecast to continue growing into the foreseeable future. This will increase demand for office furniture.

Despite concerns about the low quality of panel products, the market share of panel furniture is expected to increase because of Chinese consumers' preference for natural wood, rather than materials such as plastic, steel or glass. Also, panel furniture is lower priced than solid wood furniture. China's wood processing industry considers wood-based panel as a good substitute for solid wood. This price advantage, however, is offset by health concerns, especially the formaldehyde content, and panel quality of Chinese produced wood-based panels. These quality shortcomings of Chinese wood-based panels present a market opportunity for high-quality U.S. panels.

Trade

Exports: China's furniture exports are forecast to increase 20 percent to US$20 billion in 2007 compared to 2006. In 2005, China's furniture exports valued at US$13.77 billion, 33 percent more than in 2004. Wooden furniture accounted for approximately one-third (US$4.66 billion) of that total. The U.S. antidumping case did not decease China's furniture exports. In fact, one industry source commented that the U.S. antidumping case may have contributed to the rapid expansion of exports, because it publicized to international buyers just how low China's furniture is priced.

Vietnam has benefited from the U.S. antidumping case against China's wooden bedroom furniture, because many Chinese manufacturers moved plants to Vietnam to avoid the high tariff imposed by the United States. Vietnam's furniture is very competitive in the world market, because its labor cost is even lower than in China. Also, the increasing amounts of foreign direct investment (FDI) helped to improve the quality of Vietnam's furniture. Please refer GAIN VM5079 for more information about Vietnam's booming furniture sector, which is available at
http://www.fas.usda.gov/gainfiles/200511/146131641.pdf

Vietnam's success notwithstanding, China has become the furniture-manufacturing center in the world. However, this leadership position comes at a cost in the form of resource consumption and pollution. Looking several years into the future, the rapid rate of growth of China's furniture sector is expected to slow because of China's limited energy and resource constraints.

Imports: China's furniture imports in 2007 are forecast to amount to US$790 million, five percent more than the estimated US$752 million in 2006. China's demand for imported furniture is expected to increase moderately with the expansion of China's middle-class.

Material Handling Industry

China's wood consumption by material handling industry is expected to decease year-by-year because wood substitutes are more economical, and do not face the quarantine restrictions that wood packaging materials face.

On December 31, 2005, the General Administration of Quality Supervision, Inspection, and Quarantine (AQSIQ) released its Decree No. 84 – Quarantine and Supervision Administrative Measures for the Importation of Solid Wood Packaging Materials (SWPM). The original

document is available in Chinese at:
http://www.aqsiq.gov.cn/cms/template/item.html?did=1&cid=1895\17627

The translation is available as GAIN report CH6050.

Post views these measures favorably because, in general, they are consistent with internationally recognized standards, namely the International Plant Protection Convention's (IPPC), "Guidelines for Regulating Wood Packaging Material in International Trade (ISPM-15)" which it approved by on March 15, 2002. The United States, the European Union, and Canada drew heavily from these guidelines in promulgating their respective wood packaging material regulations. This has resulted in considerable regulatory uniformity between these countries and China, which is expected to facilitate trade. U.S. exporters and those enterprises involved in fumigation are encouraged to keep in good standing on AQSIQ's list because the Measures state that such exporters and enterprises will benefit from fewer random inspections and other preferential treatment that will expedite the inspection process.

Statistics Tables

Table 1. Softwood Logs PS&D Table

Country	**China, Peoples Republic of**					
Commodity	**Softwood Logs**				1000 CUBIC METERS	
	2005	Revised	2006	Estimate	2007	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2005		01/2006		01/2007
Production	20665	20860	21700	23150	0	24500
Imports	16760	18268	17600	20100	0	20600
TOTAL SUPPLY	37425	39128	39300	43250	0	45100
Exports	0	1	0	0	0	0
Domestic Consumption	37425	39127	39300	43250	0	45100
TOTAL DISTRIBUTION	37425	39128	39300	43250	0	45100

Table 2. Temperate Hardwood Logs PS&D Table

Country	**China, Peoples Republic of**					
Commodity	**Temperate Hardwood Logs**				1000 CUBIC METERS	
	2005	Revised	2006	Estimate	2007	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2005		01/2006		01/2007
Production	25935	27900	27230	30400	0	32200
Imports	3465	3788	3640	4170	0	4370
TOTAL SUPPLY	29400	31688	30870	34570	0	36570
Exports	5	6	5	5	0	5
Domestic Consumption	29395	31682	30865	34565	0	36565
TOTAL DISTRIBUTION	29400	31688	30870	34570	0	36570

Table 3. Tropical Hardwood Logs PS&D Table

Country	**China, Peoples Republic of**					
Commodity	**Tropical Hardwood Logs**				1000 CUBIC METERS	
	2005	Revised	2006	Estimate	2007	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2005		01/2006		01/2007
Production	2880	1469	3025	1400	0	1300
Imports	7335	7296	7700	7200	0	6700
TOTAL SUPPLY	10215	8765	10725	8600	0	8000
Exports	0	0	0	0	0	0
Domestic Consumption	10215	8765	10725	8600	0	8000
TOTAL DISTRIBUTION	10215	8765	10725	8600	0	8000

Table 4. Softwood Lumber PS&D Table

Country	**China, Peoples Republic of**					
Commodity	**Softwood Lumber**				1000 CUBIC METERS	
	2005	Revised	2006	Estimate	2007	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2005		01/2006		01/2007
Production	7710	5200	9250	5980	0	6580
Imports	1870	1883	2060	2150	0	2580
TOTAL SUPPLY	9580	7083	11310	8130	0	9160
Exports	180	271	180	320	0	340
Domestic Consumption	9400	6812	11130	7810	0	8820
TOTAL DISTRIBUTION	9580	7083	11310	8130	0	9160

Table 5. Temperate Hardwood Lumber PS&D Table

Country	**China, Peoples Republic of**					
Commodity	**Temperate Hardwood Lumber**				1000 CUBIC METERS	
	2005	Revised	2006	Estimate	2007	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2005		01/2006		01/2007
Production	9420	12130	11300	13950	0	16740
Imports	1535	1343	1690	1545	0	1850
TOTAL SUPPLY	10955	13473	12990	15495	0	18590
Exports	300	328	320	320	0	350
Domestic Consumption	10655	13145	12670	15175	0	18240
TOTAL DISTRIBUTION	10955	13473	12990	15495	0	18590

Table 6. Tropical Hardwood Lumber PS&D Table

Country	**China, Peoples Republic of**					
Commodity	**Tropical Hardwood Lumber**				1000 CUBIC METERS	
	2005	Revised	2006	Estimate	2007	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2005		01/2006		01/2007
Production	1260	573	1510	550	0	600
Imports	3200	2747	3520	2500	0	2100
TOTAL SUPPLY	4460	3320	5030	3050	0	2700
Exports	10	16	10	12	0	10
Domestic Consumption	4450	3304	5020	3038	0	2690
TOTAL DISTRIBUTION	4460	3320	5030	3050	0	2700