The Chinese plywood industry
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1 – Scope of the research

Western countries are considering with great attention the rapid growth of the Chinese economy.
China is surprising every day observers, even those with considerable experience of this country, achieving continuously new results.

China is becoming or it has become "the main producer …" or "the main consumer …" or "the main importer …" of many different items, such as ships, steel, concrete, oil, shoes, textiles, electronics, etc.
The market of these very different items a few years ago was not heavily influenced by China, while now China has acquired a tremendous weight on the global market of commodities and finished products.
Moreover its economic expansion does not seem to have an end. Many economists are analyzing the Chinese performance in order to see if the so-called "bubble" of the growth, of the inflation, of the bank loans, of the building industry, of the aggressive export will collapse, but there are few signs of this at the time of writing this report (June 2005). Many "informed people" believe that Chinese growth will have to slow down, or even drop, but this is not happening yet.

Also the wood sector has been heavily influenced by China. This country has rapidly become one of the main wood importers in the world, and it is producing a huge quantity of different wood items. The main destination of manufactured goods is generally the Chinese domestic market, with a population of 1,3 billion people, growing of 40 million every year and with a growing purchasing capacity.
China is therefore a country of destination of many wood products from other countries: it imports all types of raw wood (logs, sawn timber, veneer, wood panels) and of manufactured items.

However in the meantime Chinese industries, with a rapidly growing production capacity, are also looking into export markets for remunerative prices. China is therefore becoming a major exporter, especially of furniture and of plywood. These items have flooded the Western World at incredible prices, causing strong reactions in industries, Associations and Governments. There have been anti-dumping actions which have brought to import duties on certain Chinese products.

There is great interest therefore in the Western World for the Chinese market, both for supplying it with any type of wood products and for buying there other wood products.

Gardino Consulting Company has invested in the last three years considerable time and efforts in Asia, and it has acquired a good knowledge of this part of the world (if a West European Company can have a good knowledge of East Asia …).

It has therefore prepared this report, which is fruit of trips to China and of many interviews made to the main Chinese plywood industries. The report will be a very useful tool for all companies wishing to make business with China, both sellers of items purchased by Chinese plywood industries, such as logs, machinery, chemicals, veneer etc., or companies interested in buying plywood in China.

It is also an important tool for Western plywood and wood panel producers and traders, in order to get a clear and updated picture of the competition of Chinese companies, and for analyzing if any of these companies might be their client or their supplier.

It is typical of the relationship with China in these years, that any industry or any supplier of services can be in the meantime buyer and supplier of “something”.

2 – Method of work

An analysis of the Chinese market is always a great effort for a European company, due to the size of the country and to the existing barriers (first of all the language barrier).

China has a territory larger than the USA and almost 1,5 times bigger than Western Europe.
It has 1,3 billion inhabitants.
Its provinces are often much bigger than the biggest European countries.
Western visitors usually know the names of a few cities: Beijing, Shanghai and a few others, but usually ignore the existence of dozens of cities larger than Rome or Madrid or Frankfurt.

Our purpose is that of analyzing the plywood industry. Even basic figures are very uncertain, due to the lack of reliable information in China. We report different sources and different figures.

According to the different sources Chinese plywood producers are 2000, or 3000 or even 6000.
Their production in 2004 ought to be in the range of 15 to 25 million m3.
Even import and export figures are contradictory and again, in the report, we list some large discrepancies.

However we do not believe that readers of this report are so much interested in getting very precise statistical information, but are rather interested in getting trends, forecasts for the future and a description of the state-of-the-art industries.

A problem arises from the fact that Chinese statistics concerning plywood include blockboard and LVL.
Blockboard produced and consumed quantitities are quite large on a European standard, but in any case the bulk of production is always plywood.
LVL on the contrary represents a quite small niche.

Another difficulty we have had to face is Chinese names, which can be written, in English, in different ways.
We have tried to avoid all duplications of information and we have tried to write all Chinese names in the most accurate way. However we are aware of the fact that there can be mistakes.

We have identified most large Chinese plywood industries. However some of them (quite few) refused answering to our quite long interview, therefore we do not list in this report <u>all</u> the main Chinese plywood industries.

We have interviewed one by one about 100 Chinese companies. It is a small sample, if we consider that there are more than 2000 industries, but we have selected only large companies, with annual production of more than 20.000 m3.
Of course the picture emerging from this sample will not represent actual Chinese production, which is based on many other much smaller companies.
We did choose this line of work since a different approach (hundreds of interviews to very small companies involved only in the domestic market) would have made this report much more costly and probably its results would have been of little interest to potential users, which are more interested in the largest plywood producers.

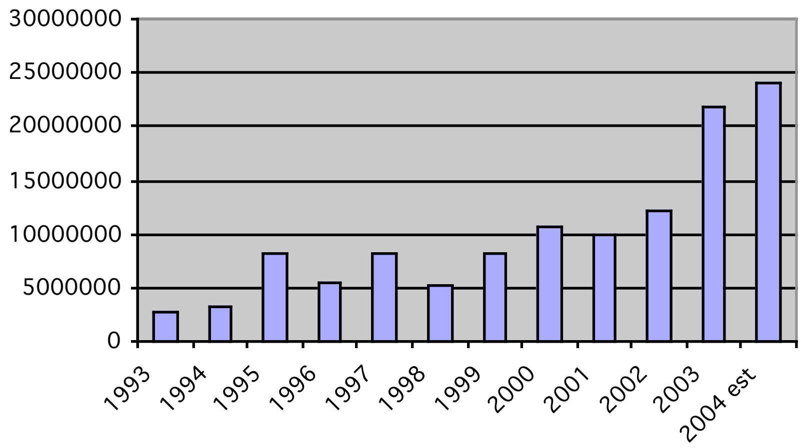
We plan to update this research in a near future.
We welcome suggestions of our readers.

We are publishing this report in June of 2005. At the time of issuing this report no official figures were available for year 2004, therefore we base the report on figures published for year 2003 and, whenever possible, we give our estimation for year 2004 and, in some issues, also for year 2005.

3 – Synthesis of the research

3.1 – The Chinese Plywood Sector

Figure 1- Plywood production in China 1993 - 2004 (m3 - Source: FAO)



Until quite recently Chinese plywood industries were not competitive. In the last 5 years companies have made large investments and have been increasingly using imported logs. The result has been an impressive production increase of Chinese plywood, and a parallel drop of imports.
The boom of construction in China has created a tremendous domestic demand, and domestic plywood producers had to reply positively to this demand.
Many foreign producers, firstly from Taiwan, started investing in China, and this added more modern technologies and export know how.
Poplar plantations are also growing and in the future they will contribute to additional capacity.
Plywood production is made mostly in the most developed Chinese provinces along the coast.

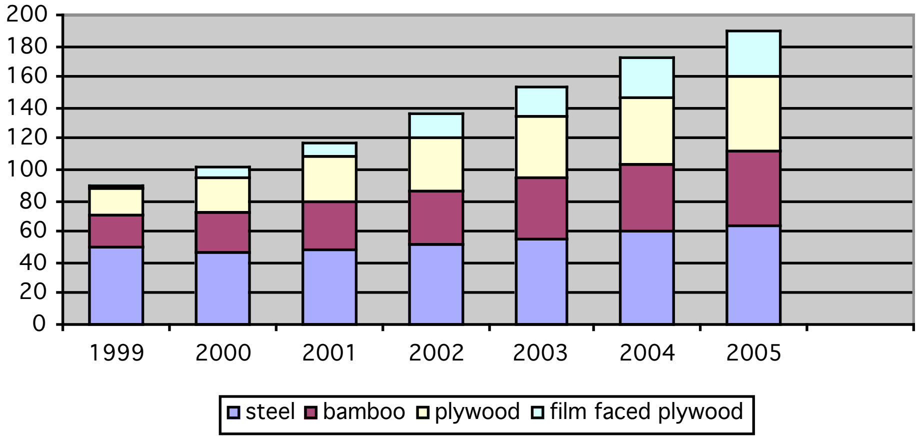
Table 1 - Plywood production of the main Chinese provinces (m3 – 2002 – Source: GFIA)

Province	2002 production m3
Hebei	3.436.000
Zhegjiang	2.411.000
Shan Dong	1.760.000
Guang Dong	930.000
Hunan	667.000
Jiangsu	653.000

According to other sources, the Shan Dong and the Jiangsu Provinces have bigger production than here indicated.

Chinese production of film faced plywood is rapidly growing, mainly thanks to the boom of the building industry.

Figure 17 - Chinese consumption of shuttering boards (MM m2 – Source Dynea)

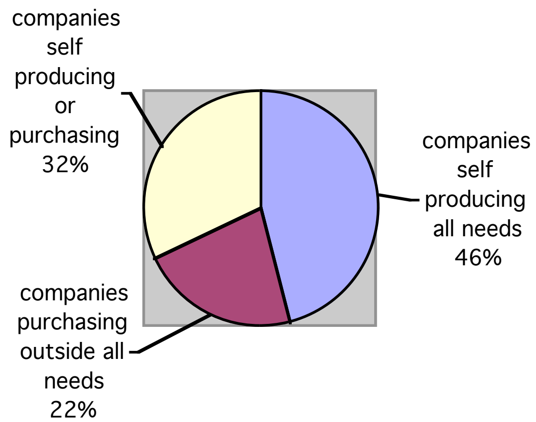


Plywood for transport (mainly containers) is also a growing item, although its production is smaller that concrete forming panels.
According to a forecast made in 2004 by Chen Shuihe of Guandong Forest Association the Chinese production of plywood for container flooring will arrive to 700/800.000 m3 a year.

Peeling capacity

Chinese plywood industries usually do not produce all the rotary cut veneer they need for their production. Smaller industries (which are not a part of our interviews) very often buy 100% of the veneer they need.

Figure 18 - Percentage of rotary veneer produced or purchased by interviewed companies (source Gardino Research)



Appendix 3 – Some of the main Chinese plywood producers

We report in this appendix data 64 Chinese plywood producers and exporters.

We have interviewed one by one these companies and their replies have been the base for a part of this report.

Our questionnaire was long and complex.
The replies are often confidential and we cannot report all the replies here.

We report some data which can be helpful to readers of this report and which the Chinese interviewed companies allow us to publish.

These are the fields of each record of the data base:

1 – Name of the company: we report the complete name. We have asked each company to spell the name and to update all data at the time of interviews (finished in June 2004). Some names could be reported with slight spelling differences. After the name we report if the company belongs to a group.

2 – Activity. All companies produce plywood, and many of them have also other activities, such as MDF, chipboard, mouldings, doors, flooring, etc. We have also kept separate from the "plywood" activity, the companies producing "fancy plywood", "film faced plywood", "container flooring".

3 – Address, Province, Town and Country.

4 – E-mail and Web-site: here again we have paid a lot of attention to write it correctly, there might be mistakes. Moreover e-mail addresses change very frequently.

5 – Phone and fax: Phones are all correct, since we have used them for interviews. Many listed companies are large and have many phone numbers in different locations.

6 – Main used wood species: we report the main species used by each company. They always include species used for cores (e.g. poplar or pine) and for faces (e.g. okoume, meranti, oak and others). Sometimes the species used for faces are also used for cores. Companies using films for faces will be identified through the activity, since they will be listed as "film faced plywood"

7 – Production capacity. We asked to each company its production capacity. We believe that most replies are correct, but we also believe that a few companies have given wrong indications. There might have been also confusion with other produced items, such as LVL, blockboard, and in few issues other wood panels, such as MDF.

8 – Workers. We report usually the number of workers of the interviewed company. In few issues it is the number of workers of the group.

9 – Thicknesses: we report the minimum and maximum thickness which the company declares being able to produce.

10 – Width/length: we repot the maximum sizes, which the company declares being able to produce.

11 – Contact: we report the name of a contact. We usually indicate, in the Chinese way, first the family name, then the other names (e.g. Chen Daotong). In some issues this has not been possible, this is the case when the contact has a Western name (e.g. Frank Wang, where the name will appear as Wang Frank).

Company Baifarwood Industrial Co. Ltd.

Activity plywood

Address

Province Fu Jian **Town** Zhang Zhou **Country** China

Fax 86-596-2170562 **Phone** 86-596-217037332

E-Mail baifarwood @sina.com.cn **Web site** www.baifarwood.com

Main used wood species poplar okoume meranti radiata pine

Production capacity 30,000 cbm/year

Workers **Thickness** 2,3 to 25 mm **Width/length** 1220 x 2440

Contact Hu Xiaojun

Company ChangChun Winpro Wood Industries Company Ltd. SMI Singapore Group

Activity plywood, blockboard, LVL fancy plywood

Address 4806 Bei Huancheng Road

Province Ji Lin **Town** Chang Chun **Country** 130052 China

Fax 86-431-2924835 **Phone** 86-431-2925833

E-Mail cwwmkt@winpro.com **Web site** www.winprowood.com

Main used wood species poplar pine spruce larch birch beech

Production capacity 50.000 cbm/year

Workers 600 **Thickness** 6.5 to 105 **Width/length** 1220 x 2440

Contact Shi Qiu

Company Chans Wood Co., Ltd

Activity plywood, fancy plywood, film faced plwd

Address Zhenrong Building, South Xueyan Road Chengxiong

Province Fu Jian **Town** Pu Tian **Country** China

Fax 86-594-2685331 **Phone** 86-594-2650631

E-Mail chans©public.ptptt.fj.cn **Web site**

Main used wood species poplar meranti pine spruce larch birch beech okoume mersawa bintangor

Production capacity 30.000 cbm/year

Workers 360 **Thickness** 2.2 up **Width/length** 1220 x 2440

Contact Chen Guoshu
