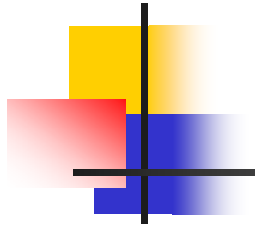
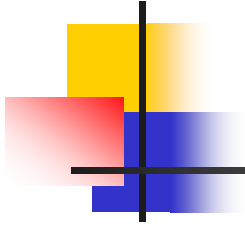


The Demand & Supply of Wooden Material for Chinese Furniture Industry

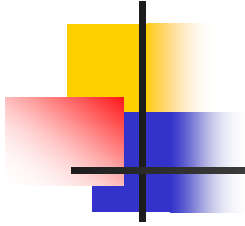
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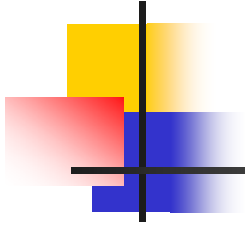
1 The Brief Introduction of Chinese Furniture Industry



- In the ten years of the beginning of this century, Chinese furniture industry will be the number one of the furniture industries in the world and stride forward from the biggest one to the strongest one. In order to finish this task, its integrated power must be upgraded and the demands for the furniture marketplace and raw wooden materials are more than before.



- The total number of furniture firms is above 50,000. among which generally are small and medium firms. The number of employees of furniture industry is 5 million now.

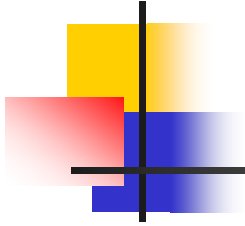


- the integrated technical level of the industry is continuously raising, the types of furniture are increasing and the qualities of products are much better than before. The total turnover satisfies the market demands, especially for low and medium grade market in which the supply surpasses the demand, but in the high grade market, the shares are almost occupied by imported products or products made in joint-venture or foreign-owned furniture firms.

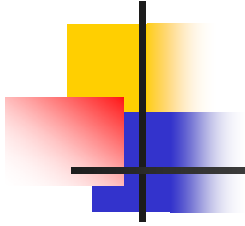


1.2 Furniture-making Clusters in China

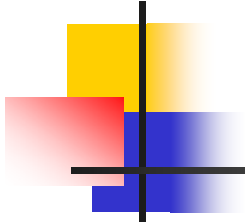
- There are four major furniture-making clusters distributed in the south, east, north and northeast parts of China.



- Guangdong carried 30% (by value) of the country's overall furniture production, with the value of USD \$ 5.06 billion in 2002, and its exports took up an even higher percentage of 51% of the nation's total export value, at USD \$ 2.74 billion.



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- There are many types and kinds of furniture products manufactured by Chinese furniture industry. All kinds of furniture including various household furniture, office furniture, kitchen furniture and common furniture (such as used in hotels, hospitals, schools, theatres , rail stations, air ports and etc.) could be produced in China.

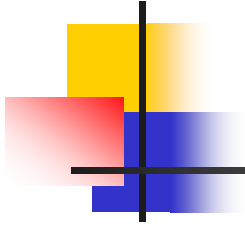


- Classified from the materials used in furniture, all kinds including wooden furniture (solid wood furniture and panel furniture), upholstered furniture(sofa, mattress and upholstered chairs), metal furniture(steel furniture and steel mixed with wood furniture), glass furniture , and bamboo and rattan furniture are produced in China, but wooden furniture are the dominant products which are 80% of the total products.

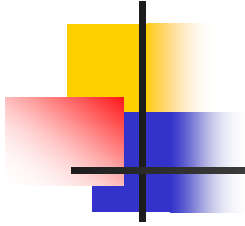


2 The Demand Change of Wood Materials for Chinese Furniture Industry

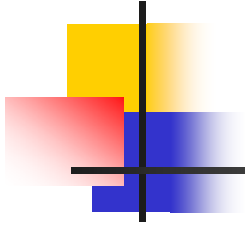
- As the output of products is increasing, so the demand of wood materials is increasing in Chinese furniture industry.



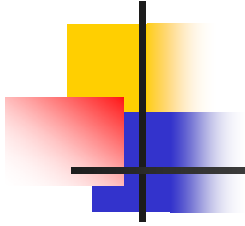
- It may be reasonable that its total turnover will reach US\$40 billion in 2010 to 2015, of which US\$30 billion is sold in the domestic market and US\$ 10 billion will be exported to oversea.



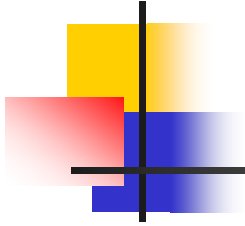
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- Given that the cost of material accounts for 30% of total production cost, the demand of material is valued at 110 billion RMB(Yuan), of which the share of wood material is 80%, that is, the demand of the wood materials is valued at 90 billion RMB(Yuan).



- In terms of volume, it is estimated that total consumption of lumber will be 240 million cubic meters and consumption of furniture will be 44 million cubic meters (in 1999, it was 24 million cubic meters for furniture).



- Secondly, the demands of solid wood, qualified wood-based panel and decorative veneer are much more than before.



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- Third, Chinese furniture industry tends to diversify its wood sources. The wood supply mainly from northeast China would be replaced to from abroad and domestic and both softwood and hardwood would be used.



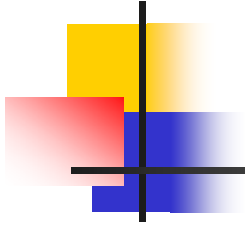
3 Wood Resource Supply for Chinese Furniture

- There are two kinds of wood materials, that is, solid wood including hardwood, softwood and integrated timber(glulam), decorative veneer; and secondly, wood-based panels including plywood, particleboard, fiberboard, blockboard and honeycomb core board.

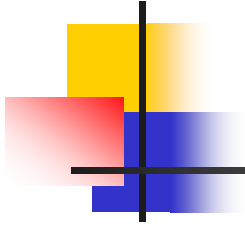


3.1 Wood-based Panels

- In 2003, the total outputs are 45.5336 million m³ among which, plywood, 21.0235 million m³; particleboard, 5.4741 million m³; fiberboard, 11.2833 million m³, blockboard and honeycomb core board, 7.527 million m³.



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- (1)The amounts of the needs for wood-based panels:
 - (2)The types of the needs for wood-based panels:

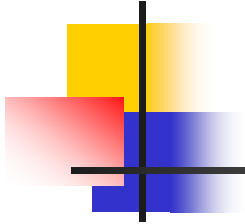


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- But the problem is the high grade wooden furniture needs high grade wood-based panels as raw materials, we hope we can get more and more high grade wood-based panels with inexpensive price.

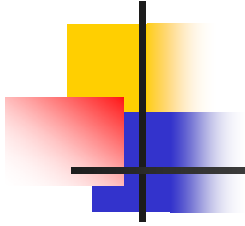


3.2 Solid Wood

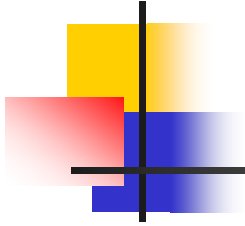
- In 1999, the actual supply of wood is 144 million cubic meter in China in which the used solid wood for furniture is 24 million cubic meter by that Chinese furniture industry had made 660 million pieces of furniture. In 2010, the estimated consumption for solid wood will reach to 240 million cubic meter in which the used solid wood for furniture would be 44 billion cubic meter which is 18.3% of the total consumption.



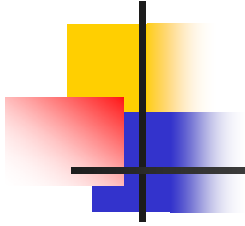
- In recent years, the need for solid wood is about 150 million cubic meter in China, the gap between the supplies and demand is 80 million cubic meter. In 2002, the import of solid wood is 24.33 million cubic meter whose value is 2.138 billion USD. In 2010, this gap will be enlarged to 120 to 160 million cubic meter which must be filled by importing solid wood.



- Due to the hardwoods produced in Russia such as elm, ash, birch is very similar to the hardwoods produced in the northeast China which are traditionally the used wood in the domestic furniture factories and the the resource of forest is very abundant in the Far- East region of Russia near by China, from where we could outsource.



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- This is a very important problem of win to win for Chinese furniture industry and Russian wood industry.



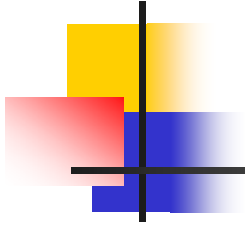
- At the same time, we could still broaden every channels to import hardwood from US, African countries and South American countries and other Asian countries to supply the increasing demands for Chinese furniture industry.



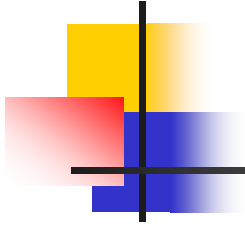


4 Conclusions

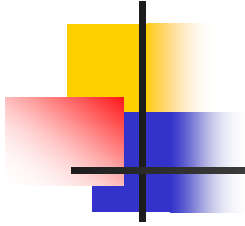
- Wood industry and furniture industry are respectively located on the upper and down end of the industry chain, the latter is directly facing the consumers in the furnishing market. In the market economy system, the market is the guide. Consequently, the market depends on the end-consumption, which is the driving force for industry chain.



- The chances for Chinese economy development would exist for several decades, that means Chinese furniture industry would also develop continuously in the future. It is an interesting project about how to get a win-win situation between the two industries,



- and the essence should be compensating for each other. And one of the important methods is that the wood industry should pay more attention to what the furniture industry needs and develop more new products to correspond. And this is the main goal that I want to say in this lecture.



■ Thank you very much