China’s Timber Market in Relation to Russia Timber Imports

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TRANSITION OF CHINA’S TIMBER MARKET

• Prior to the 1980s, timber production and distribution were monopolized by the GOC
• A gradual transition from state allocation to market liberalization occurred during the late 1980s and early 1990s
• Currently – timber harvest and transport remain heavily regulated by the government, timber producers are allowed to market timber directly to different buyers
TIMBER DISTRIBUTORS

- Hundreds of timber markets (once called wood-trading centers) in both major timber producing regions & consuming regions
- State owned timber companies
  - Market share decreasing
- Private traders
  - Important players, particularly in dealing with imported timber
China’s Timber Imports from Russia

• Quantity & share
  – 2/3 of China’s total log imports
  – Over 80% of China’s softwood log imports

• Import patterns
  – Border trade, nearly 90% , half VAT (6.5%)

• Institutions undertaking imports
  – State owned enterprises only 10-15% in 2004
  – Dominated by private companies

• Import policy
  – Zero tariff, 13% VAT for logs & sawnwood
  – Abolished import permits/licenses
China’s log Imports from Russia

Million cubic meters

Year


total log imports
imports of Russian logs
Simplified commodity chain of Russian logs within China

- **Log Importers**
  - 95% to **Middle men**
- **Middle men**
  - 100% to **Domestic timber markets**
- **Domestic timber markets**
  - 10% to **Exports**
  - 75% to **Local use**
- **Exports**
  - 90% to **Final uses**
    - Construction 80%
    - Decoration 15%
    - Furniture 5%
- **Secondary Domestic timber markets**
  - 15% to **Local use**
  - 100% to **Final uses**

- **Log processing enterprises of gateways**
  - 10% to **Gateways**
  - 10% to **Log Importers**
  - 10% to **Local use**
- **Gateways**
  - 10% to **Log Importers**
  - 90% to **Russian softwood logs**

**Final uses**:
- Construction 80%
- Decoration 15%
- Furniture 5%
Major links along the commodity chain

- Gateways
- wood processing enterprises at gateways
- Importers
- Middlemen
- Primary timber markets
- Secondary timber markets
- Final users
Major Gateways

Imports (thousand cubic meters)

Year


Manzhouli Suifenhe Erlian Heihe Others
Importers

- Numerous companies importing Russian logs. They are scattered throughout the whole country.
- Approximately 60 such trading companies in Northeast China fully control over 80% of the Russian-Chinese timber trade.
- Top 10 importers accounted for nearly 30% of total imports of Russian timber.
- Large importers have operations in Russia.
  - Do both harvesting & processing.
Domestic Timber Markets

- **Primary timber markets – wholesale markets**
  - Principal capitals of provinces
  - Major timber distribution centers
  - E.g. Dezhou in Shandong Province, Xi’an in Shaanxi province, Dalian in Liaoning province

- **Secondary timber markets – retail markets**
  - Small cities or towns
  - Near large primary markets
Wood Processing Enterprises at Gateways

• Timber industrial zones established
• Export-oriented
• Value adding to Russian logs
• Major exporting products:
  – semi-finished and finished wood products
  sownwood, flooring blocks, decorative
  mouldings, and solid wood dining tables (for
  IKEA)
Final Uses of Russian Timber

• Mainly consumed domestically
• SW – construction and interior decoration, cement forms, mouldings, wood packing materials, wood pallets, outdoor decorative materials
• HW – solid wood furniture, wood floorings, face veneer of laminated floorings, picture frames
• Large cities – inner & outer materials for solidwood furniture and upholster furniture
• Local farmers – house building
Simplified commodity chain of Russian logs within China

- **Log Importers**
  - 90% Russian softwood logs
  - 10% alternate source

- **Middle men**
  - 95% Domestic timber markets
  - 5% alternate source

- **Log processing enterprises of gateways**
  - 10% alternate source

- **Gateways**
  - 90% Russian softwood logs

- **Domestic timber markets**

- **Exports**
  - 90% of gateways
  - 10% direct sales

  - Europe
  - N.America
  - Japan
  - S.Korea

- **Final uses**
  - Construction 80%
  - Decoration 15%
  - Furniture 5%

- **Local use**
  - 15% Secondary Domestic timber markets
  - 75% Domestic timber markets

- **Secondary Domestic timber markets**
  - 100%
Thanks

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