

China's Timber Market in Relation to Russia Timber Imports

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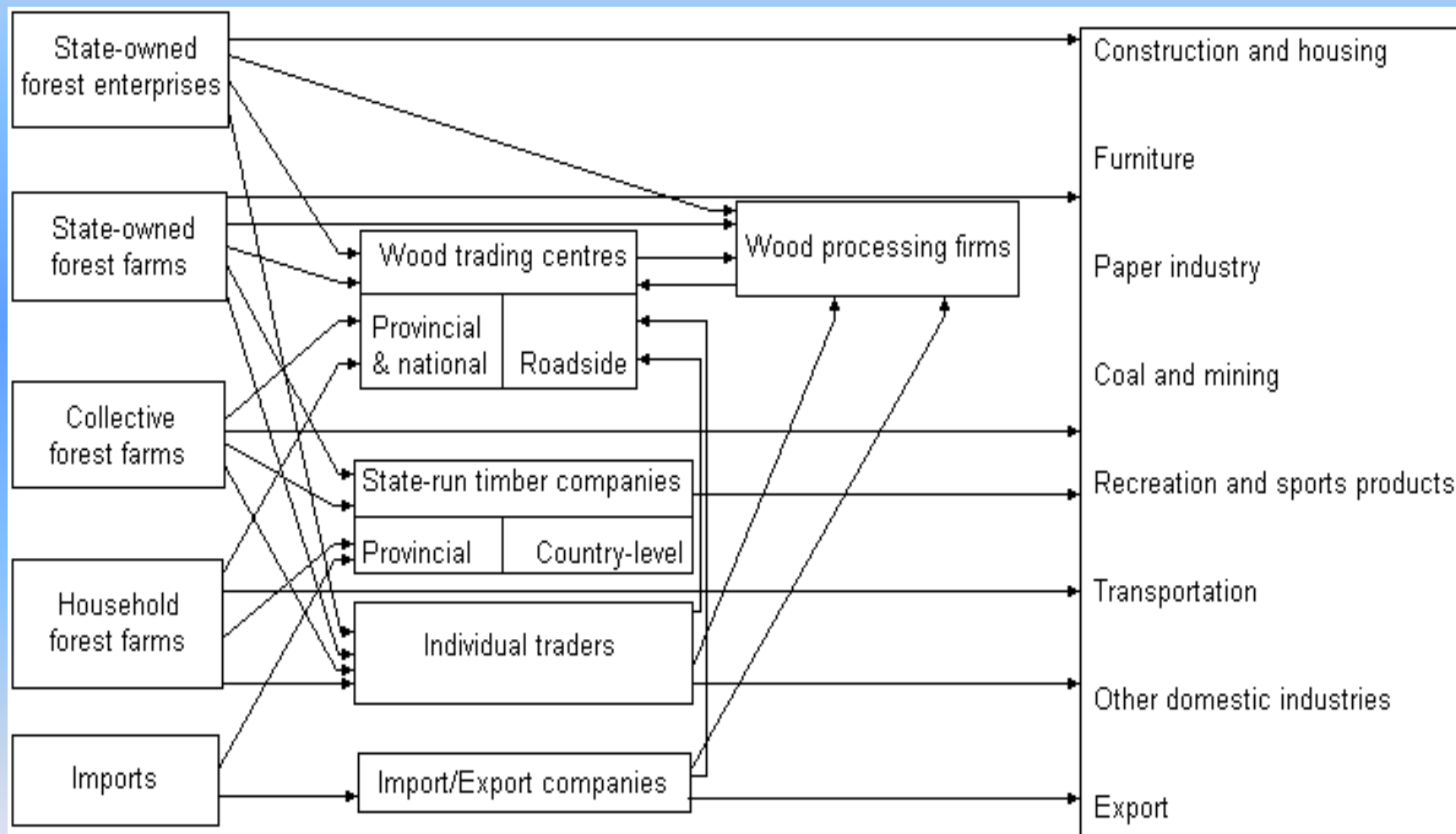
Forest Trends

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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

SIMPLIFIED CHINA'S TIMBER MARKET AND DISTRIBUTION SYSTEM



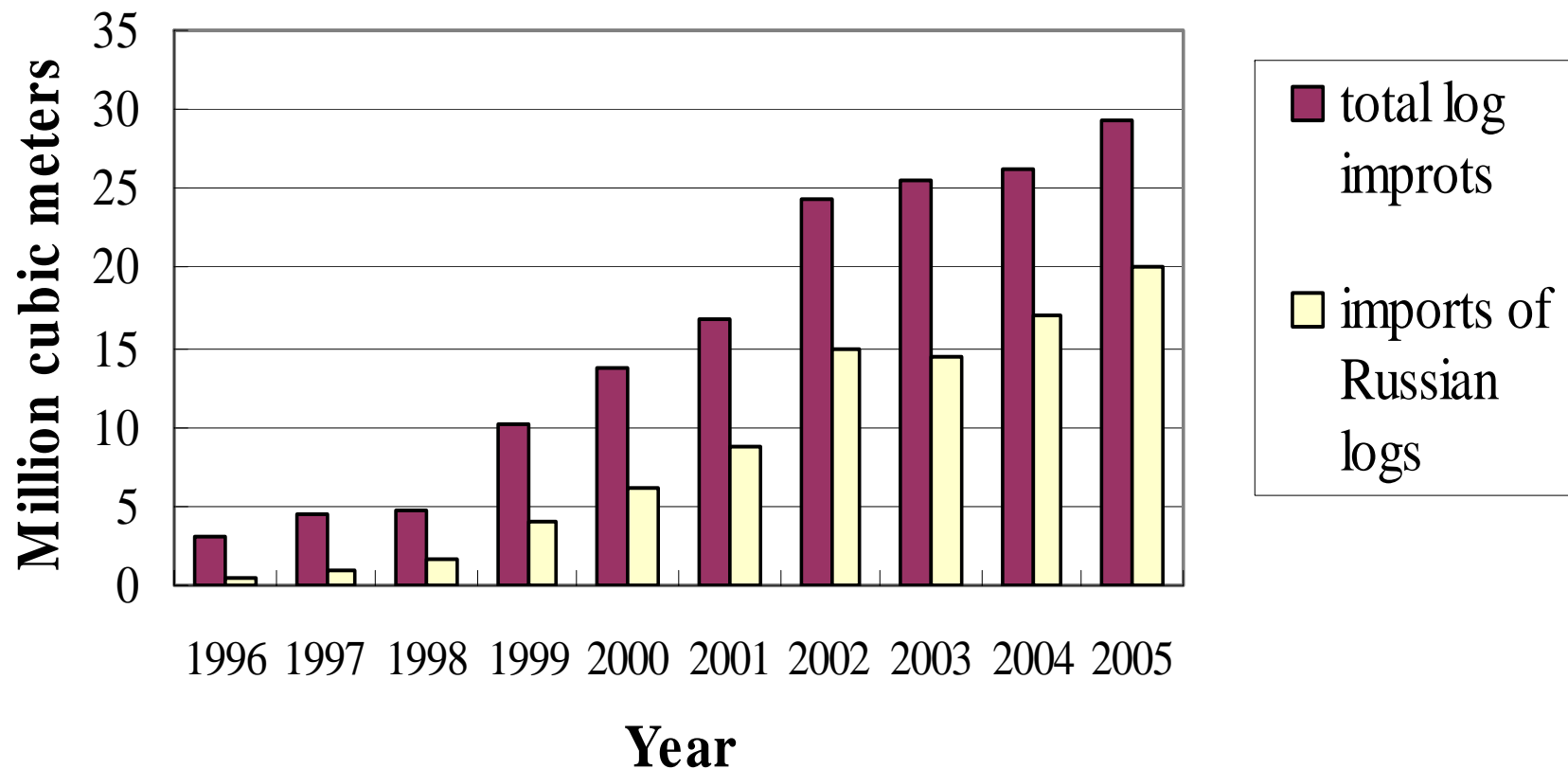
TIMBER DISTRIBUTORS

- 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

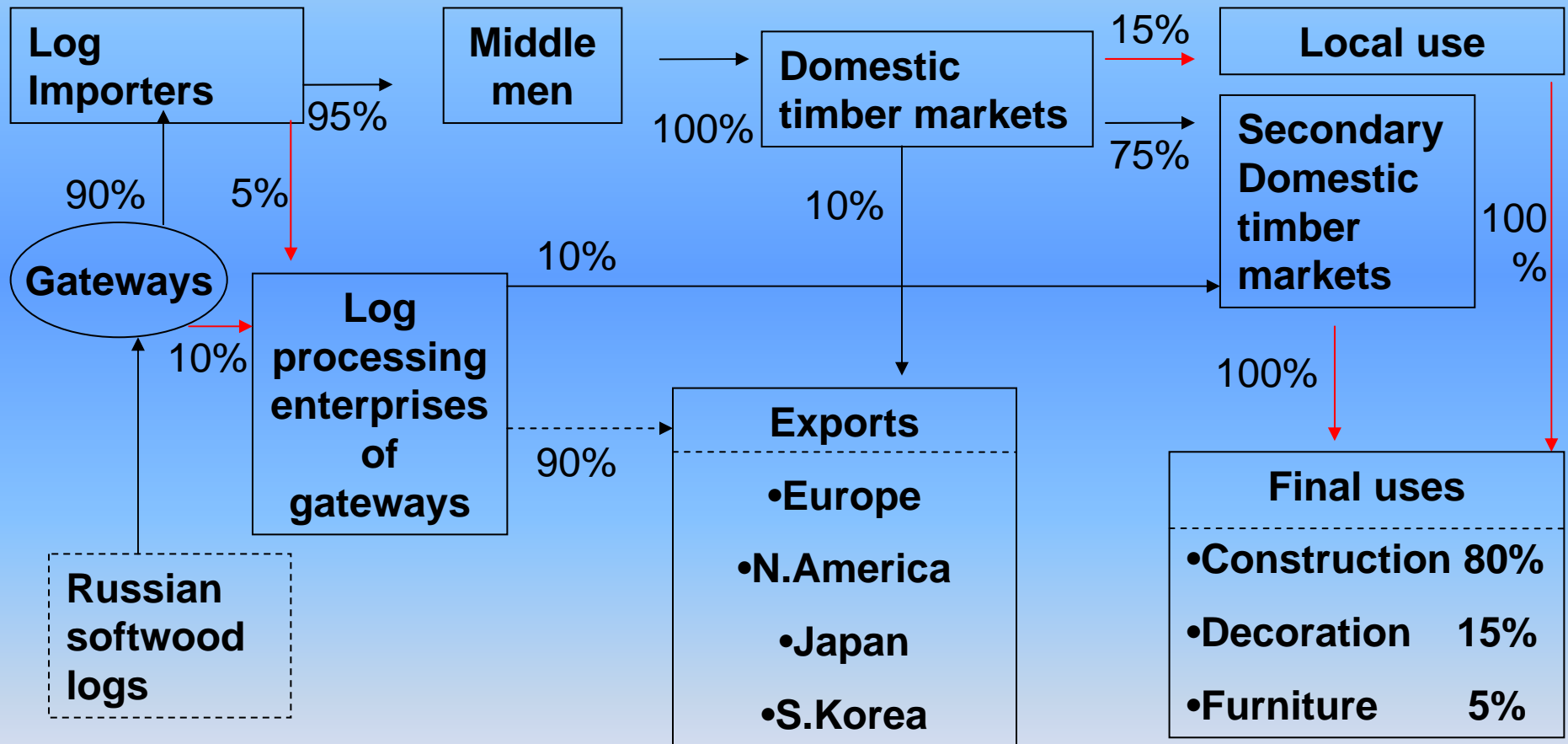
China's Timber Imports from Russia

- 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



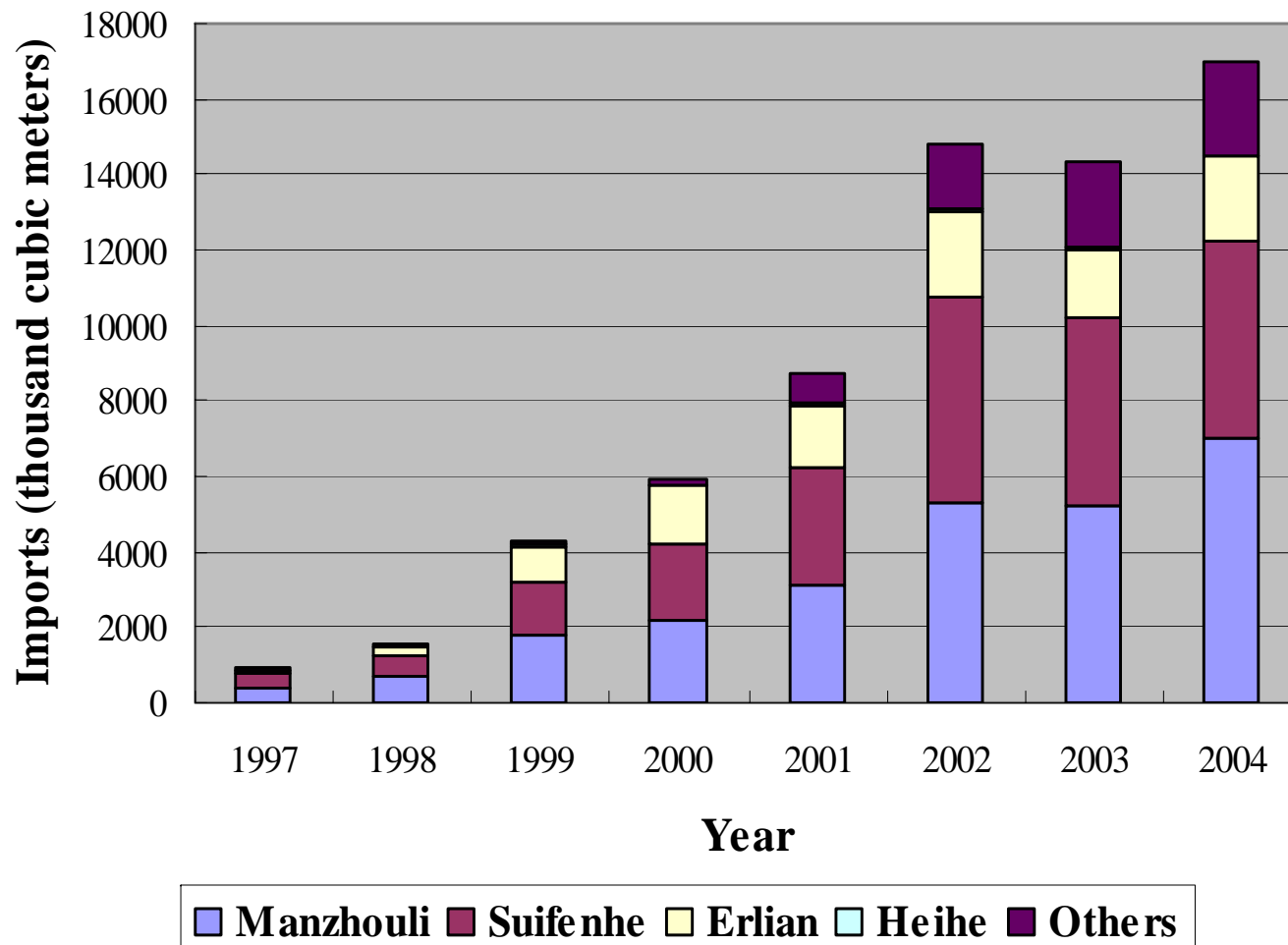
Simplified commodity chain of Russian logs within China



Major links along the commodity chain

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

Major Gateways



Importers

- Numerous companies importing Russian logs. They are scattered throughout the whole country
- 426 in 2004, Lankins indicated over 500 in 2002
- 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

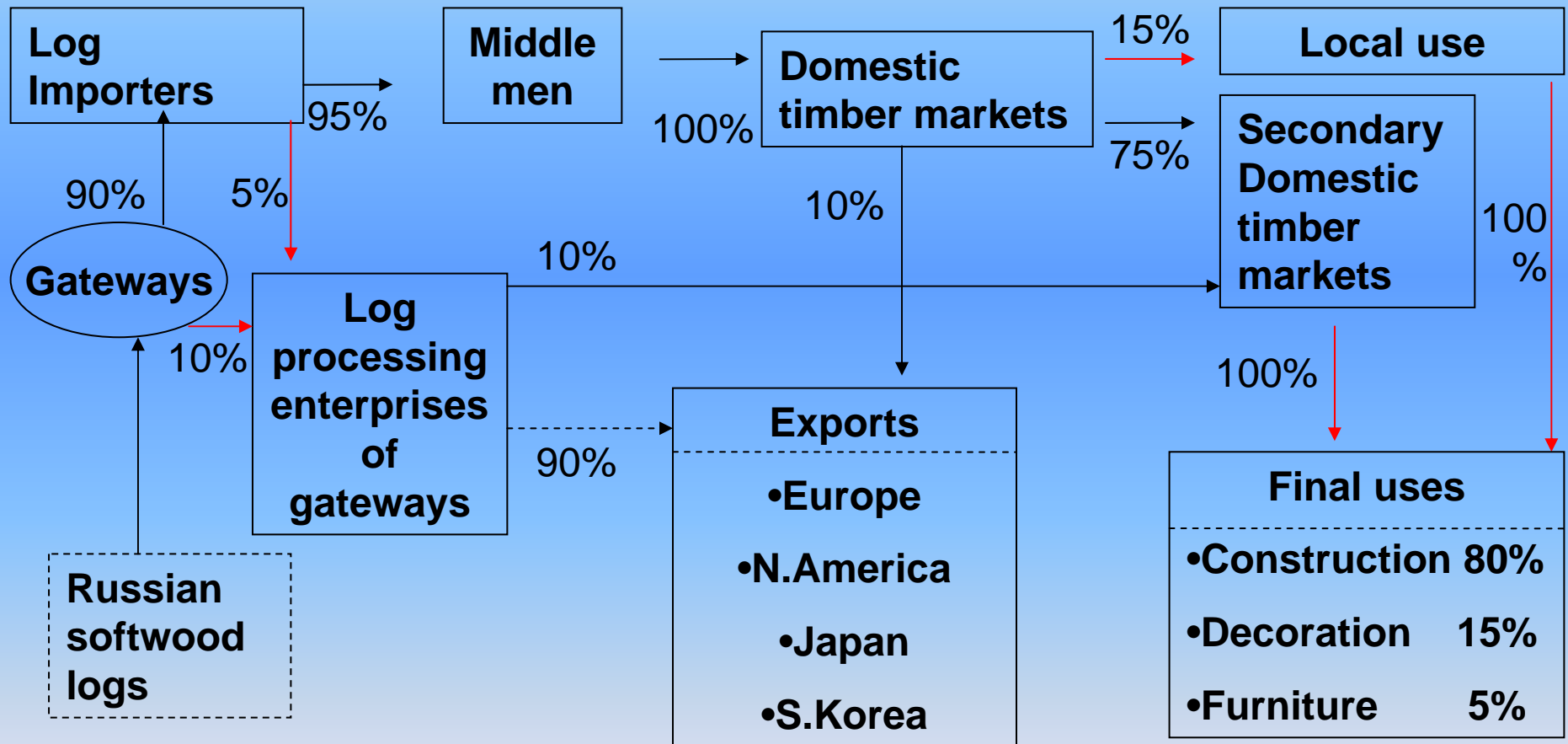
Wood Processing Enterprises at Gateways

- Timber industrial zones established
- Export-oriented
- Value adding to Russian logs
- Major exporting products:
 - semi-finished and finished wood products
sawnwood, flooring blocks, decorative
mouldings, and solid wood dinning 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



Thanks

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