

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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Voluntary - Public

**Date:** 12/21/2010

**GAIN Report Number:** CH106012

## **China - Peoples Republic of**

**Post:** Guangzhou

### **A Snapshot of Guangdong Wood Market**

**Report Categories:**

Market Development Reports

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**Report Highlights:**

## General Information:

### **Industry value**

In 2005, China surpassed Italy and became the number one exporter of furniture in the world. Total production value exceeded \$79 billion in 2007, up 26 percent from \$63 billion in 2006. Exports for 2007 were at \$23 billion, a 30 at \$18 billion.

In the province of Guangdong, there are some 2,000 furniture factories. Begun in the 1990's, Taiwan and Hong Kong furniture makers moved their plants and businesses here, and the province has assumed a leading role in furniture making ever since, known for highest capacity in producing, selling, moving and exporting furniture. It accounted for one-third of the country's furniture production and almost half of the country's total export volume. Of the \$23 billion export value of the country in 2007, Guangdong furniture took up 44 percent at \$9 billion.

### **Wood at a glance**

- **U.S. exports to China:** \$523 million
- **U.S. exports to South China ports:** \$148 million
- Popular species:** cherry, maple, oak & black walnut
- **Trade shows:** Interzum Guangzhou
- **Markets:** Yuzhu, Xinye and Jilong.

Guangdong is such an important market for U.S. woods that in 2009, United States exported \$523 million worth of woods, mostly coming to South China. United States ranked as second largest sawn wood supplier to China according to China Forestry Research Institute data.

### **Product types**

Both American logs and lumbers are available in South China and the most popular species are cherry, maple, red oak, white oak, and black walnut.

### **Product applications**

American woods imported to South China are normally processed into veneers and applied onto the surface of furniture, doors, floors and decorative wood lines. If there were any solid wood furniture made with American woods, they were most likely re-exported. Wood furniture and door makers consume large volume of U.S. cherry, black walnut, red oak and white oak veneer for surface applications. For flooring, local factories tend to source large amount of South American wood because of its density and sustained color. American maple is popular in engineering floors while South American woods are used for solid wood flooring.

### **Industry location**

In Guangdong, Shenzhen, Dongguan, Zhongshan and Shunde are the four main cities for China's furniture production. Guangzhou, the province's capital city, is the trading center. Dongguan and Shenzhen produce medium to high priced furniture, while Zhongshan and Shunde produce low end products destined for the domestic market. Dongguan leads in the exports category. On average, some 80 percent of the furniture produced in Dongguan is sold to the American buyers.

### **Wholesale markets**

There are three major timber wholesale markets in Guangdong Province. Xinye Timber Market and Jilong Timber Market both located in Dongguan, while the Yuzhu Timber Market is situated in Guangzhou. In

terms of American woods and European woods trading, Xinye is the largest in China. The Jilong Timber Market in Dalingshan is known for Chinese local timbers and Southeast Asia woods. Yuzhu is the oldest and largest timber market connected to a railway and marina port. Ninety percent of American woods sold to China are traded in Xinye Timber Market, Yuzhu Timber Market and Shanghai Furen Market. Over 50 percent of U.S. wood exports are red oak, cherry and walnut. Ninety percent of imported woods are used in furniture and home decoration, and the remaining are used for wood flooring.

### ***Trade shows***

Each year, in March and September, there are three major furniture shows held in Guangdong: Guangzhou International Furniture Fair, Shenzhen International Furniture Show, and Dongguan Famous Furniture Show. The Guangzhou show is geared towards the export market, while the Shenzhen show is geared more toward domestic furniture buyers, and the Dongguan show is a combination of the two. All three have over ten years of history and are held in the same month, so exporters may catch three shows in one trip. After 6 years of development, Interzum Guangzhou also known as the China International Woodworking & Furniture Raw Materials Fair (Guangzhou) is recognized as the largest and most comprehensive woodworking machinery and accessories fair in Asia to be held in March each year.

### ***Demands***

To meet China furniture industry's strict quality controls and consumer preferences, most furniture must be made from imported timber. In China, the more developed a region, the fewer forestry resources are available. Most domestic supplies are grown in the northeast. Furniture makers in South China mainly use imported lumber. Guangdong Province is the largest importer of timbers in China, consuming one-fourth of China's total imports at 8 million cubic meters a year. Furthermore, in July of 2007, the *China Department of Commerce* and *China Customs* announced a new regulation to prohibit export of furniture and panels made from Chinese timber. Manufacturers of export furniture now have no choice but to source woods from other countries.

With more countries stepping up protection for forestry resources and restrictions on timber export volumes, the Chinese furniture industry has had to pay higher prices for raw materials from other countries. Since sustainable forestry management has always been implemented in the United States, increasing wood prices of other origins have made U.S. woods seemed less expensive.

### ***Competitions***

In South China, Canadian woods are the closest U.S. competitors, with similar species and applications, and sometimes lower prices. In Northeastern China, Russian woods supply the furniture industry. However, from 2006, the country raised export tariffs to 10 percent in 2007 and to 25 percent in 2008. The plan was to impose an 80 percent tax on Russian logs eventually to encourage value added processing within Russia. Southeast Asian woods have been traded in large volumes in Guangdong. However, advocates for protecting forestry resources and environmentalists voiced their concerns loudly. Chinese manufacturers said they would prefer to use U.S. woods to avoid possible import/export restrictions.

### ***ATO/Guangzhou supports***

We eagerly welcome American exporters to contact and visit the South China market. In the meantime, we work closely with FAS/Washington and all forest products cooperators.

- Work with cooperators to develop marketing activities
- Provide official support to cooperator activities
- Provide independent verification for FAS/Washington
- Report on key developments in related sectors
- Assist with trade disputes (documentation, etc.)
- Support forest products-oriented trade shows

- Advise on market developments
- Arrange meetings/visits for exporters in South China
- Connect local buyers with American exporters

### ***How to get started***

Manufacturers said they favor American woods because of their patterns, a good and workable surface area as well as good moisture and cracking control. Industry contacts also think it is easier to work with U.S. furniture makers because the style or design of the products doesn't require frequent modifications or changes. They are keen to meet more U.S. timber suppliers and learn about their products and availabilities.

When visiting the South China market or contacting Post for export assistance, it is suggested to have the following documents ready for potential buyers: a description of the products, a description of any special features, how the product differs from other suppliers, prices, packaging details, possible volumes and a plan to work closely with Chinese buyers on promotions.

ATO Guangzhou strongly urges American exporters to contact us and discuss market opportunities in South China.

### ***Useful links***

Guangzhou Yuzhu Timber Market

<http://www.yuzhuwood.com/en/>

Dongguan Xingye Timber & Plywood Market

<http://www.chinatimber.org/e/>

Interzum Guangzhou (wood working & furniture raw materials show)

<http://cifm.fairwindow.com/en/index.htm>