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**China Market Report
March 2010**

I. Economic Overview

China's stimulus package of US\$585 billion in 2008 and 2009 has contributed to China's economic growth to total of 8.7%, nearly one more than its initial target. China's economic growth was forecasted at 10.4% for 2010. Although China manufacturing sector recovery has shown signs of a slowdown the mainland manufacturing sector continued to expand in January due to the increasing exporting orders and part of the rising inflation pressure. The pressure for the China's currency to appreciate will continue and China will maintain its currency's stability in order to maintain competitive in export market. China's leaders pledge to keep loose Monetary policies to maintain stimulus measures. Beijing is acknowledging the latest threats to the health of the economy by pulling back on lending as reports have already started circulating that banks have in fact been told to stop lending.

With the Chinese economy continuing to recover from the massive stimulus package, China's real estate market rebounded strongly in 2009 with housing prices in 70 cities peaking in December 2009. However with the banks being pressured to increase down payments for mortgage loans, the growth in real estate could slow down and decrease the demand for furniture and flooring products.

Real Estate Development in 2009

China's individual residential projects have taken up a total area of 7.8 billion M2 including 3.5 billion M2 in the cities (prior and secondary) and 4.3 billion M2 in the country side. Industrial projects have taken up 1.2 billion M2 and public building and government projects have taken up 0.8 billion M2. There are projects of over one hundred million M2 for re-construction and renovation that have not been included.

In 2009, China's total commercial residential housing projects took up 0.937 billion M2, up 42.1% and valued at RMB4.4 trillion=US\$647 billion in 2009, 75.5% increase from 2008.

Areas for projects for commercial offices increased 30.8% and shopping malls increased 24.2%. The average property price per M2 in 2009 increased 24% compared to the same period in 2008.

Economists and Chinese government officials are concerned the possible inflow of hot money, which reportedly amounted to nearly US\$167 billion of the total. Hot money and bulky foreign exchange reserves are just adding to constant pressure to revalue the renminbi. Another concern is that the hot money will enter the real estate market making the property market a bubble.

II. China's Hardwood Markets

China's forest resources are still low. Despite establishing forest management schemes, the country's demand for raw materials will simply not be satisfied by its levels of national produced supply. Furthermore, China's initiative for utilization of domestic resources is primarily for paper products, evident by the growth of Eucalyptus plantations. It is clear that demand for imported hardwoods, particularly for the solid wood processing industries, will remain strong for the foreseeable future. While increasing its domestic sources the slightest amount, China still will not be able to produce enough wood products for its own consumption.

China's interior design and decoration industry's desire to match that of the international design community has increased its demand for more value added products. Evident is the influx of world renown designers contracted for the interior and exterior architecture. For example, the recent projects, Shanghai center designed by Gensler or the global financial center in Pudong by KPF, both large specifiers of US hardwoods.

'US Hardwood industry can offer consumers more selections and choices. The timber trade and design community in China commented that more manufacturers and designers have raised interests in US hardwood resources known for diversity, sustainability, legality with a variety of grades and species.'
Professor Lai of Tongji University, Planning and Architecture

In 2009, the export of US hardwood lumber to China valued US\$ 209.7 million, increased 12% from 2008, one of the few countries to have increased its US hardwood imports from 2008 to 2009. The total exports of US hardwood products (lumber, logs and veneer) were valued at US\$351 million, same as 2008. Red oak has been the most popular species with lumber and logs valued US\$82 million, followed by white oak valued at US\$ 59 million, yellow poplar at US\$52.6 million, red alder at US\$32.8, American walnut at US\$25.4, American ash at US\$22.5 million, maple at US\$20.1 million and cherry at US\$ 13.8 million.

The growing demand of China's domestic market has offset the overseas weak export markets. The booming property and the real estate market in China will continue to boost the demand of US hardwoods for interior design and decoration. It has been forecasted, despite worsening conditions in the global economic environment has bottomed China is poised to lead the recovery from the world wide slowdown, consequently has offered opportunity for US hardwoods for interior design and furniture production in the domestic consumption market, relieving some producers only relying on exports.

Table 1 – China's Imports of Hardwood Lumber

China Import Statistics							
UDG: WOOD-HDWDLBR, Hardwood Lumber							
Year Ending: December							
Partner Country	United States Dollars			% Share			% Change
	2007	2008	2009	2007	2008	2009	2009/2008
World	1209114856	1228417532	1163637627	100.00	100.00	100.00	- 5.27
Thailand	196815928	225463836	291950590	16.28	18.35	25.09	29.49
United States	320742780	305395004	238023324	26.53	24.86	20.46	- 22.06
Russia	39166294	44068001	95858146	3.24	3.59	8.24	117.52
Brazil	167570768	116369975	68145307	13.86	9.47	5.86	- 41.44
Indonesia	86538132	85594474	64147256	7.16	6.97	5.51	- 25.06
Malaysia	82185843	79606410	63656174	6.80	6.48	5.47	- 20.04
Peru	35062135	47344765	55129152	2.90	3.85	4.74	16.44
Myanmar	46637718	49839130	52203924	3.86	4.06	4.49	4.74
Philippines	12049888	18794141	27821353	1.00	1.53	2.39	48.03
Germany	33972658	30792162	24768982	2.81	2.51	2.13	- 19.56
Australia	15099487	22118405	18152043	1.25	1.80	1.56	- 17.93

Thailand's decrease in rubber wood furniture exports contributed to Thailand's increase of hardwood lumber exports to China making the country for the first time, the leading exporter of hardwood lumber into China. As demand for Thailand's products increase, US hardwood lumber shall increase its market share into China.

Table 2 - China Timber Importing Ports

China Timber Importing Ports for first 3 quarters 2009 (In Cubic Meter)	M3-millions
Shanghai	1.673
Manchuli	1.27
Shenzhen	0.791
Guangdong	0.473
Tianjin	0.451
Xianjiang	0.45
Harbin	0.422
Qingdao	0.351
Nanjing	0.307
Dalian	0.213
Ningbo	0.151
Xiamen	0.079
Huangpu	0.073
Others	0.291
Total	6.99

Table 3– China's Imports of Hardwood Logs

China Import Statistics							
UDG: WOOD-HDWDLOG, Hardwood Logs							
Year Ending: December							
Partner Country	United States Dollars			% Share			% Change
	2007	2008	2009	2007	2008	2009	2009/2008
World	2946407362	2766345924	1850357456	100.00	100.00	100.00	- 33.11
Gabon	395575836	414886421	375727295	13.43	15.00	20.31	- 9.44
Papua New Guinea	414743614	413299824	274528846	14.08	14.94	14.84	- 33.58
Solomon Islands	181900080	212176567	175366263	6.17	7.67	9.48	- 17.35
Russia	559853473	530096609	170265059	19.00	19.16	9.20	- 67.88
Congo	124562881	152089095	132244352	4.23	5.50	7.15	- 13.05
Malaysia	249026529	170986239	127973702	8.45	6.18	6.92	- 25.16
Myanmar	128581300	174588821	122519943	4.36	6.31	6.62	- 29.82
Cameroon	88942590	86044428	87648064	3.02	3.11	4.74	1.86
United States	128527095	106658757	77366503	4.36	3.86	4.18	- 27.46
Mozambique	95057359	73741174	51132363	3.23	2.67	2.76	- 30.66
Germany	107688310	66029271	38263963	3.65	2.39	2.07	- 42.05

Table 4 – China's Log Importing Ports

China Log Importing Ports for 2009 (In Cubic Meter)	M3
Nanjing	5.25
Manchuli	4.81
Harbin	3.55
Qingdao	1.89
Shanghai	1.7
Inner Mongolia	1.18
Xiamen	0.55
Guangzhou	0.28
Hangzhou	0.28
Shenzhen	0.19
Others	1.23
Total	20.91

Russian Log Tax Update

Russia's 2007 proposal of an export tax on logs of €50/m³ was postponed and will most likely not be implemented because of Russia's need for commerce & employment from the industry, as well as a backlash to discouraging foreign investment in its manufacturing industries. What this means for China, as Russia has already shut down some of the main suppliers along the border, will be less dependence on Russian forest products. In April 2008, the duty on unprocessed log exports was increased to 25% of export value, or a minimum of 15 Euros per cubic meter for softwood and 24 Euros per cubic meter for hardwood logs greater than 15cm diameter.

The tax was originally scheduled to increase to 80% of value, or a minimum of 50 Euros per cubic meter, for both softwood and hardwood in January 2009, but in November 2008 the Russian government announced a "one year delay" in implementation of this higher rate. The announcement means that the export duty will remain unchanged at least until January 2011, and the hike to 80% may be delayed even further.

In 2009, Russia did increase its market share of hardwood logs into China to 68% of the \$2.8 billion dollar industry; the log export duty will remain unchanged in 2010, and this same level may be extended into 2011.

Table 5 – China's Imports of Hardwood Veneer

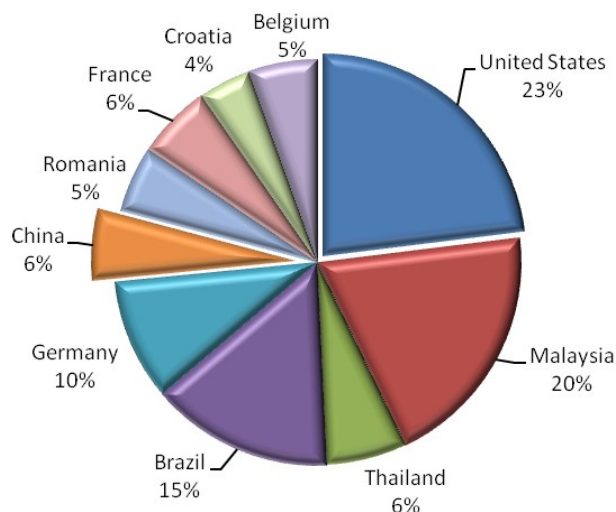
China Import Statistics							
UDG: WOOD-HDWDVNR, Hardwood Veneer							
Year Ending: December							
Partner Country	United States Dollars			% Share			% Change
	2007	2008	2009	2007	2008	2009	2009/2008
World	113167985	93063839	60502979	100.00	100.00	100.00	- 34.99
United States	37326130	22389805	13929694	32.98	24.06	23.02	- 37.79
Russia	1947996	1302405	7160307	1.72	1.40	11.83	449.78
Germany	12512183	8764868	6641234	11.06	9.42	10.98	- 24.23
Malaysia	10023795	13736792	6596765	8.86	14.76	10.90	- 51.98
Italy	3632263	7247058	5313577	3.21	7.79	8.78	- 26.68

China's Wood Processing Industries: Chinese exports of all wood products have decreased by 17% to roughly US\$7.7 billion still good enough for second largest behind Germany. Wood furniture and panel products make up more than 70% of total wood product exports, and to date Chinese exports of sawn hardwood lumber have been relatively minor having 6% of the world's market share while US still being the largest at 23%. Nevertheless, there is a clear growth trend. China has become a global player in a variety of timber products.

Table 6 – China's Exports of Hardwood Lumber

China Export Statistics							
UDG: WOOD-HDWDLBR, Hardwood Lumber							
Year To Date: January - December							
Partner Country	United States Dollars			% Share			% Change
	2007	2008	2009	2007	2008	2009	2009/2008
World	258520961	294594259	231105854	100.00	100.00	100.00	- 21.55
Japan	115117769	117614253	98738105	44.53	39.92	42.72	- 16.05
United States	26369149	41316089	30126811	10.20	14.02	13.04	- 27.08
Korea South	22432384	27274372	23409246	8.68	9.26	10.13	- 14.17
Germany	10349220	14774018	18901739	4.00	5.02	8.18	27.94
Vietnam	10960545	14657124	13216605	4.24	4.98	5.72	- 9.83
Taiwan	10209057	10073925	7801598	3.95	3.42	3.38	- 22.56
Malaysia	10068444	10872315	7643280	3.89	3.69	3.31	- 29.70
Italy	12516109	10015115	6316991	4.84	3.40	2.73	- 36.93
Hong Kong	4818403	2684351	3474473	1.86	0.91	1.50	29.43
United Kingdom	3971746	4887134	2669274	1.54	1.66	1.16	- 45.38

Figure 1 - Top 5 Hardwood Lumber Exporters 2008 Total Value \$3.2 Billion, World Total \$4.7

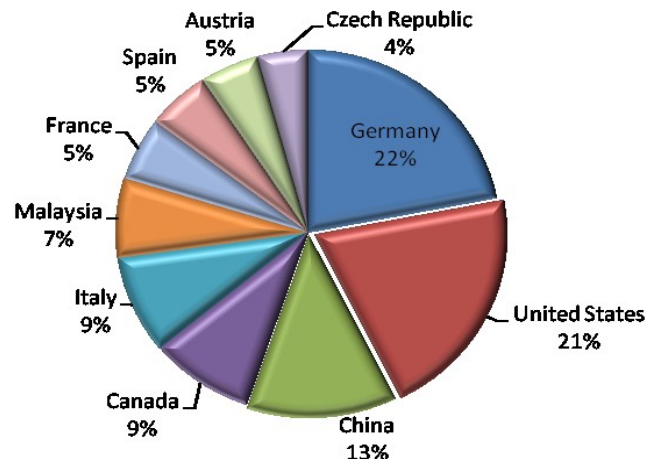


The development of the veneer industry in China has been growing rapidly in the last 10 years. Most logs imported from US to China are for veneer slicing, feeding the demand of furniture and the panel lamination industries in the region. China's exports of hardwood veneers have now reached a little over 60% of the value U.S. exports. As shown in the previous table with growing lumber exports, the following table shows China's expanding veneer manufacturing industry.

Table 7 – China's Exports of Hardwood Veneer

China Export Statistics							
UDG: WOOD-HDWDVNR, Hardwood Veneer							
Year To Date: January - December							
Partner Country	United States Dollars			% Share			% Change
	2007	2008	2009	2007	2008	2009	2009/2008
World	191585611	221146000	153412819	100.00	100.00	100.00	- 30.63
Korea South	31034677	40114271	30274179	16.20	18.14	19.73	- 24.53
Japan	28246841	25865626	16674311	14.74	11.70	10.87	- 35.53
Malaysia	11281108	11388643	12321448	5.89	5.15	8.03	8.19
United States	21835756	22039731	9152368	11.40	9.97	5.97	- 58.47
Russia	8081836	12585365	7787432	4.22	5.69	5.08	- 38.12
Indonesia	7620934	10268174	7582075	3.98	4.64	4.94	- 26.16
India	413419	4003243	5722623	0.22	1.81	3.73	42.95
Vietnam	2096106	3478781	4779962	1.09	1.57	3.12	37.40
Italy	7242763	9409119	4374686	3.78	4.25	2.85	- 53.51
Thailand	2753125	5822015	4149938	1.44	2.63	2.71	- 28.72
Finland	2204231	1516559	3699954	1.15	0.69	2.41	143.97
Taiwan	5184738	6318925	3600031	2.71	2.86	2.35	- 43.03
Spain	8032192	6234205	3558924	4.19	2.82	2.32	- 42.91
Turkey	2483396	5459896	3487130	1.30	2.47	2.27	- 36.13

Figure 2 - Top Hardwood Veneer Exporters Total 2009 Value \$1.6, World Total 2.4



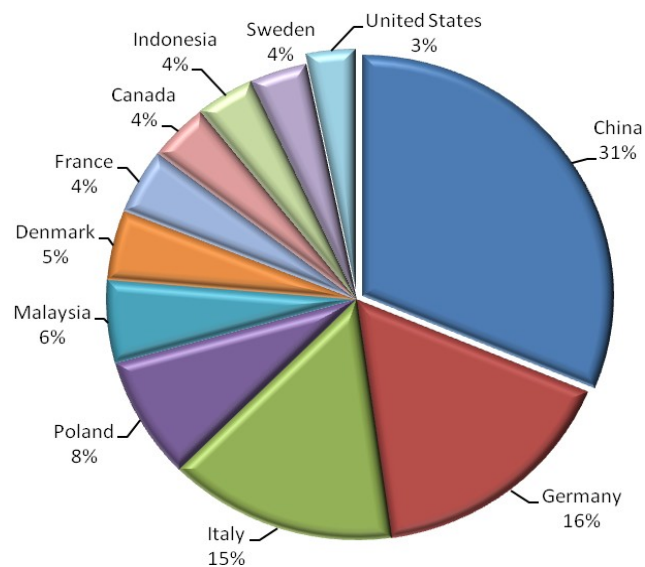
III. China's End User Industries

In 2009, China's total furniture production was US\$ 100 billion, a 10% increase over 2008. 28% of the production was for exports, down 5%, showing its growing domestic consumption.

Table 8 – China's Exports of Wood Furniture

China Export Statistics UDG: Wood Furniture, Year Ending: December							
Partner Country	United States Dollars			% Share			% Change
	2007	2008	2009	2007	2008	2009	2009/2008
World	6648854722	6832600589	7592742026	100.00	100.00	100.00	11.13
United States	3101461878	2895202361	2639629349	46.65	42.37	34.77	- 8.83
Singapore	57880009	40067254	571035185	0.87	0.59	7.52	1325.19
Japan	509998422	567867758	564695229	7.67	8.31	7.44	- 0.56
Malaysia	71659017	92922082	382270524	1.08	1.36	5.03	311.39
United Kingdom	303674199	322732530	343118036	4.57	4.72	4.52	6.32
Australia	220452549	290322925	275265855	3.32	4.25	3.63	- 5.19
Saudi Arabia	147641212	203837156	261388118	2.22	2.98	3.44	28.23
Canada	172826065	207546915	232966717	2.60	3.04	3.07	12.25
United Arab Emirates	108287203	167607863	222072246	1.63	2.45	2.92	32.50
Germany	126420046	142781766	198962410	1.90	2.09	2.62	39.35
Hong Kong	408039257	187798285	185402575	6.14	2.75	2.44	- 1.28

Figure 3 - Top 10 Wood Furniture Exporters 2009- Value \$24 Billion, Total World Value \$32 Billion



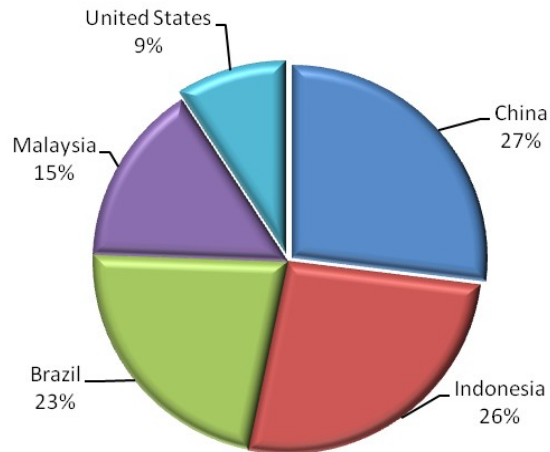
China Furniture Production & Export (In Billion USD)	2005	2006	2007	2008	2009
Production	42.5	59	65.61	75	98
Export	13.8	17.5	23.2	26.9	25

The Chinese flooring and furniture producers have been concerned about the Lacey Act but ultimately believe the Act would convince more producers to use US hardwoods. There has been an increased demand for flooring seminars to educate the contractors on proper solid timber flooring installation methods. On a side note, wood doors exports were down 1.5% to US\$ 450 million.

Table 9 – China’s Exports of Hardwood Flooring

China Export Statistics				
Commodity: 440929, Wood (Lumber) Continuously Shaped, Non- Coniferous (Hardwood), Nes				
Year To Date: January - December				
Partner Country	United States Dollars			% Change
	2007	2008	2009	2009/2008
World	498100717	426048578	342733261	- 19.56
United States	158479245	116612767	87814409	- 24.70
United Kingdom	87222545	77408058	64466222	- 16.72
Canada	84555126	78825063	52819668	- 32.99
Japan	46339426	47633329	46016774	- 3.39
France	20815898	13444629	16065876	19.50
Korea South	6990306	8916278	14336026	60.78
Belgium	6761939	9831580	10129485	3.03
Russia	7040670	10993020	8725957	- 20.62
Australia	6331330	6664519	6842440	2.67
Germany	4246719	6505657	5319247	- 18.24
Hong Kong	4438915	5290639	4817968	- 8.93
Ireland	22661823	9028549	4655842	- 48.43
Netherlands	4070515	3304865	1698119	- 48.62
India	2367812	1721099	1552439	- 9.80
Luxembourg	1999253	721921	1478289	104.77

Figure 4 - Top 5 Wood flooring Exporters 2009- Value \$12.7 Billion



China Flooring production (In Million Square Meter)	2007	2008	2009
Laminated	213	198	212
Solid Timber	440	420	420
Engineered Timber	813	780	830
Bamboo	200	240	250
Others	200	180	220
Total	1866.00	1818.00	1932.00

China Door production (in Billion USD)	2006	2007	2008	2009
Production	32	40	50	55
Export	4.94	5.54	5.43	6

IV. AHEC Activities

Tradeshows

March 10 – 13: WMF Beijing - Woodworking and machinery show attracts visitors including furniture, doors, flooring and joinery producers and media and timber traders.

March 23-25: Domotex/Chinafloors Shanghai - The flooring show will attracts visitors including contractors, architects and interior designers and real estate developers and media and timber traders

March 27-30: Interzum Guangzhou - The show attracts furniture, doors and flooring producers, architects and interior designers and contractors and media and timber traders

April: International Furniture and woodworking Show in Qingdao - Zhe show will attract visitors including furniture, and timber traders, architects and interior designers and media and timber traders

June: International Furniture and Woodworking Show In Dalian - The show attracts visitors including furniture and timber traders, architects and interior designers and media.

2nd half of 2010 – AHEC plans on holding several grading, flooring installation, and furniture design seminars.

The Greater China & SE Asia Convention-Chengdu

The American Hardwood Export Council has announced the city of Chengdu, the capital of Sichuan in China, as venue for its Annual Convention in 2010. The main program will be on 18th June with a media conference the previous day. With the theme of "Sustainable US Hardwood - The Timeless Yet Modern Choice For Interior Design" six keynote speakers will address issues of interest to furniture producers and designers, architects and interior designers, flooring and door manufacturers, property developers, timber traders and media.

Speakers will include Mike Snow AHEC's Executive Director; Kip Howlett President of the Hardwood Plywood & Veneer Association; Patrick Leung, Director of PAL Design (HK) and William Paley, Senior Design Director of Tony Chi & Associates, NY; Professor Rosanne Somerson, Dean of Department of Furniture, RISD, RI; Rupert Oliver, Director of Forest Industries Intelligence Ltd. covering environmental issues and international design. Breakout sessions will include the development of the local industry during the financial crisis and other relevant issues. The convention hotel is the Shangri-La Hotel in Chengdu. AHEC will cooperate with Chengdu Interior Decoration Association, Chengdu Furniture Association and Sichuan Furniture Association and China Institute of Interior Designers, Sichuan and Chengdu Chapter.

The target audiences will include architects, interior designers, contractors and decorators, timber traders, AHEC members, furniture, flooring and joinery producers, University professors and media and some local government officials.

Chengdu situated in the middle of Sichuan province, the West Sichuan Plain. is 192 km from east to west and 166 km from south to north. Covering 208 sq km Chengdu is adjacent to Deyang City in the northwest, Ziyang District in the southeast, Meishan District in the south, Ya'an District in southwest, Aba Tibetan and Qiang Autonomous Prefecture in the northwest. It is 1,600 km away from the East China Sea and 1,090 km from the South China Sea. Chengdu is one of China's furniture manufacturing hubs. It is the home for over 3,000 furniture makers and nearly 400,000 workers related to furniture manufacturing. In 2007, the furniture manufacturing industry in Chengdu has realized RMB 21 billion (US\$3.1 billion) revenue. China's President, Hu Jintao has dedicated Chengdu and the western region as one of the priorities of the 12th Five-Year Plan (2001-2015).

V. Trade Servicing Feedback

All plywood products including softwood and plywood products imported into China are required to have the Phytosanitary Certificate which can be issued from USA before shipment. However plywood involved softwood plywood or softwood pallet for packaging they also require fumigation certificate which is part of the Phyto. If fumigation is not done in the US, it can be done at some Chinese ports at a fee charged to the shipper. All hardwood products (lumber, veneer and plywood) do not require fumigation but still require Phyto. Certificate.

China may increase the tax rebate on furniture designated for exports from 11% to 13%. The current VAT rebate maintains is 11%.

Southern China's factories have been facing shortage of labor force after the Chinese New Year. Many workers returned to their hometowns during the New Year did not return and instead they stay and look for other opportunities.

Timber certification has become an important issue as demand for FSC and other timber certifications of US hardwood many have been escalating to a new level.

Furniture producers and US exporters both facing difficulty of booking the containers vessels due to shipping schedules have not been back to normal due to the economic downturn in 2008 and 2009. As a result, shippers are two months or longer on shipping schedule.

VI. US Hardwood Exports to Greater China (PRC, Hong Kong & Taiwan)

Table 8 – US Exports of Harwood Lumber by Value

UNITED STATES DEPARTMENT OF AGRICULTURE				
JANUARY - DECEMBER by VALUE				
Greater China, Hong Kong & Taiwan	2007	2008	2009	% Change
Hardwood Lumber	263955000	213316000	227038000	6.43
Ash	21096000	14937000	17812000	19.25
Beech	95000	145000	171000	17.93
Birch	711000	188000	274000	45.74
Cherry	10781000	9562000	6116000	-36.04
Hickory	9601000	4391000	7590000	72.85
Maple	27471000	20184000	14327000	-29.02
Other Temperate	28861000	24620000	19859000	-19.34
Red Oak	41383000	45627000	53295000	16.81
Tropical	3518000	741000	1137000	53.44
Walnut	12624000	6982000	9746000	39.59
Western Red Alder	31844000	22687000	25074000	10.52
White Oak	33141000	30682000	39729000	29.49
Yellow Poplar	42829000	32571000	31909000	-2.03

Table 10 – US Exports of Harwood Veneer

UNITED STATES DEPARTMENT OF AGRICULTURE				
JANUARY - DECEMBER by VALUE				
Greater China, Hong Kong & Taiwan	2007	2008	2009	% Change
Hardwood Veneers	44514000	28335000	15556000	-45.10
HVN MERANTI	3395000	5069000	2826000	-44.25
HVN OTHR TROP	3840000	746000	266000	-64.34
HVN ASH	280000	224000	138000	-38.39
HVN BIRCH	8000	29000	49000	68.97
HVN CHERRY	4763000	3201000	1701000	-46.86
HVN MAPLE	2294000	1660000	1067000	-35.72
HVN RED OAK	1266000	1018000	919000	-9.72
HVN OTR OAK	2668000	3061000	1513000	-50.57
HVN WALNUT	5178000	1741000	1886000	8.33
HVN OTR	9192000	1651000	1633000	-1.09
HVN NESOI	10228000	9440000	3558000	-62.31

Table 9 – US Exports of Harwood Logs

UNITED STATES DEPARTMENT OF AGRICULTURE				
JANUARY - DECEMBER by VALUE				
Greater China, Hong Kong & Taiwan	2007	2008	2009	% Change
Hardwood Logs	169155000	203653000	248670000	22.10
Ash	6027000	6468000	6975000	7.84
Beech	3000	15000	40000	166.67
Birch	628000	349000	229000	-34.38
Cherry	15735000	16677000	26160000	56.86
Maple	7572000	8098000	14238000	75.82
Other Temperate	16205000	18502000	14223000	-23.13
Red Oak	36145000	36206000	48335000	33.50
Tropical	109000	14000	4000	-71.43
Walnut	24514000	50514000	70543000	39.65
Western Red Alder	9405000	8143000	13478000	65.52
White Oak	28886000	32160000	28499000	-11.38
Yellow Poplar	23924000	26504000	25947000	-2.10

The American Hardwood Export Council (AHEC) is the leading international trade association for the U.S. hardwood industry, representing the committed exporters among U.S. hardwood companies and all major U.S. hardwood product trade associations. AHEC's member companies service the growing global demand for U.S. hardwood and represent the full range of hardwood products. AHEC maintains offices in Japan, Europe, Southeast Asia, China, Korea and Mexico, in addition to its Washington, D.C. headquarters, to serve the needs of the global community. For additional information, please contact AHEC by phone at 703.435.2900, by fax at 703.435.2537 or consult our web site at www.ahec.org.