



Outlook and Policy Background of Demand for Forest Products in China

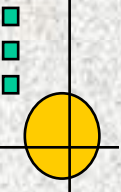
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Presented at:
UN-ECE Timber Committee Market Discussions
70th International Session, Palais des Nations
Geneva, Switzerland
October 16-17, 2012

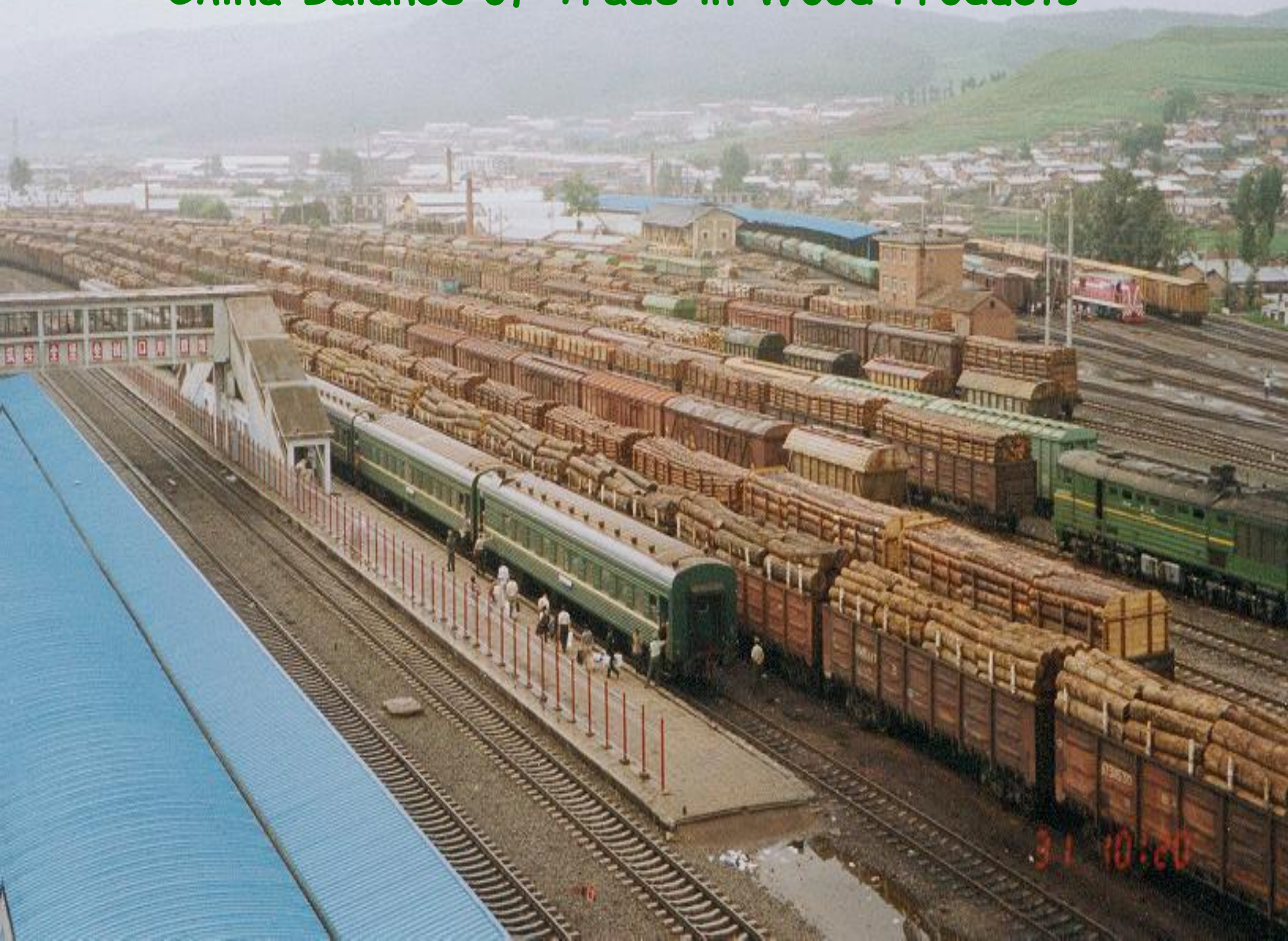


Agenda

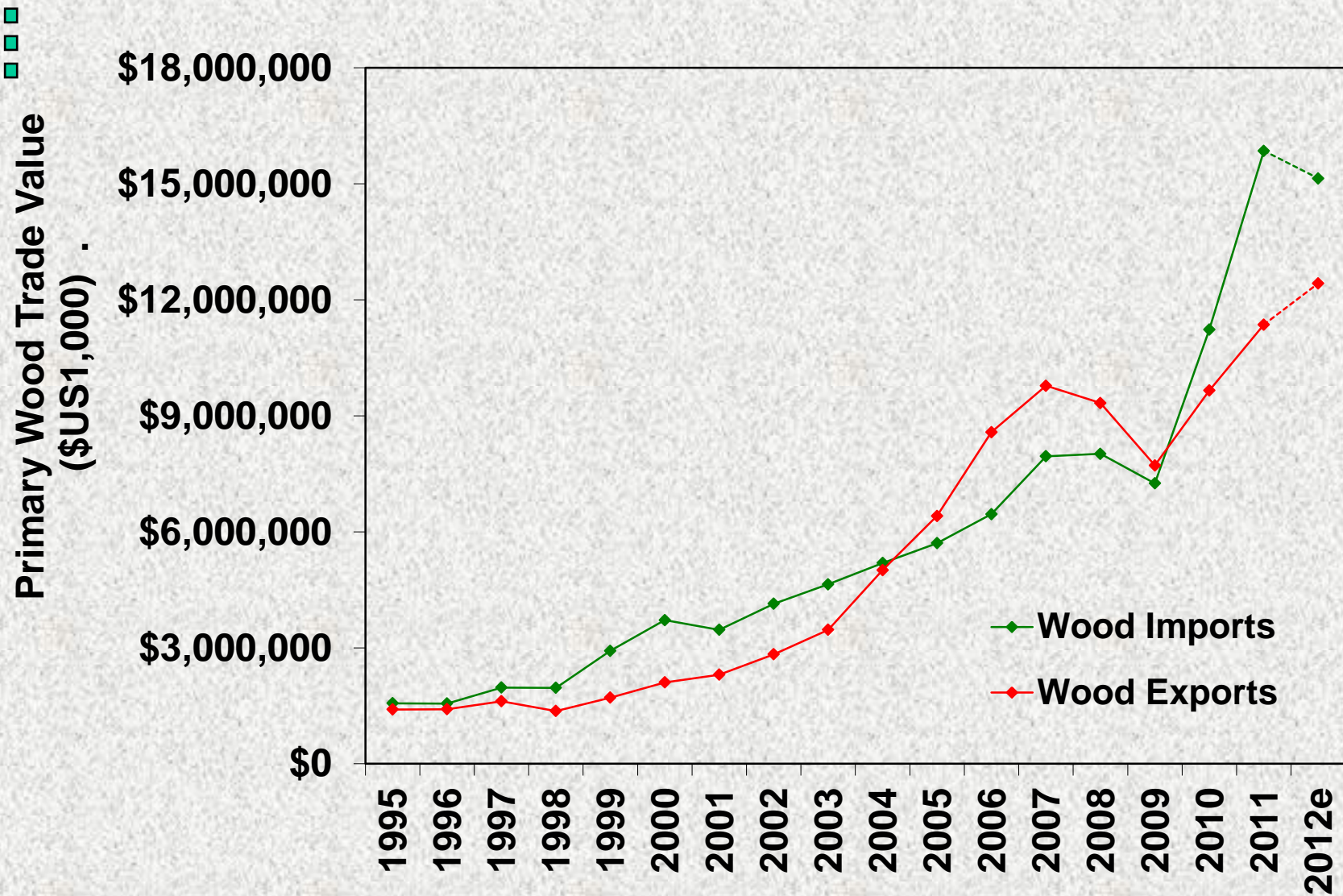
- Balance of Trade in Wood Products
- Consumption of US Building Materials
- China Wood Trade Trends
- China Social Factors & Senior Housing
- Demographic Trends
- Construction Trends
- The Benefits of Using Wood in Construction
- Concluding Observations



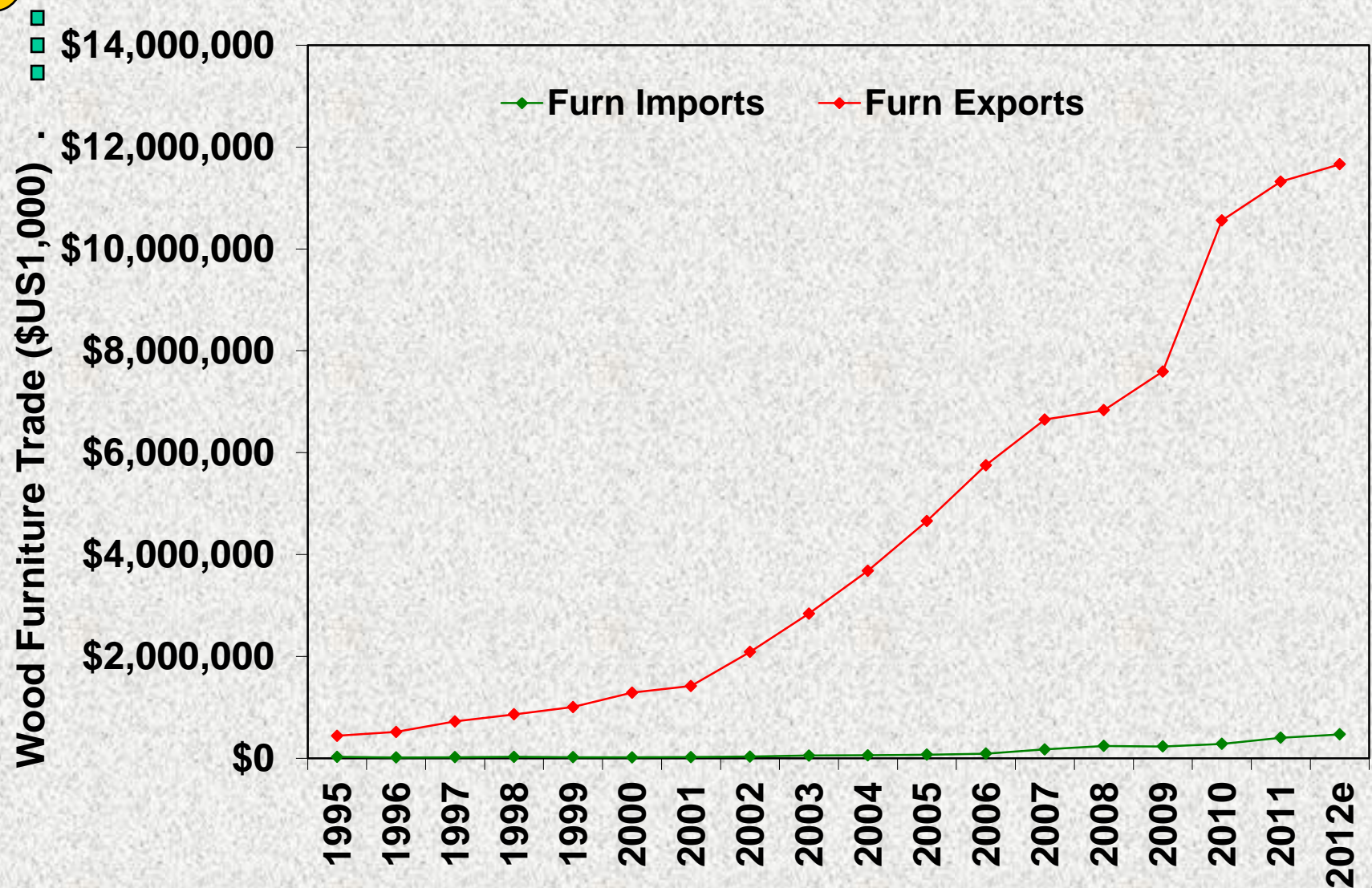
China Balance of Trade in Wood Products



China Commodity Wood Trade Summary

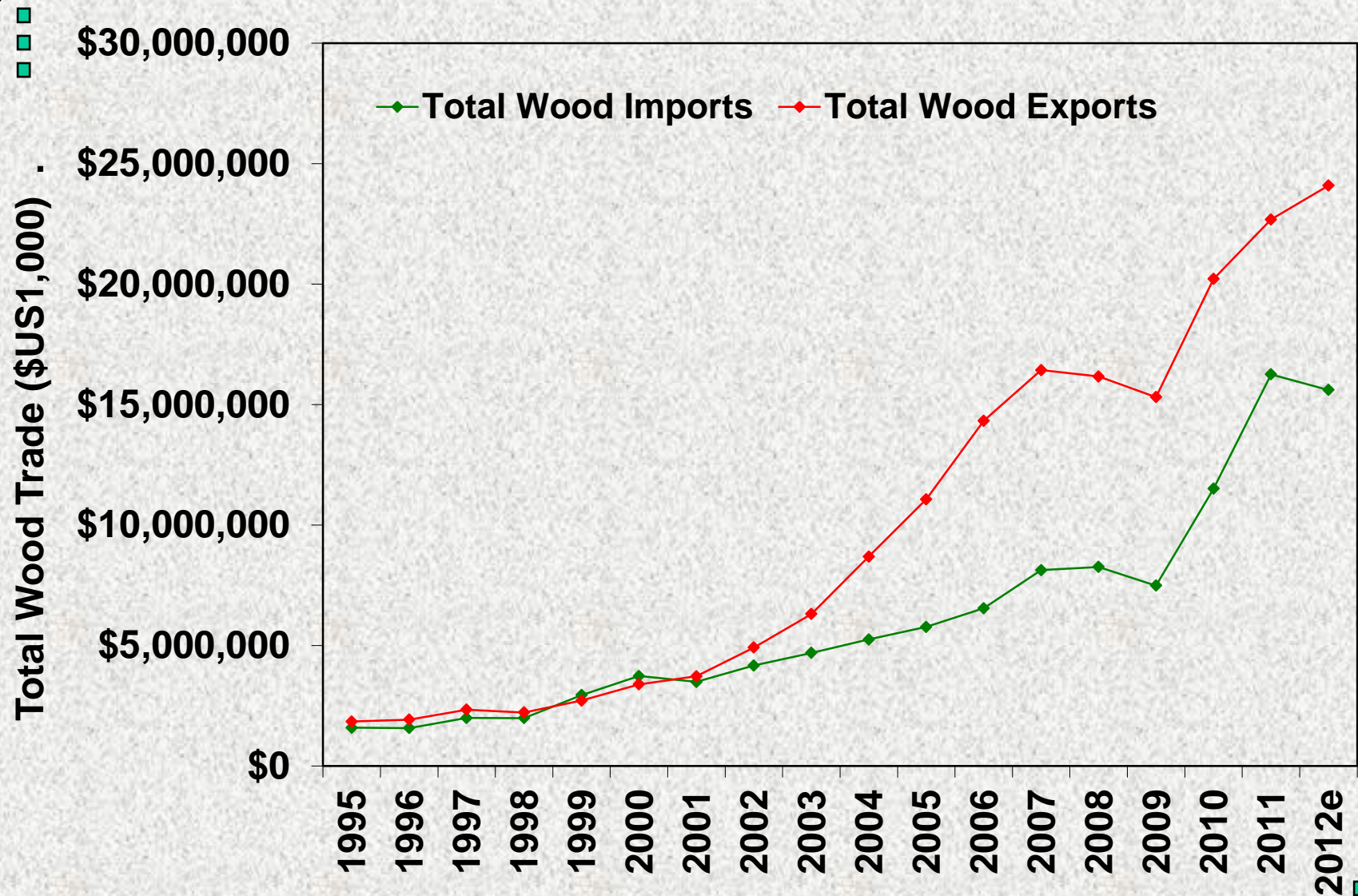


China Furniture Trade Summary



Furniture imports have been growing by 36% since 2006

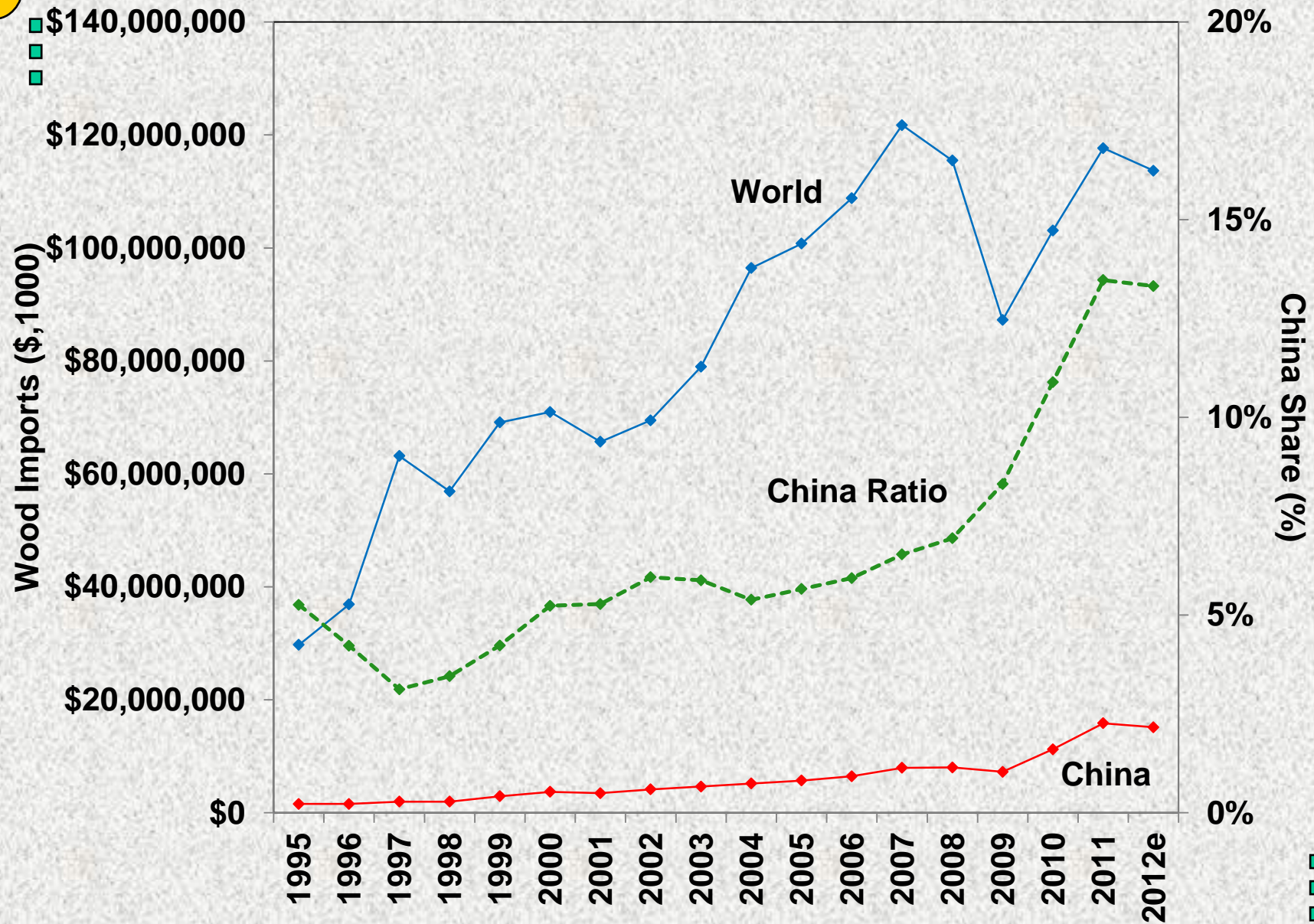
China Total Wood Trade Summary



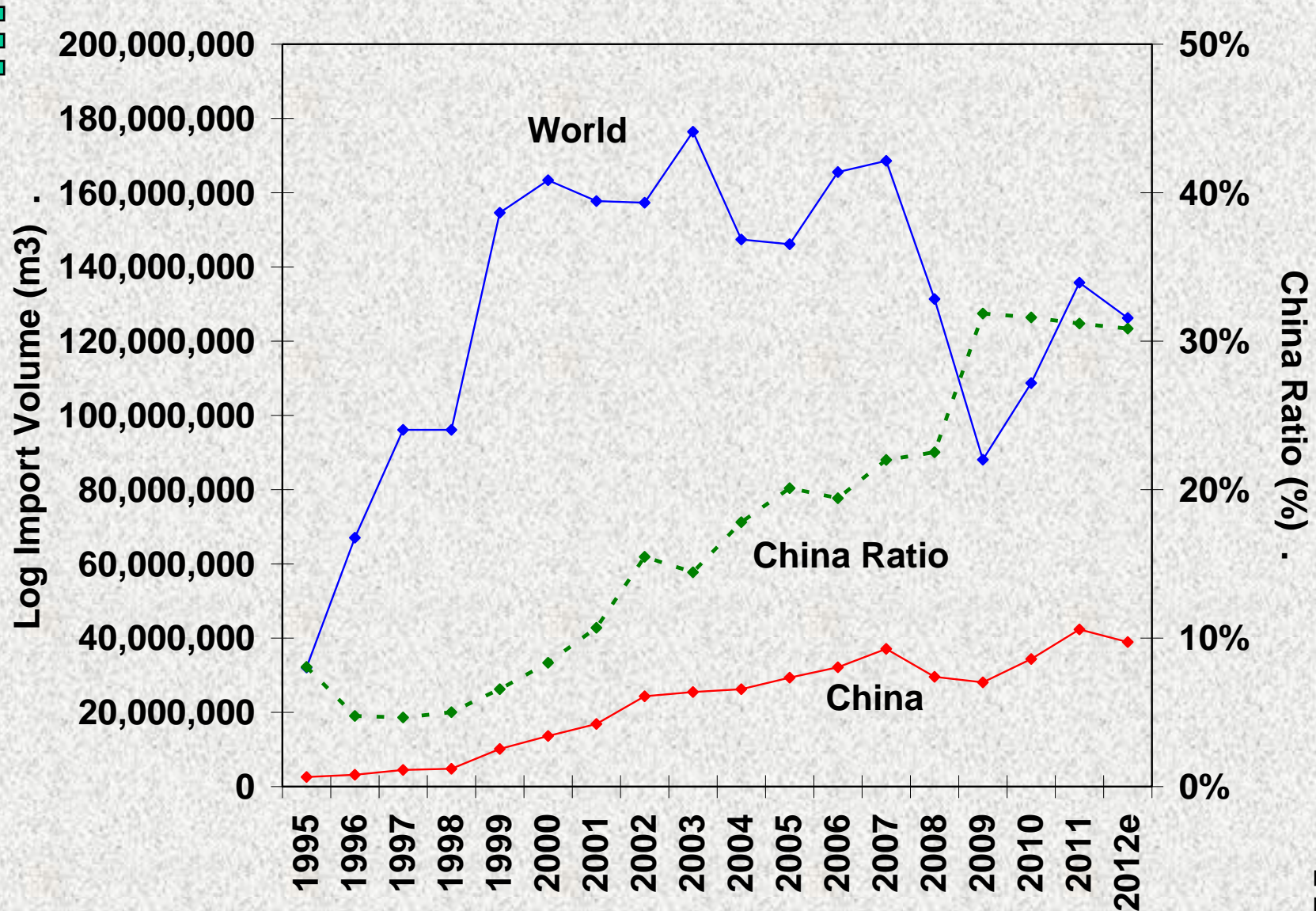
China Wood Trade Trends



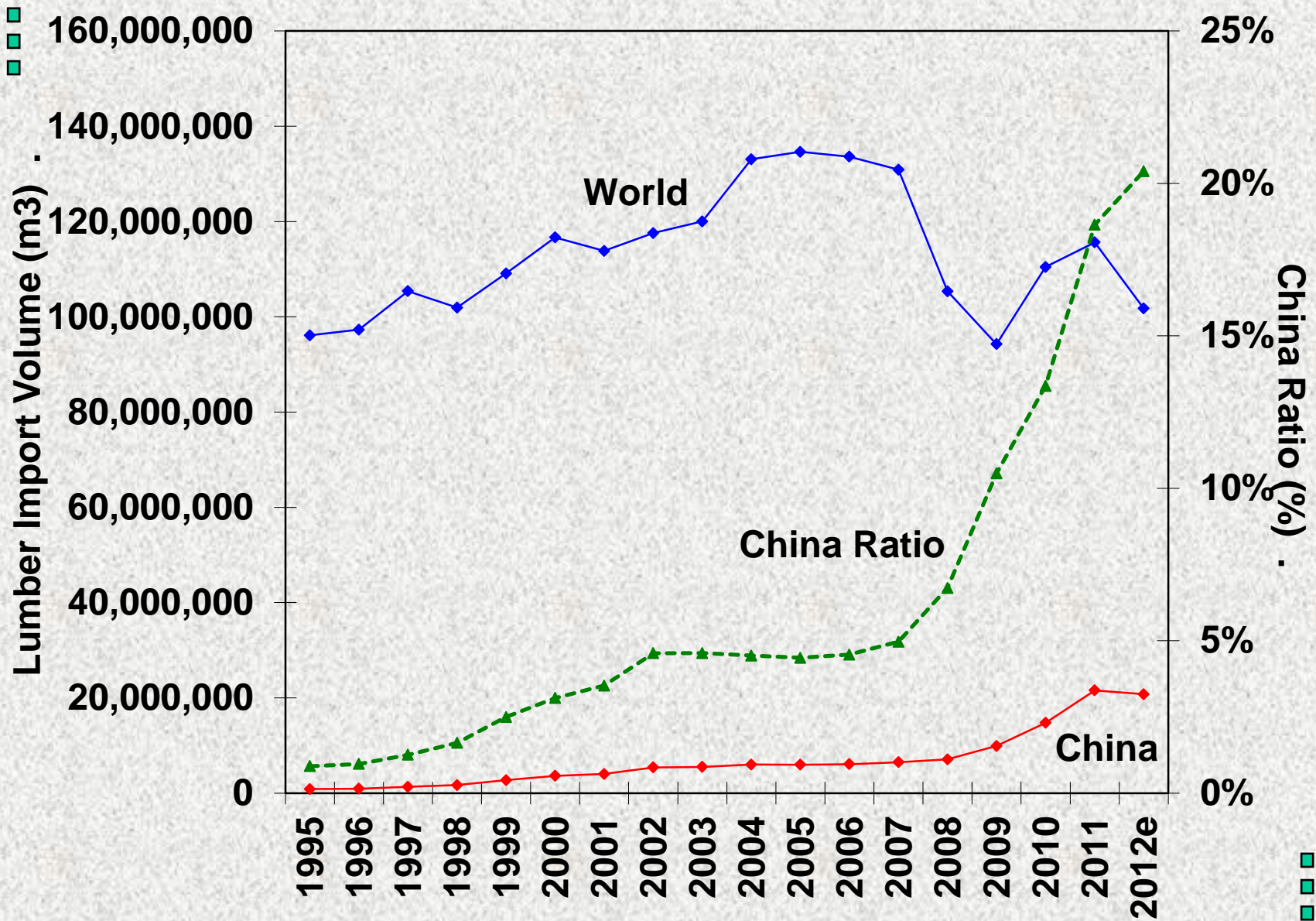
Global Wood Imports and China



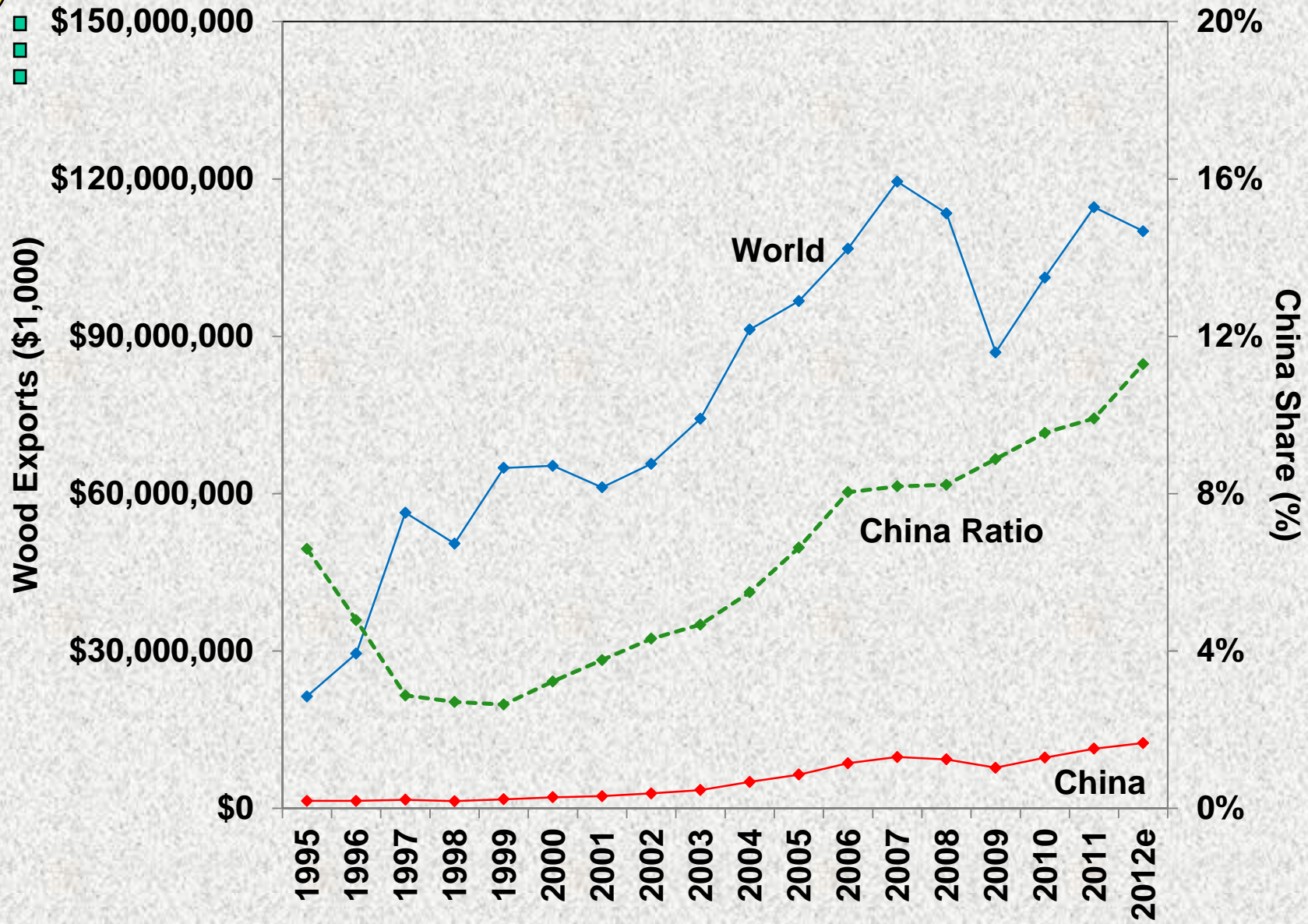
Global Log Imports and China



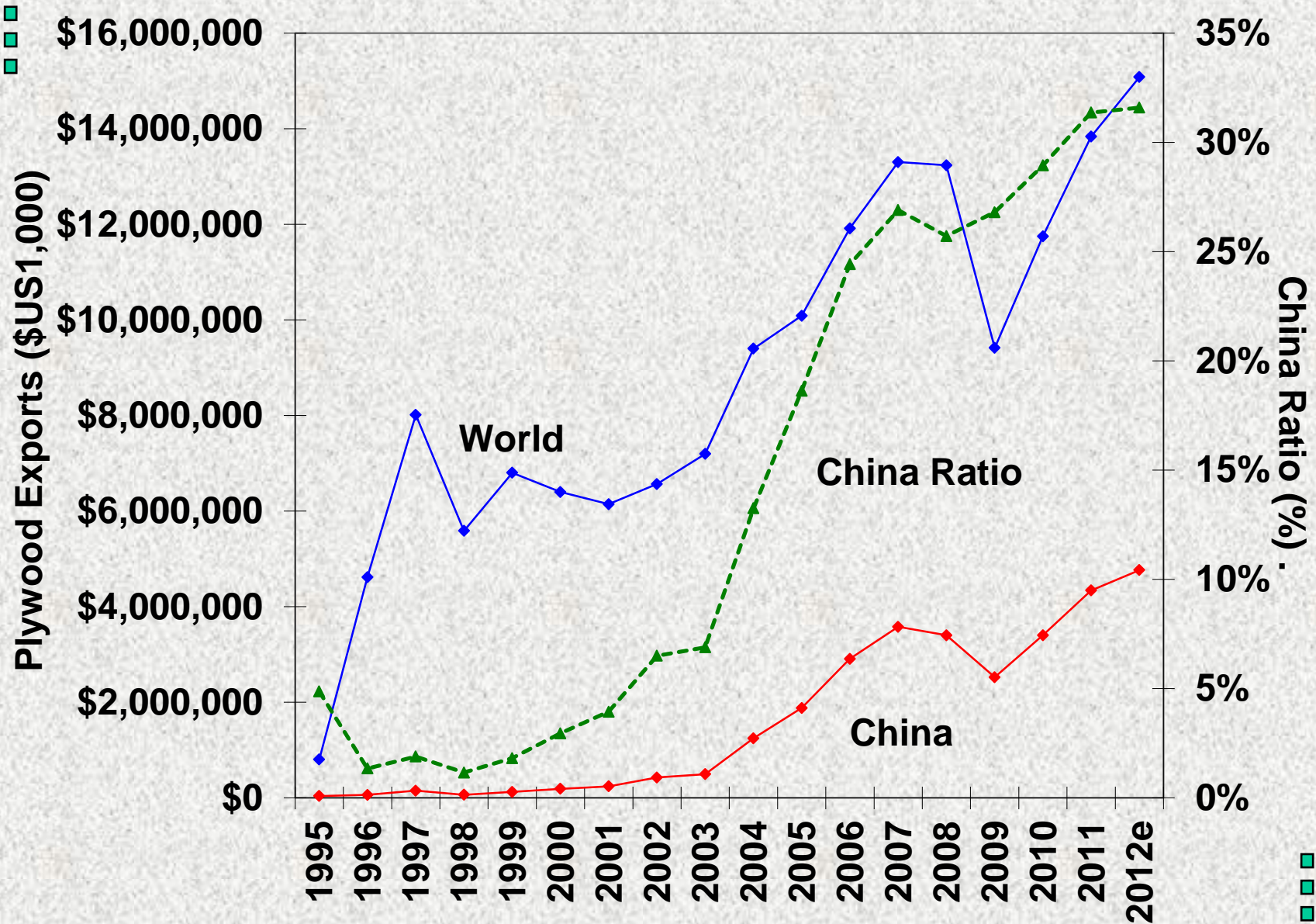
Global Lumber Imports and China



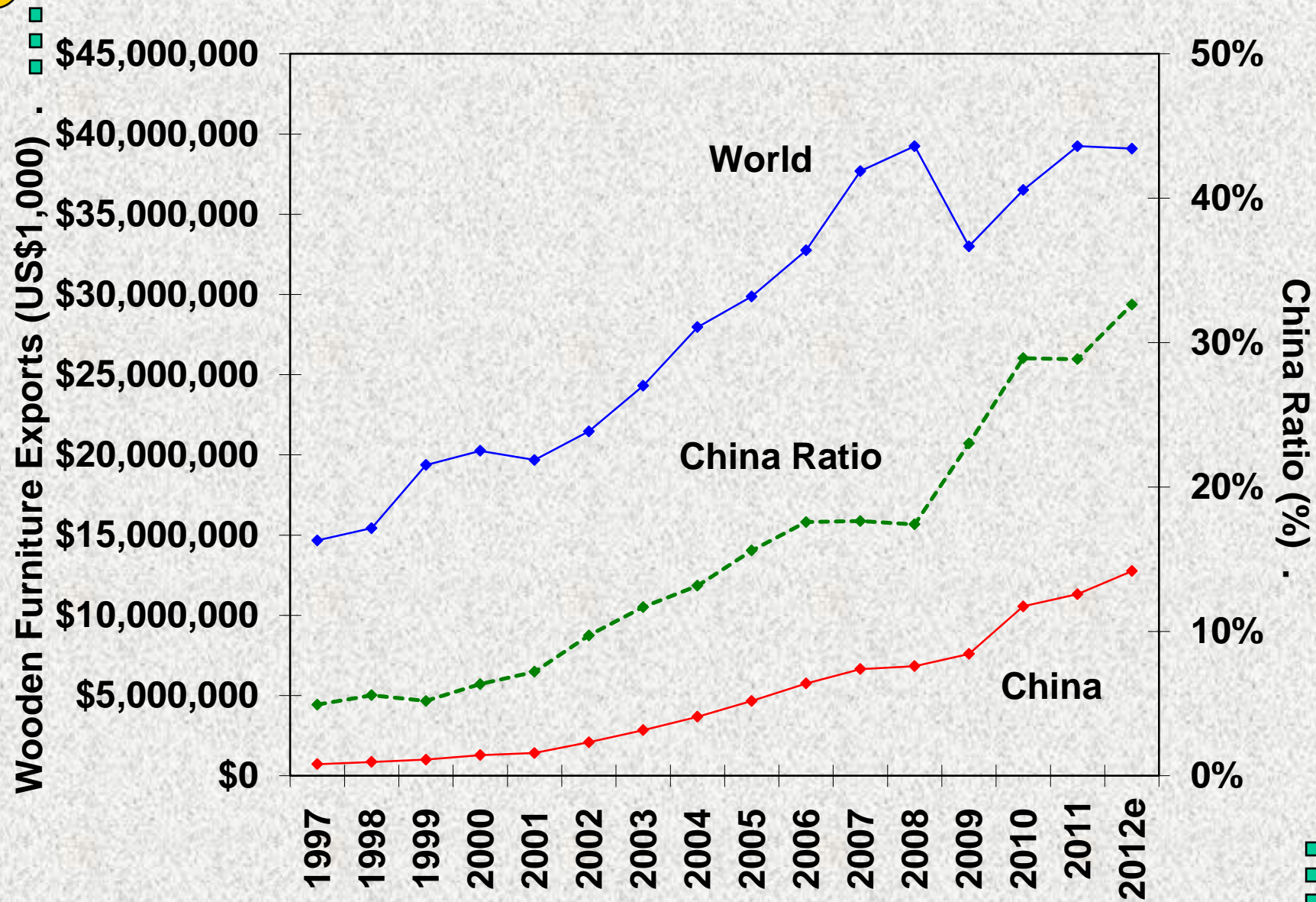
Global Wood Exports and China



Global Plywood Exports and China



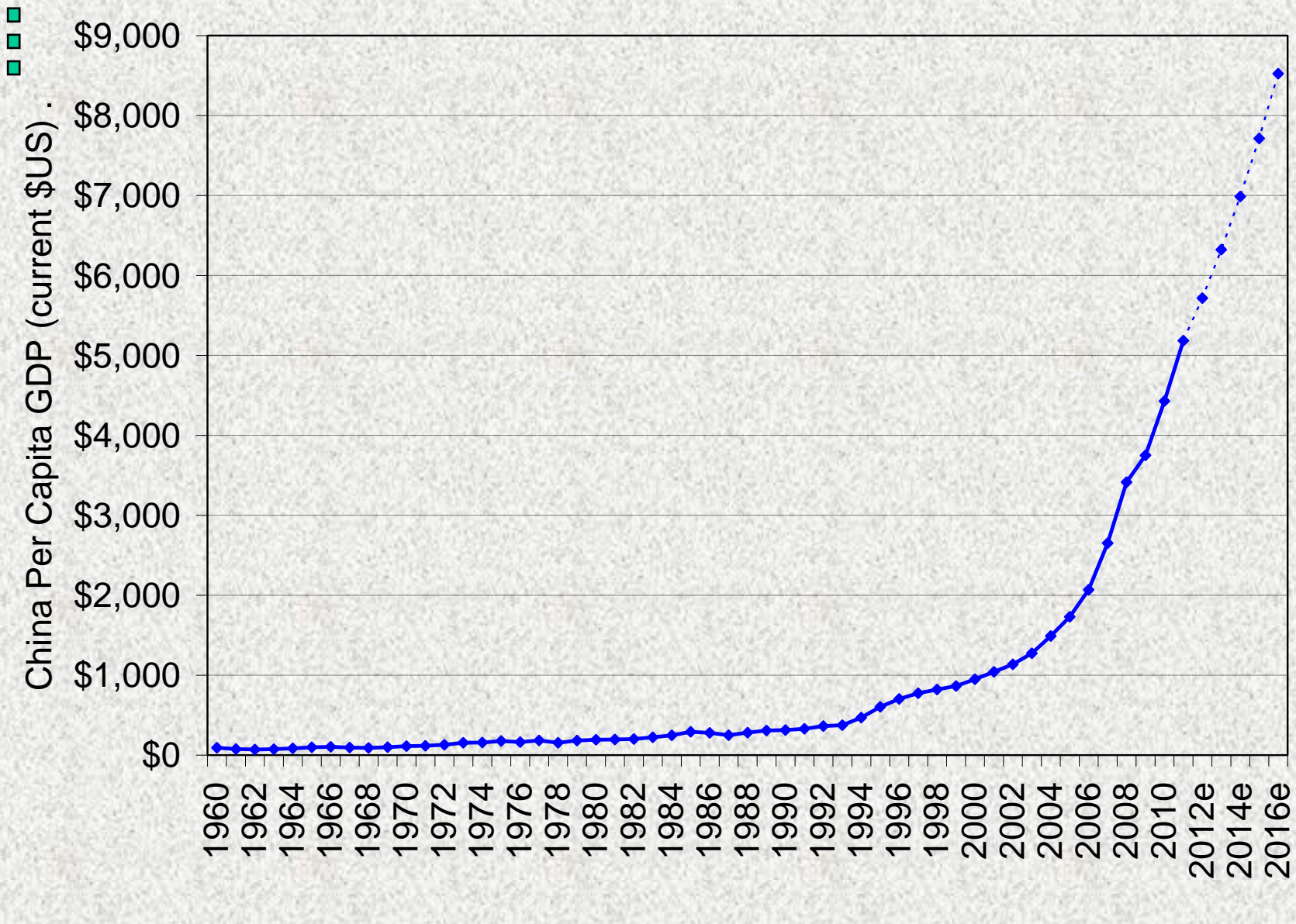
Global Furniture Exports and China



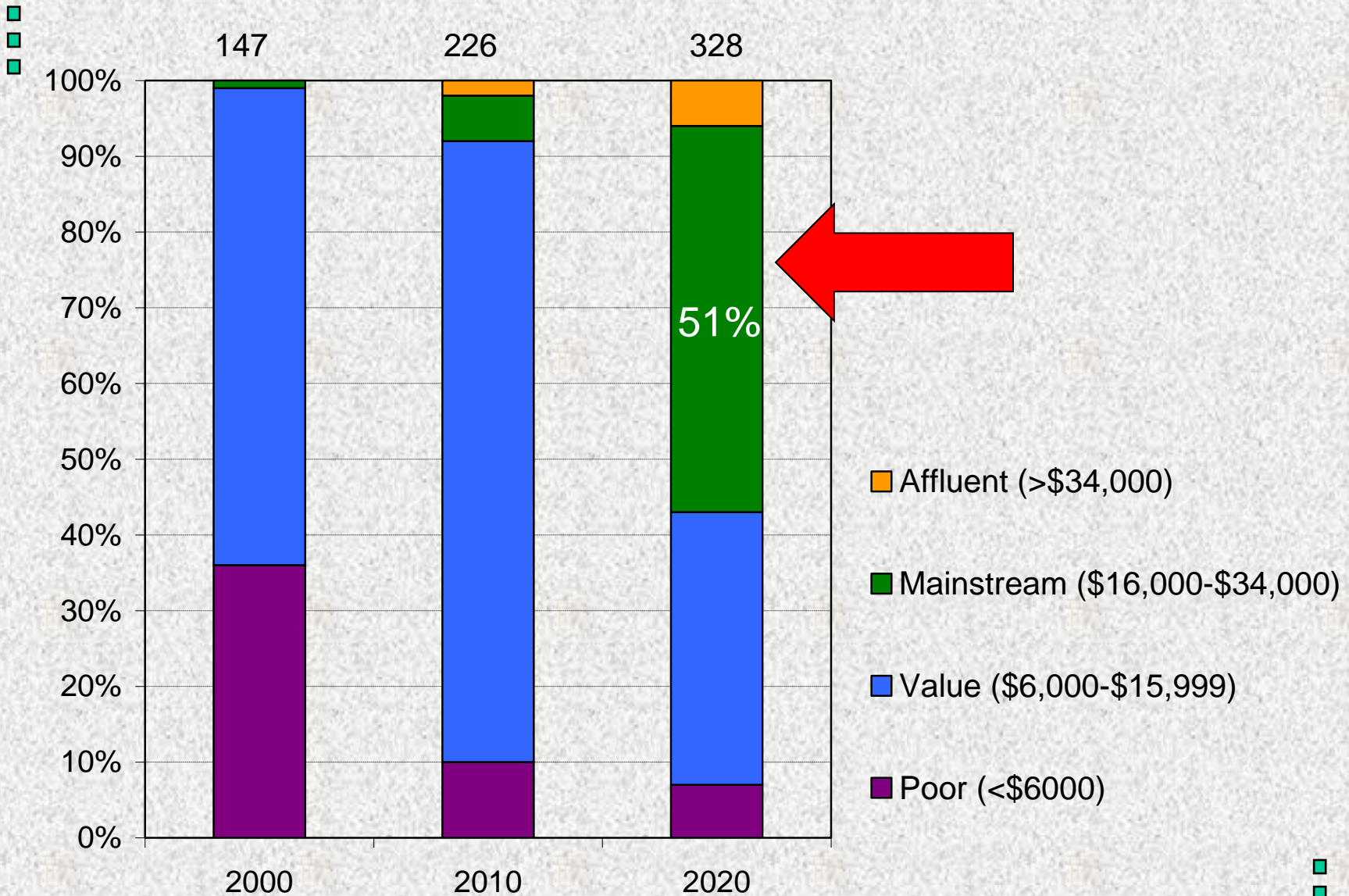
China Social Factors



China GDP per Capita Growth

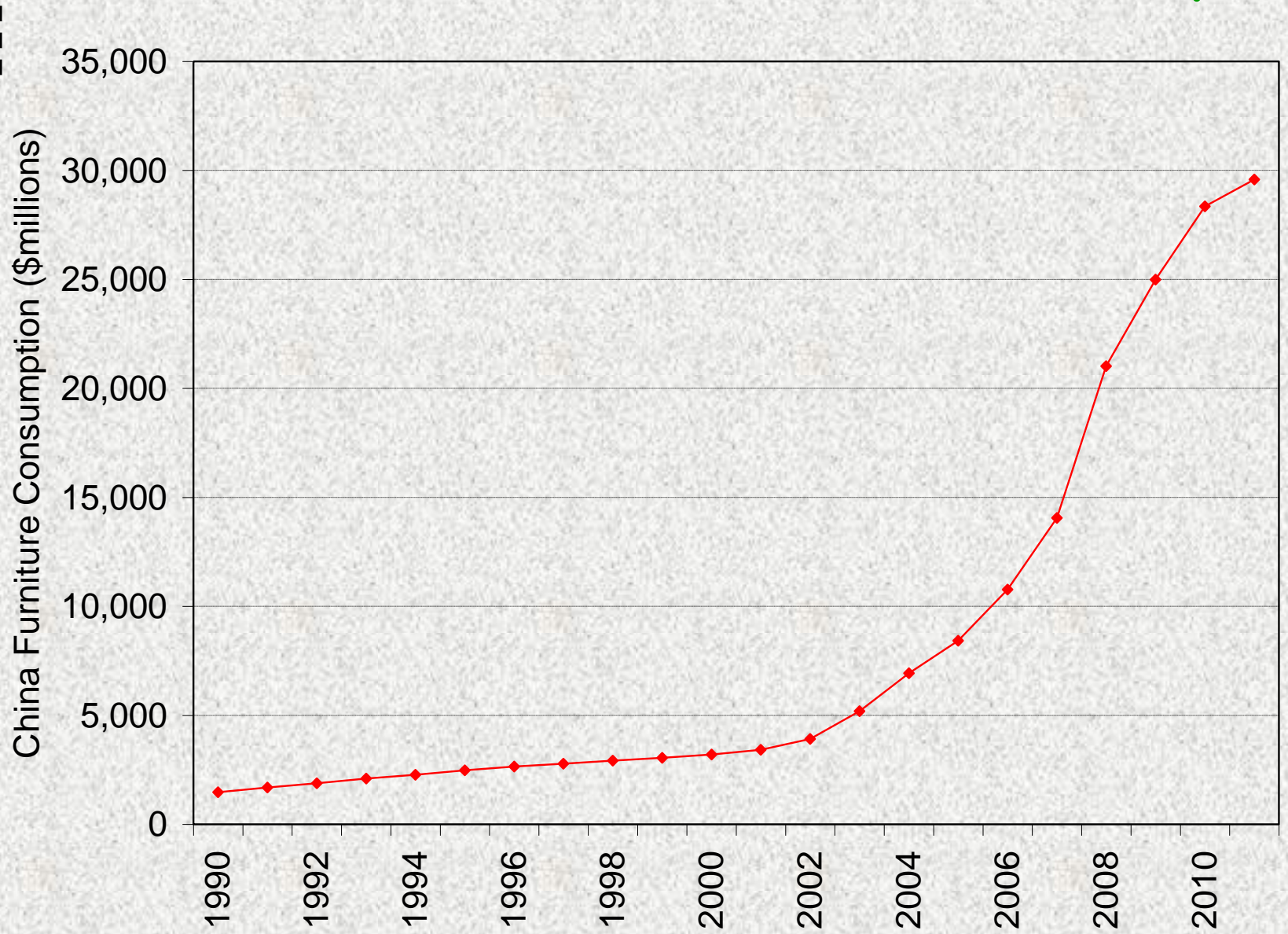


Trend: China's Growing Middle Class

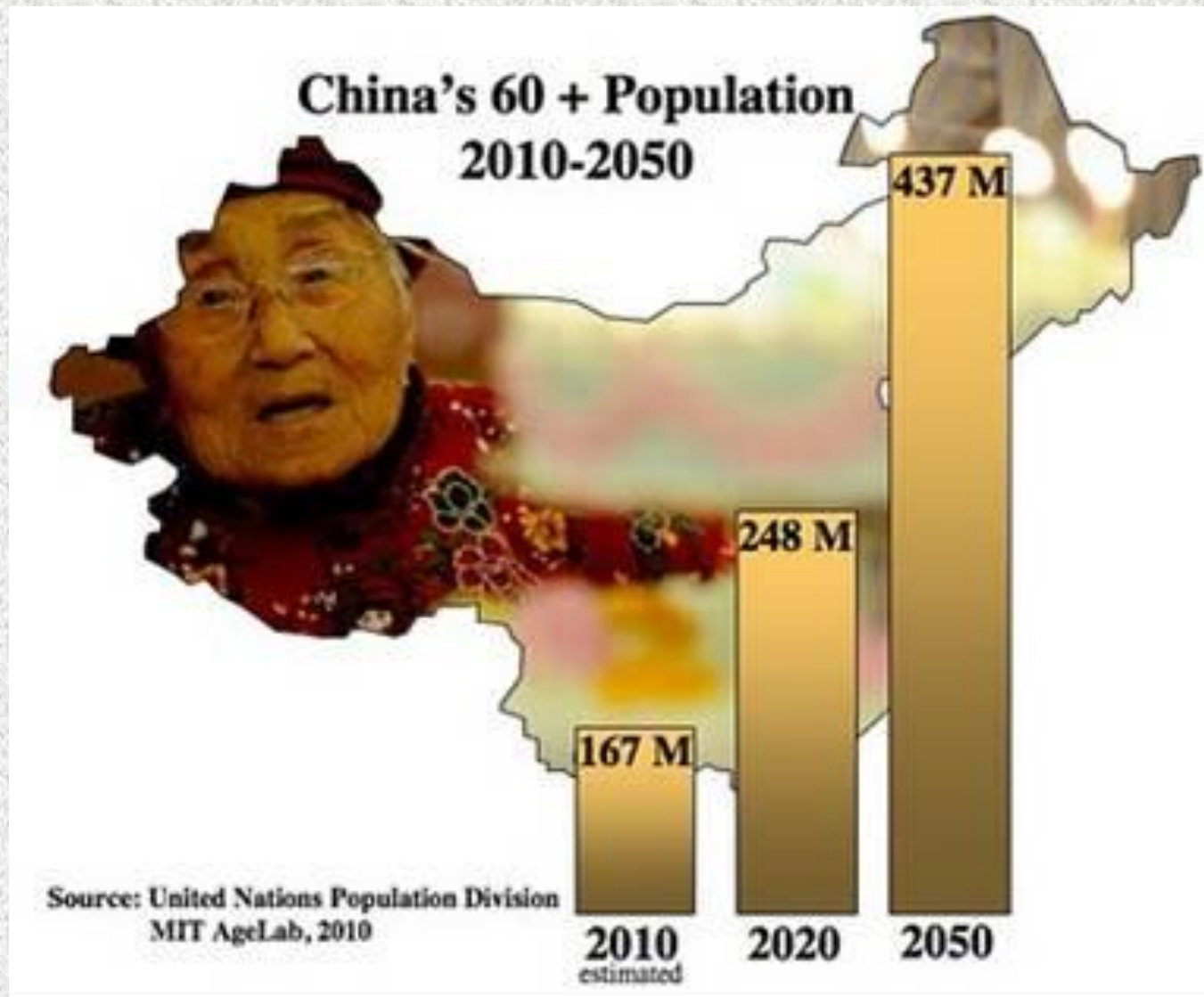


The growth of the mainstream and affluent income groups is estimated at 26.6% and 20.4% per year, respectively...

China Domestic Furniture Consumption



Demographic Trends



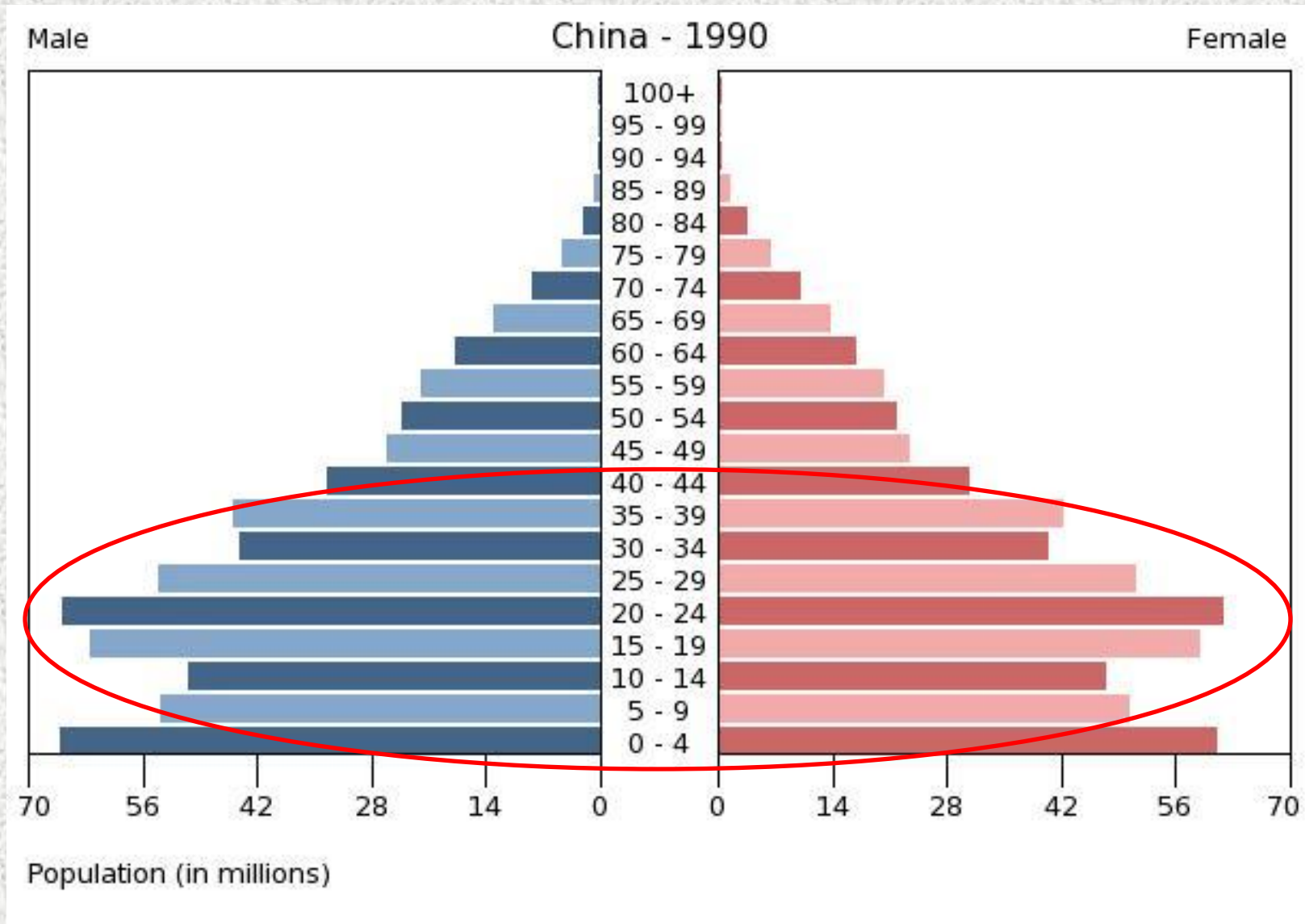
The number of seniors will increase more than 2.6 times by 2050

Demographic Trend

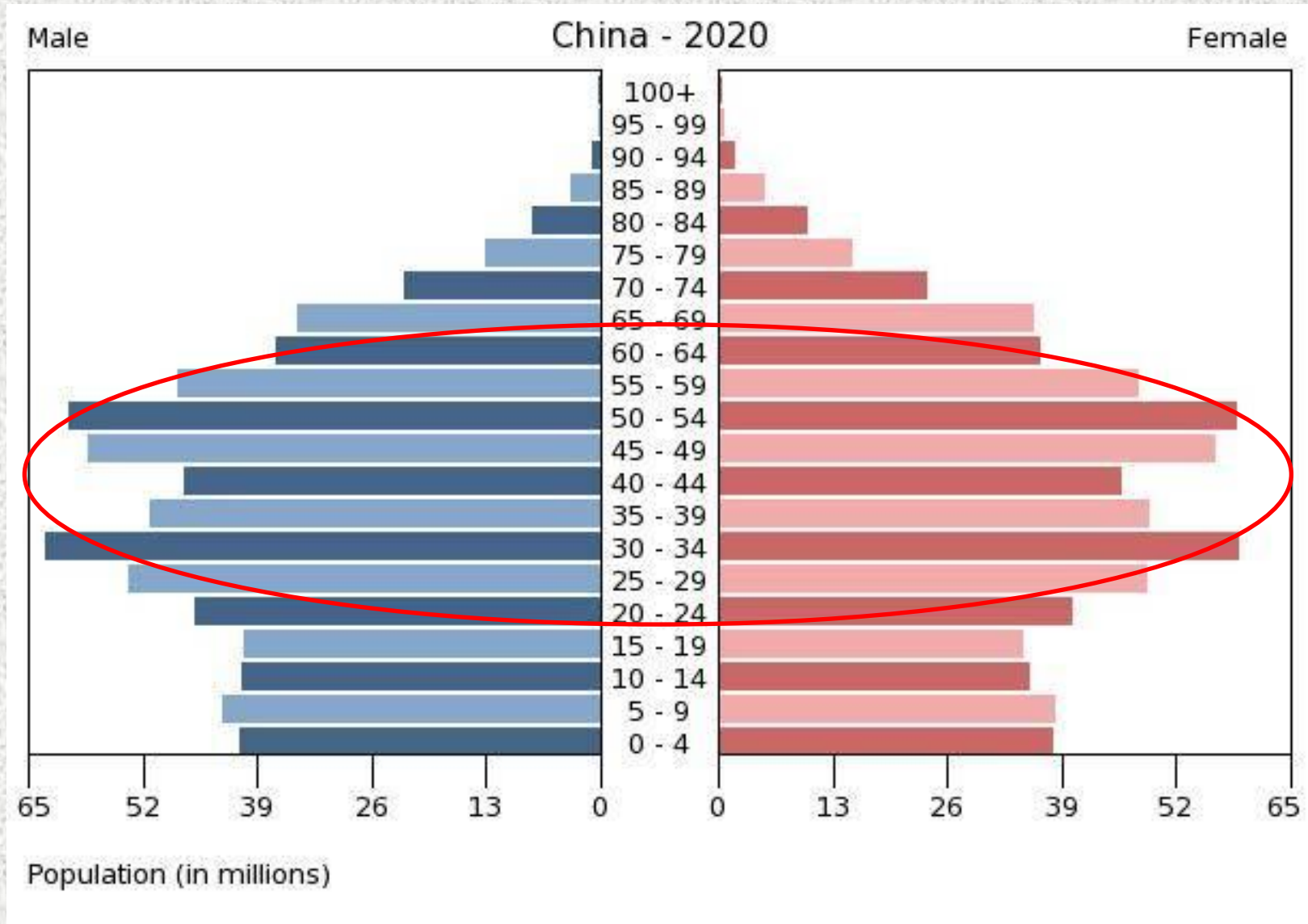
Even as China per capita income continues to grow, China's population is aging at a rapid rate. China is likely to become the first country to begin graying before it becomes rich. Lack of a strong pension system, the 4-2-1 problem and the movement of young people away from their parents to urban areas means that China is actively looking to develop a robust senior housing sector to support the rapidly growing senior population.



China Population 1990



China Population 2020



Population (in millions)

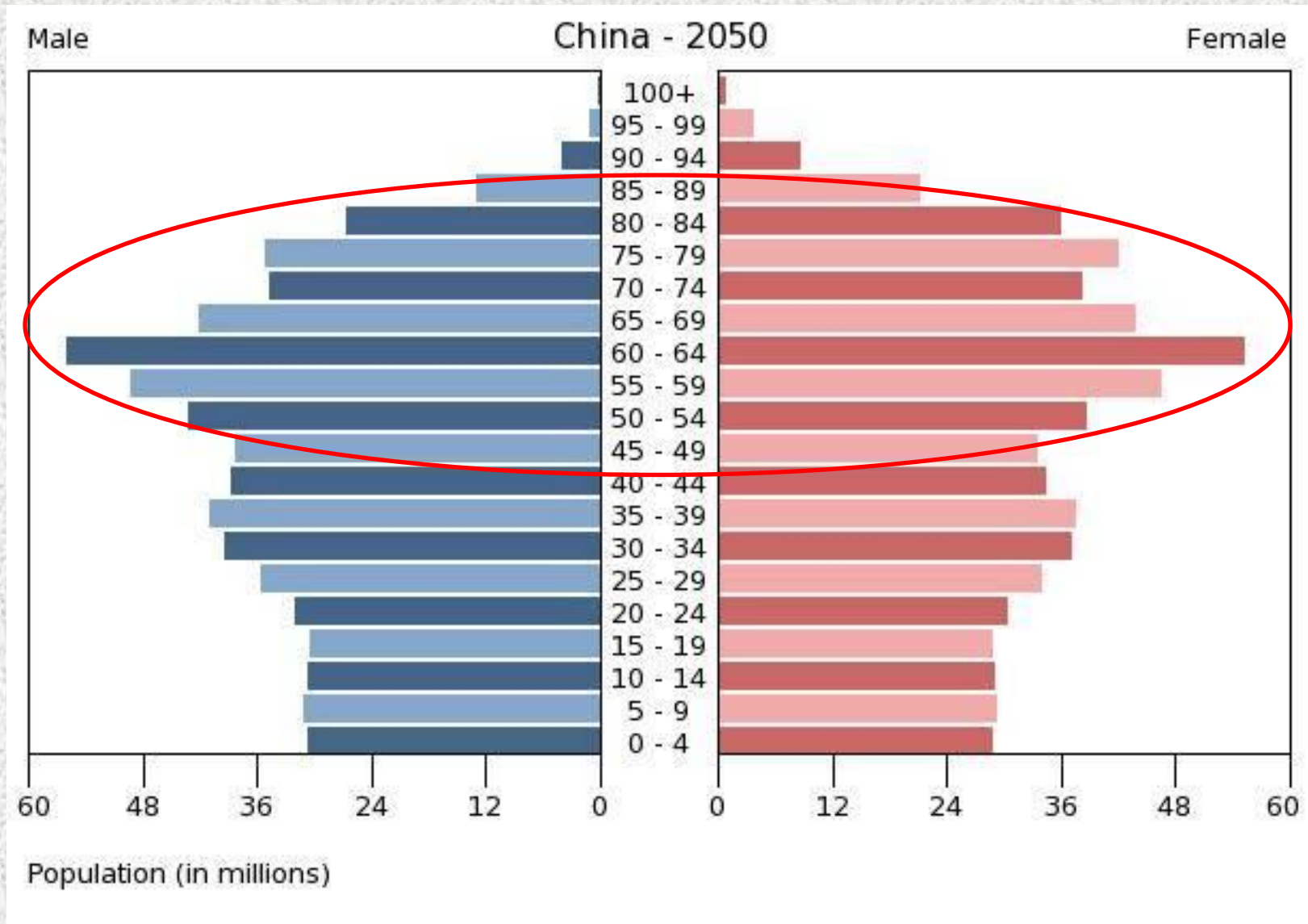
65 52 39 26 13 0 0 13 26 39 52 65

Male

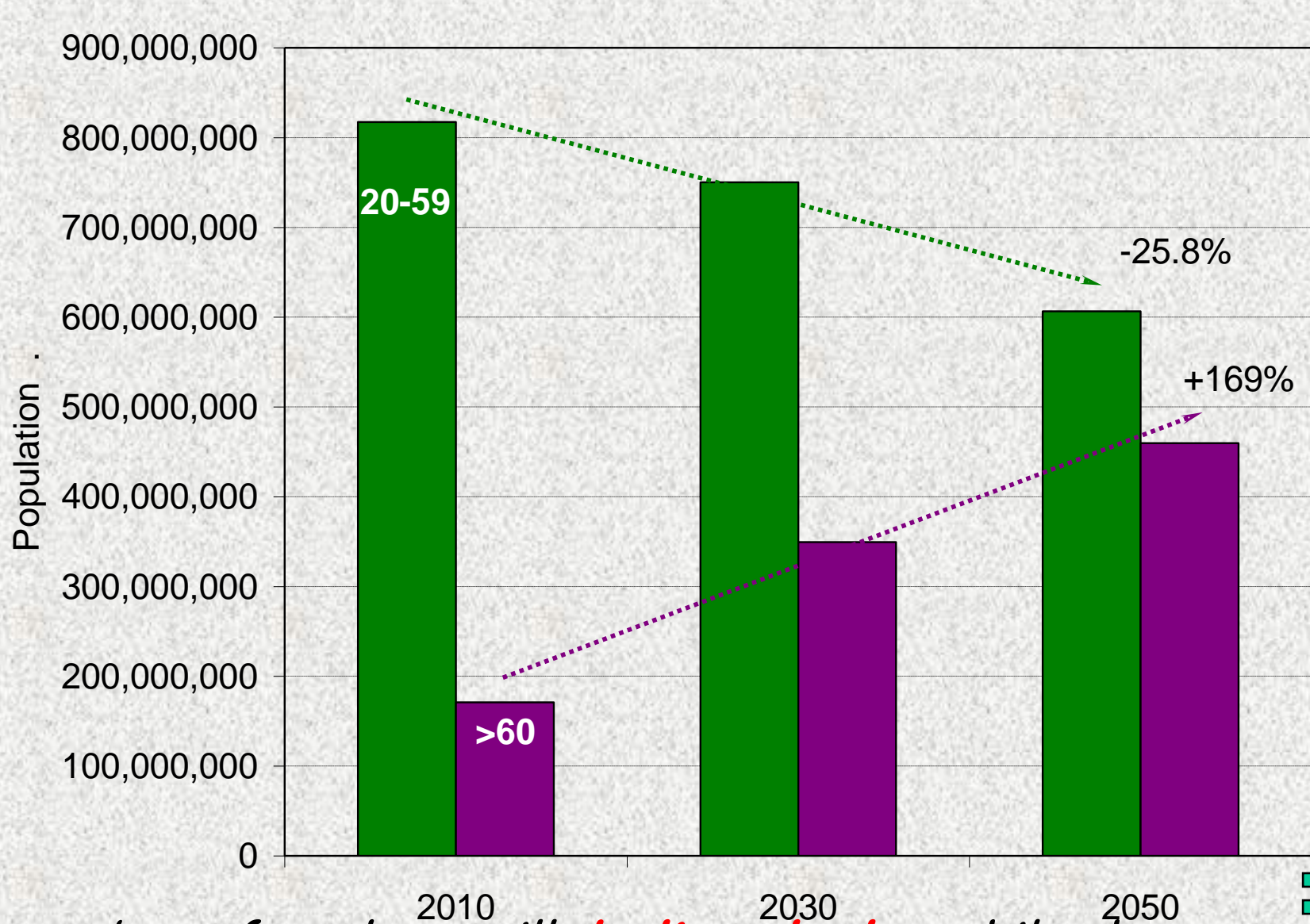
China - 2020

Female

China Population 2050



Demographic Trend

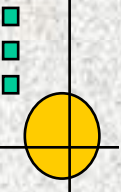


*The number of workers will **decline slowly**, while the number of seniors will **increase rapidly***



China Construction Trend (1)

China has a limited social security system in place as well as an inadequate senior housing infrastructure. As the middle to upper-middle class segment of society continues to grow, there will be a larger number of seniors who will be able to afford senior housing (especially with support from their children), thereby encouraging the development of senior communities. This represents a good opportunity for wood frame construction and wooden building materials.



China Construction Trend (1)

Beijing Sun City is a senior retirement community located on the outskirts of Beijing



<http://www.bj-suncity.com/EN/Default.aspx>



北京太阳城

太阳城

北京太阳城

Single family homes sell for over \$US 1 million...



...while townhouses sell
for up to \$US600,000.



Apartments allow elderly to move from independent living to assisted living by selling their homes or townhouses.



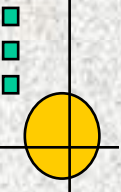
A fully staffed hospital provides a full range of medical services including hospice at the end of life.





China Construction Trend (2)

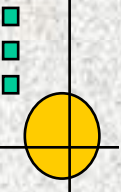
In addition, a growing concern about earthquake safety and energy conservation could help convince Chinese authorities to use wooden and hybrid construction technologies to build low to medium-rise public buildings (e.g., schools, senior communities and clinics) in rural and semi-rural areas.





Benefits of Wood in Construction

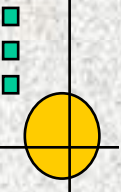
Recent perceptual research has found that the aesthetic impact of using more wood in public structures can have a positive psychological impact on people's health, happiness, ability to learn and increase their feeling of relaxation. In addition, life-cycle impact (LCI) research has show that wooden structures have a lower carbon footprint and are more energy efficient than either steel, concrete or brick buildings.





Benefits of Wood in Construction

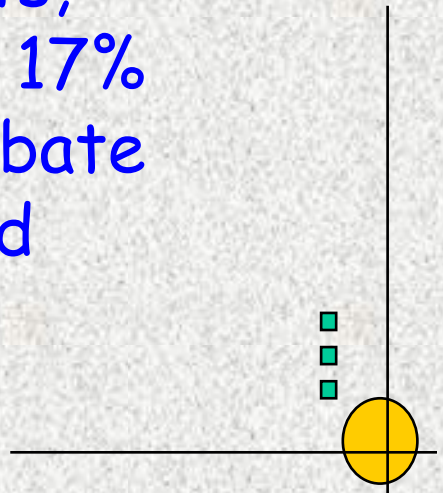
These results suggest that increasing the use of wood in public structures such as schools, health clinics and senior housing could have a positive impact on society and the environment. This information played a key role in the recent adoption of the "Law to Increase the Use of Wood in Public Structures" in Japan requiring that, whenever possible, wood be given preference over other building materials in all publicly funded buildings.





China Construction Trend (3)

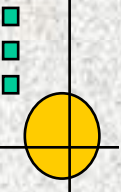
China's Central government is instituting a number of policies to stimulate the economy:

- Approved ¥1 trillion funding for 60 infrastructure projects ranging from high speed rail to ports, highways, sewage treatment centers and airport expansion.
 - Instituting measures to boost exports, including considering a full rebate of 17% export tax, speeding up export tax rebate process, expanding export credit and increasing loans to SME's.
- 

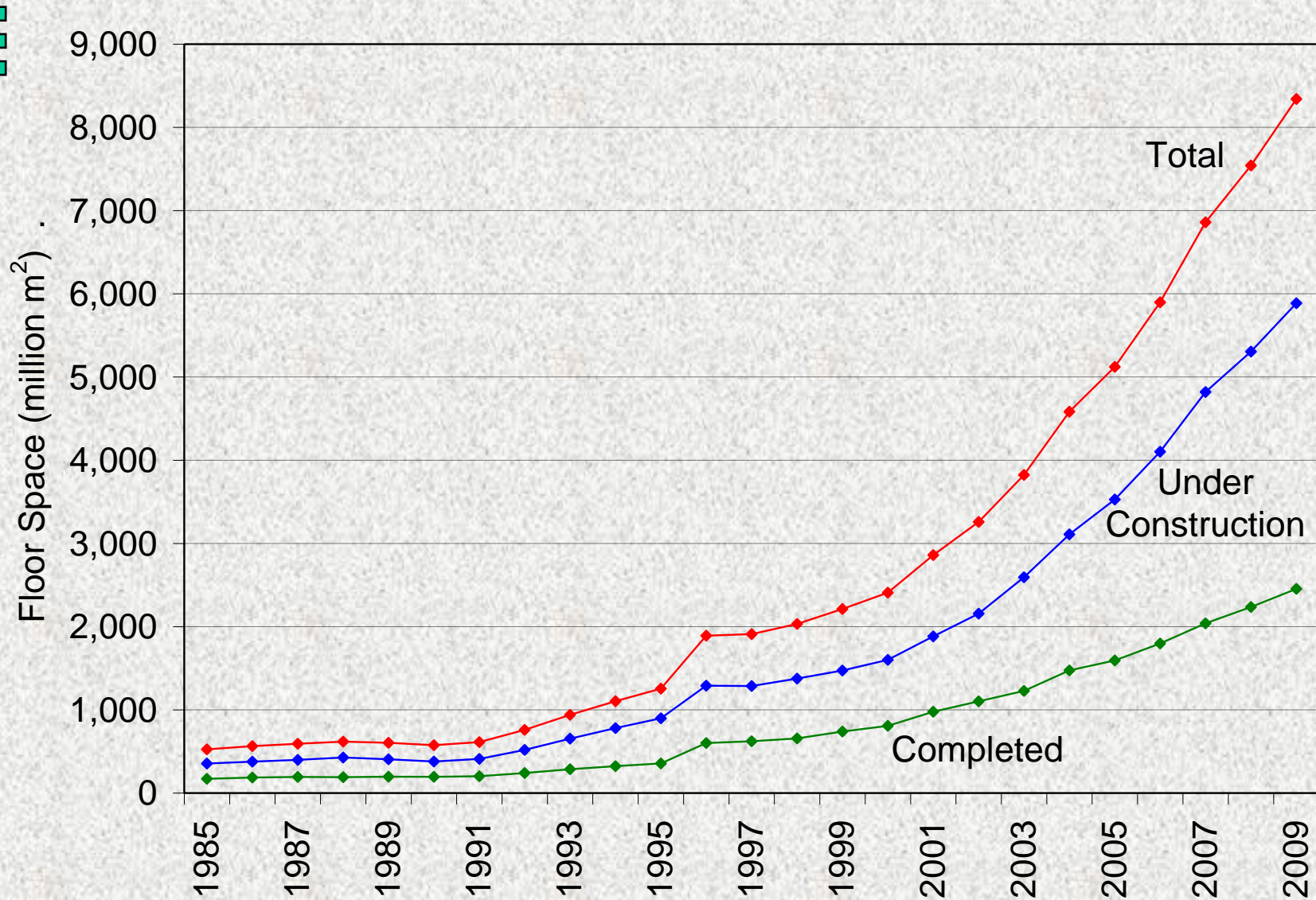


China Construction Trend (3)

China's Five Year Plan calls for building 36 million affordable housing units between 2011 and 2016, something never before done in the history of the world. While housing units are generally multi story concrete and brick buildings, interior finishes (flooring, wall panels, cabinets, mouldings and trim) and furniture use a substantial volume of wood. Increasing personal wealth will support increasing consumption of wood products, with a growing percentage of the raw materials and finished products, being imported.



Residential Construction Activity in China



The image features two electric guitars standing upright on a wooden surface. The guitar on the left is a dark-stained Les Paul-style guitar with gold hardware, including the bridge, pickups, and knobs. The guitar on the right is a light-colored, possibly alder or ash, Les Paul-style guitar with black hardware. Both guitars are positioned in front of a wall made of horizontal wooden planks. On the wall, there are several blue-painted logos, including the letters 'FSC' and a circular logo with a tree. The text 'Timber Legality Legislation' is overlaid in the center of the image in a white, sans-serif font.

Timber Legality Legislation

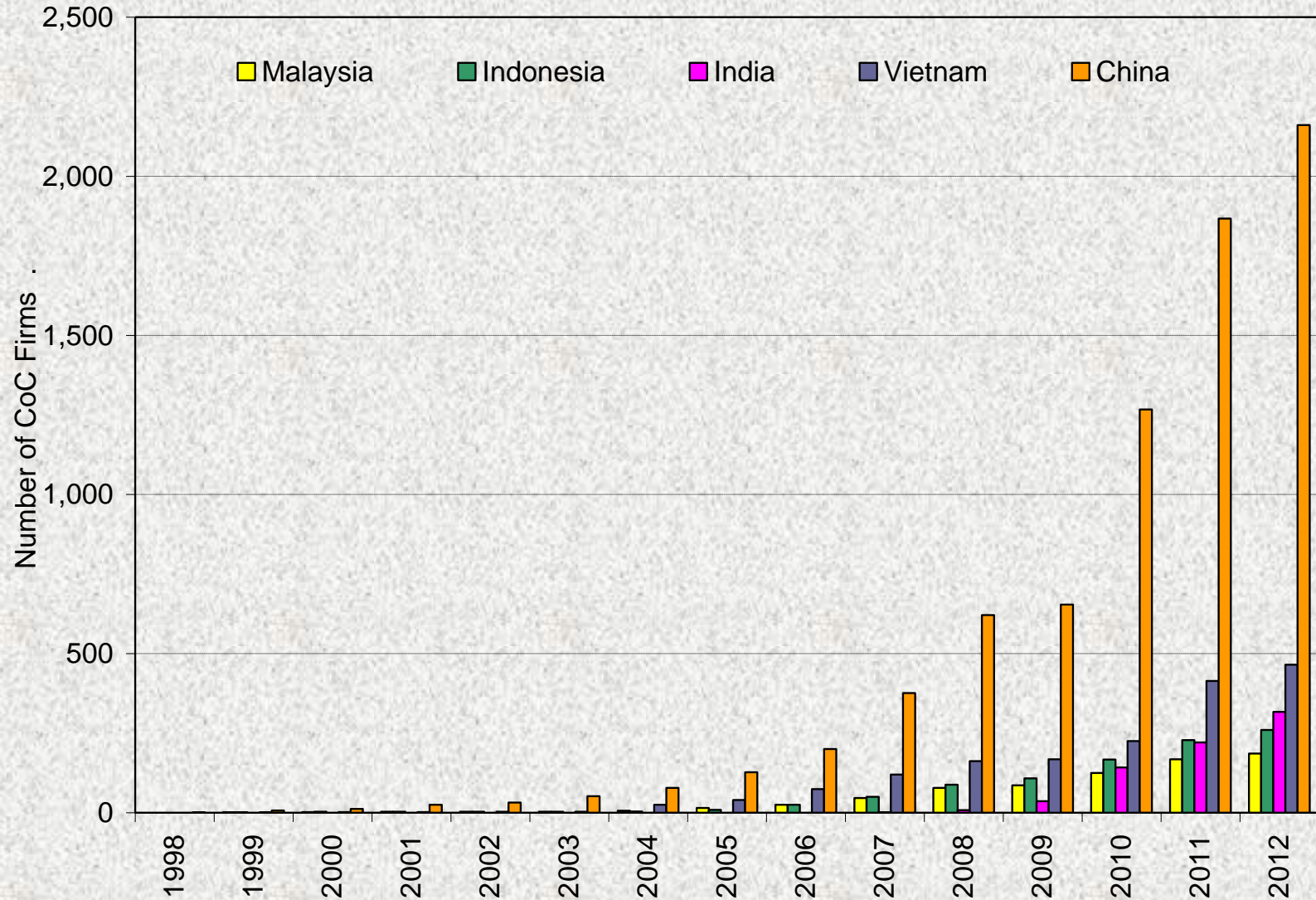


Timber Legality Verification

The Lacey Act, which requires documentation of legality for all wood products exported to the US, is a big concern for wood manufacturers in China, Thailand and Vietnam and could help to boost exports of US wood products to these countries. It has already caused many Asian firms to acquire chain-of-custody certification in order to track their wood materials through the supply chain.



Certification of Chain-of-Custody Trends



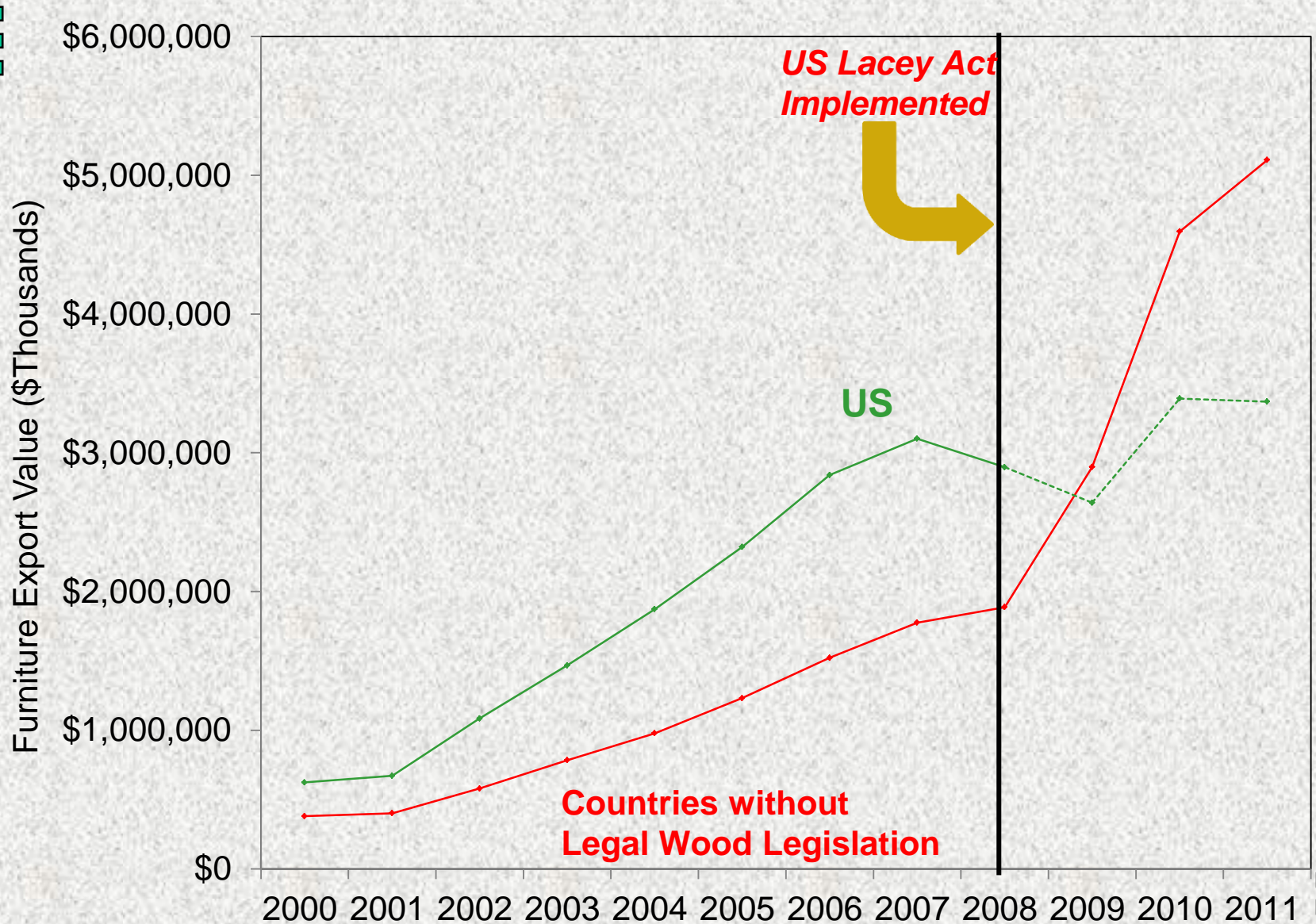
**Gibson Guitar
Accepts
Responsibility
for Importing
Illegally
Harvested Wood**



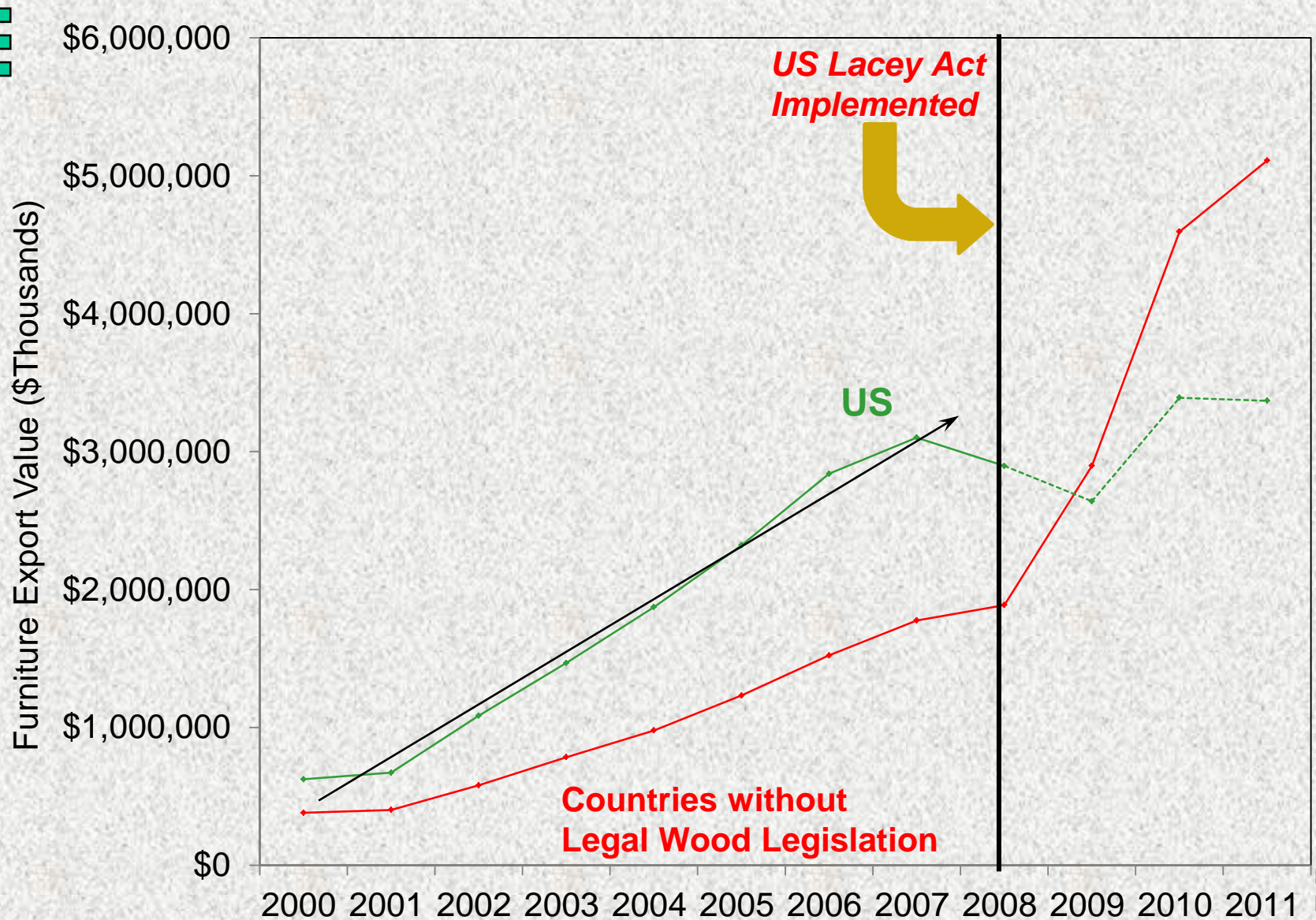
Timber Legality Implications

Since many Asian firms are heavily dependent on western markets for their wood product exports, timber legality legislation will encourage some manufacturers to source wood materials from western countries in order to more easily demonstrate legality within their supply chain and reduce the risk of having a product shipment seized at the port. Alternatively, Asian manufacturers could expand their exports to less regulated countries as a way to avoid complying with timber legality legislation (as occurred in west Africa during the late 1980's).

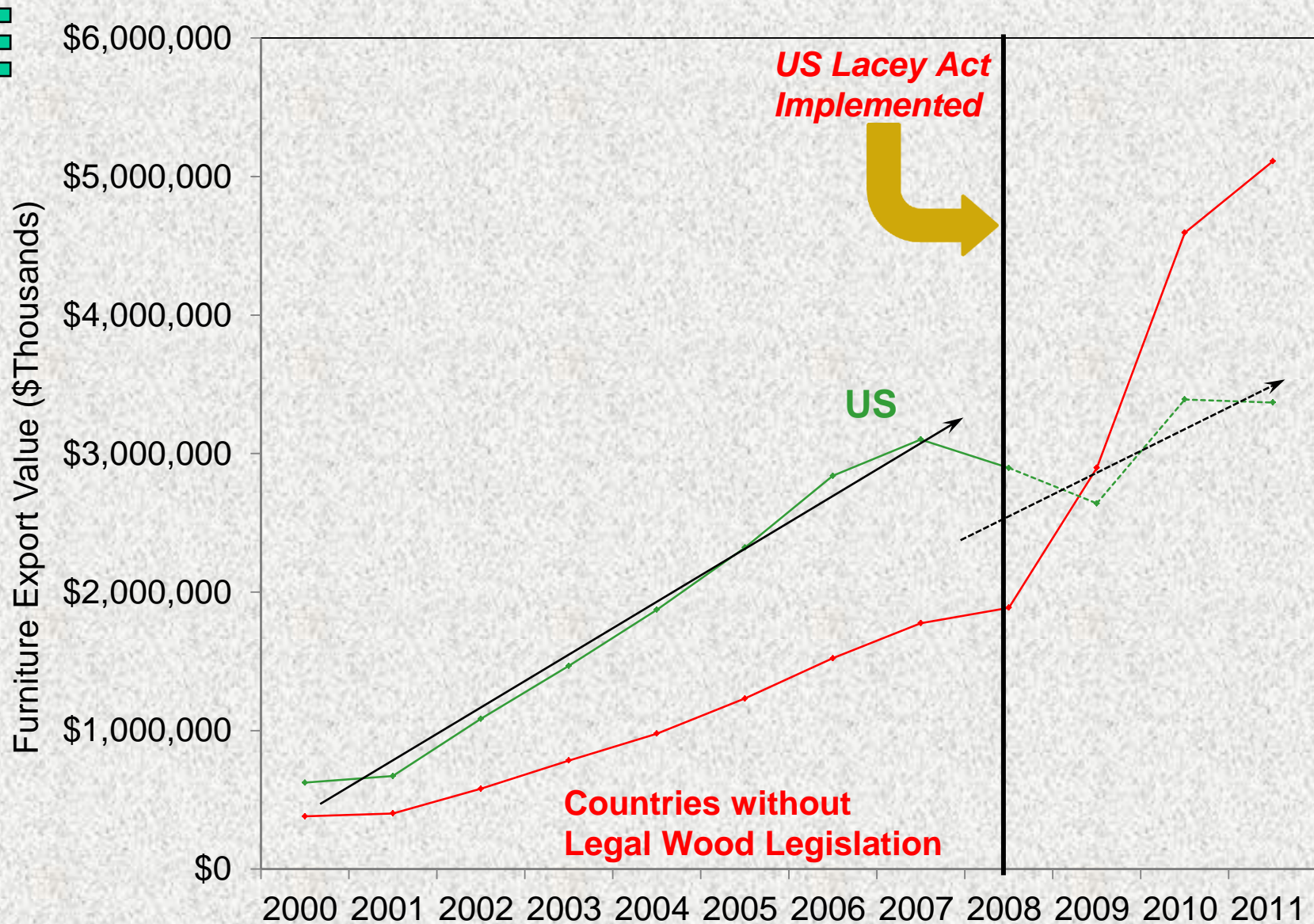
China Wooden Furniture Exports



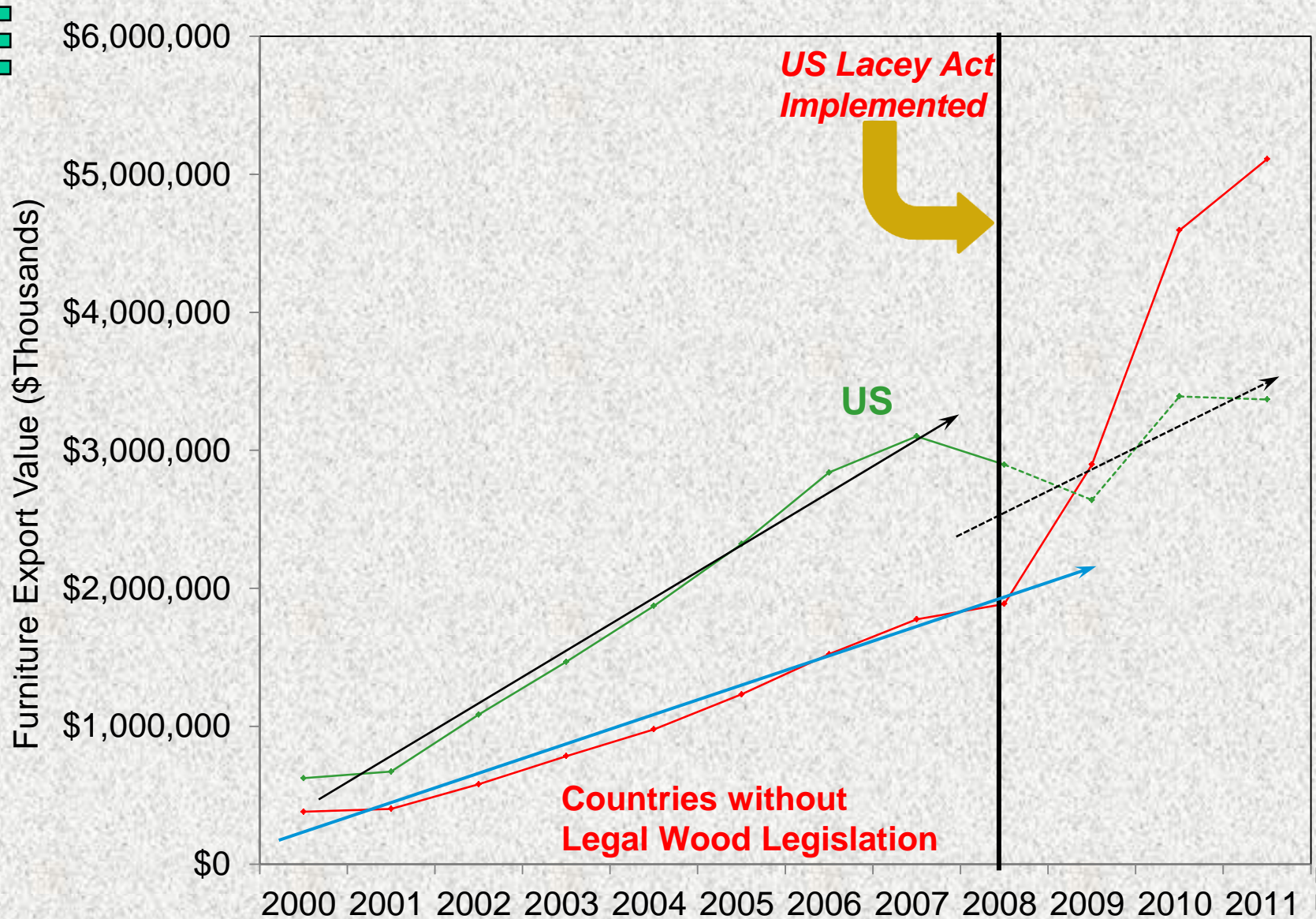
China Wooden Furniture Exports



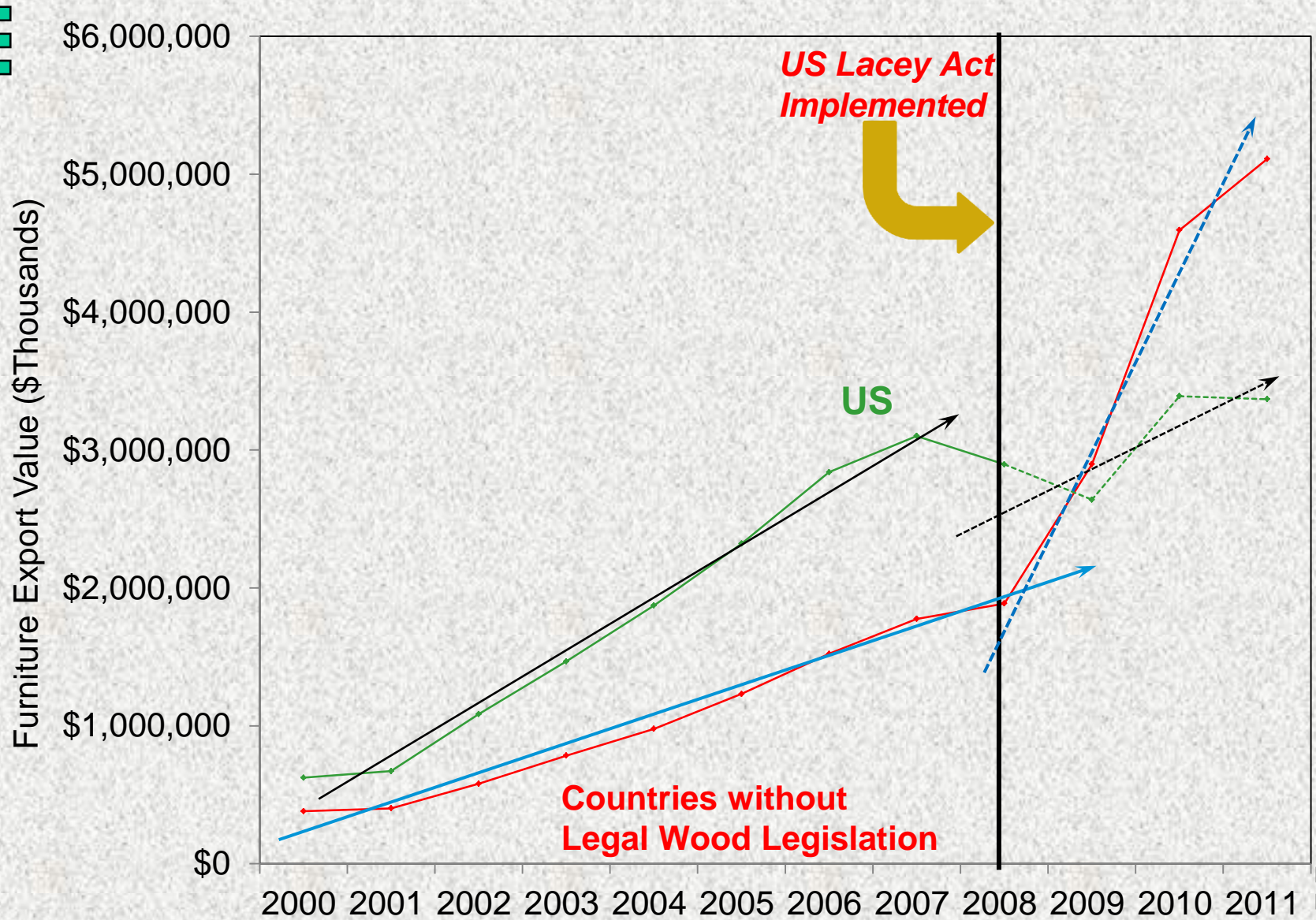
China Wooden Furniture Exports



China Wooden Furniture Exports



China Wooden Furniture Exports





Strategic Observations

- • China has rapidly become a leading trader of wood products
- • While China runs a trade deficit in commodity wood products, it's overall balance of trade is positive
- • A rising standard of living will inevitably lead to increased domestic consumption of wood products and a growing emphasis on product brands by Chinese wood manufacturers
- Shifting demographics will increase demand for housing and related wood products by Chinese senior citizens
- New building codes and increased interest in improving the energy efficiency of buildings will provide new market opportunities for high quality imported building materials and design technologies.





Thank You!
Questions?