Appalachian Hardwood Product Exports – An Analysis of the Current Chinese Market

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Overview

• Project sponsored by USDA Forest Service

• Two scientific papers published

• An online toolkit http://www.wdscapps.caf.wvu.edu/Hardwood_Trade/Default.aspx

• An international conference on US-China hardwood trade in August 2010 (Lansdowne, VA)
Objectives

- Investigate current exports of Appalachian hardwood products to the Chinese market,

- Examine potential and existing trade barriers between US producers and Chinese customers, and

- Discuss some ongoing issues related to the hardwood industry in the Appalachian region.
Methods

- Two formal mail surveys: US Appalachian hardwood exporters and Chinese importers.
- US: 1,584 companies in Appalachian region surveyed in 2008.
- China: 50 questionnaires, covered five target regions.

Figure 1: Study area: (a) Appalachian region, U.S. and (b) China.
Results-US survey

- Adjusted response rate 15% (241 usable responses)
- 28% reported exporting hardwood products
- 13% of respondents exported logs, 25% exported lumber
- Export destinations

![Bar chart showing export destinations with proportions: Europe 72%, China 66%, Canada 49%, Mexico 34%, Japan 33%, Taiwan 24%, Hong Kong 21%, Others 27%]
Results-US survey

• Respondents were divided into five groups based on annual production capacity.

• 43% of respondents produced > 46,000 m³ (10 MMBF) (large-scale).

• Export proportion of large producers varied from 5% – 95% (n=16, average=27%).
Results-US survey

Hardwood products export

- **Hardwood Logs**
  - Total US hardwood log exports to China, excluding alder, in 2007 was 386,000 m$^3$ (84 MMBF, assuming 1 MBF = 4.59 m$^3$, USDA 2009).
  - Survey results: 52,000 m$^3$ (11.4 MMBF) of Appalachian hardwood logs were exported to China by the respondents.

- **Hardwood Lumber**
  - Total US lumber exports to China in 2007 was 1,110,000 m$^3$ (242 MMBF – ref. USDA 2009)
  - Survey results: 670,000 m$^3$ (145.3 MMBF) of Appalachian hardwood lumber were exported to China by the respondents.
Results-US survey

(a) Hardwood logs

(b) Hardwood lumber

Appalachian hardwood products export by state.
Results-US survey

Hardwood Products Exported by Species (% of export respondents export that species)

• Hardwood Logs
  – Red oak (37%)
  – White oak (29%)
  – Black walnut (20%)
  – Black cherry (14%)
  – Hard (sugar) maple (11%)

• Hardwood Lumber
  – Red oak (66%)
  – White oak (66%)
  – Yellow Poplar (66%)
  – Black walnut (37%)
  – Hickory (29%)
  – Black cherry (26%)
  – Hard maple (23%)
  – Soft maple (17%)
Results-China survey

- 96% response rate
- 81.3% (39 respondents) imported hardwood products
- Primary products imported: Logs and lumber
Results-China survey

How well are Appalachian hardwood products competing in the Chinese market?

– 96% of respondents who imported from the U.S. purchased hardwoods from the Appalachian region

– Hardwood from U.S. South (21%) and West (14%)

– Total Volumes (2007) from Appalachian region:
  • Logs ≈ 30,000 m$^3$ (95% CI: 2,073 – 6,608 m$^3$)
  • Lumber ≈ 102,000 m$^3$ (95% CI: 3,826 – 13,636 m$^3$)

– Mean Volume (2007) from Appalachian region:
  • Logs ≈ 4,340 m$^3$ (95% CI: 2,073 – 6,608 m$^3$)
  • Lumber ≈ 6,840 m$^3$ (95% CI: 3,826 – 13,636 m$^3$)
Results-China survey

What species of Appalachian hardwood products are being imported to the Chinese market?

![Graph showing the frequencies of species imported](image-url)

- Red/White oak
- Hard maple
- Yellow poplar
- Soft maple
- Cherry
- Walnut
- Ash
- Hickory

Legend:
- Green: Hardwood logs
- Yellow: Hardwood lumber
Results-China survey

Where are the Appalachian hardwood products being imported to the Chinese market?

(a) Logs

(b) Lumber
Results-China survey

Potential market implications

Future purchasing behavior of U.S. hardwood logs and lumber
– 15% will increase
– 48% will remain at current level
– Remainder 37% will decrease

Hardwood from U.S. will be more competitive in Chinese market:
– If the U.S. dollars remains weak
– Restriction in harvesting of tropical hardwoods
– Russian export tariffs (25% on logs 2010 and scheduled 80% 2011):
  How will this influence?
Marketing Concerns – Chinese Perspective

Product and service attributes of concerns - #1 Concern: Quality and Price.
Marketing Concerns – US Perspective

Concerns About Conducting Business Overseas

• Transportation and payments were two largest concerns

• Transportation cost vary based on products, species, grades, and destination

• Payments include: cash in advance, letters of credit, documentary collections, and open accounts

• Of these, letters of credit are the most secure
Conclusions

Chinese perspectives

• The Appalachian region of the U.S. is an important hardwood supply for China.

• Oaks (red and white) largest and most important species imported to China.

• Chinese importers mostly satisfied with long-term supply of U.S. hardwoods.
Conclusions (cont’d)

Appalachian region perspectives

- China has become the 2nd largest export market for hardwood products.

- Oaks largest log and lumber species exported to China.

- Freight cost and payments are limiting factors when considering oversea business expansion.

- Given the decline in U.S. housing market, exports will likely become increasingly more important.
Conclusions (cont’d)

Hurdles from US hardwood producers in an international market

• Communication / Unit of Measure
• Payment
• Access of Financial Information / Credit Reports
Conclusions (cont’d)

Hurdles from a Chinese perspective

• Unit of Measure / Unit Conversion
• Price
• Tradition / Customs
• Specification

How do European Standards compare to US Standards?

Chinese Perspective: They are equally difficult.
Conclusions (cont’d)

How does China / America compare with other nations?

US Perspective on China:

• China is a necessary trade partner for US. There is great long-term potential in China.

• China is always open for business.

• The US has a great relationship with China but there is still room for improvement.

• Contracts can be problematic due to cultural differences between the negotiation process.
Conclusions (cont’d)

*How does China / America compare with other nations?*

**Chinese Perspective on US:**

- Future demand for US hardwoods won’t be quite as high as previous 20 years but outlook is still very good.

- Chinese used to prefer European Beech 20 years ago. Now, they would like some changes.

- Demand for Red Oak is high but supply is limited. As a result, veneers are common and dyes can even be used to simulate Red Oak.

- Red color in China is considered lucky - leads to many marketing opportunities
Conclusions (cont’d)

How does China / America compare with other nations?

US vs. Russia and Southeast Asian Suppliers

• All are very efficient suppliers

• Southeast Asian nations have more favorable price

• On time delivery is very good for all nations

• Overall, US and European suppliers are about the same
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