

## China: a market for Australian exports of forest products

Australia's excess supplies of various forest products are set to increase and include additional products. As excess supplies are exported, it is useful to know more about export markets. China — the world's most populous country — is among such markets.

In overall trade, China was Australia's fifth largest trading partner five years ago. It now ranks as the third largest and imports some forest products from Australia. As it has the potential to import more, this market report presents an overview of some features of the Chinese market.

Economic growth is one of the basic drivers of demand for products, and it so happens that the pace of economic growth in China has been markedly high (chart A). Moreover, China's economic growth has been this high not only recently, but for many years. Over the 25 years to 2003, its economic growth averaged at 8.2 per cent a year. The significance of this may be understood from the fact that at a growth rate of 8 per cent a year the size of an economy doubles every ten years.

As a result of the high rate of economic growth for so long, there has been a significant improvement in the standard of living in China. Hence its average consumption of forest products per person has also increased and has considerable scope to rise further before it reaches the levels in Australia (table 1).

While China's consumption of forest products was rising fast, its domestic production rose slowly. Hence, China's imports accelerated, recording higher growth rates for most products than those recorded by the world as a whole (charts B1 and B2).

**Table 1: Consumption of forest products, 2000–2002, average per 1,000 persons per year**

	China	Australia
Sawnwood, cu. m	10.8	231.7
Wood-based panels, cu. m	19.6	81.3
Paper and paperboard, t	34.1	177.5

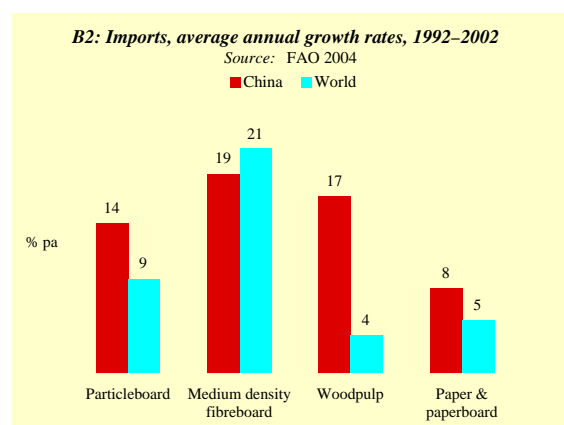
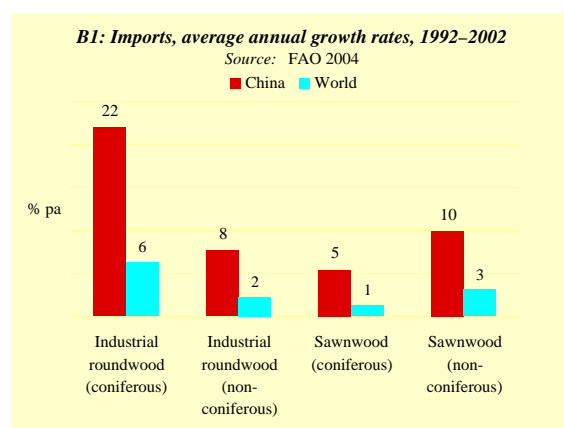
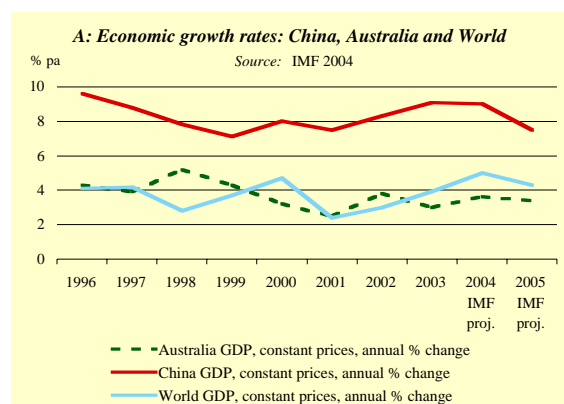
Source: FAO 2004.

**Table 2: China's imports of selected forest products, 2000–2002, average per year**

Industrial roundwood – C, million cu. m	10.6
Industrial roundwood – NC, million cu. m	9.4
Woodchips and particles, million cu. m	2.0
Sawnwood – C, million cu. m	1.3
Sawnwood – NC, million cu. m	4.7
Particleboard, million cu. m	0.9
Medium density fibreboard, million cu. m	1.3
All wood-based panels, million cu. m	5.8
Woodpulp, million t	5.3
Paper and paperboard, million t	10.2

C, coniferous. NC, non-coniferous.

Source: FAO 2004.



It is also useful to look at the quantities of forest products imported by China. Table 2 shows the annual import quantities. To put these volumes in perspective, it is notable that even if Australia were to export all of its annual production of sawnwood, wood-based panels and paper and paperboard to China, it would still not have fully met China's import requirements for these groups of products. It illustrates that, from Australia's perspective, China is a huge import market.

It was stated earlier that China imports some forest products from Australia. It is useful to elaborate on that statement, by identifying major exporters to China and Australia's place among them.

FAO data for 2000–2002 show that major exporters to China included Russia and New Zealand for coniferous industrial roundwood; Malaysia, Gabon and Papua New Guinea for non-coniferous industrial roundwood; Russia, Canada and New Zealand for coniferous sawnwood; Indonesia, Malaysia and Thailand for non-coniferous sawnwood; Thailand, Malaysia and Belgium for particleboard; Malaysia and Thailand for fibreboard; Russia, Canada and Indonesia for woodpulp; Korea, USA and Indonesia for paper and paperboard.

The identification of major exporters reveals Australia to be a minor exporter, supplying China with relatively small quantities of a variety of products such as coniferous industrial roundwood, woodchips, coniferous sawnwood, particleboard, fibreboard, and paper and paperboard.

Even if China's economic growth was to slow down in future (as projections in chart A suggest),

other developments in China and elsewhere are likely to see a continued existence of markets for Australian exports of forest products. Hence the issue facing Australia's excess supplies of forest products is not whether there will be export markets. Instead, the issue is whether Australian products pass the test of international competitiveness. That is, is Australia able to deliver the products at the time and place and in the form sought by overseas buyers at prices as good as or better than those of other suppliers, whilst earning at least opportunity cost returns on resources it employs in its supply chain and marketing channels (adapted from Freebairn 1987)?

#### *Main summary points*

- The excess supplies of forest products in Australia will increase, and include additional products.
- China has a huge import demand for forest products and a capacity to absorb Australia's excess supplies of these products.
- Provided Australian products are internationally competitive, there should be no problem exporting them to China, or to other countries.

## Stumpage prices received by small-scale growers

The ANU Forestry Market Report project has collected information on actual stumpage prices received by small-scale growers. As the information was insufficient for deriving averages and trends, it is

presented in case study format in table 3. Please exercise care in using this information for assessing stumpage for a particular situation, and note that stumpage is not the sole indicator of profitability.

### *3: Stumpage case studies*

Region	Period	Type of log	Stumpage	Comments
Central Tablelands, NSW	April-May 2003	Pine: Pulplog	\$6/t	225 t; 6–20 km to mills
Gippsland, Victoria	July-September 2004	Pine: Medium sawlog Small sawlog Preservation log Pulplog	\$28.11/t \$20.07/t \$23.14/t \$13.11/t	Clearfall of 25-year old wildings: 110 t; 80 km to mill 90 t; 80 km to mill 90 t; 30 km to mill 800 t; 60 km to mill
		Medium sawlog Small sawlog Preservation log Pulplog	\$19.71/t \$14.31/t \$14.47/t \$4.92/t	At the first thinning, age 21: 60 t; 135 km to mill 110 t; 135k to mill 200 t; 95 km to mill 650 t; 130 km to mill
		Medium sawlog Small sawlog Preservation log Pulplog	\$20.21/t \$14.81/t \$14.97/t \$5.42/t	At the second thinning, age 21: 300 t; 130 km to mill 160 t; 130 km to mill 60 t; 90 km to mill 440 t; 125 km to mill
S-W Western Australia	September -October 2004	Native forest (karri): Sawlog Pulplog	At mill-door: \$82+GST/t \$44.20+GST/t	120 km to mill; transport cost \$17.50+GST/t: First grade

*This project has been carried out in association with Australian Forest Growers. At various times it has been supported by the Joint Venture Agroforestry Program of RIRDC, LWA, FWPRDC and MDBC; Private Forestry Council Victoria; AFFA; the 2020 Vision; ABARE; Farmwood Australia Co-operative Society Ltd; and SMARTtimbers. Acknowledgement is also due to Mr Richard Stanton of A3P for his valuable comments on an earlier draft of this market report. For feedback and further information, contact Dr U.N. Bhati, ANU Forestry, School of Resources, Environment and Society, The Australian National University, Canberra ACT 0200; fax (02) 6125 0746; email: [un.bhati@anu.edu.au](mailto:un.bhati@anu.edu.au). For previous market reports and information on the project, see <http://sres.anu.edu.au/associated/marketreport/index.html>.*