



Tapping into the Chinese market for lumber

With the big drop in demand for lumber in the U.S. market, efforts to develop a larger market in China for Canadian lumber have been ramped up, and a B.C. First Nations band recently set up a representative office in China to tap into this potentially huge market.

By Jim Stirling

We're open for business. We have access to the raw material. Let's talk.

That was the general pitch a contingent of Canadian native groups delivered to Chinese government and business leaders during an exploratory trade mission last November.

The enterprising First Nations—representing about 18 bands—joined the premiers of the four western provinces and about 100 Canadian business leaders on the initiative.

“Our objective was to look at the opportunities available,” explains Wayne Drury, a spokesman for Coast Tsimshian Resources, the forestry arm of the Lax Kw'alaams Band based at Port Simpson, near Prince Rupert on British Columbia's northwest coast. “We went over there with no preconceived notions of what we might accomplish,” adds Drury.

But the band contingent, including Chief John Helin, learned a vital lesson and took it to heart. “What came across loud and clear was that we have to have a face in China,” says Drury. “We had to make it a priority.”

That's why a couple of weeks later, in early December, Drury was part of a return trip to China with the express objective of establishing a representative office. “The Chinese were looking for a commitment from us to them and we needed a strategy for marketing our interests in China,” summarizes Drury.

“We have set up a representative office and hired a Chinese national fluent in English,” he continues. “The response has been unbelievable. We are making contacts with the Chinese and learning a bunch about the markets. We are treating it very, very seriously,” he adds.

There are no volumes of wood moving yet.”We're developing relationships, that's what it's about. We're getting to know the people and they're getting to know us.”

Coast Tsimshian Resources' rapid response to what it learned during the aboriginal trade mission, and establishing a beachhead presence in China, places the Lax Kw'alaams in a leadership position.

“We're looking at opportunities to help other First Nation communities interested in doing business in China,” says Drury. “My gut says there's a real opportunity there.”

Drury's observations would draw no argument from Pat Bell, B.C.'s Forest Minister and Liberal MLA for Prince George



North. Bell was one of the key promoters for the trade mission and he is a supporter of market diversification for B.C.'s wood product industries. He's especially upbeat about the potential offered by China. It's the world's most populous country with a thriving resource-hungry economy. Many economists expect GDP growth in China to be between eight and nine per cent in 2009. It was 10.1 per cent in the second quarter of 2008.

Even if that turns out to be an optimistic forecast, given the crisis of confidence in world markets, China still figures to be in a healthier position than most western countries.

Six B.C. forest product companies participated in the four city, China trade mission and Bell reports they succeeded in securing new orders for 83 million board feet of lumber. Most of that is in the form of low grade lumber.

Significant volumes of higher grade lumber are unlikely to be achieved until China develops a more widespread wood frame construction culture, something Canadian agencies are working diligently toward. However, lumber shipments in 2008 were still predicted to better the record of the 727,750 cubic metres shipped to China in 2007.

"If half of the low cost housing units currently being built in China were to adopt North American wood frame technology for the top four floors and roof, the volume of lumber consumed would be about 25 billion board feet per year," observed Bell in remarks released after the November trade mission. "In B.C., we only produce 14 to 18 billion board feet in most years."

One method of encouraging more wood product use in China is establishing show or demonstration projects that visually illustrate the scope and application of wood products. An example is a landscape project at Qingdao which demonstrates creative uses of B.C hemlock and western red cedar wood products. "This represents a new market for treated outdoor wood products that could be worth up to \$1.5 billion by 2010 and we intend to pursue these opportunities vigorously," notes Bell.

Another example is construction of an earthquake resistant school using B.C. lumber.

Steady progress is being made with getting wood frame building technologies used in Chinese projects. Bell cites as an example the use being made of B.C. forest products and Canadian wood truss technology for the roof of 38 apartment buildings in Shanghai.

"Housing authorities are particularly interested in the construction speed and environmental benefits of our roofing products and techniques, after witnessing the success of two previous demonstration roofing projects." An estimated 10,000 buildings are scheduled for renovation in Shanghai during the next two years. That represents a market potential of 95 million board feet of lumber if all the buildings were to incorporate a wood truss system.

The trade mission also visited the Canada Wood College, a partnership between the Sichuan College of Architectural Technology and the Canada Wood Group, a non-profit organization of industry associations. Bell explains the college is a vocational school that provides the most effective wood frame building training available in China.