

View of the Chinese laminate market

Dr Marcel van Berkel, director of global business intelligence for DSM Melamine, gives his view on how China is increasing its profile in the global market

MELAMINE IS A vital raw material for the wood-based panel industry. Amino-formaldehyde resins are produced which are used as impregnating resins for the production of laminates and as adhesive resins for the production of wood-based panels.

It is because of the use of melamine that laminates have durable surface properties such as hardness, gloss and scratch resistance. In wood-based panels the melamine makes the boards moisture resistant.

From the viewpoint of this raw material we have good insight in the trends and developments of the use of impregnating resins and laminates, especially regarding trends in technical developments but also in growth and end-uses.

This report deals with the growth perspectives of laminates and technical developments related to the use of melamine on a global scale. The total picture is completed in co-operation with Jaakko Poyry. The global melamine market regarding supply and demand will be shortly addressed.

China can be seen as the key driver for growth in the Asia Pacific area. Its actual housing programs, increasing living standards and the preparations for the Olympic Games in 2008 are the basics for a sustainable growth in coming years.

Furniture production for both

domestic markets and exports remains the single most important driver for reconstituted panel demand (carcassing), which, in its turn, results in increasing LPL consumption of 15% per annum over the period.

The HPL market in the Asia Pacific region as a whole stagnates with the exception of China. Compact laminates are set to experience above average growth in China, especially used in cubicles for public places.

It is not surprising that also in this region main growth is focused on LPL flooring with HPL only in small market niches. Local production of laminate flooring is increasing in China through domestic suppliers and joint ventures with European manufacturers.

Production growth is expected to reach approximately 30% per annum till 2004 and 20% per annum in the period 2004-2008. European imports are expected to decline during the forecast period, while China is likely to become an exporter of laminate flooring to other regions, as far as it can be price competitive. Japan remains a closed shop for laminate flooring.

Technological developments, like trends towards lighter weight papers and the use of liquid overlays will also become an issue in this region. Uptake in Asia-Pacif-

ic will be slower than in other areas of the world.

China is expected to show considerable growth, primarily for the internal market but it has the potential to become a net exporter for laminate products. The question, of course, is the timing within which this growth will be realised. This is mainly dependent on the local industry structure.

Today, the laminate market is very fragmented with many relatively small manufacturers mainly spread along the coastal area. Large, integrated mega-sites (production sites with a panel capacity of more than 700,000m³ per annum), according to the European concept, are not seen (yet?), although China has the tendency to integrate wherever possible.

Integrated sites with lower capacity are common. For large sites, raw-material (wood supply) is a critical factor. Local sales are really local and large distribution chains are not very common.

For export, this results in relatively long value chains and potential risks on reliability in supply. Furthermore, there are no general quality standards (yet) for laminate flooring, for example, like in Europe (set by European producers of laminate flooring) which is apparently less necessary for local consumption but important for exports.

However, from other business



Dr Marcel van Berkel.

areas we have seen that China is developing to an international market economy, respecting international business rules. Therefore it is likely that actual expansion behaviour will bring China to a net export area for ready-to-assembly furniture for instance, and, to a lesser extent, laminate flooring.

The business structure will change by concentration and/or consolidation to the mega-site concept, possibly but not necessarily with foreign partners. More stringent regulations are on the way (eg formaldehyde emission) and it is expected that European and American quality standards will be adapted. However, timing is the uncertain factor.

In the melamine market the picture is largely equal: the market is highly fragmented. Close to 50 melamine producers are present in China of which approximately 10 have a capacity of more than 5000 tons annually.

Also in this market concentration and/or consolidation will be the name of the game in a combination of growth and dropout of small (two-step) plants which are less cost-efficient. With its own gas-phase and short liquid-phase technology, DSM has a good starting position for a medium- to large-scale production site of melamine in China.

Both are low-cost technologies and combined with DSM's global position, sales network and knowledge we will establish a substantial position in the Chinese melamine market.

T +31-46-4773852

W dsm-melamine.com

