Penetrating International Markets

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American Hardwood Export Council

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www.americanhardwood.org
www.ahec.org
AHEC’s Global Reach

- London
- Washington, DC
- Mexico City
- Brazil
- Japan
- Korea
- Spain
- Italy
- India
- Singapore
- Indonesia
- China
- Hong Kong
Outline

- Why Export?
- Risks and Challenges
- Where are the current and potential markets?
- What are our strongest marketing messages?
Why Export?

- Globalization
  - Manufacturing is Global
  - Consumption is Global
  - Consumption of Wood products increasing fastest outside of US
Global Trade for Wood Products Down 31%

Source: Global Trade Atlas
Global Trade for Wooden Furniture Down 22%

Source: Global Trade Atlas
Growing Importance of US Hardwood Exports:

Exports as a % of US Production

Source: Hardwood Review,
China Furniture Production & Exports

<table>
<thead>
<tr>
<th>Year</th>
<th>Production (Billion USD)</th>
<th>Export (Billion USD)</th>
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<tbody>
<tr>
<td>1998</td>
<td>10.5</td>
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<td>1999</td>
<td>12.6</td>
<td>2.7</td>
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<td>2000</td>
<td>14.6</td>
<td>3.6</td>
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<td>2001</td>
<td>16.9</td>
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<tr>
<td>2002</td>
<td>19.88</td>
<td>6.42</td>
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<td>2003</td>
<td>24.58</td>
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<td>34.1</td>
<td>10.36</td>
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<td>2005</td>
<td>42.6</td>
<td>13.8</td>
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<td>2006</td>
<td>58</td>
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- China National Furniture Association
The Worst of Times.

-54% -47% -40% -34% -27% -20% -13% -7% 0%

- Live Animals & Products
- Fruit/Vegs
- Cereals and Oilseeds
- Animal/Vegetable Fats & Oils
- Prepared Food
- Petroleum & Other Mineral Products
- Chemical & Allied Industry Products
- Plastics, Rubber & Articles Thereof
- Hides & Skins, Leather
- Wood, Pulp & Other Fibrous Materials
- Textile & Textile Articles
- Jewelry & Precious Metals
- Base Metals Including Iron, Steel & Copper
- Machinery, Appliances & Electrical Equipment
- Transportation Including Cars, Trains, Airplanes
- Optical, Clock, & Musical Equipment
- Furniture & Toys
- Miscellaneous

Source: Global Trade Atlas
Risks and Challenges

- Will I get paid?

- What paperwork do I need?
  - Phytosanitary Certificates?
  - “Legality” requirements/traceability?
  - Shipping documentation

- Transportation costs/availability of containers.

- Board feet vs cubic meters?

- Do I sell through sales staff or import agent?

- Finding Customers: Importers/distributors vs manufacturers
A Few things to Consider

- Forwarder Fees
- Export Packaging
- Inland Freight
- Ocean Freight
- Port Charges
- Export Clearance
- Marine Insurance
- Foreign Port Charges
- Customs Clearance
- Customs Duties

Who Pays? Buyer or Seller?
Green Public Procurement: What’s Required Where?

- Some require wood to be verified "legal"
  - Denmark, New Zealand, Japan, Mexico, Switzerland

- Some require wood to be verified "legal and sustainable"
  - Netherlands, UK, Germany, Belgium

- Others more flexible allowing a range of evidence
  - Japan, France, Spain, Italy, Norway, China
Green Building Rating Systems:

- BREEAM
- CASBEE: Comprehensive Assessment System for Building Environmental Efficiency
- Green Building Initiative: BRINGING GREEN TO THE MAINSTREAM
- Green Home Building Guidelines
- HK-BEAM Society
Where are the Markets?

www.americanhardwood.org
www.ahec.org
American hardwoods have flown the flag for in export markets for over one hundred years:

- One British importer has an original invoice for American white oak dated 1898.
- A “stained mahogany” fire surround removed from a 1930s Edwardian style room in Buckingham Palace was found to be Yellow Poplar.
- The Victorian organ casing in St Martin-in-the-Fields church in London was American red oak.
World’s Leading Hardwood Lumber Exporters: 2008

Source: Global Trade Atlas
US Hardwood Lumber Exports by Value 2009

Source: US Census Bureau

(axis labels and data values)

Source: US Census Bureau
US Hardwood Lumber Exports by Volume 2009 (m³)

Source: US Census Bureau
China Import Statistics
UDG: WOOD-HDWDLBR, Hardwood Lumber
Year To Date: January - December
Demand Drivers

- Housing Privatization
- Commercial Construction
- Rising consumer wealth and sophistication;

- Domestic and export oriented manufacturing in furniture and interior fittings sectors;

- Hospitality industry - 2008 Beijing Olympics/ 2010 Asian Games in Guangzhou/ 2010 World’s Fair Shanghai
Guangdong province accounts for over 50% of China furniture exports.
Map of China

Locations of provinces, autonomous regions and municipalities.

Islands of South China Sea

Islands of South China Sea
- China Accounted for 20% of Global Economic Growth 2000-2009
- Largest Automobile Market in the World
- Largest Mobile Phone Market in the World
- Estimated 15% of Population with “Middle Class” Purchasing Power. Represents 200 million consumers and growing!
AHEC Model Home: Shanghai
Per Capita Wood Consumption

In cubic meters per capita

Source: China Timber Import Export Co/Hardwoodmarkets.com 2005
Other Markets to Watch

- Southeast Asia/Vietnam
- Middle East
- Latin America
- India

**The EU**
S.E. Asia: Market Overview

<table>
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<tr>
<th></th>
<th>2001</th>
<th>2002</th>
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<td>71</td>
<td>83</td>
<td>110</td>
<td>138</td>
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<tr>
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<td>16.08</td>
<td>13.56</td>
<td>16</td>
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<td>15</td>
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</table>
VIETNAM

U.S. Hardwood Log, Lumber & Veneer to VIETNAM

<table>
<thead>
<tr>
<th>Year</th>
<th>Log (Million US$)</th>
<th>Lumber (Million US$)</th>
<th>Veneer (Million US$)</th>
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<tbody>
<tr>
<td>2001</td>
<td>1.43</td>
<td>3.86</td>
<td>0.691</td>
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<td>2002</td>
<td>4.682</td>
<td>11.101</td>
<td>1.282</td>
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<tr>
<td>2003</td>
<td>5.918</td>
<td>11.301</td>
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<tr>
<td>2004</td>
<td>9</td>
<td>24</td>
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<tr>
<td>2006</td>
<td>13</td>
<td>43</td>
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<td>27</td>
<td>65</td>
<td>4</td>
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<tr>
<td>2008</td>
<td>37</td>
<td>65</td>
<td>3.12</td>
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</tbody>
</table>
Vietnam Wood Industry Overview

- Wood & furniture factories in VN: 2,000 companies; 600 export furniture factories to 120 markets
- Foreign investment: 200 FDI companies contribute approximately 56% of furniture exported.
- Furniture manufacturer distribution

  - Ho Chi Minh City
    - Binh Duong
    - Dong Nai
    - Binh Dinh
    - Da Nang
    - ~10% in the North
Mexico: Hardwood Import Market Share

Source: Global Trade Index
Top ten Middle East markets for US hardwood lumber
January to December 2008-2009 ($,000)

Source: USDA Foreign Agricultural Service
South America

• Emerging Furniture Industries
  - 13,000 Brazilian manufacturers
  - U.S. exports of promoted products doubled
  - Brazil—12th largest market for veneer

• Opportunity
  - High end furniture
INDIA
Indian Hardwood Imports:
(Millions of Dollars)

Source: World Trade Atlas
World’s Leading Hardwood Lumber Importers: 2009

The chart shows the leading hardwood lumber importers from 2000 to 2008. Each bar represents a different country, with colors indicating different regions:
- EU15
- China
- United States
- Japan
- Canada
- Hong Kong
- Thailand
- South Korea
- Mexico
- Taiwan

The y-axis represents the dollar amount in millions, and the x-axis represents the years from 2000 to 2008.
What Else Can We do?

“Explode the Myths”

www.americanhardwood.org
Myth #1: Wood is Scarce
Non-tropical forests are the main source of timber and are increasing in size.
During the 1990s, volume of wood standing in temperate and boreal forests increased by 21,000 million m$^3$. That’s enough wood to build a 1m x 8cm fence to the sun and back (or 7500 times round the earth).
38 million houses a year...

- Between 2000 and 2005, the volume of wood standing in temperate and boreal forests increased by 884 million m³ per year.
- Enough to build 38 million two-storey timber frame houses every year (assumes 50% conversion & 11 m³ per house).
- Global housing starts = approx 36 million/ann.
American hardwood forests

US hardwood growth and removals (million m$^3$)

US hardwood inventory (billion m$^3$)

Data sources:
- Forest area: USGS National Land Cover Database 2001
- Ownership: GFG Protected Area Database, Version 4.0
- States and countries: ESR Data & Maps 2006

Produced by:
- USDA Forest Service, Northern Research Station, Forest Inventory and Analysis, Family Forest Research Center, Scott J. Butler (July 2007)
Selective harvesting and natural regeneration lead to biodiversity.
High species diversity

Distribution of US hardwood species by volume

- Red Oaks
- White Oaks
- Soft Maple
- Other Hardwoods
- Yellow Poplar
- Hard Maple
- Hickory
- Sweetgum
- Ash
- Cottonwood & Aspen
- Tupelo & Black Gum
- Black Cherry
- Black Walnut
- Beech
- Red Alder
- Basswood
- Yellow Birch
Myth #2: Certification is a “saving the rainforest”
Certified forest as % of total forest area, by region 2005-2009
Resources for Exporters

- USDA Foreign Agricultural Service (FAS)  
  - [www.fas.usda.gov](http://www.fas.usda.gov)

- Export Import Bank  
  - [www.exim.gov](http://www.exim.gov)

- Department of Commerce  
  - [www.usatrade.gov](http://www.usatrade.gov)

- APHIS  