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Solid Wood Products

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Report Highlights: Vietnam's wooden furniture exports exceeded \$1 billion in 2004, double the level of 2003. Vietnam's furniture exports to the United States also set a record of \$320 million. Vietnam's woodwork industry has emerged as one of the top five largest foreign exchange earners for the country.

With such tremendous growth, Vietnam's furniture sector has sought long-term and sustainable suppliers of hardwoods. The United States fits the bill. U.S. forest product (mostly hardwood lumber, log and veneer) exports to Vietnam have jumped from \$0.7 million in 1998 to an estimated \$36.6 million in 2004.

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Vietnam Forestry Outlook (see table 1)

Vietnam's forest area includes both natural and planted forests. According to the Ministry of Agricultural and Rural Development (MARD), Vietnam's 2003 total forest area was 12,095 thousand hectares (tha), an increase of 2.6% compared with 2002's area. The forest cover ratio (forest / total land area) has been improved gradually, from only 28% in 1998 to 36.7 % in 2003, a growth of 8.7%. The ongoing five million hectare reforestation program aims to increase the forest cover ratio to 43% by the year 2010.

The natural forest area is about 10,000 tha, of which 7,855 tha (79%) is classified as timber forest (see table 1). The natural forest is concentrated in the Tay Nguyen (Central Highlands), Southeast, South Coast and North Coast regions. Tay Nguyen Highlands, which groups four provinces (Kontum, Gialai, Dalak, Daknong) having the largest natural forest stand with 2,365 tha.

Vietnam's total wood (lumber and pulp wood) production in 2003 totaled 2,490 thousand metric tons (tmt). See table 1.

Table 1: Vietnam's Forest Area (1,000 hectares)

	1999	2000	2002	2003
Total forest area (1,000 ha)	10,995	10,915	11,784	12,095
of which				
Natural forest (1,000 ha)	9,470	9,444	9,865	10,000
Timber forest (1,000 ha)	7,553	7,779	7,772	7,855
Planted forest (1,000 ha)	1,524	1,471	1,919	2,090
Wood production (1,000 m3)	2,122	2,375	2,428	2,490

Source: MARD and Vietnam's GSO

Vietnam's total wood production includes wood from both natural and planted forests. Most of the wood from the planted forests is low quality wood from fast growing trees, such as eucalyptus. More than 80% of wood from planted forests is used as raw material for the paper industry. A small part of the planted forests (around 300-400,000 m3) has better quality wood (rubber, pinewood, acasia) and is used by the wood processing (furniture or handicraft) industry.

Annual quotas for wood logging from natural forests are set by MARD; the total quota is currently 300,000 m3 (300 t.cu.m) annually. It is reported that illegal cutting is still widespread throughout the country and still beyond the control of the forest protection agencies setting up throughout the country. Taking into consideration illegal logging, actual harvests from natural forests could be as high as 550-600 t.cu.m.

Vietnam wood processing industry

Vietnam has more than 1,500 woodwork enterprises. Of this total, about 450 companies are active in furniture exports, of which about 120 are garden/out-door furniture makers and 330 indoor furniture makers. The number and capacity of furniture-making companies in Vietnam continue to grow. The total capacity of Vietnamese woodwork companies in 2003

and 2004 were recently estimated at 2.5 million m³ and about 2.8 million m³, respectively. In a newly-established Industrial Park (Tam Phuoc), located 45 minutes by car from Ho Chi Minh City, at least 30 new woodwork companies (mainly foreign-invested companies) have been set up recently.

The U.S. anti-dumping case against furniture (bedroom furniture) imports from China has helped spur growth in Vietnam. Also helping is Vietnam's low wages relative to neighboring countries.

Post estimates Vietnam's annual wood domestic consumption (for non-pulp use) at 2.0 million m³ and 2.5 m³, respectively.

Vietnam (official) forest product imports (see Table 2 and chart No.1)

In 2003, Vietnam's wood-working industry spent about \$351 million on imports of wooden materials and forest products, a year-on year increase of 39%. Of the total, log wood and sawn wood accounted for 80%. Asian countries, including Laos, Cambodia, Myanmar, Indonesia, and Malaysia, were the key log and sawn wood suppliers to Vietnam. Other suppliers include Solomon Islands, New Zealand, Sweden, Brazil, the United States and former Soviet Union Countries.

Post estimates that imports of forest products will continue to increase, and reach \$650 million in 2005, versus \$500 million in 2004.

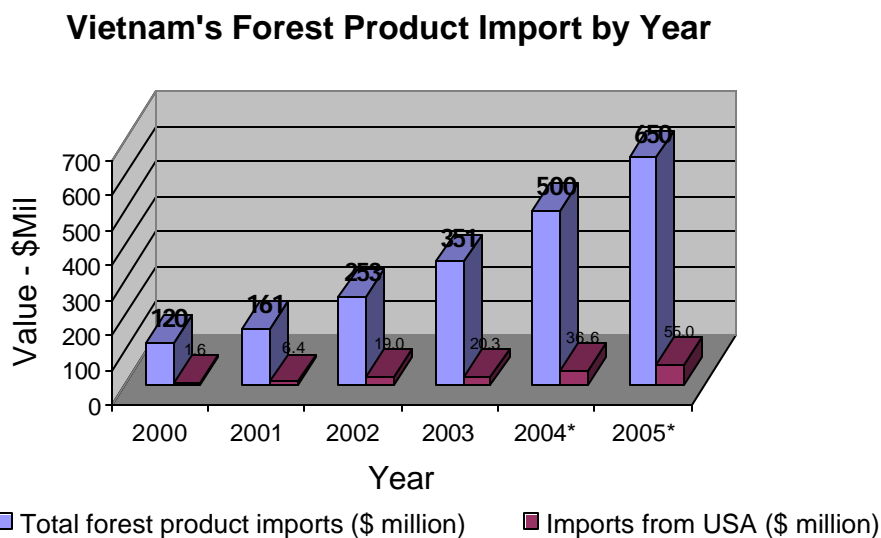
Table 2: Vietnam's forest product imports by years (\$million)

	2000	2001	2002	2003	2004*	2005*
Total forest product imports (\$ million)	120	161	253	351	500	650
Imports from USA (\$ million)	1.6	6.4	19.0	20.3	36.6	55.0

Source: Trade sources

(*) estimated 2004 and projected 2005

Chart 1: Vietnam's forest product imports by years



(*) ESTIMATED 2004 AND PROJECTED 2005

Vietnam's imports of wood materials (logs and sawn woods)

Table 3 shows Vietnam imports of wood materials (mainly wood logs and lumbers) over the past 5 years.

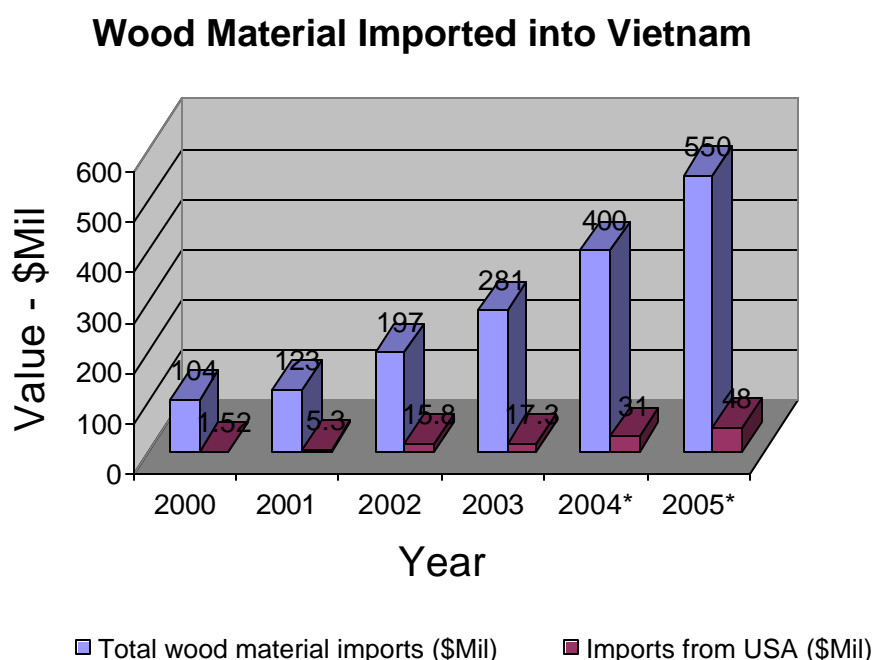
Table 3: Vietnam's wood material (mainly logs and lumbers) imports by years

	2000	2001	2002	2003	2004*	2005*
Total wood material imports (\$Mil)	104	123	197	281	400	550
Imports from USA (\$Mil)	1.52	5.3	15.8	17.3	31	48

Source: Trade sources

(*) estimated 2004 and projected 2005

Chart 2: Vietnam 2000-2005 wood material imports



Summary of U.S. forest products exports to Vietnam

2004's exports of forest products from USA to Vietnam will likely reach another high. During the first eleven months of 2004, U.S. exports of forest products to Vietnam totaled \$34.556 million (lumber, logs, and veneer totaled \$20.643 million, \$8.885 million, and \$3.0 million, respectively).

Table 4: Summary -- U.S. Forest Product Exports to Vietnam (Thousand Dollars)

	2000	2001	2002	2003	11 months of 2004
Total forest products	1,602	6,355	18,958	20,337	34,556
Of which: Hardwood lumber	751	3,860	11,101	11,301	20,643
Log and chips	301	1,472	4,701	5,977	8,885
Veneers	83	691	2,241	1,905	2,981

Source: U.S. Bureau of the Census Trade data, compiled in FAS BICO report.

Vietnam's timber supply

Vietnam's wood supplies are from many different sources, including the government quota on natural timber exploitation, recorded legal imports, and unknown supplies (illegal logging and unknown-imported sources). Table 5 presents our best estimates -- which are still very much up for discussion. Another problem is developing good conversion ratios to convert a wide range of logs and sawn lumber into cubic meters of wood.

Table 5: Vietnam's Timber Supply (Thousand cubic meters - m3)

	Legal timber production	Recorded legal imports	Unknown supply	Total supply
2000	350	500	500	1,350
2001	300	470	300	1,070
2002	300 (natural wood log) 300 (planted wood)	600	300	1,500
2003	700	800-1,000	300	1,800-2,000

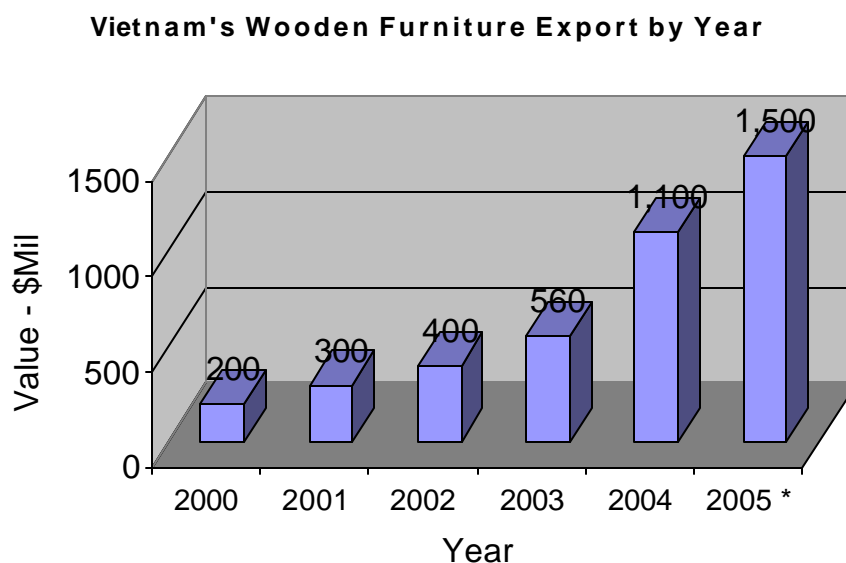
Source: Trade Contacts and Post Estimates

Vietnam exports of wooden products (see chart 3)

According to Vietnam's Customs Department, Vietnam's wood products exports in the 2003 totaled \$560 million, with 2004 exports estimated to be nearly double the 2003 level. Japan, the European Union and the United States were the three key importers of Vietnam's wood products. The Ministry of Trade (MOT) projects that Vietnam's 2005 wood product exports may reach 1.5 billion (see chart 3). Vietnamese wood products for exports (mainly indoor and outdoor furniture) have emerged as one of the country's five top export earners.

As the indoor furniture sector expands, imports of hardwood lumber will continue to climb.

Chart 3: Vietnam's wooden furniture exports by years



Source: Trade sources

POLICY

The import duty for wood materials (logs and lumbers and wooden sheet for veneering) is zero percent.

Vietnamese Government Support for exporters:

Under a long-standing program sponsored by the Ministry of Trade, exporters who undertake trade promotions, trade missions, or participate in overseas exhibitions are eligible for a 50% reimbursement of costs applied to airfare and accommodations, booth rental and other related costs. The purpose of this policy is to encourage enterprises to develop export markets for Vietnamese products. Furniture exporters can apply for this reimbursement through the Vietnam Forestry Association or through Viet-trade, a trade promotion agency of the Ministry of Trade.