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Wood and Wood Products in India

Report Categories:

Product Brief

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Report Highlights:

After five consecutive years of strong growth, imports of 'wood and wood products' in India declined in fiscal 2008/09 by 3 percent to $1.7 billion (estimated). The recent global financial meltdown has impacted the Indian economy and slowed down economic growth in 2008/09. The share of American woods in the Indian import market is relatively small, but has grown from 0.4 percent in fiscal 2004-05 to almost 1 percent in fiscal 2008-09 ($12.8 million). The depreciating value of the U.S. dollar vis-à-vis the Indian rupee in the last fiscal year has supported import growth as has growing awareness of the quality and durability of American woods.

General Information:

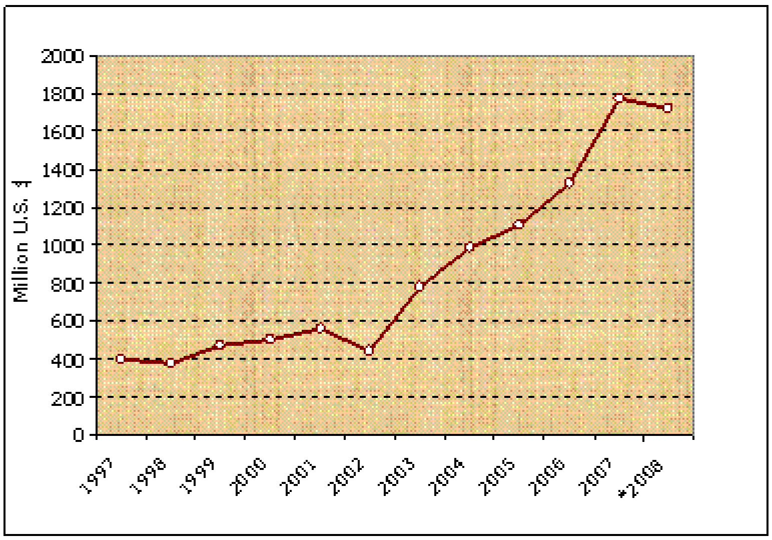
MARKET OVERVIEW

The recent global financial meltdown has impacted the Indian economy and slowed down economic growth [1] . After five consecutive years of strong growth, 2008-09 [2] imports of 'wood and wood products' in India declined by 3 percent (estimated). Consumption expenditures by both the private and government sectors have declined during this period and have adversely affected the growth of the housing and construction sectors in India. Industry sources anticipate a revival in the real estate sector due to expected growth in the Indian economy over the next few years. The upcoming Commonwealth Games in 2010 will also support growth of the housing and construction sectors in India. Imports constitute 20 percent of total annual consumption of wood in India, while plantations and forestry contribute 58 and 22 percent respectively.

[1] The overall GDP growth for the fiscal 2008-09 stood at 6.7 per cent as against 8.7 percent in fiscal 2007-08.

[2] Year mentioned in the report represent fiscal year unless otherwise mentioned.

Chart 1: Import of Wood and Wood Products in India, 1997/98 through 2008/09



Source: Directorate General of Commercial Intelligence and Statistics, Kolkatta

INDIA AS AN IMPORT MARKET:

Logs account for the largest portion (67 percent) of all 'wood and wood products' imported into India (Chart 2) due to relatively lower import tariffs (Appendix 1) and a local preference for unprocessed wood. This preference is explained by the availability of inexpensive labor and the large number of sawmills which can extract a high percentage of usable timber. From 2003-04 to 2008-09, imports of logs have increased by 72 percent to $1.14 billion. India imports logs mostly from Malaysia, Myanmar, Ghana and New Zealand due to a freight advantage and relatively lower prices. Other major suppliers of logs to India are Cote D' Ivoire, Papua N Guinea, Gabon, Ecuador, Costa Rica, and Nigeria (Appendix 3).

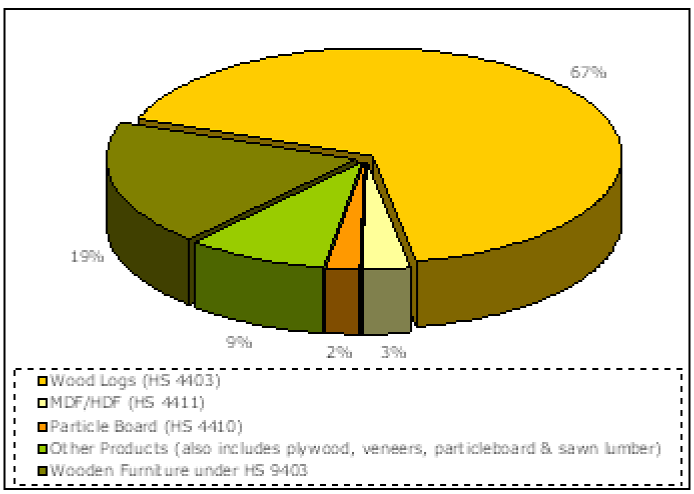
The Indian wood industry, craftsmen, and other wood users are accustomed to teak and other hardwoods that are perceived to be more resistant to termites, decay and are able to withstand the tropical climate. Teak wood is typically seen as a benchmark with respect to grade and prices of other wood species. Major imported wood species are tropical woods such as garjan, marianti, mahogany, and sapeli. Plantation timber includes teak, eucalyptus, and poplar, as well as spruce, pine, and fir (SPF). India imports small quantities of temperate hardwoods such as ash, maple, cherry, oak, walnut, beech, etc., but increasingly as squared logs or as lumber.

The imported furniture market is the second largest wood processing segment after logs, making India a fast emerging market for high-end, value-added imported products. During fiscal years 2003-04 to 2008-09, the value of furniture imports has increased six times to $324 million. In value terms, China and Malaysia account for 60 percent of the imported furniture market in India followed up by Italy, Germany, Singapore, Sri Lanka, the United States, Hong Kong, Sri Lanka and Taiwan. With increasing imports, large numbers of retail outlets for high-end imported furniture have opened in major cities across India.

Imports of fiber and particle board, veneer and sawn lumber have also increased over the last decade, indicating positive demand in the housing, construction, household products, furniture and packaging sectors.

Although the share of U.S. 'wood and wood products' in India's import market is relatively small, it has grown from 0.4 percent in 2004-05 to almost 1 percent in 2008-09. U.S. wood and wood products are mostly targeted for niche market segments such as luxury apartments, hotels, restaurants etc. U.S. exporters interested to know more about the Indian 'wood and wood products' market may attend the periodic wood expositions and tarde shows (Appendix 4) held in major cities across India.

Chart 3: Import of Wood and Wood Products by Type for IFY [1] 2008/09



Source: Directorate General of Commercial Intelligence and Statistics, Kolkatta

[1] Indian Fiscal Year

U.S. WOOD AND WOOD PRODUCTS IN INDIA

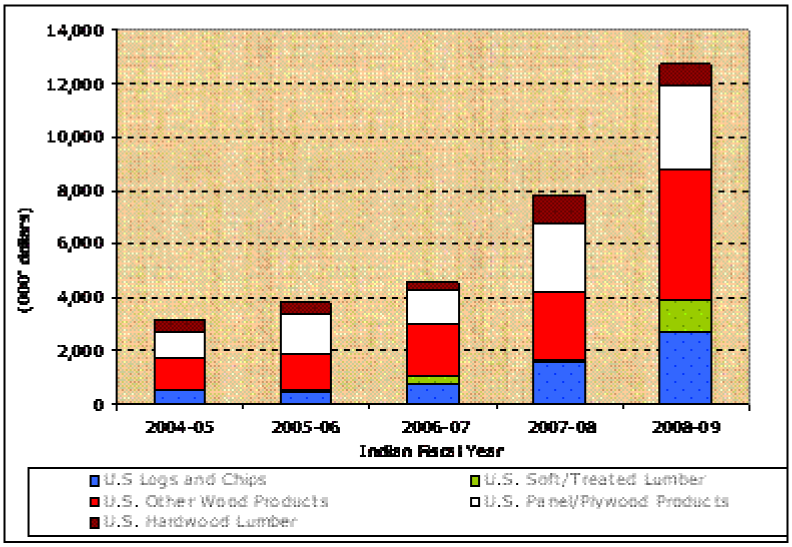
The value of U.S. wood and wood products imported into India has quadrupled in the last five years (Chart 2) to $12.8 million. The depreciating [1] value of the U.S. dollar vis-à-vis the Indian rupee in the last fiscal year has supported import growth and there is growing awareness of the quality and durability of American woods. The U.S. wood and wood products imported into India can be classified into five categories. They are:

- 'Other' wood products,

- panel/plywood products,
- Logs and chips,
- Softwood/treated lumber, and
- Hardwood lumbers.

[1] In fiscal 2008-09, the value of U.S. dollar vis-à-vis Indian rupee depreciated by 20 percent.

Chart 2: Import of U.S. Wood and Wood Products to India (000' dollars)



Source: Director General of Foreign Trade, India and U.S. Census Bureau

1) 'Other' Wood Products:

Imports of 'Other' U.S. wood products into India are growing at a rapid pace and are likely to maintain their dominant share (40 percent) of the Indian import market for U.S. wood and wood products. In 2008-09, imports were worth $4.9 million, four times the value of imports made during 2004-05. 'Other' wood products include: cases, boxes, hard wood flooring, joinery, wood casks, treated rough wood, pre-fabricated wooden buildings, wood carvings, door frames and other niche items. Table/kitchenwares, soft wood poles and staves from the U.S. were the newly introduced imported articles of the last two years.

2) Panel/plywood products:

Panel and plywood products are the second largest category of U.S. wood products imported to India. In the last five years, imports of U.S. panel and plywood to India have tripled to $3.1 million. Product categories include veneer sheets (made from light/dark meranti, red oak, maple, walnut, ash and coniferous species), particle board (composite wood core with plastic laminate finish), panel products (fiber board), plywood made from both hard and softwood (veneered panels and laminated woods), and medium density fiber board. Despite a steady rise in imports of panel and plywood products (36 percent/year), their relative share in total imports of U.S. wood products to India has fallen by 10 percent due to a rise in the share of logs, chips and lumber. However, with growing demand for engineered wood panel products, industry sources expect positive growth for products such as plywood, particleboard, medium density fiberboard, oriented-strand board and laminated veneer lumber in near future.

3) Logs and Chips:

Logs and chips are the third largest category of U.S. wood imported in India. In the last five years, imports of 'logs and chips' have been growing consistently at an annual rate of over 50 percent. The value of their imports have increased five-fold to $2.7 million, while their share in total imports rose from 17 percent in 2004-05 to 21 percent in 2008-09. Soft wood logs made from *Douglas fir* were the new entry in this segment, topping the category with exports worth $693,050 due to their versatile nature and wide range of applications including woodwork/joinery, interior paneling, flooring and specialty products. Imports of soft wood logs made from 'Other' coniferous species and hard wood logs made from white oak, walnut, ash, red oak, maple, cherry have been growing consistently over the last five years. Chips made from both soft and hard woods have a relatively smaller share in this category of imports, but continue to show intermittent growth.

4) Softwood/Treated Lumber:

Until 2007-08, imports of softwood lumber did not exceed $262,223. However, in 2008-09, softwood imports reached an all time high of $1.18 million, accounting for almost 9 percent of India's imports of U.S. 'wood and wood products.' The growth of softwood lumber imports is significant because it indicates potential demand for American softwoods in high end residential and commercial architectural, design and construction sectors.

5) Hard wood lumber:

In the last five years, Indian imports of U.S. hardwood lumber doubled to $844,823. Until 2007-08, the average share of hard wood lumber in total exports was steady at 10 percent. The share then fell to 7 percent in 2008-09 due to relatively higher imports of softwood lumber, especially *Douglas fir*. Lumber from virola/balsa wood, red meranti and cherry were exported to India in 2008-09, while exports of lumber obtained from red oak, hard maple, walnut, ash, white oak, yellow poplar, hickory have shown consistent growth in the last three years since their introduction to the Indian market. India will continue to be an important market for exports of hardwood lumber, with expected growth in the domestic furniture and interior manufacturing sector due to an anticipated rise in demand for quality products.

OPPORTUNITIES:

Dwindling local resources have prompted Indian importers to look for non-traditional sources of wood. Domestically, the increasing use of high-end finished goods by middle and upper income consumers is driving the demand for high quality wood products in India. The modern concept of organized retail stores selling ready-to-install doors, windows, ready-made portable kitchens and wooden furniture has already made its way to urban areas. Industry sources indicate a real opportunity for imported wood to be used for interior finishing such as doors, windows, wall panels, moldings, and flooring.

India's wood market structure is unorganized and complex with carpenters and a few skilled craftsmen doing much of the production on-site. India still lacks high-volume, quality controlled production plants that specialize in low-cost and standard-size products for construction, furniture, or furnishings. This provides a potential opportunity for U.S.

manufacturers of wood working machinery, cutting tools and accessories to introduce U.S. technology to Indian saw mills, furniture and cabinet makers and intermediary wood products producers.

MARKET ACCESS

Wood and wood products can be imported into India without quantitative restrictions. Imports of logs, sawn/sized wood, and saw dust from pine species from the United States are prohibited due to phytosanitary concerns. Imports of other wood species in log form require an import permit from the Ministry of Agriculture, which has specified the import requirements in the "Plant Quarantine (Regulation of Imports) Order 2003" and its amendments (www.plantquarantineindia.org/PQO_amendments.htm).

Imports of wood logs with bark are allowed based on a phytosanitary certificate issued by the exporting countries' certifying agency (USDA's Animal and Plant Health Inspection Service, for example), with inspection of the consignment by a duly authorized plant protection officer at the port, and fumigation, if required. For example, imports of sawn or sized wood without bark, fumigated by methyl bromide (48 gm/cubic meter for 24 hours) or kiln dried (56 degrees centigrade for 30 minutes) prior to export and accompanied by a treatment certificate, are allowed entry without a phytosanitary certificate. These shipments are cleared only after inspection by an Indian plant protection official and fumigation upon arrival, if required. Imports of processed wood products such as plywood, particleboard, veneer, etc., are exempted from these requirements.

Imports of fuel wood and wood in log form (HS 4401 to 4403) attract an import tariff of 5.1 to 9.3 percent, whereas other wood products attract tariffs of 14.7 to 31.7 percent (see Appendix 1).

Developments in 2009 on plant quarantine requirements:

- On June 4, 2009, The Department of Agriculture and Cooperation, the Ministry of Agriculture, issued a draft amendment to the Plant Quarantine Order (Regulation of import into India), 2003. The Fifth Amendment proposed additional conditions and declarations (free from '*Douglas fir* beetle' and 'pine wood nematode') for import of wood without bark (*Douglas fir)*. For more details please refer our GAIN report (IN9077).
- Last year, on October 29, 2008, The Department of Agriculture and Cooperation, Ministry of Agriculture, issued a draft amendment to the Plant Quarantine (Regulation into India) Order, 2003. The Fourth Amendment proposed additional conditions and declarations (free from flea beetle, winter moth, tiger swallow tail etc) for imports of Bass wood (*Tilia Americana*) (with and without bark) from the United States (please refer IN 8127).

POST CONTACTS FOR FURTHER INFORMATION

- If you have additional questions regarding this report, or need assistance exporting to India, please contact the Office of Agricultural Affairs, New Delhi, at the following address:

Office of Agricultural Affairs
Foreign Agricultural Service
Embassy of the United States of America

Chanakyapuri, New Delhi, India 110 021
Ph: 91-11-24198000 Fax: 91-11-24198530
E
Email: agnewdelhi@usda.gov

- The following reports may be of interest to U.S. exporters interested in the Indian market. The reports prepared by this office can be accessed via the FAS Homepage www.fas.usda.gov by clicking on the icon "Attaché Report" and typing the report number in search option 3.

Report Number	Report Title
IN8112	Exporter Guide
IN8082	FAIRS Annual
IN8121	Product brief: Wood and Products 2008

- For information on Indian wood trade statistics, please go to the website of the Directorate General of Foreign Trade (http://dgftcom.nic.in), and click on 'Export Import Data Bank'.

Appendix 1: India's Import Tariffs on Wood & Products (Chapter 44)

S. No.	ITC HS Code	Basic Duty (BD)	Countervailing Duty (CVD)/1	Special Countervailing Duty (SCVD)/2	Total Duty inclusive of education cess (TD)/3)
1	44.01	5.0	0.0	4.0	9.3
2	44.02	5.0	0.0	0.0	5.1
3	44.03	5.0	0.0	4.0	9.3
4	44.04	10.0	0.0	4.0	14.7
5	44.05	10.0	0.0	4.0	14.7
6	44.06	10.0	14.4	4.0	31.7
7	44.07	10.0	0.0	4.0	14.7
8	44.08/4	10.0	8.2	4.0	24.4
9	44.09	10.0	14.4	4.0	31.7
10	44.10	10.0	8.2	4.0	24.4
11	44.11	10.0	8.2	4.0	24.4
12	44.12	10.0	8.2	4.0	24.4
13	44.13	10.0	14.4	4.0	31.7
14	44.14	10.0	8.2	4.0	24.4
15	44.15	10.0	8.2	4.0	24.4
16	44.16	10.0	8.2	4.0	24.4
17	44.17	10.0	8.2	4.0	24.4
18	44.18/5	10.0	8.2	4.0	24.4
19	44.19	10.0	8.2	4.0	24.4
20	44.20	10.0	8.2	4.0	24.4
21	44.21	10.0	8.2	4.0	24.4
22	94.03	10.0	14.4	4.0	31.7

/1: CVD is equivalent to domestic excise tax and is applied on the CIF value plus BD
/2: SCVD equivalent to sales tax and other local taxes is applied on the CIF value plus BD plus CVD
/3: Education Cess of 2% applicable on total basic duty plus CVD
Total Duty= (BD+CVD+SCVD)*1.02
/4: CVD applicable to all products under the code, except veneer sheet for match

box/splints (44081030, 44081090,44083130, 44083930 & 44089020)

/5: CVD of 16.32 percent charged to flush doors (44182010 & 44182020).

Appendix 2: India's Imports of Wood Products by Category (Million US $)

Item	1996/97	2003/04	2004/05	2005/06	2006/07	2007/08	*2008/09
Wood Logs (HS 4403)	246.7	667.7	820.2	831.6	908.5	1171	1147.34
Sawn Lumber (HS 4407)	4.8	12.3	13.2	20.9	22.8	25.5	30.51
Veneer (HS 4408)	6.4	3.6	4.9	11.2	14.2	18.5	21.22
Plywood (HS 4412)	4.2	4.2	5.1	8.2	12.8	28.5	34.47
MDF/HDF (HS 4411)	0.7	13.1	17.5	27.9	35.3	57	50.94
Particle Board (HS 4410)	3.6	13.3	16.8	26.5	32.2	46.5	41.85
Other Products in Chapter 44	3.9	9.5	15.8	28.9	43.4	66	71
Total (Chapter 44)	270.4	723.7	893.5	955.1	1072.1	1413	1397.42
Wooden Furniture under HS 9403	0.5	57.3	90.7	150.3	250.5	358	324.29
							0
Total Wood Products	270.8	781.0	984.2	1105.4	1322.6	1771	1721.71

Note: Years refers to Indian fiscal year (April/March)

Source: Directorate General of Commercial Intelligence and Statistics, GOI

Note: *2008/09 - Estimated imports

Appendix 3: India's Imports of Wood Products by Country (Million US $)

Country	IFY 2005/06	IFY 2006/07	IFY 2007/08	IFY *2008/09
Malaysia	321.1	352.1	429.4	448.8
Myanmar	264.8	276.2	356.4	340.7
China	59.8	115.6	219.4	194.3
Cote d'lvoire	60.7	38.7	91.1	87.5
New Zealand	41.3	54.4	64.9	79.2
Gabon	36.7	44.9	40.9	47.5
Ghana	27.1	28.3	52.7	47.9
Italy	13.2	20.2	37.3	41.6
Germany	14.4	18.9	58.0	47.9
Sri Lanka	16.0	17.2	39.1	37.4
Ecuador	9.7	21.3	31.3	25.7
Benin	12.7	17.7	23.8	25.4
Togo	14.9	15.3	16.4	18.8
Costa Rica	11.6	13.0	15.8	15.7
Thailand	9.2	15.1	12.4	16.4
Papua New Guinea	6.7	15.2	24.0	17.1
Guyana	7.8	13.3	21.3	15.8
Nigeria	11.5	8.1	9.5	13.7
Australia	6.1	13.3	16.7	13.3
U.K.	5.2	13.9	12.6	12.1
Panama	5.5	11.1	14.2	9.4
United States of America	6.5	7.1	7.7	10.0
Indonesia	3.7	7.4	14.2	8.7
Others	139.2	184.2	8.3	5.2
Total	1105.4	1322.6	153.6	142.0

Note: Year refers to Indian fiscal year (April/March).

Source: Directorate General of Commercial Intelligence and Statistics, GOI

Appendix 4: Wood and Wood Products Trade Shows in India

1) **INDIAWOOD 2010, BENGALURU, INDIA**

The organizers of Indiawood – Asia's Largest Sourcing Ground for Wood Processing Technologies, Woodworking Machinery, Tools, Accessories, Raw Materials and Products, EUMABOIS and PDA TRADE FAIRS have announced the woodworking industry platform –"INDIA WOOD" scheduled from March 04-08, 2010 at BIEC, Bengaluru (e.g. Bangalore).

Contact: PDA Trade Fairs
PDA House, #32/2, Spencer Road, Frazer Town
Bangalore - 560 005, India
Phone: 91-80-25547434 (6 lines)/ 2551 3081 (Direct)
Fax: +91-80-25542258
Email: Indiawood@pdatradefairs.com
Website: http://www.delhi-wood.com & www.pdatradefairs.com

2**) INDEX TRADE FAIR, MUMBAI AND BENGALURU, INDIA**

INDEX FAIRS is a showcase for at the latest designs and trends in the furniture hardware industry as well as the latest products from the plywood and other intermediates of the industry.

INDEX FAIR Mumbai 2009 will be held from September 18-22, 2009 at MMRDA Exhibition Center, Bandra-Kurla Complex, and Bandra (East), Mumbai-400051, India.

INDEX FAIR Bengaluru 2009 will be held from November 19-22, 2009 at Palace Grounds, Mekhri Circle Gate, and Bengaluru, India.

Contact: Universal Expositions Limited
401, Sanskriti Park, Mahakali Caves Road, Andheri (East),
Mumbai - 400 093, India
Tel: 91-22-2830 2870/2830 2871
Fax: 91-22-2821 6140
Email: marketing@ueindia.com
Website: http://www.indexfairs.com

3) **INSIDE-OUTSIDE MEGA SHOW, VARIOUS LOCATIONS IN INDIA**

Inside Outside Mega Show, Business India Exhibition's flagship production is the largest event of the interior design, furniture and furnishings, building and construction industries held in India. It is held in various locations in India two or three times in a year across major cities, including New Delhi. Inside-Outside Mega Show, Hyderabad, will be held from September 03-06, 2009, at Hitex Exhibition Centre, Hyderabad, India.

Contact:Business India Exhibitions
4/5, 1st Floor, Churchill Chambers,

32- Boman Behram Marg,
Colaba, Mumbai -400 021, India
Ph: 91-22-22882536/22882537/22882538/22882539
Fax: 91-22-2288254