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Thailand

Solid Wood Products

Annual

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Report Highlights:
An anticipated full-recovery in the Thai economy and continued growing exports of wooden furniture and other wooden products, should favor the overall imports of solid wood products, especially hardwood logs and limber, in the next 3-5 years.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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EXECUTIVE SUMMARY

In general, there has been increased awareness among the Thai Government and Thai rural communities to preserve forest area and promote reforestation. Several campaigns on education, fire protection, and reforestation should bear fruit for many years to come. Fewer incidences of illegal deforestation and increased reforestation should result in increased forest land and tree stocks within this decade.

With a ban on commercial logging in forest land, nearly all supplies of hardwood log and lumber are currently derived from rubber plantations. Due to a downward trend in rubber tree cutting, parawood lumber production is forecast to drop in the next 3-5 years. However, this possible decrease should be mostly offset by increased production of hardwood lumber from reforested land.

An anticipated full-recovery in the Thai economy (next 2-3 years) and continued growing exports of wooden furniture and other wooden products, should favor the overall imports of solid wood products, especially hardwood logs and lumber, in the next 3-5 years. This growing import demand should lead to a possible increase in exports of U.S. hardwoods to Thailand. However, the U.S. needs to overcome the lack of understanding among Thai users on its superiority, grading system, usages, and the color variations in U.S. woods.

PRODUCTION

Forest Situation/Outlook

After the massive deforestation between 1961 and 1989 which eradicated over a half of Thailand's forest area, there has been increased awareness among the Thai Government and Thai rural communities to preserve forest area and promote reforestation. In 1989, the Government banned commercial logging in all Government forest areas. Influenced by the Royal Family, the Ministry of Agriculture has launched several campaigns on education, fire protection in forest area, and reforestation. An education campaign has been conducted in both the mass media and in schools in order to stimulate Thai communities to realize the benefit of forest preservation. A fire protection campaign is another tool to stop fires which normally destroy several thousand hectares of forest area each year. Regarding reforestation, in addition to regular tree planting in deforested land, the Government has two key projects; i.e., the Private Reforestation Project and the Reforestation Campaign in Commemoration of the Royal Golden Jubilee.

The Private Reforestation Project began in 1992. Under the project, the Government provides a subsidy of 3,000 baht/rai (about US$ 190/acre) to private project participants in the first five years of planting. In addition, the Government legislated the new regulation in allowing tree cutting for commercial purposes in private forest land. Total private reforested area is currently about 7.88 million rai (1,260 thousand hectares).

The Reforestation Campaign in Commemoration of the Royal Golden Jubilee was implemented to pay tribute to the Fifth Anniversary of King Bhumibol Adulyadej's Accession to the Throne in 1996. After the first stage of three-years implementation (from 1994-1996) was finished, the Government extended the project to the second stage from 1997-2002. The project is aimed at reviving depleted forests in watershed areas, national parks, and mangrove areas by planting indigenous species of plants in approximately 5 million rai (0.8 million hectares). The source of funding has been derived from both the Government and private sectors. Due to a recent economic crisis which affected the Government budget and the private donations, the implemented area of reforestation has thus far reached at 1.62 million rai (0.26 million hectares), or only 32 percent of the targeted area.

Most informed sources believe that these campaigns will bear fruit for years to come. Although illegal deforestation still exists in the country, it has gradually diminished. In addition, the Director General of the Royal Forest Department recently revealed that, based on the Department's preliminary satellite survey, forest area in Thailand may indeed account for 33 percent of total area, as opposed to the presently agreed level of 29 percent. It should be also noted that forest area by the Forest Department's definition does not include rubber plantation and orchards.

Solid Wood Products Situation/Outlook

Due to the fact that the Government bans forest logging and nearly all trees on private reforested land too immature for commercial cutting, no official record of hardwood production has been reported by the Royal Forest Department (RFD). Accordingly, supplies of domestic hardwood logs and lumber are entirely sourced from rubber plantations. Wood from the rubber tree is a by-product of rubber plantation and has become the popular alternative for hardwoods from forest land in the past decade. Rubber trees are normally cut after farmers stop tapping rubber from those trees at 20-25 years of age. After cutting, rubber logs are used to manufacture parawood, which is considered as hardwood. Chips and small leftover pieces from the milling process are used to make MDF and particle board. Production of parawood lumber in 2000 is pegged at about 1.6-1.8 million cubic meters. Due to a downward trend in rubber tree cutting, parawood lumber production is forecast to drop in the next 3-5 years. However, this possible decrease should be mostly offset by increased production of hardwood lumber from reforested land.

According to the RFD, the wood product industry in Thailand in 1998 is comprised of 687 sawmills, 73 saw mills using man-power, 4,549 wood processors by machinery, 765 wood processors by man-power, 52 pulp and paper mills, 3,832 sawn lumber shops, and 4,538 wood products shops.

TRADE

The limited increase in the domestic supply of hardwoods, an anticipated full-recovery in Thai economy and continued growing exports of wooden furniture and other wooden products, should favor the imports of solid wood products (especially hardwood lumber and logs) in the next 3-5 years. A recovery in import demand should lead to a possible increase in exports of U.S. hardwoods to Thailand. However, this opportunity may be limited by a lack of understanding of U.S. woods and the volatile Thai baht currency exchange rate against the U.S. dollar. At this point, most Thai users do not understand the U.S. grading system, physical properties, usages, and the color variations of the countless U.S. species of hardwood. As a result, the U.S. should continue its effort to educate Thai importers and consumers (such as architects and interior designers) to better understand the superiority and the appropriate application of U.S. hardwoods. . In addition, trade sources suggest the U.S. increase its focus on promotion of its oak wood uses in Thailand due to its strength in quality and price competitiveness against other competitors.

FAS/Bangkok has had difficulty in tabulating a trade matrix for requested solid wood products for 1998 and 1999. It is evident that several trade data (especially volume numbers) on those products by origin, based on the official report of the Customs Department, do not reflect reality and are misleading. As a result, most of the trade data for solid wood products in this report are derived from the latest annual report of the Royal Forest Department. However, it is unfortunate that the RFD’s trade data by country origin/destination does not segregate hardwood from non-hardwoods, and tropical woods from temperate woods.

As indicated in Table 2,3,4,and 5 under the Statistical Information Section, about 65-70 percent of total imports of solid wood commodities (by value) in 1998 and 1999, belongs to wood lumber, followed by logs, veneer sheets, and plywood, respectively. After a sharp reduction in 1998, solid wood imports in 1999 increased significantly due mainly to favorable exports of wooden furniture and other wooden products. The value of log imports almost doubled in 1999, while those of lumber imports grew by 22 percent. Thailand's neighboring countries (i.e., Malaysia, Myanmar, Cambodia, Laos, and Indonesia) remain major suppliers of tropical hardwoods to Thailand. Hardwoods imported from Malaysia and Indonesia are mainly used for construction purposes. Meanwhile, teak wood is normally imported from Myanmar, Cambodia, and Laos, and used in the furniture and interior design industries. Imports of U.S. lumber also rose enormously from US$ 165 million in 1998 to US$ 202 million in 1999. Trade sources reported that most of imported U.S. hardwoods in 1999 are in species of poplar, oak, maple, beech, and alder. These U.S. woods are mainly imported to make wooden furniture, wooden frames, and flooring materials.

MARKET SEGMENT ANALYSIS

Construction Sector

After Thailand's construction sector was seriously affected by an economic crisis which led to a massive oversupply of residential and commercial projects from 1997-1998, there was a sign of a slight recovery in late 1999. Due to the effort by the Government to stimulate demand for unsold real estate as well as the fact that the Thai economy bottomed out in late 1999, the survey indicated that the opening of new housing projects in Bangkok and vicinity registered an increase, from 1,017 units in 1998 to 1,357 units in 1999. In addition, the increase was mostly geared toward construction of single house, rather than that of town houses or home offices. This implies that real estate developers has increased their focus on high-income level customers. However, the estimate of the housing surplus in Bangkok and vicinity remained high in 1999, at about 600,000-700,000 units.

The performance of the construction sector has improved in 2000, and is forecast to have sustainable growth in the next few years, in line with an anticipated recovery in Thai economy. The Thai economy is estimated to grow by 4.0-4.5 percent, as opposed to 4.2 percent in 1999. While the Government's role in stimulating the economy is receding following the tight budget, the spending on private investment and consumption should increase favorably in line with a recovery in manufacturing production, especially in the export-oriented industries. The resolution of a high level of non-performing loans (NPL) is progressing through the debt restructuring process. The improving prospect in the financial sector should lead to increased lending and favor overall demand for all sectors (including construction). In addition, the construction sector has benefitted in 2000 from the prevailing low interest rates and the Government's reduction in tax on registration for housing ownership (from 2 percent of assessed value to 0.01 percent).

An up-and-down dilemma in the construction sector does not greatly affect Thailand's demand for U.S. hardwood exports since Thai developers and consumers are in favor of masonry and other non-wood material in residential and commercial developments. However, this fluctuation may have an indirect impact on demand for U.S. hardwoods for those developments.

Furniture & Interiors Sector

Since the Government banned forest logging in the last decade, the furniture industry in Thailand has changed dramatically. In addition to a switch to imported hardwoods, several furniture makers diversified their raw material use into parawood, medium density fiberboard (MDF), metal, rattan, and etc. Regarding wooden furniture, parawood furniture currently accounts for about 60 percent of total production, followed by hardwood furniture (20 percent) and panel furniture (20 percent). Thailand has also diversified its furniture industry to export-oriented manufacturing. It is estimated that about 70 percent of total wooden furniture production is now for export, with the balance going to domestic consumption.

Similar to the construction sector, the economic turmoil has heavily affected domestic sales of wooden furniture and interior materials from 1997-1999, especially products made from hardwoods. Trade sources reported that total consumption of wooden furniture likely dropped 70-80 percent in those three years. An economic recovery however, should stimulate the domestic market for wooden furniture to increase somewhat in 2000 and 2001.

While unfavorable economic conditions disturbed domestic consumption, a sharp reduction in the Thai currency against the U.S. dollar boosted exports of all types of furniture, including wooden furniture. Exports of wooden furniture and parts in 1999 register of a 22 percent growth over the 1998 level to 21,682 million baht (approx. US$ 573 million). Major importers of Thai wooden furniture and parts in 1999 were Japan (43 percent), the United States (34 percent), the European Union (9 percent), and others (14 percent), respectively. Meanwhile, exports of other wood products (i.e., wooden construction materials, picture frames, tableware and kitchenware, and carvings and ornaments) rose by 3 percent to 12,302 million baht (US$ 325 million) in 1999. The U.S. was the largest importer of Thai wood product in 1999 (42 percent), followed by the EU countries (25 percent) and Japan (17 percent), respectively.

Due to a relatively depreciated Thai currency and new product development, Thai exports of wooden furniture are estimated to further grow by 20-25 percent in 2000, as opposed to 5-10 percent for those of other wood products.

U.S. hardwoods are mainly used in furniture and interior design industries, for both domestic consumption and re-export. This implies that the U.S. export opportunities run parallel to the performance of these two markets. Accordingly, improved domestic wooden furniture sales and bright prospects for exports should lead to increased demand for U.S. hardwoods in 2000 and 2001.

Material Handling Industry

Wooden pallets are normally used for packaging heavy or easily-broken products, especially in the shipping industry for export. As most of exported products in Thailand are light-industry products and the use of alternative plastic or foam material has increased in popularity, the use of wood in the material handling industry is still limited. It is estimated that Thailand may utilize about 100,000 cubic meters of solid woods in 2000, nearly all of which are parawood and plywood. Due to relatively high transportation costs, the United States' solid wood are not competitive against domestic woods and those from Thailand's neighboring countries in the material handling industry.

STATISTICAL INFORMATION

Table 1: Thailand: Strategic Indicator Tables

See Attached File: **fortabls.wk4**

Table 2: PS&D Table for Tropical Hardwood Logs

PSD Table						
Country	Thailand					
Commodity	Tropical Hardwood Logs				1000 CUBIC METERS	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Production	28	4980	0	4950	0	4900
Imports	115	469	0	550	0	600
TOTAL SUPPLY	143	5449	0	5500	0	5500
Exports	0	0	0	0	0	0
Domestic Consumption	143	5449	0	5500	0	5500
TOTAL DISTRIBUTION	143	5449	0	5500	0	5500

Table 3: PS&D Table for Temperate Hardwood Lumber

PSD Table						
Country	Thailand					
Commodity	Temperate Hardwood Lumber				1000 CUBIC METERS	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Production	8	8	0	10	0	10
Imports	3000	32	0	60	0	70
TOTAL SUPPLY	3008	40	0	70	0	80
Exports	70	0	0	0	0	0
Domestic Consumption	2938	40	0	70	0	80
TOTAL DISTRIBUTION	3008	40	0	70	0	80

Table 4: PS&D Table for Tropical Hardwood Lumber

PSD Table						
Country	Thailand					
Commodity	Tropical Hardwood Lumber				1000 CUBIC METERS	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Production	5420	2250	0	2280	0	2260
Imports	260	1255	0	1350	0	1450
TOTAL SUPPLY	5680	3505	0	3630	0	3710
Exports	4800	285	0	250	0	200
Domestic Consumption	880	3220	0	3380	0	3510
TOTAL DISTRIBUTION	5680	3505	0	3630	0	3710

Table 5: PS&D Table for hardwood Veneer

PSD Table						
Country	Thailand					
Commodity	Hardwood Veneer				1000 CUBIC METERS	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Production	135	140	0	145	0	150
Imports	12	11	0	18	0	20
TOTAL SUPPLY	147	151	0	163	0	170
Exports	3	3	0	3	0	2
Domestic Consumption	144	148	0	160	0	168
TOTAL DISTRIBUTION	147	151	0	163	0	170

Table 6: PS&D Table for hardwood Plywood

PSD Table						
Country	Thailand					
Commodity	Hardwood Plywood				1000 CUBIC METERS	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Production	15	80	0	85	0	90
Imports	15	3	0	3	0	3
TOTAL SUPPLY	30	83	0	88	0	93
Exports	25	2	0	2	0	2
Domestic Consumption	5	81	0	86	0	91
TOTAL DISTRIBUTION	30	83	0	88	0	93

Table 7: Thailand's Log Imports in 1998 and 1999				
Origin		1998		1999
	Quantity	Value	Quantity	Value
	(Cubic Meters)	(US$ 1,000)	(Cubic Meters)	(US$ 1,000)
U.S.A.	835	462	572	378
Malaysia	137,124	18,851	135,559	17,731
Myanmar	77,770	23,256	123,705	52,476
Laos	18,343	3,167	86,156	12,198
New Zealand	18,490	1,098	61,474	4,056
Indonesia	1,533	194	6,212	788
South Africa	0	0	11,953	1,939
Australia	0	0	15,304	960
Papua New Guinea	16,398	1,941	11,147	1,582
Mauritania	608	517	2,293	1,260
Solomon Islands	3,850	631	5,504	752
Others	3,125	526	8,763	2,025
TOTAL	278,076	50,643	468,642	96,145

Table 8: Thailand's Lumber Imports in 1998 and 1999				
Origin	1998		1999	
	Quantity	Value	Quantity	Value
	(Cubic Meters)	(US$ 1,000)	(Cubic Meters)	(US$ 1,000)
U.S.A.	42,995	19,755	104,839	22,436
Malaysia	686,503	87,417	876,672	116,770
Myanmar	16,906	6,961	13,833	9,180
Laos	91,772	15,171	141,796	25,725
New Zealand	17,099	3,504	46,372	6,651
Cambodia	65,393	17,848	15,731	4,198
China	3,101	1,805	5,163	3,140
Brazil	1,367	584	13,980	2,934
Indonesia	7,978	2,364	7,694	1,906
Canada	13,153	2,740	13,004	2,432
Poland	3,164	1,596	1,968	745
Austalia	802	321	1,689	628
Others	11,384	4,905	12,258	5,282
TOTAL	961,617	164,971	1,254,999	202,027

Table 9: Thailand's Veneer Sheets Imports in 1998 and 1999				
Origin	1998		1999	
	Quantity	Value	Quantity	Value
	(Cubic Meters)	(US$ 1,000)	(Cubic Meters)	(US$ 1,000)
U.S.A.	471	1,115	557	1,294
Indonesia	2,364	3,512	2,497	3,953
Malaysia	3,539	992	4,742	805
Finland	661	621	869	783
Italy	212	324	37	343
Taiwan	269	341	62	75
Germany	568	868	331	654
China	270	306	1,610	1,142
Brazil	908	509	1,418	774
Myanmar	687	225	1,323	438
Canada	140	309	121	259
India	447	366	33	25
Others	199	435	290	837
TOTAL	10,735	9,923	13,890	11,382

Table 10: Thailand's Plywood Imports in 1998 and 1999				
Origin	1998		1999	
	Quantity	Value	Quantity	Value
	(Cubic Meters)	(US$ 1,000)	(Cubic Meters)	(US$ 1,000)
U.S.A.	4	3	0	0
Malaysia	0	0	597	238
Indonesia	2,652	1,027	1,702	774
Laos	2,388	877	320	127
Taiwan	7	23	233	43
Finland	12	14	0	0
Singapore	27	6	0	0
Myanmar	89	35	110	45
Others	4	6	0	0
TOTAL	5,183	1,991	2,962	1,227

Table 11: Thailand's Lumber Exports in 1998 and 1999				
Origin	1998		1999	
	Quantity	Value	Quantity	Value
	(Cubic Meters)	(US$ 1,000)	(Cubic Meters)	(US$ 1,000)
U.S.A.	5,877	10,845	11,139	11,680
Japan	16,895	17,148	27,136	26,565
Hong Kong	38,431	4,417	150,520	19,709
Malaysia	2,144	382	4,098	843
Vietnam	10,665	1,904	48,920	9,441
Netherlands	4,901	6,167	4,320	5,524
Australia	1,919	2,685	2,597	3,582
China	978	212	17,441	3,466
Taiwan	3,888	1,114	7,024	3,455
Spain	901	1,329	1,873	2,790
United Kingdom	466	741	1,722	2,322
Others	9,185	14,485	12,467	19,118
TOTAL	96,250	61,429	289,257	108,495

Table 12: Thailand's Veneer Sheets Exports in 1998 and 1999				
Origin	1998		1999	
	Quantity	Value	Quantity	Value
	(Cubic Meters)	(US$ 1,000)	(Cubic Meters)	(US$ 1,000)
U.S.A.	150	779	100	469
Denmark	1,071	5,098	1,076	4,457
U.K.	203	1,149	163	652
France	172	1,011	132	747
Germany	150	653	96	396
Italy	59	335	71	439
Singapore	106	243	60	424
S. Korea	29	161	72	190
Netherlands	60	339	75	336
Taiwan	73	233	168	300
Others	430	1,396	516	1,475
TOTAL	2,503	11,397	2,529	9,885

Table 13: Thailand's Plywood Exports in 1998 and 1999				
Origin		1998		1999
	Quantity	Value	Quantity	Value
	(Cubic Meters)	(US$ 1,000)	(Cubic Meters)	(US$ 1,000)
U.S.A.	0	0	30	25
Myanmar	902	173	505	133
India	74	51	971	584
Laos	88	43	47	21
U.K.	172	39	0	0
Israel	108	28	0	0
Others	27	8	43	37
TOTAL	1,371	342	1,596	800