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GAIN Report

Global Agricultural Information Network

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Wood and Wood Products Update 2019

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Wood Products
Exporter Guide
Agricultural Situation

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Report Highlights:

India's annual import of logs, lumber and wood products have increased from \$1.3 billion to \$2 billion in the past decade. The market share of U.S forest product imports has reached record levels in 2018, albeit from a small base. Limited domestic supplies, coupled with booming retail furniture, handicraft and hospitality sectors is driving demand for newer species. Still, India remains a long-term prospective market for U.S. forest products, specifically lumber and logs.

Forest Situation and Outlook

On February 2018, the Ministry of Environment, Forests and Climate Change published the 15th forest cover assessment in the [India State of Forest Report \(ISFR\) 2017](#). According to the report, India's forest and tree cover stands at 24.4 percent of total land area, and is increasing at a very slow pace. At present, India's forest and tree cover has increased by one percent, equivalent to 3,097 square miles (sq. mi) as compared to the previous survey of 2015. The increase is attributed to the various national conservation and sustainable management policies of the central government. The top five states where the maximum forest cover has increased are Andhra Pradesh, Karnataka, Kerala, Odisha and Telangana. The main reason for the increases are conservation measures and certain management interventions such as afforestation activities and local participation in improved protection measures in planted and traditional forest areas.

The top five states where forest cover has decreased are the states of Mizoram, Nagaland, Arunachal Pradesh, Tripura and Meghalaya. These states are in the northeastern part of the country where the total forest cover is already very high i.e. more than 70 percent in each state. The main reasons for the decrease are - shifting cultivation, biotic pressures (insects and diseases), rotational felling, diversion of forestlands for developmental activities, submergence of forest cover, agriculture expansion and natural disasters.

There is no official estimate of the amount of annual production from trees outside of forests, but the vast majority of domestically harvested wood is harvested from "trees outside of forests" such as tree plantations, farms, and private lands. According to the report, the estimate of the potential wood that could be harvested from outside forests is 75 million cubic meters (mcm) in 2017, significantly more than the amount harvested from forests.

Growing stock

The population's large demand for wood and fuelwood is met from trees growing outside the forest area. The government has estimated the total growing stock of India's forest and trees outside recorded forest areas (TOF) at 5,822 mcm, of which 4,218 mcm is inside the forests and 1,603 mcm outside. There is an increase of 54 mcm of total growing stock, as compared to the previous assessment. Out of this increase in growing stock, there is an increase of 23 mcm inside the forest and 31 mcm outside the forest area. Some of major timber species available in forests and trees outside forests include Shorea Robusta (Sal), Tectona Grandis (Teak), Mangifera Indica (Mango), Cocos nucifera (Coconut), and Areca Catechu (Areca Palm). Other domestic species preferred by the Indian manufacturers but in low stock include Acacia Arabica (Gum tree) and Dalbergia Sissoo (Rosewood).

Trade

Logs dominate Indian imports, but the share of log imports has come down from 83 percent in 2007 to 48 percent in 2018. A favorable tariff structure has supported log imports, but the poor/inadequate level of processing by domestic sawmills has prompted the Indian trade to import higher volumes of lumber versus logs in recent years. The share of U.S. lumber in total exports to India has risen from 3 percent in 2007 to 42 percent in 2018. Export of logs presents its own set of challenges; namely frequently changing Indian phytosanitary requirements, and inconsistent moisture levels due to varying temperatures during transit. This leads to defaults, non-compliance and detention at the ports.

While traditionally a tropical hardwood market, log export restrictions in Myanmar, Malaysia, and other

tropical countries have forced Indian manufacturers to look for alternate wood supply sources. A large number of Southeast Asian countries/suppliers of tropical woods are increasingly imposing temporary or permanent logging bans in natural forests following periods of heavy deforestation and over-logging. These bans coupled with the export restrictions of logs and lumber to encourage more processing activities in their own countries are forcing Indian buyers to explore alternate options. As such, a shift is taking place both in imported hardwoods to softwoods, and from logs to lumber. According to the trade data from the Ministry of Commerce, Government of India, imports from Malaysia and New Zealand constituted almost 30 percent of total imports of forest products in 2017. Imports of round logs were the highest in 2017 valued at \$637 million mostly from New Zealand (Radiata pine) and Malaysia (Meranti), followed by \$367 million worth of teak logs from Ecuador, Costa Rica and African countries.

U.S. wood and wood products in India

According to the U.S. census bureau data, exports of forest products from the United States to India in 2018 (Jan-Nov) were valued at \$45 million, nine percent higher than same period in 2017. Imports of forest products from the United States has been witnessing an annualized growth rate of approximately 14 percent since 2007. However, there has been a considerable change in the nature of imports from the United States. In 2007, lumber shipments constituted around a 3 percent share of total imports from the United States, but increased to about 42 percent of the total shipments in 2018. Imports of lumber were dominated by shipments of softwoods, mostly coniferous pine species of southern yellow pine (loblolly pine), western yellow pine (ponderosa pine) and Douglas fir. Other major species imported as lumber include hardwoods such as hickory, birch, walnut, white oak, and hard maple. While exports of hardwood and softwood logs and lumber products continue in the market, the general lack of awareness and education about the Indian market and the various consumption hubs limit exports. Another reason for the small market share of U.S. forest products is the general lack of knowledge in India (grades, sizes, end-use and application) about various American species. So the highly price-sensitive Indian importers are very quick to switch to alternate species from other countries, and do not understand the differences in quality.

Area/Partners of Destination And Commodities Exported		January - December Cumulative To Date Values in Thousands of dollars						
Partner	Product	2014	2015	2016	2017	Jan - Nov 2017	Jan - Nov 2018	Period/Period % Change (Value)
		Value	Value	Value	Value	Value	Value	
India	4407 - Wood Sawn, Chipped	13,997	14,551	10,595	25,546	22,647	16,695	-26
India	4403 - Wood In The Rough	34,175	17,355	11,012	14,072	12,676	19,825	56
India	4408 - Veneers And Sheets	1,522	1,391	1,430	3,225	3,033	3,686	22
India	4416 - Wooden Casks	577	1,189	722	1,036	1,033	1,331	29
India	4409 - Wood Shaped	286	504	934	618	549	1,253	128
India	4411 - Fibreboard Of Wood	1,291	1,444	484	558	498	425	-15
India	4421 - Articles Of Wood	96	28	278	163	163	360	122
India	4415 - Wooden Cases	1,689	144	171	160	135	41	-70
India	4401 - Fuel Wood	432	139	1,460	147	112	802	615
India	4418 - Builders Joinery	143	145	559	140	140	44	-68
India	4417 - Tools, Broom Handles	24	137	187	129	125	19	-85
India	4420 - Ornaments Of Wood	154	54	175	111	111	123	11
India	4410 - Particle Board	21	58	97	73	68	29	-58
India	4414 - Wooden Frames	9	42	11	30	30	125	321
India	4419 - Tableware Wood	25	15	54	28	28	58	112
India	4412 - Plywood	936	60	35	21	9	8	-11
India	4413 - Densified Wood	65	48	12	0	0	48	--
Grand Total		55,441	37,304	28,216	46,055	41,356	44,873	9

Source: U.S. Census Bureau Trade Data

Importing logs and lumber into India

The Directorate of Plant Protection, Quarantine and Storage (DPPQS) under the Ministry of Agriculture, Cooperation and Farmers Welfare (MOA) regulates the import of timber logs into India. Species that are listed under VI and VII of the Plant Quarantine (PQ) order 2003 may be imported into India as per the import requirements listed under these schedules and also the general import requirements listed under Section 9 (Requirement of Import of Wood and Timber), Chapter II (General conditions for import) of the PQ order. As per the current [Plant Quarantine Order 2003](#) updated as of December 18, 2018, the import of wood and wood products requires fumigation / heat treatment / Kiln Dried to be endorsed on the phytosanitary certificate issued in the country of export.

According to the PQ order, the timber/wood with or without bark shall be fumigated prior to export with methyl bromide (MBR) at 48 g/m³ for 24 hours at 21 degrees Celsius or above, or an equivalent thereof, or any other treatment approved by the Plant Protection Adviser, Government of India. The treatment shall be endorsed on the Phytosanitary Certificate issued at the country of export or re-export.

Similar to logs, imports of lumber are also regulated by the DPPQS, Ministry of Agriculture, Cooperation and Farmers Welfare. Shipment of timber or sawn or sized wood with or without bark prior to export must be either fumigated with methyl bromide at 48 g/m³ for 24 hours at 21 degrees Celsius or above, or an equivalent thereof, or *kiln dried* at 56°C for 30 minutes (core temperature of wood) or *heat treated* at 56°C for 30 minutes (core temperature of wood). The treatment shall be endorsed on the Phytosanitary Certificate issued at the country of export or re-export.

Domestic trade has proposed restricting the use of methyl bromide fumigation, a gradual phase-out and

using alternate treatments to the Indian government, which are under consideration. MBR is toxic and classified as a class 1 ozone depleting substance.

Exporters from the United States should refer to the Animal and Plant Health Inspection Service (APHIS) Phytosanitary Export Database (PExD) available on [Phytosanitary Certificate Issuance and Tracking \(PCIT\)](#) system for the latest country specific import requirements.

Market Access

Wood and wood products can be imported into India without quantitative restrictions. However, any species of hardwoods/softwoods (logs/lumber) that are not listed in the Indian Plant Quarantine Schedule VI and VII are prohibited from import in India. To submit a specific market access request for wood species not currently covered under the PQ order, the National Plant Protection Organization (NPPO) of the interested exporting country has to submit an official request to the DPPQS under the Indian Ministry of Agriculture and Farmers Welfare. Please see sub-section 7(i) of section 3, Chapter II of the PQ order for additional information regarding the process of submission of the new market access request to the MOA. The official request includes providing technical information for a pest risk analysis. Officials will review the request and make a determination of the necessary requirements for importation. MOA officials only accept new market access requests from the NPPO of the interested exporting country.

Marketing

Wood processing is largely in the small-scale or “unorganized” sector, where the majority of wooden furniture, joinery, and other household products are made to order by small workshops or individual artisans. Larger design firms are increasing in number, to serve both the export and growing domestic market for wood furniture and wood interior items. Familiarity with woods other than those found in India and certain tropical hardwoods is low, however, the demand from various sectors such as housing, furniture, hospitality and handicraft remains strong. Nevertheless, the Indian wood industry, artisans, and other wood users are accustomed to teak and other hardwoods that are perceived to be more resistant to termites and decay. Consumers also have a strong preference for dark tropical woods. Teak is typically seen as a benchmark with respect to grade and price, as compared to other wood species.

Major imported wood species are meranti, teak, and pine. Domestic farmed and plantation timber includes teak, eucalyptus, poplar, spruce, pine, and fir. India imports small quantities of temperate hardwoods such as ash, maple, cherry, oak, walnut, and beech for commercial and home interiors and furniture, some of which is made for export. Wood imports are expected to continue rising, but the move away from logs and tropical woods will likely be slow. Even as Indians become aware of foreign woods, the perceived benefits of importing logs and the cost of foreign woods are often cited as reasons for maintaining the status quo. Nevertheless, India is a potential market for imported wood products, including American species, but exporters should be prepared to start small and be patient.

Consumption

India remains a key potential market for imported hardwood & softwood logs, lumber and veneer, including American species, but progress in market development is slow...

Euromonitor information indicates there are nearly 960,000 households with annual incomes in excess of \$150,000, up from 791,000 in 2010. There are a large number of wealthy households in smaller cities

with aspirations similar to their metropolitan city counterparts. These consumers are showing increasing interest in luxury goods. Dual income earning households, larger disposable incomes and changing lifestyle trends among these consumers is driving growth for luxury and imported goods including luxury furniture. Wealthy urban consumers are increasingly shopping for goods online through various e-commerce sites. These consumers are more aware of the various styles of furniture available globally, and are looking for quality products such as kitchen cabinets, flooring, doors, bedroom and living room, kitchen furniture, and window frames. Similarly, the penetration of e-commerce in rural areas, where the majority of India's population resides, is spurring demand for newer products and shows promise in these emerging city markets (commonly referred to in India as Tier 1, Tier 2, and Tier 3 cities).

There is a flourishing tourism and hospitality industry across India with the number of hotel chains scaling up the number of properties to smaller cities as air connectivity is growing, providing opportunities for more leisure and business travel. Increasingly a large number of hotels are shifting away from carpets to wooden flooring. The floorings are quick to install, and offer a lot of variety. Branded hotels may use hardwood floorings, while budget hotels may opt for laminate floors.

Another emerging sector with potential is the Indian wooden handicrafts and furniture manufacturing. Increasing certification requirements, restricted and deteriorating quality supply of domestic species is driving Indian trade to look at viable alternative hardwood species not only for domestic furniture and interiors market, but also for re-exports of value added products (handicrafts and tools). Indian exporters of wooden handicrafts and other wood products increasingly face strict traceability norms in the European Union and United States, which is affecting their trade. The norms require disclosure of the source of timber to discourage illegal logging globally. The U.S. hardwood industry is well placed to provide lumber, as most of the hardwoods are sustainable and legally harvested.

Finally, the increase in the overall construction activities including large residential complexes, buildings under affordable housing schemes, business parks and recreational zones are also driving demand for new species. The role of architects and interior designers has become much more significant as they provide the specifications to the developers for large-scale projects.

Policy

Draft National Forest Policy 2018

On March 14, 2018, the Ministry of Environment, Forest and Climate Change, Government of India published the draft National Forest Policy 2018, after revising the present National Forest Policy of 1988. The focus is on sustainable forest management by protecting ecologically sensitive areas, incentivizing use of degraded forestlands for industry, promoting agro-forestry and farm forestry among many other initiatives. Trade sources indicate a positive response to the draft policy as it proposes public-private partnership models. The policy continues with the target of having one-third of India's geographical area under forest and tree cover; and in the hills and mountainous regions, the aim will be to maintain two-thirds of the area under forest and tree cover. The first National Forest Policy in independent India took effect in 1952, with a second edition in 1988. For more details, please refer to [Draft National Forest Policy 2018](#).

Tariffs

India has long sought to augment its domestic wood supply through importing logs. Going back 20 years when imports of value-added wood products were banned; logs were one of the only wood-sector

products that could be imported. Logs enjoy a lower tariff and satisfy the general policy of shifting value addition to India whenever possible (refer to Table 6). India has traditionally kept tariffs low on log imports (25 percent) relative to processed wood products (lumber - 31 percent, and veneers - 31 percent) in an effort to shift value-addition (using domestically produced lumber from imported logs) to India and reduce harvesting in India.

Table 1: India's Total Imports of Forest Products by Category (US\$ Million)

Category	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 (Jan-Nov)
Logs	1,100	1,293	1,194	1,336	1,831	2,008	2,035	2,011	1,566	1,278	1,206	1,052
Lumber	23	33	42	58	131	160	185	205	284	276	368	386
Veneer	16	23	20	27	46	56	66	91	174	200	220	215
MDF/HDF	54	55	41	77	84	92	96	88	87	88	106	113
Plywood	24	38	37	52	113	90	81	85	86	80	98	111
Particle Board	45	45	33	54	83	63	44	34	34	35	27	37
Other Products	57	83	63	93	115	135	173	193	204	190	169	160
Total	1,320	1,568	1,430	1,697	2,404	2,604	2,680	2,707	2,436	2,147	2,193	2,073

Source: Directorate General of Foreign Trade, Ministry of Commerce

Table 2: India's Imports of Forest Products from United States by Category (US\$ Million)

Category	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 (Jan-Nov)
Logs	1.3	2.2	1.4	2.1	6.1	8.3	19.6	36.3	13.9	11.8	14.4	20.2
Lumber	0.2	2.6	2.3	2.4	14.1	21.5	15.4	20.4	21.1	14.1	24.1	20.8
Other Products	1.1	2.1	1.6	3.2	2.8	3.1	3.0	3.1	2.7	2.9	4.3	5.0
Veneer	0.0	0.1	0.0	0.1	0.5	0.1	0.1	0.0	0.1	0.1	0.1	0.1
MDF/HDF	0.0	0.4	0.4	0.6	1.3	1.4	1.6	0.9	1.4	1.1	0.7	0.5
Particle Board	0.2	0.4	0.3	0.7	1.1	0.7	1.1	1.2	0.2	0.1	0.1	0.2
Plywood	2.4	2.7	3.9	6.3	6.7	5.8	4.1	2.5	3.4	2.9	2.7	2.6
Total	5.3	10.4	9.7	15.4	32.7	40.9	44.9	64.5	42.6	32.9	46.5	49.5

Source: Directorate General of Foreign Trade, Ministry of Commerce

Table 3: India's Total Imports of Forest Products by Country (US\$ Million)

Partner Country	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 (Jan-Nov)
Malaysia	360	431	446	473	598	657	612	672	592	476	419	304
New Zealand	81	100	91	127	215	238	236	249	214	236	253	110
Myanmar	320	399	339	430	604	691	740	569	120	159	143	94
China	40	46	45	76	159	123	106	123	140	122	129	116
Indonesia	6	10	12	26	34	38	46	56	89	103	126	133
Papua New Guinea	32	46	45	62	67	41	59	111	107	73	88	44
Germany	29	43	33	39	47	55	75	83	83	80	86	30
Suriname	0	0	0	0	3	10	14	21	28	37	82	87
Brazil	3	4	4	8	16	24	28	29	68	71	70	74
Ecuador	24	27	17	16	32	47	63	74	69	96	68	60
United States	5	10	10	15	33	41	45	65	43	33	46	49
Rest of the World	419	453	388	425	594	641	656	656	884	661	684	972
World	1,320	1,568	1,430	1,697	2,404	2,604	2,680	2,707	2,436	2,147	2,194	2,073

Source: Directorate General of Foreign Trade, Ministry of Commerce

Table 4: India's Imports of Logs (HS Code 4403) by Country (US\$ Million)

Partner Country	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 (Jan-Nov)
Malaysia	327	382	413	421	535	596	556	598	513	383	295	176
New Zealand	77	95	84	123	207	230	229	241	205	228	246	239
Suriname	0	0	0	0	3	10	14	21	28	37	82	87
Solomon Islands	6	-	1	0	15	19	4	5	68	61	53	65
Ghana	57	83	50	47	46	56	44	48	65	57	51	59
Ecuador	24	26	17	14	31	45	62	72	64	81	62	59
Brazil	1	0	1	0	6	5	9	11	28	39	41	49
Costa Rica	15	17	22	25	48	56	50	57	58	47	57	40
Papua New Guinea	32	44	43	59	63	36	56	107	102	64	76	36
Panama	14	10	8	11	22	30	26	26	32	27	37	36
United States	1	2	1	2	6	8	20	36	14	12	14	20
Rest of the World	545	632	554	632	849	916	965	787	388	241	193	187
World	1,100	1,293	1,194	1,336	1,831	2,008	2,035	2,011	1,566	1,278	1,206	1,052

Source: Directorate General of Foreign Trade, Ministry of Commerce

Table 5: India's Imports of Wood Products (Excluding Logs) by Country (US\$ Million)

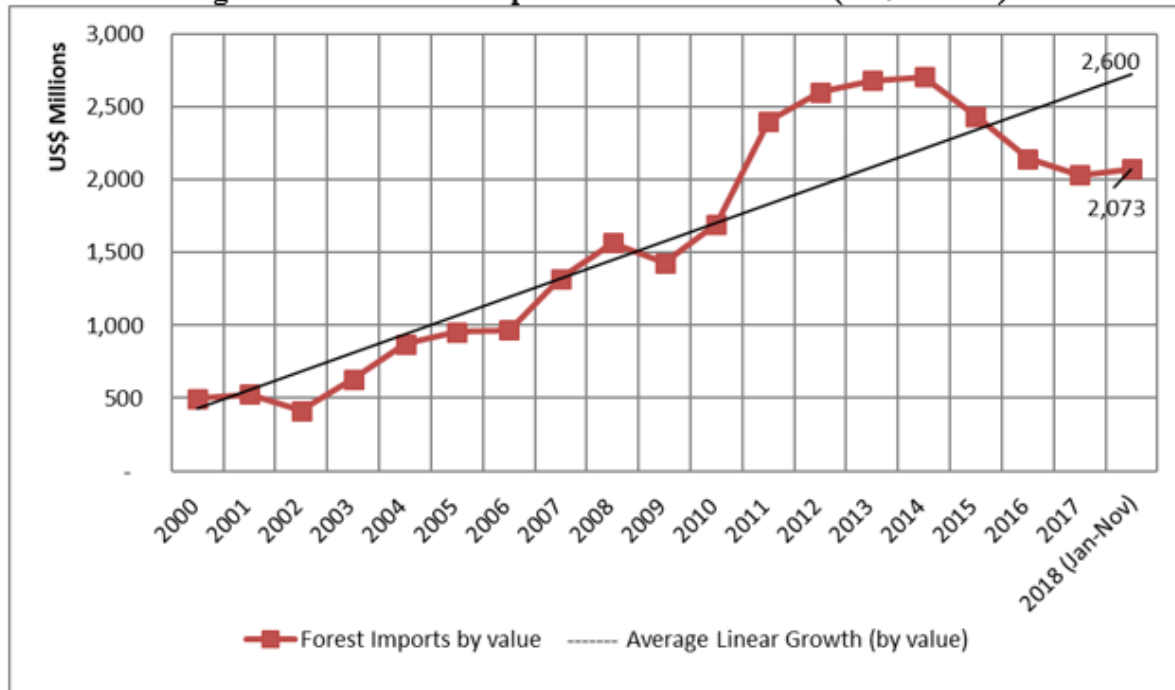
Partner Country	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 (Jan-Nov)
Indonesia	6	10	11	26	31	37	46	56	89	103	126	133
Malaysia	33	49	33	52	64	62	55	73	80	93	125	129
China	40	46	45	74	144	121	106	123	139	113	124	116
Myanmar	8	13	12	15	16	13	15	30	112	152	141	92
Vietnam	1	2	2	5	18	40	55	52	43	38	55	47
Thailand	24	20	19	33	43	44	59	39	32	28	35	43
Germany	17	21	15	28	41	47	62	58	63	63	73	28
Brazil	1	3	3	7	10	19	19	18	39	31	29	25
Italy	9	13	11	11	13	10	14	9	11	12	11	17
New Zealand	4	4	7	4	8	8	7	7	9	9	7	6
United States	4	8	8	13	27	33	25	28	29	21	32	29
Rest of the World	72	87	68	92	158	165	181	204	223	207	230	356
Total	220	276	236	361	572	597	645	696	870	869	988	1,021

Source: Directorate General of Foreign Trade, Ministry of Commerce

Table 6: India's Import Tariff on Forest Products

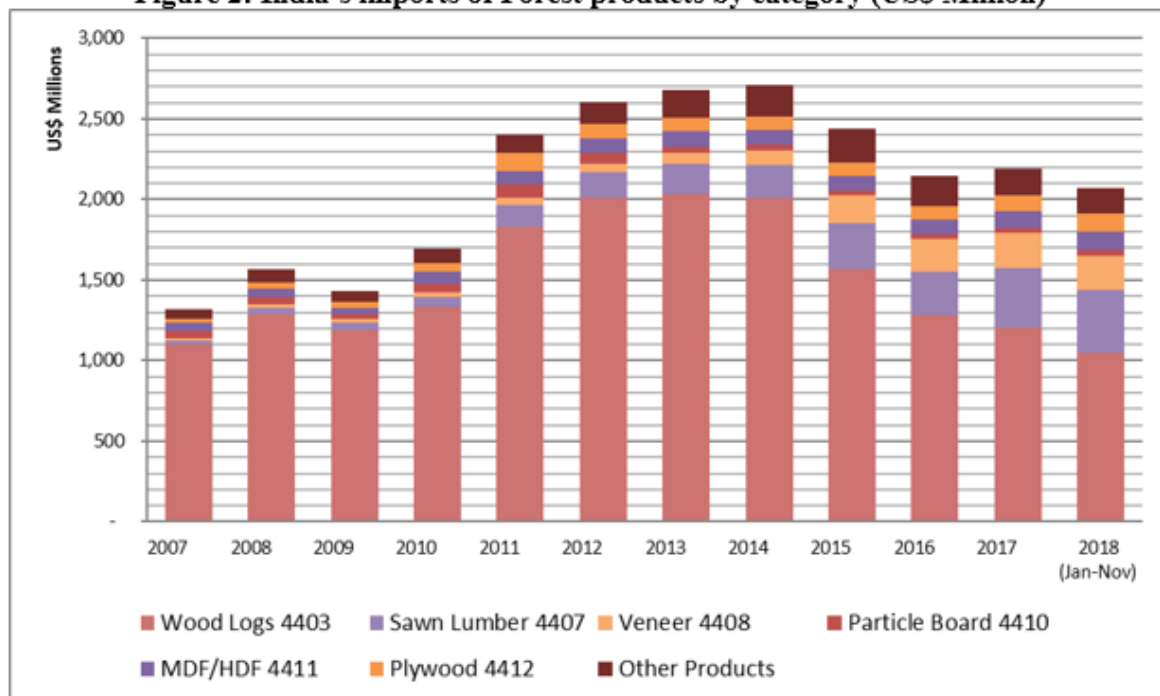
HS Code	Unit	Basic Duty	Effective Duty	Preferential Rate of Duty	Integrated Goods and Services Tax (IGST)	Social Welfare Surcharge	Total	Import Policy - Prohibited, Restrictive or Free
44.01	mt	5.00	5.00	-	-	0.50	5.50	Free
44.02	mt	5.00	5.00	-	-	0.50	5.50	Free
44.03	m3	5.00	5.00	-	18.00	0.50	24.49	Free
44.04	kg	10.00	10.00	-	12.00	1.00	24.32	Free
44.05	kg	10.00	10.00	-	12.00	1.00	24.32	Free
44.06	m3	10.00	10.00	-	12.00	1.00	24.32	Free
44.07	m3	10.00	10.00	-	18.00	1.00	30.98	Free
44.08	kg	10.00	10.00	-	18.00	1.00	30.98	Free
44.09	kg	10.00	10.00	-	18.00	1.00	30.98	Free
44.10	kg	10.00	10.00	-	18.00	1.00	30.98	Free
44.11	kg	10.00	10.00	-	18.00	1.00	30.98	Free
44.12	m3	10.00	10.00	-	18.00	1.00	30.98	Free
44.13	kg	10.00	10.00	-	18.00	1.00	30.98	Free
44.14	kg	10.00	10.00	-	12.00	1.00	24.32	Free
44.15	u	10.00	10.00	-	12.00	1.00	24.32	Free
44.16	kg	10.00	10.00	-	12.00	1.00	24.32	Free
44.17	kg	10.00	10.00	-	12.00	1.00	24.32	Free
44.18	kg	10.00	10.00	-	18.00	1.00	30.98	Free
44.19	kg	10.00	10.00	-	12.00	1.00	24.32	Free
44.20	kg	10.00	10.00	-	12.00	1.00	24.32	Free
44.21	kg	10.00	10.00	-	12.00	1.00	24.32	Free
96.14	kg	10.00	10.00	-	28.00	1.00	42.08	Free

Figure 1: India's total imports of Forest Products (US\$ Million)



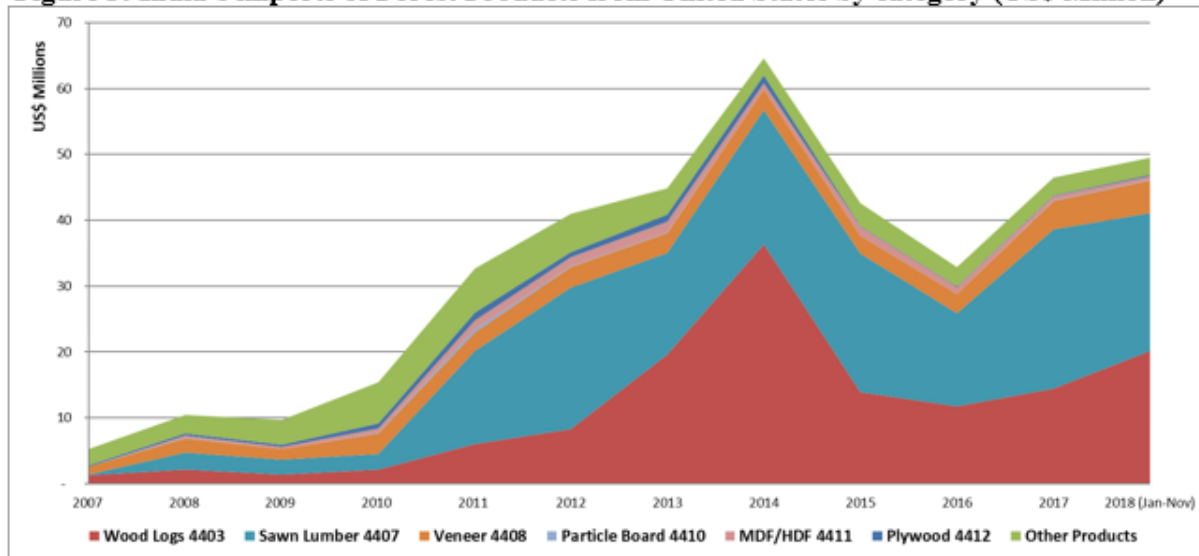
Source: Directorate General of Foreign Trade, Ministry of Commerce

Figure 2: India's imports of Forest products by category (US\$ Million)



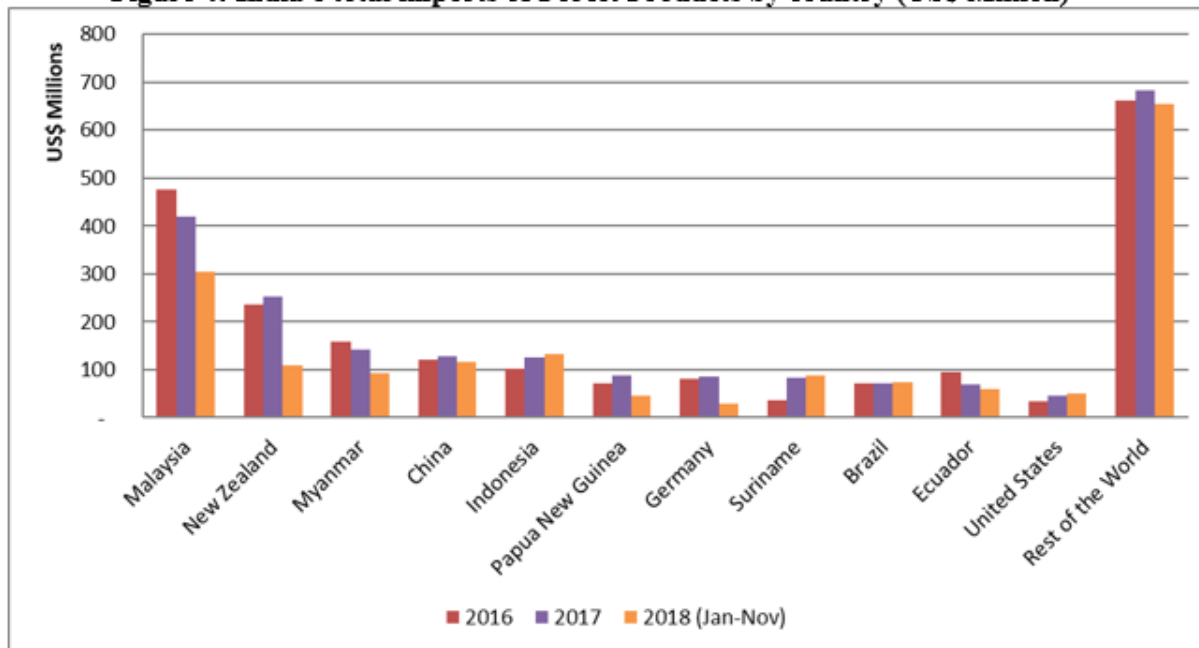
Source: Directorate General of Foreign Trade, Ministry of Commerce

Figure 3: India's imports of Forest Products from United States by category (US\$ Million)



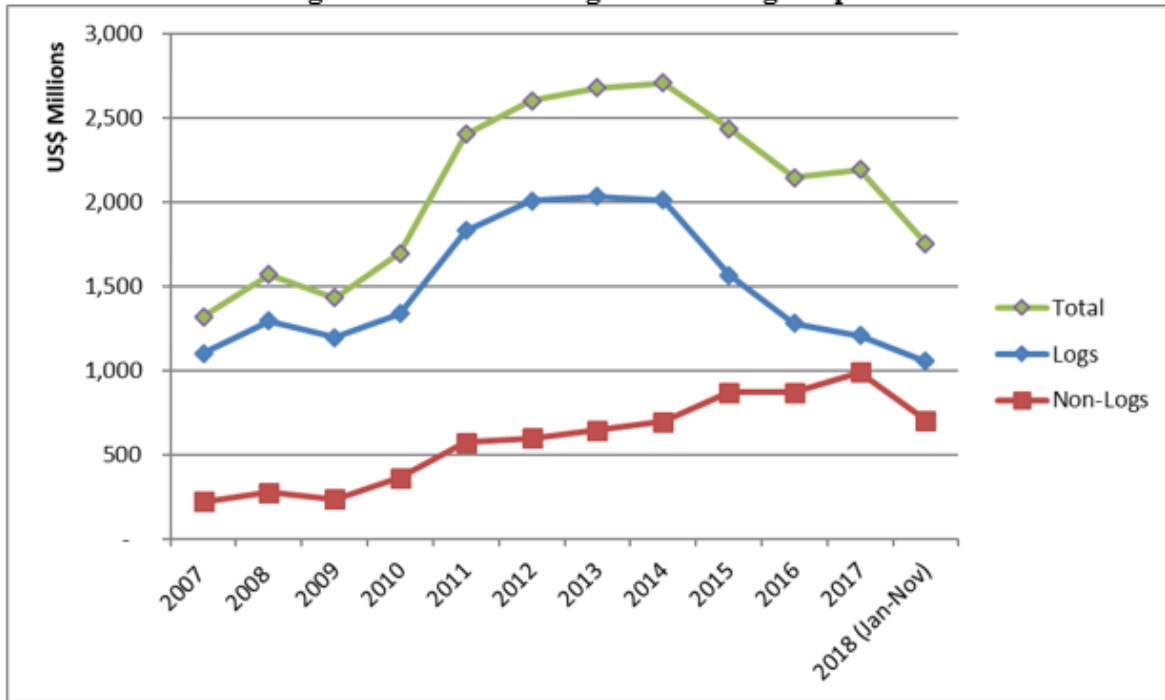
Source: Directorate General of Foreign Trade, Ministry of Commerce

Figure 4: India's total imports of Forest Products by country (US\$ Million)



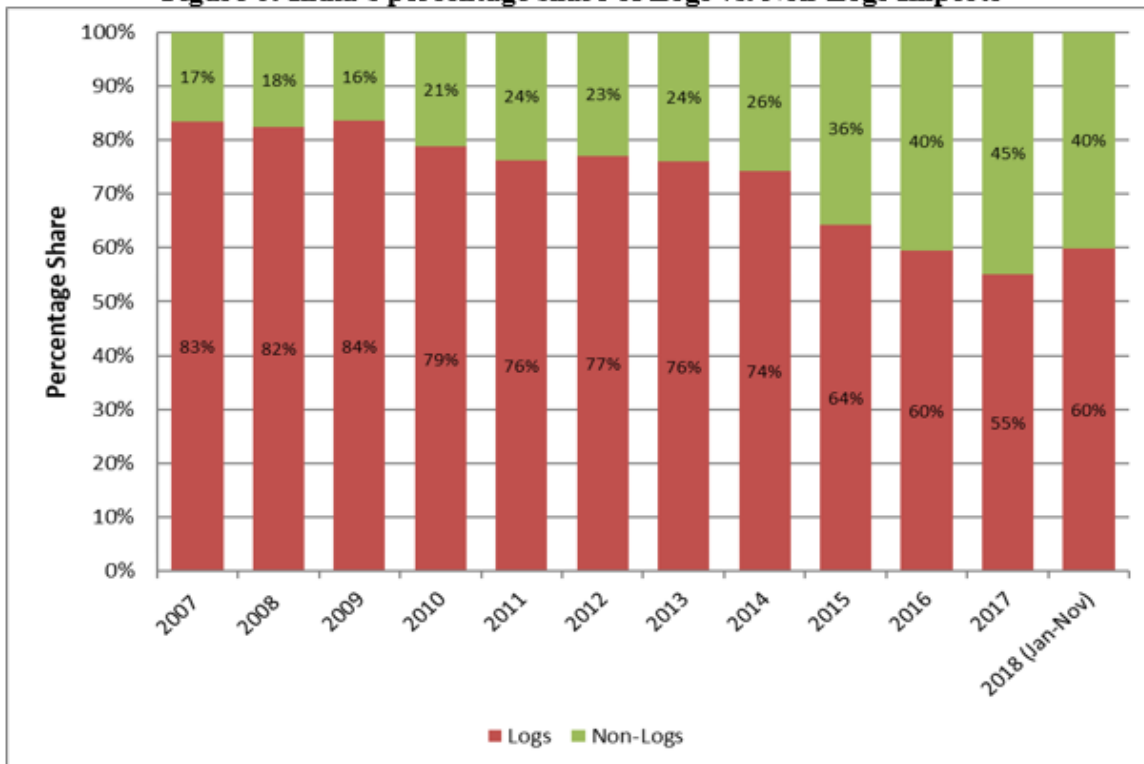
Source: Directorate General of Foreign Trade, Ministry of Commerce

Figure 5: Growth of Logs vs. Non-Logs Imports



Source: Directorate General of Foreign Trade, Ministry of Commerce

Figure 6: India's percentage share of Logs vs. Non-Logs Imports



Source: Directorate General of Foreign Trade, Ministry of Commerce