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Wood and Wood Products in India 2014

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Approved By:
David Williams
Prepared By:
Dhruv Sood

Report Highlights:
India's annual imports of logs and wood products have increased from $500 million to $2.7 billion over the past decade. Restrictions on domestic harvesting from forests coupled with limited forest resources have limited supply, while expanding consumer and commercial interest in wood interior products and wooden furniture have increased demand. India is also becoming a furniture exporter, turning imported wood into finished products for export. Low tariffs and liberal import policies have made logs the dominant import category for years, as India sought to maximize value addition while minimizing pressure on its forests. However, lower tariffs on other wood products coupled with increasing sophistication among wood users has increased market share for processed wood products. Logs' share of imports has dropped from 90 percent to 74 percent over the past decade. India's imports of U.S. wood products were valued at a record $54 million in 2013.

Forest Situation & Outlook

1n 1952, the Government of India established a goal to raise the forested area to one third of India's land mass. Subsequently, a number of efforts were made to limit human and animal pressure on forests and reforest key areas. However, the pressure from humans to harvest wood for fuel and other uses along with the clearing of land for agriculture, coupled with persistent use of forests as a source of fodder for animals, have prevented the government from reaching its goal. In addition to 1.2 billion inhabitants living in an area that is one-third the size of the United States, India has large cattle and goat populations that graze widely and consume forest resources.

According to the 2011 Forest Survey of India, forests covered just 22 percent of India of which 2.5 percent is dense forest defined as a tree canopy density of 70 percent; 10 percent is moderately dense defined as a tree canopy density of 40-70 percent; and 9 percent is open forest defined as a density of 10-40 percent. These figures do not differentiate tree cover by type; hence parks, orchards, mangrove areas, and plantations are counted as part of the forest cover, suggesting that actual forest cover is well below 22 percent. Additionally, a significant portion of India's tree cover lies in mountainous areas above an altitude of 4,000 meters, making it difficult to access. Conservation efforts appear to be helping to stem the loss of forested area; between 2009 and 2011, forested area was virtually unchanged, dropping by just 367 square kilometers. India's eight northeastern states, located primarily between Bangladesh and Myanmar, are the most densely forested area of India, accounting for just eight percent of India's area, but a quarter of its forests.

Two policies have had a significant effect on the industry over the past 30 years. In 1988, the National Forest Policy called for greater substitution of wood wherever possible and the development of agroforestry. It also determined that forests should be used primarily to meet the needs of India's tribal people, scheduled castes, and small scale industries. Any large commercial operations required government approval of the management plan, but states could designate areas for commercial harvesting. This policy slowed timber production and removed much of the financial incentive for large scale harvesting of wood, it also ushered in the beginning of India's sustained importation of logs. Timber production dropped again in 1997 when the Supreme Court ruled that only the central government could approve the use of forestry land for any non-forestry purposes. This effectively stopped the states from "de-reserving" certain forests for commercial harvesting and closed saw mills that did not have explicit approval from the central government to harvest in forests. The action drove domestic production even lower, especially in India's northeastern states where much of India's forests are located. The Court's action coupled with stronger economic growth over the past decade has led to a sustained increase in India's wood imports.

In 2011, only 3.2 million cubic meters (mcm) of wood were produced from Indian forests, while the vast majority of domestically harvested wood was harvested from "trees outside of forests" such as tree plantations, farms, and private lands. There is no official estimate of the amount of annual production from trees outside of forests, but the estimate of the potential wood that could be harvested was 44 mcm in 2011, significantly more than the amount harvested from forests. Land ceiling laws limit the amount of land that private firms can own for tree plantations and complex transport and cutting permits in forests and local tax laws also complicate the production and movement of forest products, limiting the domestic industry’s ability to expand.

Trade

India’s wood market has long defied the expectations of foreign wood exporters who sensed that a growing economy and a large population in a country with limited forest resources should result in new opportunities for wood suppliers. Instead, Indian industries that would normally consume wood were heavy users of substitutes like concrete and steel. However, starting about ten years ago, Indian imports of wood began to rise, increasing from $630 million in 2003 to $2.7 billion in 2013 (See Figure 1).

India has long sought to augment its domestic wood supply through the importation of logs. Going back 20 years when imports of value added wood products were effectively 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. While logs comprised a significant (75 percent) portion of the value of India’s wood product imports in 2013, that share is declining as imports diversify to other higher value processed wood products as wood-based projects and applications increase in sophistication and quality.

More than two thirds of log imports come from Malaysia, Myanmar (formerly Burma), and New Zealand due to a freight advantage and relatively lower prices. Major log imports from these countries include hardwood species of teak and meranti and softwood species of pine. Other major suppliers of logs to India are Cote D’Ivoire, Papua New Guinea, Gabon, Ecuador, Costa Rica, Panama and Cameroon. In 2013, imports from United States were valued at $54 million which included log imports valued at $20 million.

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 craftsmen. 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, but that too is starting change. Nevertheless, 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 and decay. Consumers also have a strong preference for dark tropical woods. Teak is typically seen as a benchmark with respect to grade and prices of other wood species. Major imported wood species are teak, meranti, and mahogany. Domestic farmed and plantation timber includes teak, eucalyptus, and 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.

Rising incomes and real estate development are boosting demand for imported hardwood and softwood lumber varieties for use in building projects as interior decorating materials and furniture. India's smaller "tier- two" and "tier-three" cities are emerging markets, with a growing housing supply and need for interior materials and furnishings. India's first home stores have opened over the past few years, introducing customers to new concepts in home decoration. New stores include Homecentre, Durian, Evok, Homestores, and Hometown. E-business is also emerging as an increasingly important marketing and distribution channel for both raw wood materials and finished wood products. India has an estimated 120 million active internet users and online retailing is the fastest growing retail segment.

Distribution

For wood logs and lumber, wholesale markets remain the most important distribution channel for medium or small-sized processors and interior design companies. However, large construction projects and manufacturers prefer to purchase directly from wood manufacturers and importers. Finished consumer wood products (floorings and furniture) targeted at domestic markets are mainly further distributed through professional building material markets and specialized showrooms to urban consumers. India is increasingly becoming a market where imported woods are converted to higher value products such as furniture for export.

U.S. Wood and Wood Products in India

In 2013, exports of U.S. wood and wood products from the United States to India were valued at a record $54 million with processed wood constituting 64 percent of the imports. Imports from the United States have increased significantly over the past six years (See Figure 3). Logs make up a relatively small share of U.S. exports accounting for just 36 percent of total wood exports. Demand for high quality furniture products for both the domestic and export markets has increased over the past few years prompting imports of high grade lumber. See Table 2 for more background on India's wood imports from the United States.

Tariffs

India has reduced tariffs on wood and wood products to facilitate imports. India's bound tariff rate (the highest tariff India can apply and still comply with its World Trade Organization commitments) for wood products is set at 40 percent, while the applied rates of most wood products range from 5 to 15 percent. India has traditionally kept tariffs low on log imports (5 percent) relative to processed wood products in an effort to shift value addition (domestically produced lumber from imported logs) to India and reduce harvesting in India. Despite the preferential tariff structure, logs' share of India's forest product imports has been declining over the past decade. With the increase in real costs for almost all the components of production, i.e. energy, resins, chemicals, and transportation, saw mills are looking to more processed woods or rough sawn lumber as options to save on costs.

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. (http://www.agricoop.nic.in/gazette.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, and veneers are exempted from these requirements.

For exporting any species of American hardwood or softwood species that are not specifically listed in the Plant Quarantine (PQ) Order 2003 of India, specific market access requests have to be submitted to the Indian government. Officials will review the request and make a determination as to the necessary requirements for importation. Ministry of Agriculture (MOA) officials only accept new market access requests from the national plant protection organization (NPPO) of the interested exporting country.

Trade Shows

1. **Indiawood, Bengaluru -** Indiawood is Asia's biggest sourcing platform for furniture manufacturers, wood based handicraft manufacturers, saw millers, craftsmen, woodworking professionals, architects and interior designers in the region. The eighth edition of the trade fair Indiawood 2016 is scheduled to be held on February 21-25, 2016 in Bengaluru.
   http://www.indiawood.com/iw14/#

2. **Delhiwood, Noida -** Launched in 2009, Delhiwood is the regional edition of Indiawood show targeting the wood industry in North India. Organized biennially, the fourth edition of the show is scheduled to be held February 6-9, 2015.
   http://www.delhi-wood.com/

3. **Mumbaiwood, Mumbai –** Mumbaiwood is the regional edition of Indiawood show targeting the wood industry in Western India**.** The second edition of this regional trade fair is scheduled to be held in Mumbai. Dates have not been finalized yet.
   http://www.mumbai-wood.com/mw13/

4. **The Inside Outside Mega Show** - Inside Outside Mega Show is the leading event focused on interior decoration, furniture, furnishing as well as building & construction industries.
   http://iomegashow.com/cms/?page_id=27

5. **United Business Media (UBM) Index International Interiors Event, Mumbai** – UBM Index trade fairs showcase designs and trends in the furniture and hardware industries. The show is

organized annually and the next edition is scheduled to be held on October 9-12, 2014 in Mumbai. http://ubmindexfairs.com/

Post Contact Information

The following reports may be of interest to U.S. exporters interested in India. These and related reports can be accessed via the FAS Home Page: www.usda.fas.gov by clicking on “Attaché Reports” and searching by the report number. Reports given below will provide additional information to exporters interested in the Indian market.

Report Number	Subject
IN3152	Exporter Guide Annual 2013
IN3161	FAIRS Export Certificate Report 2013
IN3164	FAIRS Country Report 2013

For Additional Information please contact:

Agricultural Attaché
Office of Agricultural Affairs
American Consulate General
C-49, G Block, Bandra Kurla Complex, Mumbai 400051
Ph: (91-22) 2672-4000
E-Mail: agmumbai@fas.usda.gov

Table 1: India’s Total Imports of Logs and Wood Products by Category (US$ Million)

Category	2007	2008	2009	2010	2011	2012	2013
Logs	1,100	1,293	1,194	1,336	1,831	2,008	2,035
Other Products	82	105	79	126	150	161	238
Sawn Lumber	23	33	42	58	131	160	185
MDF/HDF	54	55	41	77	84	92	96
Plywood	24	38	37	52	113	90	81
Veneer	16	23	20	27	46	56	66
Particle Board	45	45	33	54	83	63	44
Total	**1,345**	**1,591**	**1,446**	**1,730**	**2,438**	**2,629**	**2,745**

Source: Directorate General of Foreign Trade, Ministry of Commerce

Table 2: India's Imports of Logs and Wood Products by Category from United States (US$ Million)

Category	2007	2008	2009	2010	2011	2012	2013
Logs	1	2	1	2	6	8	20
Sawn Lumber	0	3	2	2	14	21	15
Other Products	1	2	2	3	3	3	3
Veneer	0	0	0	0	1	0	0
MDF/HDF	0	0	0	1	1	1	2
Particle Board	0	0	0	1	1	1	1
Plywood	5	6	5	13	9	10	13
Total	**7**	**13**	**11**	**23**	**35**	**45**	**54**

Source: Directorate General of Foreign Trade, Ministry of Commerce

Table 3: India's Total Imports of Logs and Wood Products by Country (US$ Million)

Partner Country	2007	2008	2009	2010	2011	2012	2013
Myanmar	320	399	339	430	604	691	740
Malaysia	360	432	446	476	600	658	612
New Zealand	81	100	91	127	216	238	236
China	44	53	52	82	178	134	126
Germany	30	43	33	40	50	57	78
Thailand	25	24	22	34	47	48	65
Ecuador	24	27	17	16	32	47	63
Papua New Guinea	32	46	45	62	67	41	59
Vietnam	2	4	5	11	21	41	56
Indonesia	6	10	12	27	34	38	52
United States	7	13	11	23	35	45	54
Rest of the World	294	283	248	268	402	417	439
World	**1,345**	**1,591**	**1,446**	**1,730**	**2,438**	**2,629**	**2,745**

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**
Myanmar	312	386	327	415	588	678	725
Malaysia	327	382	413	421	535	596	556
New Zealand	77	95	84	123	207	230	229
Ecuador	24	26	17	14	31	45	62
Papua New Guinea	32	44	43	59	63	36	56
Costa Rica	15	17	22	25	48	56	50
Ghana	57	83	50	47	46	56	44
Cote de Ivoire	40	49	48	52	39	36	37
Panama	14	10	8	11	22	30	26
Benin	9	9	12	13	20	23	24
United States	1	2	1	2	6	8	20
Rest of the World	192	188	169	153	226	212	206
World	**1,100**	**1,293**	**1,194**	**1,336**	**1,831**	**2,008**	**2,035**

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**
China	44	53	52	80	162	132	126
Germany	17	21	15	30	43	49	66
Thailand	25	22	19	33	43	44	61
Vietnam	2	2	2	5	18	40	56
Malaysia	33	50	33	55	65	62	56
Indonesia	6	10	11	26	31	37	52
Tanzania	0	3	11	11	11	9	20
Brazil	1	3	3	7	10	19	19
Australia	1	2	2	2	1	1	19
Italy	10	14	13	12	13	10	17
United States	6	11	10	20	29	36	34
Rest of the World	99	107	80	113	180	181	183
World	245	298	252	394	607	622	710

Source: Directorate General of Foreign Trade, Ministry of Commerce

Table 6: India's Import Tariff on Wood and Wood Products

ITC HS Code	Unit	Basic Duty (BD)	Effect	PRE	ACD	CVD	Cess	Total	Policy
44.01	mt	5	5	-	4	0	0.15	9.356	Free
44.02	mt	5	5	-	4	0	0.15	5.150	Free
44.03	m3	5	5	-	0	0	0.15	5.150	Free
44.04	kg	10	10	-	4	0	0.30	14.712	Free
44.05	kg	10	10	-	4	0	0.30	14.712	Free
44.06	m3	10	10	-	4	12	0.70	28.852	Free
44.07	m3	10	10	-	4	0	0.30	14.712	Free
44.08	kg	10	10	-	4	12	0.70	28.852	Free
44.09	kg	10	10	-	4	12	0.70	28.852	Free
44.10	kg	10	10	-	4	12	0.70	28.852	Free
44.11	kg	10	10	-	4	12	0.70	28.852	Free
44.12	m3	10	10	-	4	12	0.70	28.852	Free
44.13	kg	10	10	-	4	12	0.70	28.852	Free
44.14	kg	10	10	-	4	12	0.70	28.852	Free
44.15	u	10	10	-	4	12	0.70	28.852	Free
44.16	kg	10	10	-	4	12	0.70	28.852	Free
44.17	kg	10	10	-	4	12	0.70	28.852	Free
44.18	kg	10	10	-	4	12	0.70	28.852	Free
44.19	kg	10	10	-	4	12	0.70	28.852	Free
44.20	kg	10	10	-	4	12	0.70	28.852	Free
44.21	kg	10	10	-	4	12	0.70	28.852	Free
64.06	kg	10	10	-	4	6	0.50	21.782	Free
94.03	kg	10	10	-	4	12	0.70	28.852	Free

Figure 1: India's total imports of Wood and Wood Products by value

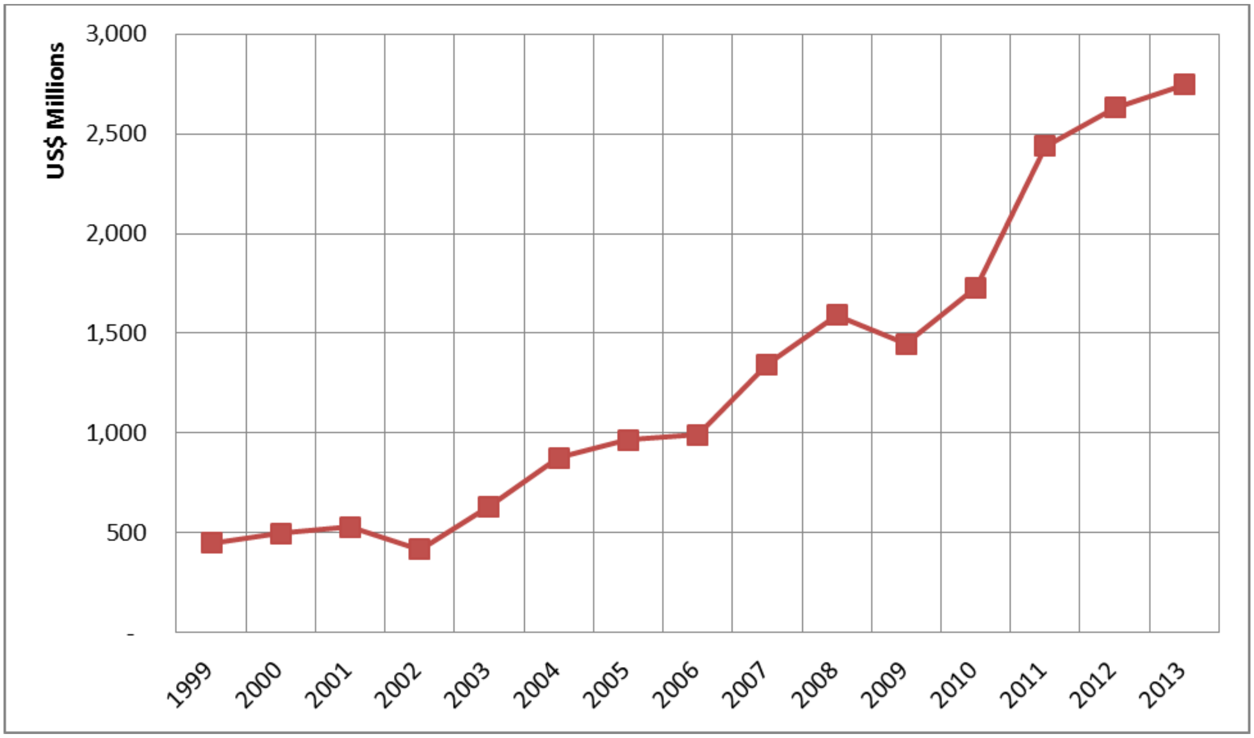

Figure 2: India's total imports of Logs and Wood Products by category

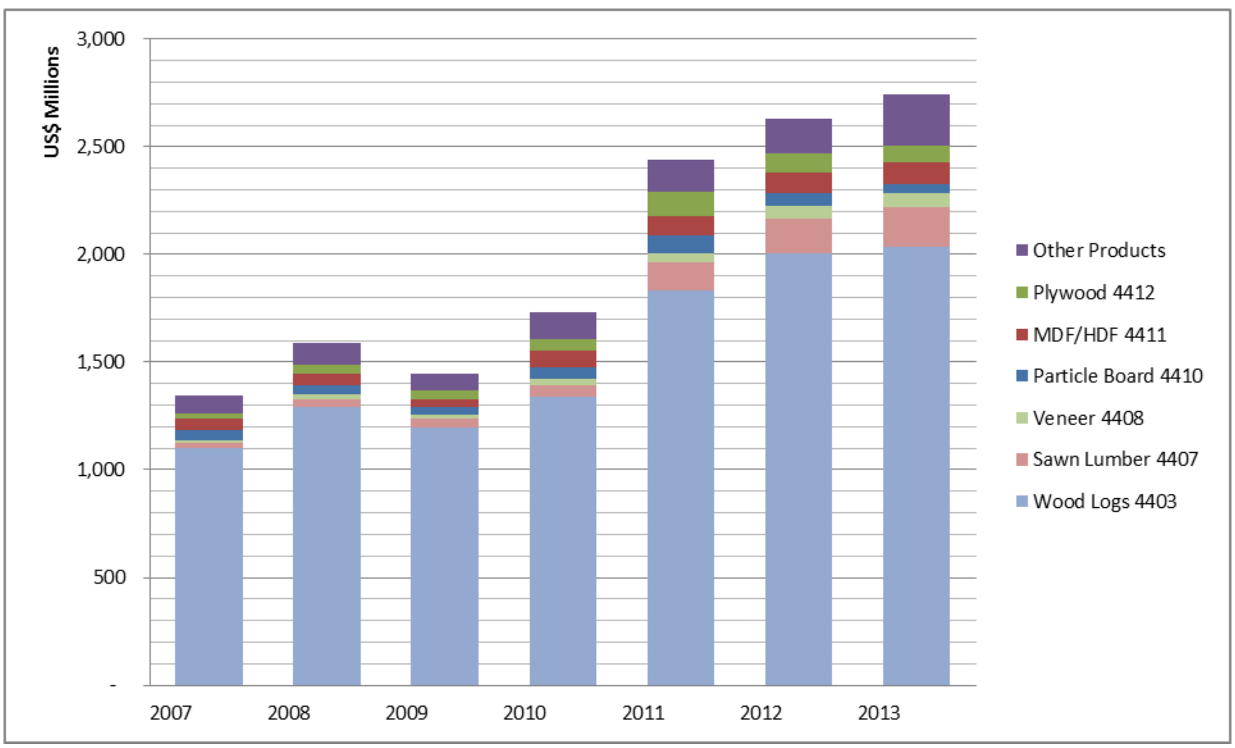

Figure 3: India's total imports of Logs and Wood Products by category from U.S.

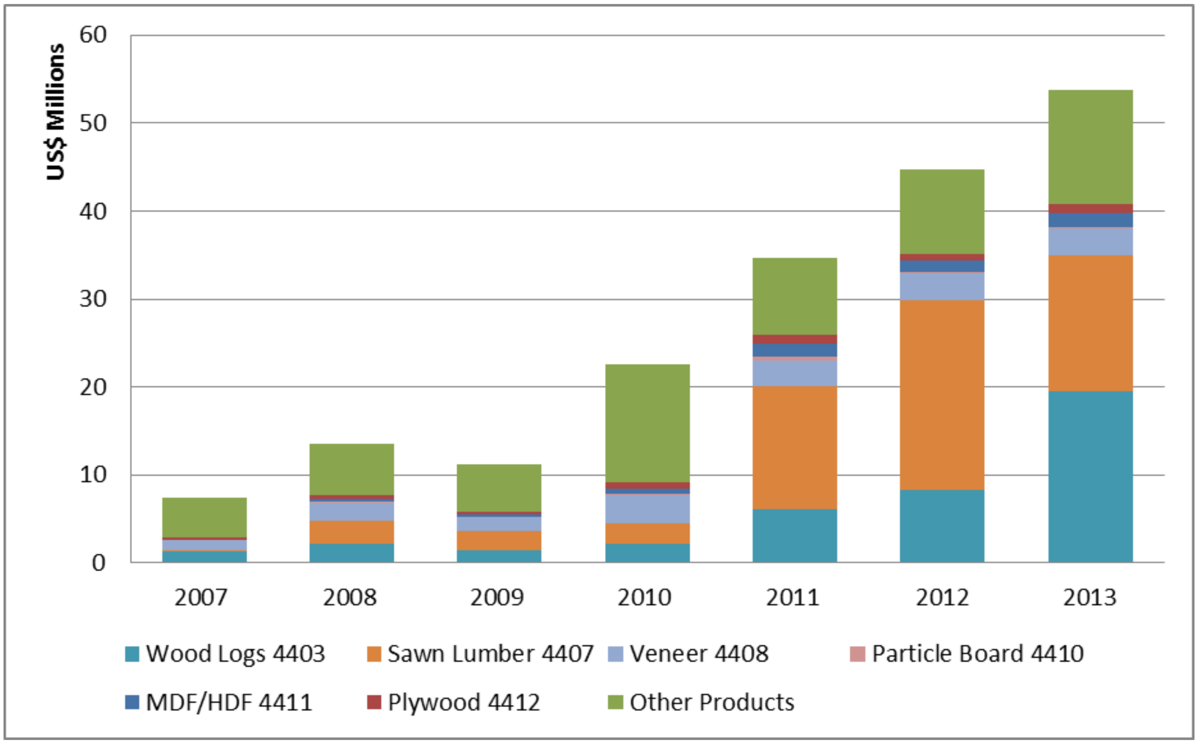

Figure 4: India's total imports of Logs and Wood Products in 2013 by country

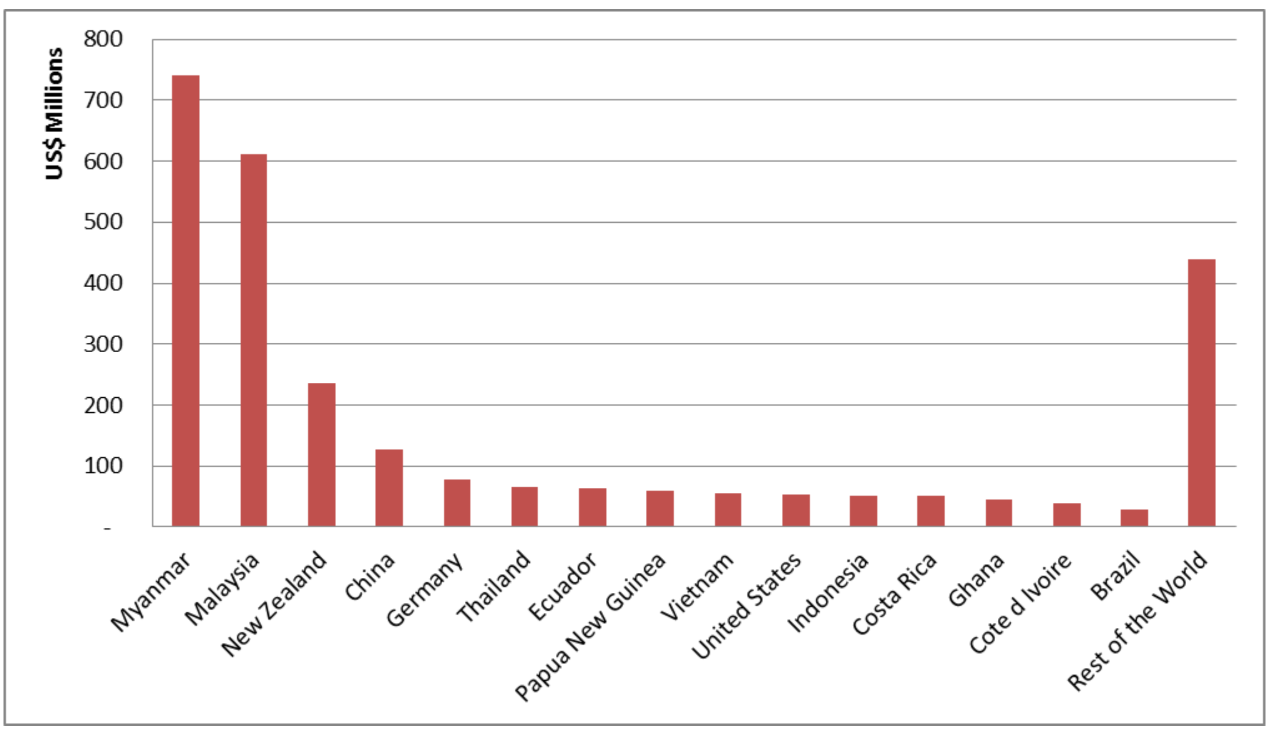

Figure 5: Growth of Logs vs. Non-Logs Imports

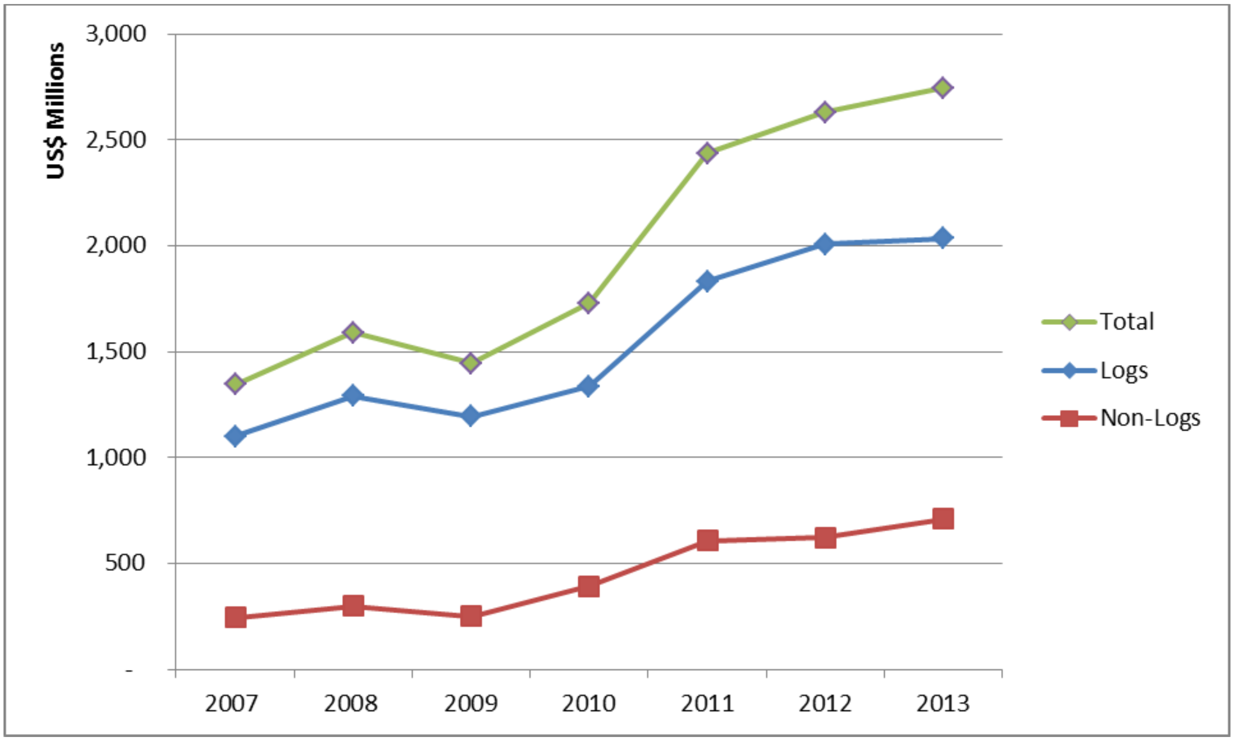

Figure 6: Share of Logs vs. Non-Logs Imports