

# India

## An Emerging Market for US Wood?

**Focus on logs and lumber**

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# Country Profile



## Demographic & Economic highlights

- Population of India – **1.3 billion** (est. 2016)
- India is the **largest democracy** in the world.
- Nominal GDP is estimated to be **US\$ 2.4 trillion** and PPP adjusted GDP is estimated to be **US\$ 6.8 trillion** in the year 2016.
- Placed as **third largest economy** in the world after adjusting for ‘purchasing power parity’.
- The liberalization policies initiated in the 1991.
- Since 1993 Indian imports increased at a rate of over **10% per annum**.
- India is a highly multilingual country.
  - **18** scheduled languages
  - Non-scheduled language goes up to **114**.

# Forests and forestry policy

1. The forest cover of the country is approx. 20% (est.) of the total geographic area.
2. 90% of the forests are owned by the state.
3. Since the mid-1980s, private sector harvesting on public lands has been banned; government harvesting was restricted to specific 'plan areas'.
4. Supreme Court of India restricted all timber movement and harvesting activities in the country from all natural forests, in December 1996.
5. Forest plantations play an important role as a source of raw material to the domestic wood based industry.

# Wood Based Industry

1. India's wood products industry has been traditionally domestically oriented, sourcing most of its supplies from across the globe and catering to the huge domestic market.
2. The country's domestic manufacturing is highly fragmented and unorganized.
3. Sawnwood accounts for the single largest category of the Indian forest based industry.
4. Sawing techniques used are mostly primitive, however, in recent years significant investment has taken place in the sawmilling sector.
5. Most of the sawnwood comes from hardwood species, particularly Teak which accounts for approximately 40% of the domestic consumption, which is changing rapidly.

# Wood Based Industry

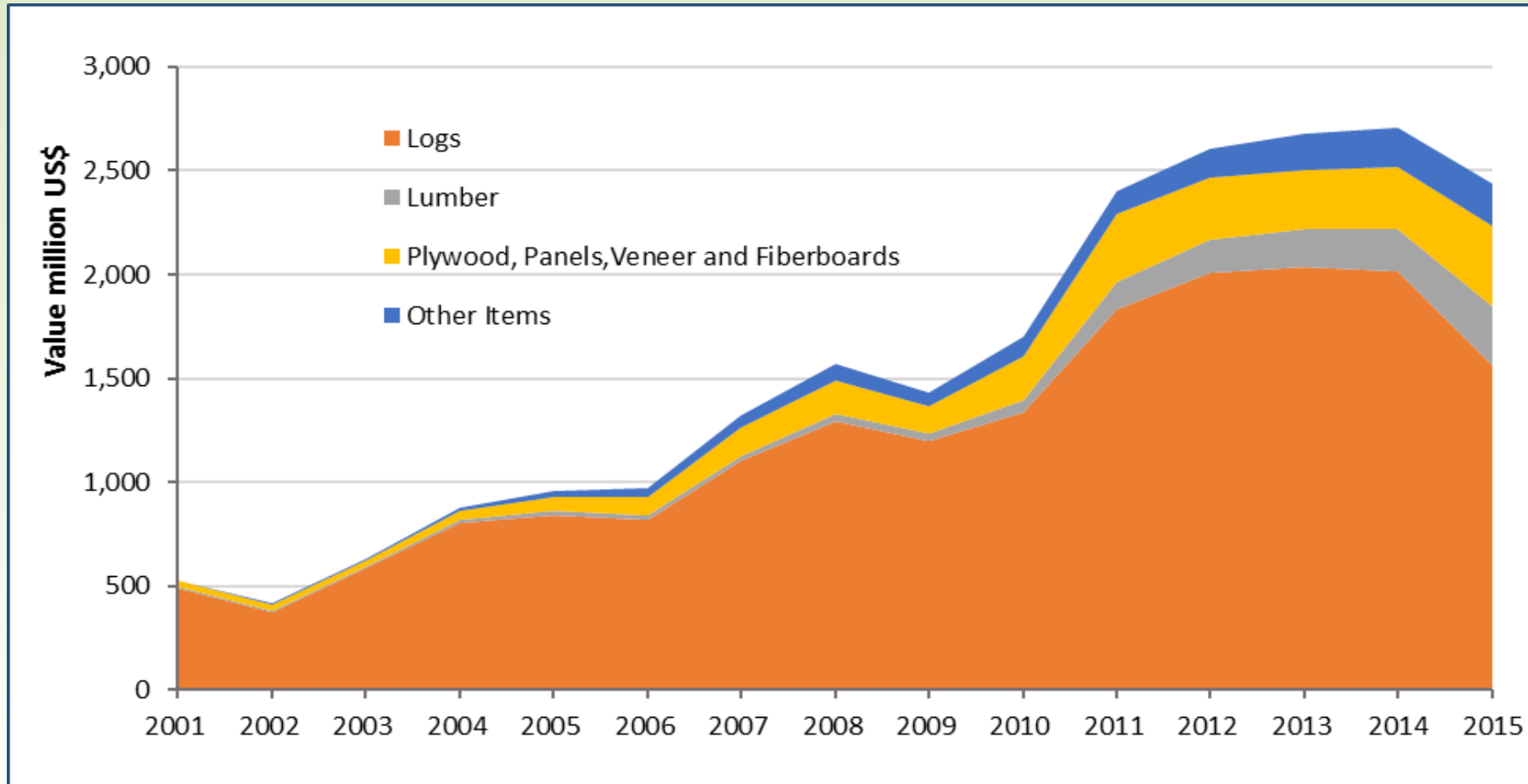
1. India's plywood and panel industry is relatively better organized than the sawmill sector.
2. Since the logging ban the Indian plywood industry has started relying almost exclusively on imported logs.
3. The furniture industry in India is at a very nascent stage where most of the business is in unorganized sector.
4. Lack of standard sizing of wooden furniture is a major impediment in the production of furniture at a mass scale.
5. Sawnwood made from softwood species, engineered wood products and the wood based panels are gaining popularity.

# Rate of Tariff on wood articles; 2015 - 2016

HS Code	Description	Customs Duty		Other Duties		Effective Maximum Customs Duty
		Basic Customs Duty	Education/Higher Ed Cess (Total)	Countervailing Duty (CVD)	Additional CVD	
4403	Wood in the rough (logs), stripped/treated or Roughly squared, etc.	5%	3%	12.5%	4% (exempt)	18.7%
4407	Coniferous or non-coniferous lumber	10%	3%	0%	4%	14.7%
4408	Veneer/sheets for plywood	10%	3%	12.5%	4%	29.4%
4409	Wood, continuously shaped (including strips and friezes for parquet flooring, not assembled)	10%	3%	12.5%	4%	29.4%
4410	Particleboard & OSB	10%	3%	12.5%	4%	29.4%
4412	Laminated Wood (plywood, veneered panels)	10%	3%	12.5%	4%	29.4%
4418	Builders' joinery and carpentry (wood panels, windows, doors, shingles)	10%	3%	12.5%	4%	29.4%

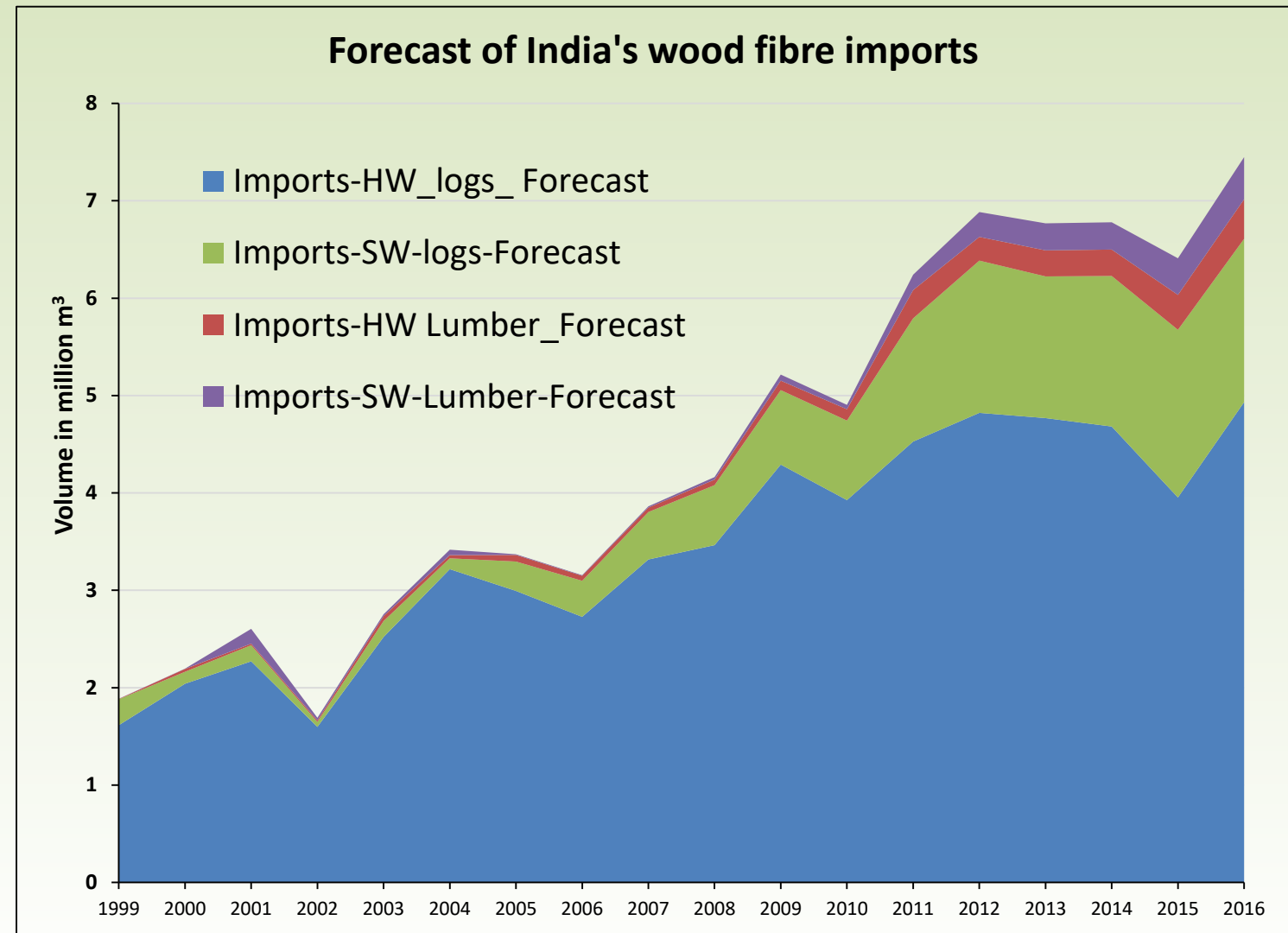
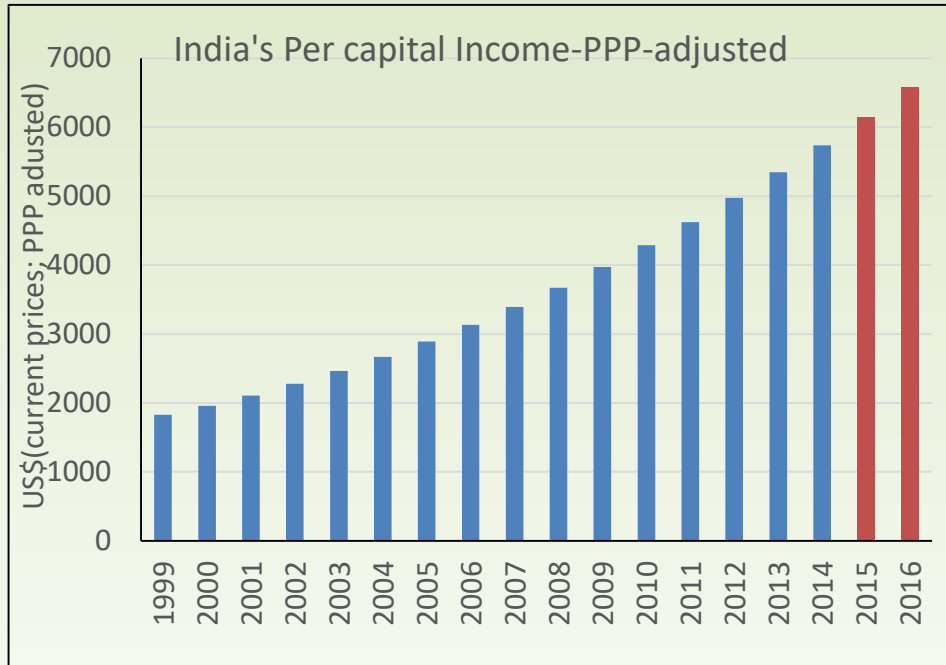
Source: Central Board of Excise and Customs, Government of India (2016)  
 (note: an additional 1% port/landing charges are levied on all imports)

# India's imports of wood products (except wooden furniture)



Sources: Global Trade Atlas (2016) and Indian

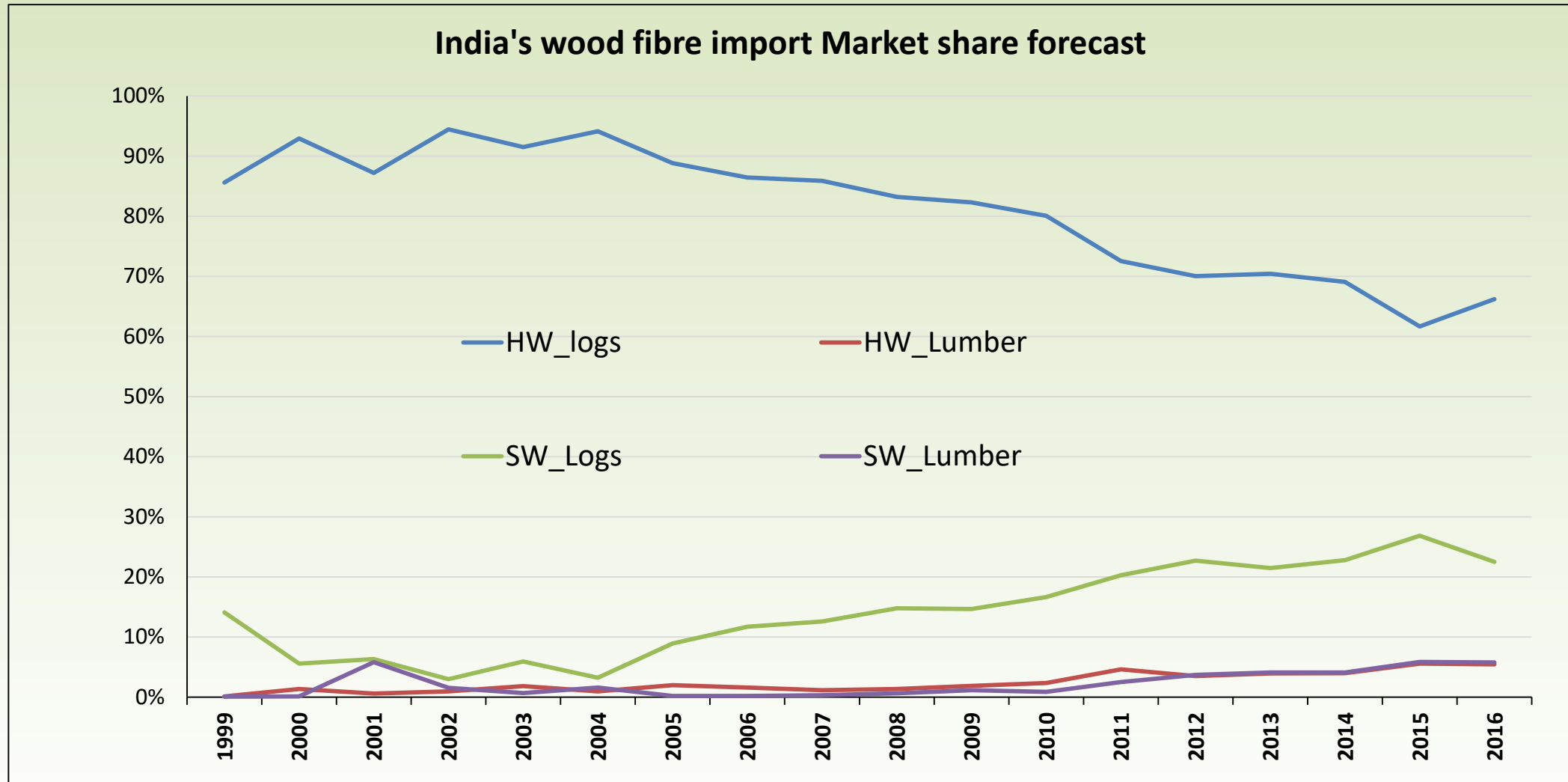
# India's Per Capita Income and Wood Imports



Sources: Global Trade Atlas (2016) and Indian Govt Statistics

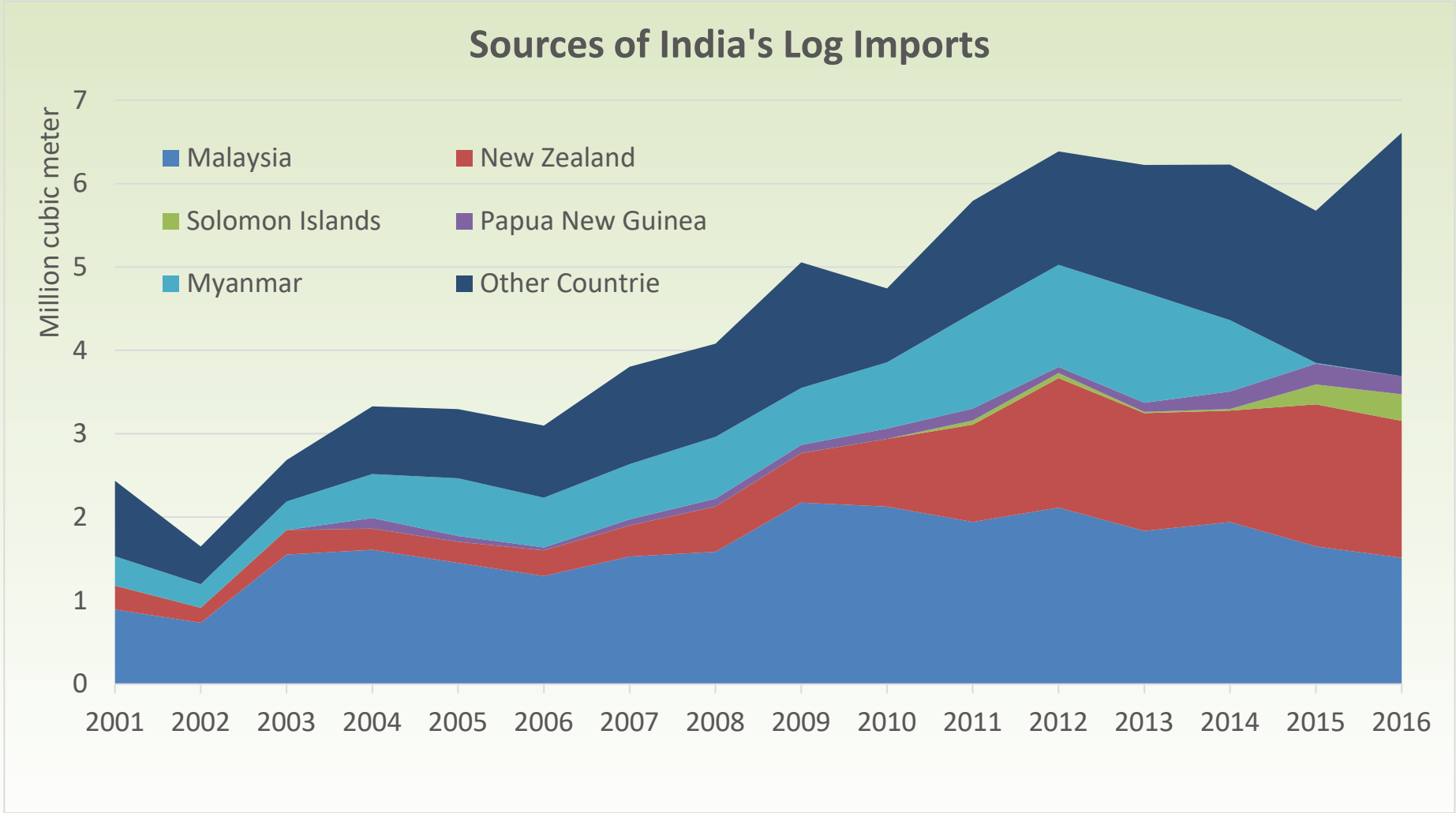


# Changes in Market Share



Source: Global Trade Atlas (2016)

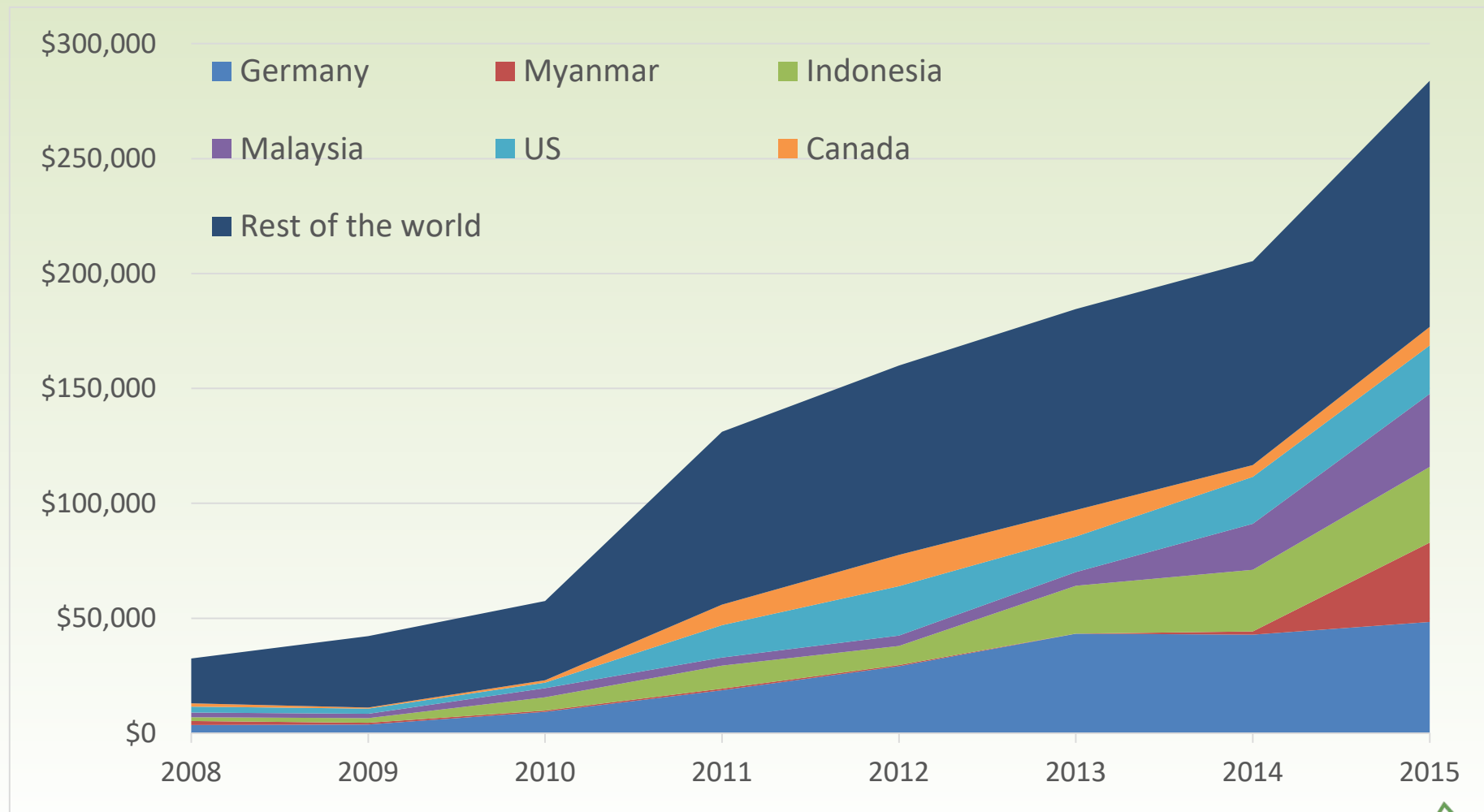
# India's imports of logs, by major sources



Source: Global Trade Atlas (2016)

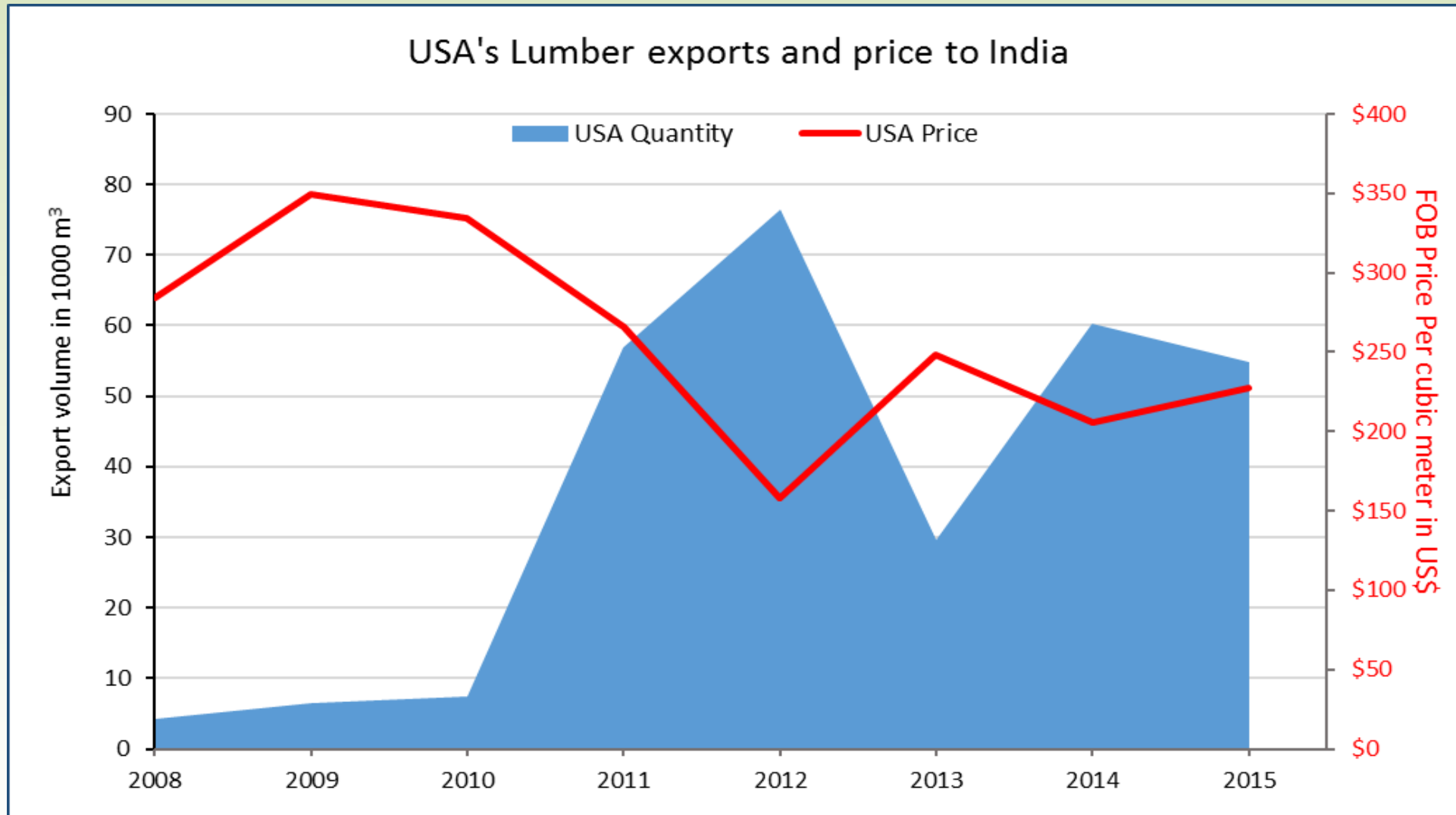
# India's major sawn wood importing partners

(Units: thousand US dollars)



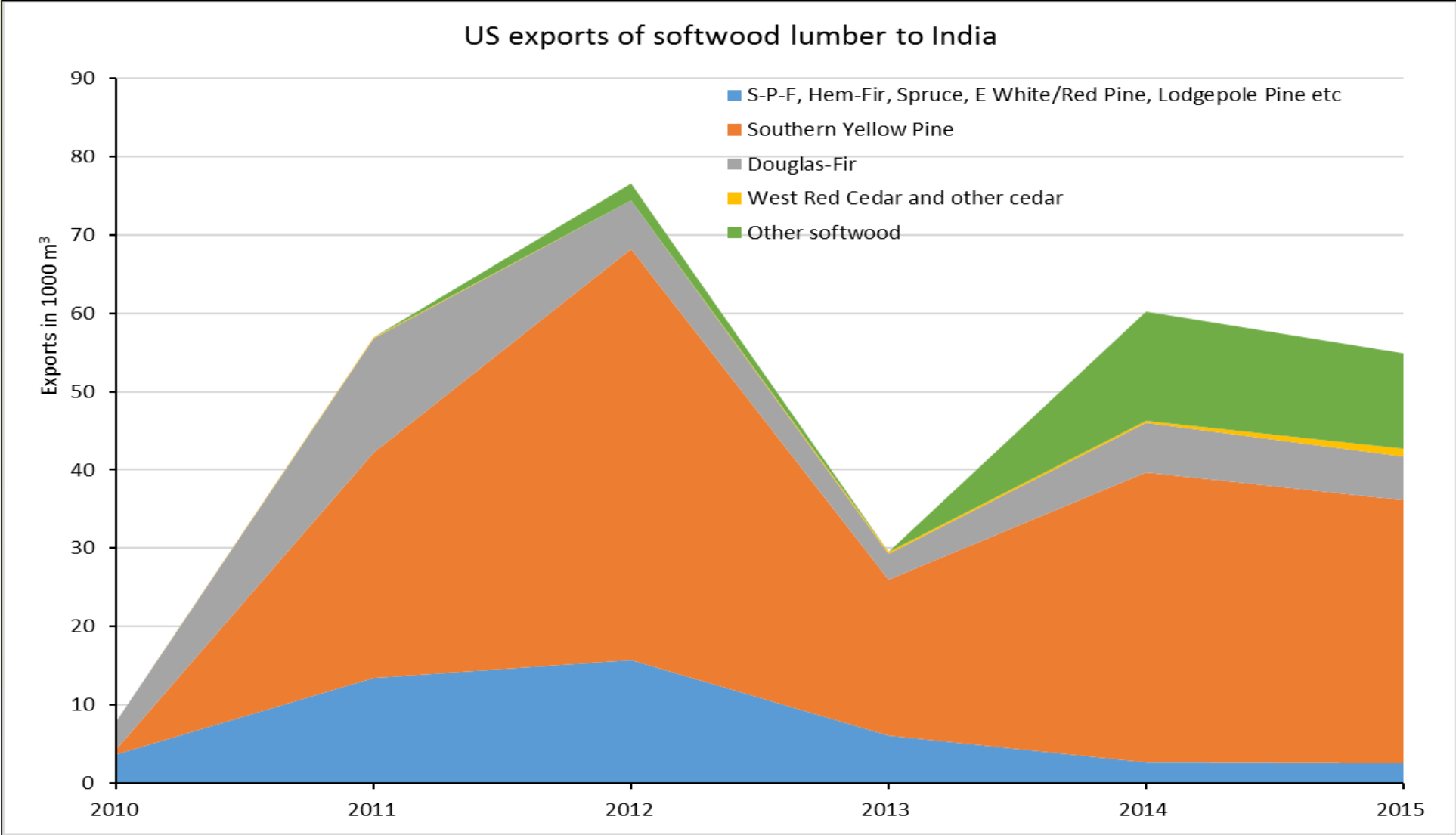
Sources: Global Trade Atlas (2016)

# US Lumber Exports to India



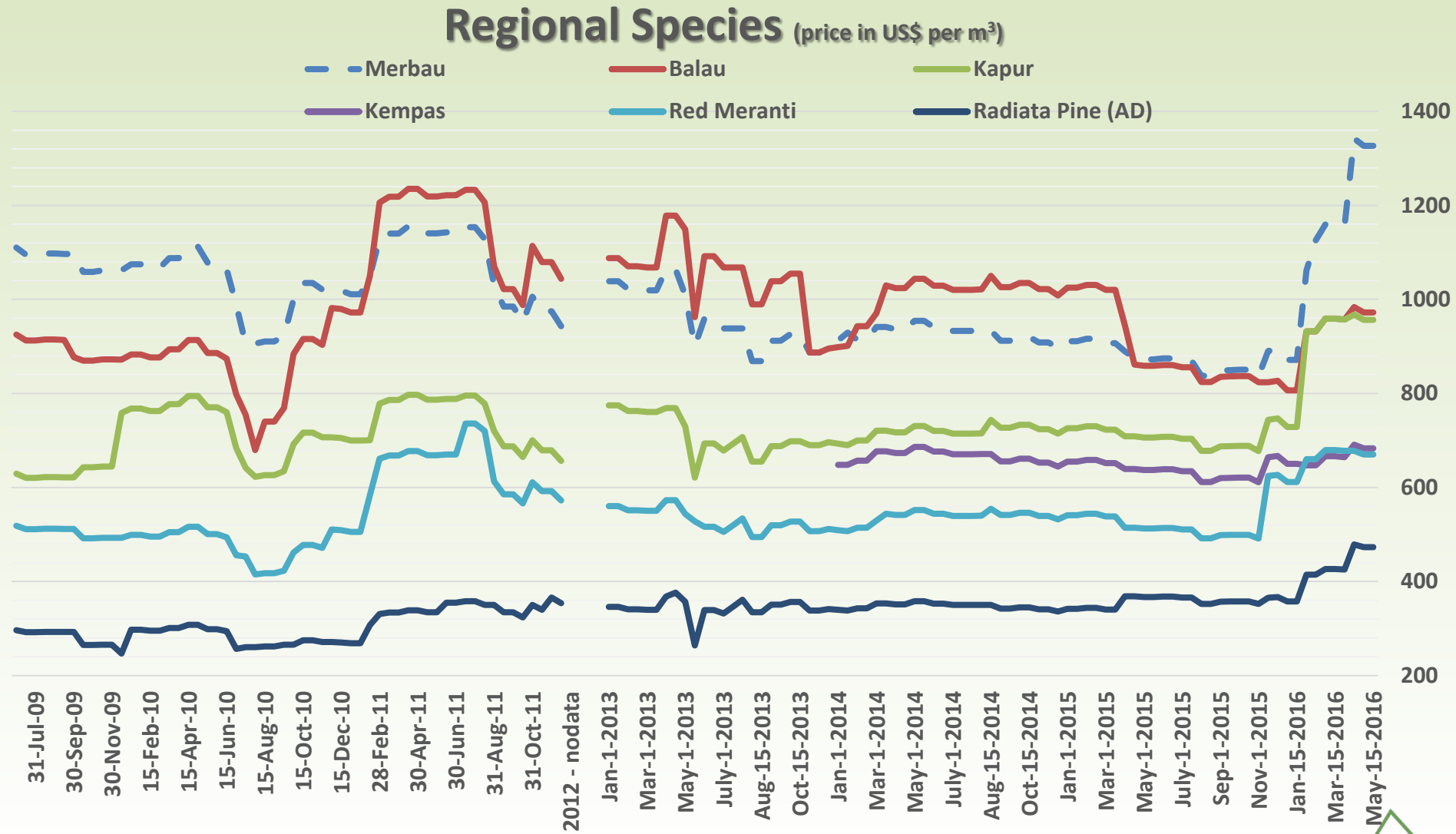
Sources: Global Trade Atlas (2016)

# US softwood lumber exports to India, by species.



Sources: Global Trade Atlas (2016)

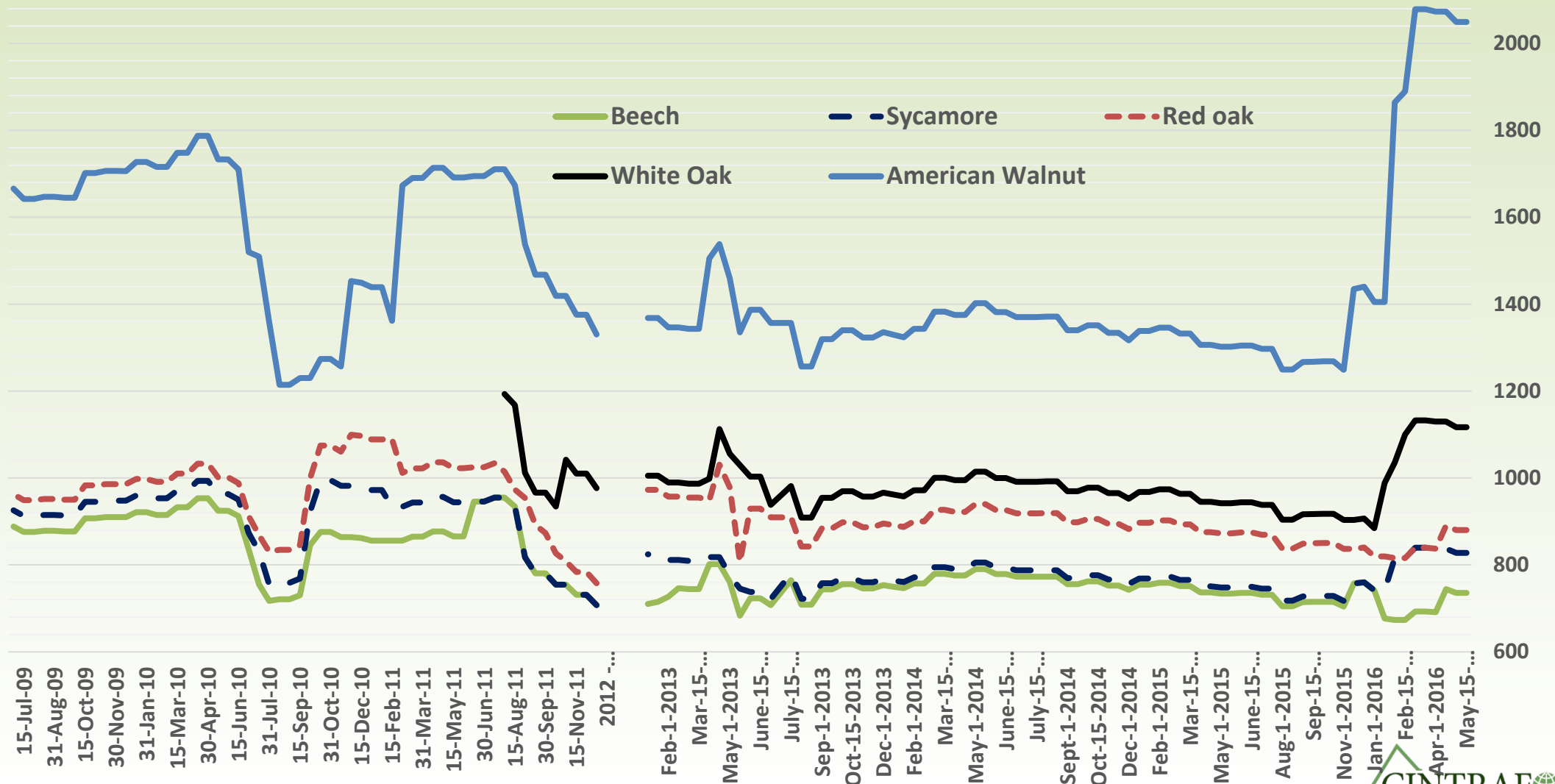
# Domestic Lumber Prices: Imported Logs



Sources: Compiled from ITTO reports and primary surveys

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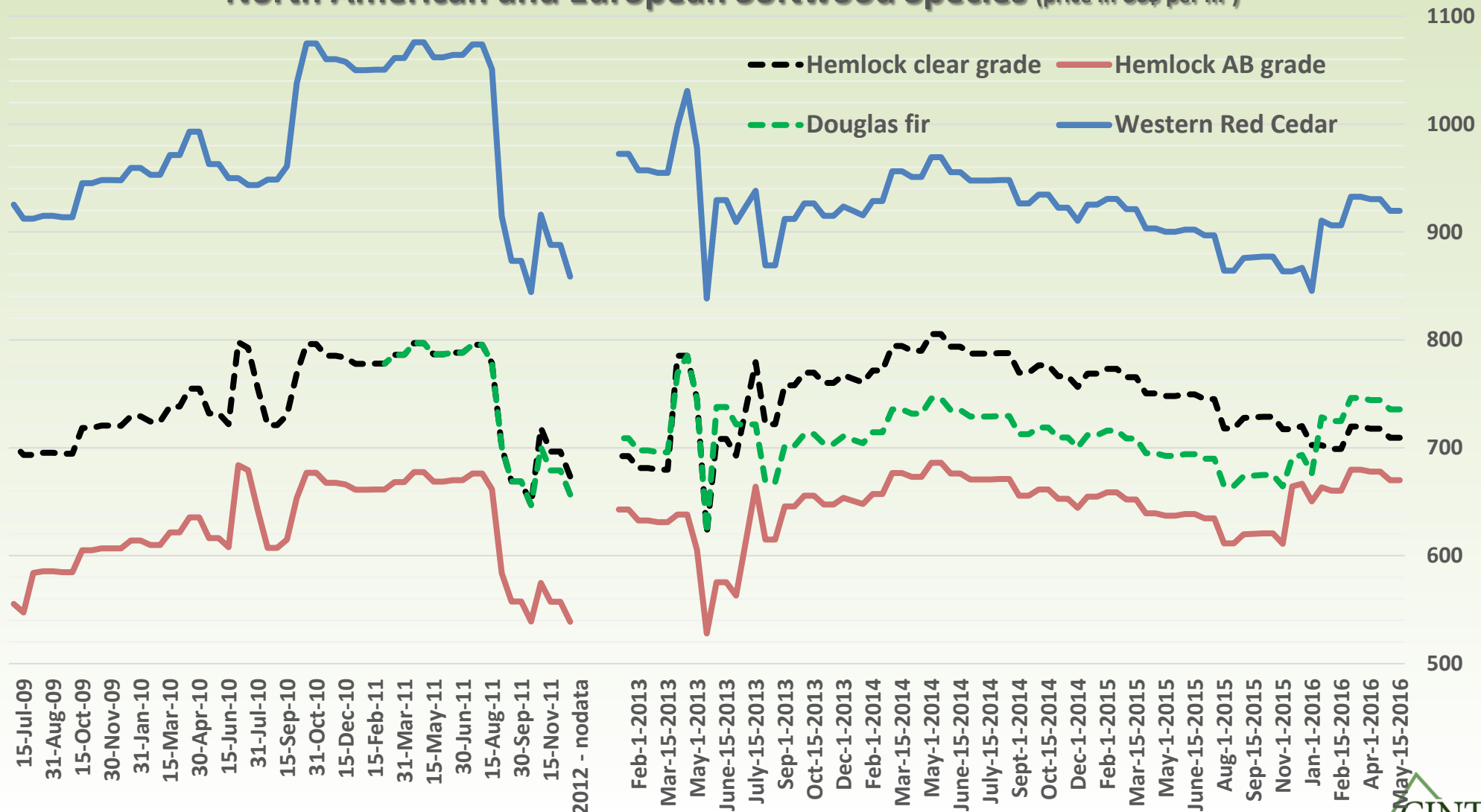
North American and European Hardwood Species (price in US\$ per m<sup>3</sup>)



Sources: Compiled from ITTO reports and primary surveys

# Domestic Lumber Prices: Imported Logs

North American and European Softwood Species (price in US\$ per m<sup>3</sup>)



Sources: Compiled from ITTO reports and primary surveys



# Recent Trends

- India traditionally has been a log importing country, with an established preference for hardwood species.
- However, between 2010 and 2015, India's imports of lumber increased by more than 360%
  - while in the same time period India's overall wood fiber products imports registered a growth of only 10%.
- Most of this increase in lumber imports can be attributed to softwood lumber
  - which increased from meager 1% of India's overall wood fiber imports in 2010 to 5.9% in 2015, registering a 600% increase.

# General preferences associated with wood species

- Generally, in the Indian market heavy wood like Balau and Kapur is preferred.
  - Obviously hardwoods are preferred by the market, but harder and heavier softwood species are also appreciated.
  - The feature of southern yellow pine (SYP) that appeals to the Indian customers most is that it is heavy.
- Color preferences: The color preferences varies widely with high preference noted for either red or dark red/brown, or very light/pale colored species, based on end use applications.

# Sizes and end uses

- The primary demand of lumber in India is determined by the wood required for door, both exterior and interior. The sizes demanded are:
  - 2.5 inches thick, 6 inches and wider – comprises of approximately 80% of the market share
  - 3 inches thick, 6 inches and wider – comprises of approximately 20% of market share
- Squares are generally preferred, 12x12 or 20x20.
  - Generally, sawmills cut the squares based on their requirement. However, it may be noted that a large proportion of Indian wood working community does not differentiate between 19% MC and 12% MC.
  - Often after re-sawing the 19% MC squares the wood would warp and crack. Most of the times, the species gets the blame.

# Summary Observations

- Lumber imports have been increasing as a result of reduced tariffs, increased domestic demand for higher quality wood and shortage of hardwood logs.
- Imports of lumber will continue to grow because wood manufacturers have started to show preference towards the higher quality of imported lumber relative to domestically produced lumber.
- Constrained supply of regional hardwoods will lead to greater opportunity for North American Suppliers.

# Summary Observations contd...

- Log supply constraints among India's traditional wood supply sources, especially Myanmar and Malaysia, will provide new opportunities for introducing new species.
- The rising price of higher quality hardwood species will cause the Indian wood manufacturers to consider new species, a process that was observed in the market.

# Doing Business in India: some tips

1. Undertaking business negotiations with an Indian counterpart might prove to be very frustrating for a foreigner.
2. Business practices in India are heavily influenced by Indian culture the understanding the Indian culture is often the key to success.
3. Indians value professional trust over efficiency and are ready to invest more time in judging the trustworthiness of a potential business partner.
4. Indians have a very strict sense of hierarchy and protocol. Often, a business agreement might get unusually delayed because of getting the matter approved by higher officials.
5. In business, impatience is often be interpreted as rudeness. Decisions are made at the top of the hierarchy, so it is advisable to maintain good relationships with senior managers.
6. In discussions Indians might not contradict out of mere respect and maintain silence. Hence, non contradiction should not be considered as acceptance.
7. Indian organizations and individuals typically incorporate a mix of western and Indian cultural orientations.

# Concluding comments



- This is a very good time to enter the Indian market
- However, keep your expectations realistic.
- Understanding the market (diversity) is key.
- Long-term commitment is necessary.

# Thank you

Please feel free to contact me with if you have any questions

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