

**Poland Cont,
General market developments:**

Polish woodworking industry gets even stronger:

All the market news services and analyses and confirmed by personal communications indicate that Poland is still a very strong manufacturer of furniture and flooring and wooden doors and windows with a growing percentage of the products sold in foreign markets – mostly European countries and some in the Middle East and the two Americas.

The furniture industry uses lots of soft woods for production of lower end products, but it also uses lots of hardwoods like – mostly European oak, birch and beech. The new strong trend is to use lots of solid wood substitutes like MDF boards – new plants that manufacture these types of boards mushrooms now.

The flooring industry continues manufacturing of big volume of laminated floor paneling, but still solid wood flooring is key in their production. However, the producers of floors are more eager now to experiment with foreign wood and their first choice is lumber imported from Latin America and Africa, but one can also see some presence of U.S. species used: white oak, red oak, black walnut and black cherry, hard maple and ash. The use of American species is not very common though.

Wooden doors and windows are traditionally made of pine, but massive promotion of Malaysian meranti has made it one of preferred wood now. At least half of the doors and windows made in Poland use meranti as the raw material.

Raw material supply situation:

In the end of 2006, Polish Forests, the state agency that controls logging in the Polish woods and supply of the raw material to the local woodworking companies, changed its system of wood supply to the saw mills in an attempt to better manage its resources. The new system is complicated and simply cut the amounts of wood the companies can order one year in advance. The initial stage after the introduction of the new system, some companies lowered their throughput and feared insufficient raw material supply. After a few months after the new policy took off, most of companies somehow have learned how to operate under the new conditions, but the raw material supply from the local forestry to the Polish woodworking industry is clearly insufficient and more imports are required.

The above mentioned problems have intensified Polish traders searching for the supply of pine, birch and beech as well as oak in Russia and Ukraine and Romania.

It is worth noticing that the Malaysian Trade Promotion Board has accelerated its promotion of Asian species of wood which has produced remarkable results. They invite Polish wood traders and users for two week long trips to Malaysia where they see the forests and logging and milling and grading. It allows the participants to meet with exporters and discuss units, specs and terms of payment.

The hardwoods of U.S. wood species used in Poland is purchased from German suppliers – same as previously reported. This time, however, the contacts were found more open to talk about VA hardwoods and the need for them to try sourcing their logs and lumber of U.S. hardwood species directly in VA due to the first signs of growing difficulties with the raw material supply.

Canadian competition was encountered in Poland. Initially some contacts mentioned that a Canadian company had offered U.S. hardwood lumber to them, but could not tell more of that. While calling on the exhibitors at BUDMA show, I saw the two men – one Canadian and one Polish – introducing themselves and offering their lumber to them. I have not managed to learn the company's name but learned that it was their first tour of Poland. A local firm told me the Canadians had offered them North American species and Latin American species as well. Since they spoke about red oak lumber the Canadian suppliers quoted a price of \$ 720/cubic meter CIF Gdansk. No one has confirmed that any lumber was ordered from the Canadian company.

BUDMA '2007 show:

The show was devoted to house construction industry and thus among the exhibitors were manufacturers and traders of everything needed to putting up buildings and refurbishing them. From those offering wooden products a dozen of companies offered turn key wooden homes, but construction wood they used was entirely local pine and/or spruce. There were many, but not all, wooden doors and windows manufacturers and distributors. A dozen of flooring manufacturers displayed their solid wood flooring panels – some were of top quality. None of wood traders exhibited at BUDMA this time.

What was very new was a large number of Asian exhibitors including many that offered wood or wooden products. Malaysia Timber Council and three Malaysian wood exporters open the list, a couple of dozens of Chinese and Taiwanese companies followed. Many companies from Turkey was another new feature.

It was a pretty good show and provided a good opportunity to approach many companies potentially interested in U.S.

hard woods, but clearly the even did not gather majority of market players. According to the exhibitors and the other contacts there are three shows now which gather woodworking companies and traders: BUDMA and MEBLE (furniture) and FURNICA (everything for furniture manufacturing) instead of former two, and all of them are trying to find their own identity in the marketplace. It results in a bit unpredictable situation when one can not be sure which companies will be met at a particular show. The other problem is that many companies do not exhibit at all due to the high cost of participation in a show and also their established position in the market which makes less sense to devote so much cost and effort to trade shows. To conclude: it is more difficult to predict now which show should be recommended to VA wood exporters to attend if they want to send their representatives to Poland. Thus, covering the shows by a local person makes more sense due to lower cost.

Polish companies interested in VA logs:

One contact explained why the U.S. export data indicate that Poland buys so many containers of logs from the U.S. which reflected by neither the Polish official statistics nor personal sources. He said the Polish statistics are based on the old system which does not show any turnover by companies which employ less than 50 people. The system is not practical under present economic conditions and clearly misleading. Thus, one can expect that the import is done by one of the small companies or even a single person registered as an independent entity but acting as an agent to a larger log processor.

KPPD Szczecinek:

Tartak Zebowo: This is family owned saw mill managed by Mr. Jerzy Nowak. He was very excited when I offered him U.S. logs and requested an offer for white oak logs

and red oak logs as well. It looks like 3SC is what he truly needs and could afford, but he also asked for 4SC. Regarding the sizes, he likes diameter 14"+ and lengths between 4.0 and 4.5 meters (roughly 13 to 15'). Mr. Nowak has never imported any logs so far and needed lots of explanations about how the international trade works and what the payment terms were available. He was not discouraged by the most possible requirement of pre-payment or the LC. I sent him some pictures of typical U.S. white oak logs of 3SC grade.

Contact: Mr. Jerzy Nowak,
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email: tartak_zebowo@wp.pl

Polish companies interested in VA lumber:

AMENDA (Floors): This is a family owned company with Mr. Stanislaw Amenda holding the companies President's position. They manufacture wonderful floor boards of top quality all made of solid wood. The hardwoods they use are European pine, Siberian pine, ash, beech, European oak, U.S. white oak (!), U.S. red oak (!). The gentleman revealed that he had been buying truck loads of U.S. wood from a Germany, most recently from a company of HSS Zoest (large family owned with long tradition). Mr. Amenda is interested in checking if importing directly from the U.S. would give him some benefits.

Thus, the U.S. species Amenda wants to look at as a subject of imports from VA is:

- 1) white oak
- 2) red oak
- 3) ash
- 4) black cherry (just some to try if it would sell)

Such cleared lumber he is buying from the Germans at present. The diameters he already buys are as follows: length: 3

meters; width: up to 160 mm; thickness: 145 mm.

Contact: Mr. Stanislaw Amenda, Owner,
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06_460 Grudusk, Poland,
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fax: (+48 23) 671 51 94
mobile: (+48 608) 424 269
www.amenda.pl
email: amenda@amenda.pl

NOVA: This is a company which owns a saw mill and kiln-drying facility at Rogow near Lodz in central Poland and a wood trading branch based in Lodz. The production facility processes mostly local pine logs purchased from the State Forests agency and after professional drying is sold as nice pine lumber to manufacturers of furniture and doors and windows and floors.

Last year the company was interested in buying black cherry and black walnut logs from VA. They even negotiated their first contract but after longer thinking they did not sign the document. Later follow-up on the contract would not change their minds. The reason they did not do the first container was lack of crediting offered by the U.S. company. They explained that paying cash would free their funds for too long which they use much more efficiently to import exotic wood; irrevocable letter of credit was not any better from cash pre-payment, because their bank would simply free their funds in the account.

Today, NOVA can not even consider importing logs, because their saw mill and drying unit runs at more than full capacity and this is why they are interested in lumber. They have asked for quotation for one mixed container of U.S. black walnut and black cherry. If this first shipment is successful, they will order more containers. The problem is that after my long waiting they have not delivered the exact specs they need.

fax +48 13 44 58 404

ARDI (floors): This is a smaller manufacturer of wooden floors, which relies on European species mostly oak. So far, they have had sufficient supply of the raw material from local sources, but are potentially interested in U.S. red oak lumber. The company promised to provide more accurate description of the products they could be interested in.

Contact: Mr. David Mackowiak, Head of Production,

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fax: (+48 65) 5738 279

mobile: (+48 693) 355 582

www.ardi.pl

email: ardi@ardi.pl

Baltic Wood S.A.: This a large company that manufactures all kinds of floors including solid wood ones. In 2005 they got interested in lumber of U.S. wood species and established cooperation with a couple of companies from Canada and U.S. All they let me know was that their American partner is based in Florida. At present they purchase so called "freeses" (Polish: fryzy) of Canadian maple and black cherry. Their former Purchasing Manager visited the SURFACES show in Las Vegas in the past, which led the company to exhibiting their products at the show and further to establishing of their U.S. Sales Office (!).

The company seemed honestly interested in getting competitive offers from VA lumber suppliers, but was pretty difficult when asked about providing specifications of the products they were looking for. Instead, they required me to send them lots of information about VDACS, VA wood products, my own company etc. Thus, they need to be contacted again to remind them of the specs looked for.

Contact: Mrs. Beata Moskwa, Purchasing Dept., Coordinator of their imports from Canada and U.S.,
ul. Fabryczna 6a
38 -200 Jaslo, Poland,
tel +48 13 44 58 401

Purch. Department's email:

purchasing@balticwood.pl

Beata's mobile: (+48 510) 005 518

email: beata.moskwa@balticwood.pl

Mr. Piotr Lubas, Head of Purchasing Dept.,

mobile: (+48 510) 005 517

Parkiety Wiśniewski: This is a family owned manufacturer of solid wood floors. Among their products one can see European oak and black oak (I am not sure what is its origin). The company's owner showed some interest in trying black walnut as the new thing of potentially larger market potential. Thus, he asked for the quotation for black walnut lumber of the following sizes:

- 1) 28 mm x 87 mm x 370 mm
- 2) 28 mm x 87 mm x 520 mm
- 3) 28 mm x 150 mm x 830 mm
- 4) 28 mm x 150 mm x 1230 mm
- 5) 28 mm x 150 mm x 1630 mm

The company should be contacted to check on the exact specs they are interested in.

NATUR (floors): This is a company owned by a couple of Italians who have some production in Poland and mostly distribute of wooden flooring imported mostly from Germany. They could be interested in the lumber they call "frees 4SS" (German terminology) of the following species and sizes:

- white oak
- red oak
- black cherry
- hard maple
- black walnut

(everything kiln-dried)

"freeses 4SS" = 24.5 mm x 75 mm x 505 mm

24.5 mm x 95 mm x 815 mm

24.5 mm x 95 mm x 915mm

24.5 mm x 95 mm x 1015mm

Also, from the typical thicknesses of 25.4, lengths: 800-2000, widths: 50.8 and 135 mm. The quotation should be based on CIF Hamburg, Germany.

Contact: Mr. Wojciech Borkowski, Sales Representative,

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SPECIAL REPORT

Potential Markets in Southeast Asia Region

Prepared for VDACS/OIM by: Boum Sepyatham

The demand for U.S. hardwood in Southeast Asia region has rapidly increased over the past two years. Leading this upward trend was Thailand with a 40% increase in imports valued at \$7million, followed close by Vietnam up 28% to \$6 million and by Indonesia up 60% to \$3.8 million in the first quarter of 2005. Total values of the region's import of U.S. hardwood reached to \$85 million by 2005 and are expected to increase in the next coming years. In Southeast Asian region, Thailand and Vietnam have become leading and potential markets for U.S hardwood imports, particularly in logs and sawn lumber. According to GTIS export statistics, total U.S. wood product exports to Thailand accounted for \$30.9 million in 2004 to \$34.6 million in 2006, which was 13.63% increase from 2005 and are expected to continue in 2007 due to the growth of its wooden furniture exports and booming real estates (interior applications). Similarly, Vietnam has become the Southeast Asia's largest market for U.S. hardwood lumber (AHEC, 2006) due to dramatic growth of Vietnam wooden furniture industry, limited domestic wood supply, and supply from neighboring countries. Total U.S. wood product exports to Vietnam have rapidly increased from \$39.1 million in 2004 to \$65.3 million in 2006, which was 49.7% increase from 2005. Due to competitive prices, high quality standards and sustainable supplies, the U.S. hardwoods are expected to continue their upward trend in those markets.

As for Virginia hardwoods, there has been a dramatic increase in forestry exports from Virginia to overseas markets in the past few years. Virginia hardwood exporters are now serving more markets than ever before, from America to Europe, the Middle East and the Pacific Rim of the Far East. According to the growth trend of U.S. hardwood exports to Southeast Asia, it is likely to generate good opportunities for the Virginia hardwood exporters to expand their businesses into this region and boost the volume and value of their product exports to these markets, Thailand and Vietnam.

According to the Department of Export Promotion statistic, total value of Thailand furniture exports has continued to grow from \$1,039.97 million in 2003 to \$1,220.68 million in 2006 and is expected to reach \$1,257 million in 2007 due to strong import demand from major markers like the U.S. and Japan. In addition, an increasing number of new homes will generate domestic demand for furniture, interior design and decorations. Thai's furniture export is dominated by wooden products, which comprise over 70% of the total export figure. Metal furniture represents the second largest product in the category, making up just over 10% of the total export market. Rubber wood furniture accounts for about 70 percent of total wooden furniture production, following by hardwood furniture (15 percent), and panel furniture (15 percent) (Meyer, 2006). Currently, the Thai wooden furniture manufacturers face difficulties in sourcing domestic rubber wood, due to a shortage of current domestic rubber woods. Rubber wood prices surged to imported hardwood levels, making the products substitutable. The wooden manufacturers are now

seeking alternative materials, hardwood in particular. According to GTIS export statistics, Virginia was ranked in the 4th largest wood exporter of the U.S. wood products to Thailand. Total Virginia exports to Thailand stood at \$2.9 million in 2004, slightly decreased to \$2.1 million in 2005, but climbed to \$2.7 million last year, which was 27.26% increase from 2005. According to the upward trend of U.S. hardwood demands, this will perhaps facilitate Virginia exporters to gain a better opportunity in increasing a higher volume of their exports to Thailand in the next coming years.

In addition, according to the Vietnam's Ministry of Trade, Vietnam wood processing industry (mainly wooden furniture for exports) has dramatically increased from \$200 million in 2000 to roughly \$2.16 billion in 2006, a year-on-year increase of 38.4 percent. The United State is the biggest market for Vietnam. Vietnam's exports to the US amounted to \$8 billion in 2006 and are expected to reach \$10 billion in 2007, a year-on-year increase of 25 percent. In addition, Vietnam's wood material imports have increased from \$120 million in 2000 to \$625 million in 2005 and climbed to about \$720 million in 2006. U.S. suppliers of wood materials have benefited from this growing market, increasing their exports from less than \$2 million in 2000 to \$43.6 million in 2005, with a new record of about \$61 million in 2006. Vietfores (The Vietnam Timber and Forest Product Association) reports that Vietnam will need some US\$4 billion to procure raw materials and facilities to achieve its ambitious wood furniture export target of \$5.5 billion by 2010. According to GTIS export statistics, Virginia was ranked in the 3rd largest wood exporter of the U.S. wood products

to Vietnam. Total Virginia exports to Vietnam stood at \$4.7 million in 2004, slightly decreased to \$4.1 million in 2005, but climbed to \$4.6 million in 2006, which was 13.2% increase from 2005. Vietnam has quickly become a world-class producer of wooden furniture. Since labor costs are extremely low in Vietnam, many of its products have competitive prices in the global markets. Vietnam's furniture industry has grown as a result of the combination of increased market access and low labor costs.

Species	Country	Global Position	2005, (1-9) Volume M3
Red oak	Malaysia	7th	3,539
	Indonesia	10th	1,503
White Oak	Vietnam	8th	13,465
Tulipwood	Vietnam	7th	6,984
	Thailand	10th	3,324
Ash	Vietnam	6th	4,878
	Thailand	10th	2,377
Cherry	Vietnam	9th	2,954
Maple	Indonesia	6th	4,823
Red Alder	Philippines	8th	3,579
	Vietnam	10th	2,132

Table: SE Asian position in global markets importing US hardwood lumber

Source: USDA, 2005

Ms. Kuntharika "Boum" Sepyatham is pursuing her Master's degree in Global Marketing Management at Virginia Commonwealth University (VCU) in Richmond, Virginia. She received her Bachelor's degree in Business Administration (Management) at Kasetsart University in her native Thailand. Boum has been working as a marketing intern with VDACS since Summer 2006.

EVENTS

2007 Virginia Forestry Association Annual Convention, April 20 - 22, 2007, Crowne Plaza Williamsburg at Fort Magruder, Williamsburg, VA. For information contact:
VFA: 804-278-8733.

Interzum 2007, May 9 - 12, 2007, Cologne, Germany. Walk in the USA Pavilion **Interzum 2007** and meet your customers at the Pavilion reception area. VDACS/OIM will have a display where Virginia company promotional materials may be displayed. Please mail 50 to 100 pieces of your company promotional materials to VDACS/OIM in Richmond by April 30th.

Ligna, May 14 - 18, 2007, Hannover, Germany. Virginia representatives will be at this all-important international wood industry show. Please advise if you are interested in forming an informal trade mission at Ligna.

VINITECH America Latina 2007- July 12 – 14, 2007, Santiago, Chile. Southern US States Association (SUSTA) sponsored activity to promote regional wine barrels, staves and chips to the Latin American wine industry. After the trade show in Santiago, Chile the mission will travel to Mendoza, Argentina to meet with key suppliers to the wine industry.

The purpose of this activity is to increase consumer awareness of the positive attributes of American white oak barrels, staves and/or wood chips from the southern region in the wine making process. The focus will be on marketing efforts to Chilean, Argentinean, and Uruguayan wineries and importers.

Companies will participate under the auspice of SUSTA. This activity is open to 3 - 5 Southern region companies making white oak barrels, staves and/or wood chips.

For more information on this event, contact Jim Green jim.green@vdacs.virginia.gov.

USA Hardwood
Mission to India
September 19-29, 2007
New Delhi, Mumbai,
Bangalore

*Register to participate in USA
Hardwood Mission to India,
coordinated by the Hardwood States
Export Group, AHEC & ARC*

In an effort to assist American hardwood suppliers with access to the growing market for American hardwood in India, the Hardwood States Export Group has organized in cooperation with the American Hardwood Export Council and the Appalachian Regional Commission, **a 10-day mission to three major markets in India: New Delhi, Mumbai, and Bangalore/Mysore.** The mission will include a full day of site visits in each city, a day of one-on-one business meetings and educational seminars in each city, and a free day for companies to follow up directly on business leads. The mission will be September 19-29, 2007. **Registration cost is \$400.** This will cover the costs of all business meetings, site visits, group ground transportation, educational seminars, and evening receptions. Additional costs paid by participants will be for international flight to India and domestic flights within India, hotels, meals, and costs associated with your free day for business and/or sightseeing. Interpreters will not be needed. Your total costs should be between \$US four and five thousand.

If you are interested in participating in USA Hardwood Mission to India 2007, please request a registration packet from: **Virginia Department of Agriculture & Consumer Services**, c/o **Jim Green** at: **804-225-4434**. For questions, call: **804-371-8991**. After April 2nd registration will be first come, first served, until the Mission is filled.

