

Research Update



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Exports of U.S. Hardwood Products: Increasing Performance in Asia and Western Europe

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Introduction

The identification and understanding of factors impacting international markets for primary hardwood products (i.e. lumber) in key US overseas markets is essential for US hardwood producers to shape successful marketing strategies. Previous research (Parhizkar, *et al.* 2009, Buehlmann, *et al.* 2007, and Luppold 2006) indicates that exporting activities are vital for the US hardwood industry to survive.

Exports haven't risen to match 2007 records, but they have certainly become a key market for present and short term US hardwood production. In 2011, exports represented 17.3% of the volume of all Eastern US hardwood production (1.2 BBF), which translated into a 46.5% of all grade lumber markets and 58.0% of the volume of mid-to upper-grade markets (HMR, 2012). From 2009 to the end of 2012, the volume of exports of hardwood lumber increased by 60% (USDA FAS GATS, 2013). The key hardwood species exported to international markets include: Red Oak, White Oak, Ash, Walnut and Yellow poplar (HMR, 2012). International markets are growing in importance and have become a marketing research priority.

International Markets for U.S. Hardwoods

According to the American Hardwood Export Council (AHEC), between 2007 and 2010, approximately 96% of US hardwood exports were concentrated in 4 main geographic regions: North America (Canada & Mexico), Asia (East Asia, Southeast Asia, South Asia) European Union and Middle East (HMR, 2012). Figure 1, depicts the distribution of US exports of hardwoods per geographic region.

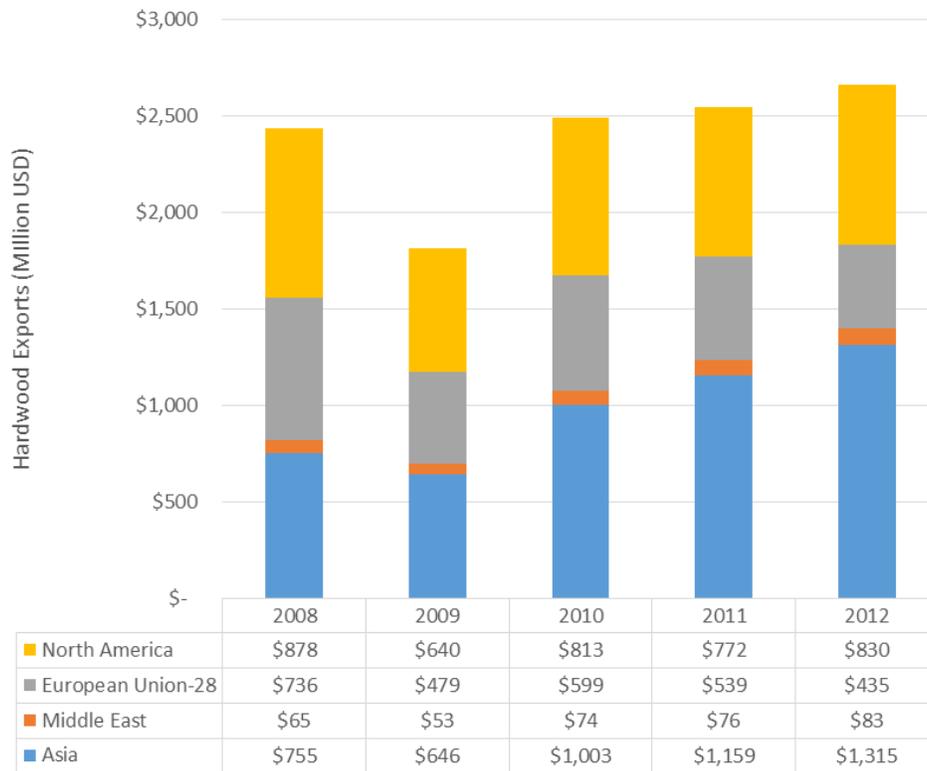


Figure 1. US Hardwood Exports from 2008 to 2012 by Region (USDAFSA GATS, 2013)

In the past 5 years, Asia has surpassed all other regions in the amount of hardwoods being imported from the US (USDAFAS GATS, 2013). According to AHEC, “*China is now by far the biggest player across the board*” (Hornsby, 2012). Between 1999 and 2006, China’s consumption of US hardwood jumped from 50 MMBF to 250-300 MMFB due to a furniture manufacturing shift from the U.S. and Mexico to China. Starting in 2006, US hardwood exports increased due to US Housing burst and worldwide

economic turmoil, to approximately 200 MMBF in 2009. In addition, between 2009 and 2012, China’s consumption of US hardwood increased from 200 MMBF to ~503 MMBF mostly to satisfy China's growing middle class (Barford, 2012). According to the Hardwood Leader (October 2012), over the next decade, as many as 280 million Chinese will move from suburban areas to the cities, stimulating the housing and furniture demand. This domestic demand for hardwoods in China should continue to grow, resulting in less wood products exported (Hardwood Publishing, 2012).

Vietnam is one of the primary countries within Asia that has increased importing of U.S. hardwoods (Figure 2). Since 2001, U.S. hardwood exports to Vietnam have increased steadily, attributing to a growing furniture and flooring market (Vietrade, 2013).



Figure 2. US Hardwood Exports to Vietnam from 2008 to 2012 (USDAFSA GATS, 2013)

As U.S. hardwood manufacturers understand the new EU “illegal wood” regulations, it is expected they will increase exports to the EU (Hardwood Publishing, 2012). In 2012, the top European Union importers of lumber and logs from the U.S. were the United Kingdom and Italy with \$80 and \$79 million correspondingly (Table 1). In Germany and the U.K., home renovations have fueled the door, furniture, and flooring industry, in-returned have increased the need for US hardwoods (AHEC, 2013).

Table 1. U.S. Hardwood Lumber and Logs Exports for 2012 in Top European Countries (USDAFAS GATS, 2013)

Country	Hardwood Logs	Hardwood Lumber	Total
UK	\$ 22	\$ 58	\$ 80
Italy	\$ 23	\$ 56	\$ 79
Germany	\$ 20	\$ 40	\$ 60
Spain	\$ 8	\$ 19	\$ 27
Portugal	\$ 8	\$ 11	\$ 20
Sweden	\$ 3	\$ 11	\$ 13
Belgium-Luxembourg	\$ 4	\$ 9	\$ 13
Ireland	\$ 2	\$ 8	\$ 10
France	\$ 4	\$ 5	\$ 8

Asia and Europe remain an attractive opportunity for growth in export markets. Our research objective was to identify the factors that determine the export performance of US hardwood products in Asian and European markets.

Methods:

Case studies were conducted with forest products importers at various furniture trade shows in Germany, China and Vietnam. The researchers used semi-structured interviews to collect information about the firms. Because of the difficulty in identifying a contact list of foreign hardwood importers, the use of on-site surveys at trade shows allowed the researchers to reach a broader audience. Additionally, in-person interviews provide a better response than a mailed or internet survey (Vaske, 2008). Company visits were also performed when firms were willing to allow the researchers to visit. Visits took place with 2 wood product manufacturers in Vietnam. The questionnaire consisted of check all that apply questions and opened ended questions that focused on sources of hardwood products, hardwood species, hardwood products imported, supplier factors, and barriers related to importing. The questions were developed from secondary research of international forest product markets.

Results:

The researchers interviewed 38 companies at the 3 different furniture trade shows. Out of the 38 interviewed, 31 of the companies imported hardwood lumber. The location of the headquarters of the companies surveyed were Asia, the United States, Europe, South America, and the Middle East.

Hardwood Species and Products Imported

Respondents were asked for their top 3 hardwood species that the company imports (Figure 3). Respondents stated the most frequently imported hardwood species, including oak (*Quercus spp.*) (32%), ash (*Fraxinus spp.*) (12%), walnut (*Juglans spp.*) (11%), maple (*Acer spp.*) (6%), poplar (*Populus spp.*) (6%), cherry (*Prunus spp.*) (5%), alder (*Betulaceae spp.*) (5%), rubberwood (*Hevea brasiliensis*) (5%), beech (*Fagus spp.*) (3%), and “others” (15%). The “other” category included the species that respondents only stated once: chestnut (*Castanea spp.*), birch (*Betula spp.*), Iroko (*Chlorophora excelsa*), rosewood (*Dalbergia spp.*), silkwood (*Flindersia spp.*), ipe (*Handroanthus spp.*), purple heart (*Peltogyne spp.*), and bolletrie (*Humiria balsamifera*).

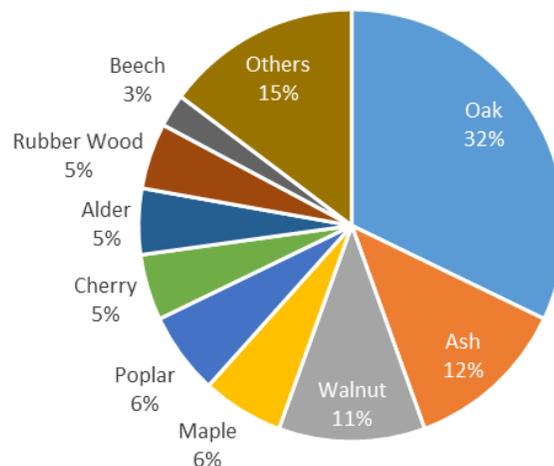


Figure 3. Hardwood species purchased by respondents

Respondents were asked about the hardwood products they imported from their major supplying country (Figure 4). Respondents identified that the most frequently imported hardwood product was lumber (42%), logs (19%), dimension parts (14%), veneer (14%) and “others” (11%). The “other” category included the products that respondents only stated once:

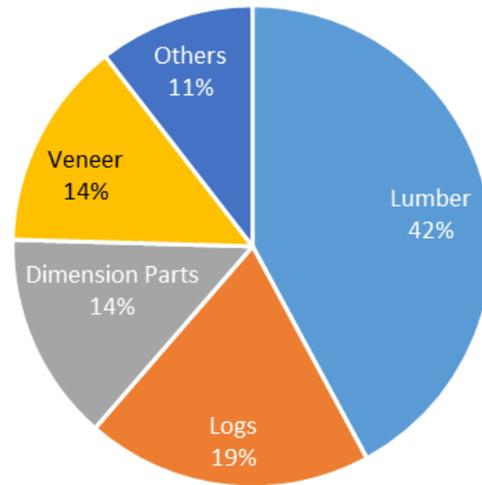


Figure 4. Imported hardwood products by respondents

finished products, flooring,

hardwood plywood, moulding,

beams, and poles. The majority of the hardwood lumber was purchased from China and the United States. However, since most of the hardwood species are Appalachian species, the lumber from China might be purchased from a broker that supplies hardwood species from the United States.

Selecting a Hardwood Supplier

Respondents were asked about the factors of concern to their firm in the selecting of a hardwood supplier (Figure 5). Twenty-six percent of the respondents believed that they chose their supplier because of the price of products, followed by quality (24%). In addition, some respondents stated that they had problems in the past with receiving consistent quality of hardwood lumber from suppliers.

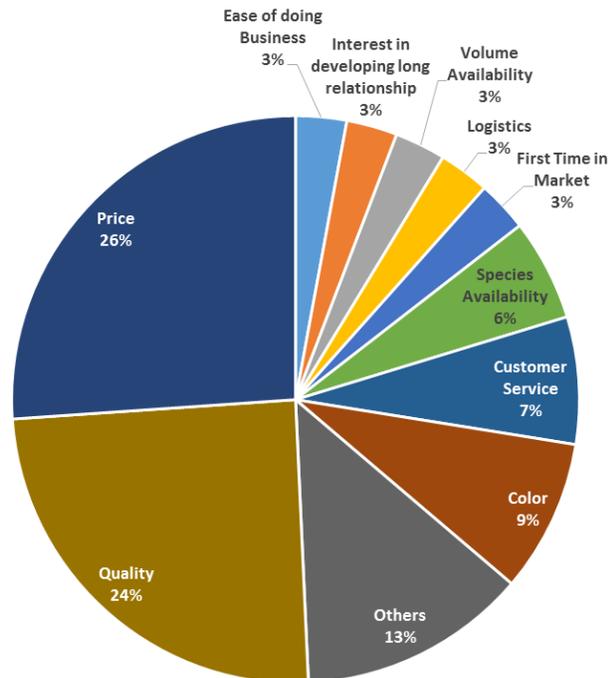


Figure 5. Hardwood supplier attributes

The “other” category (13%) included attributes that respondents only stated once; delivery times, environmental certification, dimension parts, packaging, firm size, squareness of boards, and moisture content.

Purchasing Issues

Respondents were asked about the issues they encountered when purchasing from their current hardwood suppliers (Figure 6). The top 3 areas identified by the respondents; were price (17%), competition (13%), and “others” (13%).

“Others” included: color, customer service, ease of doing business, interest in developing long term relationship, volume available, packaging, firm size,

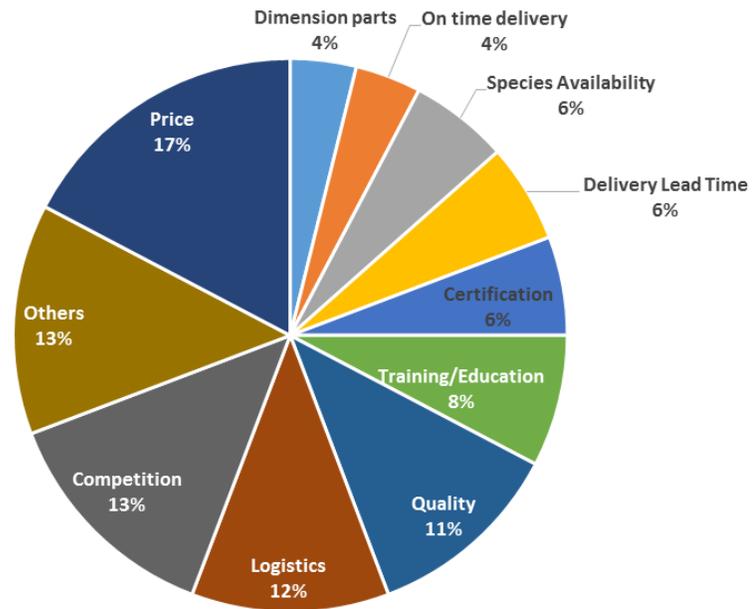


Figure 6. Purchasing road blocks

squareness of boards, moisture content, and first time in the market. It was discovered that environmental certification of products was more important to importers in EU than in China and Vietnam. In addition, training and education focusing on hardwood lumber quality, such as grades and species, was found to be important in China and Vietnam. Respondents in these countries stated that companies new to importing U.S. hardwood lumber are not knowledgeable on the grades and species.

Increasing value of products and services

Firms were asked what hardwood suppliers can do to increase the value of their products and services (Figure 7). Firms primarily stated that to increase value the suppliers need to consider price (18%) and quality (17%) of their products they are offering to customers. The “other” category (21%) included the factors that respondents only stated once: color, delivery lead time, certification, ease of doing business, interest

in developing long relationships, packaging, firm size, squareness of boards, competition, and moisture control.

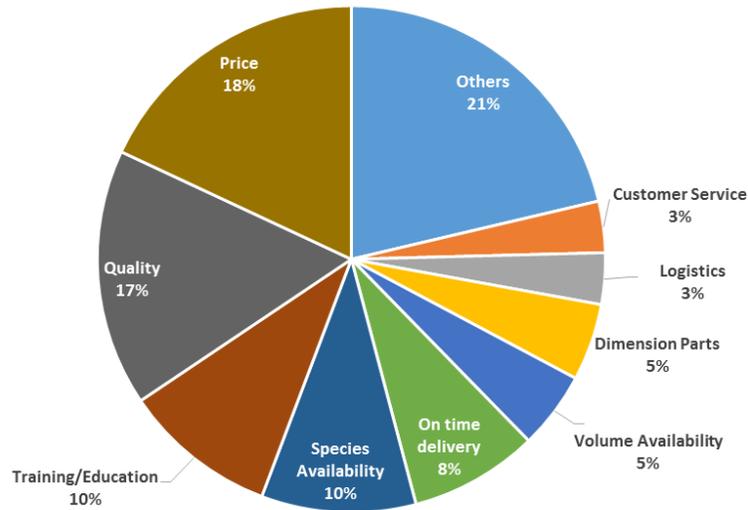


Figure 7. Increasing value of products and services

Conclusions

The main goal of this research was to identify the factors that determined the export performance of U.S. hardwood products in Asian and European markets. Previous research and statistical data provided by the USDA demonstrates the importance of these markets for US hardwoods. Therefore, it is critical to find new ways to improve export performance in these markets. US hardwood companies should market their price and quality in a manner to attract potential customers overseas. Price, competition, and logistics were found to be main barriers that overseas companies encounter when importing hardwood products. US companies need to adjust pricing to be competitive and work with shipping firms to ease the flow of goods to the customer. To ensure customers are consistently receiving good quality lumber, US firms may want to look within their production line to monitor lumber quality shipping to customers. One of the best ways to increase value to your products is get your company's name out in the market and develop a brand position. Customers may prefer suppliers that have developed a brand for their products as having superior quality. Also, US hardwood firms may want to work with trade organizations such as the National Hardwood Lumber

Association (NHLA) and the American Hardwood Export Council (AHEC) to help them educate their customers on hardwood species and grades.

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