

October - December 2023

MARKET REPORT

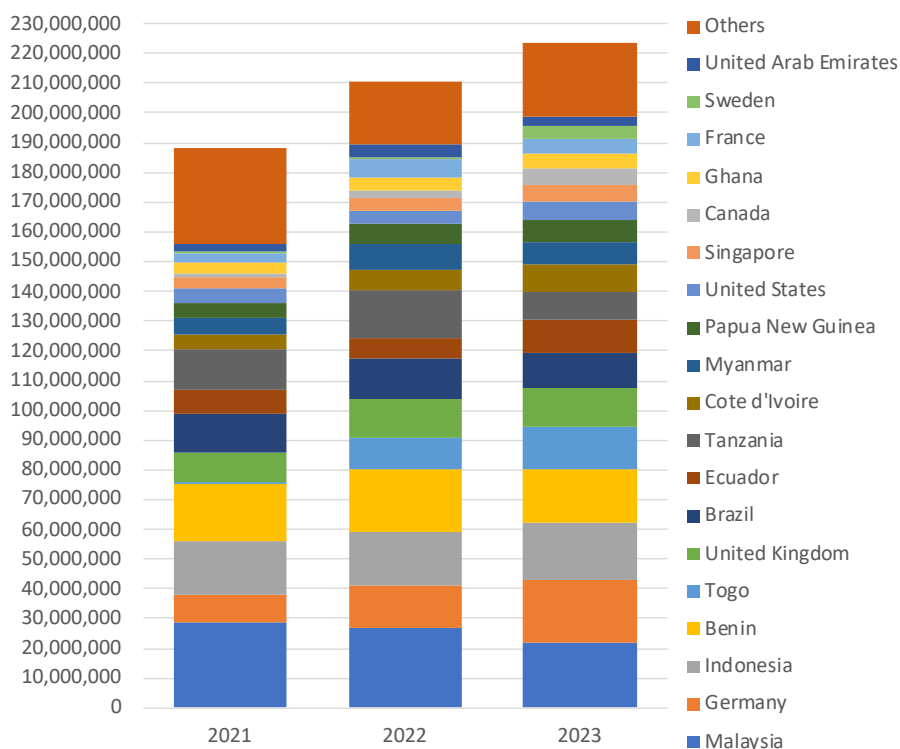
Africa | Middle East | India | Oceania



Above: AHEC Technical Consultant, Neil Summers, at the seminar for architects and designers in Bangalore in October.

www.americanhardwood.org

INDIA



Left: India's imports of hardwood lumber from all supplying countries (USD), Jan-Sep 2023.

Source: Trade Data Monitor

The Jan-Sep 2023 data provided by FAS shows USD 5.4 million were shipped to India during the period, equating to a volume of 8,887 cubic metres. This volume comprised a wide range of species, including white oak (2,211 cubic metres), ash (1,833 cubic metres), red oak (1,364 cubic metres), maple (1,261 cubic metres) and hickory (1,051 cubic metres). Hardwood lumber exports from Canada to India during the nine-month period reached to just under USD 1 million in value and were split more or less equally between oak, maple and other temperate species.

A GROWING APPETITE FOR HARDWOOD LUMBER

According to Trade Data Monitor, during the first nine months of this year, India imported just under USD 225 million worth of hardwood lumber from around 80 different supplying countries. Ten years ago in 2013, the value of imported hardwood lumber reached only USD 89 million. At the same time Indian demand for hardwood logs has been decreasing. In the first nine months of 2013, India imported some USD 1.55 billion worth of hardwood logs, dropping to USD 200 million in the same period in 2023. In fact, 2023 will prove to be the first year that the value of India's hardwood lumber imports has exceeded that of its hardwood log imports.

A very large proportion of the hardwood lumber imported during the January to September period of this year was accounted for by teak (mainly plantation-grown), which is still the hardwood of choice in India. Tropical species in general, accounted for an estimated USD 160

million of total hardwood lumber imports during the period, leaving around USD 65 million worth of temperate hardwood lumber imports.

EUROPE IS THE MAIN TEMPERATE HARDWOOD LUMBER SUPPLIER

Predominantly shipped from Germany, but also from France, Croatia and others, India imported some USD 10 million of beech lumber during the nine-month period, around USD 5 million of oak, USD 2.5 million of maple (European sycamore) and less than USD 1 million of ash.

The majority of European hardwood lumber shipped to India is in thicker stock live edge boards. This suits some of the more traditional importers and manufacturers.

IMPORTS OF NORTH AMERICAN HARDWOODS CONTINUE TO INCREASE, BUT...

Demand for North American hardwood lumber has been increasing in recent years, with 2023 looking set to be another record year for US hardwood lumber exports to India.

...DISTRIBUTION NEEDS TO DEVELOP

Despite increasing demand for American hardwood lumber, there are very few importer/distributors, especially for such a large market. This means that, while large manufacturers can import containers directly and with relative ease, the smaller ones (of which there are hundreds, if not thousands), are restricted to buying from very limited and geographically-spread out imported stocks.

Visits to a number of smaller furniture manufacturers in Bangalore this October confirmed that access to American hardwood lumber is not always easy. When asked if they had ever used red oak, a few of them responded by saying that they had been wanting to use it for some time, but were not able to find it in the local market. Similarly, when asked why they were using European oak and ash, they said that they could always get hold of it, unlike their American equivalents.

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GROWTH IN THE DOMESTIC FURNITURE MARKET

While the export-focused furniture and handicraft manufacturers (concentrated in Rajasthan) represent the greatest current market opportunity for US hardwood lumber in India, the long term target market will be domestic consumers. Currently, this market is primarily serviced by smaller furniture, joinery and flooring manufacturers, who offer bespoke solutions and who are not export-focused.

The size of the domestic furniture market cannot be understated. According to Mordor Intelligence, it is estimated at USD 15.79 billion in 2023, and is expected to reach USD 26.85 billion by 2028, growing at an annual rate of over 11% during the forecast period. In recent years, the market has expanded beyond chairs and tables to include designed interiors, wardrobes and upholstered furniture sets. The growing middle-class population, rising disposable incomes and the growing number of urban homes are all contributing to the expansion of the market.

Nonetheless, still today, furniture manufacturing in India is dominated by small, unorganised companies, who represent about 80% of production. However, organised players have increased their contribution to the Indian furniture sector during the past decade and with the advent of multinational furniture companies, such as IKEA, into India, the organised sector is continuing to expand.

The rapid expansion of real estate, particularly in the residential and commercial sectors, has augmented the demand for various types of furniture, including home, office, and outdoor pieces. In addition, the increasing number of e-commerce platforms offering a wide range of products at competitive prices has accelerated the product adoption



Above Left & Right: The vast majority of India's furniture is handcrafted by street-side carpentry workshops and small factories. Large-scale manufacturers with modern machinery account for only an estimated 20% of production overall.

rate. Escalating demand for customisation is another major growth-inducing factor, as consumers are seeking personalised, functional, and design-centric furniture. The heightened focus on sustainability and eco-friendly furniture made from renewable or recycled materials has also catalyzed market growth, while several favourable government initiatives, such as the "Make in India" campaign, that encourage domestic manufacturing and enhance the availability of quality furniture at affordable prices are contributing to market growth.

Tourism and hospitality industry growth is also driving the domestic furniture market and, over the last decade, the Indian tourism industry has grown quickly and steadily. India welcomed 28.9 million tourists in 2019 (i.e. before the Covid pandemic), including NRIs (non-resident Indians). Hotel rooms are in extremely high demand as a result of this and the hotel industry is expanding quickly. According to the Indian government, by 2030-31, India will also have a market of 1.2 million cruise travellers.

THE INDIA CHINA QUESTION

India has certain advantages over China, such as lower labour costs, which can make its products more competitive. Additionally, India's very young population and growing middle-class presents a promising market for furniture. Furthermore, the country has the potential to leverage its rich cultural heritage and design capabilities to offer unique and appealing furniture products on the international market.

However, India's furniture sector faces many challenges. One such challenge is the availability and cost of raw materials. Some materials are reported to be around 25% more expensive in India than they would be in China. Major barriers that contribute to the high cost of raw materials include the limited domestic availability of wood, both through the inadequate scale of domestic commercial forestry and through the lack of distribution of imported products, as well as high import costs.

Another challenge is the dominance of the unorganised sector. The unorganised industry poses

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challenges such as a lack of standardisation, inconsistent pricing, limited access to technology and innovation, the absence of industry regulations and limited export potential, further hindering growth and competitiveness.

High logistics costs are also a challenge. In the furniture sector, in particular, the cost of transportation and logistics can account for as much as 6%-8% of the total manufacturing cost, whereas in China this might typically be around 4%.

Ease of doing business needs to improve. India has made significant progress towards facilitating and

fostering an environment that is favourable for businesses to draw in more foreign investment, but it still lags behind China in several of the crucial areas, such as starting a business, enforcing contracts, and registering property.

Things are changing, however and the Government of India is enacting a policy push at both state and central level to promote the holistic development of the furniture manufacturing ecosystem. Furniture parks and clusters are being established throughout the country, aiming to enhance the capacity and scale of MSME (micro, small & medium) producers through the reduction in logistic and supply chain

costs as well. Furthermore, many states have identified furniture as a key thrust sector, providing generous subsidies and incentives on capital expenditure, interest payments, stamp duty, utility costs as well as GST, to drastically reduce the cost of investment. In addition, the effective duty on furniture imports was raised to 25% in recent years, in a strong push to promote domestic manufacturing and indigenization.

So, is India the next China? Probably not for many reasons, but India certainly has the potential to be as big a market for American hardwoods as China and, probably, one that is more stable and resilient.

AUSTRALIAN-INDIAN DESIGN COLLABORATION



Melbourne-based Adam Markowitz is now well-known to AHEC, having collaborated on two projects in Australia and also as one of the four mentors on AHEC's Discovered project in 2021. As an architect, furniture designer-maker and lecturer, with a lot of experience using US hardwoods, he is now being tasked by AHEC to work with Bangalore-based Phantom Hands to develop a range of pieces in American cherry, maple and red oak.

The designs will be the outcome of a cross-cultural collaboration between Adam and Aparna Rao, bringing Aparna's deep understanding of Indian design and expression together with Adam's wealth of experience in

working with American hardwoods.

The pieces will be manufactured in Bangalore next year, using lumber donated by The Rossi Group and exhibited in more than one location in India during 2024.

Adam joined AHEC on a trip to Delhi and Bangalore in October, where he spoke at two seminars for architects, importers and manufacturers. He also visited a number of manufacturers and was able to offer much-needed advice on working with American hardwoods. While there is an eagerness amongst the Indian furniture manufacturers to work with US hardwoods, there is also a need to support them in getting to know the species and their characteristics, which differ greatly from the species they are used to.

Top Left: AHEC Regional Director, Rod Wiles, engaging with architects before AHEC's seminar at the Bangalore International Centre in October this year.

Bottom Left: Adam Markowitz with Aparna Rao of Phantom Hands in Bangalore, where he learned about traditional Indian joinery and handcrafting techniques.



REFOCUS ON ARCHITECTS

AHEC has been working with the full spectrum of hardwood importers, manufacturers, architects, interior designers and furniture designers in Australia since 2009. Activities have been extremely varied, but the core annual activity for the past few years has been a design collaboration, culminating in the exhibition of furniture and objects at an event such as Denfair, Melbourne Design Week or Sydney Design Week. While these collaborations have proven to be extremely good at raising awareness of American hardwoods, they have mainly been focused on the furniture design community.

In a slight shift in strategy, AHEC now intends to refocus its promotional activities on architects and interior designers. As in Europe

Right: AHEC Regional Director, Rod Wiles, gave an hour-long presentation over Zoom to Australia's Regional Architecture Association



and North America, architects in Australia and New Zealand play a critical role in material specification and it is crucial that they have all the most up-to-date information on American hardwoods at their disposal. It is also fair to say that architectural specification of wood products in both Australia and New Zealand represents a much larger market for American hardwoods than the furniture sector.

With this refocus in mind, AHEC Regional Director, Rod Wiles, delivered

a webinar entitled *American Hardwoods - Specifying with Confidence* to the members of the Regional Architecture Association of Australia on 6 December.

With the availability of native Australian hardwoods now under ever-increasing restrictions, it more important than ever for AHEC to ensure that the Australian specifier community is fully informed of what America's hardwood forests have to offer.

2024 DESIGN COLLABORATION WITH ARCHITECTS

Launched in October this year, KEEP is AHEC's latest design collaboration in Australia. This time, the former editor of Vogue Living Australia - David Clark - has been appointed as commissioner and exhibition curator. Seven high profile architects and interior architects were shortlisted by David and they have since been formally selected and briefed.

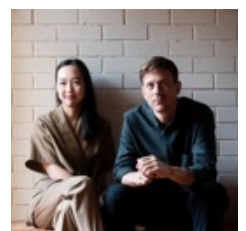
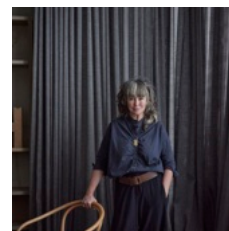
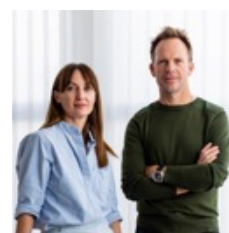
KEEP asks the architects to to design an object for domestic use using specific American hardwoods, namely cherry, hard maple and red oak. The piece should be designed to last for generations and be of a quality that makes it worth keeping, and perhaps of collectible value.

The seven pieces will be

manufactured in Australia during the early part of 2024 and then shown, for the first time, in exhibition as part of Melbourne Design Week in late May next year. Thereafter, the plan is to show all seven again in Sydney and Brisbane and, possibly, Perth.

One of the aims of this project is to really engage with the architectural community and to open the door for more architect-focused activities in the future.

Right: Seven of Australia's leading and award-winning architects have been selected for AHEC's KEEP collaboration.



UPCOMING EVENTS



INDIAWOOD, JAIPUR FACTORY TOURS & DUBAI WOODSHOW*

Indiewood in Bangalore, India's biggest wood industry show will take place from 22 to 26 February 2024. AHEC has secured a large space for an American Hardwood Pavilion, which will have room for 14 individual company booths. The pavilion is full and registration is now closed. However, AHEC will also be arranging a trip to Jaipur (2.5 hours flight from Bangalore) immediately after the show, from 27 February to 1 March. Any AHEC members who did not manage to get a booth in the pavilion at Indiewood are still welcome to join this trip.

The trip will be coordinated with the help of the Federation of Rajasthan Handicraft Exporters (FORHEX) and will focus on visits to some of key wood furniture and handicraft manufacturers and exporters. AHEC will also be putting together a "mini-convention" in Jaipur, which will give US exporters an opportunity to meet and network with a large number of furniture and handicraft manufacturers.

There may also be the opportunity for a round of golf with some of the members of FORHEX, but the expenses for this will be borne by the individual participating companies. During Indiewood itself, AHEC is also

planning to host a seminar and networking event in Bangalore. This will take place on 23 or 24 February and will provide an opportunity for AHEC members to meet importers, manufacturers and architects and designers.

The 2024 edition of the Dubai Woodshow will be taking place from 5 to 7 March the Dubai World Trade Centre. As usual, AHEC will be hosting a pavilion with individual company booths. All 16 booths have been filled and registration for the pavilion is now closed.

With the gap between Indiewood and the Dubai Woodshow being just over

a week, there is an excellent opportunity for companies to participate in, or at least visit, both shows and to visit companies in both markets.

****Confirmation of these activities is dependent upon FAS funds, which have not yet been allocated at the time of writing.***

Below: The last time AHEC held an event in Jaipur was in October 2019. The evening seminar and networking event was extremely well-attended by a highly engaged audience of manufacturers.



PR SNAPSHOT



EXCHANGE RATES

USD 1.00 =	30 Nov 2023	21 Dec 2023
Euro (EUR)	0.91	0.91
Algerian Dinar (DZD)	133.73	133.93
Bahraini Dinar (BHD)*	0.37	0.37
Egyptian Pound (EGP)	30.89	30.87
Israeli New Shekel (ILS)	3.68	3.64
Jordanian Dinar (JOD)*	0.71	0.71
Kuwaiti Dinar (KWD)	0.31	0.31
Lebanese Pound (LBP)*	15,000.00	15,000.00
Moroccan Dirham (MAD)	9.91	9.91
Omani Rial (OMR)*	0.38	0.38
Pakistani Rupee (PKR)	284.58	281.03
Qatari Rial (QAR)*	3.63	3.61
Saudi Riyal (SAR)*	3.75	3.75
Turkish Lira (TRY)	28.91	29.12
UAE Dirham (AED)*	3.67	3.67
South African Rand (ZAR)	18.60	18.30
Bangladeshi Taka (BDT)	108.86	108.45
Indian Rupee (INR)	83.32	83.17
Sri Lanka Rupee (LKR)	327.26	325.20
Australian Dollar (AUD)	1.51	1.48
New Zealand Dollar (NZD)	1.62	1.59

Source: OANDA FX Converter

*denotes currency pegged to USD

REGIONAL EVENTS

***Bold** denotes AHEC event or AHEC participation

2024

22-26 Feb	Indiawood & AHEC seminar	Bangalore, India
27 Feb- 1 Mar	Factory visits & AHEC Mini-convention	Jaipur, India
5-7 Mar	Dubai Woodshow	Dubai, UAE
12-14 May	Saudi Woodshow	Riyadh, Saudi Arabia
13-20 May	Discovered exhibition (working jointly with AHEC SE Asia office)	Singapore
23 May-2 Jun	Melbourne Design Week	Melbourne, Australia
3-6 Aug	100% Design SA	Johannesburg, South Africa
2-4 Sep	Saudi Wood Expo	Riyadh, Saudi Arabia
12-15 Sep	Intermob	Istanbul, Turkey



Africa
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