Wood Science & Engineering
Oregon State University

Market Intelligence for Latin American FSC Certified Wood Panels in the U.S. and Caribbean Markets

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Description: Market research aimed to facilitate the access of FSC certified Latin American producers of wood panels into the U.S and Caribbean markets

Sponsor: WWF Central America & Global Forest and Trade Network

Methods: Personal and telephone semi-structured interviews, questionnaire to suppliers, secondary sources

Data Source: Importers and distributors in the U.S. and the Caribbean (20 in total), Latin American suppliers

Key Findings – U.S.:
1. Latin American producers focus mainly on rotary plywood (BB/CC grade). Exports average around 4 million dollars (12,000 m^3) a year and account for 50-80% of production. The dominate market is Latin American countries and to a lesser extent the U.S. FOB prices range from 310-370 US$/$m^3$.
2. In 2003, Latin America represented 14% of U.S. imports of tropical plywood (US$ 52 million), up 33% from 2002 (US$ 39 million).
3. The bulk of companies related to the processing, importation and/or distribution of tropical plywood and veneer is concentrated in California, Oregon, North Carolina, Florida and New York.
4. Brazil is the largest exporter followed by Ecuador, Colombia and Guyana
5. Currently, a weak U.S. dollar hurts the competitiveness of Latin American producers relative to Chinese since the Yuan is pegged to the dollar.
6. Interviewees show little interest in the risk of experimenting with lesser known species (LKS).
7. Supply inconsistencies and contract defaults are the most common complaints among interviewees. Delays, missing documentation, and insufficient quality were also cited.
8. Importers generally prefer agents because they bear the risk and provide value through important services such as quality control and assistance with the paper work.
9. 51% of 115 identified U.S. companies dealing with tropical plywood/veneer are environmentally certified (19 importers, 23 distributors, 32 manufacturers). This represents a significant opportunity for certified Latin American suppliers (Figure 2)
10. MDO and HDO on plywood substrates are a high value item and prices have increased significantly in the last two years. Latin American producers may compete well in the U.S. market despite high transportation costs.

Key Findings – Caribbean:
1. Puerto Rico, Jamaica and the Dominican Republic are the most important Caribbean markets for tropical plywood and veneer.
2. The main importers are large retailers targeting the construction market. They often serve as distributors to the rest of the Caribbean
3. The growing Caribbean market for particleboard is approximately US$ 1.3 million. Overlaid particleboard is especially important.
4. The Caribbean exhibits low demand for certified products. Still, the concept of green building is spreading and some architects are accredited by the USGBC.
5. The use of agents in the producer countries is frequent, with an approximate cost of 2-5%, depending on the volumes and specific conditions. The agent possesses the local language and is in charge of inspecting the cargo before it is shipped.

METHODS
The study was carried out following the Integrated Model of Marketing Planning. This model considers both the micro and macro environment affecting the particular business/market, along with the marketing strategies, structures and functions needed to implement a marketing plan (Figure 1).

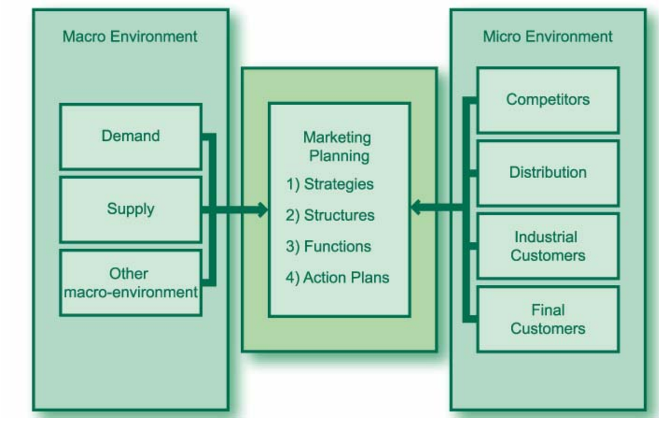

Figure 1: The Integrated Model of Marketing Planning

RECOMMENDATIONS (Functions & Strategies)

1. The promotion of certified products must be concentrated on specific niches and geographic regions with a higher environmental conscience, i.e. California, Seattle, and the North East (New York, New Jersey).
2. The Caribbean market represents a market that could be better exploited. Vicinity and lower idiomatic barriers constitute a competitive advantage relative to Asian producers.
3. It would be advisable to launch a project of promotion of lesser known species (LKS) aimed at dealing with risk aversion.
4. Technical and graphic information about LKSs should be sent to HPVA for inclusion in its publications, especially

RESEARCH BRIEF

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in ‘Fine Hardwoods Selectorama: a guide to the selection and use of the World’s most popular species’.
5. LKSs should be named in a way that they are easy to pronounce and remember by American customers, i.e. “Brazilian Cherry”.
6. The advantages of tropical species must be properly advertised. For example, beauty, durability, resistance to damage, and machinability.
7. Being certified constitutes a core competency and as such it must be properly communicated. The chain-of-custody certificate must accompany certified products.
8. Industrial users and especially architects must be introduced to available products to facilitate specification.
9. Branding can be successfully employed to differentiate from the commodity market and secure markets.
10. New product development and innovation must be encouraged as a way to move away from commodity products.

Products
1. Suppliers must eventually abandon the use of urea formaldehyde as adhesive or reduce the level of emissions to meet international regulations The following products offer great potential in the U.S.:

- Bigger panels (i.e. > 4x8)
- Thinner panels (i.e. 2.7 mm)
- Door skins
- Engineered flooring
- Veneer
- Lesser-known species
- HDO and MDO

2. The following products offer great potential in the Caribbean:

- Hydrophobic particle boards for concrete application
- Overlaid particle board
- Laminated plywood for furniture
- Decorative plywood of reddish appearance like Cherry (Jequitiba).
- HDO and MDO

3. Suppliers must be careful with quality, especially variations in thickness, grain and color. For the veneer industry, it is critical to keep the sequential order of the flitches. Quality control programs should be implemented.
4. Conformance to the standard of the IWPA[3] (IHPA) is fundamental to operating in the U.S. market. Offering further processed products would give Latin American producers more appeal in the marketplace. This eliminates the need for processing in the U.S.

Value chain
1. The shorter the chain, the more relevant become relationships, consistency and compliance with contracts and technical specifications in a timely manner.
2. The use of intermediaries presents significant advantages for the buyer and for small or unspecialized suppliers (quality control, communications, paper work).
3. Intermediaries must be chosen carefully since they are the face and image of the supplier before the buyer and play a crucial role in the search for clients and orders.
4. The use of online portals can be an efficient way of advertising and shortening the value chain (e-B2B), especially if this is approached as a group of certified producers, under the umbrella of the Global Forest Trade Network (GFTN).
5. Latin American suppliers should offer an English version of their websites, improve their graphics and emphasize their certified status.
6. There are importers/distributors in the U.S. highly specialized in niche, certified products. This capacity must be exploited.

Macro environment
1. Initiatives such as the GFTN must be reinforced since they represent a viable approach to the sustainable utilization of natural resources.
2. The negative image of forest operations must be addressed through campaigns and the promotion of the use of certified products as a way to promote the growth of developing countries.
3. Governments and NGO’s in the producer countries must strengthen their programs for the promotion of exports, stimulating high standards of quality and ethics.

Contact channels
1. Closer contact with the end user is needed to allow for differentiation. Value-added markets are more limited and sensitive to fashion than the commodity market, so this strategy cannot easily be extended or applicable to large producers.
2. Proper networking among producers, agents and importers is needed. Events in every producer country, a website with centralized information and shipments of samples and digital photos to the potential customers are some possible paths to follow. Association meetings (HPVA, IWPA, AWI, USGBC) are also a logical option, in addition to their publications (e.g., Imported Wood (IWPA)).
3. The forest products industry in the U.S. values mutual trust and direct and honest communication. Hence, direct and frequent contact and personal visits constitute the best approach.

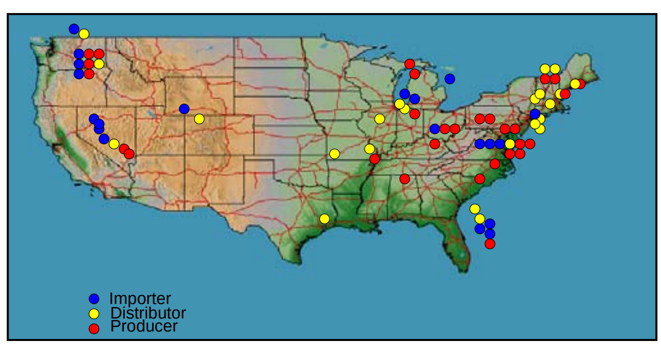

Figure 2: Geographic location of certified U.S. companies dealing with tropical plywood/veneer

[3] www.iwpawood.org