



LUMBER AND WOOD PRODUCTS MARKET IN INDIA: OPPORTUNITIES FOR BRITISH COLUMBIA COMPANIES



Prepared by
Amarjeet S. Rattan
BC Trade & Investment Office
January, 1999



CONTENTS:

	Page
1. EXECUTIVE SUMMARY	2
2. INTRODUCTION: THE VANISHING FORESTS	3
3. B.C. MARKETING ACTIVITY: A PASSAGE TO INDIA	4
4. THE INDIAN MARKET: BRITISH COLUMBIA TEAK?	5
5. DUTIES & TARRIFS: A FISTFUL OF RUPEES	10
6. DISTRIBUTION: BUT CAN YOU DELIVER?	10
7. KEY CONCLUSIONS	11
8. RECOMMENDATIONS	12
9. APPENDIX	13

EXECUTIVE SUMMARY:

The B.C. Trade & Investment Office (BCTIO) undertook a Team B.C. Trade Mission to India in 1998 to explore the lumber and wood products industry. Early indications from this mission suggested that there might be a potential for exporting B.C. lumber and wood products to the Indian market. Subsequent to this trade mission, a more focused marketing trip was made to India with the B.C. Wood Specialties Group and MacMillan Bloedel Limited with the intention of showcasing B.C. lumber and wood products at an Indian trade show targeted at architects and interior designers. The positive response received at this venue indicated that a market for B.C. wood products could be developed in India.

Until recently, India was essentially a closed market for most industry sectors. With the introduction of economic reforms in the early 1990's and subsequent domestic ban on most logging, a unique market opportunity is slowly emerging for the import of lumber and wood products.

The main challenges to entering the Indian market are the lack of knowledge of B.C. softwood products and an underdeveloped local distribution system. B.C. products can be competitive relative to the high prices currently paid for Teak lumber, as much as US\$1,300 per cubic meter, in India. As well, B.C. can offer wood products with higher levels of finished quality than those currently achieved by Indian industry.

In order to protect the local sawmilling industry, India now allows the import of logs and squared cants free of import duty but still imposes high tariffs on most finished goods. The Indian sawmill industry is unsophisticated with many small local mills that operate with antiquated machinery and a relatively untrained pool of labour. As a result, the output is small and of low quality. The B.C. wood products industry would benefit by any Canadian efforts to have the Government of India reduce import tariffs on lumber and wood products.

A small group of timber merchants are currently the primary importers and distributors of wood into India, restricting their business to Teak logs and Radiata Pine from New Zealand. Architects and interior designers, who specify building materials for large and small projects, source wood from these timber merchants. Although they wish to specify new types of wood to their clients, they are limited by what the timber merchants make available in the Indian market.

With the growing demand from Indian consumers, architects and interior designers for better quality finished products there are opportunities for B.C. companies to export dimension lumber and finished products such as doors, windows, mouldings and flooring. Opportunities also exist for B.C. companies to supply precut components of various sizes to furniture and kitchen cabinet manufacturers. In order to capitalize on these opportunities, the B.C. wood products industry must seriously look at establishing showroom and direct marketing facilities in India.

A B.C. entry strategy for the Indian wood products market will need to incorporate methods of educating timber merchants, architects, interior designers and consumers on the quality and price competitiveness of softwood products. This will require resources to actively showcase B.C. wood products and to create a distribution network in key regions of the Indian market.

BCTIO, with its knowledge of the Indian market, can play a key role in coordinating the activities of the B.C. industry in this market. BCTIO can make efforts in a number of areas including lobbying to reduce Indian tariffs, organizing a 'B.C. - India Marketing Group', organizing visits to B.C. of prominent Indian architects, builders and manufacturers and organizing promotional activities in India to showcase B.C. wood products. With a comparable commitment from industry, BCTIO could consider allocating resources for a 3-5 year period to assist the B.C. industry in their India market entry activities.

INTRODUCTION: THE VANISHING FORESTS

With a total land area of 3.287 million square kilometers, India has a remaining forest area of only 640,000 square kilometers. Years of mismanagement has led to a serious depletion of it's forest resources to the point where in the last two years the Supreme Court has banned most logging throughout India. In the meantime, the economic reforms which were begun in 1992 have accelerated the pace of development and industrialization leading to, amongst other things, greater demands for pulp, paper and wood products. Because of domestic wood shortages, India liberalized imports of wood products in 1995. Previously, imports were only against advanced licenses or special import licenses. As a result, India is now importing increasing amounts of wood, primarily in log form.

India has a centuries old tradition of wood use, particularly for interior design and furniture. Although wood is rarely used for construction, B.C. industry observers have noted that India uses more interior wood than Japan. Most wood used in India is hardwood, particularly Teak which accounts for approximately 50% of domestic consumption. There are limited supplies of other species such as Sal, Eucalyptus, Poplar and Deodar . Some private plantations, particularly of Rubberwood also contribute to the domestic supply of lumber. India's coniferous stands are found in Himachal Pradesh, Kashmir, and other northern states. Imports are mainly of Teak logs from Burma, Malaysia, Thailand and Africa. In the last three years, imports of Radiata Pine from New Zealand in log form have also become common. Radiata Pine is primarily used for pallets, crates and low end doors and window products.

With supplies of good quality Teak decreasing, Indian manufacturers are accepting lower quality Teak which in turn is getting more expensive. Recently, particleboard and MDF boards have been finding more use in the Indian market. As an example, some Indian companies are now importing particleboard panels for use in kitchen cabinets from Italy, Australia and New Zealand.

For British Columbia, India represents an important potential market for the export of lumber and value-added wood products. The recent combination of liberalized import policy and curtailment of domestic logging has created a situation that warrants closer examination. However, like all emerging markets, India poses a number of difficulties and challenges that must be overcome by exporters.

B.C. MARKETING ACTIVITY: A PASSAGE TO INDIA

The British Columbia Trade & Investment Office (BCTIO), which has organized several trade missions to India since 1995, made it's first attempt to look at the potential of the Indian wood market in 1998. At this time, B.C. Wood Specialties Group (BCWSG), Aspen Planers Ltd., Interpro Forest Products, J.S. Jones Ltd., and NMV Lumber Ltd. accompanied a larger Team BC Trade and Investment Mission that visited seven cities in India. During this mission, the group met a number of Indian timber merchant companies and got a general sense of the Indian market. It was evident that most of these timber merchants had very limited knowledge of softwoods. It was felt that while there appeared to be limited potential for selling B.C. wood immediately, the situation might improve in the next few years. One of the immediate impediments identified during this visit was that recent shipments of New Zealand Radiata Pine logs, which were originally destined for the Korean market, had created an oversupply of low grade, low priced product in Indian ports. As a result of this trip, B.C. companies did arrange to sell a few trial containers of logs so that timber merchants could begin to test the local market with B.C. wood.

Also as a result of this Team BC visit, BCWSG sent various wood samples to the Indian Plywood Industries Research & Training Institute in Bangalore for testing in Indian conditions. BCWSG is currently awaiting test results from Bangalore.

As a follow up to the earlier trade mission and after several months of pre-planning with BCTIO and the Canadian High Commission, BCWSG and MacMillan Bloedel (MB) made a decision to display B.C. lumber and finished products at a trade show in Mumbai and in individual workshops in New Delhi and Mumbai. This decision was made once it became apparent that architects and interior designers were a key element in finding acceptance for B.C. wood in the Indian market. As a result, BCWSG and MB booked booth space at Showcase '98, a trade show that targeted Indian architects and interior designers. MB also arranged to invite architects, interior designers, timber merchants and construction companies to individual wood workshops in New Delhi and Mumbai. It was felt that a combination of finished BC wood products and hands on workshops would enable B.C. industry to demonstrate the superior quality of it's wood to others than the traditional timber merchants who import Teak logs into India. Information about British Columbia tree species and finished wood products was also placed in Indian interior design magazines to raise awareness prior to the show and workshops (*see Appendix: Houselayouts/Inside Outside/Touch Wood*).

This strategy to display B.C. lumber and finished wood products to timber merchants and architects, for the first time in this market, had some immediate success. At the conclusion of the show, one timber merchant placed an order for shop grade Hemlock lumber and several other manufactures are currently negotiating for the purchase of container sized shipments of similar grade lumber.

THE INDIAN MARKET: BRITISH COLUMBIA TEAK?

[The prices quoted in this report are based on a conversion rate of 25 Rupees (Rs.) to a Canadian dollar. Unless indicated otherwise, all figures are in Canadian dollars.]

INDUSTRY:

According to a recent study researched for the Canadian High Commission in New Delhi, construction products in the Indian construction industry account for approximately US \$12 billion and is growing at 8% per annum. Of this, wood and wood products use accounts for approximately US\$2.75 billion of which current imports are estimated at US\$250 million. India also produces 157 million sq. Meters of plywood and decorative veneers and 220,000 tons of particle board, fiber board, and MDF annually. As noted previously, India's supplies of domestic wood are very limited. Because of this shortage, the import market for raw and semi-processed wood is expected to increase with demand and construction activity over the next few years. While some European, American, Australian and New Zealand companies are in the initial stages of developing a market, Canadian companies do not yet have any significant presence in India.

Most wood in India is used for the manufacture of doors, window frames, wall panels, moldings and furniture. Domestic manufacturing is highly fragmented and unorganized with much of the production, particularly for doors, windows and interiors still done by individual carpenters on site. The lack of standard sizing is still a major impediment for Indian manufacturers but is expected to improve as more pre-fabricated products come into the market. The manufacture of pre-fabricated doors and windows is relatively new and the current market is estimated at US\$20 million and growing at 10% per annum. The total annual market for furniture in India is estimated to be US\$ 1.25 billion about 90% of which is for wooden products. The branded (higher quality) wooden furniture industry is estimated to be US\$37 million and growing at 15% annually.

Centuries of use has made 'Teak' the king of woods in India but its pre-eminent position is eroding because of declining quality and escalating price. As one government official in India commented "Teak is used primarily for furniture manufacturing and interior wood finishing but its use is declining as it has become too expensive". It was noted that the highest quality of Teak available in India is Burmese but supplies are dwindling. At the other end of the scale is fast growth Radiata Pine from New Zealand which has been flooding the India market in the last two years. Indian timber merchants have a tendency to compare B.C. softwoods to the quality and hardness of Teak and the low cost of Radiata Pine logs. Much work needs to be done to educate timber merchants, architects, manufacturers and consumers to the qualities of B.C. softwoods.

Current Indian log imports and prices are as follows:

- Burmese Teak - Rs. 700 cu.ft. (\$28)
- Nigerian Teak - Rs. 400 cu.ft. (\$16)
- African Hardwood - Rs. 300 cu.ft. (\$12)
- N. Z. Radiata Pine - Rs. 200 cu.ft. (\$8)

It is estimated that currently, Hemlock dimension lumber from B.C. can be exported to India for approximately Rs.500 (\$20) per cubic foot CIF Mumbai as compared to Nigerian Teak lumber which costs Rs. 900 - 1,000 (\$36 - \$40) per cubic foot.

As noted earlier, the pre-eminence of Teak is slowly being challenged in the Indian market. Apart from crating, New Zealand Radiata Pine is being used for very low end manufacturing. An example of this is a company located near New Delhi that manufactures low quality doors for government housing projects. [The Government of India is also promoting private sector housing development for the 'economically weaker' sections of Indian society which faces a shortage of nearly 33 million residential units.] With a labour force of 50 men, all of whom live on site, this company

manufactures approximately 200 wooden doors per day. The finished doors are sold to the government for Rs. 1,000 (\$40) each. Some Indian manufacturing companies are also importing Italian veneers to paste on Indian and N.Z. wood for doors and other products.

Another sign of the shifting market is an Indian company that is currently importing Sitka Spruce logs from the U.S. The company's promotional material compares Sitka Spruce to Deodar, an Indian species, and describes it as "common man's teak" (see Appendix: Customer satisfaction). Sitka Spruce is being promoted for use in doors, windows and furniture.

TRENDS:

While it has become common to hear that India has a middle class of 200 - 250 million people, the anecdotal figure that nearly 20million Indian families have a net worth of over US\$1 million is truly staggering. Whatever the numbers, this very large Middle and Upper Middle (MUM) Class is fueling the market for a wider variety and better quality of manufactured consumer goods (see Appendix: Homing in on Homes). The sales of new cars, colour televisions, washing machines and many other items that did not even exist in the mass market until 1992, are now breaking all previous records.

As in many emerging markets, India is experiencing a rapid phase of urbanization as the traditional extended families make way for smaller individual family households. This, in turn, is bringing about changes in lifestyles. A direct result of this urbanization is that many young people from middle and upper-middle class families are getting their own apartments and want them furnished and decorated to western styles and tastes. MUM class consumers are becoming more brand conscious and as a result, spending on better quality products has increased, leading to a potential for increasing demand for imported quality wood products.

In the housing market, pre-fabricated wood doors and windows are becoming increasingly popular in Indian cities but many Indian companies still lack the capability to manufacture high quality finished wood products. During Showcase 98 it was observed that there is an increasing demand from architects, interior designers and consumers for 'high quality' wood doors, flooring, panels and moldings which are not being manufactured in the Indian market.

The advent of satellite television, starting in 1992, is also exposing more MUM Class Indians to western home styles. This is evident in the proliferation of new 'European style' kitchens. This part of the Indian home was traditionally the domain of cooks and servants but is now becoming a more prominent feature of homes and apartments. A number of companies marketing these new style custom kitchens was evident at the Showcase '98 trade fair. These kitchens have cabinets made primarily of pressboard and generally lower quality finishing than similar BC manufactured kitchen products. The following is a range of selling prices for kitchen cabinets quoted by various Indian companies:

Mortise & Tennon Woodworks	Pressboard - starting at Rs. 60,000 (rupees) = (\$2,400) Solid Burmese Teak - starting at Rs.300,000 (\$12,000)
Midas Kitchens	Rs. 850 - 1,400 per sq. Ft. (\$34 - \$56) Full kitchen starting at Rs. 90,000 (\$3,600)
Eurotrend Modular Kitchens	Rs. 40,000 - 150,000 (\$1,600 - \$6,000)
Mafatal Interiors (Australian pressboard)	Rs. 100,000 (\$4,000)
Kitchen Grace	Pressboard: Rs. 70,000 (\$2,800) Rubber wood: Rs. 200,000 (\$8,000)
Modexcel Kitchen Furniture (imported from New Zealand)	Pre-laminated particle board: Rs. 45,000 (\$1,800) Membrane-pressed MDF: Rs. 185,000 (\$7,400)

(see Appendix: Eurotrend/Mafatlal Interiors)

Another recent trend that may inadvertently contribute to the development of high end wood purchases is that the MUM class in some areas are increasingly becoming targets of extortion and kidnapping when they are seen to be flaunting their wealth with new cars and expensive clothes and jewelry (*see Appendix: Bombay Goes Bust*). As a result, the MUM class has started to spend more for internal luxuries in their homes rather than external trappings of power. Another recent development precipitated by this situation is the emergence of companies selling expensive (\$4,000 - \$8,000) bulletproof residential doors and windows (*see Appendix: Minerva*).

It is estimated that in the next three years, 1.2 million new housing units will be constructed for the MUM class income segments. The limited availability of land in some areas has resulted in a trend to build more condominium style projects. An example of this is found in a newly developed area on the outskirts of New Delhi where 'La Gardenia', a seven building project with each building having 16 floors, is being pre-sold and constructed. Units are selling for Rs. 1,942 (\$78) per square foot and suites range in size from 1,680 sq. Ft. to 2,790 sq. Ft. Pre-construction prices range from \$132,000 to \$218,000 per suite. In addition, purchasers are required to pay Rs. 100,000 (\$4,000) for one underground parking spot and separate purchase and installation charges for wooden kitchen and bathroom cabinets. The display suite of 'La Gardenia' features Italian wood cabinets and bedroom fixtures (*see Appendix: Capital Control/La Gardenia*).

B.C. companies should be aware that one of the main concerns expressed about trying a new type of wood in the Indian market is the susceptibility to termites and borers (*see Appendix: Bored to Death*). Any BC companies that send finished products to India should ensure that this problem is addressed in advance either by treatment of some type or by ensuring that the end user takes the necessary precautions before installing the products in Indian conditions. In the case of doors, in India, the door frame wood is generally treated for borer and termite protection and thus the door itself may not need treatment. For wood floors, Indian conditions dictate the use of chemically treated plywood to be laid under the wood flooring to prevent borer and termite damage. The importance of this concern in the Indian consumers mind should not be underestimated.

Some of the key areas for British Columbia companies to consider in India are:

- North India, particularly Punjab, Harayana and Delhi, which has a 'house culture' that uses wood extensively.
- Mumbai which has a large business community and high density residential areas.
- South India, Bangalore and Chennai where consumers are willing to pay for quality.

TIMBER MERCHANTS:

Many end users of wood in India are hampered by problems of supply, consistent quality and pricing. Manufacturers who are supplied by timber merchants face problems with getting delivery on time, escalating prices and when they do receive supplies, the quality that they ordered is often not there.

Most Indian wood imports, particularly logs, are controlled by a small group of timber merchants who deal primarily in Teak logs from Burma and Africa and Radiata Pine logs from New Zealand. Typically, a timber merchant will square imported or domestic logs into ten foot sections and sell these to carpenters and other end users. In most cases, they are both unfamiliar with BC wood species and are reluctant to deviate from their traditional Teak business. Recently, at least one timber merchant, who saw the overwhelming response to BC wood products from architects, interior designers and consumers, during Showcase '98 was converted to thinking of importing BC lumber. However, in general, Indian timber merchants do not feel that there is a market for B.C. lumber.

On the west coast of India, most wood imports come through the ports of Kandala, Mumbai and Mangalore. The total volume of logs into these three ports is estimated to be 288,000 cubic meters per year. Most Indian timber merchants feel that supplies of African Teak logs, primarily from Nigeria, may last for another three years and then they will have to source from elsewhere. Currently, the quality of Teak from Burma and Africa is declining rapidly. One timber merchant indicated that when the Korean market recovers, the price of N.Z. Radiata Pine logs will

increase by up to 50% and feels that even when there is a 10% price increase on Radiata Pine, B.C. lumber will be able to compete in the Indian market.

ARCHITECTS & INTERIOR DESIGNERS:

While the reaction to B.C. wood products from the Indian timber merchants was lukewarm to negative, the architect and interior designer sector unanimously agreed that the time and market was right to start promoting B.C. wood products into India.

Indian architects and interior designers are engaged in the design of commercial buildings, five star hotels, residential buildings, embassies and government buildings. It is interesting to note that, in addition to concept and design, most of these architects and interior designers also take the responsibility for material procurement and overall project execution. In this respect, they purchase wood from timber merchants and in turn sell it to the project owners by way of hiring carpenters and craftsmen to create and install the finished goods.

This sector strongly feels that the Indian market for all kinds of wood is good as the traditional supply and quality of teak and hardwoods is declining. Some of the internationally traveled architects who work on large projects estimate that the use of wood for interiors in India is much higher than in Europe. In addition to more demand for higher quality wood from the MUM class, many architects and interior designers noted that new IT/Software companies and MNC's are demanding more extensive use of wood in the interiors of their corporate premises.

While Australian particle board is now finding use in many government housing projects, the higher end private sector projects still demand solid wood because it signifies quality and status. Whereas, at one time only first class Teak was acceptable in these projects, now, due to lack of supply, lower quality Teak (with knots) is being used. According to some architects, in the last four years the price of Teak has also shot up by 100%. In addition, Teak is dark in appearance and architects and interior designers now want to recommend lighter colours. One leading architect indicated that his decisions on which type of wood to use on a project is based 80% on price and 20% on quality. He currently buys Teak (Burmese & Malaysian) from timber merchants for up to US\$28 per cubic foot and sells it to his clients for US\$50 - \$61 per cubic foot. For Indian hardwood (Assam/Himalayan) he buys from timber merchants for US\$13 - \$15 per cubic foot and sells to his clients for US\$30 per cubic foot.

When this architect was shown samples of B.C. Hemlock and Douglas Fir, he indicated it was the first time he had seen these types of wood and asked, in surprise, why there were no knots. He also wanted to know why it weighed so little (in comparison to Teak) and if it came in lengths longer than ten feet. In the case of Hemlock, he was also amazed that so many different looks could be achieved from the same wood and indicated that, with the darker stain, it looked like Teak. His conclusions were that, depending on final price, he would consider recommending B.C. wood to his clients if it was available in the Indian marketplace.

Another Indian architect, who has several condominium building projects in design, was impressed with the lighter colours that could be achieved with B.C. wood products. In particular, he noted that there is a very big potential to sell good quality solid wood doors in India. He wanted to know if B.C. wood products, such as doors, could be 'fire treated' and CCA treated for termites and borers. He estimates that his current projects will require up to 10,000 pre-fabricated quality doors. He also indicated that there is a growing interest in installing wood floors in residential complexes. According to this architect, if solid wood tongue & groove flooring were available in the range of Rs. 120 per square foot (\$4.80) it would find a good market in India.

Another well established architect, after examining B.C. wood samples, was adamant that once B.C. wood was introduced into Indian market, many people would change preference to it from Teak. He was extremely impressed with the quality of finishing on B.C. products and felt that it was far superior to any finishing on Teak products in India which is generally done manually on the job site. He also indicated that, although finishing costs are probably much higher in B.C., the time saving by using high quality finished products from B.C. would be attractive to Indian architects and property developers. He suggested that B.C. should look at creating their own distribution outlets in India as traditional timber merchants who handle Teak and other logs were not suitable for

distribution of lumber and finished products. Further, he added that the main selling points to highlight about B.C. lumber and wood products were quality and consistency of supply and the wide range of sizes available.

OPPORTUNITIES:

There appears to be an immediate opportunity for B.C. manufacturers of lumber, doors, wall panels, mouldings and floors to market directly to Indian builders, architects and interior designers. There may also be some opportunities for BC companies to set up JV for high value pre-fabricated wooden doors and windows but care must be taken in selecting the right local partner.

There was a great deal of interest shown in BC solid wood flooring which was displayed by BCWSG at Showcase '98. As is the case with new trends in kitchens, the desire to have wood flooring, particularly in condominium type homes is increasing. Most of the comments we received with respect to BC wood floor samples was that people found it hard to believe that they were made from solid wood. As it turned out, the imported pre-fabricated floor products offered currently in India are made primarily from pressboard. An example of this was a product called Witex Floor which is imported from Germany (*see Appendix: Witex*). It retails for Rs. 180 - Rs. 240 per square foot (\$7.20 - \$9.60). Most of the architects, interior designers and consumers that examined BC wood flooring samples said they would prefer the solid wood floors if they were available, regardless of higher cost.

A number of furniture manufacturers inquired about BC wood components and several are actively looking at ordering some trial shipments. According to a report from the Canadian High Commission in India, current wooden furniture imports are at US\$5 million but demand for premium wooden furniture for hotels, high income housing and expatriate housing is expected to increase. Delhi and Mumbai are the largest markets for wood furniture. Wooden furniture, including knock down is freely importable but is subject to extremely high import tariffs. The most immediate opportunity may be in supplying semi-processed components to EOU (export-oriented units). Under current regulations, EOU's are eligible to import machinery and cut lumber free of duty and are permitted to sell 20% of their finished product in the domestic market.

It will be important to position and market B.C. wood and wood products as a high quality alternatives to Teak. Even with current tariffs, the high end Indian consumer will see some time saving and thus economic benefit to using BC wood products. An example of marketing other woods as an alternative to Teak is a retailer in north India who imports Italian bedroom suites and dining room sets which sell for prices starting at \$5,000. When asked what type of wood his products are made from he proudly replies "Italian Teak", although the wood is Pine. Another Indian company which sells imported North American Sitka Spruce describes it as "common man's teak" in its promotional material. As Teak is king in the Indian mind, B.C. companies will have to consider innovative strategies to introduce and establish B.C. wood products in this competitive market. The term 'British Columbia Teak' may very well come into vogue with Indian consumers.

DUTIES & TARRIFS: A FISTFUL OF RUPEES

There has been a gradual decrease in import duties on lumber and wood products (from 150% before 1991 to an average of 50% in 1998) and this downward trend may continue. Even then, Indian tariffs are currently very high, particularly on wooden furniture.

Until 1995, a 15% duty was imposed on log imports and this has now been completely eliminated. This move was taken primarily to ensure that the Indian saw milling industry had steady supplies of timber . The duties on dimension lumber and finished products were at one time well over 100% and have now been reduced to the 38% - 80% ranges. Indian businessmen and manufacturers feel that over the next two to three years, these restrictive tariffs may continue to decline to more reasonable levels. Some of the relevant Indian import tariffs are as follows:

Dimension Lumber: 38%

Wood Doors & Windows: 43%

Wood Flooring: 68.74%

Wooden Railway sleepers: 62.84%

Particleboard & OSB: 65.24%

Plywood Veneered Panels & Veneer Sheets: 68.74%

Wooden furniture: 80.54%

B.C. industry and government will need to encourage the Canadian government to lobby the Government of India to reduce tariffs on lumber and wood products. In the meantime, despite high tariffs, it is important for the B.C. wood products industry to start establishing a presence so that if tariffs are reduced further, B.C. companies and products will already be well positioned in the Indian market.

DISTRIBUTION: BUT CAN YOU DELIVER?

Aside from some restrictive tariffs, establishing viable distribution channels for B.C. wood products is the main challenge to entering the Indian market. There is clearly an opportunity to market B.C. woods such as Hemlock, Douglas Fir and Pine to the Indian market but existing distribution channels are very fragmented or underdeveloped and this poses a major hurdle for introducing BC value added products.

Timber merchants, who import Teak logs, are the main gatekeepers of what type of wood comes into the Indian market. There is a 'Catch 22' situation as they say Indian consumers only want Teak wood while Indian middle class consumers want more varieties of wood products but do not have access to them. With the right marketing and exposure, over time, some timber merchants will be more willing to consider importing BC wood, particularly as they see an increase in interest from end users.

In the meantime, B.C. companies must work at setting up distribution networks through the few Indian companies that have retail outlets for wood products. Unfortunately, this sector does not have established large players as the industry is just beginning to develop. Other options that could be explored are for the B.C. industry to set up it's own showroom and distribution center in one of the major Indian markets. Through this, end users such as builders, architects and interior designers and furniture manufacturers could be targeted directly.

KEY CONCLUSIONS:

- While there is little or no awareness of softwood lumber and wood products in India there is growing demand for finished wood products in the market. This situation provides an opportunity for B.C. wood products companies to enter the Indian market at an early stage before other competitors get established in the market.

- The Middle and Upper Middle (MUM) Class in India are interested in high quality finished wood products which will enhance their lifestyles and social standing. With the right consumer education and marketing, demand can be created for B.C. wood products within this section of Indian consumers.

- Architects and interior designers are the main impetus in the MUM Class utilizing high quality wood products for kitchens, bathrooms and other interior uses. There is an opportunity to market B.C. made doors, windows, mouldings, staircase components, kitchen cabinets and flooring directly to these specifiers. This will require resources to showcase B.C. finished products and to create a distribution network in key regions of the Indian market.

- Architects and interior designers are forced to use only wood supplied by Indian timber merchants (Teak) as they have no other sources for obtaining lumber and wood products. There is a growing interest by architects and interior designers to recommend wood other than expensive Teak to their clients but they are reluctant to do so until other types of wood are available in the Indian market.

- Indian timber merchants have no incentive to diversify their product line as they are making good money through existing Teak sales. When these timber merchants recognize that there is consumer demand for other types of wood, they will become an important distribution component for B.C. companies.

- A B.C. entry strategy for the Indian wood products market will need to be a long term program, incorporating methods of educating timber merchants, architects, interior designers and consumers on the merits of softwood products. Indian design publications and trade shows can be utilized to provide effective exposure for the full range of B.C. lumber and wood products.

- The B.C. Trade & Investment Office (BCTIO) can play a key role in coordinating the activities of B.C. exporters into the Indian market. Any sustainable long term market development strategy will require a commitment and significant investment, from both industry and government, for establishing local market presence and developing a distribution network. The B.C. Wood Specialties Group (BCWSG) and MacMillan Bloedel Ltd. (MB) have expressed an interest in allocating resources to develop the Indian wood products market.

RECOMMENDATIONS:

- 1. Beyond the traditional timber merchants, efforts should be made to identify and contact existing distributors and importers of various wood products that are currently being sold in the Indian market.**
- 2. Identify Indian architects who can specify BC wood and products for use in large hotel residential and commercial projects in the major centers of New Delhi and Mumbai. These sites can then be used as showcase venues to demonstrate B.C. wood products.**
- 3. BCWSG should make efforts to establish a permanent showroom in Mumbai to display and sell BC wood products directly as this will lower the cost to end consumers and help establish the use of BC wood products in India.**
- 4. Lobby the Indian government for reduction of tariffs on cut lumber and finished wood products. A coordinated effort for this needs to be mounted by BC Industry Associations such as BCWSG and the provincial government through the Canadian Federal government.**
- 5. Organize a ‘consortium’ of B.C. companies that are interested in marketing their products in India and ‘package’ their products directly to architects and builders. Encourage more visits of BC companies with finished wood products to India and ensure that finished products are displayed at workshops and trade show venues.**
- 6. Work with Indian interior design publications to publish articles on BC softwoods and finished products. Articles that feature and highlight Indo- Canadian family homes and businesses that showcase different wood products would be a unique way to capture consumer interest in India.**
- 7. Review BC market development efforts in the early stages developing other markets such as Japan, Taiwan, Korea and formulate similar long term strategy for the Indian market.**
- 8. Create a database of Indian companies in the construction sector; timber merchants; architects; interior designers and furniture manufacturers and send promotional information on BC wood products at regular intervals.**
- 9. Design a BC directory of finished wood products aimed specifically at the Indian market. Visual images used should contain Indo-Canadian references (people, places).**
- 10. Identify and work with Indian agencies such as the South India Plywood Research Institute to test B.C. wood under Indian conditions and incorporate this information into promotional materials targeting the Indian market.**
- 11. Gather information on new types of treatment for wood borer and termite pests, which are prevalent in India, which could assist BC companies in preparing wood exports to India.**
- 12. Promote Indian clients/companies to visit North American building shows and offer to arrange a B.C. program as part of visits.**
- 13. Encourage the wood products sector to be listed as a priority sector in the Federal Government’s Trade Action Plan for India.**

APPENDIX: