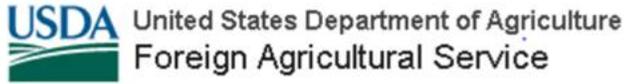




24 June 2020



SENT TO LSU AGCENTER/LOUISIANA FOREST PRODUCTS DEVELOPMENT CENTER - FOREST SECTOR / FORESTY PRODUCTS INTEREST GROUP



Report Name: Vietnam Wood Processing Industry
Country: Vietnam Post: Ho Chi Minh City Report Category: Wood Products
Prepared By: Kiet Vo, Linh Nguyen
Approved By: Megan Francic

Report Highlights: While currently facing difficulties stemming from the COVID-19 pandemic, Vietnam has a thriving wood processing sector that is heavily import-dependent. In 2019, U.S. exports of forest products to Vietnam reached \$350 million, and Vietnam was the 3rd largest market in the world for U.S. hardwood exports. U.S. softwood is still new to the Vietnam market, but Post expects market share to grow as Vietnam expands its use of softwood in furniture and construction.

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Voluntary Report – Voluntary - Public Distribution

Date: June 12,2020

Report Number: VM2020-0058

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I. Market Overview

Vietnam's wood processing industry has become one of the nation's top export industries over the past ten years, significantly contributing to the country's gross domestic product (GDP) growth and providing jobs to half a million workers. The industry's export revenue has increased from \$1 billion in 2004 to over \$10 billion in 2019 (Table 1).

Table 1: Vietnam's Key Export Wood Products (value in thousand U.S. dollars)

Products	2016	2017	2018	2019
Wood chips	987	1,073	1,340	1,687
Logs and timbers	250	172	64	49
Wood panels	407	506	790	848
Furniture	4,540	5,230	5,366	6,836
Other wooden products	615	423	916	910
Total	6,799	7,404	8,476	10,330
Growth		9%	14%	22%

Source: Vietnam Customs and Trade Associations

Vietnam's wood processing industry is comprised of about 5,000 local and foreign direct investment (FDI) enterprises, with 80 percent located in Ho Chi Minh City and the surrounding southern provinces of Binh Duong, Dong Nai, and Binh Dinh. The industry continues to expand, with more factories opening in other southern provinces, including Tay Ninh, Binh Phuoc, and Long An.

FDI plays an important role in wood processing and exports. As of 2019, there were 966 FDI enterprises in the sector, with a total investment of \$6 billion (Table 2). In 2019, Vietnam's wood processing industry welcomed 99 new investment projects, with total registered capital reaching \$726 million, up 48 percent in the number of projects and 170 percent in investment capital over the previous year. Industry estimated 2019 exports of furniture and wood products by FDI enterprises at \$5 billion, up 25 percent over 2018, accounting for approximately 48 percent of Vietnam's total wood and furniture exports. Key export products by FDI enterprises include furniture products under HS code 9403, chairs (HS 9401), plywood (HS 4412), and wood panels (HS 4418).

Table 2: Top Five Foreign Investors in the Vietnam's Wood Processing Industry (2019)

No.	Investing Economies	No. of projects	Investment capital (million USD)
1	Taiwan	220	1,000
2	Hong Kong	58	952
3	British Virgin Islands	46	894
4	China	217	651
5	Republic of Korea	103	650

Source: Vietnam Timber and Forest Product Association (VIFOREST)

Vietnam's wood processing industry is less dependent on material supplied from China than other export-oriented sectors, such as garments and footwear, and remained stable during the early part

of the COVID-19 pandemic. Major products imported from China include plywood, veneered panels, and similar laminated wood (HS 4412), veneered sheets (HS 4408), and non-wood materials including leather, hardware, and decorative items, but Vietnamese wood processors have been able to source from alternative Asian suppliers, including the Republic of Korea (ROK), Thailand, Malaysia, and Taiwan. Significantly, the most critical materials for Vietnam's wood processing industry, logs and timber, do not come from China.

However, Vietnamese industry is now facing reduced, suspended, and canceled orders as the ongoing COVID-19 pandemic dampens demand and consumption in major export markets. COVID-19 has reduced Vietnam's export target for furniture and wood products so severely that the Vietnam Timber and Forest Product Association (VIFOREST), a national non-profit organization representing stakeholders that harvest, process, consume, and trade forest products, estimates the industry will not grow this year. For 2020, Vietnam's Ministry of Agriculture and Rural Development (MARD) originally projected Vietnam's exports of furniture and wood products at \$12 billion, with expectations of 20 percent growth over 2019. This projection was based on strong demand pre-COVID from Vietnam's largest export markets, including the United States, China, Japan, and the ROK. The EU, which is already a top export market, was projected to grow further due to the EU-Vietnam Free Trade Agreement (EVFTA), which is expected to come into force in summer 2020.

Vietnam's wood associations have noted that many members are struggling with the order suspensions and cancellations. While large FDI enterprises may be able to navigate the COVID-19 crisis, many local producers, which are mostly small and medium scale, are facing difficulties. According to a recent survey conducted by local trade associations with 124 furniture producing members, at least 50 percent of the interviewees have reduced operations, with some temporarily shutting down. If the COVID-19 pandemic in the United States and the other large markets continues for an extended period of time, a significant number of Vietnamese furniture producers, especially small and medium sized companies, may face bankruptcy, threatening thousands of jobs. This slowdown could eventually hit exports of U.S. timber, especially U.S. hardwood, which has seen increasing sales to Vietnam.

II. Supply of Wood Materials

Local Supply

According to MARD, Vietnam's total forest land coverage is approximately 14.5 million hectares, of which forest plantation covers 4.3 million hectares, providing roughly 28 million cubic meters of wood materials for the wood processing industry. To promote sustainable development, Vietnam has implemented numerous initiatives to enlarge its green coverage and has encouraged wood processing enterprises to use legally harvested wood materials for their production. By the end of 2017, the Forest Stewardship Council (FSC) gave 732 Vietnamese enterprises a Chain of Custody certificate. FSC also has awarded 49 enterprises with Forest Management certificates for sustainable plantation areas of approximately 226,500 hectares.

Acacia and eucalyptus are the two dominant species planted extensively throughout Vietnam and are primarily used for wood chip production. Due to increasing demand in international markets and the fact that wood chip production does not require quality logs in large sizes or advanced technology, a significant amount of local wood is used to produce wood chips. Depending on the

financial capacity and economic plans of agroforest farmers, these trees can be harvested within five years for wood chip production, as opposed to eight years for higher value products. MARD estimates that approximately 26 million cubic meters of local wood were converted into 13 million metric tons of wood chips in 2019. Most of this volume went to China and Japan for paper manufacturing.

Rubber and acacia are the two major species used to produce high value product for export, such as furniture. However, according to VIFOREST, the supply is limited at around about 2 million cubic meters. Therefore, Vietnam must import millions of cubic meters of diverse wood materials for its wood processing sector.

Imports of Wood Materials

Logs, timber, and wooden panels account for over 80 percent of Vietnam’s total imports of wood and non-wood materials. In 2019, Vietnam’s imports of wood materials totaled \$2.2 billion, including 2.6 million cubic meters of timber worth approximately \$928 million, 2.3 million cubic meters of logs worth approximately \$650 million, and about \$660 million worth of wood panels. Vietnam’s major suppliers of logs and timber include the United States, the EU, Cameroon, Angola, the Democratic Republic of Congo, Chile, and Brazil. China, Thailand, and Malaysia are the largest suppliers of wood panels (Table 3).

Table 3: Global Exports of Wood and Wood Products to Vietnam (value in thousand U.S. dollars)

Reporter	2016	2017	2018	2019	01/2019 - 02/2019	01/2020 - 02/2020
China	287,091	348,650	419,274	534,969	50,161	48,249
United States	215,592	264,226	311,830	349,738	57,709	68,290
EU 28 External Trade	133,856	177,572	192,923	205,756	38,540	-
Thailand	79,108	95,607	86,709	102,615	14,457	14,784
Chile	57,772	63,752	79,380	67,857	15,762	12,570
New Zealand	51,490	56,139	55,004	57,293	7,375	7,714
Brazil	30,563	43,436	59,532	56,377	8,867	8,303
Malaysia	78,042	72,931	75,927	54,018	10,722	7,278
Indonesia	21,236	19,757	20,331	26,004	3,469	4,089
Others	954,751	1,142,068	1,300,911	1,454,627	207,062	171,277
Total	1,909,501	2,284,138	2,601,821	2,909,254	414,124	342,554
Growth		20%	14%	12%		-17%

Source: Trade Data Monitor

The United States has topped the list of hardwood suppliers to Vietnam for nearly a decade. Last year, U.S. exports of forest products to Vietnam reached \$350 million; 90 percent was logs and timber. For logs, oak, walnut, and ash are the most popular species, with exports totaling \$65 million. For timber, poplar, oak, walnut, and alder are the best-selling species, totaling \$210 million.

III. Regulations, Tariffs, and Policies on Wood Imported into Vietnam for Further Processing

The trade and manufacturing processes of forest products in Vietnam are governed by Law 16/2017/QH14 on Forestry which went into effect on January 1, 2019. The law defines that forest products harvested from forests include the forest's fauna and flora and other products as woods, non-wood articles, processed woods, bamboo, and rattan.

Plant Quarantine

MARD's Circular 30/2014 states that logs, lumber, and wooden pallets imported into Vietnam are subject to plant quarantine. For further details, please see Section VIII of the [Food and Agricultural Import Regulations and Standards Country Report GAIN Report](#).

Convention on International Trade in Endangered Species of Wild Fauna and Flora

Vietnam joined the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) on January 1, 1994. MARD is the managing authority.

Vietnam's Decree 06/2019/ND-CP, which went into effect on March 10, 2019, regulates the management of rare, precious, and endangered species of fauna and flora and the implementation of CITES. Chapter 3 includes guidelines on CITES implementation and has provisions on export, import, re-export, harvest from common marine areas, and transit of regulated products.

MARD Circular 04/2017/TT-BNNPTNT, dated February 24, 2017, lists wild fauna and flora in the CITES Appendices. Appendix I includes species of wild animals and plants threatened with extinction. These species are prohibited from import, export, re-export, harvest from common marine areas, and transit for commercial purposes. Appendix II lists wild animal and plant species that, although not explicitly threatened with extinction, still face a threat of extinction without control measures on import, export, re-export, harvest from common marine areas, and transit activities for commercial purposes. Appendix III lists wild animal and plant species that a CITES member can request other members to collaborate on measures related to export, import, or re-export for commercial purposes.

Wood species listed in Appendix I cannot be imported into Vietnam. Import permits issued by Vietnam are required for wood species listed in Appendices II and III.

Import Documentation

MARD Circular 27/2018/TT-BNNPTNT, dated November 16, 2018, regulates the management and traceability of forest products. In addition to phytosanitary certificates required by MARD's Plant Protection Department and documents required by Vietnam Customs, other required import documentation include a packing list of forest products prepared by the importer (the product's owner) or the individual and foreign exporting organization, a copy of the import permit issued by CITES Vietnam for forest products listed in CITES Appendices, and other documentation regarding the origin of forest products regulated by the exporting country.

Articles 22 and 25 of Decree 06/2019/ND-CP explain how to obtain a CITES import permit, which is valid for 12 months from the issuance date. The forms to request an import permit and a sample CITES permit are attached.

Upcoming Vietnam Timber Legality Assurance System

As a result of a Voluntary Partnership Agreement with the EU that entered into force in June 2019, Vietnam is now drafting legislation to implement a national timber legality assurance system. The draft Vietnam Timber Legality Assurance System (VNTLAS) decree stipulates regulations for importing and exporting timber following a risk-based approach. The decree includes: criteria, authority, procedure, and classification process for processing and exporting timber business entities; and, Forest Law Enforcement, Governance and Trade (FLEGT) licensing. VNTLAS regulates timber harvested, transported, traded, and processed in accordance with requirements and regulations of international conventions that Vietnam is party to and requirements of countries that import processed wood products from Vietnam related to the management and traceability of forest products.

MARD will coordinate with relevant ministries to publish a list of positive geographical areas, which would specify which countries are allowed to export timber to Vietnam, as they meet the various criteria to assure that timber exported from those countries comes from legal sources. A second list, that will be updated every six months, will stipulate whether a timber species is considered “risky” or “non-risky.” Any timber species that is being exported to Vietnam for the first time would be considered risky and the exporter would have to submit documentation outlining the origins and traceability of the species.

The Government of Vietnam is expected to approve the final Decree in 2020.

Tariffs for Imported Wood

Wood imported into Vietnam is subject to an import duty and a 10 percent value added tax. Imported wood under HS codes 4403 and 4407 is duty free for most favored nation (MFN) countries. MFN duties for other wood products under HS 44 range from 3 to 8 percent.

IV. Opportunities for U.S. Wood Materials

Despite the current downturn due to COVID-19, Post expects that Vietnam’s wood processing industry will continue to grow in the medium and long-term and offer more opportunities for U.S. logs and timber due to the shortage of domestic materials and the abovementioned legality requirements. Post believes that the growth in the wood processing industry is sustainable, as the country has a skilled workforce and historically strong capital investment. In addition, Vietnam is party to the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) and just ratified the EVFTA in June 2020. Vietnam’s exports of forest products, mostly furniture, to CPTPP members rose from \$964 million in 2018 to \$1.1 billion in 2019, a 14 percent increase. Likewise, tariff reductions under the EVFTA are expected to boost Vietnam’s exports of furniture to the EU. As planned, 83 percent of wood product tariff lines will enjoy a tariff reduction from 6 to zero percent upon entry into force, with the remainder phased out over the following five years. According to the Handicraft and Wood Industry Association of Ho Chi Minh City (HAWA), the EVFTA will increase Vietnam’s furniture export revenue in the first year by more than \$1 billion.

Vietnam is the third largest global market for U.S. hardwood, which has built its reputation for availability, diversity, sustainability, and premium quality in this market. U.S. exports of forest products, mostly hardwoods, have steadily increased over the past five years as U.S. hardwoods

are extensively used to produce quality furniture for both export and domestic consumption. Prominent U.S. species include oak, walnut, ash, poplar, and alder.

The American Hardwood Export Council (AHEC) is very proactive in promoting U.S. hardwood in the Vietnam market. Through its representative office in Hong Kong, AHEC participates in trade shows, sponsors furniture design and interior decoration competitions, organizes trade missions, and connects U.S. suppliers with Vietnamese buyers.

While hardwood species are widely used for furniture and interior decoration, softwood species are mainly used for producing lower value items, such as internal parts of furniture, pallets, or formwork. U.S. softwood remains relatively new to many Vietnamese wood processors. Pine from Chile and New Zealand dominates the market, with 2019 export values reaching \$69 million and \$57 million, respectively. U.S. exports of softwood, mostly pine, have remained modest, standing at about \$7 million in 2019, accounting for a small share of total imports.

A lack of knowledge of U.S. softwood species and U.S. supply capability are the main constraints inhibiting U.S. exports. Post believes that U.S. softwood will gain market share as local stakeholders become more educated and Vietnam expands its use of softwood in furniture and construction.

V. Trade shows

There are two important trade shows that provide opportunities to promote U.S. hardwood and softwood in Vietnam. The first is the Vietnam International Furniture and Home Accessories Fair (VIFA Expo) hosted by HAWA, which is usually held annually in March. The second is the Vietnam Wood show, organized by Chanchao, a private Taiwanese show organizer, which takes place every two years in the fall. AHEC and U.S. wood suppliers regularly participate in both shows. More details about the shows are available at <http://vifafair.com/home/> and <https://www.chanchao.com.tw/vietnamwood/vn/>.

VIFA 2020 was canceled due to COVID-19.

VI. Useful contacts

HAWA

<http://www.hawa.vn/en>

Mr. Nguyen Quoc Khanh, Chairman

Mr. Nguyen Chanh Phuong, Secretary General

Binh Duong Furniture Association (BIFA)

<http://www.bifa.vn/>

Mr. Dien Quang Hiep, Chairman

Mr. Tran Anh Vu, General Secretary

VIFOREST

<http://vietfores.org/>

Mr. Do Xuan Lap, Chairman

Attachments:

[Form 9.docx](#)

[Form 12.docx](#)