Nichos de Mercado en los Estados Unidos para Productos Maderables de Bolivia: Plywood, Puertas, Pisos.

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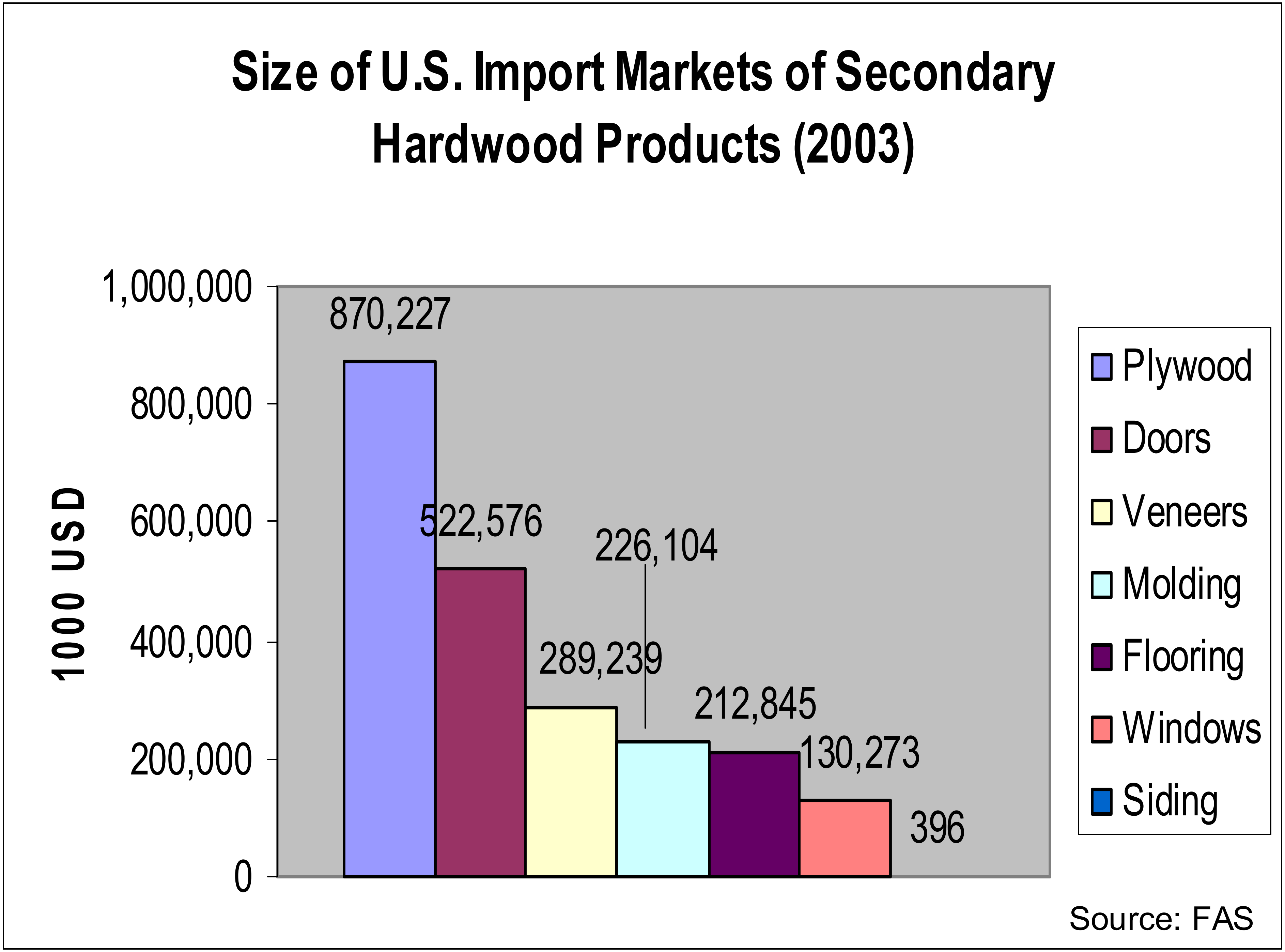
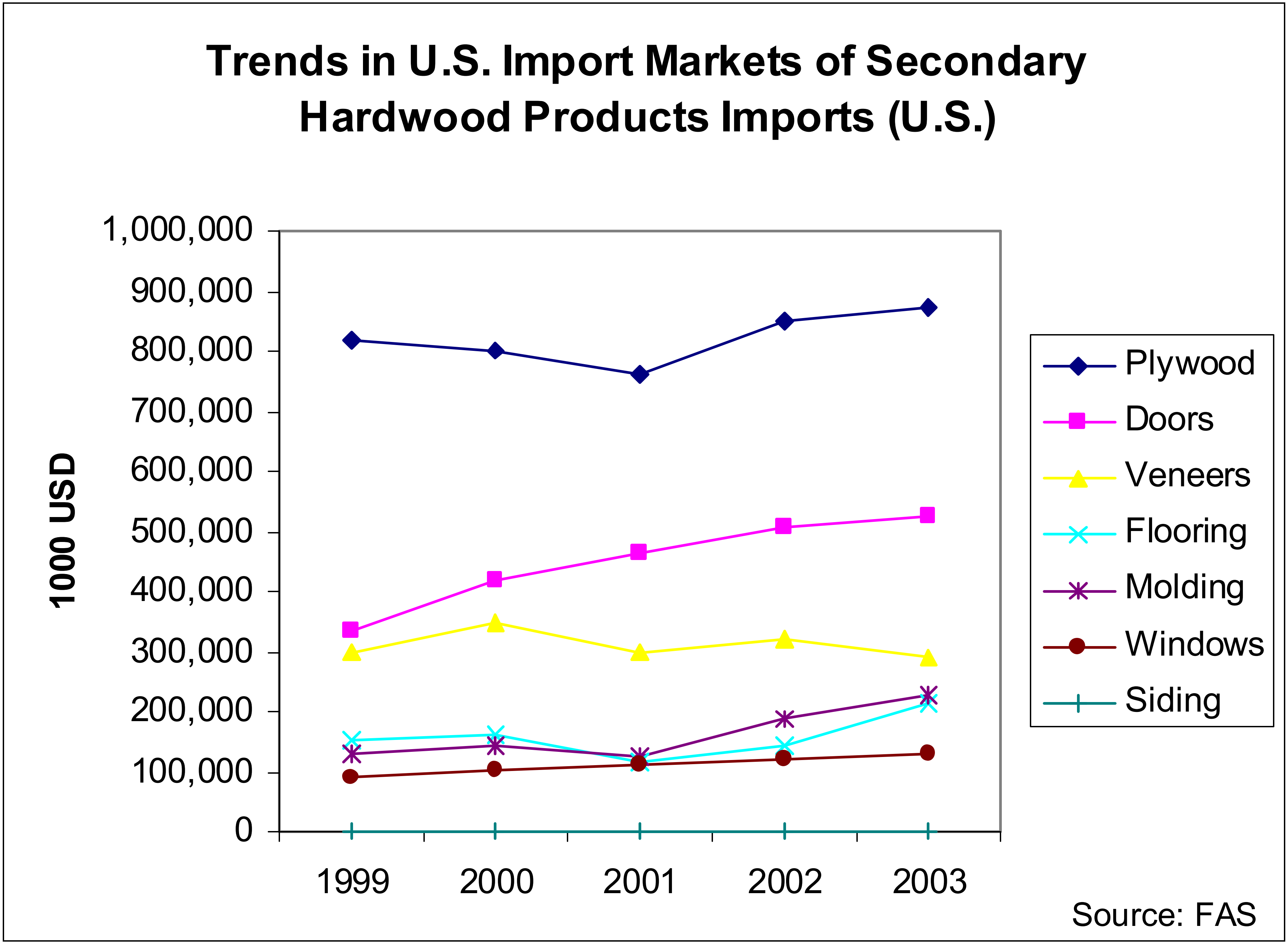
Presentation Outline

1. Overview: US Forest Product Import Markets
2. Outlook for 2005: Housing and Remodeling Markets
3. Market Characteristics, Trends, Opportunities, Potential Strategies
   1. Plywood
   2. Doors
   3. Flooring

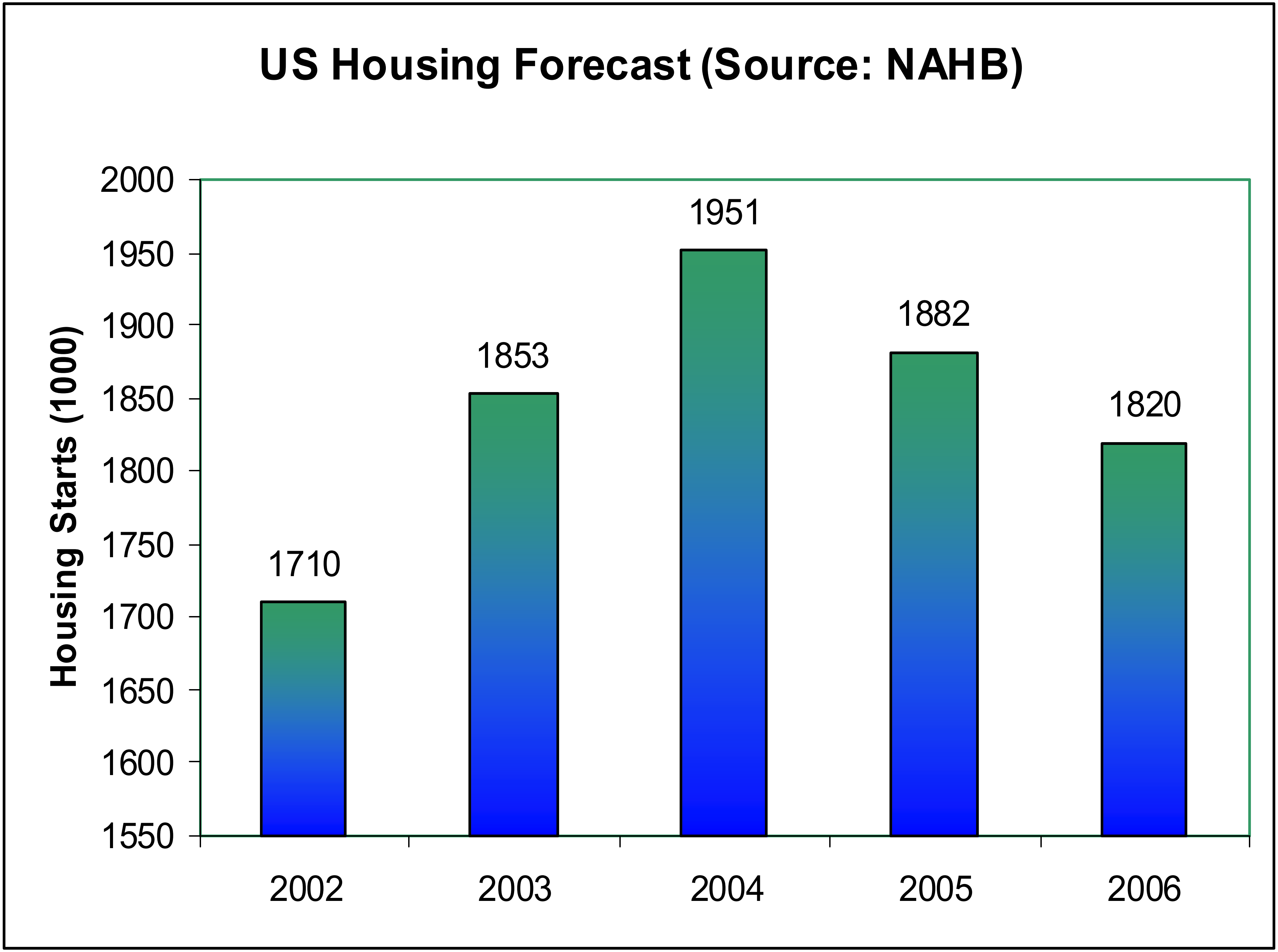

Size of U.S. Import Markets of Secondary Hardwood Products (2003)
1000 USD
1,000,000
800,000
600,000
400,000
200,000
0
870,227
522,576
289,239
226,104
212,845
130,273
396
Plywood
Doors
Veneers
Molding
Flooring
Windows
Siding
Source: FAS



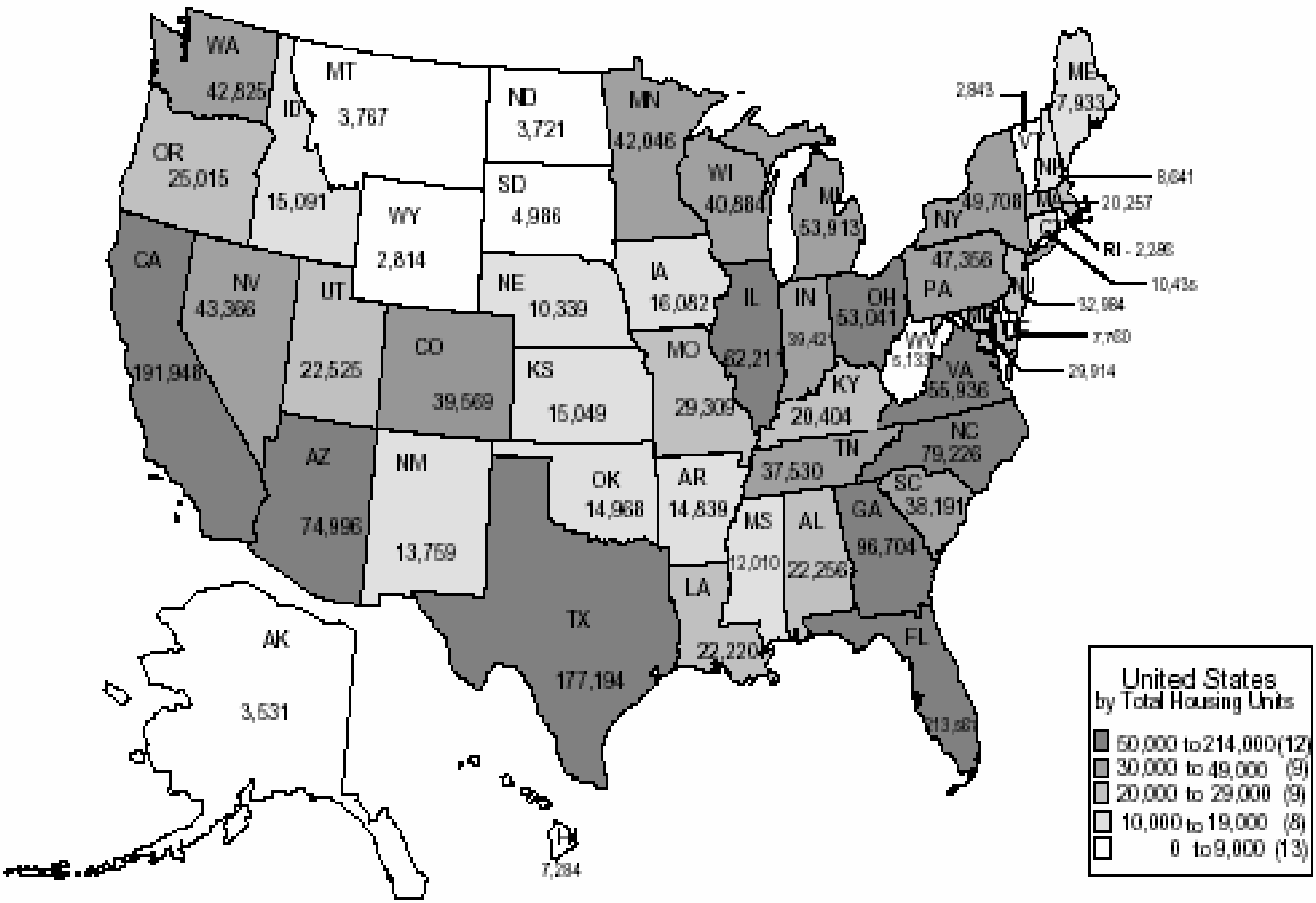
Trends in U.S. Import Markets of Secondary Hardwood Products Imports (U.S.)
1000 USD
1,000,000
900,000
800,000
700,000
600,000
500,000
400,000
300,000
200,000
100,000
0
1999
2000
2001
2002
2003
Plywood
Doors
Veneers
Flooring
Molding
Windows
Siding
Source: FAS

Housing Market

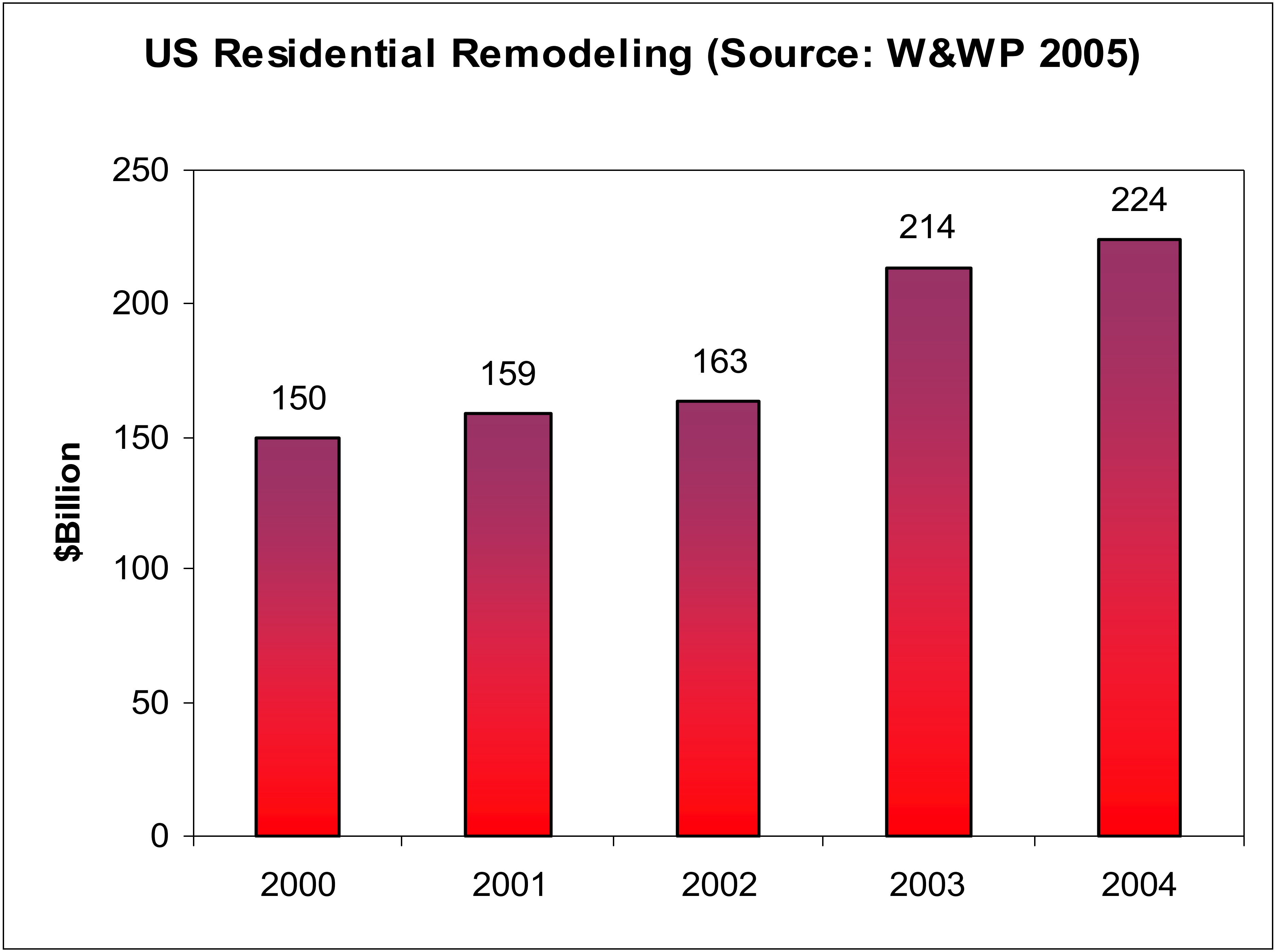
- Markets for wood products are closely tied to housing markets:
  - accounts for about 42 percent of US door and window sales overall (2003).
  - In 2003, 11% of new single family homes installed hardwood flooring (NAHB 2004)
- Construction spending last year saw biggest annual gain (total construction) since 1996 at 9% (Epstein 2005)
- "Construction of new homes and apartments rose 4.7 percent in January [2005] to the highest level in over two decades as low mortgage rates continued to power the nation's housing industry" (AP 2005)


US Housing Forecast (Source: NAHB)
Housing Starts (1000)
2000
1950
1900
1850
1800
1750
1700
1650
1600
1550
1710
1853
1951
1882
1820
2002
2003
2004
2005
2006

U.S. New Privately Owned Housing Units Authorized by State: 2003

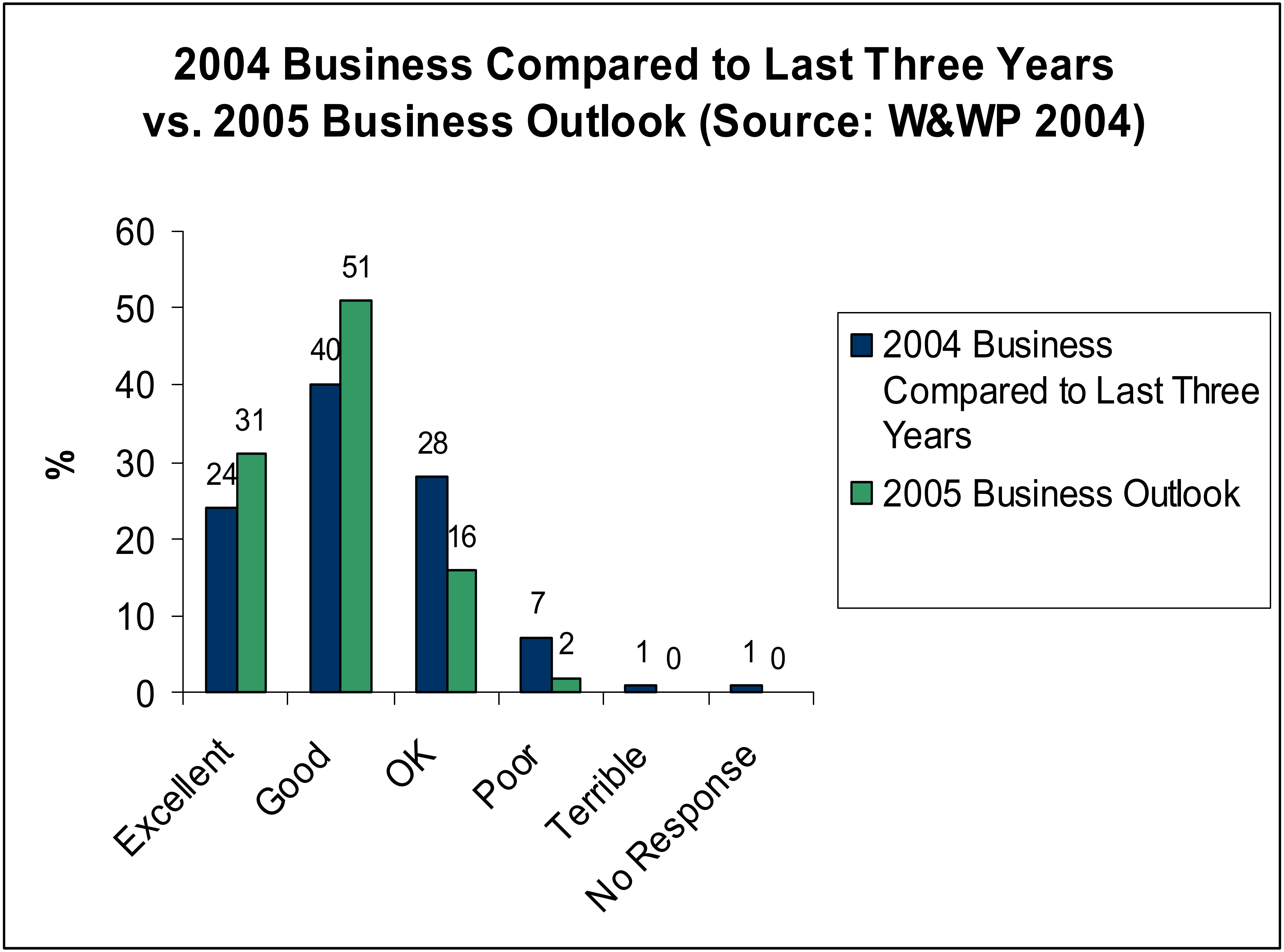


Source: US Census Bureau


US Residential Remodeling (Source: W&WP 2005)
$Billion
250
200
150
100
50
0
150
159
163
214
224
2000
2001
2002
2003
2004

Home Remodeling Market

- Projected annual growth of remodeling: 5% next few years (A. 2004).
- Cities where remodeling was strongest (2003): Washington, D.C.; Philadelphia; Portland; Phoenix; Los Angeles; San Francisco; Sacramento; Pittsburgh; San Diego; Chicago; Kansas City; Dallas; Tampa; and Miami.
- Hispanic households are leading growth in home improvement spending. (A. 2004).
- West had highest confidence in future expectations, followed by South. The Midwest posted slight increase in future expectations. The Northeast dropped in both current activity and future expectations (NAHB 2004).


2004 Business Compared to Last Three Years vs. 2005 Business Outlook (Source: W&WP 2004)
%
60
50
40
30
20
10
0
24
31
40
51
28
16
7
2
1
0
1
0
Excellent
Good
OK
Poor
Terrible
No Response
2004 Business Compared to Last Three Years
2005 Business Outlook

Plywood

Plywood: Market Trends

- For the period January – August 2004, US imports of panel/plywood products are up 71%, compared to the same period in 2003.
- Projected trend for 2005 is that US plywood imports (all) will increase from 4260 to 4263 (1000m3) (UNECE 2004).
- Veneer has been projected to drop from 1341 – 1338.

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Plywood: Niche Opportunities

- Decorative (Fancy) Thin Plywood
  - Higher value per unit offsets shipping cost disadvantage of Bolivia
  - Brazil has much higher capacity to serve the market for structural plywood and platforms
- Typical applications: drawer bottoms, furniture backs, wall and ceiling paneling, door skins, **cabinetry**, partitioning, office screens, exhibition paneling, curved panels, and counter and desk surfaces.

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Cabinetry Market

- Industry expected to increase 35% 2003-2008 (W&WP 2005)
- 11.6 $Billion in 2003, and 15.6 $Billion expected value in 2008
- Kitchen remodeling is most common remodeling job (63% in 2002 of remodelers ranked as highest) (NAHB 2004)

Plywood: Certified Markets

- Very limited market for certified plywood or veneers
- “Couldn't remember last time that certified was requested,”
- However, 4 of the 15 companies contacted were COC certified and /or carried certified panel products from time to time (Argo Fine Imports, Architectural Forest Products, GL Veneer, and Tropical Plywoods).
- There is some willingness to try to sell certified (Veneer Technologies). This buyer reflects the feeling that it’s only a matter of time before there is a demand, though not at present.

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Plywood: Strategy Recommendations

- Product – cabinet grade plywood
  - Mahogany substitutes (existing market)
  - Light woods (popular consumer preference)
- Customer
  - Manufacturers of cabinet, closets and other storage units
  - Certified end-users
- Geography
  - South and West where housing markets are strongest and remodeling forecasts good.

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Doors

Doors: Market Trends

- U.S. window and door industry is projected to grow 4.9 percent annually over the next five years (2003 – 2007) (Koenig 2003).
- Within the import market for hardwood doors, imports of Flush and French doors have stayed level for the past 5 years, dropping from 2002-2003 back to 1999 levels.
- Imports of “other doors” (including stile and rail: interior panel doors, entrance doors, sidelights, combination doors, louver doors, bifold doors.) have increased rapidly at 48.6%.

Doors: Market Characteristics

- 8 foot doors have become common (Mentis 2004). Houses are now increasing in size.
- According to Therma-Tru, demand for its 8 foot doors increased 123% in 2001, and 116% in 2002 (A. 2003).
- These larger doors are more popular in the warmer parts of the country – particularly Florida, the Southwest and the West Coast.

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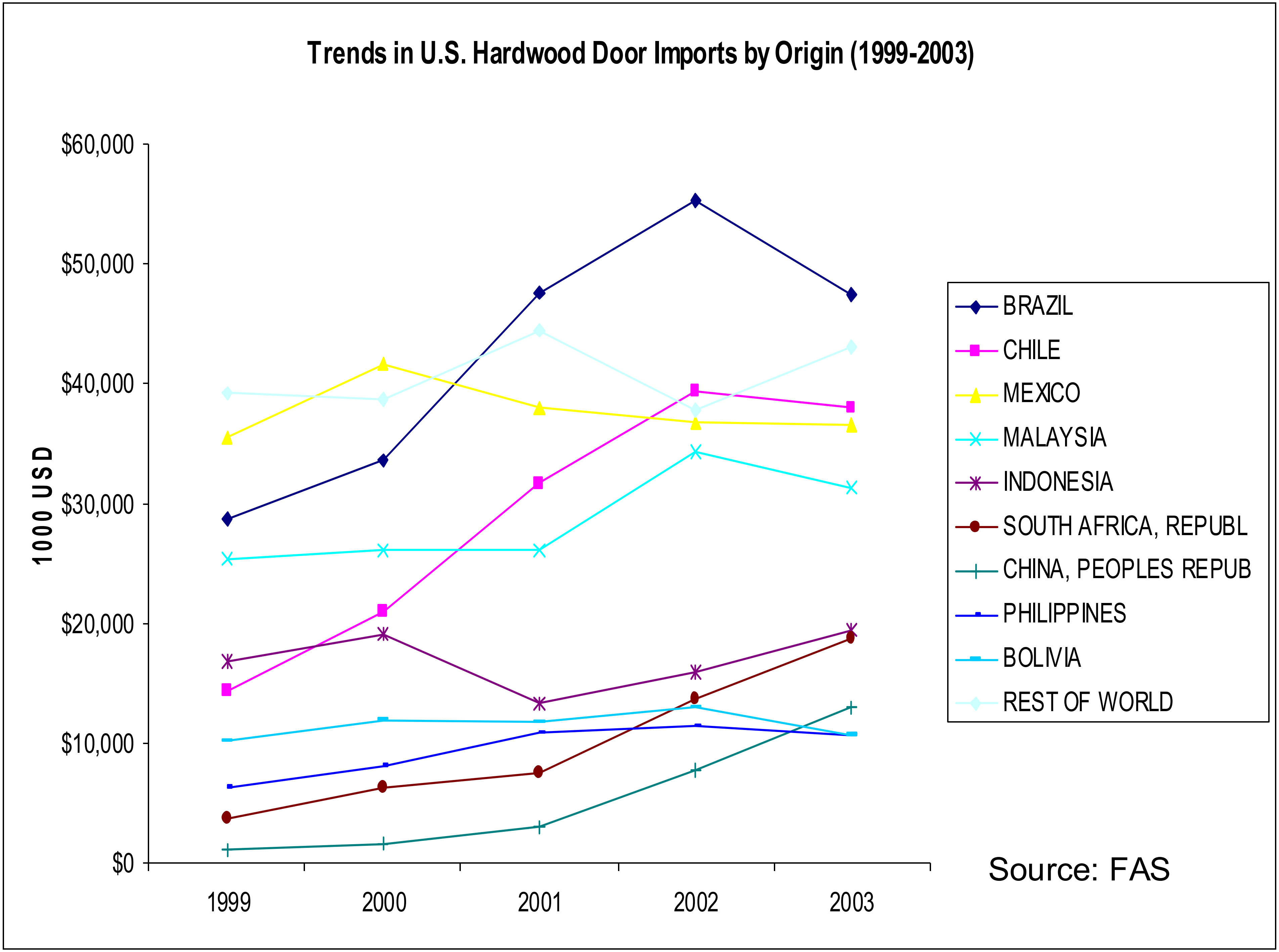
Doors: Market Characteristics

- In the US, the vast majority of window and door dealers purchase their products directly from manufacturers.
- Even among retailers, only 17 percent buy from wholesalers or others.
- Wholesaler/distributors tend to concentrate more on new home construction than retailers.
- Retailers tend to be more involved in the replacement business than the wholesaler/distributors.



Trends in U.S. Hardwood Door Imports by Origin (1999-2003)
1000 USD
$60,000
$50,000
$40,000
$30,000
$20,000
$10,000
$0
1999
2000
2001
2002
2003
BRAZIL
CHILE
MEXICO
MALAYSIA
INDONESIA
SOUTH AFRICA, REPUBL
CHINA, PEOPLES REPUB
PHILIPPINES
BOLIVIA
REST OF WORLD
Source: FAS

Doors: Strategy Recommendations

- Customer
  - Target builders/contractors (areas of new construction) and retailers (areas of high remodeling rates). Question becomes lead time.
- Geography
  - Target western states with best housing markets: California, Texas, Arizona, and Washington. Cities with the best housing markets in these states include: LA, Sacramento, San Diego, Houston, Dallas, Phoenix, Seattle, and Las Vegas, Nevada.
- Product
  - When focusing on west coast, and southwest, need to develop a product strategy based on particular styles. E.g. 8’ doors, Spanish revival / Mission style, Craftsman style, etc.

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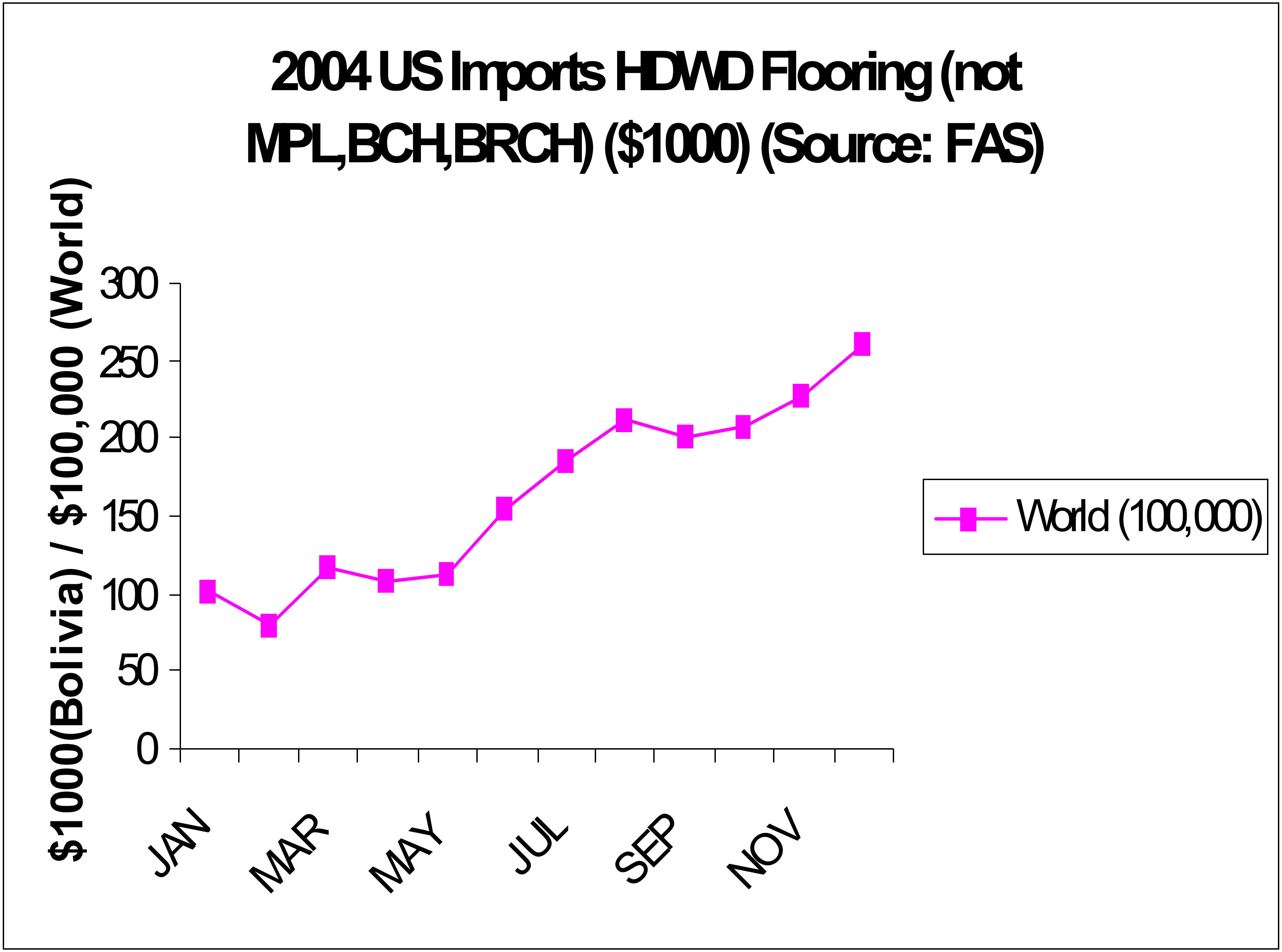
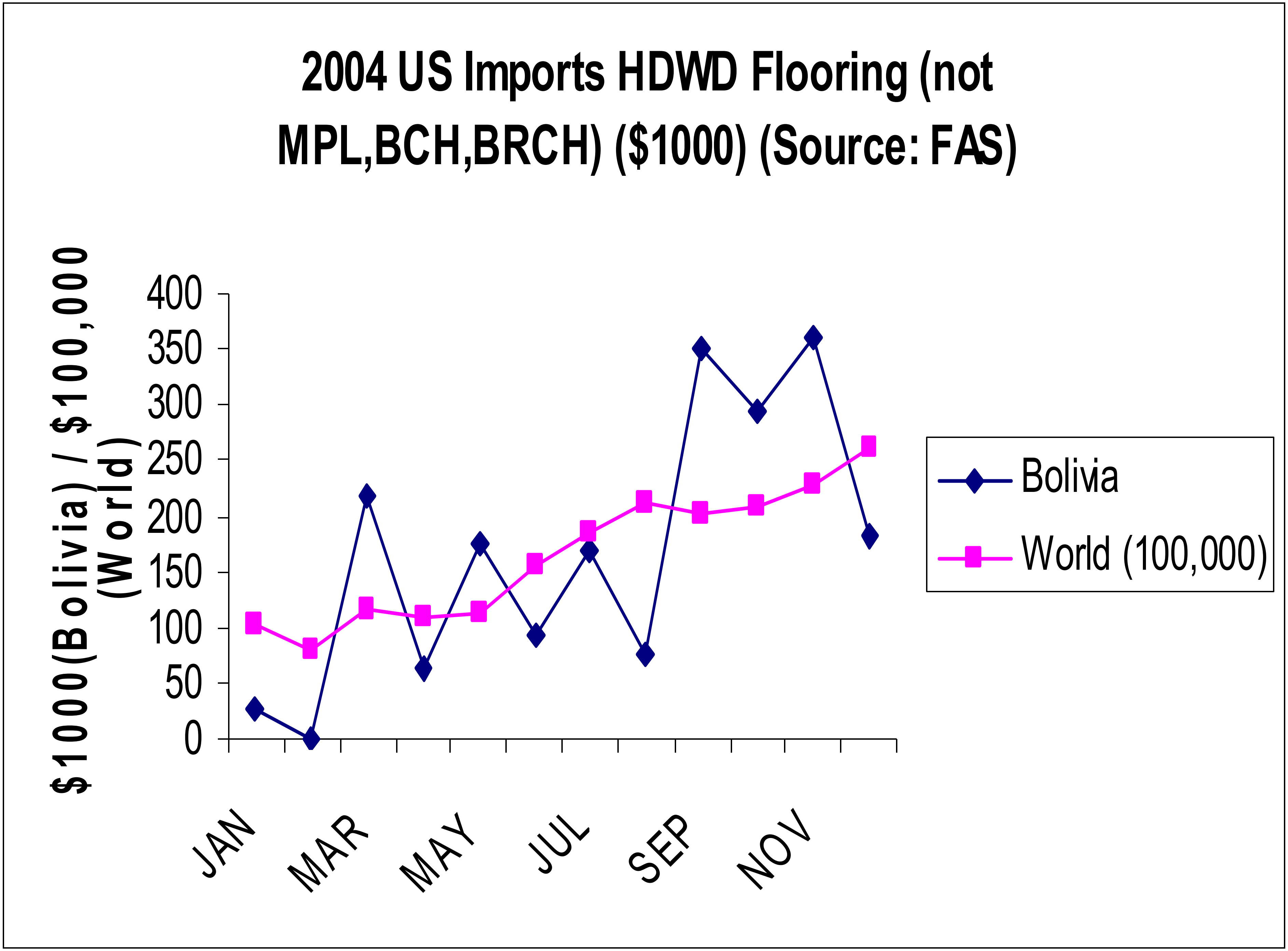
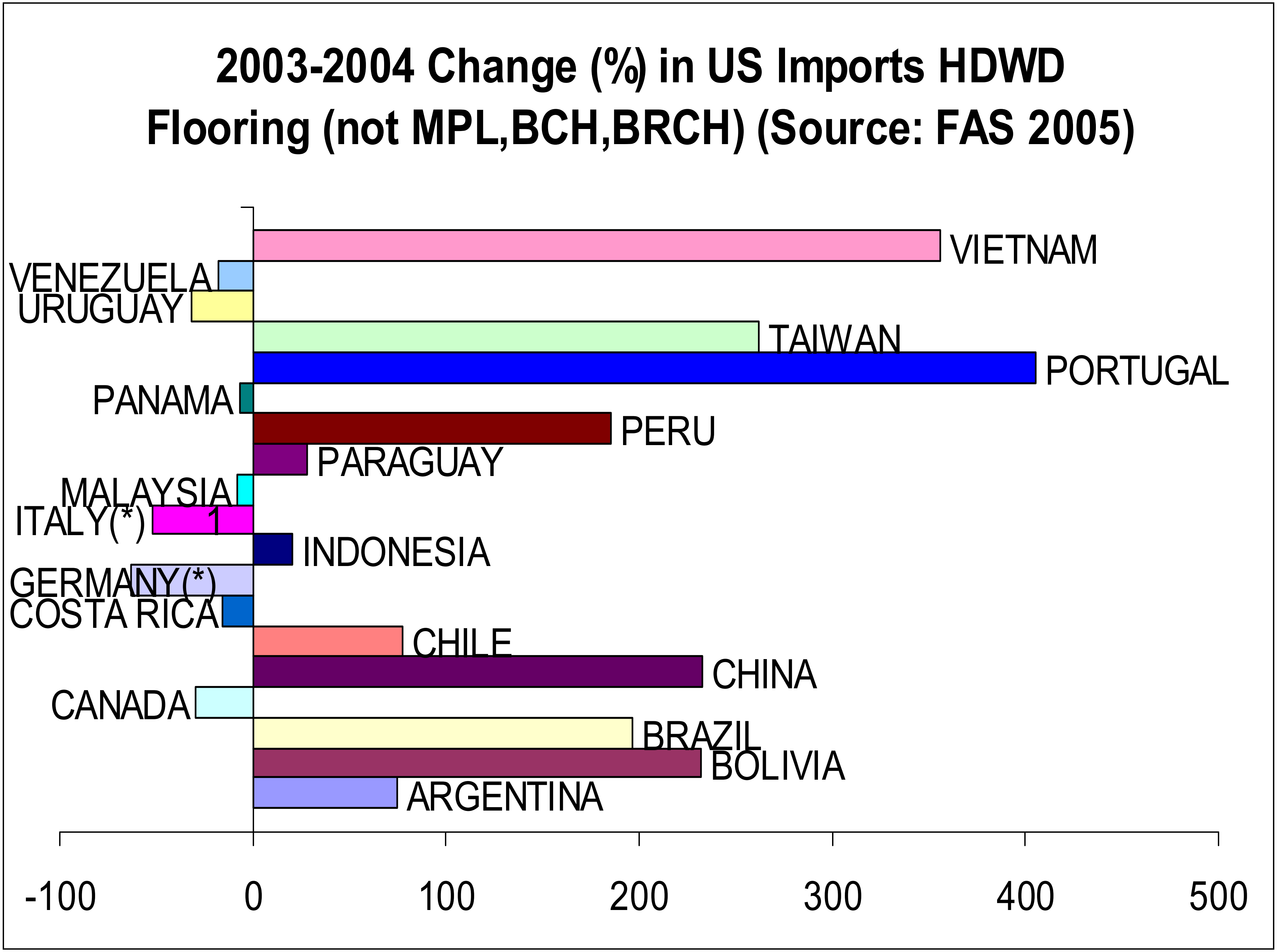
Flooring


2004 US Imports HDWD Flooring (not MPL,BCH,BRCH) ($1000) (Source: FAS)
$1000(Bolivia) / $100,000 (World)
300
250
200
150
100
50
0
JAN
MAR
MAY
JUL
SEP
NOV
World (100,000)


2004 US Imports HDWD Flooring (not MPL,BCH,BRCH) ($1000) (Source: FAS)
$1000(Bolivia) / $100,000 (World)
400
350
300
250
200
150
100
50
0
JAN
MAR
MAY
JUL
SEP
NOV
Bolivia
World (100,000)


2003-2004 Change (%) in US Imports HDWD Flooring (not MPL,BCH,BRCH) (Source: FAS 2005)
VIETNAM
VENEZUELA
URUGUAY
TAIWAN
PORTUGAL
PANAMA
PERU
PARAGUAY
MALAYSIA
ITALY(*)
1
INDONESIA
GERMANY(*)
COSTA RICA
CHILE
CHINA
CANADA
BRAZIL
BOLIVIA
ARGENTINA
-100
0
100
200
300
400
500

Flooring: Market Characteristics

- The solid wood flooring holds a bigger share of the market than engineered flooring
  - 83% of surveyed distributors carried solid (unfinished and prefinished) in 2002, compared to only 17% carrying of engineered)(Floors 2002).
  - [However, engineered market growing]
- Pre-finished is growing.
  - The number of distributors selling prefinished product grew 10% between 2000 and 2001.
  - Due to strong remodeling market as remodeling contractors like this type of wood floor, and ease of installation.

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Flooring: Market Channels

- According to a survey of wood flooring contractors in 2001, wood flooring contractors bought from (Floors 2002):
  1. specialty wood flooring distributors (90%)
  2. the manufacturer (30%)
  3. general floorcovering distributors (also sell tiles, vinyl, etc) (25%)
  4. big-box stores (20%)
- Exotic wood flooring is sold more through distributors than contractors. In the 2001 survey, 8% of distributors sold exotic woods (other than Jatoba), compared to 2% of contractors.

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Flooring: Distribution Trends

- Emergence of new distributors.
- Consolidation of manufacturers.
- Manufacturers are increasingly selling direct to customers and foregoing distributors.
- Big-box retailers such as Lowe’s and Home Depot have gained some of the market share from distributors buy selling direct to contractors.

Flooring: Species Requested

Trade Name	Common	Notes
Cumaru	Almendrillo	FSC
Jatoba	Paquio	FSC
Ipe	Tajibo	FSC
Cuta (blanca)	Cuta (blanca)	FSC
Santos Mahogany		FSC
Tauari	Enchoque	
Goncalo Alves		
Bolivian Rosewood	Morado	
Tiete Rosewood		

Flooring: Certified Markets

- Certified flooring offers a real opportunity for Bolivian flooring producers.
- Ecotimber, an importer of flooring that deals exclusively with FSC stated that certification was the reason that they are buying from Bolivia.
- Brazil has a difficult time meeting requirements on 100% certified product, as shipments are often 70% certified product.
- Species requested in certified flooring include: Cumaru, Cuta blanca, Jatoba, Ipe, and Santos Mahogany.
- This window of opportunity is closing fast as Brazil increase certification.

Flooring: Strategy Recommendations

- Product
  - Species w/ current markets (Cumaru, Ipe, Jatoba, etc).
  - Pre-finished flooring
  - LKS have an opportunity in pre-finished flooring
  - Increase drying capacity
- Customer
  - Those servicing certified markets
  - Importers (small – medium size producers). Established distribution channels and customers and favorable terms of payment.
- Geography – growth areas for housing and remodeling

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Conclusion

- Niches:
  - Plywood (decorative): Cabinetry manufacturers
  - Doors: Western states of California, Texas, Arizona
  - Flooring: Certified Importers/Distributors
- Target efforts in States and Cities with strong housing and remodeling markets.
- Issues of communication, drying (flooring), lead time and reliability need to be addressed where possible.

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