

Vietnam Forestry & Wood Industry amid Global Economic & Trade Uncertainties

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Structure

1. Vietnam forestry & wood industry in brief
2. Dynamics of plantation business
3. W&WP trade
4. Problems faced
5. Lessons learnt
6. Conclusions



1. Vietnam Forestry & Wood Industry in Brief

Forestry



2014: Ban of natural forest logging & shift to plantation forestry;



Wood production: 3.5 mln ha of commercial plantations (mostly acacia, supply 35 – 40 mln M3/year) + 1 mln ha of rubber farms (3 – 4 mln M3 rubber wood/year);



Innovative financing mechanisms tested: PFES (PES) collects US\$ 150 mln/year from hydropower, water supply, aquaculture, eco-tourism; REDD+; CO2 credits...



VPA/FLEGT: signed in 2018, VNTLAS in place from 2020, applicable for wood import from 10/2020, FLEGT licensing to start in 2025!;



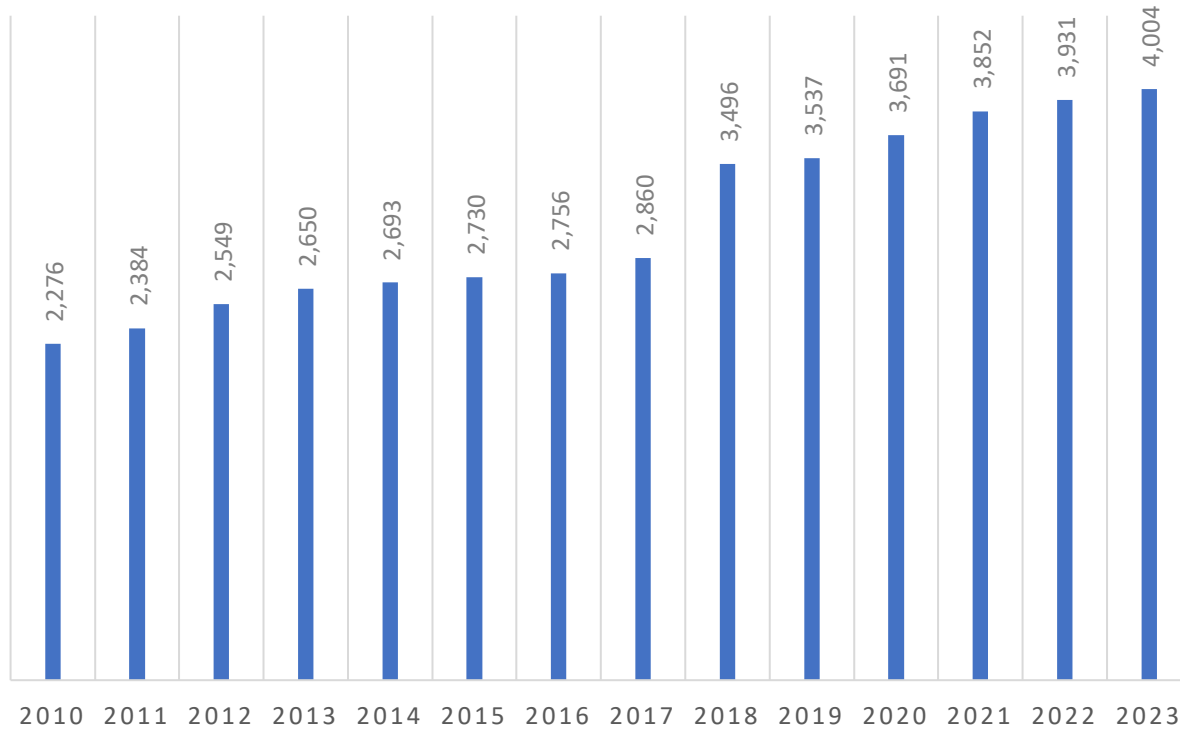
First sale of 11 mln tons of carbon (US\$55 million) through FCPF/WB, US\$5/ton of CO2 in 2023.

Wood industry

- Over 6,000 wood processing/trading companies, including 700 FDI, mostly SMEs, exporting WP to 140 markets;
- Wood imports (logs, sawn-wood, wood panels...) from 114 countries;
- WP export growing fast based on 2 competitive advantages:
 - *Low labor cost (Salary US\$ 400 – 500/month);*
 - *Abundant raw material from local plantations;*
- Cutting cycle of acacia plantations too short (4-6 years), too much juvenile timber harvested.
- Indoor/outdoor furniture & interior appliances (70%)
- Wood-based panels (7%)
- Woodchip (17%)
- Wood pellet (5%)

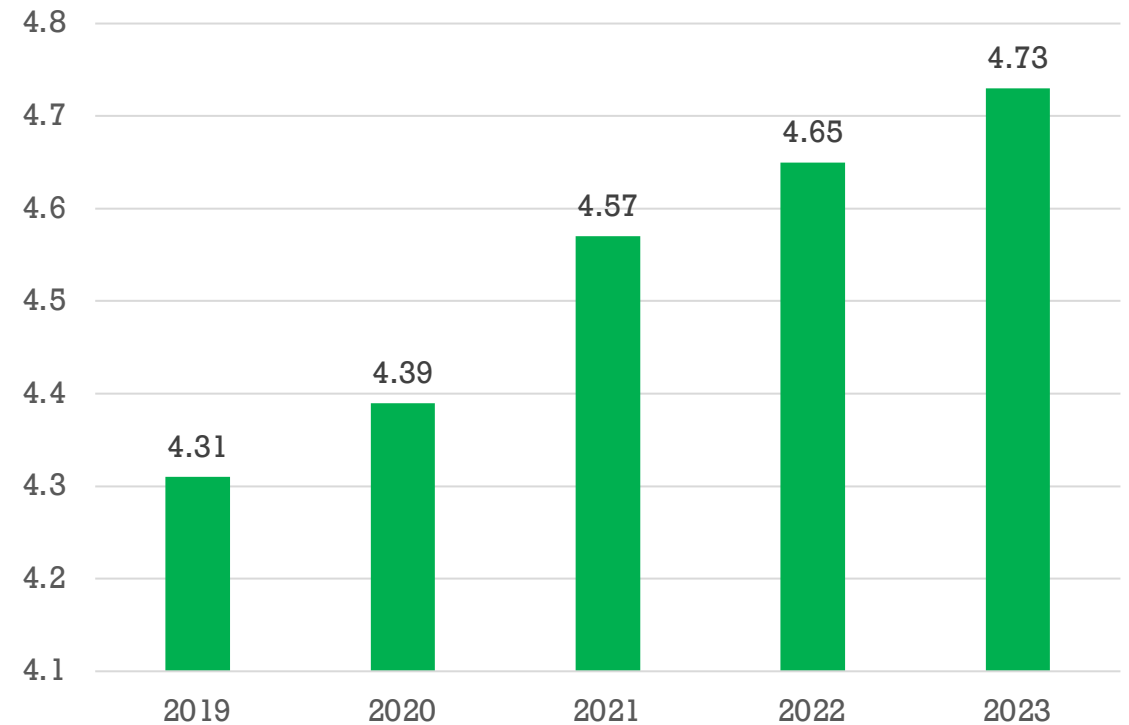
2. Dynamics of plantation business 2010 - 2023

2.1 Plantation establishment



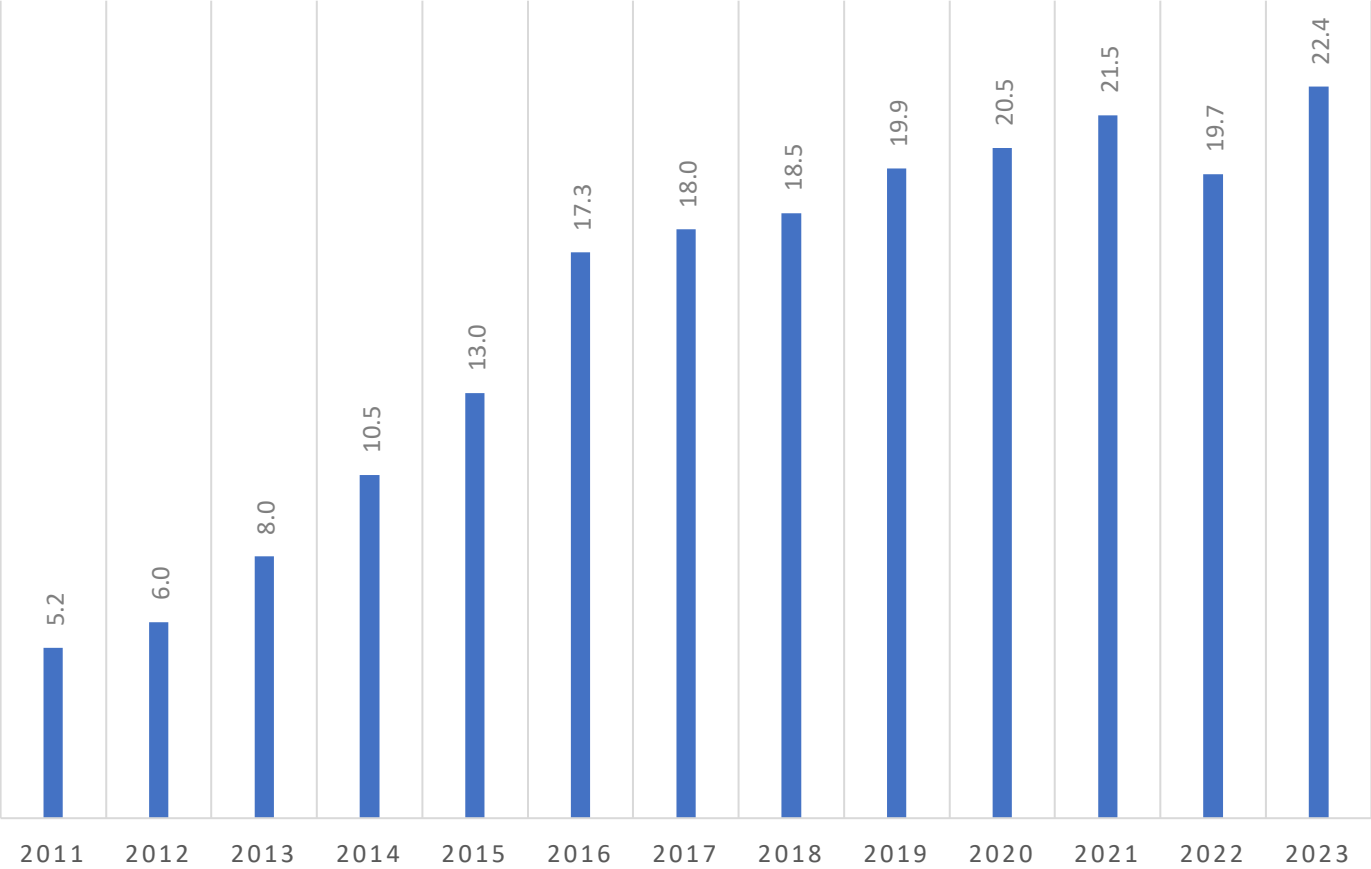
Plantation forests 2010-2023

Unit: million hectares



2.2 Wood production 2011 - 2023

(million m3)



2.3 Planted forest expansion 2010 – 2023 (million ha)

2023

- Forested area: 14.86 million ha, including 10.1 million ha of natural forests and 4.73 million ha of planted forests (420 thousand ha added between 2019-2023).
- 3.5 million ha of commercial plantations



2.4 A Kingdom of Acacia

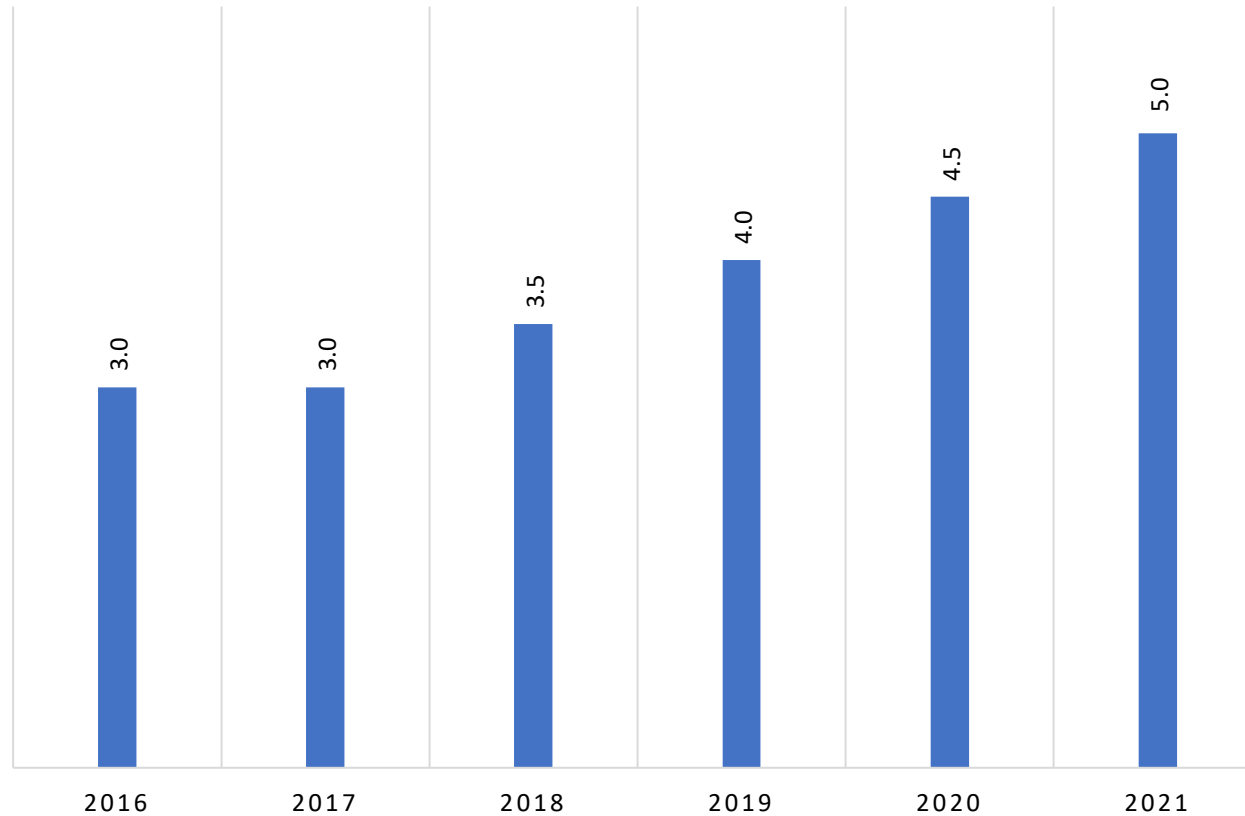
(Mostly *Acacia mangium*, *Acacia auriculiformis* & *Acacia* hybrid of these 2 varieties)

- Acacia wood: 80% of domestic wood supply, 70-80% acacia wood produced by small households, mean yield of 20 - 30 m³/ha/year, 15.0 – 20.0 million m³/year.
- High efficiency of acacia wood/biomass usage (20 cm up: sawnwood for furniture making; 10 – 15 cm: veneer/plywood, laminated timber; less than 10 cm: woodchip and woodpellet, particle board/MDF...).
- Cutting cycle too short (4-6 years), too much juvenile timber harvested.



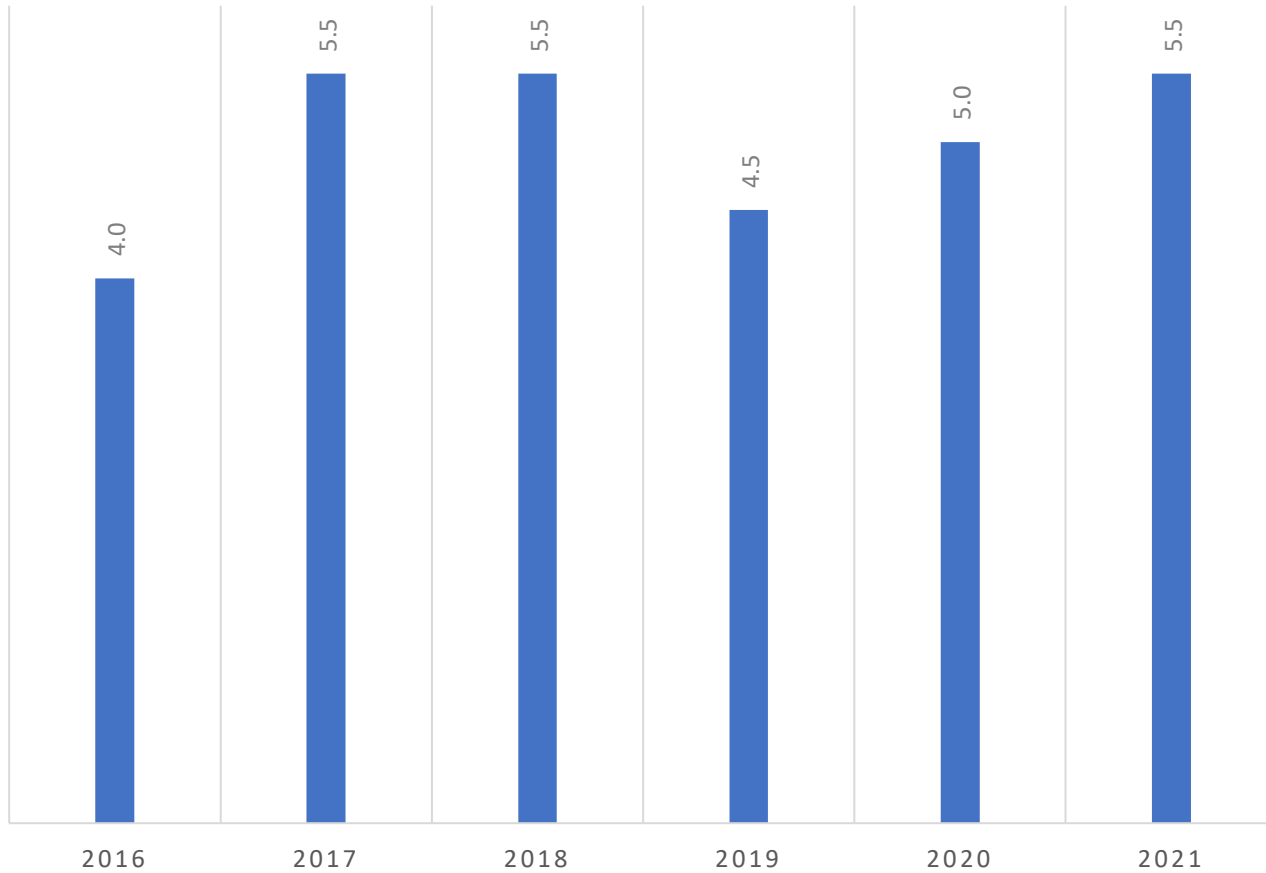
2.5 Rubber wood harvest 2016 - 2021 (million m3)

(Around 1 million ha, mostly household-based farms, 25 – 28 year cutting cycle)



2.6 Dispersed/scattered tree wood

(Tree planting along canal/road-sides, homelots...)



2.7. Ambitious Program: 1 million ha of larger wood plantations

Definitions:

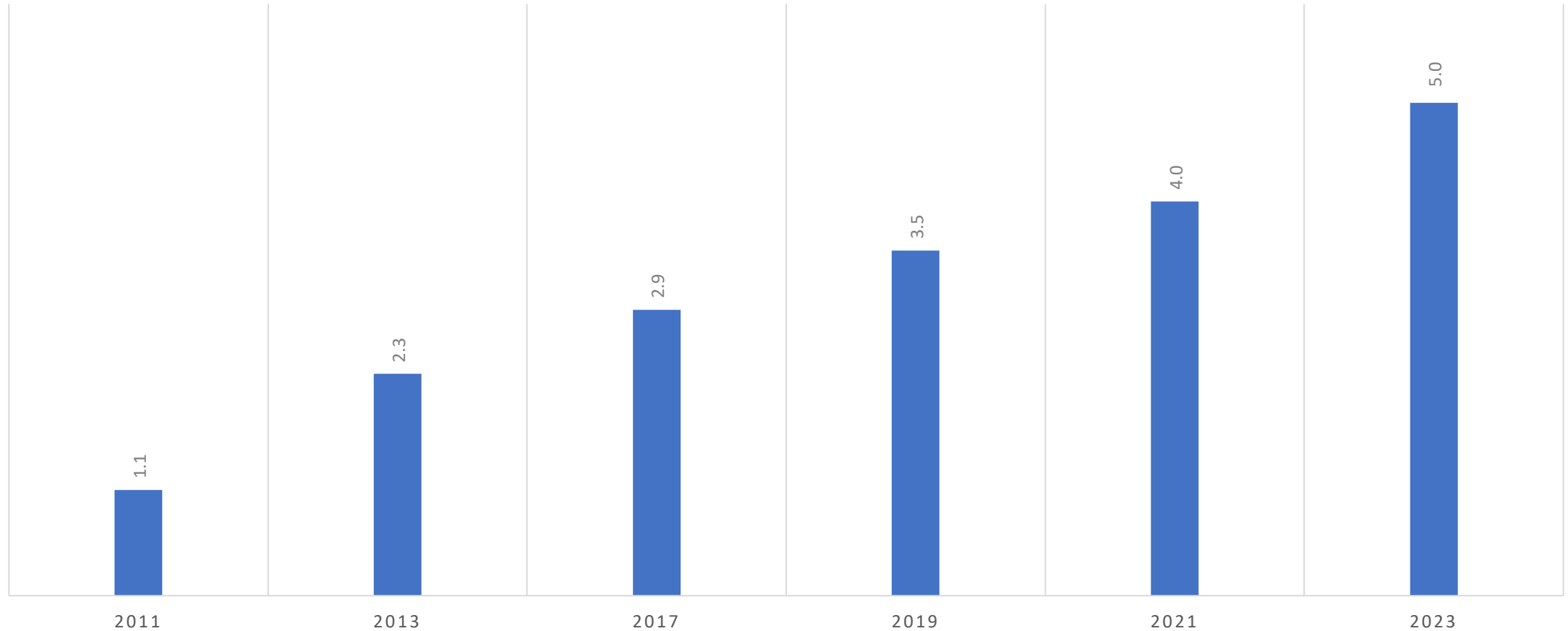
- **Larger-wood plantation:** At least, 70% of the number of standing trees per unit area with a diameter of over 20 cm (at 1.3 m high) for fast-growing trees or 30 cm for slow-growing/native trees at the main harvest age, 8 – 12 years.
- **Small-wood plantation:** Less than 70% of standing trees having diameter of over 20 cm (at 1.3 m high) for fast-growing trees or over 30 cm slow-growing trees at the main harvest age". 8 – 12 year.



3. W&WP trade

3.1 Domestic W&WP market 2010-2023

Growing population of 100 million people and growing market, mostly rely on SMEs/micro businesses often non-formalized !



3.2. Four groups of wood products exported

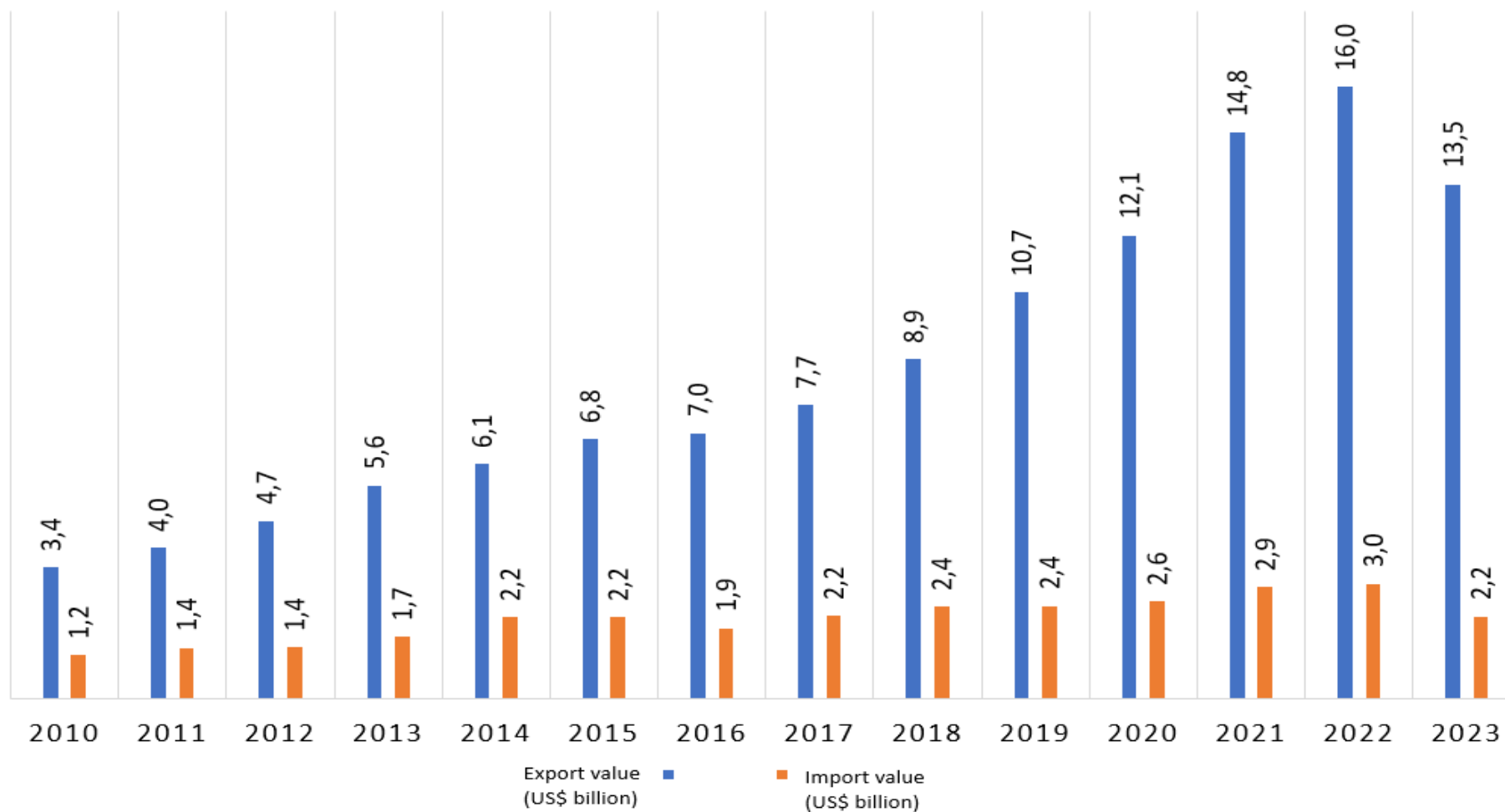


- Indoor/outdoor furniture & interior appliances (70%)
- Wood-based panels (7%)
- Woodchip (17%)
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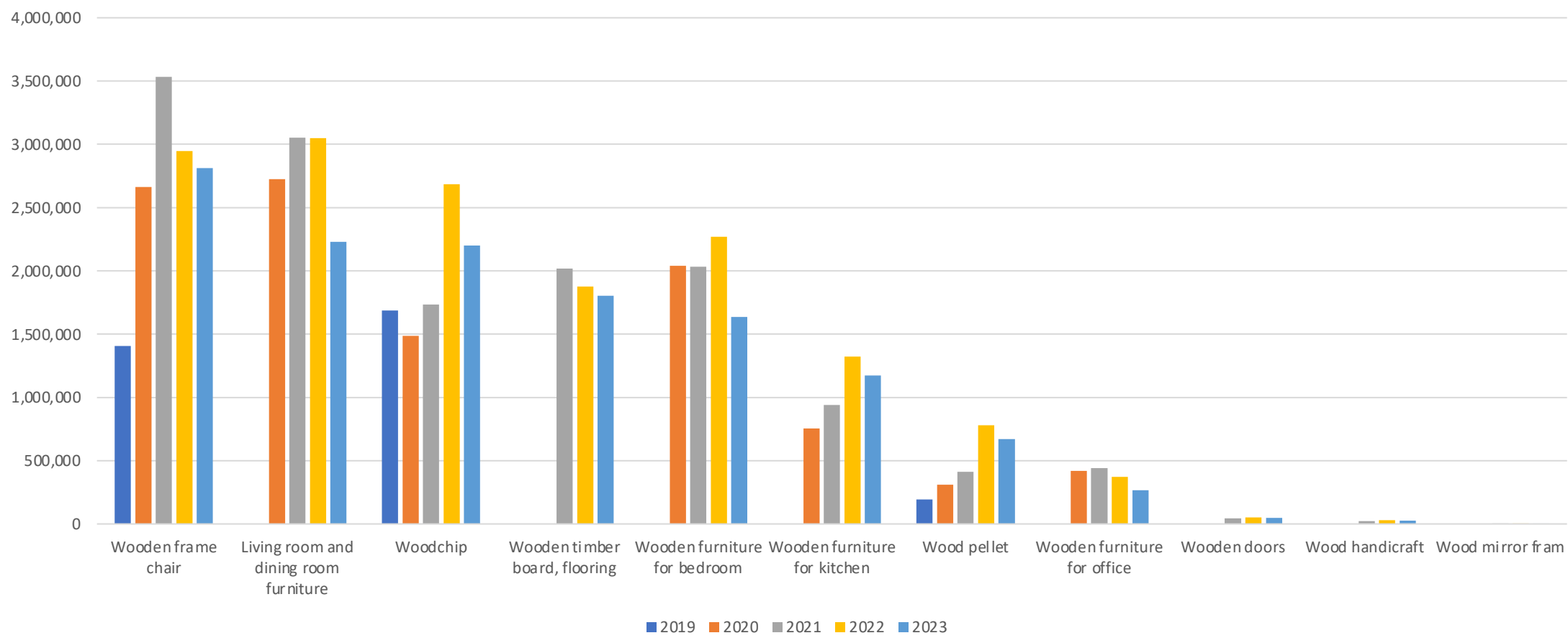
Wood and wood product export/import

3.3. The dynamics of the wood and wood product export

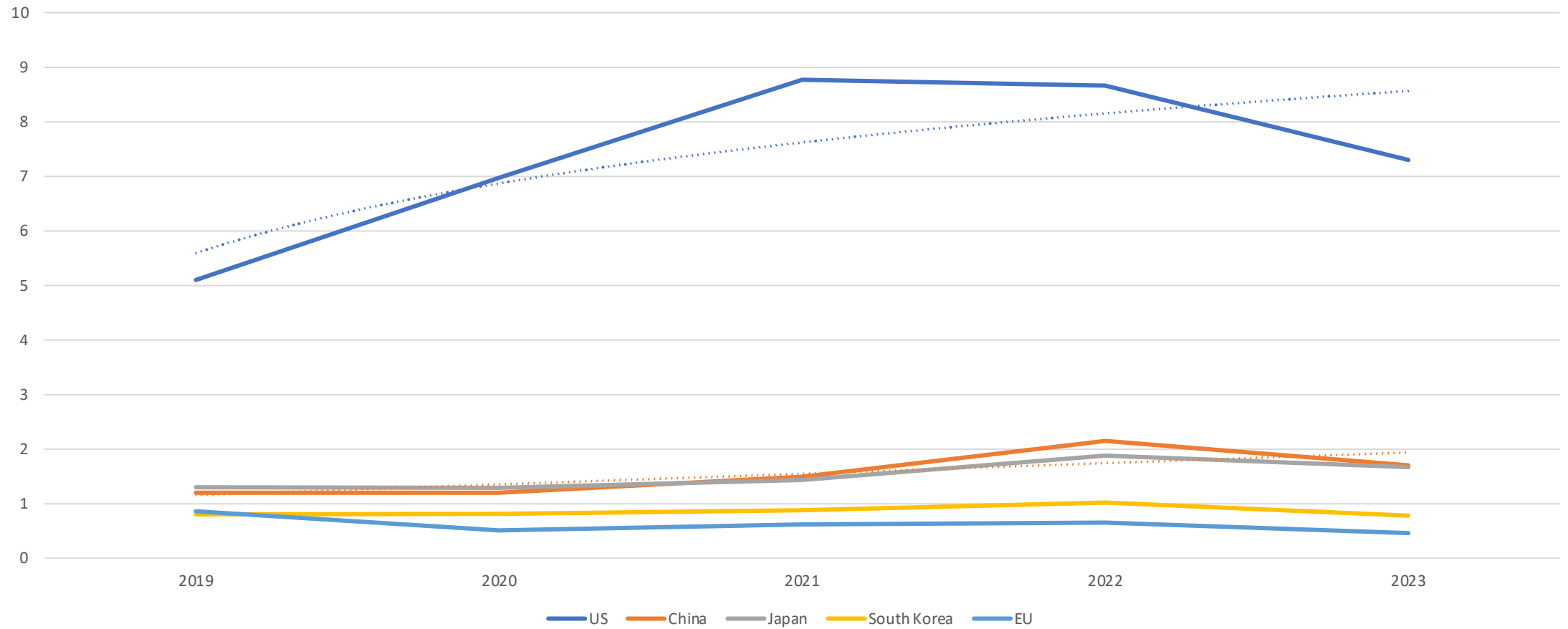
(2024: US\$16.5 billion)



3.4. Wood and wood product export 2019 - 2023 by product groups (1,000 USD)



3.5 Export trends - top markets 2019-2023 (US\$ billion)



3.6 Vietnam's wood import 2023

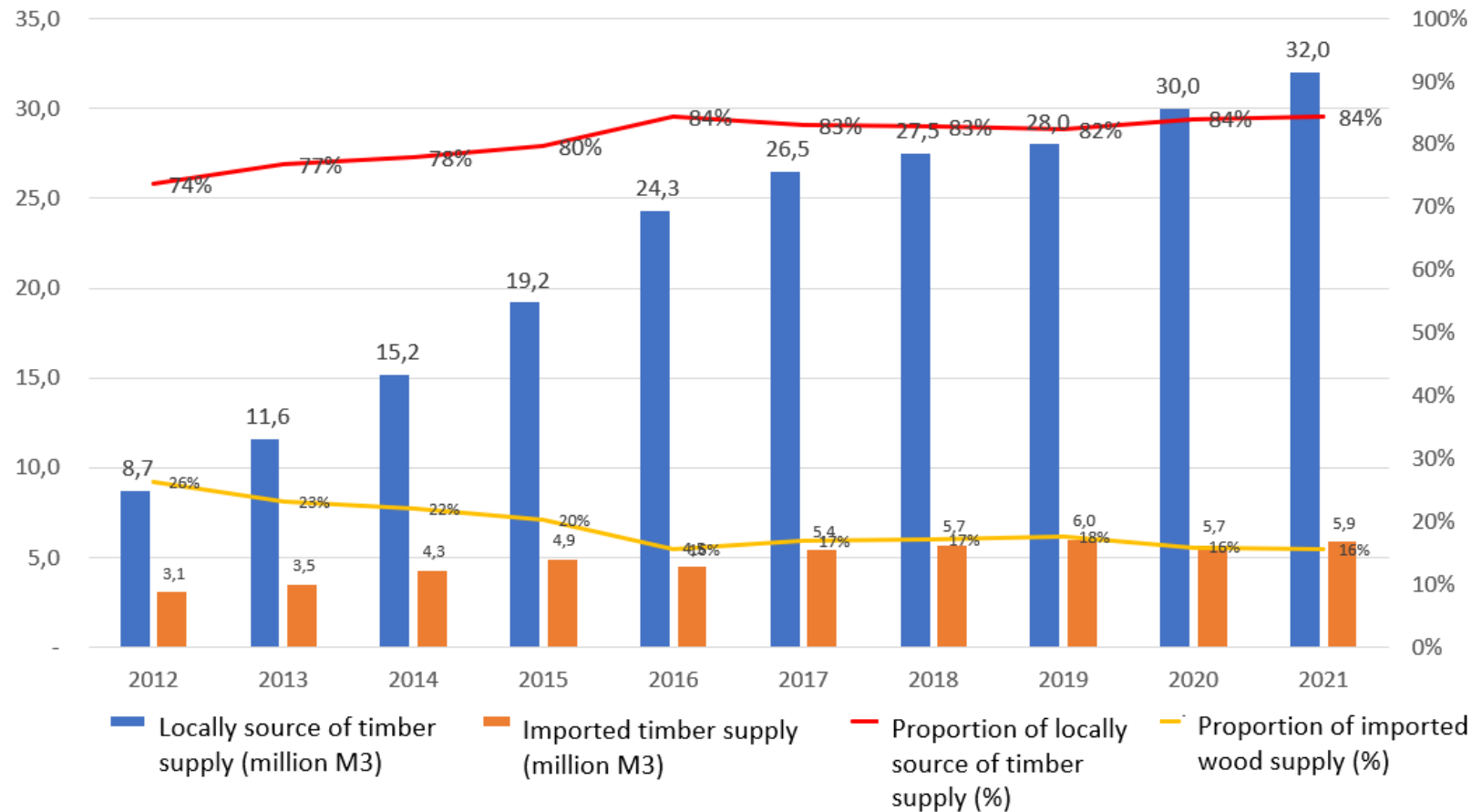
VN spending US\$ 2.6 billion (2023) to import wood 5.5 mln m³ (logs, sawnwoods, plywood...)

Import 1.5 – 2.0 million M³ tropical hardwood - VNTLAS import control !

Wood imports from 114 countries, 700 species/sub-species imported - traceability (VPA/FLEGT, EUDR, CBAM...!?.

3.7 Correlation between domestic and imported wood supply

2012 - 2021 (*million m3*)



4. Problems faced

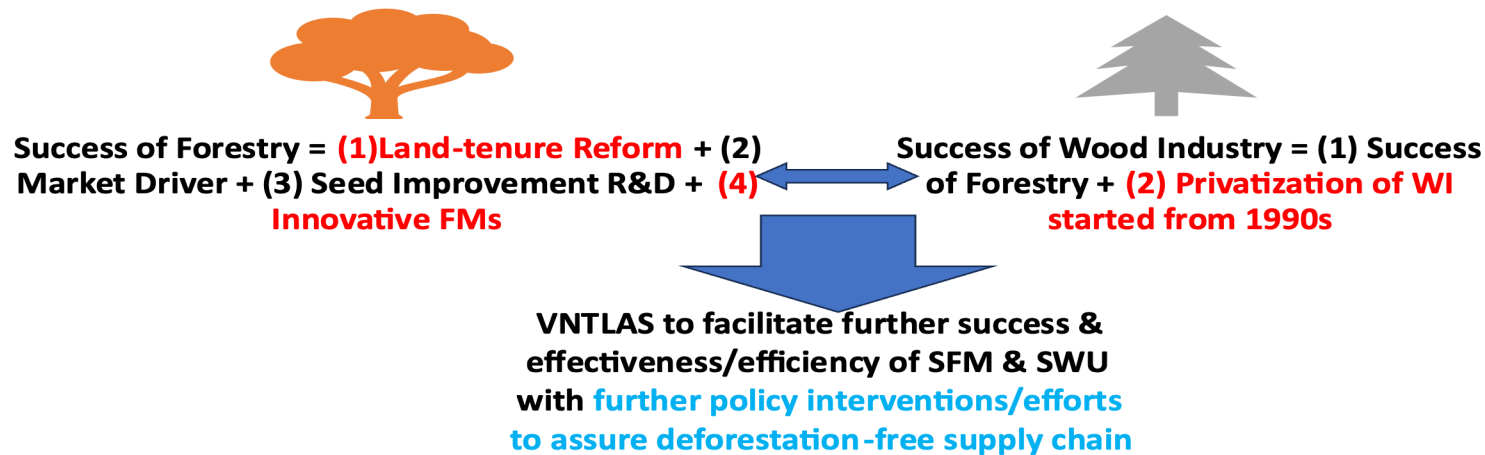
- **World of VUCA** – higher and more risks
- **Too much confusing** with legality/traceability regulations (EUTR, VPA/FLEGT, EUDR, next ???, CITES uncertainty, certification (FSC/PEFC/VFCS)... rising production costs.
- **Interruptions** (pandemic, geopolitical conflicts, interruption of freight and logistics services leading to extra costs).
- **Competition** toughness, weakening markets.
- **Trade protectionism/mercantilism!**
- **Too much Endoscopy** of W&WPs traded!



5. Lessons learnt

5.1 Formular of Success

Vietnam's formula of success in forestry and wood industry



Note: Government policy interventions: Land - tenure reform, Innovative financing mechanisms, privatization of state-owned wood companies & VNTLAS

5.2 Failures/weaknesses: OEM rather than ODM/OBM, extensive growth relying on cheap inputs (cheap labor force and planted wood) to be disappeared in near future.

6. Conclusions

- *Forestry & wood industry – intensive labor input business with limited benefit margin, but plenty of trade barriers;*
- *W&WPs subject to manipulated trade protectionism/mercantilism;*
- *ITTO stronger voice to leverage markets, advocate for trade fair and sustainable wood industry development.*

Thanks for attention and cooperation!

