Learning from Vietnam: How to evelop Value-Added Tropical Timber Industry

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1. Introduction

Context: Tropical timber – a high-value resource but mostly exported as raw logs or minimally processed products (sawn timber).

Vietnam's success story: In the last 2 decades, Vietnam transformed from a raw material exporter to one of the world top exporters of value-added timber products.

Purpose: Share lessons learnt from experience that can guide other tropical countries in developing a sustainable, competitive and high-value timber industry.

Overview of Vietnam Forestry & Wood Industry

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$ 140 mln/year from hydropower, water supply, aquaculture, eco-tourism; REDD+ result-based payment tested; CO_2 credits…
- VPA/FLEGT: signed in 2018, VNTLAS in place from 2020, applicable for wood import from 10/2020, FLEGT licensing to start in 2026!;
- First sale of 11 mln tons of carbon (US$55 million) through FCPF/WB, US$5/ton of CO_2 in 2023.

Wood industry

- Over 6,000 wood processing/trading companies, including 700 FDI, mostly SMEs, exporting WPs to 160 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$ 350 – 400/month);*
  - *Abundant raw material from local plantations;*
- Cutting cycle of acacia plantations too short (4-6 years), too much juvenile timber harvested.
- 4 groups of wooden commodities exported: all tree biomass are efficiently used
  - Indoor/outdoor furniture & interior appliances (65%)
  - Floorings & wood-based panels (8%)
  - Woodchip (17%)
  - Wood pellet (5%)
  - Others (5%)

2. Journey of Vietnam forestry/wood industry development

1975–1985

Severe deforestation, forest coverage dropped from 43% down to 23% due to shifting cultivation, fire-wood for cooking, forest conversion and illegal logging.

1985–1995

Woodchip factories build creating market driver for planted wood; Land reform, forest land owned by SFEs transferred to farmers; Seed improvement, acacia took over eucalyptus.

1995–2005

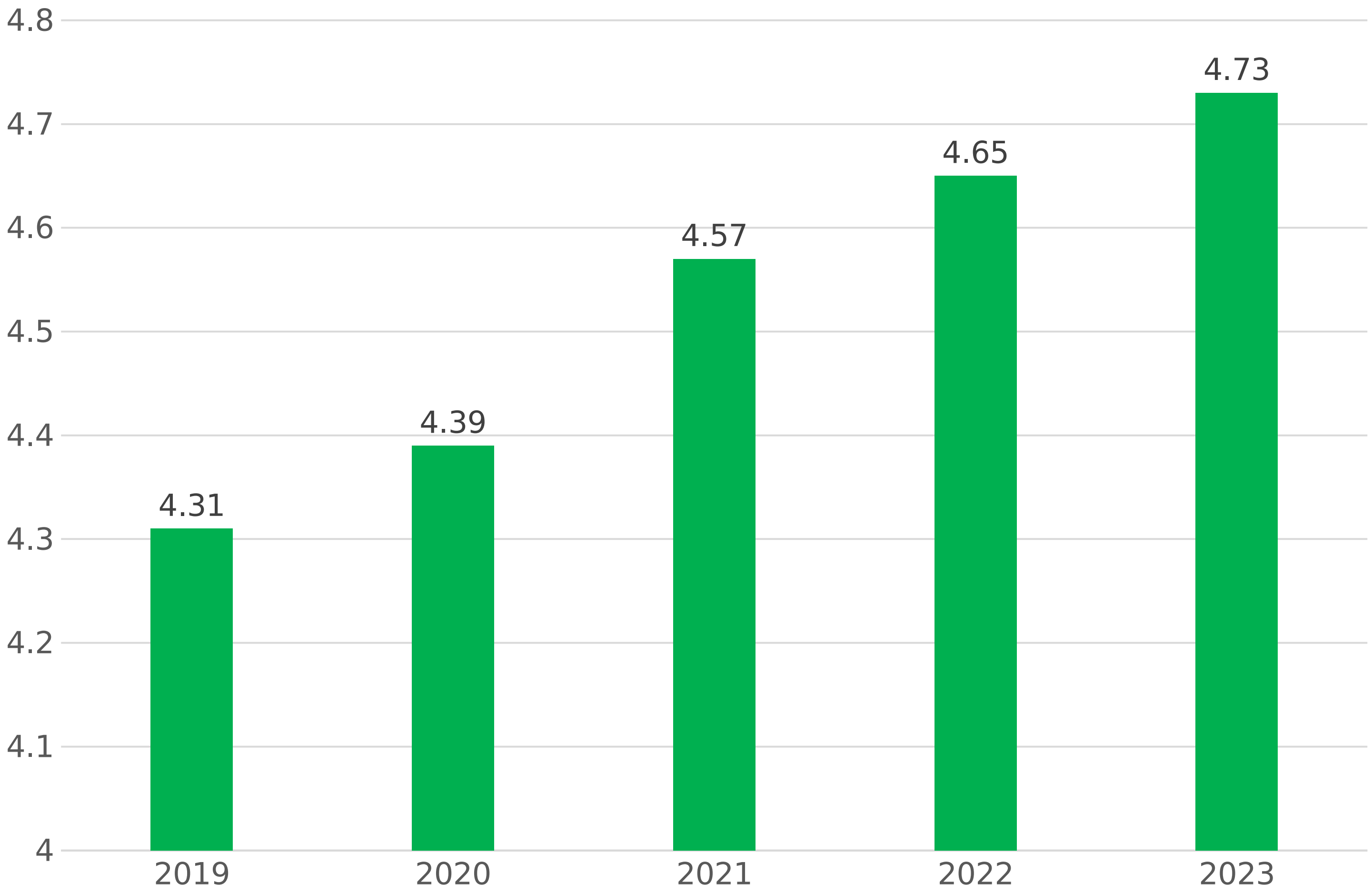
Radical transform to plantation forestry; restricting log/sawn timber and semi-finished product exports, shift to high-end product outdoor – indoor furniture exports.

2005 - now

Robust growth of W&WP exports, topping WP exports with 4 WP groups (woodchip, wood-based panel, wood pellet, furniture), WI - important currency earner (US$ 500 million (2005)- 16.2 billion (2024), shift from OEM to ODM/OBM.

3. Transition to plantation forestry
3.1. Planted forest expansion 2010 – 2023 (million ha)

- 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).
- 4,7 million ha of planted forests, including 3.5 million ha of commercial plantations



3.3. The “Kingdom of Acacia”

(Domination of 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, harvest 30.0 – 40.0 million m3/year.
- High efficiency of acacia wood/biomass usage (20 cm up: sawn-wood for furniture making; 10 – 20 cm: veneer/plywood, laminated timber; less than 10 cm: woodchip and wood pellet, particle board/MDF…).
- Harvest/cutting rotation too short (4-6 years) - tree cropping rather than forestry, too much juvenile timber harvested.

3.4. Ambitious Program: 1 million ha of larger-wood plantations

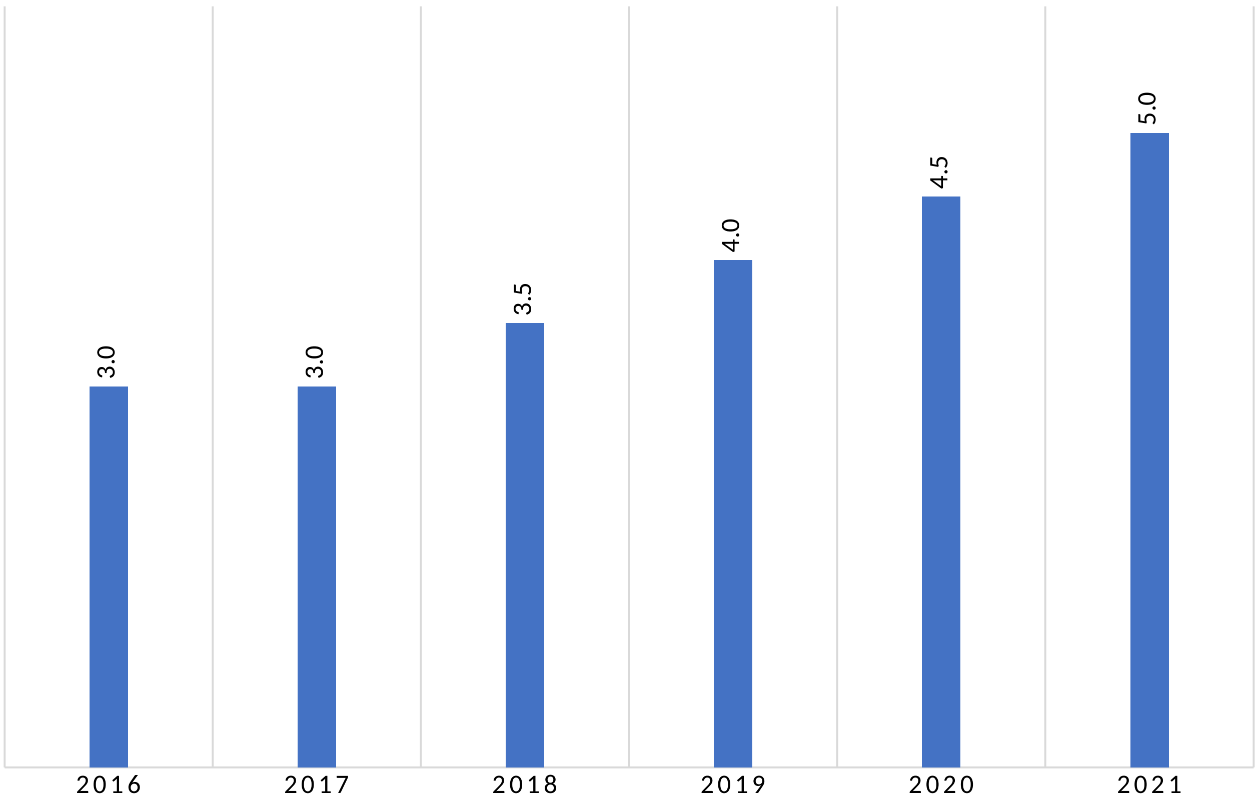
Definitions

- **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.

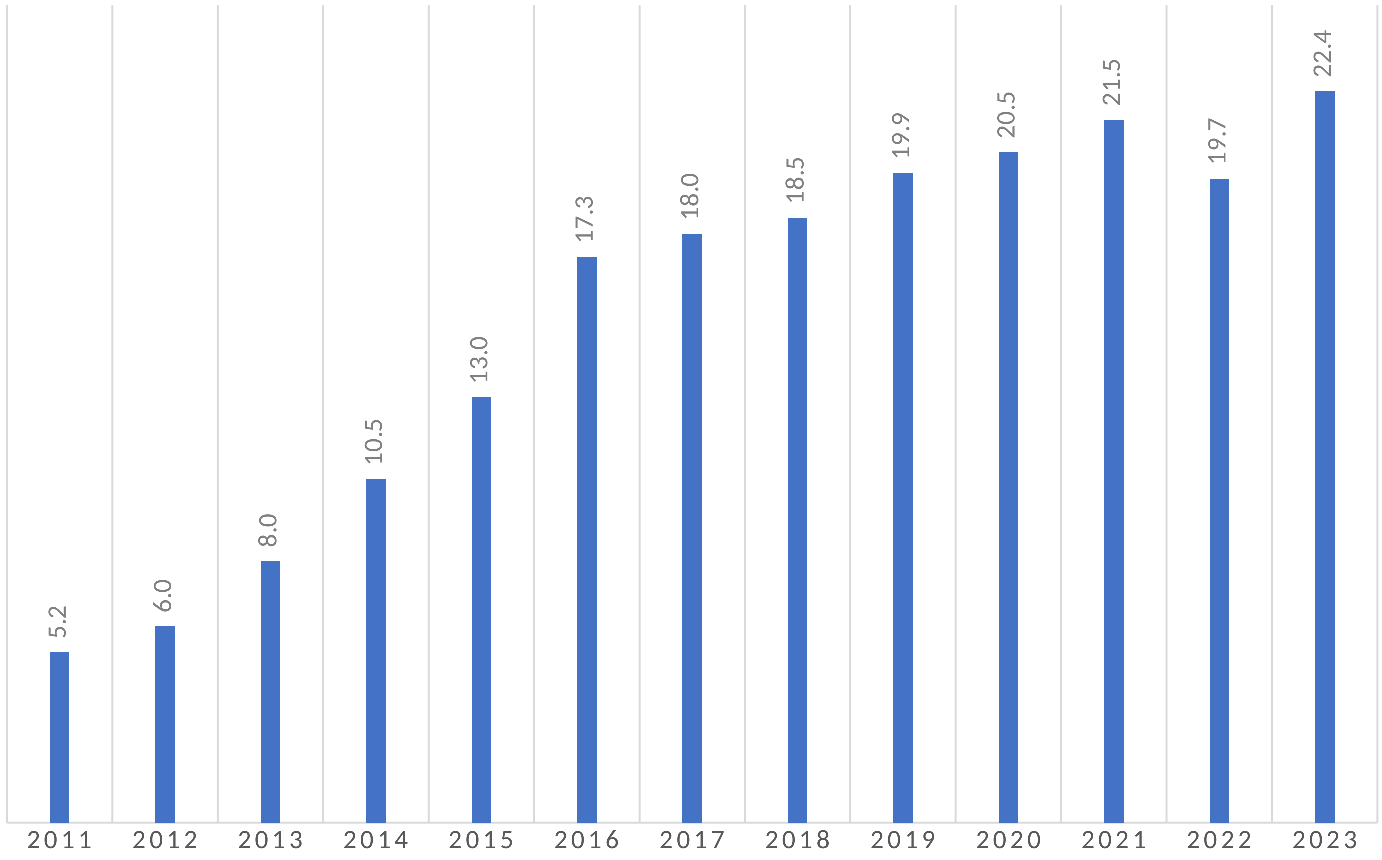
Contribution of ITTO Project: PD815/16 Rev.2(I)
"Increasing Efficiency of Acacia Plantation and Timber Processing Industry in Vietnam".

3.5. Rubber wood harvest 2016 - 2021 (million m3)

(Around 1 million ha, mostly household-based farms, 20– 25 year cutting cycle, 3 – 5 mln m3 harvested yearly)

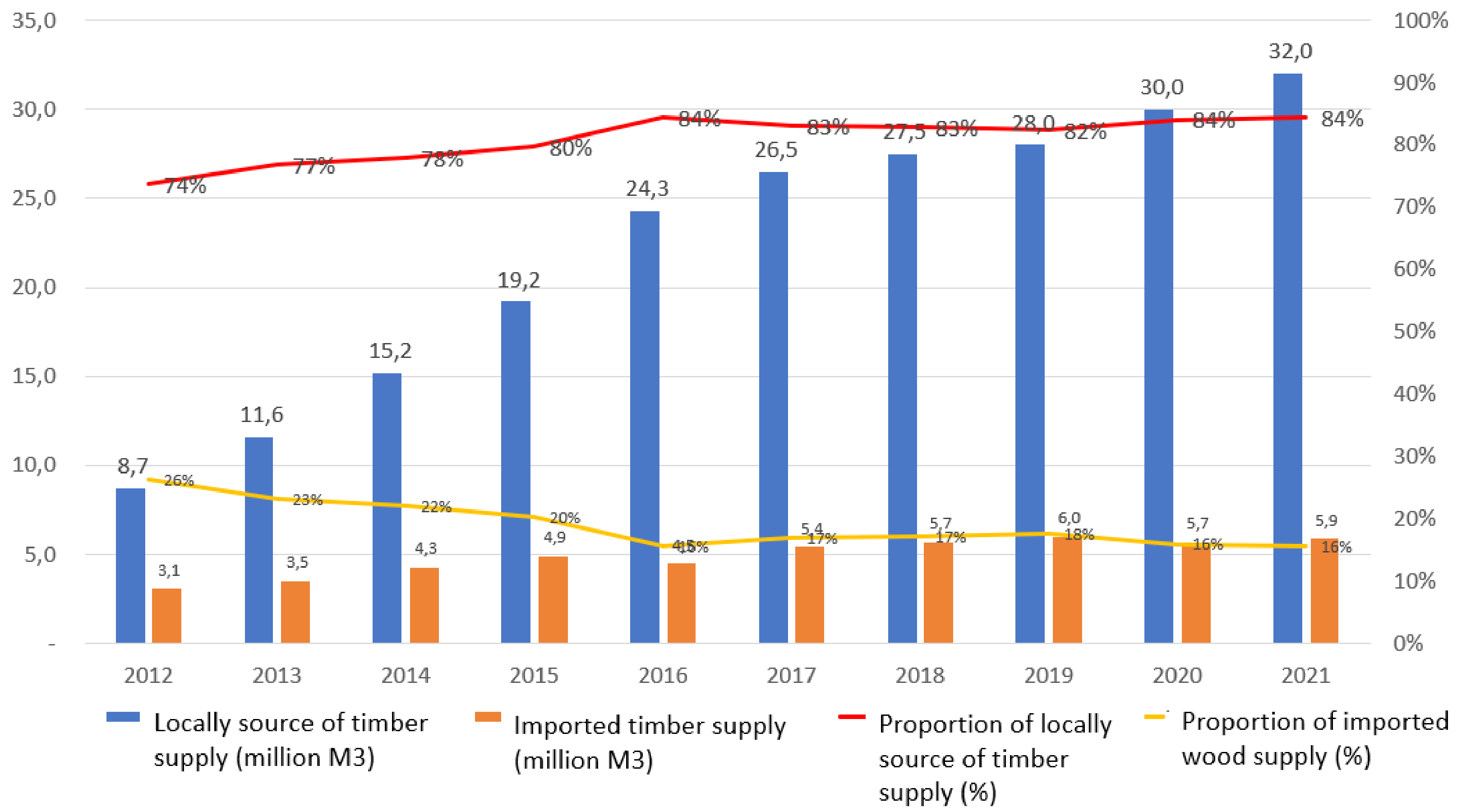


3.6. Planted wood production 2011 - 2023
(million m3)





3.7. Co-relation between domestic and imported wood supply 2012 - 2021 *(million m3)*



4. Value-addition timber industry development - 4 W&WP groups exported



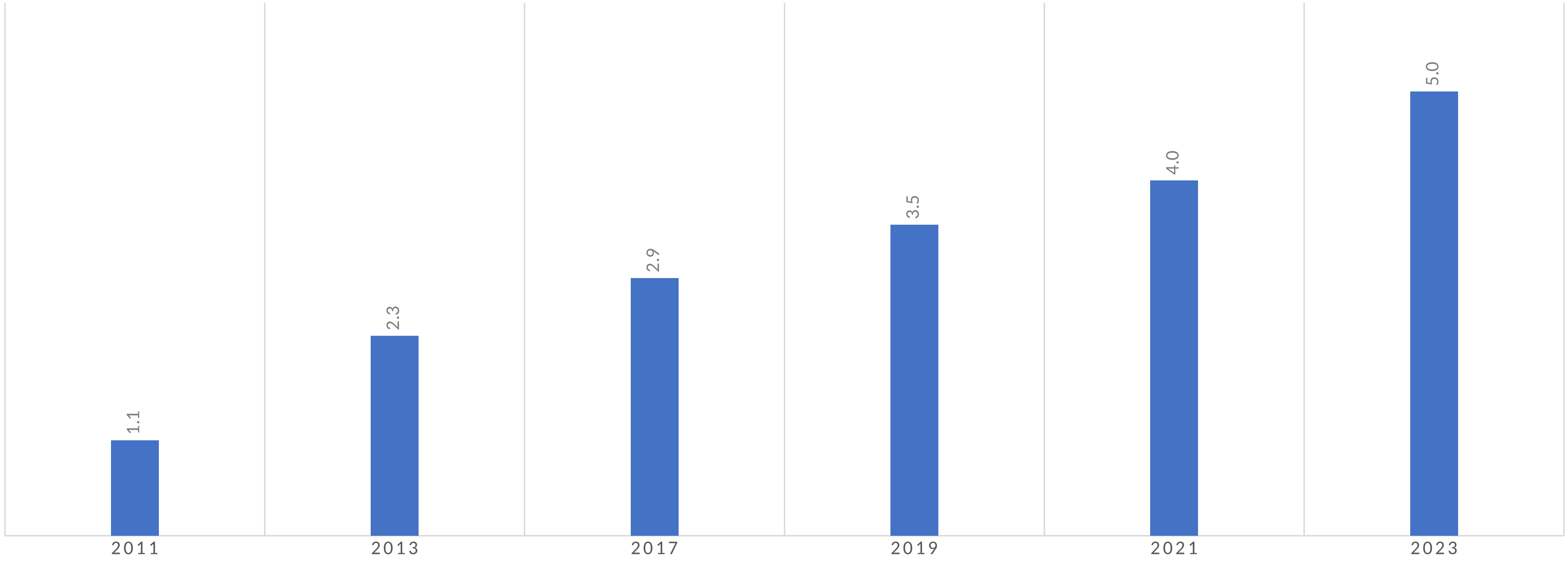

- Indoor/outdoor furniture & interior appliances (70%)
- Wood-based panels (6%)
- Woodchip (16%)
- Wood pellet (5%)
- Others (3%)

4.1 Domestic W&WP market – LIVE VEST for wood industries 2010-2023

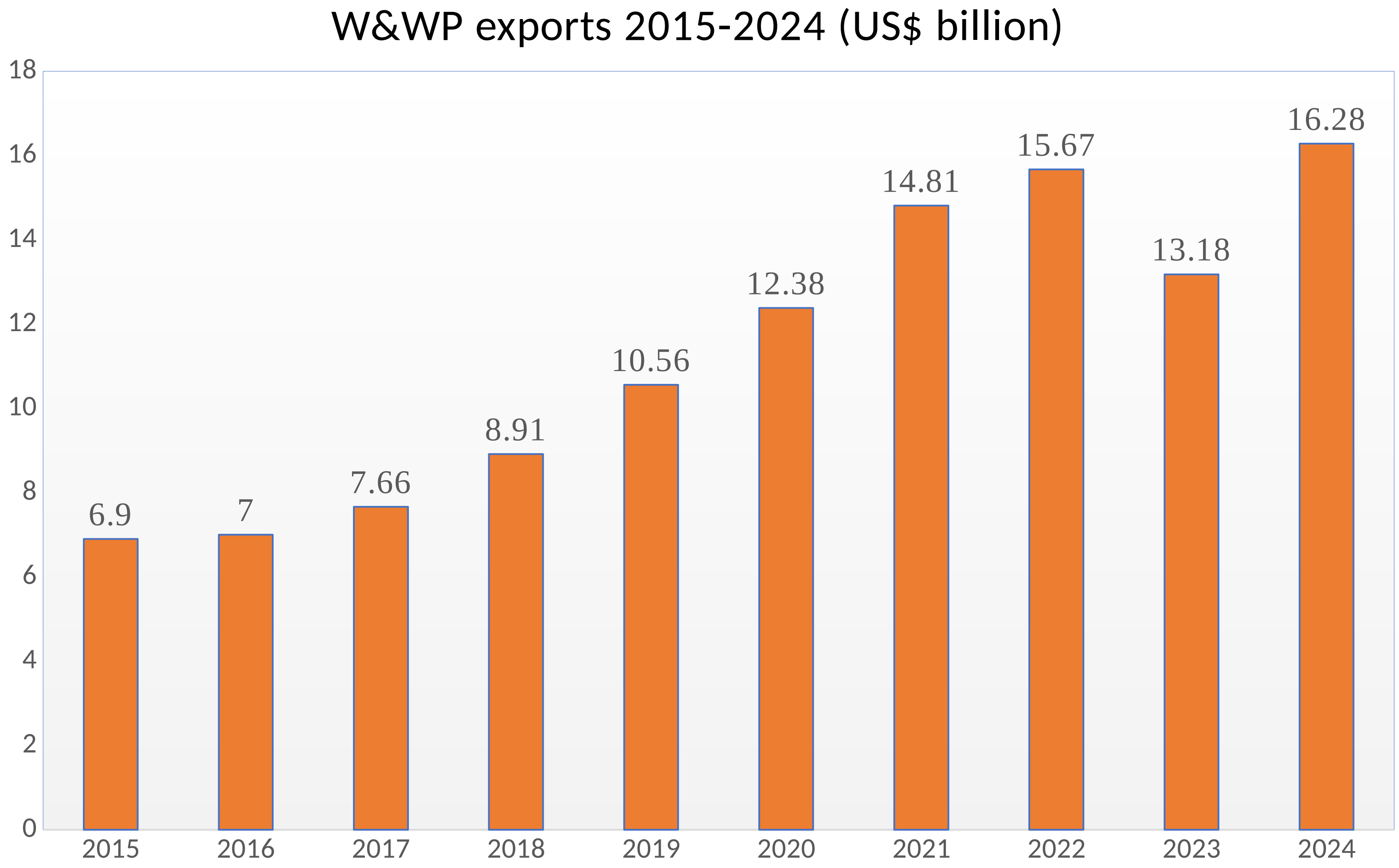
Growing population of 100 million people & growing market size, mostly rely on SMEs/micro businesses often non-formalized!.

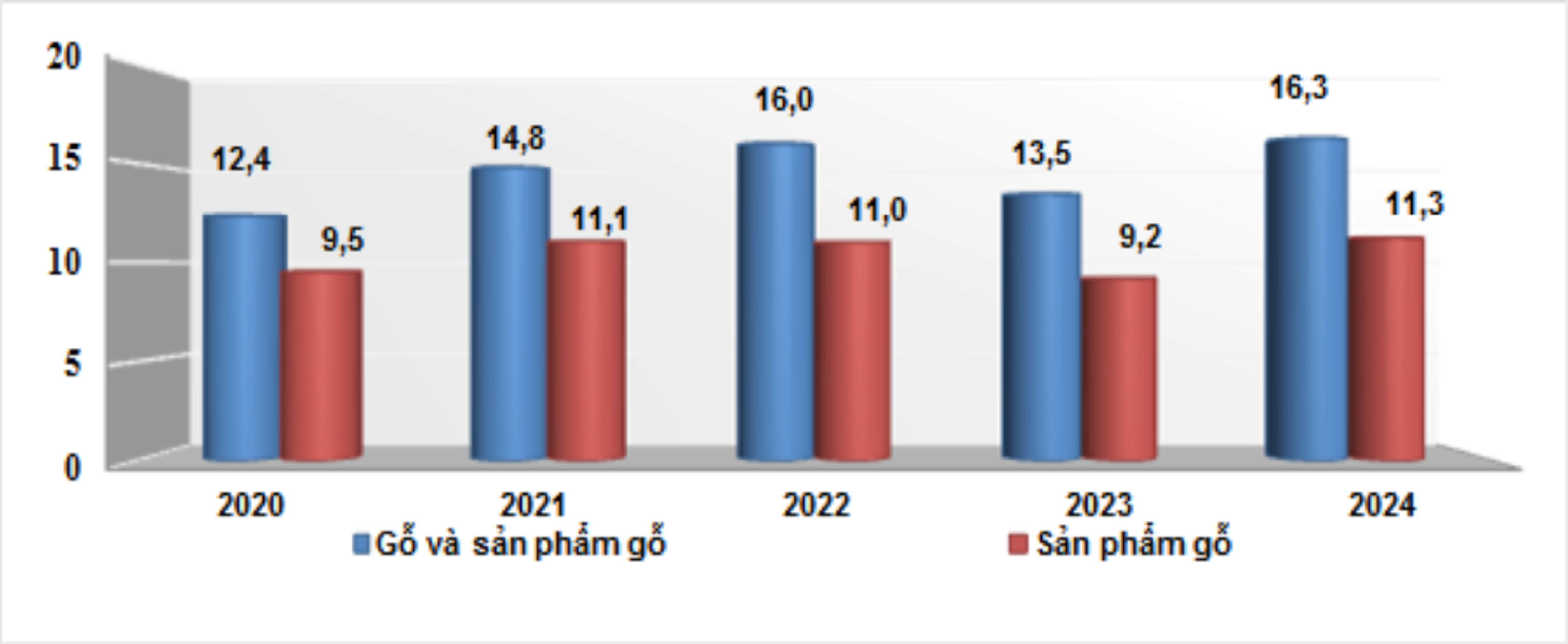
Contribution of Vietnam – ITTO Cooperation Project **PD 922/21 Rev.1 (I)** using **Japan Grant Aid**

"Promotion of Sustainable Domestic Wood Consumption in Vietnam"



4.2. Vietnam W&WP exports

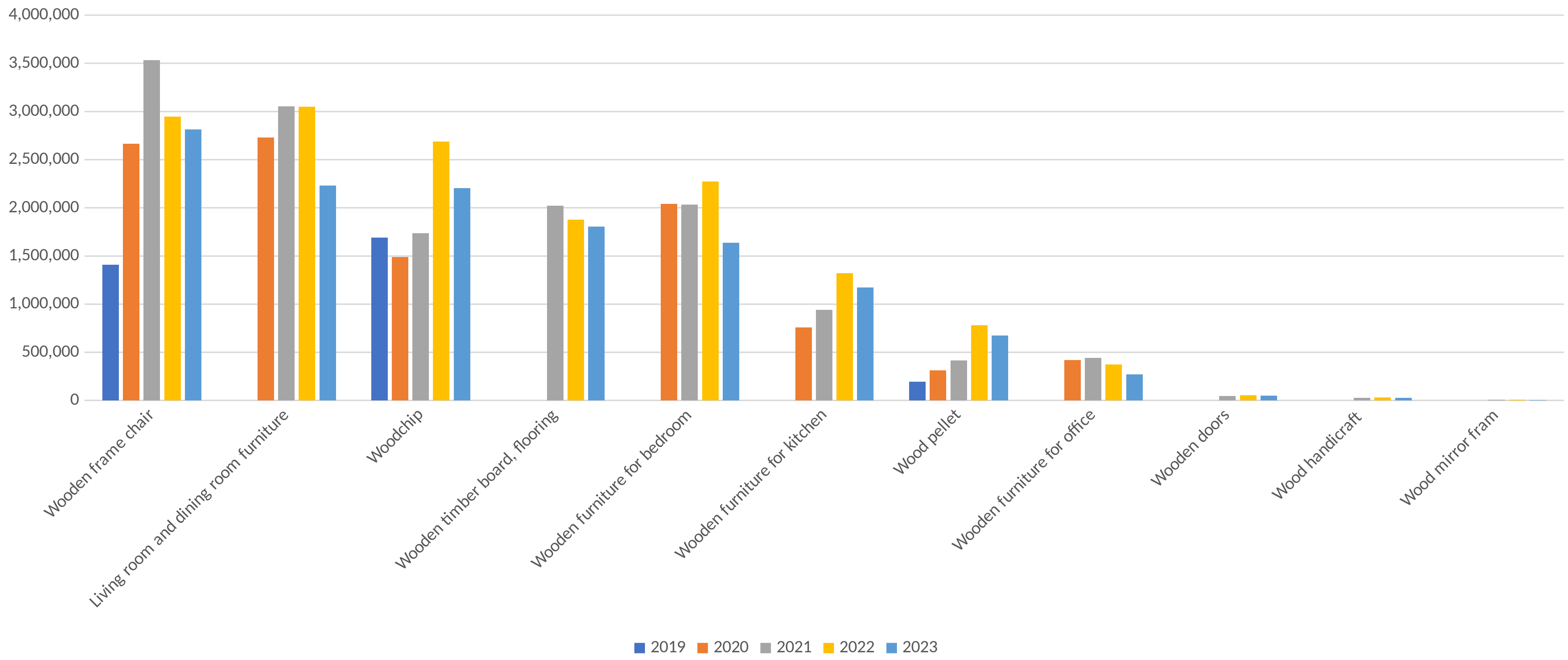




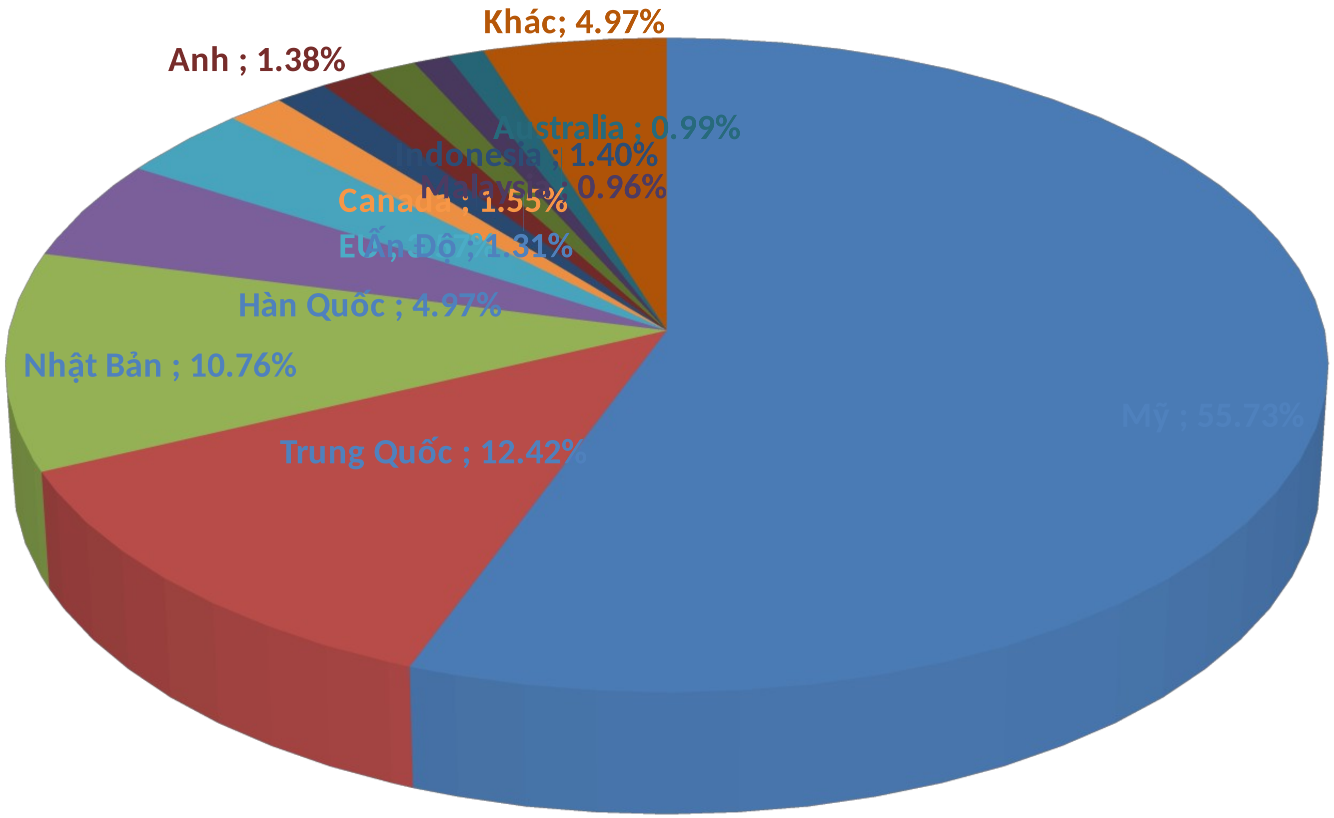
4.3. W vs WP exports exports 2020 -2024

2024: Export earning US$16,3 billion

4.4. W&WP export 2019 - 2023 by product groups (1,000 USD)



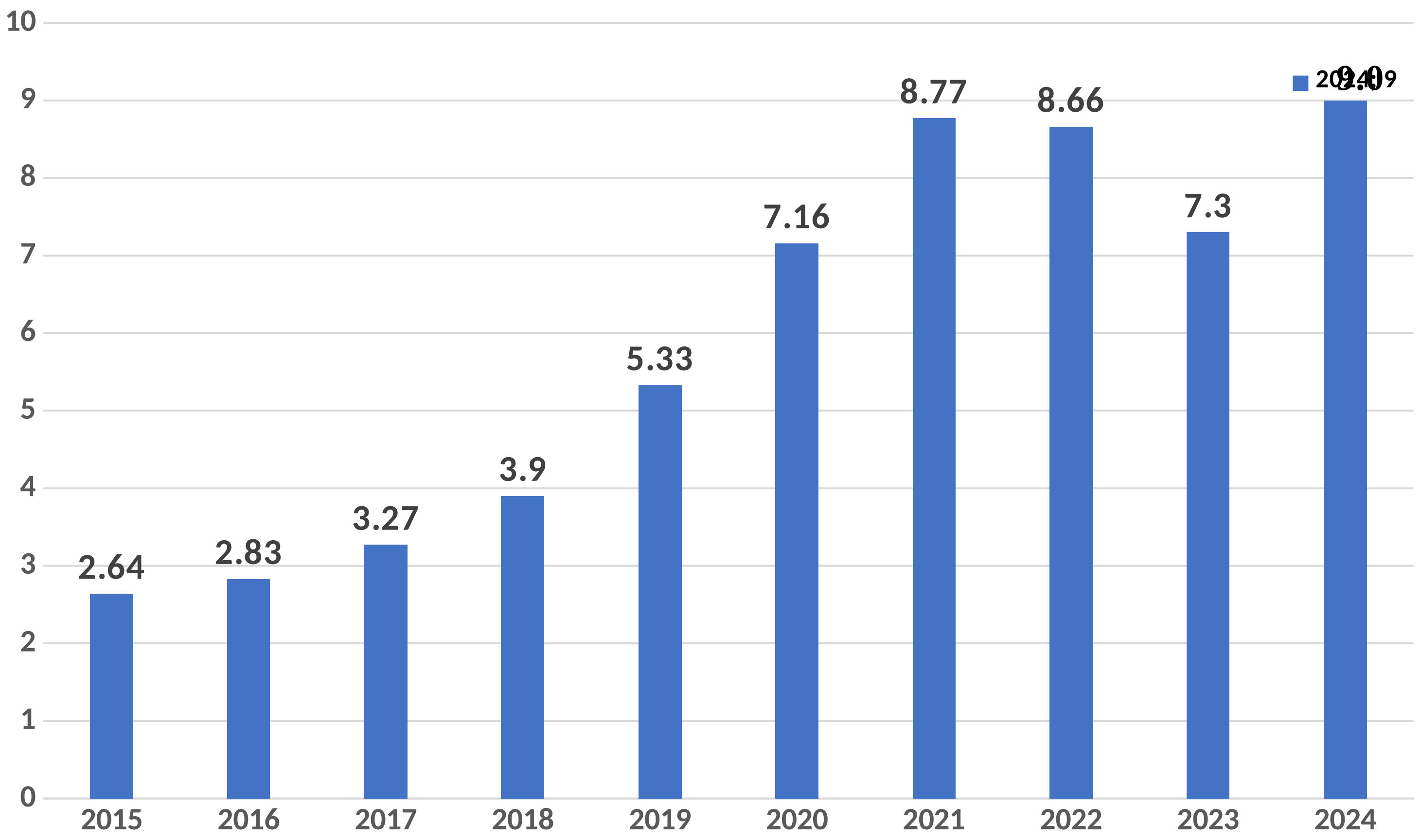
4.5. Export destinations



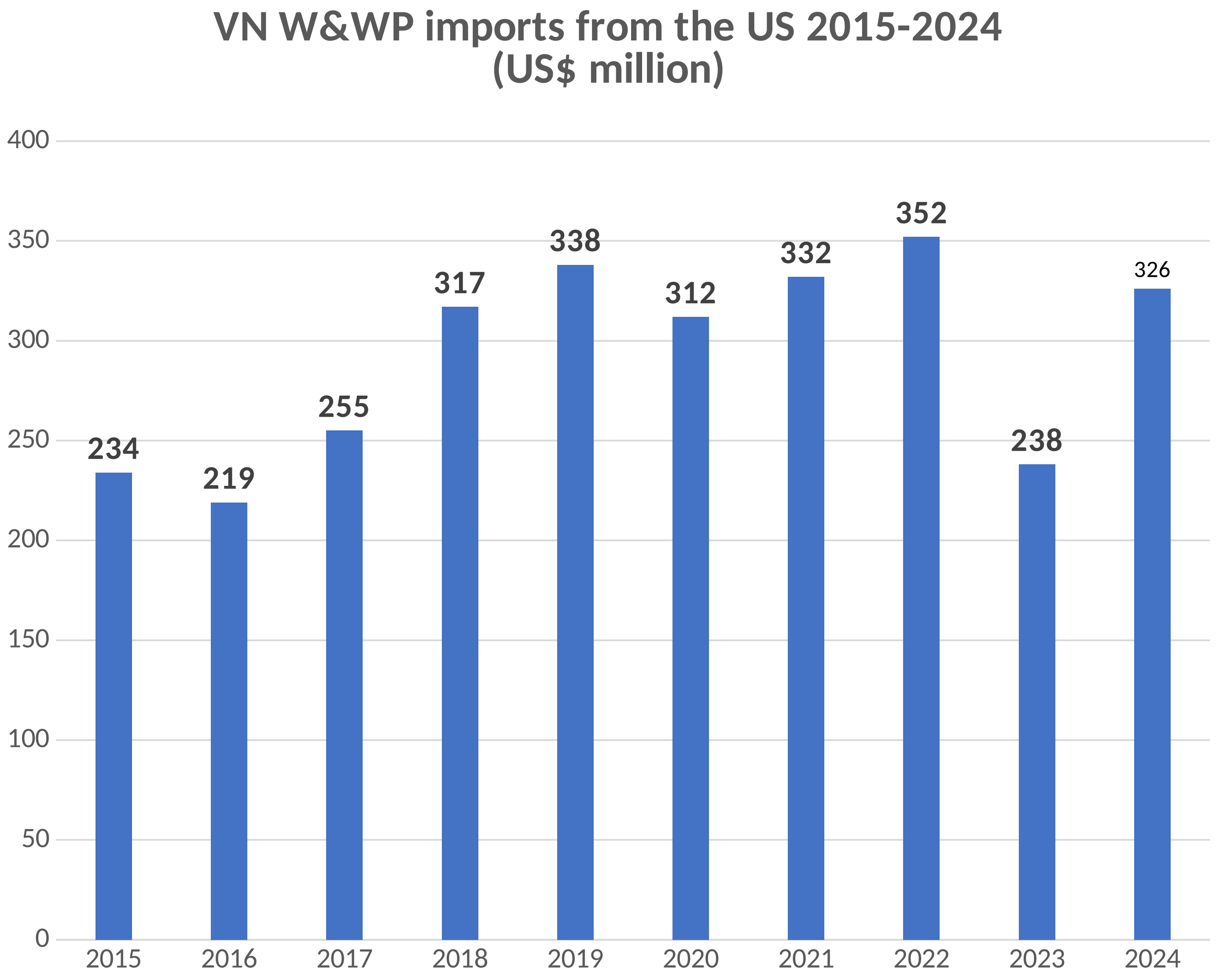
4.6. US Tariffs under Trump 2.0 administration

- US shares 56% W&WP VN exports;
- 2024: US$ 9.0 billion earning from US market equivalent to 40% of US imports;
- Vietnam leading imports of log & lumber from US.
- Reciprocal tariff: 20%.
- 232: 25% from 14 Oct 2025, threatened to be 30% (upholstered) & 50% (kitchen cabinet, vanities, others: 50% if no trade-off and no bilateral agreement reached from 1 Jan 2026!

W&WP exports to the US 2015-2024 (US$ tỷ)



4.7. VN W&WP imports from the US



4.8. W&WP import 2024

VN spending US$ 2.8 billion (2024) to import 7.0 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...!?.

5. Vietnam learning

5.1. Sector-level Lessons learnt for Tropical Countries

Forestry & Wood Industry Reform should go in parallel

Do not spare Trust to farmers and private sector – their are key players

Land tenure is key – farmers are key actors

Move up the value chain – don’t just export logs; invest in processing and branding.

Sustainable supply is key – plantation forestry can protect natural forests and ensure raw material security.

Certified timber is vital – FSC or PEFC certification helps penetrate high-end markets.

Clustering for better competitiveness – industrial zones and networks reduce costs and improve quality.

Leverage trade agreements – use FTAs to access large markets with lower tariffs.

Linking relevant stakeholder groups in the supply chain.

5.2. Macro/national level lessons learnt

Vietnamese formula of success

Vietnam's formula of success in forestry and wood industry

Success of Forestry = (1)Land-tenure Reform + (2) Market Driver + (3) Seed Improvement R&D + (4) Innovative FMs

Success of Wood Industry = (1) Success of Forestry + (2) Privatization of WI started from 1990s

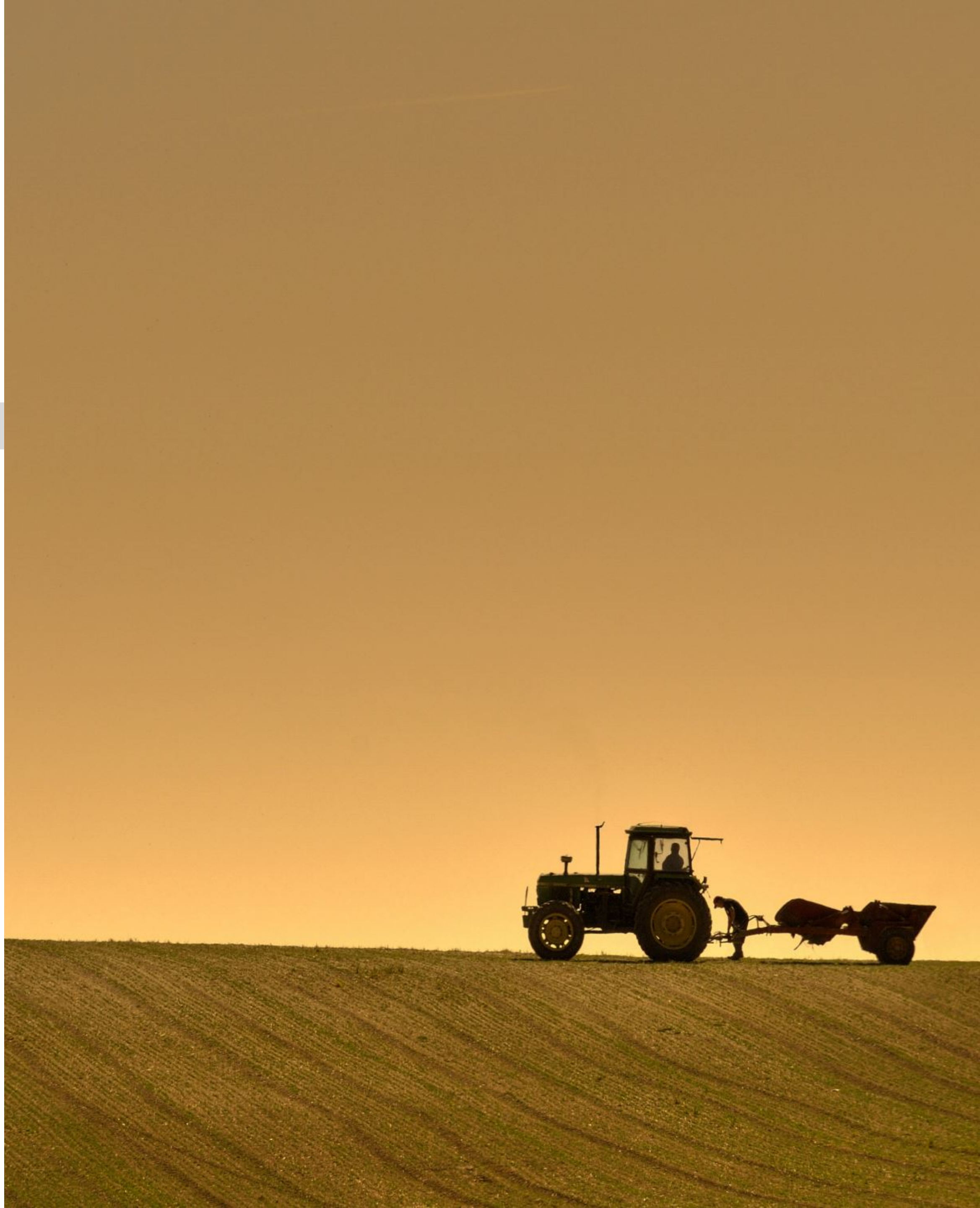
VNTLAS to facilitate further success & effectiveness/efficiency of SFM & SWU with further policy interventions/efforts to assure deforestation-free supply chain

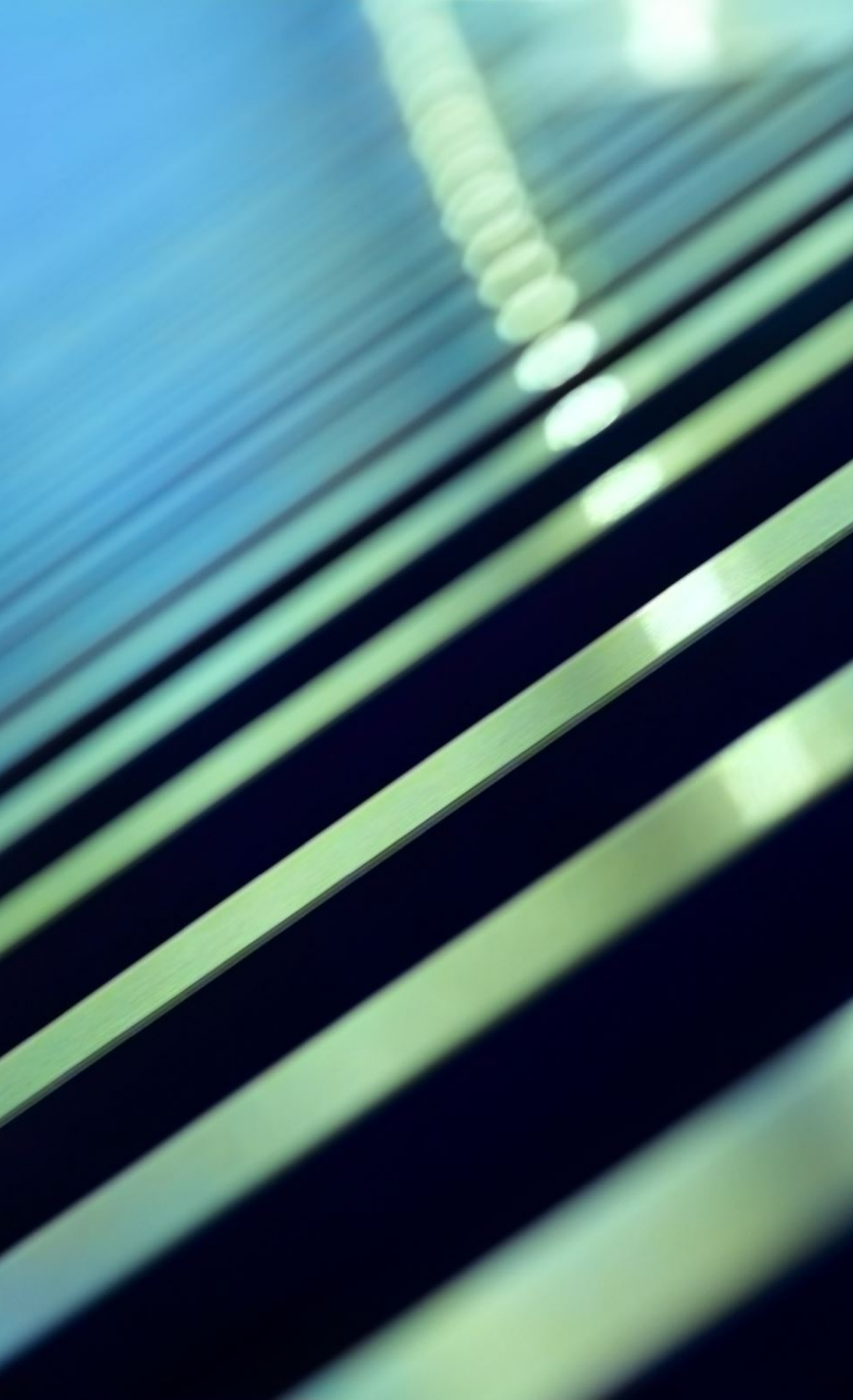
Note: Government policy interventions: Land-tenure *reform, Innovative financing mechanisms, privatization of state-owned wood companies & VNTLAS*

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. Lack of designing and branding capability, limited value addition.

5.3. Keys policy/institutional supports needed for Vietnam’s wood industry success

- Land tenure reform started with allocation of state-owned cropping land, then forestry land without forest (bare hills and denuded land) to farmers for small-household commercial plantation business.
- Private sector engagement in step-wise timber industry (wood-chipping, saw-milling, semi-finished/finished high-end processing), simultaneous grow of 4 wood product categories: Woodchip, Wood Pellet, Wood-based Panels, Wooden Furniture.
- Export-oriented trade policies (zero-tariff for log, lumber, wood-based panel imports, 25% tariff for furniture imports, log export ban, 25% tariff for sawn-timber exports), 17 FTAs with major markets.





5.4. Supply chain development

A. **Expanding small household acacia plantations and rubber farms**

- Building strong relationships with global suppliers of raw material.
- Integrating smallholder farmers into certified wood value chains.

B. Industry Clustering

- Creation of industrial zones specialized in wood processing.
- Support services: machinery suppliers, logistics, and design consultants.

C. Quality & Certification

- Strong adoption of **FSC certification** to meet EU & US market demands.
- Focus on product design, durability, and compliance with environmental standards.

D. Market Diversification

- Moving from OEM (Original Equipment Manufacturer) to ODM/OBM (design & own brand).
- Expanding to niche markets: luxury indoor furniture, outdoor teak sets, and engineered flooring.

6. Problems & Challenges

- **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)… increasing burden/rising production costs.
- **Interruptions** (pandemic, geopolitical conflicts, interruption of freight and logistics services leading to extra costs, US reciprocal/232 tariffs !!!...).
- **Competition** toughness, weakening markets.
- **Trade protectionism/mercantilism: Tariff & non-tariff barriers making wood trade too much risky!**
- **Too much "Endoscopy"** of W&WPs traded!

7. Conclusions

- *Forestry & wood industry – intensive labor input business, playing a vital role in improving livelihood of a large segment of rural people and environ safeguards;*
- *W&WP trade becomes more and more vulnerable to global economic and market uncertainties/World of VUCA.*
- *ITTO - stronger voice % action to leverage markets, both domestic and export markets, and advocate for trade fair and sustainable wood industry development.*

Thank so much for your attention & cooperation!

どうも ありがとうございます

Domo Arigatōgozaimasu!