



Forestry Innovation
Investment®

MARKET DEVELOPMENT SUMMARY

VIETNAM

Hemlock furniture trials | Photo: FII

IMPORTANCE OF FORESTRY AND TRADE DIVERSIFICATION

Developing diverse markets for exports is critical to the health of the Canadian forest sector and the economy. Strategic investments made early in emerging markets such as Vietnam can establish a better awareness of Canadian species, secure market share and deliver long-term returns.

Why Vietnam?

- **Second largest exporter of wood furniture in Asia**
- **Double-digit growth in furniture exports even through global pandemic**
- **CPTPP trade agreement reduces barriers to trade**
- **Limited domestic supply and evolving import supply from traditional sources**
- **Growing interest in the benefits and suitability of softwoods**
- **Increasing demand for legal, sustainable and certified sources of wood**



Canadian wood samples | Photo: FII

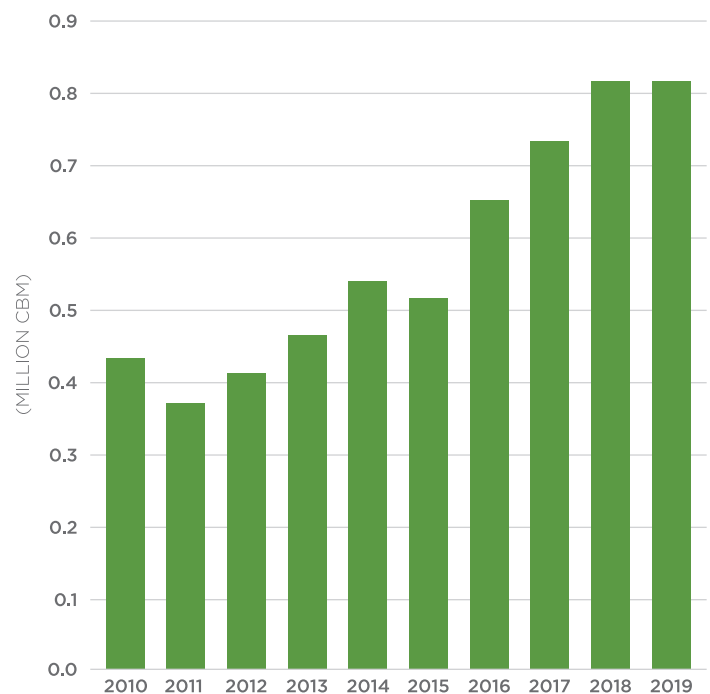
BUILDING A MARKET FOR B.C. WOOD PRODUCTS IN VIETNAM

Vietnam has a long and distinguished history of producing furniture products for its domestic market and, in the last 20 years, for export. Today, Vietnam is the second-largest exporter of furniture in the Asia-Pacific region after China. In 2019, exports of wood and forestry products were valued at USD \$10.5 billion with furniture making up the majority of these exports.

Vietnam's value-added wood products processing has far outpaced the growth of domestic wood supply. This, combined with decreased supply of Southeast Asian hardwoods, presents opportunities to introduce Canadian softwood species for import. In the past five years, Vietnam has increased its imports of softwood lumber by 109 percent, compared to 39 percent growth in hardwood lumber.

Vietnam has also put more emphasis on using certified sustainable sources, a requirement increasingly seen by countries and major companies. As Canada has more third-party certified forests than any other country in the world, this presents an exciting opportunity for B.C. and Canada.

VIETNAM IMPORTS OF SOFTWOOD LUMBER



Vietnam has experienced consistent annual growth in softwood lumber demand. Softwood lumber shipments to Vietnam from major trading partners more than doubled from 2011 to 2019.

PHASE 1: CREATING DEMAND FOR CANADIAN WOOD SPECIES

In 2015, FII, Natural Resources Canada and the Canada Wood Group completed market assessments of key markets in Southeast Asia. The initial analysis concluded that Vietnam represents the strongest short-term market opportunity for B.C. of the markets studied.

FII began initial inroads in 2017 with a small in-market team focused on pursuing product trials, supplying small quantities of Canadian softwood species and providing technical support to strategic groups of manufacturers to try the products locally. Product trials are a low-cost way

to encourage key audiences to sample Canadian products, as well as showcase the use of species not well known in Vietnam, particularly in the furniture sector.

With funding support from Natural Resources Canada, FII established an office near Ho Chi Minh City in 2018. FII's team in Vietnam is focused on expanding business development opportunities in the manufacturing industry in Southern Vietnam. The region is home to over 4,000 major furniture factories, employing anywhere from several hundred to over 10,000 workers per facility.



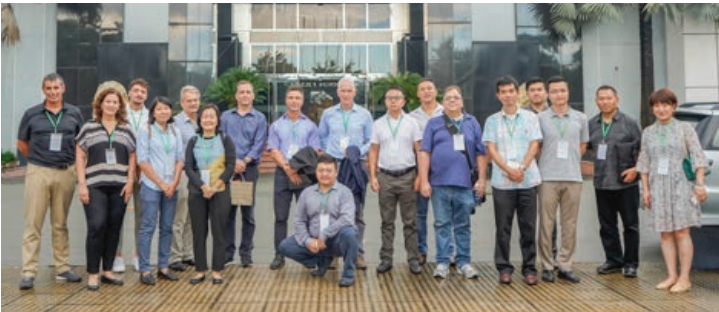
Canadian Wood Vietnam office | Photo: FII

PHASE 1: OBJECTIVES

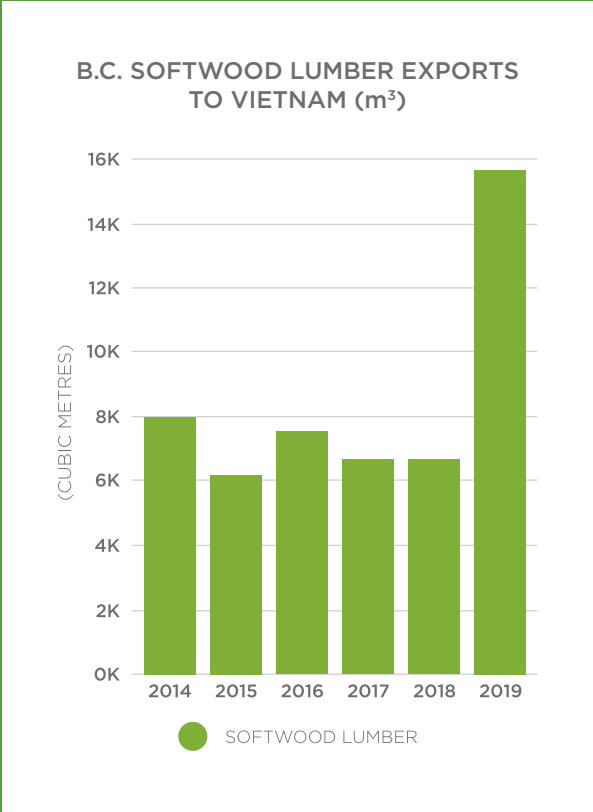
The objective in Vietnam is to help build demand for, and create awareness of, Canadian softwood species as a substitute for traditional hardwoods in the furniture manufacturing sector.

The market development approach for Vietnam focuses on the following (pre-commercial) activities:

- 1. **Infrastructure** — providing hands-on support for the B.C. forest industry through a skilled and knowledgeable team based in Ho Chi Minh City’s manufacturing district.
- 2. **Research** — continuing to refine the understanding of opportunities for Canadian species and products, while also identifying and building a network of local partners and customers.
- 3. **Education** — providing information, tools and training to local importers and manufacturers to maximize the use of B.C. species in a variety of applications.
- 4. **Promotion and Outreach** — targeting promotional activities to build knowledge about Canadian wood products while expanding opportunities in the furniture manufacturing sector.
- 5. **Commercialization** — positioning Canadian species with local manufacturers via product trials to demonstrate the features and benefits of Canadian wood species.
- 6. **Engagement** — engaging as required with state and national government agencies and bodies to ensure unfettered market access for Canadian products and foster understanding of the importance of bilateral trade between Canada and Vietnam.



While B.C. volumes are still modest compared to competing jurisdictions, B.C. exports to Vietnam rose 135 percent last year to 15,686 cubic metres, signalling potential for B.C. species.



2019 Canadian Delegation to Vietnam - Manufacturing Facility Tours | Photos: FII



Hemlock furniture trials | Photos: FII

PHASE 1: PROGRESS

Product trials

FII Vietnam has been supplying targeted local manufacturers with small volumes of B.C. wood products, allowing them to become familiar with B.C. species by producing samples and prototypes. The technical team in Vietnam provides assistance to the manufacturers to help them understand the properties of B.C. species and advise them throughout the trial process.

In 2019/20, FII Vietnam completed 18 product trials with local manufacturers. The trials have been showing positive signs that B.C.'s softwood species have the potential to capture good returns and replace traditionally used species from Europe and Asia.

B.C. species that have become popular as a result of the trials include western hemlock, spruce-pine-fir (S-P-F) and western red cedar. Due to its favourable finishing properties and ability to accept any paint, stain or clear finish, western hemlock has emerged as a preferred product for use in a wide variety of furniture applications such as dining tables and chairs, bunk beds, bedroom sets and living room furniture. Hemlock is also becoming increasingly accepted as a leading product for interior doors, thanks to its advantages over oak and tropical hardwoods in terms of its price and properties.

Initial trials are being featured in marketing materials, displayed at exhibitions and showcased in manufacturer/end-customer outreach with the goal of driving larger-scale future orders.

Trade shows: exhibiting the Canadian Wood brand

FII Vietnam regularly participates in trade exhibitions to help expand the Canadian Wood brand and identify leads. In the fall of 2019, FII Vietnam organized a mission for B.C. lumber companies to participate in Vietnam Wood, a major wood manufacturing trade event attracting 12,000 furniture sector stakeholders.

Under the Canadian Wood brand, the FII Vietnam booth showcased a wide range of furniture and door products made from B.C. species and included kiosks for B.C. companies to be represented at the show. Prior to the event, the 14-person delegation participated in a two-day multi-site tour of furniture manufacturing sites and Vietnamese importers and traders.

The mission helped delegates to better understand applications for B.C. wood species in Vietnam's furniture manufacturing sector, and to meet prospective buyers and stockists that FII Vietnam has been fostering relationships with over the past two years.



Vietnam Wood 2019 Trade Show | Photos: FII

Growing opportunities through local partnerships

To ensure B.C. species are available in-market as demand builds, the FII Vietnam team has been building relationships with local wood wholesalers/dealers (referred to as stockists). By ensuring that B.C. and Canadian wood products are available as and when needed, stockists play a critical role in the development of the market for Canadian wood products.

FII Vietnam has built a relationship with Tavico—one of South Vietnam's largest wholesalers of softwood and hardwood products from around the world. Since 2005, Tavico has become well known in Vietnam, with a large customer base consisting of furniture, window and door manufacturers, as well as traders, architects, designers and contractors.

FII Vietnam has been working with Tavico and providing a range of support including wood samples, technical assistance, marketing materials and staff training seminars. These efforts have resulted in the expansion of knowledge and acceptance of several B.C. softwood species, including S-P-F, western hemlock, Douglas-fir and western red cedar. Tavico is now regularly ordering and stocking Canadian species and supplying them to its customer base of factories. Emulating this successful relationship to expand the number of stockists in Vietnam carrying Canadian species is a priority.



Tavico showroom | Photo: FII

KEY FUNDERS

In all its market development efforts, FII seeks to work in partnership with federal and provincial bodies, and with the Canadian industry, to support long-term market diversification and growth. Funding from Natural Resources Canada for Vietnam supports this partnership approach. Additional resources are leveraged through the Canada Wood Group, and through the Government of Canada's Embassy and Consulate in Vietnam.

Canada

