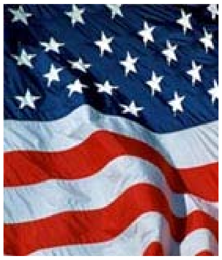
FAST FACTS 2007



FURNITURE & LUMBER

WORLD TRENDS IN CONSUMPTION

The timber/lumber industry is in a state of flux as the demand for different kinds of wood changes and global players shift roles of importance. New environmental concerns, consumer demands, and political actions have all caused changes in the industry recently. Top exporters include China for hardwood, Japan for softwood, and Canada for both. (U.S. Department of Agriculture) Although the market is broadening, consumers still prefer a few species of wood such as red oak, maple, mahogany, and teak. (Zakreski)

Worldwide imports of wooden furniture (HTS 9403-30,-40,-50,-60) reached $31.3 billion in 2006. (UN Comtrade) Major importers include the U.S., Germany, United Kingdom, France, and Canada. Cost pressures have shifted production to China, Mexico, Brazil, Vietnam, and even Egypt. As consumer taste moves toward multi-functional, contemporary styles, trendy and smaller upholstered furniture continues its popularity worldwide. Producers are more willing to modify selections to meet consumer preferences. In addition, ready to assemble furniture is also in demand, especially in the North American and European markets.

Non-wood substitutes have enjoyed double-digit growth in recent years at the expense of wood. Many wood products such as decking, stairs, rails, benches, etc. are being replaced with synthetic resin products having varying degrees of wood material or none at all. Although faux wood products may never reach the elegance of fine furniture, their durability is unquestionable and reduces future demand for lumber.

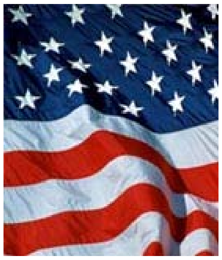
SUPPLY AND DEMAND

Demand for furniture is closely tied with the housing industry which has been stagnant or slightly down in the U.S. through 2006-07. While lumber is also used in home construction, demand is more contingent on the economy in general which has been steady to strong in the U.S. and worldwide as well.

U.S. exports of wood products increased $500 million over 2005 to $6.54 billion in 2006 which marks the fourth year of strong growth. Logs exported amounted to $1.52 billion—only 0.66% over 2005—and sawn lumber reached $2.28 billion, a healthy 11.35% sprout.

Major exporters of logs (HTS 4403) are Russia, Canada, U.S., and Malaysia. American logs and lumber are commonly exported to produce finished goods abroad. China is the #1 importer of logs in the world, importing $10 billion during 2004-06—mostly from Russia. Japan was the 2nd major importer for the same period, bringing in $5.5 billion with the U.S. as a major supplier. When it comes to popular tropical lumber, Brazil and Malaysia are the biggest stakeholders with 55.5% of the market share for the 2002-2005 period. (UN Comtrade)

The U.S. is still the number one market for furniture, but production has largely gone overseas. Still, there are about 20,000 U.S. companies producing $65 billion worth of all furniture types, but the industry is very fragmented with the top 50 companies producing only 40% overall. Home



FURNITURE & LUMBER

furniture sales in the U.S. were $31.5 billion in 2006 increasing 6.6% over 2005. (First Market) Since 2000, some 280 U.S. furniture plants shut down losing 95,000 jobs, or 33% of the workforce. (Rommel) Instead, Americans purchase wood furniture from China, Canada, Vietnam, and Malaysia among others.

The U.S. is the largest importer of China's wood furniture exports; from 1997-2004 over 40% of China's wood furniture exports went to the U.S. annually. (Xiufang, Cheng, & Camby) The U.S. imported $12.2 billion in wood furniture in 2006, primarily from China. (UN Comtrade) There are now approximately 50,000 furniture manufacturers in China, all continuing to build production capacity. (Schmid and Romell) China faces importing country health and safety standards as well as high U.S. duties on wood bedroom imports as obstacles to expanding their industry presence; however, with continuing investments from Southeast Asian countries and international plant relocations to China the furniture and building industries will continue their demand for imported wood. (Xiufang, Cheng and Canby) Even with high shipping costs, imports are 30% lower due to incredibly low labor costs estimated at 67 cents an hour—that's 5% of what Americans earned in 2004. (Rommel) Production in Vietnam increased from $219 million in 2000 to $2 billion in 2006. (VNS) Egypt has become another major source of furniture increasing production from $45 million in 2004 to $320 million in 2006. The government realizes the driving economic force of this labor intensive industry and is supporting 150 major producers which have sprung up over the past 3 years. (DoC Egypt) Canada's furniture industry has suffered severe cutbacks but the industry with the government's help is crystallizing their production capabilities to be more competitive. Being adjacent to the world's largest market is a tremendous incentive in addition to Canadian pride in their woodworking industry. (DoC)

2006 EXPORTS OF SELECTIVE WOOD PRODUCTS (HTS 4403, 4407, 9401, 9403)

Commodity	Total U.S. Value	Value via Virginia	Top Importing Countries
Sawn Lumber	$2.28 billion	$106.3 million	Canada, China, Mexico, Spain, Italy, Japan, UK, Germany
Logs	$1.52 billion	$45.1 million	Japan, Canada, China, Korea, Hong Kong, Germany, Italy
Chairs (-61 & -69)	$446.9 million	$6.06 million	Canada, Mexico, Saudi Arabia, Germany, UK, Australia
Office (-30)	$105.2 million	$3.8 million	Canada, Mexico, UK, Caymans, Dom Rep, UAE, Russia
Kitchen (-40)	$83.7 million	$380,184	Canada, Bermuda, Japan, Cayman Isles, Mexico, UK
Bedroom (-50)	$127.9 million	$5.55 million	Canada, Mexico, UK, Japan, Russia, Bahamas, Greece
Other Furniture (-60)	$506.5 million	$12.6 million	Canada, Mexico, UK, France, Saudi Arabia, Bahamas, Japan

Source: World Trade Atlas

The estimated market share of U.S. household furniture imports jumped from 21.6% in 1994 to 41.4% in 2004. (Lorimer and Christianson) The increase was even greater in the wood household arena where imports' share has risen 27.6% in the past ten years. Currently 54% of wood furniture sold in the U.S. is imported. (Vlosky) Over 16% of upholstered furniture sales are now imported. (Salter)

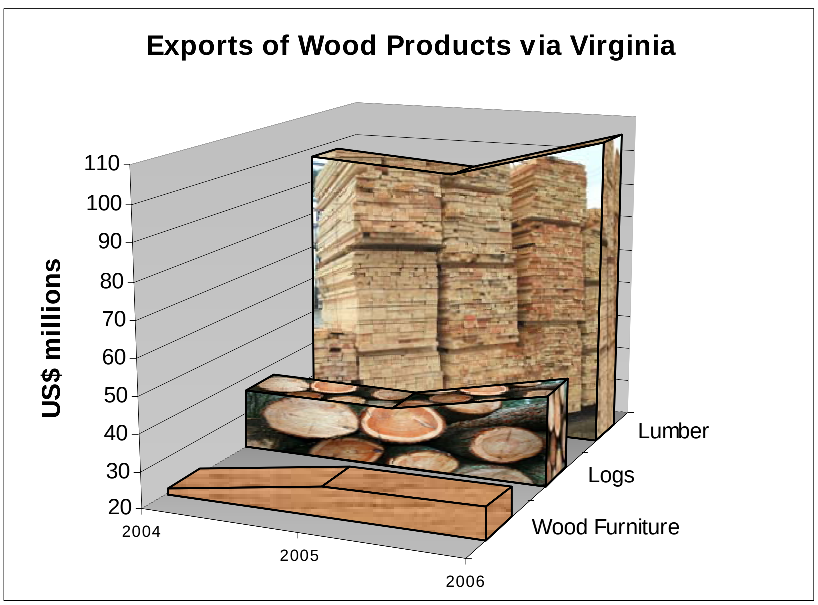
On the bright side, U.S. exports of all furniture (HTS 94) increased for the 3rd year to $7.56 billion in 2006. All categories of furniture saw export gains in 2006 including wooden furniture increasing to $2.3 billion, a hefty 10% over 2005. In 2006, wooden office furniture had a robust gain of 11.6%, wooden kitchen furniture 8.5%, wooden bedroom furniture was flat at 1.8% and other wooden furniture increased 11.8%. Chairs made of wood (HTS 9401-61 upholstered, & -69 non-upholstered) had a combined gain of 30.8%. (World Trade Atlas)

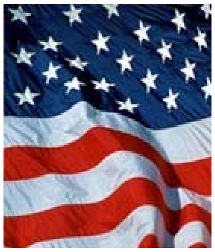
VIRGINIA WOOD PRODUCTS—PRODUCTION AND EXPORTS

While furniture production capacity in Virginia is certainly diminishing, exports of wood products via Virginia expanded the last few years. Quality hardwoods are highly valued and American-made furniture is appreciated. Some furniture begins as a sapling in the Shenandoah, gets exported to an overseas furniture factory, then returns home for final finishing and possibly re-exported. Canada, Mexico, Saudi Arabia, England and tourist areas like the Bahamas and the Cayman Islands are markets willing to pay for American craftsmanship. After a dismal year in 2004, exports bounded back by 2006 with major increases in office and bedroom furniture.

Log and lumber exports have remained strong with demand tied to the major furniture producing countries. Although competition from Russia is a threat, supply consistency is a vital production concern and the U.S. is able to maintain sales through reliability as well as quality.

IKEA recently announced plans to open a factory in Virginia which leads people to wonder if the furniture industry will eventually return. Having High Point, NC, the furniture capital of the world, in close proximity, Southside Virginia may be able to recover to a degree. However, like the auto industry, new factories may avoid Detroit and open in the most advantageous region available. Some questioned the rush to move factories overseas instead of investing in equipment right here in Virginia in order to be more competitive. Time will tell if that idea has a leg to stand on!





FAST FACTS 2007

FURNITURE & LUMBER

VEDP Trade Events

The VEDP participates in many international trade events and hosts a number of trade missions. All Virginia companies are welcome to attend.

For a complete listing of the VEDP's international trade events, please visit the "Events" tab on our website: www.ExportVirginia.org

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Additional Resources

- U.S. Foreign Agricultural Service—Wood Products: <http://www.fas.usda.gov/ffpd/forest.asp>
- FAS Overseas Directory <http://www.fas.usda.gov/ffpd/Export-Guidebook/appendix10.pdf>
- AFMA-American Furniture Manufacturers Association: <http://www.ahfa.org>
- AHEC- American Hardwood export council: <http://www.AHEC.org>
- AKTRIN Furniture Information Center: <http://www.furniture-info.com>
- Global Wood e-marketplace: <http://www.globalwood.org/index.htm>
- Industrial Strength Woodworking Online:<http://www.iswonline.com/ >
- SEC- Softwood Export council: <http://www.softwood.org>
- Virginia Department of Agriculture & Consumer Services: < http://www.vdacs.state.va.us>

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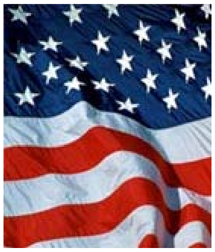

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