

# **Market Trends for Tropical Wood in the United States**

**Alan McIlvain**

**Alan McIlvain Company**

**IWPA Executive Committee**



# Int'l Wood Products Assn.

- **Who we are**
  - Overseas manufacturers, importers, users, distributors, service providers
- **What we do**
  - Protect (Government/Media Relations)
  - Inform (enewsletters, convention, grading standards)
  - Promote (*Imported Wood* magazine, website, marketing, networking events)
- **Upcoming events**
  - IWPA Convention March 25 -27, 2009, Indian Wells, California ([www.iwpawood.org](http://www.iwpawood.org))



# Alan McIlvain Company



- Founded in 1798 in Philadelphia, PA
- Inventory 30 percent tropical lumber
- Mahogany and Spanish Cedar from South and Central America
- Khaya and Sapele from West and Central Africa



# The “Big” Picture

- **Demand down**
  - Housing market in the tank (50% down from 2 years ago)
  - Remodeling and renovation market down
- **Costs up**
  - Higher energy and food prices curb consumer consumption
  - Weak dollar (although now showing signs of recovery)
- **Credit Crisis** (tightening credit and lending standards)



# The “Big” Picture



***Customers responding by reducing inventory, increasing requests for claims, reducing purchases, pushing for price reductions, etc... anything to survive!***



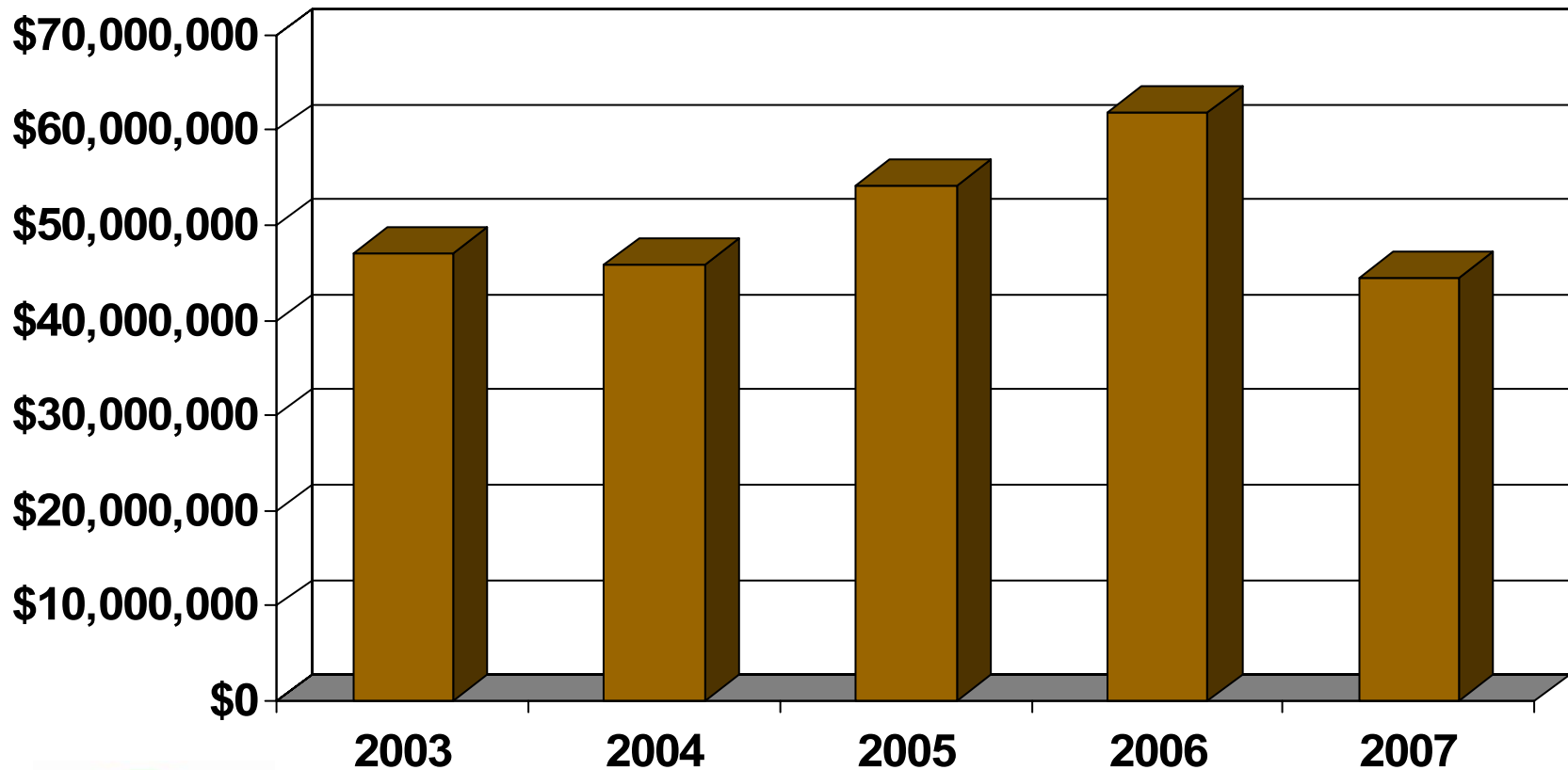
# Example of Problems



- Housing construction peaked in first quarter of 2006 at more than 2 million (at an annual rate). By the second quarter of 2008, construction has fallen to about 1 million units.
- Although the dollar has strengthened over the past few months, since 2006 the U.S. currency has lost 11.5% of its value against the currencies of major trading partners, according to Federal Reserve data.
- Kitchen cabinet industry down 13 percent (\$12.4 billion) in 2007 from a high of \$14 billion in 2006



# U.S. Lumber Imports from Peru (2003 – 2007)



Source: U.S. Census Bureau Foreign Trade Statistics (by end-use code)

# What's Ahead – Economy

- Expect U.S. economy to remain weak 2008 with stabilization in 2009 and strengthening in 2010.
- Different market segments will recover at different speeds.
- U.S. consumers value imported species for their beauty, durability and architects/designers increasingly specifying woods from Peru and other S. American countries.



# **What's Ahead – Green**

- **U.S. elections could produce “greener” Congress and Administration**
- **Implementation of Lacey Act**
  - December 15, 2008
  - Illegal for U.S. importers to possess wood products that violated foreign natural resources law.
- **U.S. Peru Free Trade Agreement**
  - Implementation for January 1, 2009



# What's Ahead - Industry

- Compliance with FTA and Lacey provide “green” claim for imports from Peru to supply a growing environmentally-sensitive market
- Peru government needs to continue to re-affirm that exports are legal.
- ADEX should prepare for a positive marketing campaign for exports as legal and sustainable.



# **Attend IWPA Convention**



**March 25-27, 2009**

**Indian Wells, California**



# **Thank you!**

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