



Are Timber Markets changing? What are Implications for Industry, Forests, People and Governments? A DLH Vietnam perspective

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Who is DLH? Hardwood Division?



DLH Group



Dalhoff Larsen & Horneman A/S

DLH is a Danish-owned group quoted on the Copenhagen Stock Exchange since 1986, and has been trading and producing timber and wood products all over the world since 1908.

DLH works globally in 37 countries with a head office in Denmark and subsidiary companies, purchase and sales offices in Europe, Africa, Asia/Pacific, and North and South America.

DLH Group (Cont.)



DLH's head office is situated in Taastrup, Denmark. The annual turnover is approx USD 1.5Billion, and the company employs a staff of 4000 in total.

DLH Trades/produces in over 1% of the worlds total Hardwoods and is the largest in this sector in the world

DLH Offices in HCMC and Qui Nhon, Vietnam since 2004 and is a Local distributor through DLH Indochinawood.

The **DLH Group** is organised into 2 main business divisions
Hardwood abt 75%:

HARDWOOD **TIMBER & BOARD**

Hardwood Division



The **Hardwood Division** is the international business dealing in tropical and temperate wood and other wood-based products. The division has the principal function of linking wood-producing and wood-consuming countries



Vision Statement



*TO BE A MAJOR
INDEPENDENT PLAYER IN
SELECTED SEGMENTS OF
THE GLOBAL TIMBER TRADE
AND TO PROMOTE THE USE
OF TIMBER FROM
RENEWABLE NATURAL
RESOURCES*

Core Values

DLH NORDISK A/S



- Wood is our core Business
- DLH supports environmental sustainability
- DLH provides full customer service
- DLH is a long term player

DLH is Global

DLH NORDISK A/S



DLH Business is Diverse

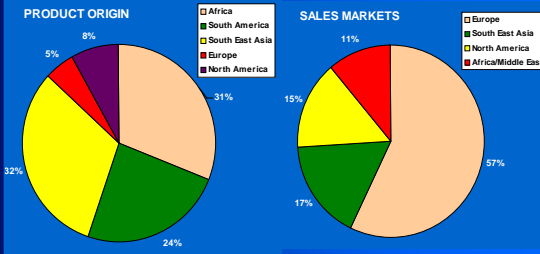
DLH NORDISK A/S



- Manufacturing, Warehousing, Distribution
- Decks, Garden Furniture, floors, components
- Forest management, Logs and Lumber

Markets

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Category	Region	Percentage
PRODUCT ORIGIN	Europe	31%
	North America	32%
	South America	24%
	Africa	8%
SALES MARKETS	Europe	57%
	North America	15%
	South America	17%
	Africa/Middle East	11%

Environmental Policy

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Wood products are the basic competency of the DLH Group

Therefore, DLH takes both a commercial and an environmental/social interest in conserving wood supply in a manner so as to leave wood for future generations. DLH has to be an active participant in a changing wood market and governance to ensure sustainability

Environmental Policy

DLH NORDISK A/S

DLH respects environmental concerns. Please refer to website www.dlh-group.com

DLH is committed to the environment and actively engaged in the promotion and production of certified products through its Good Supplier Project.

It is the policy of DLH to distribute wood products based on a minimum level of Known Legal Source and an increasing programme of certified products such as FSC, VLO, TLTV, PEFC, GFTN etc

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Environmental Projects

DLH owns, operates and supports forestry management projects eg Congo, Gabon, Brazil, Sabah, Philippines etc covering natural resources of 1000000s hectares.

Most significantly the CIB Congo forest on some 1.3Million Ha which was FSC certified in 2006. The largest natural FSC forest in the world.

This has been an important activity to proactively ensure supply security, stability in the changing commodity market.



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Environmental Projects (Cont.)

DLH cares for the areas in which it operates



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DLH Basic Values

DLH has clear basic values governing the attitudes and standards within the Group, how it behaves with respect to its surroundings and how it cares for its employees and customers/partners



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Vietnam Industry Market Indicators

- Wood related processing is 5th most important export activity in VN
- Requirement of abt 9million m3 pa for all sectors.
- Value export 2.4BUSD 2007, 3.0BUSD+ 2009.
- Solid wood focus but important woodchip sector
- Estimated 2000 wood processors in VN. Generally small.
- 5 main production clusters. Different.
- Export value is 10 times higher now than 2000. Recent growth abt 35% pa.
- Diverse markets over 120countries in 2007
- Domestic market coming but historically small
- Dependency on imports 80% for solid industry
- Wood processing industry major employer of women and rural labour

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Are markets changing? DLH Vietnam perspectives

- YES!
- BEFORE 1999:
- Minimal FSC and certified products. Low KLS
- Eg VN, Indonesian, Laos, Myanmar, Cambodian, Malaysian round/square logs focus
- Round, natural wood mainly
- Low incidence of COC
- Plantation wood not used much. Perceived Poor
- Seasonal. Reactive.
- Low tech
- Large Domestic and neighbouring supply natural wood
- Limited international markets and customer demands
- Difficult to break in
- Imported wood much less important eg 0 African wood

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Challenges noted and faced in VN

- Not enough of certain species/new ideas. Knowledge.
- No or Not enough FSC
- Quality issues
- Low experience in imported wood.
- Transition from Natural to plantation.
- Changing pricing, shipping.
- Seasonality of business. Reactive.
- Changing Trends
- Matching customer needs to wood supply and finding customers. Diversifying customer base/exposure.
- Technical challenges eg colours, drying, recovery, processing technology, waste.
- COC schemes how to do?
- Finance to grow invest
- Now High inflation, efficiency, competition, oil

DLH VN Perspectives in changing markets examples of recent changes



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- AFTER 2004-2008:
- FSC forms 50% of DLH VN import and export business. KLS/GSP 100%. V important in export sector.
- Plantation wood 60% of DLH VN business. Euc, Acacia etc. Maybe 1Million+ m3
- VN is leader in FSC Garden furniture sector
- Import now 80% of wood needs
- Developments eg Indonesian, Laos round wood export bans.
- WTO accession and commitment
- Financial institutions influences. IFC, HSBC etc
- Strict Customer demands
- 148 COCs issued
- Growing domestic demand eg African quality hardwood substitutes for Laos, Myanmar, VN traditional hardwoods eg Tali, Padouk etc
- Limited FSC requirement domestically but KLS recognised
- Use of US hardwoods and diversity of imports. 50 countries.
- Indoor sector in HCMC. Not balanced nationally

Implications to the industry, people, forests and governments of the changes seen



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- All must adapt quickly to changes. Plan. Strategy
- Recognise Importance of imported wood to grow industry from new global sources eg Africa. Sawm timber vs logs etc
- Promote and develop Substitutes of traditional with plentiful species
- Only use KLS and FSC/other Certified products. Plantation
- Support domestic supply of plantation wood and well managed natural forest
- Education of end customers and processor
- Technical support for efficient use of wood, reduce waste
- Finance. Respect Leadtimes. Support to processors
- Inventory and JIT service
- All be Proactive not reactive
- Economies of scale to get best logistics. Port efficiency.
- Respect Competencies and linkages
- Build the Vietnam Brand.

DLH can help with the Changing market



DLH NORDISK A/S

- We want to serve manufacturers strategically to find the wood they need. Provide Supply options, increase wood processing activity and profitability in Vietnam
- Reliably at a fair deal
- DLH has a global, long term outlook
- We want to help end customers find the woods they need to fulfill Env and cooperate objectives, meet changing trends and demands
- We want to help customers link with the factories /products in VN need to meet their objectives
- We want to support/cooperate in programmes/fora through FSC, NGOs, government depts and projects that support this process
- DLH wants to procure a range finished and semi finished products from its partners for export to meet the changing trends
- This can be achieved through a team approach linking wood supplier with factory and customer globally
- DLH can influence/feedback to the forest owners on what Vietnam needs
- Help remove risk for the processor

We must continue to adapt to these market changes to remain market leaders



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DLH can be contacted in Qui Nhon or Hochiminh city to discuss ideas and needs.

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We look forward to working together in Vietnam and SEAsia

Thank you for your attention.