



Export Opportunities in the Turkish Wood Market

Sponsored by the Virginia Economic Development Partnership (VEDP)

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INTRODUCTION

Atid, EDI, as part of VEDP's network, was mandated to provide an overview of the Turkish wood market and opportunities for Virginia companies.

Included is not only an overview of the sector and the general Turkish economy, but also a number of select leads in this area.

OVERVIEW OF THE TURKISH ECONOMY

POLITICAL OVERVIEW

Since 2002, the *Adelet ve Kalkina Partisi* (Justice and Development Party, or AKP) has consolidated power, offering a platform of political conservatism with an Islamic bent and neoliberal economic development that has garnered unprecedented popular support. The AKP's overwhelming election victories in 2002 and 2007 have enabled them to control the Turkish government. After the AKP's major victory in 2011's parliamentary elections, Prime Minister Erdogan reshuffled his cabinet and changed a number of ministries in the process.

With little opposition in the parliament, the AKP has been free to pursue its own agenda, while keeping a close eye on both the European Union and the powerful Turkish military. In order to neutralize the army, a sensational series of trials surrounding the *Ergenekon* case found nearly 300 military officers, including three generals, guilty of plotting to overthrow the AKP government. Journalists who questioned Erdogan's methods also found themselves quickly behind bars.

It is no coincidence that the two groups most affected - journalists and military officers - are seen as the most significant obstacles to the AKP's political and ideological agenda.

ECONOMIC OVERVIEW

In recent years, Turkey has enjoyed some of its highest economic growth rates in modern times. However, Turkey has suffered from four major recessions since 1994, highlighting the volatility of the country's economy and the risks facing the economy. After a sharp economic slowdown in 2008 and 2009, economic growth soared in 2010 and 2011 as both domestic and export demand rose at a strong pace.

Bolstered by an AKP-policy of preferential treatment and protective customs and non-customs barriers, the growth of the manufacturing export sector has provided Turkey with a more solid economy base. However, Turkey's growing service sector will continue to be exposed to external shocks. Turkey's tourism sector is particularly sensitive to political unrest and Europe's economic performance.

MAP OF TURKEY



Turkey's turn towards an export-based economy will benefit the country in the long run, though the economy will remain somewhat unstable over the next few years due to the weakness of key European export markets. A fast-growing domestic market has helped to somewhat shield Turkey from some of these external risks. Developing the Middle East as an additional outlet has also assisted Turkey.

Turkey's Major Macro Economic Indicators				
	2010	2011	2012(e)	2013(f)
GDP growth (%)	9.2	8.5	2.2	3.2
Inflation (yearly average) (%)	8.6	6.5	8.9	6.7
Budget balance (% GDP)	-2.7	-0.2	-1.5	-2.2
Current account balance (% GDP)	-6.4	-10	-6.0	-6.7
Public debt (% GDP)	42.4	39.3	36.4	35.9
(e) Estimate (f) Forecast				

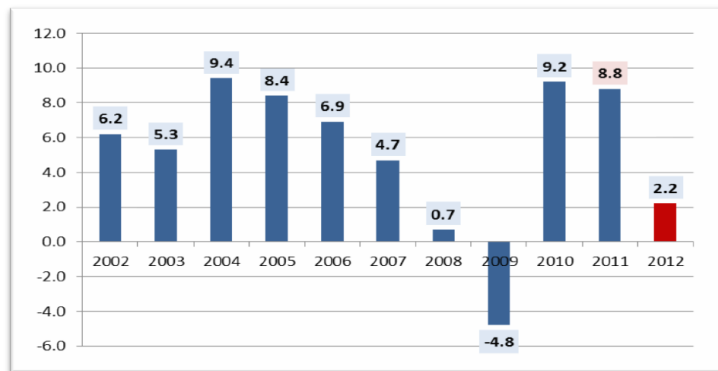
Nearly all people in Turkey are in the lower half of the social scale, with a small minority controlling a great deal of the country's wealth. Nevertheless, significant progress has been made in reducing poverty, particularly in the western part of the country. In the central and eastern parts of Turkey, poverty remains widespread.

IMPROVEMENT IN GROWTH DURING 2013

Turkish economic activity slowed significantly in 2012. In terms of domestic demand (-1.8%), the Central Bank's restrictive monetary policy aimed at slowing inflation and the rapid expansion of private sector credit, had an impact on household consumption and on company investments. However, in response to this weak growth, the Central Bank started to relax monetary policy at the end of 2012 and this trend has continued in 2013.

The Central Bank, in the context of slowing inflation, has reduced its policy interest rate twice by 100 points since January 2013. Pundits believe that even if credit growth eases off slightly in 2013, investment, the main engine of Turkey's economy in 2010 and 2011, will not manage to drive growth beyond its potential (4-5%). In terms of the food and beverages industry, this will perform well in 2013. The quality of production should continue to stimulate investment. The increased supply of credit should also help to increase household consumption. Unemployment, however, increased slightly in 2012 and should remain at 9% of the economically active population.

TURKEY'S ANNUAL ECONOMIC GROWTH RATES (2002-2012)



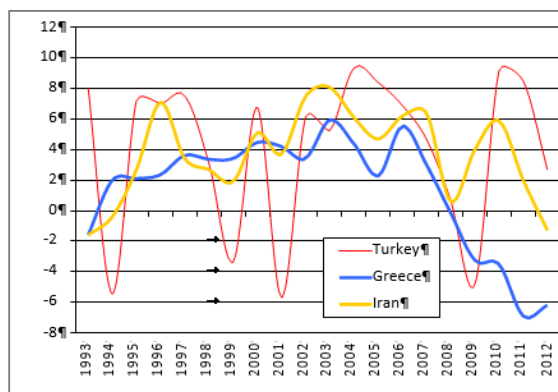
In terms of external demand, exports made a significant contribution to growth in 2012 (+17.1%), despite having suffered with the Eurozone recession (30% of exports). The European crisis has effectively been offset by increased demand for gold from Iran (+400% against 2011 and 15% of total exports).

These gold sales are the offset for imports of Iranian gas (18% of energy needs) which means that Turkey is not wholly dependent on Russia in this regard. The energy trade deficit represents an average of 4% of GDP. These unconventional trades, combined with the dip in domestic demand, helped bring the trade deficit down in 2012. The current account deficit nevertheless remains structurally high and will rise in H2/13. Exports will struggle again because of the recession in the Eurozone. Some sectors, such as automobile and metallurgy (steel), are thus likely to continue to suffer.

RELIANCE ON VOLATILE CAPITAL

Turkey is reliant on volatile capital: portfolio investments, short-term external loans and non-resident deposits. The continuation of the European crisis could bring an end to these sources of finance. In 2013 Turkey will continue to benefit from a reduced global aversion for risk among investors because of the more generous monetary conditions granted by the ECB and the US Federal Reserve. The country also has a sound level of foreign reserves (approximately \$115 billion, equal to 4 months of imports) that should enable it to intervene in the currency market to support the Turkish lira.

COMPARATIVE GDP GROWTH RATES (%)



The public sector debt worsened following the reduction in revenue as a result of the slowing of the economy in 2012. The public finances are subject to the three- year governmental medium long-term plan. The plan, for the period 2013 - 2015, expects the public deficit to amount to 2.2% of GDP in 2013, with the aim of gradually reducing this to 1.8% in 2015. The government has sought to boost revenues by increasing taxes paid by motorists and by raising alcohol and tobacco prices. A third measure includes the ending of tax exemptions for investment companies.

The Turkish banking system is well capitalized. The rate of bank penetration has increased strongly in recent years, a sign of the growing trust among the people in the Turkish economy and the banking system. However, while the banks are not directly exposed to currency risks, because of their off balance sheet operations (currency and rate swaps), the euro dollarization of the financial system remains an important constraint.

SOCIAL UNREST WEIGHS ON THE ECONOMY

On 29 May 2013, a demonstration against the closure of a park in central Istanbul was violently dealt with by the local police. A wave of national protest movements targeted at Prime Minister Erdogan (AKP) then broke out. The heterogeneous nature of the demonstrators (extreme left, Kemalists, AKP supporters disappointed by the actions of the Prime Minister) suggests that it is possible that this protest movement could spread. Now that Ramadan and the summer are ending, there may be a return to these protests.

The target is less the economic record of Mr. Erdogan, but rather his recent pronouncements and his methods, which as mentioned above have become more radical since his 3rd electoral mandate in 2011. In addition, as he cannot seek a 4th term of office as head of the government given term limits, he is aiming to become president. The presidential elections scheduled for August 2014 will also be the first to be held under direct universal suffrage. The ratification of a new constitution in 2013 could allow the granting of executive powers to the President whose role is currently an honorary one. Given the current level of social instability in Turkey, it is possible that President Gul, despite being a member of the AKP, could stand against the Prime Minister. There has been no major opposition party in Turkey since 2002.

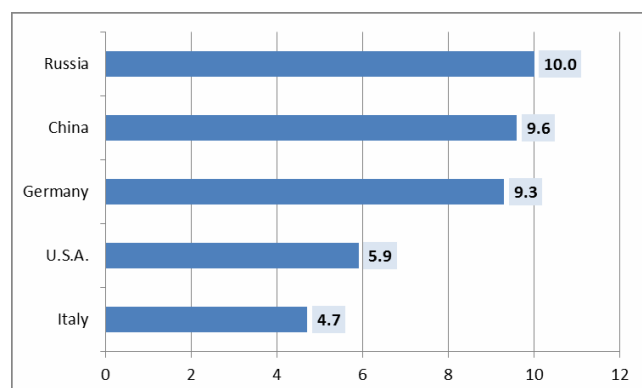
Turkey is well integrated into the international community. Given the ambiguity of the Europeans, the Cyprus veto and the Armenian question, the likelihood of EU membership is remote. Turkey did undertake significant reforms for good governance, transparency and other economic and business improvements that supported the growth in the local economy. Nevertheless, due to many factors (including political), European Union membership will probably not take place. The country is therefore turning increasingly toward the Middle East. Nevertheless, the country is now in open crisis with Syria while tensions with the Kurd minority remain high.

TURKISH FOREIGN TRADE

Over the course of 2013, the Turkish lira fell by 17% against the US dollar, due to both the worsening global environment for emerging market assets, compounded by Turkey's big external deficits, and a corruption scandal which erupted in mid- December. As 2014 dawned, the Turkish lira continued to suffer devaluations, with the U.S. dollar gaining more than 3.3% by mid-January against the lira since the beginning of the year.

The US dollar has gained more than 35% in value against the lira since the start of 2008. Nevertheless, pundits feel that the Turkish lira is likely to stabilize against the U.S. dollar in coming months despite capital outflows and ongoing political questions.

MAIN IMPORT PARTNERS (BY PERCENTAGE OF TRADE)



Due to its customs union agreement with the European Union, Turkey applies the EU's common external tariffs to nonagricultural imports from countries (including from the United States) with which it has not concluded free trade agreements.

LEADING TURKISH IMPORTS

Million Dollar			IMPORT		EXPORT		BALANCE		CHANGE %
Rank	Code	Periodic (January-April)	2012	2013	2012	2013	2012	2013	2012/2013
1	27	mineral fuels, oils, distillation products, etc	19,821	17,992	2,656	2,095	-17,165	-15,897	-9.2
2	84	machinery, nuclear reactors, boilers, etc	8,089	9,528	3,847	4,140	-4,242	-5,388	17.8
3	72	iron and steel	6,626	6,167	3,809	3,764	-2,817	-2,403	-6.9
4	71	pearls, precious stones, metals, coins, etc	1,565	5,613	3,482	2,943	1,918	-2,670	258.7
5	85	electrical, electronic equipment	5,302	5,347	3,174	2,877	-2,129	-2,470	0.8
6	87	vehicles other than railway, tramway	4,127	4,916	5,394	5,440	1,267	524	19.1
7	39	plastics and articles thereof	4,206	4,555	1,542	1,697	-2,664	-2,858	8.3
8	29	organic chemicals	1,684	1,745	207	216	-1,477	-1,529	3.6
9	90	optical, photo, technical, medical, etc apparatus	1,262	1,470	169	198	-1,093	-1,272	16.5
10	74	copper and articles thereof	1,254	1,360	463	475	-791	-885	8.4
LIST TOTAL			53,937	58,692	24,743	23,845	-29,194	-34,847	8.8
TOTAL			75,207	81,581	47,935	49,550	-27,271	-32,030	8.5

Turkey continues to maintain high tariff rates on many food and agricultural products not covered by the EU-Turkey customs union agreement. Tariffs on fresh fruits range from 15.4% to 145.8%. The government of Turkey also levies high tariffs, excise taxes and other domestic charges on imported alcoholic beverages that increase wholesale prices by more than 200%. As there are no other sources of quality hardwood save via export, logs and lumber have so far been exempt.

The US goods trade surplus with Turkey was \$6.2 billion in 2012, a decrease of \$3.2 billion from 2011. US goods exports in 2012 were \$12.5 billion, down 14.5% from the previous year. Corresponding US imports from Turkey amounted to \$6.3 billion, up by 20.4%. Turkey is currently the 26th largest export market for US goods.

The stock of US foreign direct investment (FDI) in Turkey was \$5.2 billion in 2011 (latest data available), up from \$4 billion in 2010. US FDI in Turkey is led by the manufacturing and wholesale trade sectors.

TURKEY'S LUMBER MARKET*

*Turkish trade and industry statistics reports typically have a 2 to 3 year lag time.

Turkey has the second largest forest area in the region, after Russia. Turkey is estimated to have around 22 million hectares of forest, of which approximately half is softwood and half is hardwood. Turkey produces an average of 7 million m³ of industrial logs per year, of which the majority is hardwood, making it the third largest producer of hardwood in the region after Russia and Romania. About 350,000 hectares is comprised of oak.

However, unlike Romania and many other Eastern European countries, the Turkish forest resource is of a relatively low quality and it has very low potential to supply high quality saw and veneer logs. As consumption of wood products is extremely high in Turkey, domestic hardwood production has to be supplemented increasingly by imports.

Wood processing plays a significant role in Turkey's economic development, especially for rural employment, with industrial wood production mainly geared towards the manufacturing of wood-based panels (plywood, blockboard, particle board, MDF, HDF, and OSB) and pulp. In terms of trade, however, the sector is diverse and consists of a number of products including logs, sawn timber, veneers, panels, moulding, doors and door frames, windows and window frames, flooring and other building components.

TURKISH FURNITURE MANUFACTURING MARKET

The Turkish furniture manufacturing market is a major domestic and export industry. The Turkish furniture sector includes some 30,000 manufacturers (all types of furniture) and employs over 150,000 people across its factories and production facilities. The industry is concentrated in six cities: Istanbul, Ankara, Izmir, Kayseri, Adana and Inegol - Bursa.

In terms of export, Germany has traditionally been among the most important markets for Turkish furniture manufacturers. This can be attributed to the large number of Turkish expats living in Germany as well as historical economic ties between the two countries. Iran, Iraq and France are also valuable export markets, followed by Azerbaijan and Turkmenistan. Beside these countries, Turkey exports significant quantities of furniture to the Netherlands, the UK, Rumania, Russia and Saudi Arabia.

Turkish furniture exports in 2011 were worth over \$1.61 billion, increasing some 18% over the previous year's total of \$1.36 billion. Exports to the United States make up only 1.6% of the total, amounting to \$26 million in sales.

For Turkey, there have been important developments in terms of the European Union integration efforts. These have created new standards of quality, work safety and competition. The sector has changed dramatically to comply with the framework of the customs union rules. It is now in an era when environmental concerns, worker's rights and competition are at the top of the agenda.

TURKISH PARQUET FLOORING MANUFACTURING

Turkish parquet floor manufacturing takes many different forms.

In the manufacture of **Solid Wood Flooring**, homegrown species used in local manufacturing include oak (50%), European beech (21.4%) and red pine (21.4%). *Sapele* and *iroko* are the main tropical species used. As raw material, 43.5% of timber is obtained from forest administration market sales.

Turkish solid wood flooring production averaged some 2,000,000 m² per annum between 2001 and 2006. Frequently seen problems are competition against alternative and cheaper floor covering solutions, a stagnant market and cash flow issues.

Meanwhile, 76% of enterprises are manufacturing parquet blocks by themselves. According to various estimates 89% of these companies are manufacturing parquet blocks using timber. Another 11% of them are manufacturing parquet blocks from cut lumber. For block production and timber sawing, log belt-saw, log circular saw and log frame saw are used in ratios of 24.8%, 7.9% and 4% respectively.

Enterprises first use air-drying and then kiln drying methods for drying parquet materials. Manufacturers use manual (42.3%) and automatic drying (30.8%) control methods. Though 67.9% of firms have steaming chambers; their technology is usually outdated or of insufficient capacity.

The leading Turkish quality classification of parquet wood is second class with 39.3%. However, first class and third class parquets were found to be produced in similar quantities.

In terms of **Multilayered Parquet Flooring**, species used in top layers include oak, beech, walnut, maple and cherry, as well as *iroko*, *sapele*, *merbau*, *doussie*, *teak*, *wenge* and *bubinga*.

All of the Turkish **Multilayered Parquet Flooring** manufacturers cut the top layers themselves from parquet blocks or logs.

TURKISH CHIPBOARD MANUFACTURING

Turkish chipboard production capacity increased significantly in recent years, reaching 24 plants with a total capacity of 4,000,000 m³ in 2009. This compared to 10 plants and a capacity of 800,000 m³ in 1990. An additional 1,500,000 m³ of production capacity were added in 2010. The chipboard is used primarily in the local furniture industry, which as indicated above has been growing steadily in recent years.

Exports in 2009 were 254,000 m³, with Georgia continuing to be the leading buyer, purchasing some 80,000 m³. Georgia was followed by Azerbaijan and Bulgaria.

According to official trade figures, Turkey imported a total of 238,000 m³ of chipboard in 2008 and 244,000 m³ during 2009; however industry sources insist that most of these imports were actually oriented strand board (OSB). Since Turkey does not produce OSB and the Turkish customs codes do not have a separate code for OSB, OSB imports are registered under the category *chipboard-waferboard*.

Although the US exported about 150,000 m³ of OSB to Turkey in 2009, imports declined significantly afterwards following the imposition of a 24.20% and 14.93% anti-dumping duty on US and Canadian OSB, respectively.

Consequently, after 2009 Bulgaria became the leading supplier of OSB to Turkey providing 136,000 m³, 56% of total imports. Imports in 2010 were up about 170% compared to the same period in the previous year, with Bulgaria continuing to be the leading supplier in this category.

WOOD CHIPS

Turkey's imports of wood chips and scrap (HS 4401) increased significantly due to a surge in demand from local MDF and chipboard producers. Total imports increased from 48,000 MT in 2005 to 544,000 MT in 2006 eventually reaching 974,000 MT in 2008 and 1.6 million MT in 2009. The US is the leading supplier in this category, providing some 500,000 MT, followed by Brazil with 323,000

MT. The Ukraine and Bulgaria were other leading suppliers of wood chip and scrap to Turkey in 2009 with 387,000 MT and 55,000 MT respectively.

Canada and Venezuela are also among the leading suppliers of wood chips to Turkey. Due to the way in which imports in this category are recorded, it is virtually impossible to distinguish what percentage of these imports was hardwood or softwood.

Turkish panel manufacturers usually require chips at between 30% - 50% humidity and with a maximum of 1 - 1.5% bark. Oak, maple and beech are the preferred species. Turkey's demand for wood chips is projected to increase in correlation with the continued expansion of the local panel industry.

MEDIUM DENSITY FIBERBOARD (MDF)

Turkey is Europe's second largest MDF producer but ironically, also the biggest consumer of laminate flooring. In particular, German producers have increased the pressure for export to the Turkish market due to the decline in demand in Europe. This increase in exports of laminate flooring from Europe is clearly seen in the import statistics reports issued by Turkish Statistical Institute.

Assuming that the Turkish market is the same in terms of volume in year 2012 compared to the previous year, imports increased to 40% of the market. By the end of 2012, imports of laminate flooring from Europe amounted to some 40 million m².

Oddly enough, Turkish producers of laminate flooring have enough capacity to meet the total demand of the local market. However, they cannot compete against the low priced and low quality sources streaming in from Europe. As a result, the industry has been looking to develop new export markets, but they have not been that successful due to pressure from European and Chinese sources.

The domestic production capacity of MDF production increased significantly in recent years, reaching 3.6 million m³ in 2011. According to industry sources, a number of new plants with a total capacity of 1,100,000 m³ were being added. This increase is attributed to the growing demand from the local furniture industry.

Imported logs, primarily from the Ukraine, used to be the main raw material for MDF producers. An estimated 60% were beech logs, 15% birch, 15% oak and 10% ash. In recent years however, imported chips have become the main raw material used to produce MDF. Today, chips account for some 60% total raw material used in Turkish MDF production, with the US being the main supplier of wood chips to Turkey.

In 2009, Turkey imported 33,000 m² of MDF boards (the last year available for statistics), a decline of some 35%. According to industry sources, some 50% of these imports are used for laminated flooring and about 10% are for door surfaces. In this category, Romania, Germany and China were Turkey's leading suppliers. Imports from these three countries constituted 75% of total MDF imports. Imports from the US in 2009 were down to 19,000 m², but increased significantly in the first two months of 2010 reaching 2,700 m².

Turkey exports MDF; Iran is the leading buyer, receiving more than 50% of exports, followed by the Ukraine and Iraq.

PLYWOOD

Total annual domestic plywood production capacity was estimated at 400,000 m³ in 2005 but growing imports of low priced plywood from China resulted in a 50% decline in domestic production by the end of 2006. A subsequent antidumping investigation conducted in 2007, the Turkish Government

applied an additional duty of \$240-300 per m³ (varying by thickness) on Chinese plywood imports. The current annual domestic production capacity is approximately 250,000 m³.

In Turkey, plywood is primarily used in the construction and packing industries. Increased use of steel panels has been reducing overall plywood usage in the construction industry. However, plywood utilization is increasing in the steadily growing Turkish yacht building industry.

In 2009, Turkey imported some 127,000 m³ of plywood, with primary sources being Brazil, Indonesia and Russia. Since 2010, leading suppliers include Russia, Brazil and India.

While Turkish exports of plywood are principally sent to Iraq and Georgia, Iran accounts for some 75% of the total amount.

VENEER

There are currently some 27 active veneer plants in Turkey with an estimated total annual production capacity of 98,000,000 m². The projected production amount is million m² for 2015, as the introduction of cheaper alternative products such as laminated MDF has had an impact on the demand for veneers. The cost of veneer production in Turkey is still lower than the cost in Western Europe. Consequently, Italian and other European firms have been contracting with Turkish mills for materials which are then imported and used in their markets. Some Turkish firms are also operating veneer manufacturing facilities in neighboring Black Sea countries, such as the Ukraine, taking advantage of even lower production costs in these countries.

In 2008, Turkey imported some 28,000 m³ of veneer and some 20,500 m³ during 2009. Romania, Bulgaria and the Ukraine were the main suppliers in this category. Although Turkey is an extremely price sensitive market, there is some demand for specialty high quality US veneers such as cherry, walnut, red and white oak. Veneer imports from the US were estimated at 2,162 m³ in 2008 and 723 m³ in 2009.

Turkish exports of veneer reached some 22,000 m³ in 2008 and 16,000 m³ in 2009. Egypt, Italy and Lebanon were the leading buyers, receiving some 50% of total Turkish veneer exports.

U.S. FOREST PRODUCTS EXPORTS TO TURKEY

US exports to Turkey of forest products reached \$100.67 million during 2012. This was an approximately 25% increase over the \$72.3 million in sales for 2011.

However, compared with the first half of 2012, there has so far been a 10% overall drop in exports in this sector this year. A competing source, during H1/13 the value of wood products (under HS code 44) exported by the European Union to Turkey increased by 19%, as compared to the same period in 2012. The major European exporting countries to Turkey are Germany (with a market share of 27.7%), Romania (24.8%) and Bulgaria (17.7%).

Nevertheless, overall Turkish mills, wood panel and furniture industries have been using an increasing amount of US logs, woodchips, hardwood and softwood lumber in recent years. Various organized visits to the US, technical conferences, US industry members' participation in an array of trade

shows (in the US, Turkey and the region), as well as the availability of the GSM-102 credit guarantee program, have supported the trade volume.

TURKISH IMPORTS OF U.S. FOREST PRODUCTS: 2008 – 2013 (\$000)

TURKEY	2008	2009	2010	2011	2012	Jan - June 2012	Jan - June 2013	Period / Period % Change (Value)
Forest Products	41,369	40,270	53,722	72,276	100,667	53,813	48,634	-10

U.S. HARDWOOD EXPORTS TO TURKEY

HARDWOOD LOGS

The leading hardwoods export from the US to Turkey is in logs. As the logs are essentially a raw material that Turkey itself cannot produce, the emphasis (reflected in overall AKP mandated commercial policy) is to have as many value added processes reserved for Turkish industries as possible. Turkish saw mills cut a great deal of lumber from all sources. Indeed, there are even Israeli and Egyptian companies who order logs from Europe, send them to be cut in Turkey and then bring the lumber into the country.

However, this is not the complete picture for this market. There is documented evidence of Turkish importers receiving American hardwood logs via China. Chinese imports are of such a scale that it is at times cheaper for Turkish companies to import US logs from Chinese sources than directly from the United States.

TURKISH IMPORTS OF U.S. HARDWOOD LOGS: 2008 – 2013 (\$000)

TURKEY	2008	2009	2010	2011	2012	Jan - June 2012	Jan - June 2013	Period / Period % Change (Value)
Hardwood Logs	6,218	2,657	4,971	5,695	6,893	3,685	4,313	+17

HARDWOOD LUMBER

Turkey has emerged as an important market for American hardwoods with over \$9.62 million worth of hardwood lumber entering the country during 2012.

Though there had been a steady increase in sales from 2008, a rise unaffected by the 2009 international downturn, the first half of 2013 has already registered a 19% decrease in US sales.

TURKISH IMPORTS OF U.S. HARDWOOD LUMBER: 2008 – 2013 (\$000)

TURKEY	2008	2009	2010	2011	2012	Jan - June 2012	Jan - June 2013	Period / Period % Change (Value)
Hardwood Lumber	2,080	2,633	3,777	5,732	9,618	4,411	3,586	-19

Again, it is important to remember that though hardwood lumber sales are down, there was an equivalent increase in log imports.

In terms of species, about half of the volume of American hardwood lumber shipped to Turkey was made up of white oak, followed closely by ash.

Other species included walnut and red oak, followed by tulipwood (poplar) and red alder.

U.S. HARDWOOD LUMBER EXPORTS TO TURKEY BY SPECIES: 2011 – 2012

TURKEY	2012		2011	
	Volume (m ³)	Value (\$,000)	Volume (m ³)	Value (\$,000)
Total:	13,361	9,618	8,076	5,732
White Oak	5,454	3,780	3,594	2,306
Ash	4,614	3,425	2,399	1,747
Walnut	1,359	1,180	879	923
Red Oak	1,049	757	798	572

US hardwood lumber sales to the region at large include the leading markets of the UAE, Pakistan and Saudi Arabia. Other significant but lesser markets include Jordan, Lebanon, Egypt and Qatar. In terms of species, American hardwood lumber exports to the region were dominated by red oak, white oak, ash, tulipwood (poplar) and hickory.

TURKISH IMPORTS OF U.S. HARDWOOD VENEERS: 2008 – 2013 (\$000)

TURKEY	2008	2009	2010	2011	2012	Jan - June 2012	Jan - June 2013	Period/Period % Change (Value)
Hardwood Veneers	3,526	1,806	3,753	4,193	6,023	3,245	5,231	+61

However, it is important to note that American hardwood veneers are also shipped to Turkey from European countries, notably Germany, while veneers (and some lumber) are also produced in Turkey from imported American hardwood logs.

In veneer, the dominant species was walnut, while significant volumes of oak (red and white) and ash were also shipped.

U.S. SOFTWOOD EXPORTS TO TURKEY

GENERAL SOFTWOOD MARKET IN TURKEY

Concerning softwoods, the Turkish market receives much of its supply from Scandinavia and Eastern Europe, in addition to sources from its domestic forest industry. Turkey's leading import sources of softwoods are from the Russian Federation, Ukraine and Georgia.

U.S. SOURCES OF SOFTWOOD LOGS & LUMBER

Around 80% of imported softwood logs entering Turkey come from Ukraine and Russia. Over the past 10 years, African countries such as Gabon, Congo and Cameroon were also principal sources.

Historically, the United States was Turkey's main supplier of softwood logs, mostly southern yellow pine. In the late 1990's, Chile surpassed the US as the leading supplier due to lower prices. At that time, Turkey also began to source softwood logs from Germany and France following storms that resulted in a surge of available logs in these countries, as well as due to Turkey's efforts to cajole the continent to allow its entry into the European Union.

Over the past decade, Russia and Ukraine have become major sources for softwood logs for the Turkish wood products industry. The main reason is price: these suppliers reportedly offer lower prices and, due to their proximity, lower shipping charges in smaller quantities in less time. Additionally, nearby suppliers eliminate the need for storing large inventories in Turkey.

Essentially, the position of US softwood in the Turkish market is one that is quickly dwindling and, given the strengthening US dollar, may disappear altogether.

TURKISH IMPORTS OF U.S. SOFTWOOD LOGS: 2008 – 2013 (\$000)

TURKEY	2008	2009	2010	2011	2012	Jan - June 2012	Jan - June 2013	Period/Period % Change (Value)
Softwood Logs	1,058	1,586	1,707	1,136	5,219	5,051	496	- 90

N.B.: For 2012, imports were predominantly SYP

TURKISH IMPORTS OF U.S. SOFTWOOD LUMBER: 2008 – 2013 (\$000)

TURKEY	2008	2009	2010	2011	2012	Jan - June 2012	Jan - June 2013	Period/Period % Change (Value)
Softwood Lumber	0	204	17	690	2,076	1,246	604	- 52

QUALITY ISSUES MAY PRESENT U.S. COMPANIES WITH AN OPPORTUNITY

In recent years, Turkish importers have mentioned a problem regarding the quality of the lumber they receive (both hardwood and softwood). It is not uncommon to order a container of first quality lumber and receive at times 20 to 30% lower common grades. This is mainly a problem with the processors, but it also presents an opportunity for US firms.

Should the euro continue to rise in value vis-à-vis the dollar (and as the euro regime is instituted increasingly in Eastern Europe), US companies would then become increasingly attractive.

If the American mills can present competitive prices, this would work to their benefit and enable them to break into the Israeli and regional markets.

As well, given the attractiveness of SYP versus Scandinavian pine, many Turkish companies interviewed by our office have previously expressed a growing general interest in investigating US sources.

TURKISH PHYTO-SANITARY REGULATIONS

Overall, an import permit is not required for American wood products.

Nevertheless, an additional declaration is required only for timber of Bigleaf Maple (*Acer macrophyllum* Pursh), California Buckeye (*Aesculus californica* (Spach) Nutt.), Tanoak (*Lithocarpus densiflorus* [Hook. & Arn.] Rehd.), Oak (*Quercus* spp. L), and Pacific Yew (*Taxus brevifolia*).

This additional declaration should state: "The wood originates in areas known to be free from *Phytophthora ramorum*".

It is important to note that proper phytosanitary documentation is a must. Several contacts mentioned that the current laws indicate that the issue date of the "Bill of Lading" cannot be later than 12 days later than the phytosanitary certificate, but that applies mostly to logs and lumber.

U.S. firms should always check with the importer to verify current phytosanitary requirements. A phytosanitary certificate is required for timber that is not treated with paint, stains, creosote or other preservatives (HS code 4403.10).

The phytosanitary certificate must be issued no earlier than 12 days before the date of shipment. Alternatively, if the date of inspection is stated on the phytosanitary certificate then the period between inspection and shipment must not exceed 12 days.

A phytosanitary certificate is NOT required for reconstituted wood products, plywood, laminated veneer lumber or veneer.

Imported softwood logs need to be debarked and hardwood logs need to be fumigated.

RECOMMENDATIONS

Most of the reliable contacts for lumber export into the Turkish market are built on quality, time proven relationships. Turkish importers enjoy working with family owned companies that put a premium on quality, while also providing a fair but competitive price. This covers the entire spectrum of the hardwood market, as well as quality softwood products.

Competition from Europe and the Far East is stiff for American producers, especially when their product tends to be expensive relative to other sources even before logistics costs are factored in.

Treated wood products, such as poles and ties, is a very small market that exhibits limited potential for growth.

Virginia Economic Development Partnership - International Trade offers a number of export-related services to Virginia businesses, including trade missions and market research by our Global Network of in-country consultants. These services are available to all Virginia exporters.

For more information, please visit our website: ExportVirginia.org

TURKISH WOOD LEADS

Below is an annotated listing of leading Turkish lumber importers. Our office recently spoke to each company to verify their contact details, interest and activities:

Contact: Mr. Yucel Gursoy
Company: ARG Orman Urunleri, Ltd.
Address: Mugla-Izmir Karayolu - 6.km - Akcaova Koyu
City: Mugla
Country: Turkey
Tel: +90.252.231.0290
Fax: +90.252.231.0291
Email: yucel@yucelkerestecilik.com.tr
URL: <http://www.argpan.com>

ARG Orman Urunleri is a subsidiary of Yucel Kerestecilik ve Orman Urunleri. ARG imports both hardwoods and Siberian softwood. Yucel also manufactures pine, larch, spruce and beech panels. ARG currently imports sawn white oak and walnut lumber from US companies from Ohio to North Carolina. They convert the lumber into finished kitchen furniture to be exported to Europe. Their annual import level is approximately \$1 million.

Contact: Mr. Denizalp Gulkokan
Company: Arin Orman Urunleri
Address: D. 100 Karayol Uzeri, Ishlahiye Koyu-Duzce
City: Duzce
Country: Turkey
Tel: +90.216.364.3300
Fax: +90.216.313.0968
Email: dgulkokan@arin.com.tr
URL: <http://www.arin.com.tr>

A manufacturer of forest products for 50 years, Arin Orman is engaged in imports and exports of hardwood products with Turkey's neighboring countries. They are currently importing logs and lumber from Africa, Ukraine and the EU.

Contact: Mr. Cihad Avci
Company: Avci Forest Products
Address: Ikitelli Keresteciler Sitesi 21. Blok No 17 Basaksehir
City: Istanbul
Country: Turkey
ZIP: 34306
Tel: +90.212.670.0217
Fax: +90.212.670.0218
Email: cihad@avciorman.com.tr
cihadavci@gmail.com
URL: <http://www.avciorman.com.tr/>

Avci Forest Products provides construction and assembly services in Turkey and overseas. Avci consults for construction companies, architectural offices and retail customers. Avci Forest Products specializes in the following:

1. Retail and Wholesale kitchen and door design, manufacturing and assembly services.
2. Store design and decoration on a turnkey basis.
3. Restaurant decoration and furniture services.
4. Conference Hall decoration, Congress Hall decoration.
5. Hotel decoration and furniture, hotel doors, hotel room decoration, hotel meeting hall decoration.
6. Wooden stairs with many wood options and systems.
7. Different styles and types of wooden decks.
8. Wood flooring for house and schools and sports hall.
9. Customer specific and custom-made door frames.
10. Exterior timber cladding application.
11. Customer-Specific custom-made wooden pergolas, wooden arbors, wooden gazebos with desired wood and paint options.
12. Manufacturing and assembly services for acoustic wood panel and acoustic wood doors.

Contact: Mr. Yusuf Bahar
Position: Owner
Company: Bahar Forest Products
Address: Sanayi Bolgesi H 16/A, Parsel 3. Yol Orhanli
City: Istanbul
Country: Turkey
ZIP: 34957
Tel: +90.216.394.8400
Email: Bahar@bahartimber.com
URL: <http://www.bahartimber.com/eng/>

Bahar Forest Products is a veneer producer, importing logs and timber from various countries in Africa, America and Asia. The company imports wood and produces three main product lines: timber, profiles and plywood. Products are made from primarily locally-sourced beech, oak, pine, fir, linden, walnut and chestnut trees. Imported products include tropical trees including Iroko, Sapelli, Ayous (Obeche), Sipo, Wenge, Limba, Frake, Framire, Acajou (Khaya), Okoume, Kosipo, Tiama, Tali, Ekaba, Ekop, Andoung, Tetra, Dousie; South American species: Ipe, Cumaru, Jatoba Asya, Teak (Tectona Grandis) and Bangkirai.

The company provides logs, timber, deck, parquet, various profiles and marine plywood. In addition, it offers floorings, pool side coverings, outdoor coverings, balcony and terrace floorings, sauna coverings, wainscots, boat and garden furniture, pergolas and plywood.

Contact: Ms. Mevlude Parlak
Position: Foreign Trade Director
Company: Balcioglu Mumessillik Arastirma Tatbikat
Address: 82 Seyit Nizam Mahallesi Tebebag Cirpici Yolu G.10 Sokak Zeytinburnu
City: Istanbul
Country: Turkey
Tel: +90.212.444.8878
Mobile: +90.533.474.0600
Fax: +90.212.670.5151
Email: balcioglu@balcioglu.com.tr
URL: <http://www.balcioglu.com.tr>

Balcioglu imports all types of building and insulation products. Balcioglu is a buyer of different products such as composite & treated wood products, chipboard, particle board, OSB, film faced birch plywood, raw plywood, laminated chipboard, tropical and American hardwood, etc. Balcioglu currently sells the following: Plywood, Membranes, H-20 Beam/Mould Systems, Shingles, Water Insulation Materials,

Styrofoam Boards, Rockwool Boards, Extruded Polyesters, Glass Wool Boards, Glass Wool/Polyethylene Pipe, Roof Windows, Roof / Facade Panels, Building Chemicals, Sheet Iron Boards, PVC/CTP Roof Boards, Connection Materials, Profiles, etc.

Contact: Mr. Ata Turan
Position: Foreign Trade
Company: Eksioglu Forestry Products
Address: Cumhuriyet Dst. Naz Street
Serdar Eksioglu Trade Center No: 17, 5th floor
POB: 34720
City: Istanbul
Country: Turkey
Tel: +90.216.671.1600
Mobile: +90.530.609.6010
Fax: +90.216.671.1605
Email: ataturan@eksiogluorman.com.tr
URL: <http://eksiogluorman.com.tr>

Eksioglu Forestry Products is a leading wood company in Turkey. The company provides a wide range of products ranging from timber and logs to chipboards and adhesives to satisfy the demands of furniture, construction, shipbuilding and many other industries. It serves as a wholesaler and retailer of wood products, including lumber, particleboard, MDF, plywood, veneer and OSB. The company also offers paint, wax, glue and related accessories. Eksioglu is currently importing White Oak, Red Oak, Walnut, Red Maple and Hard Maple from the US. Its sister company, Seger Orman, is the distributor for Egger (Austria) in Turkey.

Contact: Mr. Alpaslan Ozer
Position: Import Manager
Company: Mobipan - Sahinogullaru Orman Urunleri Imalat ve Sanayi, Ltd.
Address: 1 Organize San. Bolg.Cad. Inegol
City: Bursa
Country: Turkey
ZIP: 16410
Tel: +90.224.714.8800
Fax: +90.224.714.8804
Email: mobipan@mobipan.com
URL: <http://www.mobipan.com/tr/index.php>

Mobipan is a producer and distributor of wood panels and boards. The company currently imports pine and spruce from Bulgaria and Romania, beech wood from Georgia and oak and walnut from the US (Bridgewell Resources). It also imports some tropical hardwood such as sapele for its production. It sources softwood mostly from Turkey.

Contact: Mr. Cetin Atikir
Company: Troy Wood Products
Address: D 100 Karayolu Uzeri, Haciatiflar Koyu
City: Duzce
Country: Turkey
ZIP: 81100
Tel: +90.532.457.3713
Mobile: +90.532.457.3713
Fax: +90.216.348.7589

Email: info@troy-wood.net
URL: <http://www.troy-wood.net>

Troy Wood Products is a veneer mill in Turkey. Troy buys and sells logs, veneers and lumber around the world.