Friends,

It is with great pleasure that I welcome you all to the 21st Annual General Meeting of the Federation of Indian Plywood and Panel Industry.

The Federation has its Annual General Meetings normally in the Country's political capital, but the Managing Committee have quite appropriately decided to hold the present meeting in Assam which contributes the largest share in the Country's production of plywood. The decision is particularly significant because of the problems which the plywood factories in Assam have been facing for the last three years and which, if left unsolved, will threaten their very survival.

PLYWOOD'S CONTRIBUTION TO THE NATIONAL ECONOMY AND ECOSYSTEM

In these days of loud elitist protests over destruction of forests, I wish to declare with all the emphasis at my command that the Plywood Industry aids in conservation of the country's wood resources and that it is in no way responsible for the denudation of forests. Responsibility for this unfortunate development can not justifiably be placed on our industry whose requirements of wood raw-material are a meagre 0.3% of the country's total wood requirements.
Plywood is made from a large number of secondary wood species of low economic value. It is used as a substitute for conventional wood species like teak. Plywood has imparted to the country the twin benefits of conservation of conventional wood species and augmentation of forest revenues from increasing use of secondary wood species which, otherwise, would have been wasted or burnt as fuel. By virtue of its superior physical and mechanical properties, one unit volume of plywood is enough to perform the functions of three unit volumes of sawn wood in most applications. Had it not been for plywood, consumption of traditional species would have increased three fold threatening their very existence. It is a matter of deep regret that the very important role which the Plywood Industry plays in conservation and rational utilization of our forest resources is lost sight of by the Government.

PRESENT STATUS OF PLYWOOD INDUSTRY IN INDIA

As on 31-12-82, there were 51 plywood factories on the rolls of the Directorate General of Technical Development with an aggregate annual capacity of 100.3 million square metres of which the share of the North Eastern region was 60.55 million square metres. The total production in 1982 of DGTD units who rendered returns was
53.3 million square metres indicating a low capacity utilization of 53%. Besides the DGTD units, there were about 200 factories in the Small Scale Sector. Reliable figures of their capacity are not available. However, production in 1982 is estimated at 20 million square metres. Making a provision for the DGTD units which have not rendered their returns, the total production of plywood in 1982 is assessed at 75 million square metres or 300,000 cubic metres. This compares very unfavourably with production in other countries in Asia Pacific Region. For example production of plywood in China in the year under review was 2,000,000 cubic metres. Against the present background of dwindling forest resources and the need to protect environment, it is of paramount importance that extensive use of plywood is promoted in place of solid wood, particularly in rural areas. It is in the national interest that the Governments at the Centre and in the States create suitable conditions to facilitate a rapid growth of the plywood industry.

OTHER PANEL PRODUCTS

The production of hard board in 1982 was 28458 tonnes as against 29302 tonnes in 1981, while that of particle board registered a marginal increase from

WOOD RAW MATERIAL

We have the necessary entrepreneurial skill and know-how to increase plywood production to a level consistent with the requirements of our vast country. What is lacking is adequate wood raw material. That there is a very acute shortage of wood is conceded on all hands. But it is a matter of deep regret that, despite repeated representations from your Federation, no worthwhile steps have yet been taken by the Governments to generate enough resources and cover the wide gap between demand and supply. In 1977 the Government of India appointed a Development Committee for Wood Panels with the Inspector General of Forests as Chairman and representatives of Government Departments and your industry as members to find solutions to the problem of shortage of wood raw-material. The Committee met thrice so far and made a few useful recommendations to the Forest Departments of the various states and union territories. Their implementation would have gone a long way towards generation of adequate wood resources but regrettably the requirements of the plywood industry have not received adequate attention of the various Forest Departments.
SHORT TERM REMEDIES

Ill informed protests over felling of trees have to be ignored. Foresters will agree with me that forests from which the Plywood Industry receives its wood raw-material prosper only if they are worked as per a prescribed silvicultural rotation and harvested as per Working Plans. The productivity of our forests is very low at 0.5 m$^3$ per hectare as compared to 2.5 m$^3$ in Europe and 2.3 m$^3$ in USA. The low productivity is due, among other reasons, to insufficient infrastructural development for optimum utilization of tree volume. Small wood, lops and tops, etc. are left behind in forests. Due to lack of all weather roads, transportation is seasonal and even good logs are left behind till the advent of fair weather resulting in considerable deterioration and wastage. The loss caused by fungus infection and insect attack in the time lag between felling of trees and arrival of logs in factories is also quite substantial. This could be prevented by adequate protective measures. On behalf of the industry, I can assure the Forest Departments of its co-operation and assistance in this regard so that valuable wood now wasted can be made available for industrial use. These are only a few short term remedies which can partially solve the
problem of shortage of wood raw-material.

LONG TERM SOLUTION

The Plywood industry's consumption of wood raw-material in 1982 was about 7 lakh cubic metres. I estimate the industry's wood requirement by 2000 AD at 25 lakhs cubic metres. It is not possible for this increased demand to be met from the natural forests. The only solution lies in the creation of man-made forests of species suitable for plywood on a top priority basis. Plantations have till now been the responsibility of Government Forest Departments and Forest Corporations. But the magnitude of the problem is such that it does not seem possible for Government agencies alone to achieve the objective. Fortunately there is a growing recognition of the need for Forest Departments/Corporations to involve the user industries in plantation schemes. We, in the Plywood Industry, are fully prepared to co-operate with the Forest Departments/Corporations, in this venture. Our preference is for captive plantations on lands to be made available to us near the user factories. However, we are willing to discuss any other viable scheme with the Forest Departments/Corporations. Your Federation has already made the necessary representations to the Government of India in this regard.
IMMEDIATE NEED FOR DUTY FREE IMPORT OF WOOD AS AN INTERIM MEASURE:

As I have mentioned above, the capacity utilization of the industry has become low due to shortage of wood raw-material. It is in the national interest to increase production by better capacity utilization and installation of additional capacity. Efforts initiated now to raise additional resources will take time to produce results. In the interim period, the only alternative is to import wood. The current policy of the Government of India permits import of wood under Open General License, but hardly any import takes place as the prevalent levies of a basic Customs duty of 60% and Auxiliary duty of 35% make it absolutely uneconomical. Your Federation has made a number of representations to the Union Government for abolition of these levies. Reportedly the Governments of Assam, Karnataka and Kerala have also urged upon the Centre to abolish these levies so that factories in their States affected by a severe shortage of wood might import timber. I hope that the Government of India will appreciate the merit of the Industry's representation reinforced by the recommendations of the Governments of the concerned States and abolish the two levies so that the factories may organise import of adequate wood and increase production of plywood to meet the rising demand.
EXCISE DUTY

Causes of conservation of forest resources and ecosystem dictate the need for an extensive promotion of the usage of plywood specially among rural population which still uses solid wood for all its needs. The present high levels of excise levies are a serious deterrent to the attainment of this objective.

All types of plywood had a uniform tariff rate of excise duty till 28-2-73. The rate was since revised a number of times, the last of which was on 1-3-79 when the tariff rate was raised to 30%. However, by exemption notifications, the effective rates for Tea-chest Plywood, Marine Plywood and Aircraft Plywood were fixed at 10% and that of Commercial Plywood at 20%. These rates are in force now and, in addition, there is a Special Excise Duty of 5% on the basic duty. These inordinately high levies on Plywood have had a crippling effect on the growth of the industry. In 1972-73, when the tariff rate of excise duty on plywood was 15%; total removals of plywood from factories were 44.57 million square metres yielding the Government a revenue of Rs. 33.21 million. In 1981-82, removals were 49.47 million square metres and revenue Rs. 237.83 million. Increase
in excise removals over the nine years period was only 4.9 million square metres i.e. 11% while the excise revenue shot up by Rs. 204.62 million i.e. 616%. This has been done at the cost of the growth of our industry which, I wish to re-emphasise, plays a very useful role in the rational utilization of wood and conservation of the nation's forest wealth and ecosystem. The Plywood Industry has almost become static. It can achieve the much desired growth and reach its products to the rural population only if the tariff rate of excise duty is brought down to 15% on all types of plywood retaining the effective rates on Teak chest Plywood, Marine Plywood and Aircraft Plywood at the existing level of 10%.

**EXPORT**

There has been no appreciable improvement in the Industry's export performance, the estimated exports of Plywood including Decorative Veneers in 1981-82 and 1982-83 having been Rs. 107.0 million and Rs. 107.5 million respectively. With the prevalent high prices of wood and synthetic resins, Indian plywood particularly Commercial Plywood has lost its capacity to compete in the international market. I can not, therefore, foresee any immediate possibility of export of plywood picking up.
However, it is possible to step up export of Decorative Veneers provided the State Forest Departments supply adequate veneering logs to manufacturer-exporters of this item.

FAO TECHNICAL CONSULTATION ON WOOD BASED PANELS

I am glad to report that your Federation collaborated actively with the Union Ministry of Agriculture by providing organisational and financial support for the conduct of FAO Technical Consultation on Wood Based Panels held in New Delhi from 13th to 17th January 1983. Several members presented papers to the Consultation and participated in various discussions. The Consultation made a number of recommendations which are under the consideration of the Government of India.

PLYWOOD INDUSTRY AND ECOSYSTEM

Government of India, in the Department of Environment, has appointed an Expert Committee to examine the feasibility of enforcing a moratorium, partial or full, on felling of trees in natural forests and to suggest alternative sources of raw-material for wood-based industries. By invitation, representatives of your Federation attended a meeting of the Committee in New Delhi on
26-II-1983, and submitted a note to them outlining the Industry's views and its role in conservation of forests and ecosystem. You will be happy to know that our representation was well received by the Committee.

ACKNOWLEDGMENTS

I wish to extend my thanks to my colleagues on the Committee for their unstinted co-operation. On behalf of the Federation and on my own behalf, I would like to thank officers in the various ministries at the Centre and in the States for their valuable assistance.