



CASE STUDY

Exporting to the Department of Defense

Uzbek lumber company meets U.S. Department of Defense needs in Afghanistan



Photo: FAYZ WOODGROUP.

Dry heated lumber is shipped to Afghanistan after completion of all DoD requirements.

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CHALLENGE Trade constraints in Central Asia exist not just at the firm level, but also in the legal and regulatory environment. Selling to the U.S. Department of Defense (DOD) in Afghanistan requires adhering to Defense Logistics Agency (DLA) specifications, collaborating with Prime Vendors (PVs), and overcoming financial barriers to export.

The Uzbek wood company, FAYZ WOODGROUP faced these challenges and others, including meeting American standards of measurement, accommodating different shipping companies requiring different documentation, and Uzbek restrictions on banks from issuing documents for registration of exports without complete payment.

INITIATIVE FAYZ produces more than 500 products including sawed round wood, furniture panels, floor boards, parquet, as well as cut and trimmed drying boards. With the support of USAID's Regional Economic Cooperation (REC) project, FAYZ WOODGROUP, one of FAYZ's 23 holding companies, it is now exporting to Kazakhstan, Russia, and Afghanistan.

The USAID REC project identified FAYZ WOODGROUP as a recipient of an intensive training program held in the spring of 2012, aimed at improving the marketing, management, logistics, operations, and export potential of businesses.

FAYZ became interested in supplying its lumber and wood products to Afghanistan after learning of its unmet need for heat dried lumber at a REC-organized presentation on "How to Supply to the U.S. Department of Defense (DOD) in Afghanistan." In June 2012, the company joined REC's Export Partnership Group (EPG) of suppliers to the US DOD in Afghanistan, and is now one of its 13 member companies.

REC organized an on-site visit in which a representative from the Defense Logistics Agency-Troop Support (DLA-TS) inspected the firm's supply chain and provided information about DLA requirements for thermally treated lumber. DLA-TS recommended the use of internal temperature detectors on equipment for drying lumber at a desired temperature, which were installed in June of 2012.



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RESULTS Upon DLA confirmation of FAYZ's readiness to supply to the DOD, PVs initiated contract negotiation. With REC's assistance, FAYZ WOODGROUP entered into two contracts with PVs to supply more than 800 cubic meters of heat treated lumber valued at \$400,000 USD in July of 2012.

Alexandra Gusakova, Head of the Investment Department of FAYZ, said, "Due to the assistance of REC Project, the company has substantially expanded its export potential. In 2012 the company's exports totaled almost \$2.4 million, of which 43% was export of wood materials to the US DOD for use in Afghanistan. In the first six months of 2013, FAYZ is planning to export its products to Kazakhstan, Russia and Afghanistan for a total \$3.7 million, of which 50% will be exported to the US DOD for the use in Afghanistan."

Firms preparing to supply goods to the U.S. DOD should consider the timeline associated with the price negotiation process and the need for training staff on PV and DLA procedures and requirements.