

Changing International Markets for Timber – What Can African Producers Do

Wood Products Trade – Africa & Europe

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Global Trends & Africa

Forest cover in Africa, approximately 650 million hectares (ha), accounts for 16.8% of global forest cover and 21.8% of the land area of Africa⁽¹⁾.

Traditionally, export markets for forest products from Central and West Africa are France, Germany, Italy and Spain, and more recently Portugal. However China now imports more than any of these countries particularly as a purchaser of logs, for the production of plywood and veneer. Globally, Japan and China are the leading importers of tropical timber – China for logs and Japan for more processed products⁽²⁾. Between them, Japan and China account for roughly 40% of the global tropical timber trade (on a roundwood equivalent volume basis).

In recent years, the timber industry (producers, importers etc) have had to respond to a changing market place, in particular in terms of changes in the sources of timber (changing availability due to over exploitation, greater role of plantations, ethical sourcing), the demands of consumers and the growing role of civil society.

There are reports that the timber sector (end of 2004) appears to be heading towards a boom that could last several years with prices of logs and plywood set to remain stable, given strong demand from China, India and Japan. Economic and population growth creating strong global demand, are the driving forces behind the strong market prospects.

The Power of Trade

Trade plays a key role in driving sustainable forest management (SFM) and certification. If significant demand exists for SFM and certified products, influence exists over the production. While European interest in sustainability issues has helped boost demand for wood products, it has also increased pressure on suppliers – particularly from the tropics - to provide evidence of legal and sustainable sourcing. In order just to retain existing market share in Europe, it will become increasingly necessary for suppliers of African hardwoods to demonstrate commitment to independent legal verification and forest certification.

While African countries supply only a relatively small proportion of total EU wood imports, the trade between Africa and Europe is significant, both in volume and value terms and as a foreign exchange earner for producer countries (see key statistics below).

(1) Forestry Outlook Study for Africa - Regional Report - opportunities and challenges towards 2020, FAO Forestry Paper 141, 2003.

(2) UNECE/FAO Forest Products Annual Market Review, 2001-2002 and GlobalTimber.org.uk

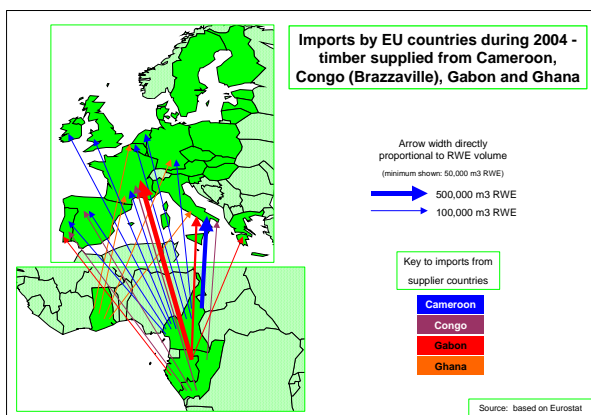
This potential trade leverage is supported by the drivers and initiatives outlined in the *Overview of Market Drivers Factsheet*, such as private and public sector timber procurement policies, Producer and Buyer Groups, regional and international initiatives under the FLEGT processes, some of which are specifically targeted towards African producers.

Key Market Statistics

In 2004, the EU-25 group of countries imported from outside the EU 63.2 million m³ of primary wood products (including logs, sawn lumber, veneer and plywood) with a total value of 9 billion euros. Of these, 4.67 million m³ (7%) with a value of 1.97 billion euros (22%) comprised tropical species. Of tropical species imported in 2004, 2.74 million m³ (59%) with a value of 1.1 billion euro (56%) derived from African countries.³

In 2003, African countries exported a total of 6.5 million m³ of tropical hardwood primary products (including logs, sawn lumber, veneers and plywood). In that year, the EU-25 imported 2.78 million m³ (43%) of the total, including 1.18 million m³ of logs, 1.21 million m³ of sawn lumber, 0.31 million m³ of veneer and 0.08 million m³ of plywood. As the EU tends to take higher quality product, the EU is likely to account for well over 50% of the total value of tropical hardwoods exported by African countries.

Figure 1: Timber Imports by EU Countries, 2004

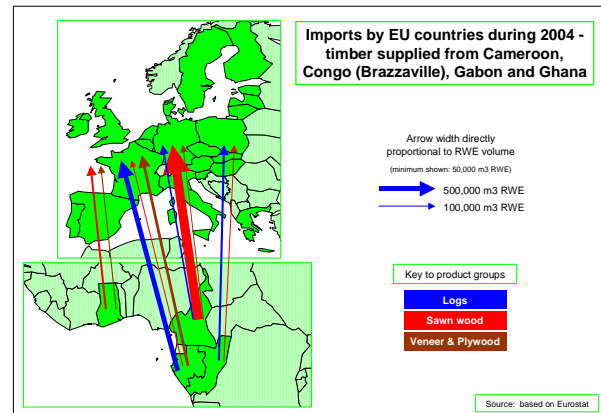


Leading African countries exporting primary tropical hardwood products to the EU-25 in 2004 were: Cameroon (777,000 m³ valued at 340 million euro); Gabon (753,000 m³ valued at 235 million euro); Ivory Coast (429,000 m³ valued at 188 million euro); Congo-Brazzaville (286,000 m³ valued at 104

³ Statistics in the text of this section are supplied by Forest Industries Intelligence Limited and hardwoodmarkets.com. EU-25 import data excludes all intra-EU trade.

million euro) and Ghana (177,000 m³ valued at 88 million euro).

Figure 2: Timber Imports by EU Countries – by Product, 2004



In 2004, leading EU-25 importers of African tropical hardwood primary products were France (817,000 m³ valued at 256 million euro); Italy (602,000 m³ valued at 245 million euro); Spain (537,000 m³ valued at 180 million euro); Portugal (215,000 m³ valued at 70 million euro); Germany (165,000 m³ valued at 69 million euro); and the UK (87,000 m³ valued at 55 million euro).

In 2004, leading non-African suppliers of tropical hardwood primary products to the EU-25 were Malaysia (460,000 m³ valued at 270 million euro); Brazil (756,000 m³ valued at 245 million euro); and Indonesia (380,000 m³ valued at 183 million euro).

China is now the leading non-EU market for tropical hardwoods exported from Gabon, the Congo Republic and Cameroon, focusing particularly on logs. In 2004, China imported: 633,000 m³ of logs and 24,000 m³ of sawn lumber from Gabon; 488,000 m³ and 12,000 m³ of sawn lumber from Congo Republic; and 99,000 m³ of logs and 34,000 m³ of sawn lumber from Cameroon. China's imports from Ghana are still relatively low (2000 m³ of sawn lumber in 2004). The United States is the leading non EU market for Ghanaian hardwood.

Trends and Observations in the EU-African Trade⁴

The market has been evolving over recent years. Key market trends in the EU-African trade over the last 5 years include:

⁴ Market observations taken mainly from Forest Industries Intelligence Limited & hardwoodmarkets.com

- Steep decline in EU imports of African tropical logs.
- Less dramatic, but still significant decline in EU imports of African tropical rough sawn lumber.
- Increase in EU imports of African hardwood veneers, although from a relatively small base.
- Increase in EU imports of African machined hardwoods (planed or sanded), from a relatively small base. Static level of EU imports in other added value goods from Africa.
- While African suppliers still contribute a significant share of the (generally declining) European market for primary wood products, they contribute only a very small share of the (generally increasing) EU market for value-added wood products.

Major explanatory factors behind these changes in market trends include:

African drivers:

- **Government policy to encourage value added processing prior to export**, and to restrict the export of logs throughout the major African timber producing areas. However this has only been partially successful, with log exports declining, but exports of value added products slow to pick up. Some countries (notably Ghana) have moved further than others to develop value added industries.
- **Restriction of tropical log harvesting and dramatic increase in wood industry taxes**, applied through government policies under pressure from IMF and other international agencies.
- **A declining resource base in West Africa and Cameroon** has been only partly compensated by the opening up of new forest areas in Congo-Brazzaville, Central African Republic, and Gabon.
- **Political instability**: while the security situation has improved in some countries (Congo-Kinshasa and Liberia), it has seriously deteriorated in the Ivory Coast which was formerly the largest supplier of further processed African tropical hardwood products. The level of political stability is key to the effectiveness of government enforcement and investment by private sector in sustainable forest management.
- **Increased trade between Africa and the Far East** as Asian log supplies have become more restricted and as China has become an increasingly important wood processing hub supplying the rest of the world. So far this has mainly impacted on the African trade in okoume logs from the Congo (particularly Gabon,

Congo-Brazzaville, and Equatorial Guinea) which are destined for the plywood sector. It has had less impact on the trade in commercially valuable redwood logs and lumber from the northern Congo and West Africa, which are destined mainly for the furniture and joinery sectors.

EU drivers:

- **In Western Europe a reduction in demand for logs and rough sawn lumber**. A decline in western European tropical hardwood processing capacity in response to more restricted access to logs, falling levels of furniture manufacturing in Western Europe, competition from Eastern Europe and the Far East (both in the supply of raw materials and finished products markets), and environmental concerns.
- **In Western Europe there is increased demand for wood components and finished wood products from Eastern Europe**. This reflects lower labour costs in Eastern Europe combined with efforts by Western European businesses to increase competitiveness.
- **In Eastern Europe manufacturers tend to rely on domestic wood sources and import only small volumes of tropical hardwood**. The vast majority of tropical hardwood imported into Eastern Europe derives from Malaysia and Indonesia.
- **Volatile exchange rates & competitiveness**: in particular, the strengthening euro over the last 2 years has increasingly undermined the competitive position of African hardwood products on international markets compared to products from South and North America and Asia.
- **Just-in-time trading and procurement of dimension stock is an increasing trend in Western Europe** as a means to compete globally. The long lead times involved in the African trade and difficult investment climate in supplier countries has meant that African producers have generally not been well adapted to exploit this trend. This also means that shipment sizes are reducing as importers stock less.

Positive factors for African hardwood

From the foregoing it is clear that certain trends are working against increased use of African hardwoods in the European market. However, there are also some positive trends that forward-looking companies will need to exploit to reverse the general picture of market decline.

- There are indications that ***underlying hardwood consumption has been growing*** in the European joinery and building sectors. This reflects growing interest amongst architects, designers and the general public in the “natural” look and in sustainability issues, notably energy efficiency.
- ***Wooden flooring, kitchens, doors and decking remain popular throughout Europe.*** Wooden windows have been regaining market share over uPVC in several key northern European markets.
- ***Wide range of marketing initiatives launched by the European timber trade*** in recent years focusing specifically on the building sector, support the above trends. Much marketing targeted at the construction sector has focused on softwoods and temperate hardwoods, however tropical hardwoods have also been benefiting, being recognised for their particular advantages of attractive appearance, high strength and durability valued in the flooring, windows and decking sectors.
- ***High value end of the furniture sector, has potential for tropical hardwoods,*** with an emerging fashion to combine different woods and materials to produce interesting contrasts and textures. With competition fierce in all sectors there is a constant search for “that new look”. This has encouraged greater interest in a wider pallet of species, including “exotic” tropical hardwoods. There has also been a strong fashion for dark modern “oriental” styles in office furniture, which has also increased demand for darker species.

Further information on the situation in Cameroon, Ghana, Gabon and Congo Brazzaville, is documented in four individual Factsheets.

EU Buyer Market Changes and Initiatives

Six buyer market factsheets for UK, Netherlands/Belgium, France, Germany, Italy and Spain, outline the market structure, trends and drivers that are affecting the market place and impacting on the trade with Africa.

Some key facts can be deduced from the factsheets, that highlight key differences and similarities among the six buyer markets studied.

- Overall, in all buyer countries in Europe, the role of the agent is changing. Agents are moving into the import business, with more direct buying by agents.

- In some countries, such as France and the UK, the trade is consolidating, with more powerful retail customers, working directly with the producers in their supply chains, such as Carrefour and B+Q. In other countries, such as Italy, the trade remains highly fragmented with numerous small producers, dependent on a few large import agents to source wood products that meet their specific requirements.
- France is far less dependent on imports – it like Germany, has a substantial domestic resource. Whereas the Netherlands, Belgium and the UK are heavily import dependent.
- The UK is unique in having no significant investment in Africa. This means that UK buyers are much more flexible in choosing where to buy from.
- There is a shortage of legal and sustainable timber in the EU market, and this will get worse as more public and private procurement policies take effect. This is therefore a big market opportunity for the fast movers in the trade. The confusion and diversity across the EU over what constitutes legality will be unified through the application of the EU FLEGT legality licence scheme.
- Europe is largely self sufficient in timber, however while tropical hardwoods are not a necessity, they remain a luxury item, that is still demanded in the EU market.
- Importers are developing closer relationships with their suppliers as they seek to get legal and sustainable timber and wood products, for example Timbmet is working closely with Samartex.



Please note that this is draft factsheet. We welcome your comments and feedback. Please send comments to Emily Fripp at emily.fripp@btinternet.com