Changing in International Markets for Timber – What African Producers Can Do?

Market Report Draft – Spain

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Market Overview

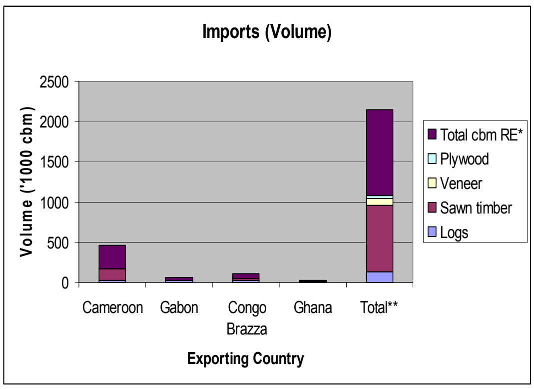
Spain has a long-established trading relationship with Africa which in 2004 accounted for 62% of the volume (cbm rwe) of Spain's import of tropical primary wood products and 65% in value terms. (Primary wood products are here taken to include logs, sawn lumber, plywood and veneer). South America is the second major source of tropical wood products imports, and Asia a distant third.

However in recent years Africa has lost market share to South America, notably Brazil, falling from 73% of volume in 2002. The main cause has been the Euro:Dollar exchange rate, with Brazil's tropical wood products being very competitively priced in US Dollars, compared with the Euro-priced wood products from Africa.

As a percentage of total primary wood imports, in 2004 tropical timber represents approximately 14% of Spain's imports in terms of volume and 24% in terms of value, see figure 1. By comparison, in 2004 temperate hardwood primary wood products represented 29% of the volume and 38% of the value. Softwood represented 57% of volume and 38% of value.

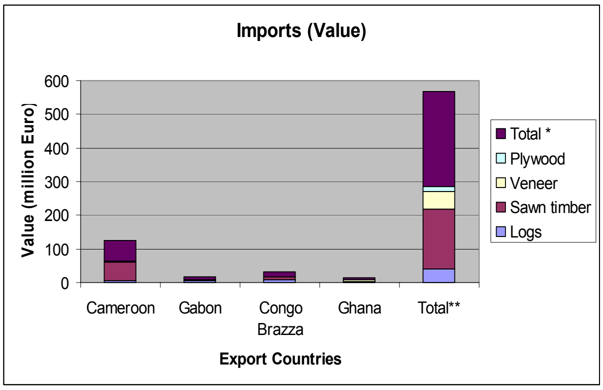
Overall, Spain's log imports are declining and sawnwood imports are constant, while veneer and plywood imports are increasing. A summary of trade with Cameroon, Gabon, Congo Brazzaville and Ghana in 2004, in volume and value terms is shown in Figures 1 and 2.

Figure 1: Volume of imports from 4 African producers



Source : Associacion Espanola de Importadores de Maderas.
Notes: Total cbm RE = Total from Cameroon, Gabon, Congo Brazzaville, and Ghana, respectively, in cbm roundwood equivalent. Total** = Total cbm roundwood equivalent import from all countries of tropical logs, sawn timber, veneer, and plywood, respectively, and grand total import.*

Figure 2: Value of imports from 4 African producers



Source : Associacion Espanola de Importadores de Maderas.
Notes: Total = totals from Cameroon, Gabon, Congo Brazzaville, and Ghana, respectively. Total** = total of Spain's imports from all countries of logs, sawn timber, veneer, and plywood, respectively, and grand total.*

Cameroon is the largest supplier of tropical timber to Spain, representing 27% of total tropical timber imports in volume (cbm rwe) and 23% in value. Of this 23%, 2% is from logs, 20% from sawn timber, 0.5% veneer. Imports of plywood are still relatively insignificant. The main log species imported from Cameroon are: for veneer slicing, sapelli, anselme, bosse, wenge and aniegré. For sawlogs, the main species are iroko, tali, sipo and moabi and for sawn timber, sapeli, iroko, tali, bosse, ayous and acajou.

Congo Brazzaville supplies an increasing part of Spain's African wood products, a total of 6% of the value of tropical imports (3% logs and 3% sawn wood. The principal speices are sapeli, iroko, aniegré and bosse. Gabon supplies predominantly logs (2.5% of Spain's total imports) and a small quantity of sawn timber. Again the main species are okoumé and other peeler species, and iroko sawlogs. Ghana supplies 3% of the value of Spain's tropical wood: sawn timber represents 0.6%, and veneer 2.2%. The main sawn timber species is wawa. Veneer consists mainly of sliced aniegré and sapeli together with peeled ceiba and chenchen.

Structure of the Trade and Supply Chain

Trade is predominantly conducted using established agents who continue to act as intermediaries for most of the trade, using producer/exporters and importer/distributors. The trade agencies are usually specialised by product group. The importer/distributor continues to dominate the import link of the trade in a tacit agreement with the industrial manufacturing clients (e.g., door manufacturers). The door manufacturer is able to obtain substantial credit from the importer/distributor, who is not only a supplier to, but also a client of the door manufacturer, buying doors from the manufacturer for his distribution business. The manufacturer who could be tempted to "go direct" to the supply source in Africa, would thus lose not only important financing, but also a client, if he were to buy direct from Africa.

Market Trends

The market has been changing in recent years to reflect changes in consumer taste. Consumers in Spain, as for most of the world, have changed taste from dark coloured wood such as mahogany for interior decor, to light coloured timbers such as temperate origin beech, oak, and softwoods. Decking and other wood products for outdoor use are gaining market share on tiles, concrete, and other construction materials.

The consuming industries such as furniture, joinery, panel manufacturers are increasingly sourcing reconstituted veneer from Italy and China as it is substantially cheaper than the traditional sliced veneer. As a result the traditional slicing factories are expecting falling sales, i.e. reduced log import.

Overall there is a trend away from tropical hardwoods. In Valencia, 3 out of 7 sawmills cutting tropical logs have closed, as clients are substituting with imported tropical sawn timber. Softwoods are also being substituted for tropical timber with for example, laminated softwood beams being imported from Austria and Scandinavia as a substitute for tropical timber such as Iroko.

The Spanish market is dominated by aluminium windows. Wood windows have lost market share to both aluminium and PVC in the past. While aluminium maintains a high market share, wood is gaining back market share from 5%, from PVC. Furthermore, windows are now produced to support double glazing and are thus thicker, and this is having a positive impact on the consumption for wood.

The Spanish market is price sensitive. Africa's market share has dropped from 73% to 65% over the last two years, as Spain is finding more competitively priced wood products supply from elsewhere, principally from South America. Brazil is now supplying similar quantities to Cameroon (the main supplier of tropical sawn wood). In 2004, Brazil supplied 143,000 cbm to Cameroon's 146,000 cbm. However, the value of the imports from Brazil was 40 million Euro, compared with 56 million Euro from Cameroon. Thus the average price per cubic metre of sawn timber is 38% cheaper from Brazil compared with Cameroon.

Market Initiatives

As with the rest of Europe, environmental awareness among consumers is increasing. Greenpeace is active in Spain, able to generate national attention, through high profile actions. With this increasing consumer pressure for environmental concerns, there is increasing pressure on the timber trade to take action to ensure that procurement of timber takes place in an environmentally responsible manner.

At the trade level, the Spanish Timber Importers' Association (AEIM) is conducting seminars with its members to develop their awareness of the importance of responsible procurement of all timber. AEIM is also encouraging importers and merchants to become FSC chain of custody certified and actively promoting responsible wood procurement.

At the public sector level, while no explicit public procurement policy exists, it is becoming increasingly common that the specification for major public works, stipulates certified timber. Regional/municipality level and at the national level, interest is definitely growing.

In recognition of this growing trend and consumer pressure, WWF have established a Buyer Group in Spain in 1998. The buyer group consists of retailers, distributors, end-users and specifiers of forest products committed to sourcing ever-increasing quantities of certified forest products. Buyer groups are a dominant force in generating demand for certified forest products. The website lists nine main commercial companies who are members and other potential partners. Buyer Group network provides a useful framework through which awareness and incentives among southern European timber importers can be raised.

There is also some cross-border influence, with for instance, companies who are members in the WWF Buyer Group in France such as Carrefour, selling the same certified products in Spain as in France, helping to improve consumer awareness of certification and environmental concerns.

However, importers and merchants are finding it difficult to source FSC certified tropical timber, and will often have to offer certified softwood or temperate hardwood for such projects instead. Importers are concerned that tropical timber will continue to lose market share unless increasing quantities of certified timber become available.