Changing International Markets For Timber – What African Producers Can Do

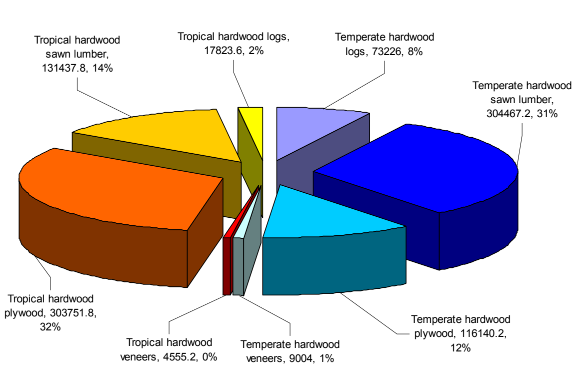
Market Report Draft - United Kingdom

Rupert Oliver

Market Overview

Due to the UK's limited forest resource, particularly for hardwoods, the country is heavily dependent on imports. Imports of secondary wood products and finished wood furniture have been rising in recent years. However the majority of wood products imported into the UK continue to arrive as primary wood products (taken to include logs, sawn lumber, plywood or veneers). Over the last five years, total UK imports of primary wood products have averaged close to 5 million tonnes[1]. Around 960,000 tonnes (19%) of this comprises hardwood, including 458,000 tonnes of tropical hardwoods. UK tropical hardwood imports comprise plywood (304,000 tonnes), sawn lumber (131,000 tonnes), logs (19,000 tonnes) and veneers (4,500 tonnes).

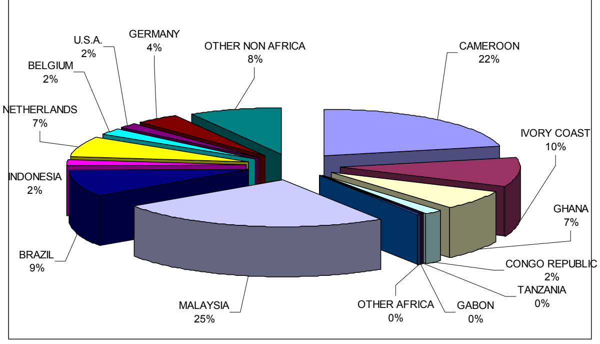
Chart 1: UK imports of primary hardwood products by product type (annual average tonnage 2000 to 2004 - total 960,406 tonnes).



Tropical hardwood plywood occupies an important niche in the UK construction sector where it is valued for applications requiring high strength and durability. This market has been dominated by producers in Indonesia, Malaysia and Brazil. African producers have generally struggled to compete on price in the UK plywood market. However the market is now evolving, particularly as pressure is mounting on suppliers to provide assurances of legal and sustainable sourcing. New opportunities are emerging for suppliers of certified and legally verified material.

UK imports of tropical hardwood sawn lumber are dominated by higher value products destined for exterior and interior joinery applications. African producers play a key role to supply the UK market for tropical sawn lumber. Over the last 5 years, African countries have consistently supplied around 40% of the total tonnage of tropical sawn lumber imported into the country. Sapele has gained a significant foothold in the UK market as the standard utility joinery redwood, particularly with the rapid decline in availability of South American mahogany since the mid 1990s. Sapele is also now generally favoured over Malaysian meranti on technical and aesthetic grounds. Other African species widely used in the UK include framire/idigbo, also for joinery applications, and iroko for external use. Wawa/obeche occupies a niche market for mouldings.

Chart 2: UK imports of tropical hardwood rough sawn lumber by source (average tonnage 2000-2004)



The UK imports small quantities of high quality tropical hardwood sliced veneers for higher end furniture manufacturing. Around 40% of this volume is directly sourced from African countries, mainly Ghana and South Africa. A significant proportion is also imported from European countries, much of which is likely to comprise African species. Tropical hardwood logs are imported only by a few sawmills for custom cutting to supply up-market furniture manufacturers.

Main African Supply Countries

Cameroon is the leading supplier of African tropical hardwood to the UK, supplying an annual average 22 million euros (31,000 tonnes) of product to the UK over the last 5 years. The vast majority (20.5 million euros, 28,400 tonnes) comprises rough sawn tropical lumber. Distance from the market and irregular shipments generally restrict opportunities for increased shipments of further processed products from Cameroon and other Central African countries to the UK.

Ghana is the UK's second largest supplier of African tropical hardwood, in value terms, supplying an average 19.1 million euros (13,000 tonnes) of product over the last five years. Ghana supplies a wider range of wood products with a higher unit value to the UK than Cameroon, indicative of Ghana's long term commitment to add value to timber prior to export. Around 35% of the value of UK imports of Ghanaian wood products comprises wood furniture, and 48% comprises sawn lumber. Small volumes of plywood, veneer and mouldings are also imported.

[1] Due to problems in volumetric data collection by UK Customs, experience has shown that import data based on tonnes is more accurate that data based on m^3.

The Ivory Coast is the UK's third largest supplier of African tropical hardwood to the UK, supplying an average 12.8 million euros (14,000 tonnes) of product to the UK over the last five years. Recent political events in Ivory Coast have meant UK imports of further processed products from the country have dwindled and this trade has become increasingly focused on rough sawn lumber.

Both Congo-Brazzaville and Gabon play only a minor role in the UK wood import trade at present. Congo-Brazzaville supplied products valued at an annual average of 1.7 million euro (2700 tonnes) to the UK between 2000 and 2004, mainly rough sawn lumber. During the same period, Gabon supplied products valued at an annual average of 633,000 euro (1218 tonnes), including small volumes of veneer, logs and rough sawn lumber.

Market Initiatives On Illegal Logging and Sustainable Supply

Independent research by Forest Industries Intelligence Limited in 2004 indicated that the UK has progressed further than any other European country to develop environmental timber procurement practices. This research indicated that 80% of 1000 surveyed organisations linked to the timber trade were identified as implementing or promoting some form of environmental timber procurement policy. These organizations included: the UK's central government; nearly 800 private companies; two leading timber trade associations (Timber Trade Federation and British Woodworking Federation); the UK branch of the WWF Global Forest and Trade Network; two professional associations playing a lead role to influence timber procurement decisions (the Royal Institute of British Architects and the Building Research Establishment); and the BBC.

The UK government has developed a timber procurement policy with the objective of ensuring that all purchases by the public sector are derived from verified legal sources, and which gives preference to timber from verified "legal and sustainable" sources.

The Building Research Establishment's "Environmental Assessment Method" (BREEAM) awards credits for the use of wood in recognition of its superior inherent environmental credentials. Additional "bonus" credits are made available for independently certified wood. All buildings constructed with public money in the UK are currently subject to BREEAM. A growing number of construction companies are being encouraged to implement BREEAM for private sector construction in return for grants derived from the UK government's Challenge Fund.

BREEAM also provides the basis for the WWF's One Million Sustainable Homes Campaign launched in August 2002. The campaign is the outcome of a stakeholder dialogue process initiated by WWF designed to build consensus on the definition of a sustainable home, to identify and understand the current barriers, and achieve a commitment to action.

UK timber trade associations have been very active promoting responsible procurement policies. From 2002, all members of the Timber Trade Federation have been required to comply with a Code of Conduct. The code commits members to "sourcing their timber and timber products from legal and well-managed forests" and notes that "members recognize that the independent certification of forests and the process chain is the most useful tool in providing assurances that the timber they deal in comes from legal and well-managed forests".

In 2004, the TTF finalised a Responsible Procurement Policy (RPP) to provide a tool to assist members with implementation of the Code of Conduct. The RPP requires companies to systematically assess suppliers against a set of Sustainable Forest Management criteria, and to implement actions to improve their environmental performance.

The British Woodworking Federation (BWF) launched a code of conduct in 2002 which requires that "all members will be expected to use their best endeavours to purchase new timber or wood based products from supply sources which can confirm, by independent certification such as the FSC, PEFC, or any other recognized system, that such products come from well managed and sustainable sources."

The UK is home to the 95+ Group, the oldest component of the WWF Global Forest and Trade Network in Europe, first established in 1991. The group is estimated to be selling around US$6.4 billion worth of wood products each year, equivalent to 20% of the British timber and paper market. Membership currently stands at around 60 companies, including some of the UK's biggest building materials suppliers, construction companies, timber importers and DIY retailers. Members are required to implement an Action Plan with the aim of "continuously increasing the proportion of forest products (as designated within the scope of the policy) that originate from known, legal and credibly certified, well-managed forests".

Recent research for the TTF and DFID showed that independently certified softwoods and panel products are now being offered as standard in the UK market. Certified hardwoods are less readily available – particularly from tropical Africa - and insufficient to meet current levels of demand. As a result price premiums of around 10% are likely to be achievable.

Concluding Comments

While African tropical wood products make up only a relatively small proportion of total wood products imports into the UK, they supply a key niche market as raw material for the UK's higher value furniture and joinery sectors. Certain African hardwoods offer particular properties of high strength, durability and aesthetic appeal that are not easily replicated in woods from other parts of the world. Sapele occupies a particularly prominent position as the standard tropical redwood stock item in the UK.

There are significant opportunities for African shippers looking to expand markets for wood products in the UK. A key factor for those wishing to exploit these opportunities will be to develop more efficient distribution channels for African hardwoods. Equally important will be the provision of reliable assurances that timber derives from legal and sustainable sources.