



Trade Development in Further Processed Wood Products

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Forestry



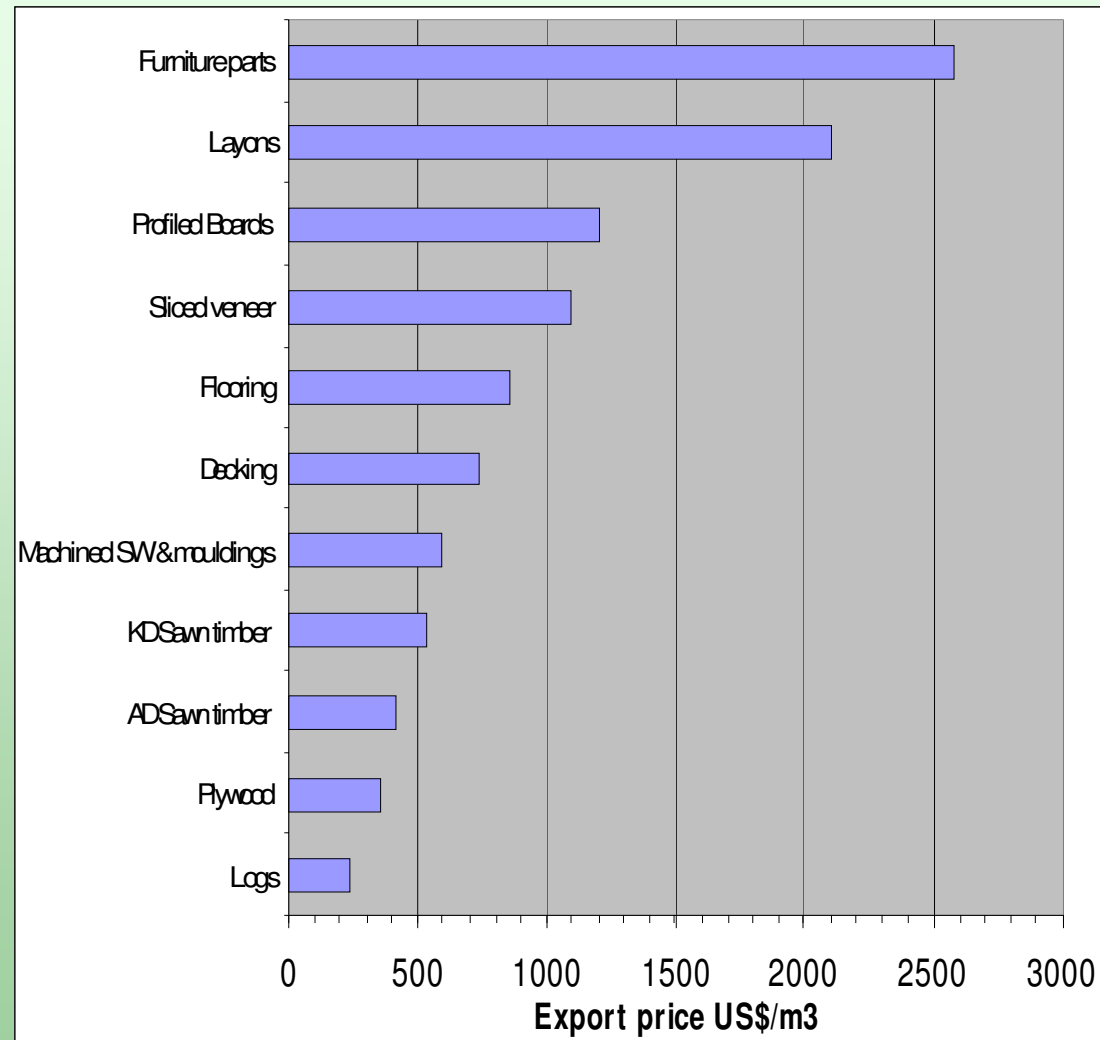
Where is Value-added on TTPs Created?

- Value-addition should start from the logging compartment level, i.e. on planning logging operations prudently, classifying, grading and pricing the logs appropriately, and delivering them efficiently to buyers.
- Development of primary processing (sawmilling, plywood, peeling or slicing into veneer) should be made mandatory in the concession agreements to develop value-added without excuses.
- The highest level of value-added is the remanufacturing of primary processed wood into further processed products (FPWPs): kiln-dried and S4S graded timber, dimension stock for flooring and furniture, edge-glued solid wood panels, laminated wood, mouldings, decking, windows, doors, frames, garden products, furniture and its components.
- BUT: ARE MIDDLEMEN STEALING IT?





Why is Further Processing Appealing?





Potentially Large Socio-economic Benefits

- With extensive indirect and consumption-related multiplier effects, forestry and wood processing employ and monetize rural economies
- Social obligations of concession agreements benefit the local economy: schools, community halls, clinics, supply of water and electricity, means of transportation, entrepreneurship
- Move into value-added processing can increase employment as compared with the past log export-dominated industry





And What is the Reality?

- Due to many insufficiencies, processing industry in the richly forested areas of Africa is often rendered uncompetitive
- Infrastructure and transports are disabling factors
- Difficulties in obtaining constant log supplies, power and operating supplies
- Low labor productivity and mechanization lead into inefficient processing
- Financial constraints and variable policy frameworks
- Administrative friction and lack of business facilitation (no one-stop shop)
- Lacking human resources (machine operators, saw-doctors, managers)





Levels of Technology in Wood Processing in Tropical Countries

1. Facilities that use basic hand tools (artisanal), portable tools and universal woodworking machines
2. Facilities that use basic woodworking machines (bandsaw, planer, thicknesser, spindle moulder, drilling machine etc.) to produce in small batches
3. Facilities same as in 2, but producing larger batches, using low cost mechanization and means of serial production whenever possible
4. Facilities that use special purpose machines (4 side moulders, copying lathes, edge-banders, CNC, etc.)
5. Facilities with integrated machining lines (linked machines used for production of panel furniture, doors, surface finishing)





Attention to Details: Processing Quality

- **Quality control objectives:**
 - maintain product dimensions & designs
 - meet customer specifications
 - observe and correct processing failures
 - check and replace wearing processing parts
 - measure process department / personnel effectiveness
 - withdraw and correct defective products
- If defects are eliminated through quality control, the cost of production will decrease and labor productivity will increase
- Ultimately, customer satisfaction will improve with better quality products





Need for Standards

- **Standards provide a common language on product test methods, dimensions, safety and strength characteristics**
- **Sources of deviations from standards:**
 - Defective raw material (natural / handling / drying defects)
 - Inadequate machines and tools (poor surface quality or dimensional accuracy)
 - Poor technical design (joints, stability)
 - Lacking or delayed machine maintenance / re-setting
 - Inappropriate operating environment (poor finishing)
 - Human errors / management culture





Fiscal Support Long-term is Crucial

- If government export fees and taxes earn best from log exports, there may be less urgency to encourage further processing.
- A high log export fee would yield a much higher income for Gov't if only logs were exported. Revenues decline with the introduction of log export ban and a slow move into value added processing.
- The situation would become more balanced over a longer term when log exports are converted gradually into wood product exports. The increasing FOB export value (basis for the fee) compensates gradually for the initial fall of Gov't revenue.





Domestic Market Development Not to Be Overlooked

- Lack of domestic market research: no substantial data to define the actual size of the local market
 - Estimate on Ghana: annual sawnwood requirement for various end uses is about 456,000 m³ of which local registered sawmills supply 102,000 m³
 - This gap between demand and supply is filled by lumber from illegal chainsaw operations
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- The local market serves as a spring-board for progressive firms to breakthrough into exports
 - Large commercial and institutional projects pave way to exports
 - Rules of the game change: sell according to stiffer quality standards, delivery rules and after - sales service





Steps in Intra-African Market Development

- North and Southern African construction boom should be tapped with further processed wood products
- Wood supply prospects investigated in:
 - major construction projects in capital & satellite cities
 - large infrastructure projects
 - resort development projects
- Attending construction & furniture fairs in the region and organizing business networking and one-to-one meetings
- A formal *Intra-African Timber Trade Network* to expand trade (legal and sustainable)
- Match LUS species & end-uses





LUS and Development of Further Processed Products

- With a view of introducing LUS for FPWPs in exports, it is necessary to take stock on past experiences in the commercialisation of LUS in different parts of the world, most importantly referring to work undertaken by ITTO, CBI in the Netherlands and GTZ in Germany.
- Observe the growing market opportunities in China, Malaysia, Thailand, the Philippines, the Gulf markets and India.
- Early start in preparation of market information for the roll-out of value-added products of LUS is necessary.





De-Bottlenecking Progress in FPWP

- Promote further processing in forest-rich countries
 - Move further processing from informal to formal sector: professionalize it
 - Facilitate intra-African market knowledge & statistics (standards, purchasing policies)
 - Bridge the gap to access finances (trade & investment)
 - Improve transportation and border measures
 - Improve knowledge and control of supply chains to capture a higher share of profit
 - Learn how to use and sell LUS in FPWPs
- >> Show a united vision in Accra Action Plan
- >> Collaborate on a regional level initiative





Example on Acquiring Market Info: RSA

- On-line sources: Ezee-dex Industrial Procurement Services (info@edx.co.za)
- Trade statistics: on order from South African Revenue Service (SARS) and Customs and Excise
- Commercial Directory of Southern Africa (SADC Member States)
- Timber & Allied Trades Buyers Guide (annual)
- Wood Southern Africa & Timber Times magazines Furniture SA Joint Action Group
- www.timbersa.com and www.furniture.co.za.





Hardwood Plank and Strip Flooring Made in Moçambique



Forestry