Transparency: Increasing smallholder benefits from increased wood trade. Gaps in supply chain analysis

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What is influencing global wood demand?

- **Population**: More people = More wood
- **Economic growth**: Rich people use more wood
- **Demographic Changes**: City people use wood differently to rural people
- **Technological change**: Modern industries can use new wood supplies
- **Environmental issues**: Recycling, carbon issues
Consider

• **Harvesting and Haulage** constitute ~70% log costs delivered to the mill gate

• **Gathering Critical Mass** – what is an “economic” package of wood?

• **Informal and Formal imposts** between stump and mill act as a disincentive to smallholders

• **Grower empowerment begins with transparency** – who pays what along the chain.
Examples: Teak in northern Lao PDR

Luang Prabang (2006): Standing teak tree 25cm dbh, Price to grower: ~ US$68/m³

Price for tree as squared logs at Nong Khai: US$368/m³

What is the make up of the US$300?

- Harvesting
- Haulage
- Sawing
- Transport
- Taxes
- Informal imposts
Examples: Teak in SE Sulawesi

Near Kendari (2007): Price to grower for squared logs, farm gate (certified) = ~ US$165/m³

Price for squared logs, FOB Kendari: US$585/m³

What is the make up of the US$400?

- Harvesting
- Haulage
- Sawing
- Transport
- Loading onto ship
- Taxes
- Informal imposts
Taxes and Imposts


**NOW CHANGED**

- Teak Indonesia (Kendari to Java 2006): 14 taxes/imposts totalling US$43
  - Squared logs (farm gate) US$135
  - Operational Costs (incl transport) US$137 **(US$43)**
  - Administrative Costs US$36
  - Sale Price (Java) US$399
From the Forest to the Consumer
Components for existing Supply Chain Analyses

Plantation logs – teak as an example

Certification

Growing Teak

Processing Teak

Marketing Teak

Growers
Land tenure
Policy Issues
Micro-finance
Technical issues:
Silviculture
Management
Germplasm

Log Size
Sawing
Drying
Finishing
Product Development

Prices
Market Studies
Promotion
Market Areas
Trade
Suggested Components for Modified Supply Chain Analyses

Plantation logs – teak as an example

Growing Teak

-Selection of Trees
-Measurement of Trees
-Harvesting
-Payment for Trees
-Log Size
-Squaring
-Transport to log Yard
-Transport to Port
-Trucking Costs
-Marshalling
-Shipping
-Taxes on Land and Sea Transport
-Storage in Log Yards
-Ideal parcel Size
-Savings?
-Efficiencies?
-Role of Traders?

Harvesting/ Hauling Teak

-Prices
-Log Size
-Sawing
-Drying
-Finishing
-Product Development

Processing Teak

-Marketing Teak

-Prices
-Market Studies
-Promotion
-Market Areas
-Trade

Growers
-Land tenure
-Policy Issues
-Micro-finance

Technical issues:
-Silviculture
-Management
-Germplasm

Salwood Asia Pacific Pty Ltd
Services in Forestry

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Forest Trends: Trade and market reforms in the Mekong Region
What are the Cost Norms?

- Cost of harvesting and delivery to roadside
- Road freight rates per tonne km (100 – 150km)
  - India: Typically US$0.05 – 0.06/tonne/km
  - Thailand: US$0.07 – 0.10/tonne/km
  - Australia: US$0.08 – 0.17/tonne/km
- Shipping.
Notional costs breakdown in international trade: ex Australia

For radiata pulp logs @ CNF China price of ~US$112/m³.

- Stumpage: 3.50/tonne
- Harvesting and Transport: 36.50/tonne
- Marshalling: 18.50/m³
- Shipping: 55/m³

For Tasmanian *Eucalyptus* logs for veneer CNF Shanghai @~US$160/ m³.

- Stumpage: 38/tonne
- Harvesting and Transport: 42/tonne
- Marshalling: 16.50/m³
- Shipping (Container): 48/m³

Can Transparency Lower Costs?
Shipping Costs?
Market rates Australia – China
~US$65 – 70/m³

Geography will Win!!
Geography will Win!
Shipping Costs

Strong Asian demand for Commodities sends Global Freight Rates to all-time highs
The World Needs Wood
- and China more so!

China between 2007 – 1012:
Log imports to decline by 13M m$^3$ (Russian tariffs) BUT,
Total wood deficit (logs, woodchips and RWE) to increase by 26% or 22M m$^3$.

The BIG influence continues