

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

- Guangxi China (2003) Small eucalypt logs: Mill gate price US\$45/m³. 30 taxes/imposts totalling US\$23/m³ + ~40% sales.

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

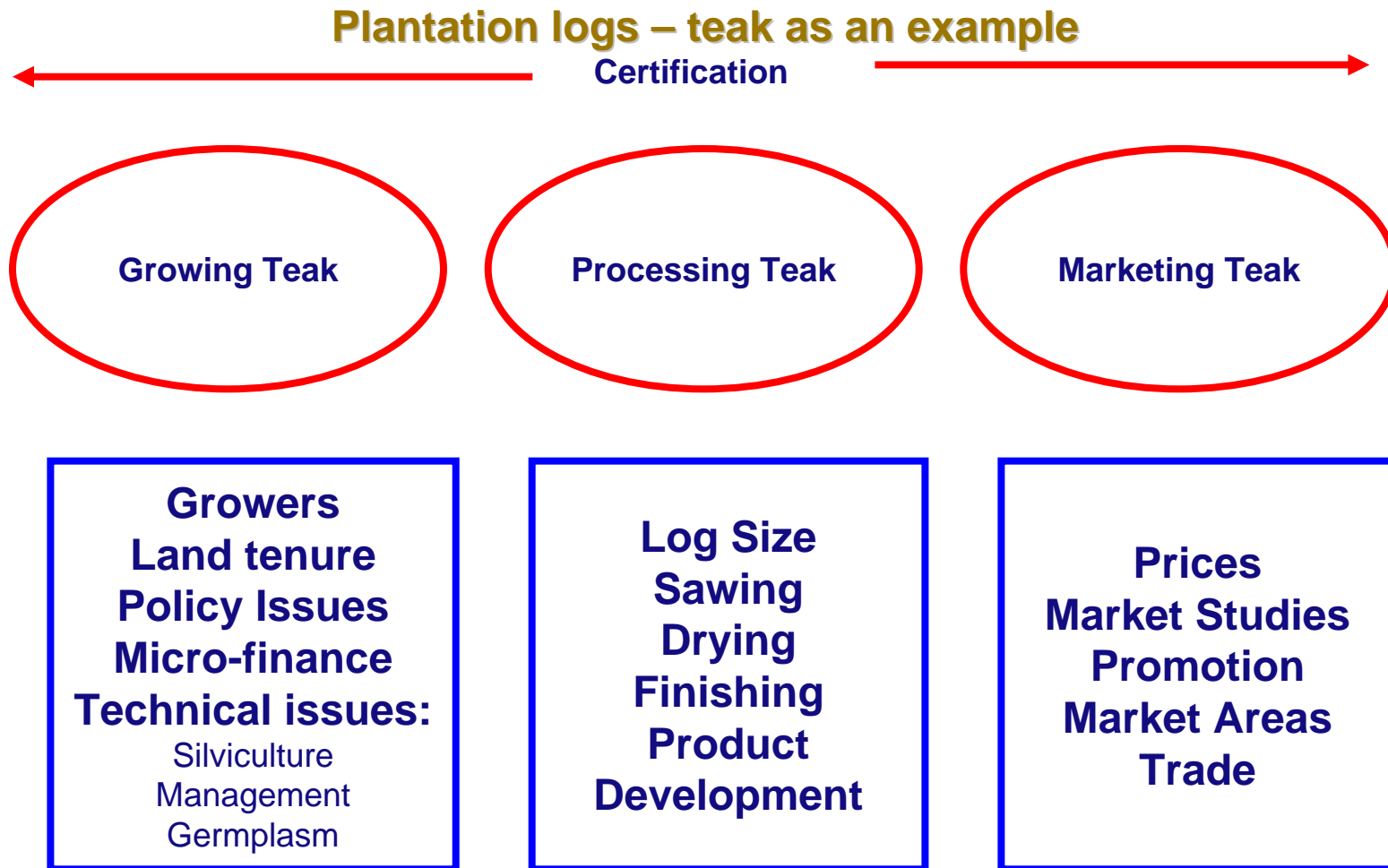
From the Forest to the Consumer



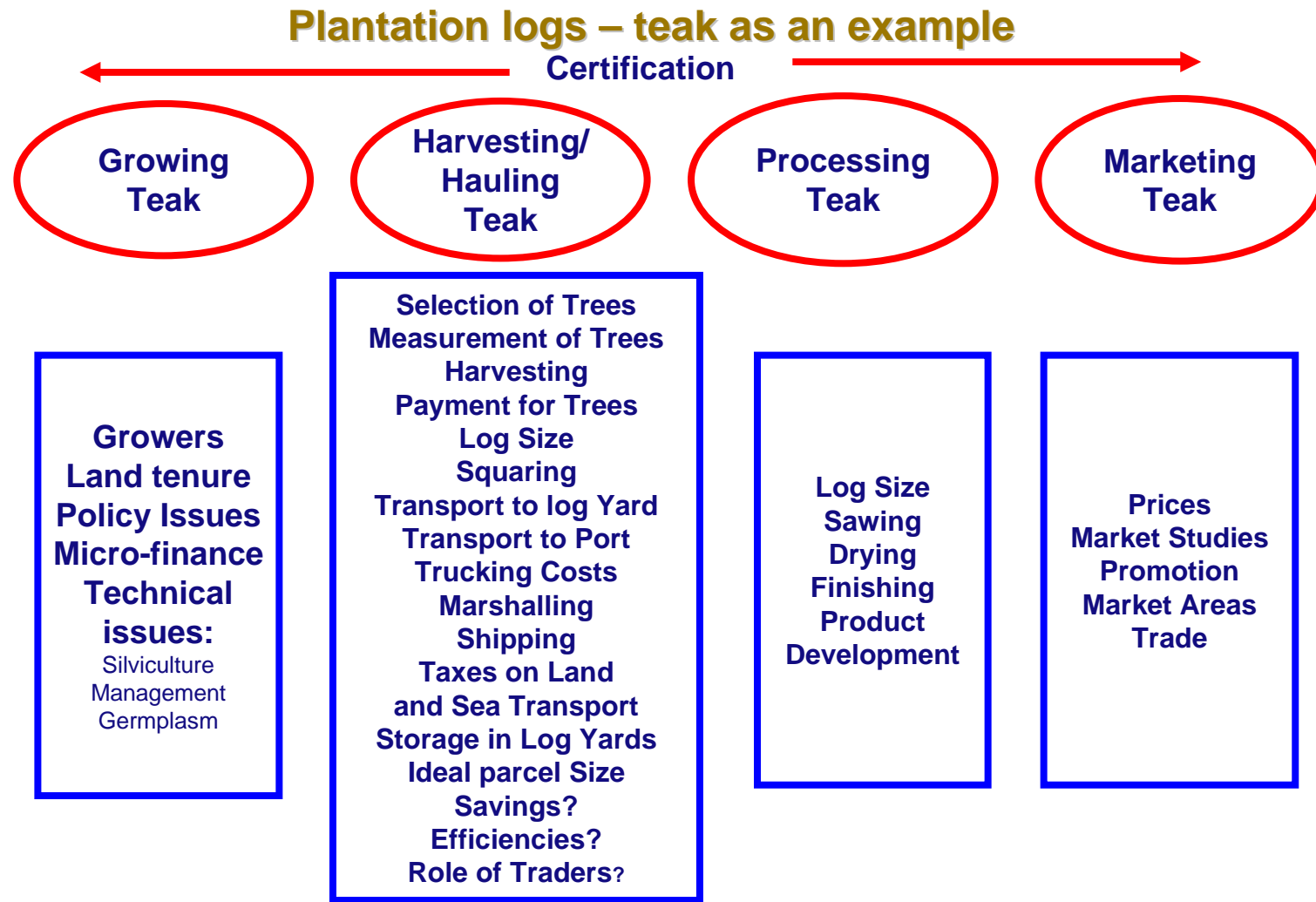
August 2008

Forest Trends: Trade and market reforms
in the Mekong Region

Components for existing Supply Chain Analyses



Suggested Components for Modified Supply Chain Analyses



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/m ³
Shipping	55/m ³

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

Stumpage	38/tonne
Harvesting and Transport	42/tonne
Marshalling	16.50/m ³
Shipping (Container)	48/m ³

Can Transparency Lower Costs?

Shipping Costs?

Market rates Australia – China

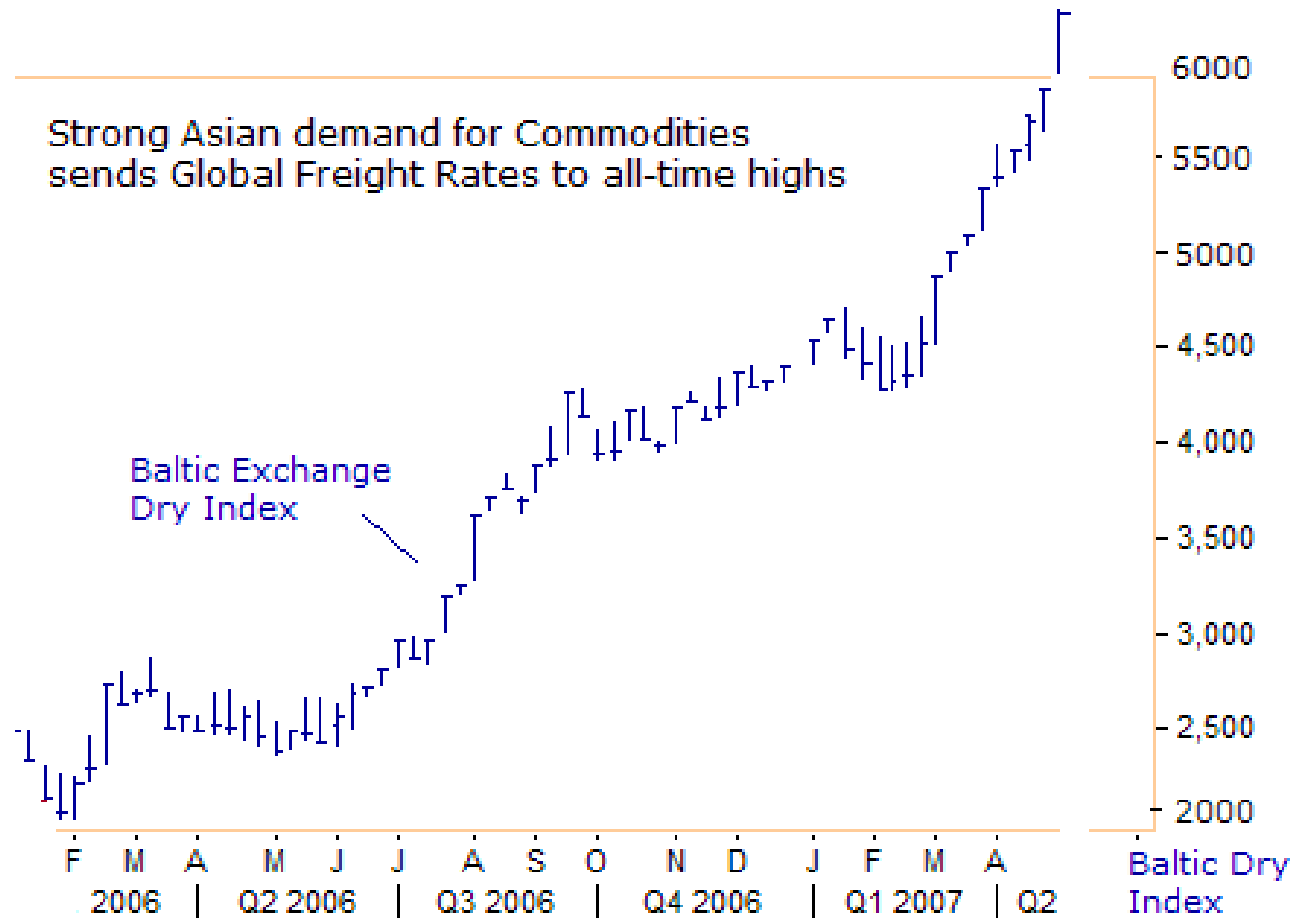
~US\$65 – 70/m³



Geography will Win!!

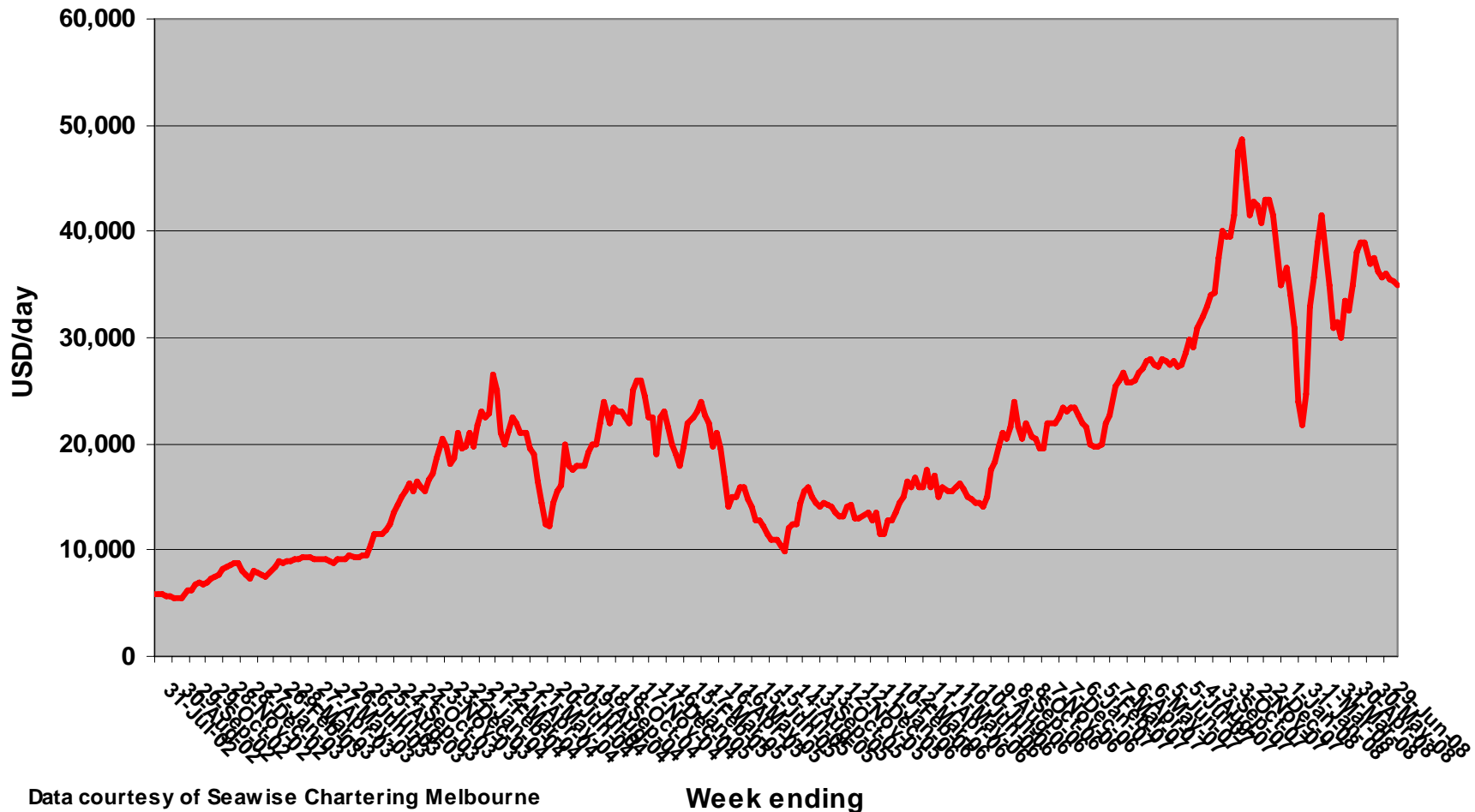
Geography will Win!

Shipping Costs



Shipping Costs: 2002 - 2008

Handy size (27,000 dwt) Daily Hire Rates Trans Pacific Round Voyage



Data courtesy of Seawise Chartering Melbourne

Week ending

The World Needs Wood - and China more so!

China between 2007 – 1012 :

Log imports to decline by 13M m³ (Russian tariffs) BUT,

Total wood deficit (logs, woodchips and RWE) to increase by 26% or 22M m³ .

The BIG influence continues