

2019 Market Discussion Concept Note

For decades efforts have been directed at encouraging domestic added value production for export but this has just not happened to any large extent in Africa. Today, as it was 20 or 30 years ago, log exports and primary wood production for export dominate the trade in ITTO member countries in West and Central Africa.

What export processing that does take place is mainly by foreign owned, large-scale enterprises serving international markets. These large enterprises operate alongside domestic companies, predominantly SMEs, serving local markets. The SMEs are characterised as operating with rudimentary technology and face acute problems. First and foremost amongst the problems for local enterprises is access to wood raw materials. It is rare to find a local manufacturer integrated up-stream.

Access to technology and the capacity to apply appropriate technologies and technical skills is also an issue and this is linked to access to finance. In many African countries the high cost of obtaining finance, as distinct from availability, is a major issue.

The lack of support services such as equipment maintenance, profession knife grinding, research and development and poorly managed trade associations have contributed to the low level of development.

Marketing management skills are important if domestic enterprises are to expand and diversify. At present few countries have the structures to capture trade and market trends in either the international or even domestic market

Africa does not lack entrepreneurship and there are many examples of success in some of the main timber producing countries and there are successful exporters but they have succeeded in the face of major constraints and significant challenges. The main constraint to indigenous entrepreneurship relates to the lack of enabling environments underpinned by government policies.

Advance to 2019

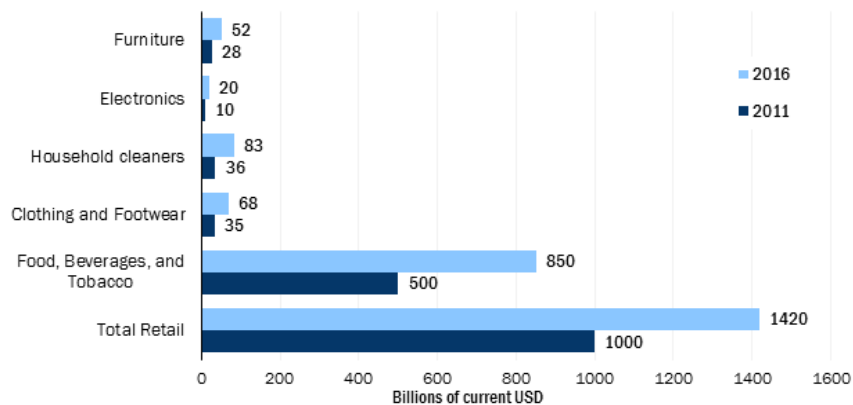
It will come as no surprise that the foregoing text is from a report prepared for ITTO in 2002! Nothing has changed in terms of production but there have been significant 'game changers' in market opportunities.

First, the Lacey act and the EUTR have in many ways effectively closed the door to many countries or small to medium enterprises that do not yet have the capacity to deliver legally verified wood products. This is particularly serious for those countries for whom the EU is their main market.

But, as the door to US and EU markets is closing exciting new opportunities are emerging within Africa, one of the fastest-growing consumer markets in the world.

Household consumption has increased even faster than its gross domestic product in recent years—and average annual GDP growth has consistently outpaced the global average. In light of the increasing affluence, population growth, urbanisation rates and rapid spread of access to the internet and mobile

phones Africa's emerging economies present exciting opportunities for expansion in retailing and distribution.



Source: Economist Intelligence Unit

Africa's consumer market potential: Trends, drivers, opportunities, and strategies

Landry Signé, in collaboration with Chelsea Johnson

Studies have shown that the vast majority of consumer spending on wood products currently takes place in informal, roadside markets, even in those countries with well-developed retail and distribution markets. This disconnect signals enormous potential for growth as African consumers shift from the informal toward more formal forms of consumption a trend that has not been lost on Asian wood product exporters who are securing a growing share of the market at the expense of domestic producers.

If West and Central African countries are to develop downstream wood processing at a standard to compete with Asian imports the issue of wood supply must first be addressed and a huge effort will be needed to raise the level of technology and management will be required.

The unanswered question is; will foreign investors find domestic markets attractive or will it fall on the shoulders of domestic entrepreneurs, as it did in Asia, to move forward added value production?

The changing dynamic of African production and demand for wood products and what is need to spur development of the wood processing sector are the issues that speakers at the ITTO Annual Market Discussion will address.