



THE CRISES, THE IMPACTS AND RECOVERY: *The perspective and experiences from the Ghana timber industry*



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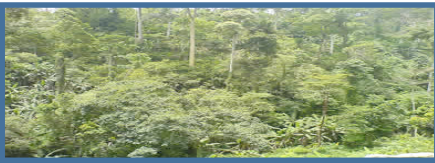
Outline of presentation

- ❑ Introduction
- ❑ Trends in the African and Ghana timber trade in the global crises
- ❑ Impacts of the crises on the Ghana timber industry and response
- ❑ Recovery and market outlook
- ❑ Recommendations



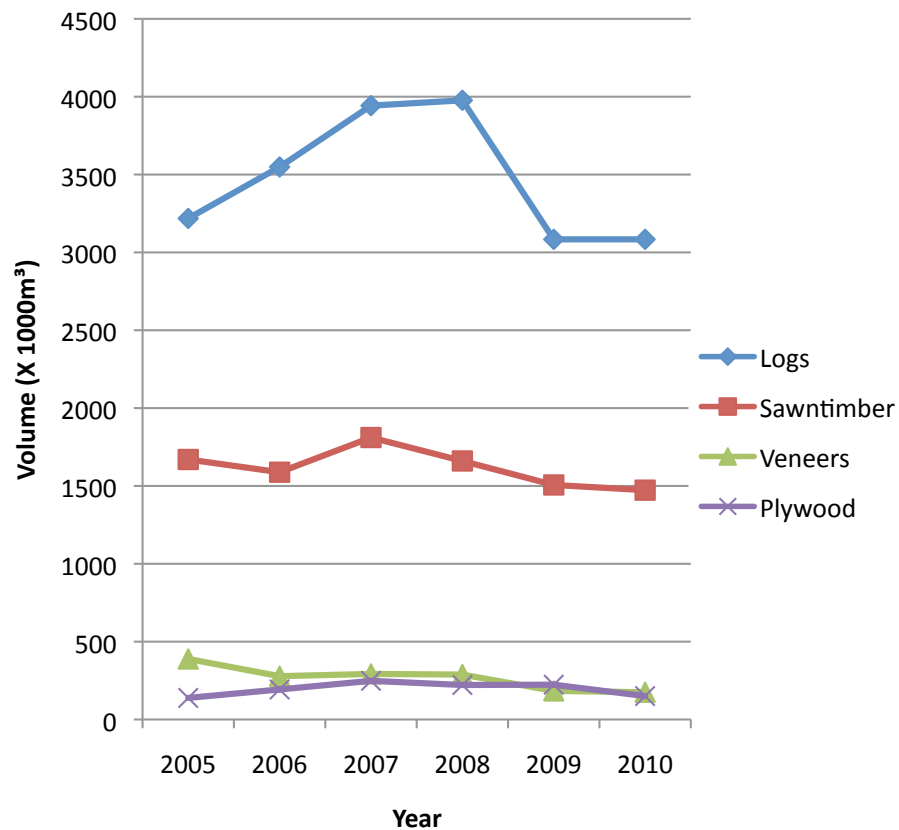
Introduction

- ❑ Inflows of Foreign Direct Investments (FDI) to developing countries declined by 35% in 2009 following six years of strong growth
- ❑ Africa experienced decline in FDI from US\$ 87.6 billion in 2008 to US\$ 55.9 billion in 2009
- ❑ FDI inflows for Ghana fell from US\$4.49 billion in 2007 to US\$0.55 billion in 2009
- ❑ FDI inflows in the wood sector decreased from US\$1.7 million(2007) to US\$ 0.4 million (2008)

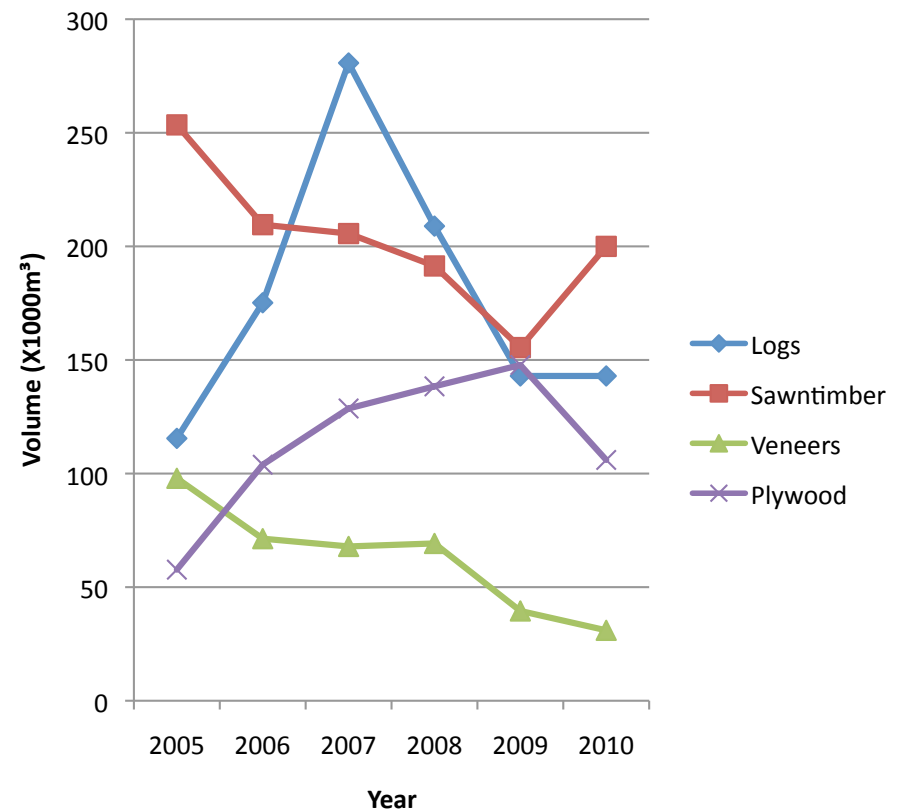


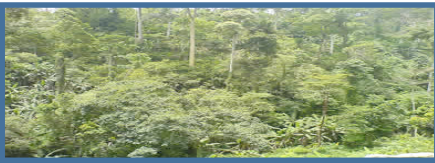
Timber export trend

Africa exports (ITTO producers)



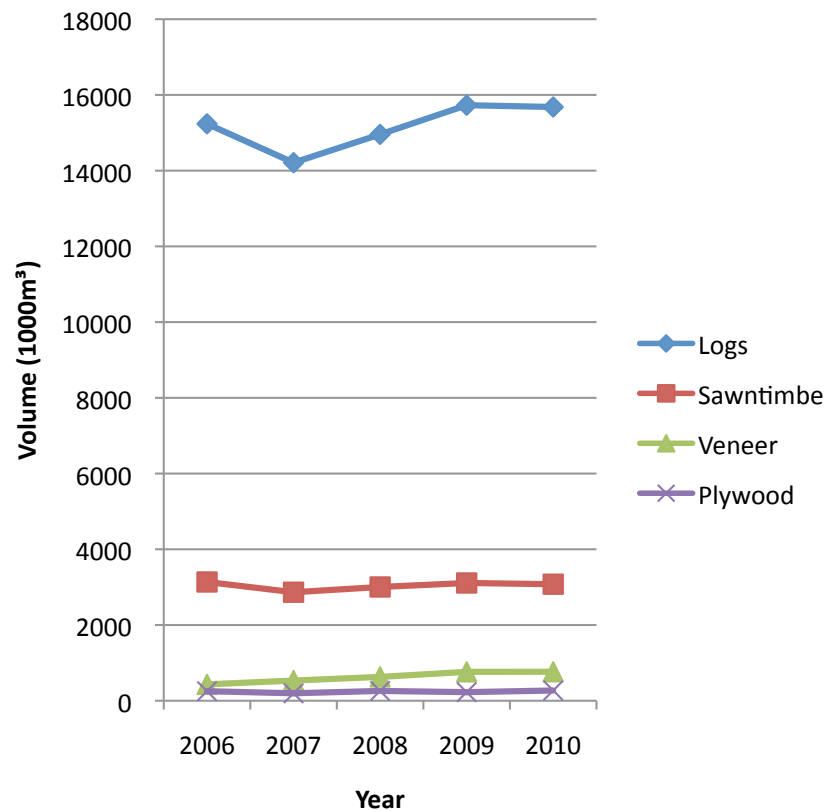
Ghana exports



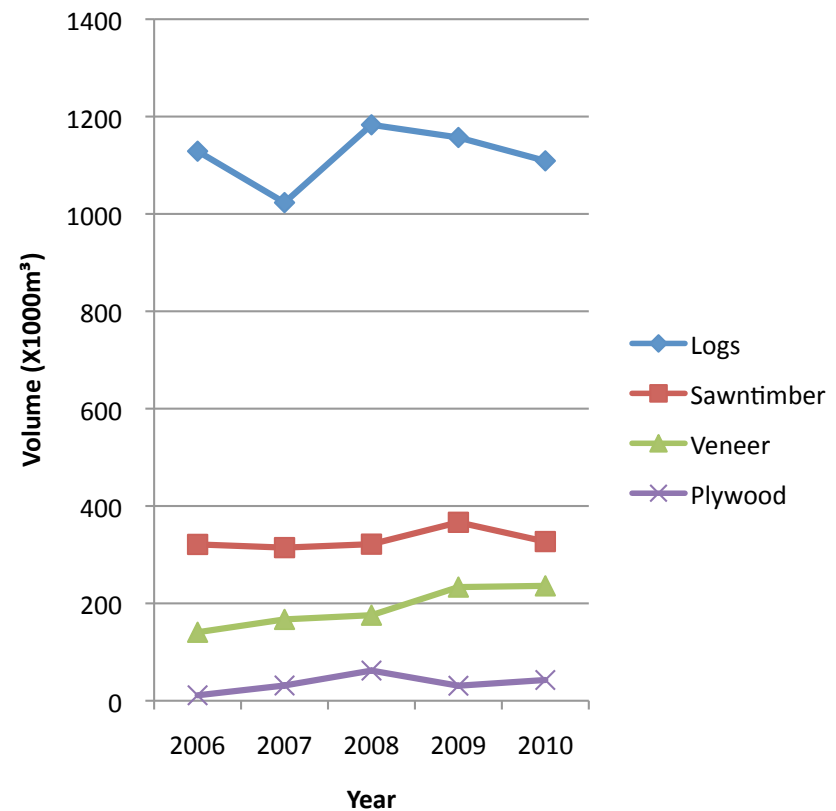


Domestic consumption trend

Africa(ITTO producers)



Ghana





Impacts of crises on the Ghana timber industry

- ❑ Delayed due to low interconnectivity with global financial markets
- ❑ Exports to traditional markets (EU & USA) worst affected
- ❑ Experienced significant diversification of markets – domestic and regional markets



Impacts Cont'd

- ❑ Reduced private sector investments in plantations development
- ❑ Ghana's traditional markets of EU & USA becoming increasingly discerning on environment and climate change related issues
- ❑ Growing demand for legal and sustainable timber, particularly in the EU



Impacts Cont'd

- ❑ Mill closures, particularly for SMEs
- ❑ Consolidation/mergers through buy-in for LSEs
- ❑ Delayed payments to loggers by millers
- ❑ Weaker prices and sometimes cancellation of contracts
- ❑ Credit squeeze- banks not lending to sector.
Also high interest rates 23-28%



Impacts Cont'd

- ❑ Mills took advantage to re-tool. Purchase of used equipment from overseas firms facing liquidation
- ❑ Mills holding high inventories/stocks which affected their cash flow and ability to service loan facilities



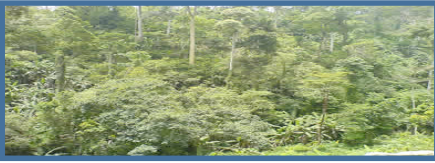
Impacts Cont'd

- ❑ Growing domestic and regional markets
- ❑ Prices not stable
- ❑ Marketing and sale of LUS more difficult.
 - Demand for traditional species and exports of high value species



Responses to crises

- ❑ With the exception of South Africa the region did not appear to have introduced any specific interventions/stimulus packages to off-set the impacts of the crises
- ❑ Some African countries relaxed their log export restrictions to improve cash flows in 2009.
- ❑ Interventions in Ghana a part of the budgetary planning process. These included:
 - ✓ Floating of Euro bonds to support infrastructural development
 - ✓ Aggressive investment promotion targeted at Middle East and China
 - ✓ Market diversification and flexible pricing of wood products



Recovery?

- ❑ Tendency towards recovery in 2010 but with the European debt crisis and Faltering USA economy in 2011.....





Market outlook

- ❑ Reduced imports of tropical timber into the EU and delayed payments
- ❑ Increased demand for legal/certified products.
- ❑ Implementation of the EU TR to create market for legal timber in 2012-2013
- ❑ India and China to drive demand for tropical timber products(logs/sawntimber) Key players in creating demand for legal and certified timber



Outlook Cont'd

- ❑ Concerns for environment will lead to more of conservation and reduction in production from natural forests. More towards plantations from tropical timber producing areas in the future
- ❑ Procurement policies will impact on future trade in wood
- ❑ Future of climate change negotiations and the role of forests to influence future of trade in wood products, particularly from natural tropical forests



Conclusions

- ❑ Lack of inter-connectivity to global financial markets resulted in delayed impacts
- ❑ Timber exports from Ghana declined by 24% from peak level (US\$252 mill) in 2008 to US\$190 mill in 2009
- ❑ Diversified markets, particularly the sub –region
- ❑ Recovery not expected till end 2012
- ❑ Growth poles for tropical timber exports will be China and India



Recommendations to ITTO

- ❑ Support member countries to develop domestic and regional markets + VAP
- ❑ Renew work on intra regional trade, particularly in the African region
- ❑ Continued support for the promotion of legal timber
- ❑ Develop capacity of member countries for further analyses of ITTO trade data.



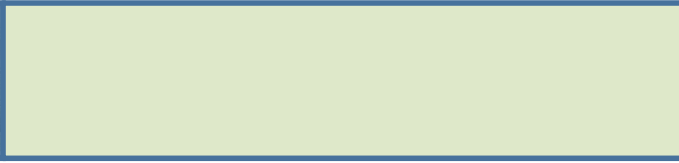
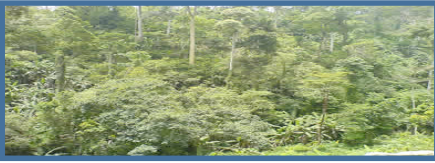
Recommendation to Govt's

- ☐ Commit to developing the domestic market, including data collection and reporting systems
- ☐ Create enabling environment for further domestic processing
- ☐ Promote trade in legal timber on the domestic market



Recommendations to PS

- ☐ Invest in joint initiatives to promote trade in tropical timber
- ☐ Use ICT to improve marketing and trade in timber products
- ☐ Invest in further domestic processing
- ☐ Develop in-company capacity for data analysis
(Also consider the role of trade associations)



THANK YOU