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Impact of pandemic on African tropical timber market: survey, analysis and price info

Almost all African countries are reporting cases of the coronavirus and as the number of cases continues to grow more countries are finding the virus has spread beyond the main cities. Of the 47 African member countries of the WHO, almost 60% have reported cases in multiple locations compared with around 21% at the beginning of April.

There is no clear picture on how the pandemic is affecting timber companies. There are considerable variations in responses to the pandemic among African countries which makes analysis difficult. What is certain is that jobs are being lost and African economies will see a drastic drop in export earnings from the timber sector in the coming months.

Sawmills in Cameroon cannot operate

The Cameroon Minister of Health, Dr. Malachie Manaouda, has warned virus infections could shortly surge and the ministry has launched a mass screening exercise.

The strategy adopted to slow the spread of the virus will focus on raising awareness and regulating the flow of people in crowded areas. Sawmills in Cameroon are reportedly not operating as they have few orders, no log supply and because of the corona virus control measures.

DRC lockdown

It has been reported that a few days after the Democratic Republic of Congo ordered a complete lockdown of Kinshasa Province residents faced problems getting household essentials. More than 11 million people have been told not to leave home except for food supplies.

Movement of people in the commune of La Gombe, where most government offices and timber companies have offices, is restricted. ATIBT reports that logging companies are not included in the movement ban.

Shipments continue from Equatorial Guinea

In mid-March Equatorial Guinea declared a National State of Alarm to facilitate the mobilisation of resources needed to stem the spread of corona virus. An emergency fund was created to try and limit the spread of infections.

It has been reported that a large number of containers with Kevazingo sawnwood have been seized in Bata Port. The authorities say when the pandemic is over inspection of the legality of the shipments will be conducted. Analysts report that log exports continue and that shipments comprise mainly okoume and redwoods such as tali, padouk, some bosse and doussie.

Some companies still operating in Congo

Republic of Congo reports that pandemic related impacts are already making themselves felt where a strict lockdown has been in place since 31 March and borders were closed.

While some companies, including the larger ones in the North of the country, are still operating a number (especially in the South) have suspended operations altogether, and the sector as a whole has cut production.

Log Export Prices

West Africa logs, FOB	€ per m³		
	LM	B	BC/C
<i>Asian market</i>			
Acajou/ Khaya/N'Gollon	265	265	175
Ayous/Obéché/Wawa	250	250	225
Azobe & Ekki	275	275	175
Belli	270	270	–
Bibolo/Dibétou	215	215	
Bilinga	275	275	-
Iroko	300	280	225
Okoume (60% CI, 40% CE, 20% CS) (China only)	220	220	200
Moabi	365	365	285
Movingui	210	210	-
Niove	160	160	–
Okan	200	200	–
Padouk	250	230	200
Sapele	260	260	200
Sipo/Utile	260	260	230
Tali	300	300	–

Sawnwood Export Prices

West Africa sawnwood, FOB		€ per m³
Ayous	FAS GMS	440
Bilinga	FAS GMS	540
Okoumé	FAS GMS	460
	Merchantable	310
	Std/Btr GMS	340
Sipo	FAS GMS	500
	FAS fixed sizes	-
	FAS scantlings	520
Padouk	FAS GMS	640
	FAS scantlings	675
	Strips	320
Sapele	FAS Spanish sizes	450
	FAS scantlings	480
Iroko	FAS GMS	600
	Scantlings	660
	Strips	350
Khaya	FAS GMS	480
	FAS fixed	540
Maobi	FAS GMS	620
	Scantlings	640
Movingui	FAS GMS	420

Survey - Impact of pandemic on Ghana's timber sector

1. Are mills still operating?

Mills in the country with available raw materials and orders are currently in production, as government announced COVID-19 measures, so far, were specific and restricted to the movement of persons. The measures exempted the production and movement of goods and essential services. Factory workers who show evidence of any form of IDs were not affected by the movement restrictions but expected to comply with social distancing.

These are measures by Executive Instrument (EI) imposed under EI 64 and EI 65 on Public Gatherings and restricted movement of persons within selected zones respectively.

2. Have workers been laid off?

No timber sector workers have been laid off as at the time of this report. Ghana employs about 1.2 million workers, of which 600,000 are public sector workers. The remaining are either self-employed or with private investors.

All public and private schools in the country were the first to be closed down by government on 16 March 2020.

Recently unconfirmed scanty reports indicate, some private school teachers have either been laid off, about to be laid off or may not be paid for the period at home.

3. Are laid off workers receiving payments?

There are no known lay offs in the public sector so workers are still receiving their wages and salaries.

Government has also already announced 3-months various levels of water and electricity reliefs for Ghanaians, stressing on judicious use of these utilities.

It is anticipated with these measures, employers who do not meet production targets could likely reconsider cutting down on workforces. This will also depend on the availability and sustainability of packages promised by government.

4. Are companies already receiving government support?

The Government has recently received parliamentary approval to spend an additional GHC1.2 billion (or US\$210 million) for 2020 (April to June) to support businesses, and to minimise job losses.

The government has promised some financial support but companies are yet to know the fine details of who will benefit or not and how much. Government has also pushed forward the payment of taxes and VAT.

Government also plans to support companies by absorbing 100% water and 50% electricity tariffs for the months of Apr to Jun.2020. These are expected to reflect on their month end bills. The Ghana Association of Bankers has also announced a 2% cut in interest rates on loans.

5. Have orders (domestic/international) been cancelled?

Mills outside the lockdown zones are currently producing for both the domestic and international markets.

Ghana announced its COVID-19 case just last month. The Timber Industry Development Division (TIDD) of the Forestry Commission (FC) continued to process and approve contracts for export.

6. Estimated % change in shipments since Jan 2020 to China/EU/US/Others Wood product shipments have not suffered any setback.

However, arrivals at destinations in China, EU, US and others could suffer delayed port clearance and possible demurrage depending on each destination. But as cargo is in port this could also help eliminate any anticipated shortfalls by the final consumer.

7. Are mill stock levels increasing?

Factories largely produce to market rather than to stock.

The only challenge is production run could take a little more time to complete, due to social distancing which could affect the number of shift workers at any particular point in time.

8. How much time would be required to ramp up production to pre-crisis levels?

Depends on the factory and its outstanding orders, all things being equal with raw materials availability, production levels could be raised within 3-months.

9. What will be the main challenges in ramping up production?

Cash flow, if factories have incurred overheads beyond their control from putting in place the appropriate measures and the required Personal Protective Equipment (PPEs) to combating workplace virus spread.

10. Are containers still being loaded at the port?

Despite land border closures to people and goods the Ghana Ports and Harbours Authority (GPHA) continue to handle all sea import and export cargoes through the port. Shipping line vessels also call the ports as scheduled without any interruption.

Meanwhile protocols on social distancing and movement of persons are strictly enforced.

11. Are containers readily available?

Yes, with the scheduled vessel calls empty containers are discharged on arrival for subsequent shipments.