

Trends in the Liberian Export Market
Covering November 2009 - April 2012

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Historical Prospective of Timber Production and Exports in Liberia

Liberia's recent logging history shows two distinct peak production and export periods in the early 1990s and early 2000s,

- The two peak production volumes were about 1.1 million m³ and 1.5 million m³, respectively, of which about 600 000 m³ and 800 000 m³ were exported

- . The downturn in the 1990s occurred during the first serious political conflict. During the second conflict timber resources were utilized and both production and exports peaked.

- Following the civil war in 2003, the UN imposed sanctions against timber and diamond exports over the 2003-06 period and exports of timber ceased.

Historical prospective of timber Production & Exports

- Production of sawn wood peaked in the late sixties and late eighties.
- Since 2000 the production levels have been low but have grown from 20, 000 m³ in 2001 to 80, 000 in 2009.
- Following the lifting of sanctions, Liberia was looking towards the resumption of the logging industry to contribute to state revenues and economic growth.
- However, the processing industry needs to be rebuilt because many of the processing facilities were abandoned or unmaintained, equipment and infrastructure were looted during the conflict years.

Allocation of Contracts

- As part of forest sector reforms under the National Forestry Reform Law of 2006, a competitive bidding process for allocation of timber concession commenced in 2007, resulting in the award through standardized agreements of twenty-five-year felling cycle Forest Management Contracts (FMCs), three-year Timber Sale Contracts (TSCs), and Private Used Permits (PUP).

Contracts Awarded

- Seven (7) FMCs (1,007,429 ha)
- Ten (10) TSCs (50,000 ha)
- 51 Private Use Permits (2,081,702.270 ha) have been executed with private companies.
- It took companies between 1 and 1 ½ years to obtain effective forest titling and gain access to the trees.
- A further requirement was the social agreements with forest communities after the companies had signed contracts with the FDA,

Contracts Awarded

- Between 2007 and 2009, it is observed that very little production and exports were achieved. A number of companies commence production from February 2010 and April 2012, and exported 170,638.540 M3.

Liberia Timber Markets

- ❖ Forest production by the formal sector is mainly destined for export to markets in Europe and Asia, with logs currently accounting for the bulk of the export volume.
- ❖ The domestic market is mostly reliant on Chain sawn lumber produced by the then informal sector and accounted for approximately 11,477 M3 from January 2011 – March 2012.

Liberia Timber Markets

- ❖ Recent export figures show approximately 31% of the exports are destined for Europe and consist almost entirely of two species: Ekki (*Lophira alata*) and Niangon (*Heritiera utilis*);
- ❖ The remaining 66% of the exports is destined for Asia (China, Hong Kong, India and Vietnam, and 3% North America (Canada).

Chain of custody

❖ **The SGS- LiberFor uses a system of log tagging based on random coding to track logs;**

❖ **This aims to reduce risks of smuggling and forgery by logging companies.**

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❖ **It also monitors forest fees (ie issues the invoices and monitors the payments).)**

| Companies Financial Payment Update | | | |
|--|---------------------------------|---------------------|-------------------------|
| | Contract Adm, Area and Bid fees | | |
| | TOTAL | Paid | Out standing tax |
| Universal forestry Corporation | \$ 1,000.00 | | \$ 1,000.00 |
| Thunder Bird International Liberia | \$ 17,250.00 | | \$ 17,150.00 |
| Tarpeh Timber Company | \$ 33,862.50 | | \$ 33,862.50 |
| Sun Yeun Corporation Limited | \$ 177,000.00 | | \$ 177,000.00 |
| Quantum Resources | \$ 1,000.00 | | \$ 1,000.00 |
| Liberia Tree & Trading Company | \$ 2,158,276.20 | \$ 1,303,779.40 | \$ 854,496.80 |
| International Consultant Capital | \$ 6,967,626.00 | | \$ 6,967,626.00 |
| Global Logging Company | \$ 1,000.00 | | \$ 1,000.00 |
| Geblo Logging Inc. | \$ 4,986,254.70 | \$ 1,413,258.00 | \$ 3,572,996.70 |
| Frank Brook Liberia Inc. | \$ 1,000.00 | | \$ 1,000.00 |
| Euro Liberia Logging | \$ 6,632,349.63 | \$ 1,000.00 | \$ 6,631,349.63 |
| EJ&J Investment Corp | \$ 889,496.80 | \$ 145,155.00 | \$ 744,341.80 |
| Burglar Vincent Timber Company | \$ 256,587.50 | \$ 11,512.50 | \$ 245,075.00 |
| Bassa Logging and Timber Company | \$ 58,500.00 | | \$ 58,500.00 |
| Bargor & Bargor | \$ 33,600.00 | \$ 16,750.00 | \$ 16,850.00 |
| Atlantic Resources Limited | \$ 2,791,119.28 | \$ 476,386.93 | \$ 2,314,732.35 |
| Alpha Logging & Wood Processing | \$ 3,069,797.10 | \$ 100,000.00 | \$ 2,969,797.10 |
| Akewa Group of Companies | \$ 33,250.00 | \$ 7,250.00 | \$ 26,000.00 |
| | 28,108,969.71 | 3,475,091.83 | \$ 24,633,777.88 |

Why such huge unpaid taxes by companies

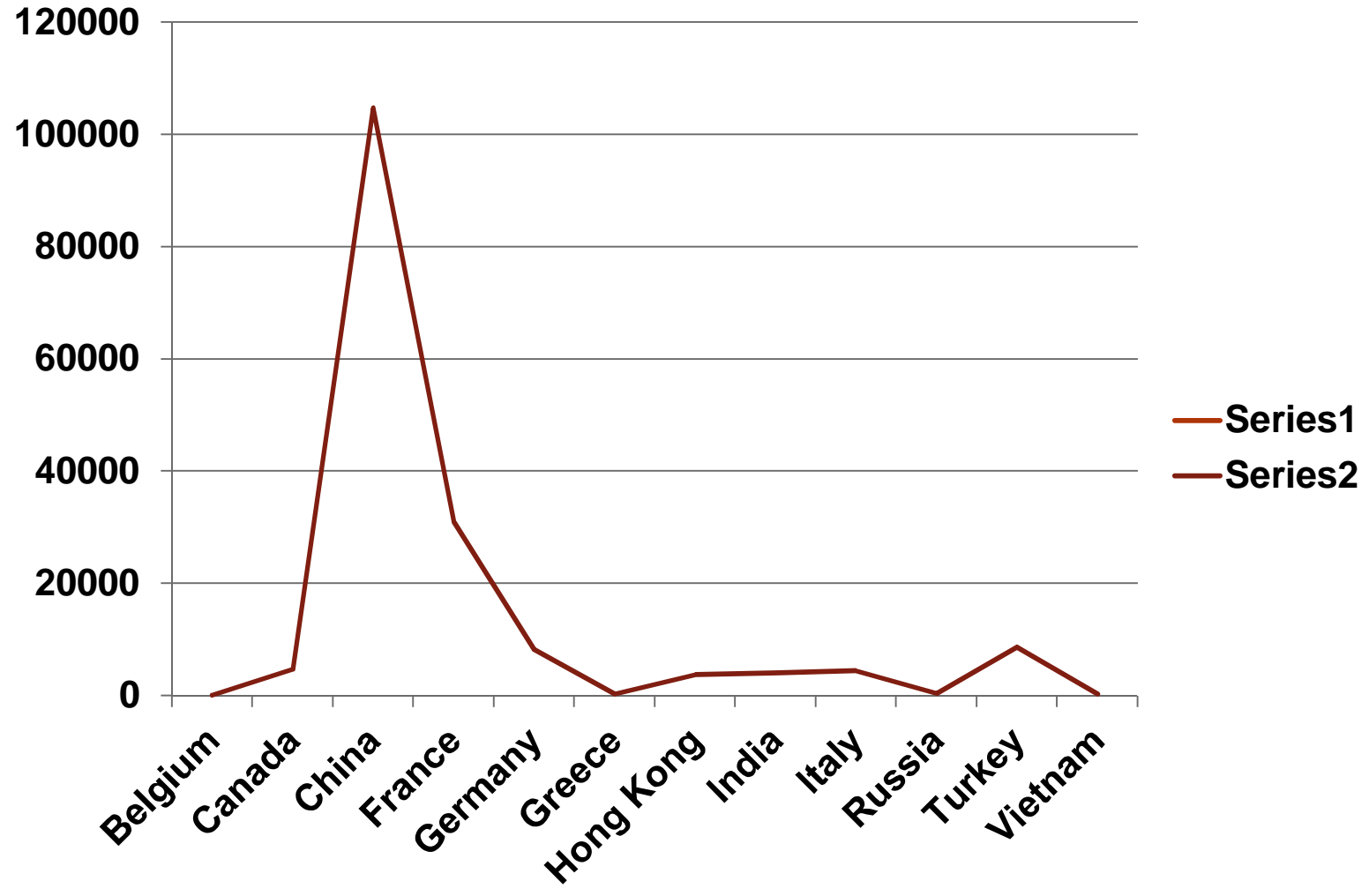
- Several assumptions:
- Various companies (especially those holding FMCs) have raised concerns about their financial viability (IMF 2011)
- Area-based taxes impose heavy start-up burden relative to revenue-based taxes;
- Current area bid premiums are unaffordable owing to over-bidding;
- Infrastructure constraints impose overall bottleneck on production and ability to pay taxes.

More questions than answers

- Did the companies have imperfect information about the timber prospects in the concession areas?
- Did they underestimate the costs of operations (e.g., the need to rehabilitate or construct infrastructure; the high port handling charges)?
- Or did some companies purposely bid high with the expectation that they could eventually be negotiated down?

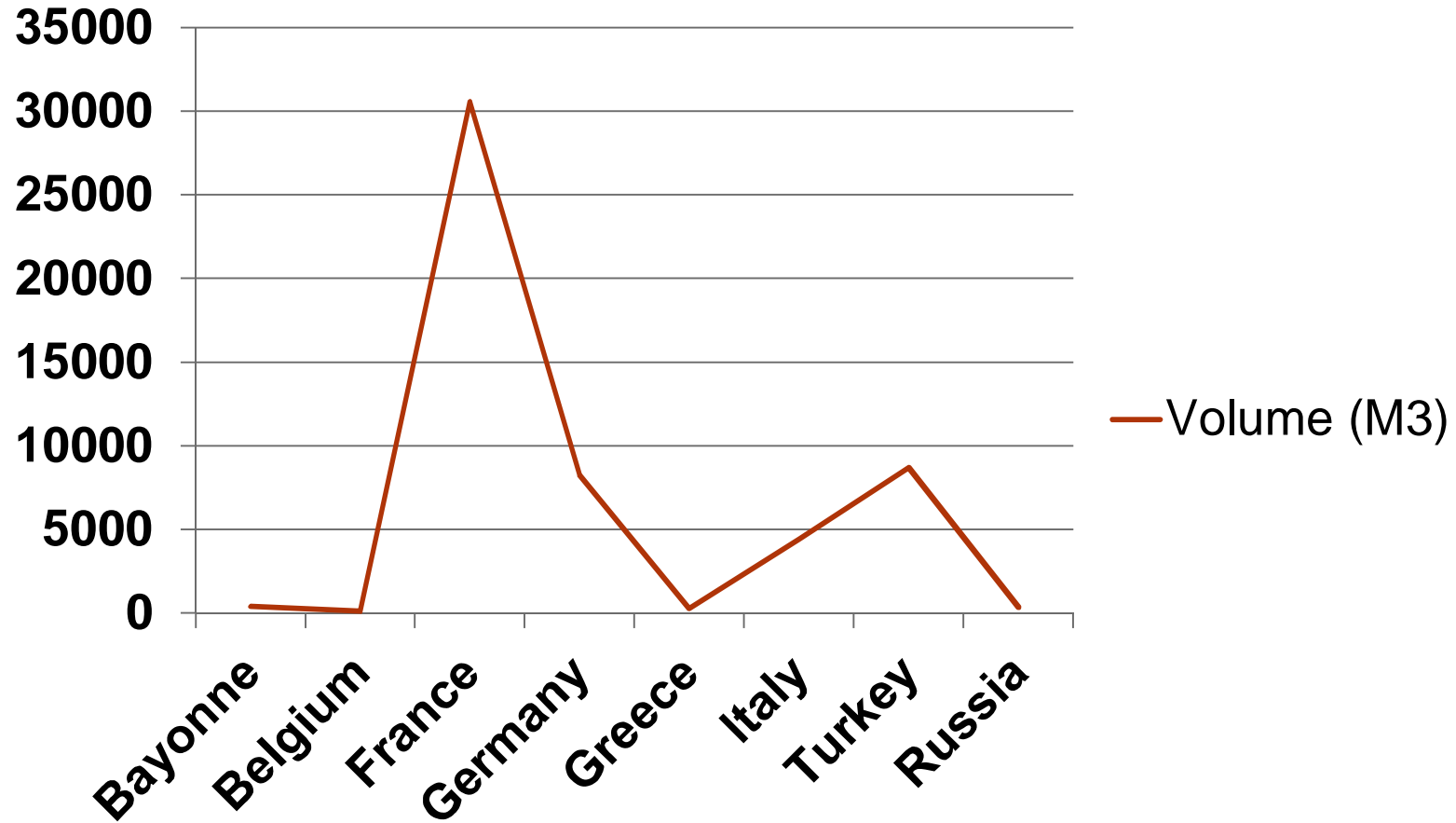
Total Export Volume Per Country and %

| Country of Export | Volume (M3) | % of Export |
|-------------------|-------------|-------------|
| Belgium | 109.150 | 0.06 |
| Canada | 4,775.370 | 2.80 |
| China | 104,690.320 | 61.35 |
| France | 30,972.352 | 18.15 |
| Germany | 8,280.240 | 4.85 |
| Greece | 278.790 | 0.16 |
| Hong Kong | 3,748.260 | 2.20 |
| India | 3,996.600 | 2.34 |
| Italy | 4,418.210 | 2.59 |
| Russia | 356.855 | 0.21 |
| Turkey | 8,699.160 | 5.10 |
| Vietnam | 313.237 | 0.18 |
| | 170,638.54 | 100.00 |



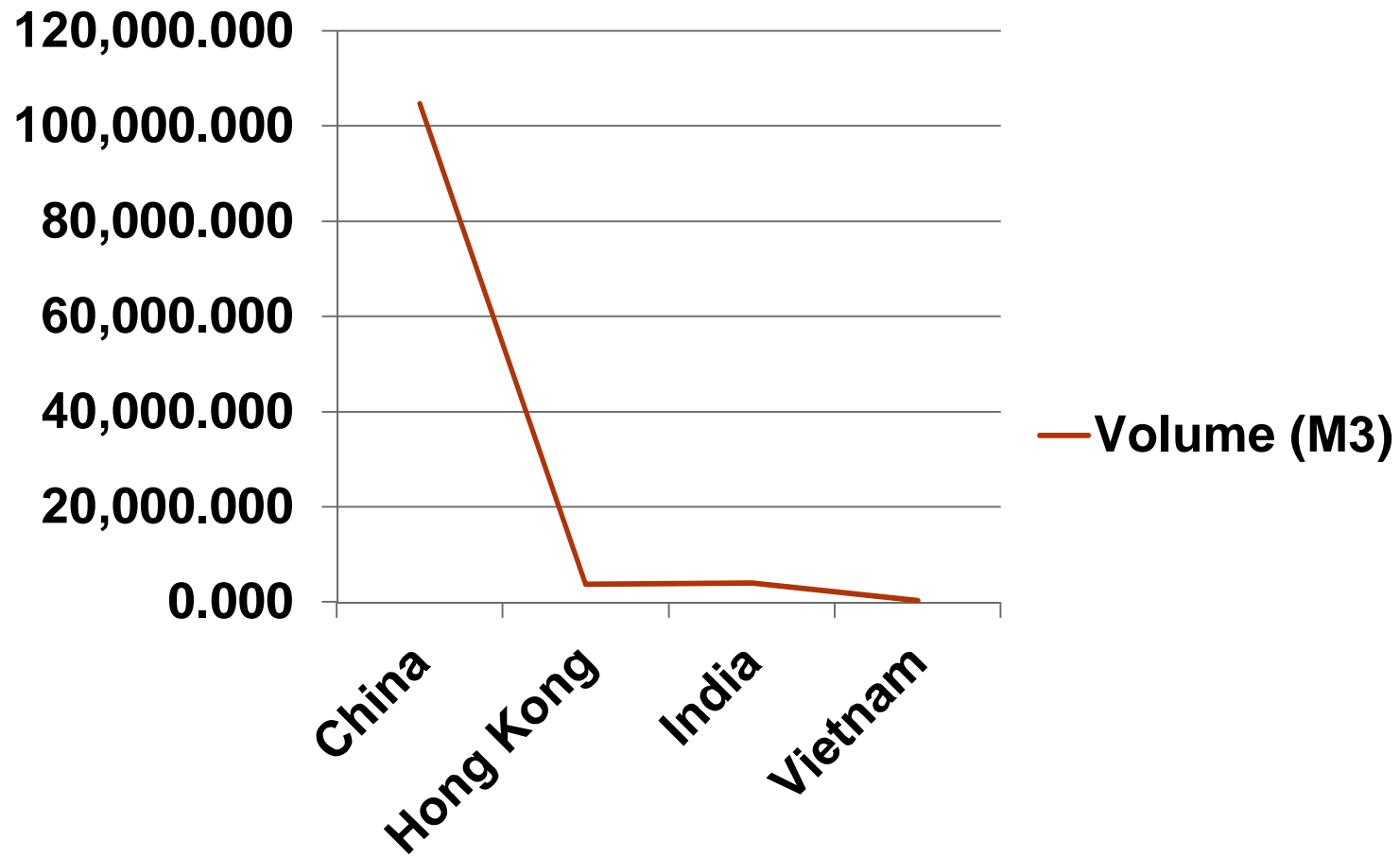
| Europe | | |
|----------------|--------------------|--------------------|
| Country | Volume (M3) | % of export |
| Belgium | 109.150 | 0.20 |
| France | 30,972.352 | 58.71 |
| Germany | 8,280.240 | 15.69 |
| Greece | 278.790 | 0.53 |
| Italy | 4,418.210 | 8.37 |
| Turkey | 8,699.160 | 16.49 |
| Russia | 356.855 | 0.68 |
| | 52,757.90 | |

Export to Europe



| ASIA | | |
|----------------|--------------------|--------------------|
| Country | Volume (M3) | % of Export |
| China | 104,690.320 | 92.85 |
| Hong Kong | 3,748.260 | 3.32 |
| India | 3,996.600 | 3.55 |
| Vietnam | 313.237 | 0.28 |
| | 112,748.417 | 100 |

Export to Asia



North America

| Country | Volume (M3) | |
|----------------|--------------------|--|
| Canada | 4,775.370 | |

Impact of VPA/FLEGT on the Liberia Domestic Export Market

❑ Will there be any increase in the export market of timber and timber products into the European market than what it is now?

It is based on several factors:

- ✓ EU price offer for domestic timbers
- ✓ Change/increase in species utilization
- ✓ Capacity development and improved technology

Thank You