



Fact Sheet: Solomon Islands Sawn Timber Exports

The Industry and its significance

Forestry is Solomon Islands (SI) largest export industry, accounting for around SBD2.2 billion (AUD 360 million) of exports and 20% of national government revenues. The vast majority of exports are round logs to Asian markets. Revenues from log exports will decline in the long term as the resource is depleted.

PHAMA's support focuses on a much smaller, sub-set of the industry - sawn timber - which is based on small scale harvesting by local communities. Despite its small scale, it is a significant component of the Solomon Islands economy with its exports being comparable in value to the cocoa and coconut industries. Over the past five years, the average annual value of sawn timber exports has been SBD 80 million (AUD 13 million); around 5% of the total value of log exports. Australia and New Zealand are the primary markets for sawn timber accounting for 60% (approximately AUD 8 million per year) of total Sawn timber exports over the past five years. The remainder of the sawn timber is exported to markets in the Asia region.

SI Government policy is to increase value adding of timber exports and sawn timber offers a potentially sustainable export industry. The sawn timber industry provides employment for more than 1,500 people in Honiara, although thousands more are involved in harvesting in rural areas.

PHAMA

Pacific Horticultural & Agricultural Market Access Program

An Australian Government initiative



Market Access Issues

The main market access issues for the sawn timber industry relate to assurance of timber legality and quality requirements.

Key international wood markets such as the European Union, USA and Australia have legislated requirements to demonstrate legal origin of imported forestry products. Additionally, New Zealand has developed industry led sourcing requirements with a view to ensuring the legality and sustainability of imported timber. Access to these markets will be affected if exporters cannot demonstrate that timber has been legally sourced.

In relation to quality, the majority of SI timber exported is undried and rough sawn, a raw product subject to extensive reprocessing by importers to meet market standards. Variability in quality of SI timber is an issue for importers who factor this into their pricing. There is scope for SI producers to achieve higher prices if they can improve the quality of their sawn timber products.

PHAMA Action

- **Legality assurance:** PHAMA first worked with industry and government to jointly develop a timber legality assurance guideline for SI. This was used to inform discussions between SI and Australia, and in 2014 resulted in "Country Specific Guidelines for SI" being recognised under Australian legislation. PHAMA also facilitated discussions with the NZ industry to inform



them on progress made on legality assurance in SI. In 2015, a joint work plan was agreed with NZ industry, and SI is now working towards establishing a 3rd party legality verification system to meet NZ market requirements and maintain access prior to deadlines set by NZ industry. This work will strengthen SI's market access position into all international markets.

- **Timber quality:** PHAMA has supported a market survey and trade mission visits to Australia and NZ. Linkages have been established between NZ, Australian and SI industries to facilitate improvements in timber quality and presentation through training and adoption of better processing techniques. PHAMA is now collaborating with industry to pilot timber drying and kiln facilities in Honiara as a means of improving the quality and value of exported timber products.
- **Industry development:** PHAMA has been working directly with representatives of the private and public sectors to promote collective action within the industry. The outcome has been the establishment of an industry association for the sawn timber industry. The Solomon Islands Timber Processors and Exporters Association (SITPEA) now functions as the key contact point for the industry and is working with government, external markets and other stakeholders on a number of initiatives to develop the industry.

Progress

The timber legality work has helped to ensure market access is maintained for up to SBD50 million (AUD 8 million) per year of timber into Australia and NZ. The market survey and trade mission work has provided clear guidance to SI industry on future requirements for NZ regarding 3rd party verification of legality. The findings have also informed SI industry of potential price and volume increases achievable through quality improvement e.g. through timber drying and export of alternate species and product types. Advocacy provided via the IWG has also resulted in a significant increase in the SI Government's recurrent budget for timber licensing verification.

Future Actions

Working with SITPEA and the Ministry of Forestry, PHAMA will support the establishment of the 3rd party legality verification system to a recognised international legality standard. Related work will involve working with the Ministry of Forestry to conduct awareness sessions on timber licensing and sustainable forest management with timber producers in provincial locations. PHAMA will also work with industry to progress technical training and support to conduct timber drying in order to improve quality and increase product value. PHAMA will also work with SITPEA, government and importers, such as the NZ industry, to establish sustainable funding mechanisms to cover the on-going costs of the certification system required to meet market needs.

Industry example

Company: Pacific Export Alliance Group (PEAG)
Exporting: Rough sawn timber
Markets: New Zealand and Australia with occasional sales to Europe
Export earnings: SBD2.4M (AUD \$400k) [Estimates]
Return to producers: SBD1.62M (AUD\$270K)[Estimates]

PEAG was established in 2012. It purchases timber from community producers from all provinces throughout the Solomon Islands. The company works directly with its suppliers and supports them in planning harvest operations and meeting regulatory and administrative requirements for forest management and timber production. PEAG's largest market is New Zealand where Vitex timber from Solomon Islands is used mainly in flooring and outdoor decking.

INDUSTRY VIEW ON PHAMA SUPPORT

"Only with support of PHAMA, is the local timber industry able to push forward with legality Compliance that will ensure that Solomon Island's timber can continue to sell into our key markets in Australia and New Zealand and beyond."
Steven Wong, Director Pacific Export Alliance Group

"PHAMA's support has helped the industry to establish and operate the Solomon Islands Timber Processors and Exporters Association, through which we hope to strengthen the local timber industry and better manage our high-value timber resource"
Adam Bartlett, President, SITPEA



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