

**Marketing of Tropical Hardwood
Wood Products from Ghana:
An Exploratory Study**

Kofi Poku

Richard Vlosky

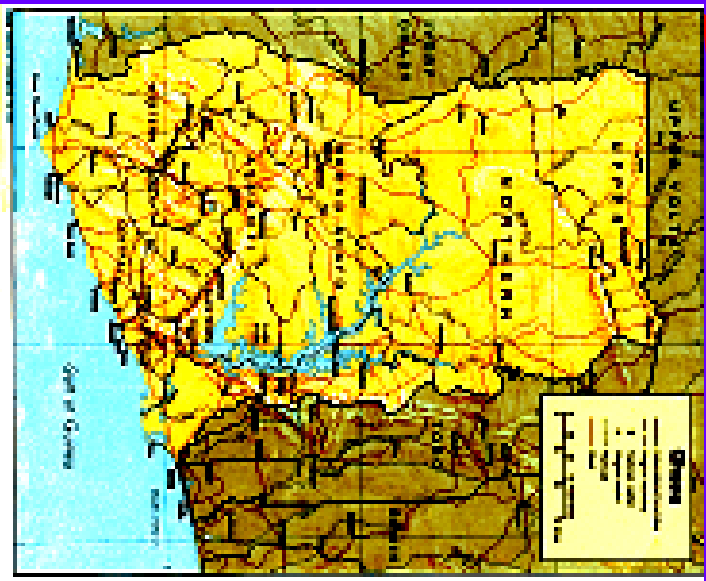
Forest Products Marketing Program

Louisiana Forest Products Laboratory

Louisiana State University Agricultural Center


Overview

- Background - the forest of Ghana
- Current forest industry and market structure
- Elements of a successful market development structure
- Marketing potential of lesser-used species
- Toward an efficient market structure
- Conclusion



The Forest of Ghana



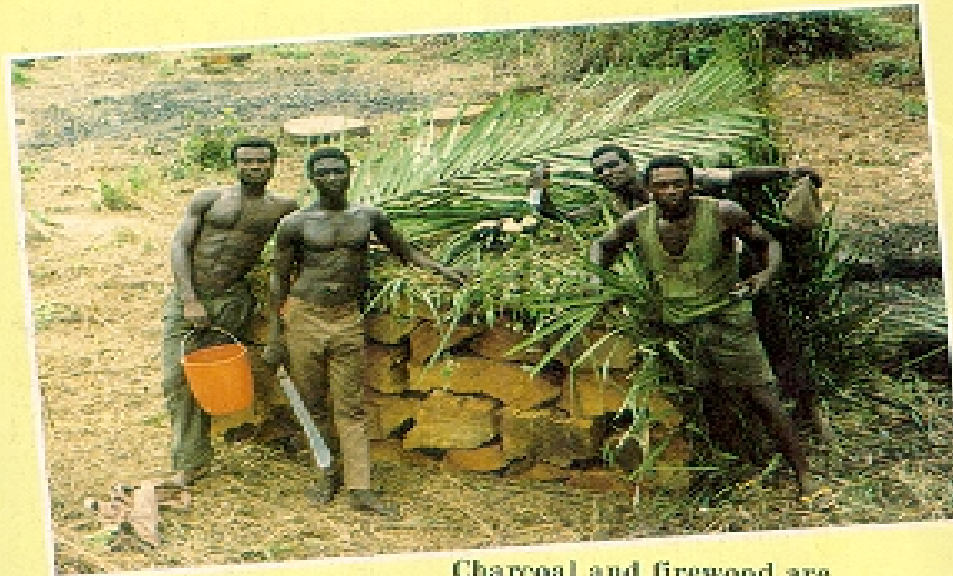


**THE
TROPICAL
TIMBERS
OF
GHANA**

Background - The Forest of Ghana

- Deforestation:
 - ⌚ 30% in 17 years (1955-1972)
 - ⌚ 750 km²/year since the turn of the 20C (World Bank 1988)
 - ⌚ only a third of the land is forested
 - ⌚ half of the present forest is considered productive
- Causes: farming, bush fires, fuel wood, wasteful logging practices, mining and quarrying

Fuelwood



Charcoal and firewood are key fuels for Ghanaians.



Current Industry Structure

- 8% of GDP
- 250 companies involved in primary operations
- 180 companies in secondary operations
- Over 200 companies involved in tertiary operations
- General characteristics
 - ⊗ Under capitalized, labor-intensive, obsolete equipment
- Consequences
 - ⊗ Inefficiencies, Underutilization, Waste, etc.

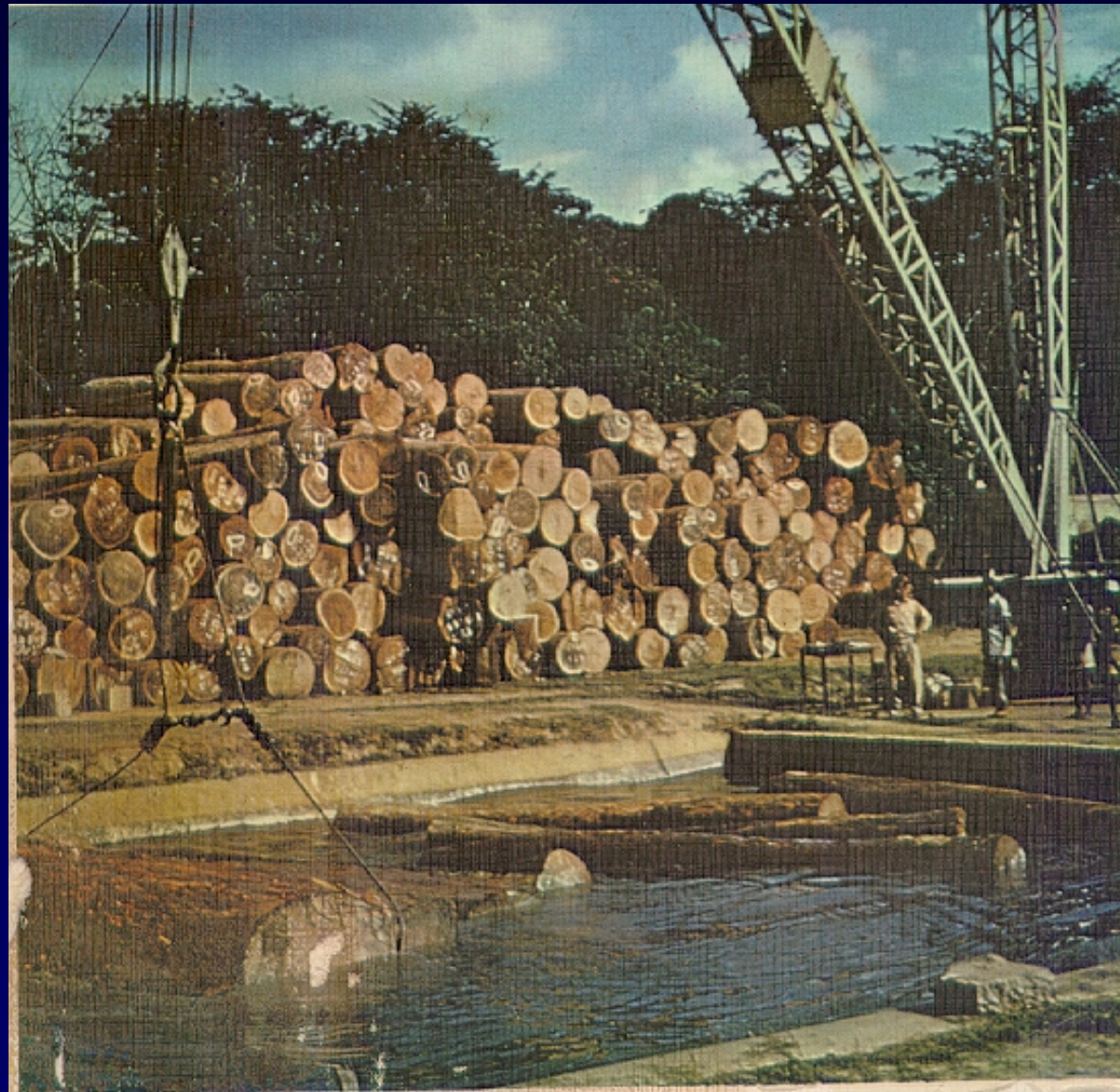
Current Market Structure

- Main market partners - U.K., Germany, Italy, France
- Historical trade relationships from colonial days
- Three-quarters of product category goes to less than five countries
- Exporters use mainly agents and brokers
- Sustainable supply of good quality products???
- Domestic market:
 - ⊕ Low supply of lumber, low producer prices

Some Governmental Remedies

- Rationalization of forest concession rights award process
- No further establishment of new sawmills
- Ban on export of logs
- Encouragement of kiln drying operations
- Establishment of Wood Industry Training Center (WITC)
- Control of illegal chainsaw operations
- Institutional strengthening and restructuring

Log Exports



Wood Industry Training Center



Elements of a Successful Market Development Structure

Stakeholder Communication and Involvement

- **Stakeholders** - Governments, landowners, farmers, communities, concessionaires, industry, consumers, environmental groups, etc. (Koudou and Vlosky 1999)
- Government is the sole protector of the forest
- Failure as a result of
 - ⊗ lack of funds
 - ⊗ less effective policies and regulations,
 - ⊗ Unwillingness of partners to participate
 - ⊗ Lack of communication

Market Orientation

- Presently
 - ⊗ Production orientation
 - ⊗ Commodity products
 - ⊗ Compete solely on price
 - ⊗ Reduction in bargaining power
- Need for differentiated and augmented products
- Target marketing
- Promotion and positioning

Policy influences

- Policy implementation, monitoring and evaluation
 - ⊗ Lack of motivation
 - ⊗ Lack of skilled personnel
 - ⊗ Lack of funds
 - ⊗ Lack of unity within private sector associations

Resource Utilization

- 60% capacity utilization
- 55% conversion efficiency
- 126 tree species grow to merchantable size
- 40 - 50 species marketed commercially
- Lesser-used species
 - 45% of standing volume of trees

Marketing Potential of Lesser-Used Species

Methodology

- Trade and Industry Directory
 - ⌚ 254 forest products manufacturers
 - ⌚ 133 had fax addresses
- Conducted by fax
- 3 attempts made

Questionnaire

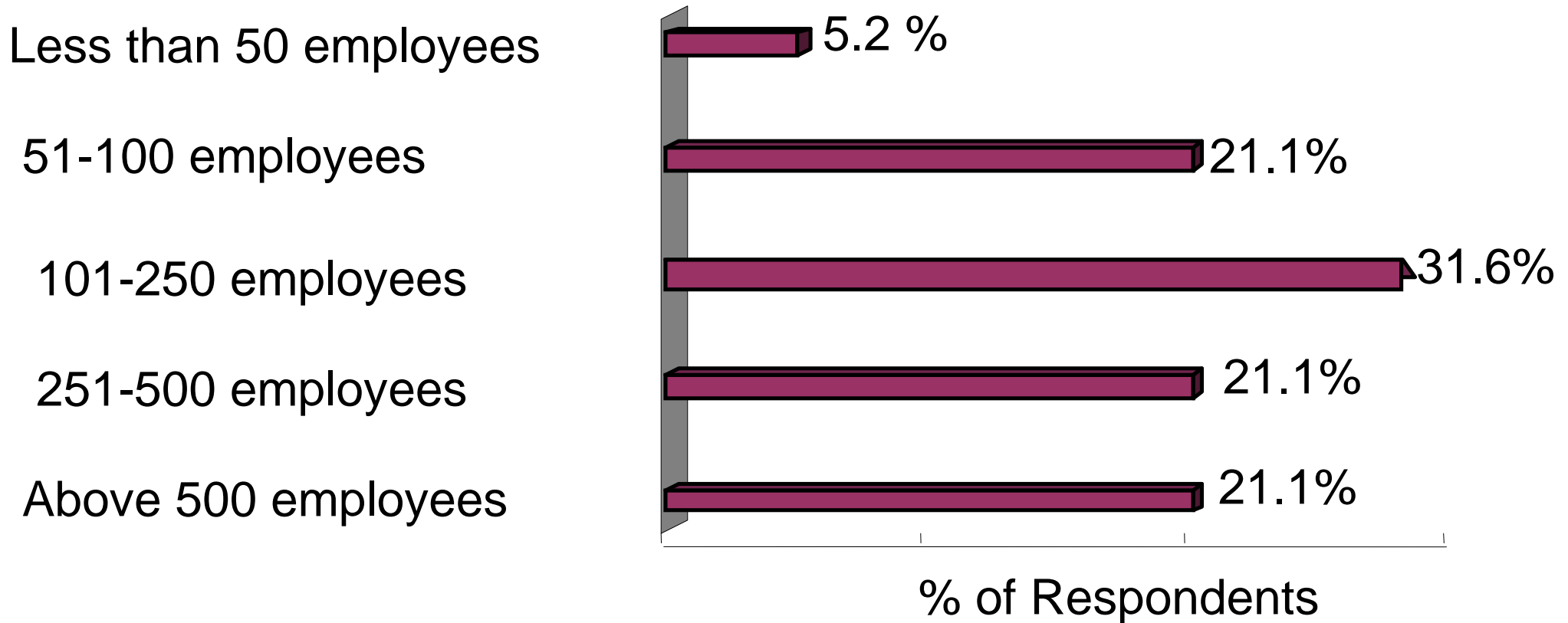
- General company information
- Raw material acquisition
- Exports
- Utilization and marketing of LUS
- Acquisition of market information

Response Rate

- 63 companies could be successfully reached by fax
- 19 responded to questionnaire = 30.2%

Firm Size Based on Number of Employees

(n = 19 respondents)



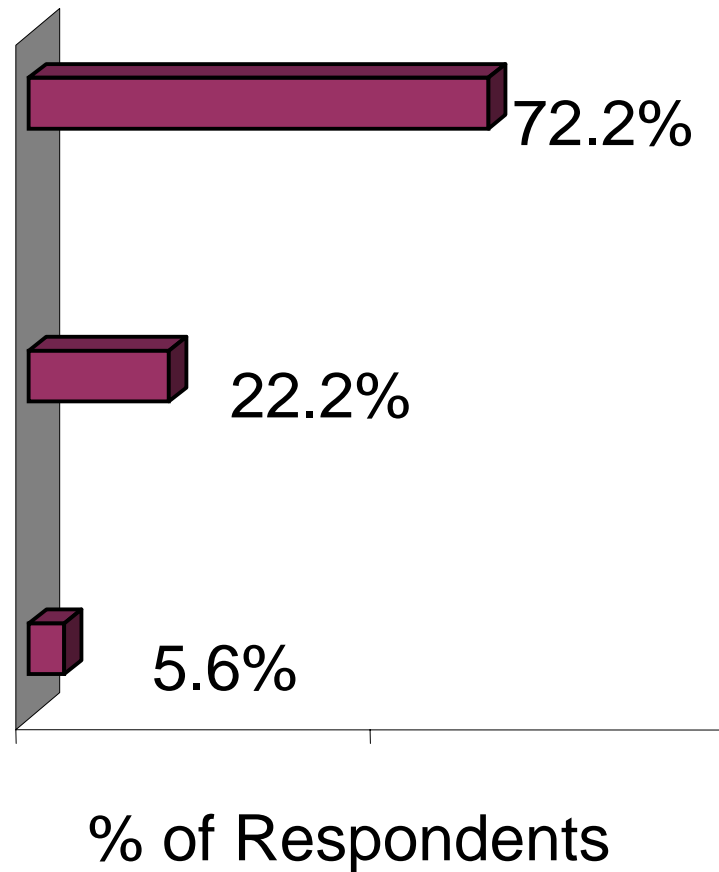
Firm Size Based on Lumber Production per shift

(n = 18 respondents)

26-50 cubic meters
(14-26 MBF)

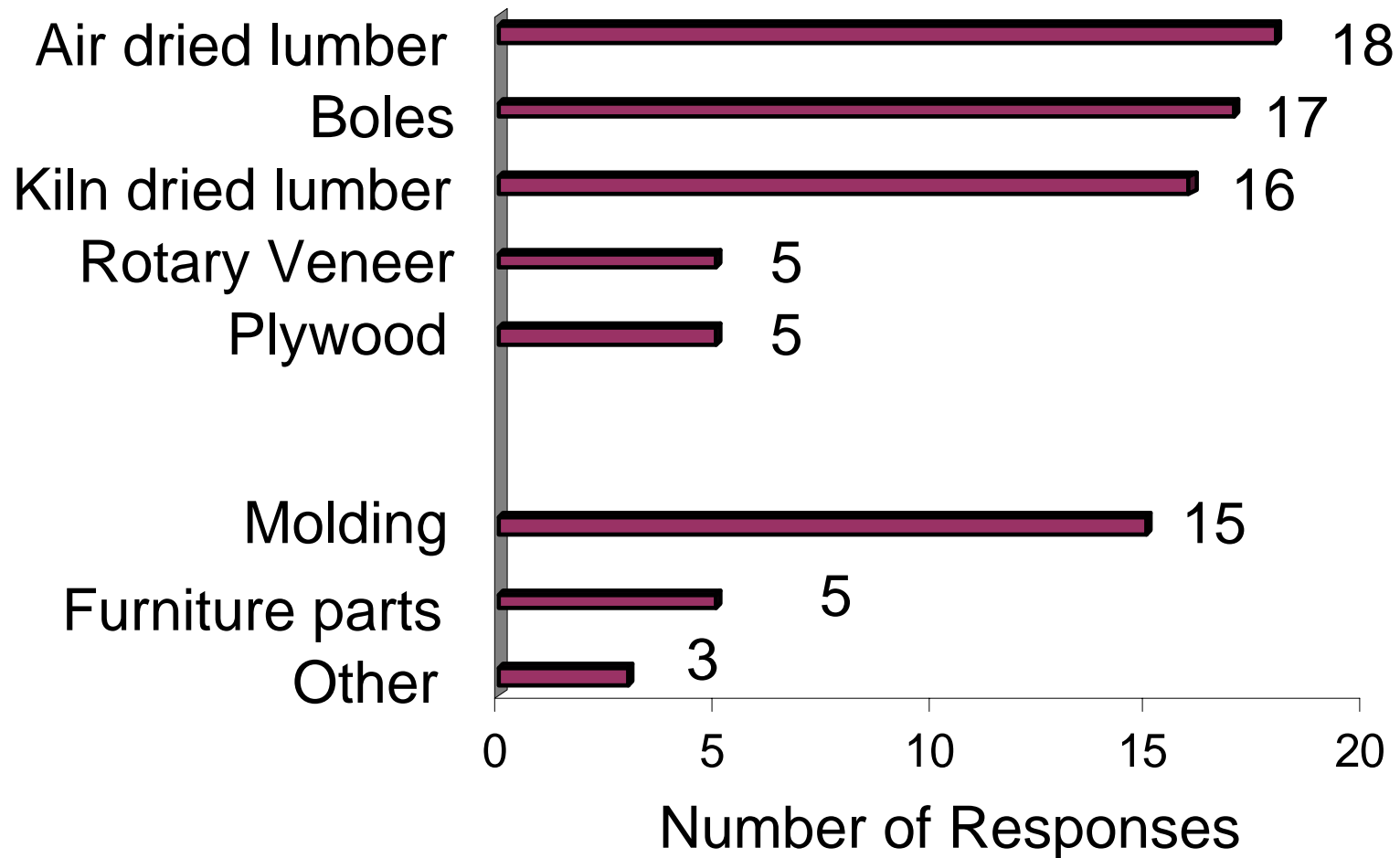
11-25 cubic meters
(6-13 MBF)

1-10 cubic meters
(0.5-5 MBF)



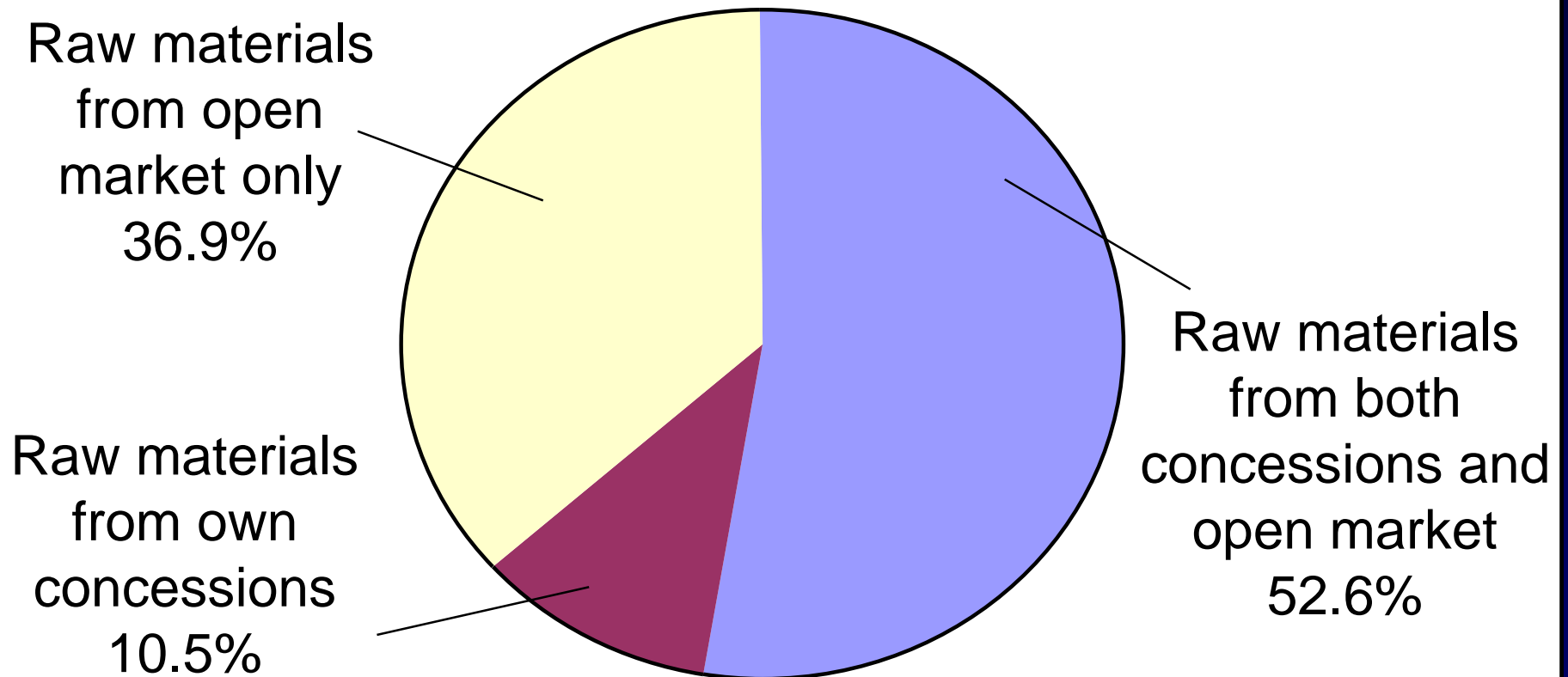
Major Product Categories

(n=84 multiple responses possible)



Sources of Raw Materials

(n=19 respondents)

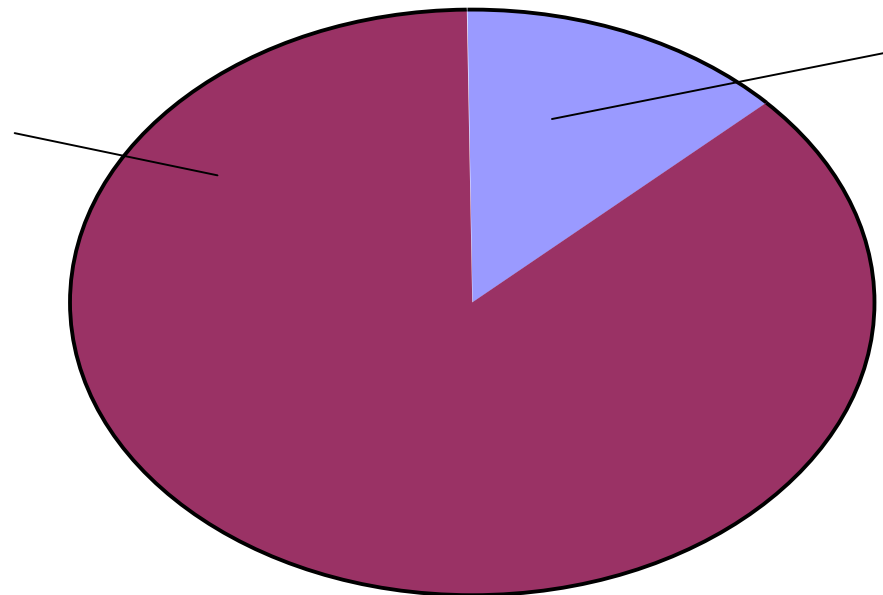


Perceived Acceptance of LUS by Export Buyers

(n=18 respondents)

Will export buyers readily accept your products from the selected LUS?

No
72.2%



Yes,
27.8%

Why do you perceive that export buyers will not readily accept LUS products?

- ⊖ The species are not popular with consumers
- ⊖ Lack of information on the species
- ⊖ The species may not sell among users
- ⊖ Cheaper alternative better known timbers are flooding the market from elsewhere

Promotion of LUS

(n = 18 respondents)

1=most important, 8=least important

What factors do you consider important in promoting LUS?

Factor	Mean Importance Rating
Acceptance by buyer/manufacturer	1.4
Availability of technical information	2.6
Availability of long-term supply	2.8

Promotion of LUS

(n = 18 respondents)

1=most important, 8=least important

What factors do you consider important in promoting LUS?

Factor	Mean Importance Rating
Low initial trial price	4.5
Ability to export small volumes	4.6
Risk-free trial shipments	5.9

Market Information

- 94.7% of producers export through brokers and agents
- Broker characteristics
 - ⊗ profit maximization
 - ⊗ No product development
 - ⊗ Capable of switching to other sources
 - ⊗ Unwilling to provide information about customers and market
- Market information acquisition
 - ⊗ From channel members and competitors
 - ⊗ Industry journals, industry association and hiring of consultants

A Shift To an Efficient Forest-Based Market Structure

Improvements in

Market
Information

Policy
Influences

Market
Orientation

Inefficient
Market
Structure

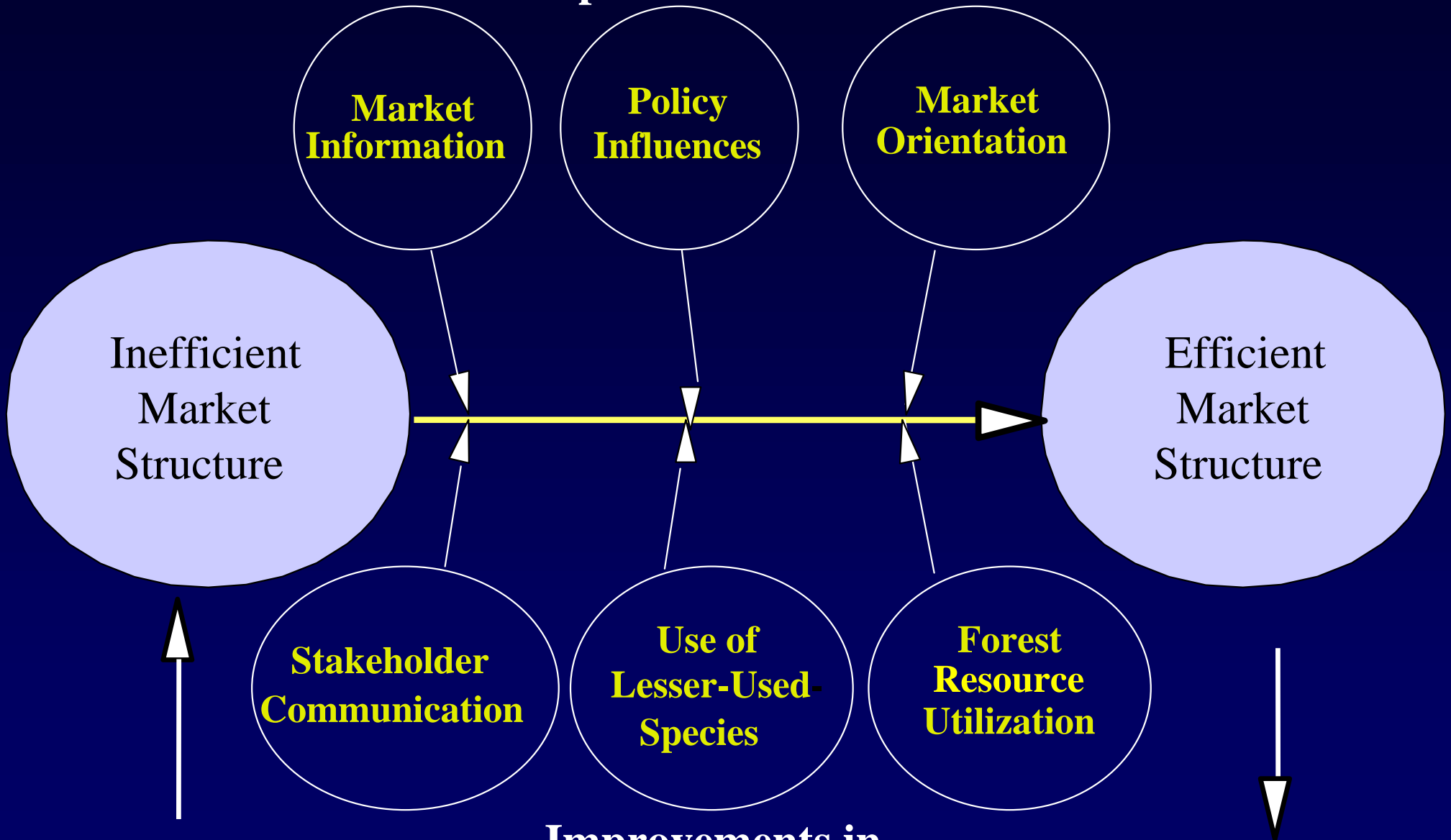
Efficient
Market
Structure

Stakeholder
Communication

Use of
Lesser-Used
Species

Forest
Resource
Utilization

Improvements in



A Shift To an Efficient Forest-Based Market Structure



Inefficient
Market
Structure

- Extractive inefficient resource utilization
- Commodity orientation
- Inefficient market structures
- Outdated production technology/efficiency
- Unsustainable industry

Efficient
Market
Structure

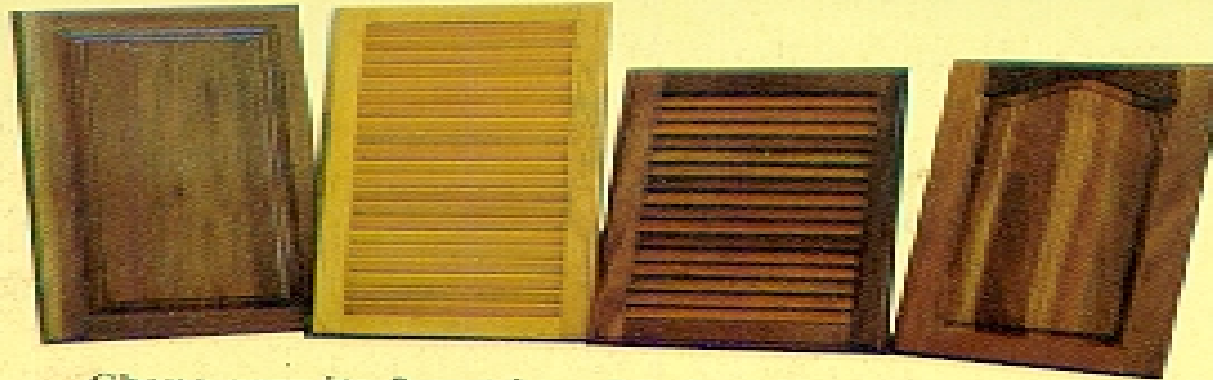


- Efficient resource utilization
- Added value
- Improved market structures
- Improved production technology/efficiency
- Sustainable industry
- Improved profitability

Toward an Efficient Industry Structure

- Efficient resource utilization
 - ⊗ improved harvesting and processing methods
 - ⊗ utilization of lesser-used species
 - ⊗ innovative ways of using wood
- Value addition
 - ⊗ local lumber supply
 - ⊗ design and production expertise
 - ⊗ improved technological level

Value Addition



Ghana sees its forest based industries as providing more exports in more finished products.



Improved Market Structure

- Interrelationship of production and end-use acceptance factors
- Appropriate and applicable marketing strategies based on value addition activities
- Market analysis, segmenting and targeting
- Marketing mix
- Constant market monitoring and evaluation

Conclusion

.....A holistic approach that emphasizes efficiency in the market structure is necessary to transform the industry from a high volume-low value sector to a low volume-high value sustainable sector.

Questions?