Proposed Position of the GFC on the:

NATIONAL LOG EXPORT POLICY 2012-2014

Guyana Forestry Commission (GFC),
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National Log Export Policy 2012-2014

- Guyana's forests, cover approximately 18.39 million hectares and is important nationally from the environmental, social and as well as economic perspectives.

- Key priority areas have been identified for continued development of the forest sector e.g.:
  - boosting added value forest products manufacturing ;
  - the creation of higher levels of value and employment creation per unit of forest resource extracted;
  - supporting domestic demand through local consumption in related sectors (such as housing and infrastructure);
  - a niche-market driven agenda that advances an integrated approach to forest management, processing, value adding, and export.

- The need to address the issue of log export, to assist SFM and encourage the development of added value forest production domestically for the wood products sector, is included in various reports and documents including:
  - the LCDS
  - the National Forest Policy Statement; National Forest Plan
  - the National Competitiveness Strategy;
  - the International Tropical Timber Organisation (ITTO) Diagnostic Mission Study of 2001; and
  - the DFID Country Report for Guyana.

National Forest Plan and Policy Statement Recommendations

- The National Forest Policy Statement 2011 and the National Forest Plan 2011, both have identified the expansion of the added value sub sector within the forest industry as priorities. Part IV of the National Forest Policy Statement, in the Chapter on Forest Industry Policies: Industry Viability, Section C states:

  - *"The principles of production efficiency and productivity, enhancing recovery rates through improved processing techniques, promoting down-stream industry development and increasing the production line of value-added products shall be developed and applied as a priority."*

- Additionally, the National Forest Policy Statement 2011, Part IV of the National Forest Policy Statement, in the Chapter on Forest Industry Policies: Processing, Section C states:
  - *"Periodic review of the National Log Export Policy will be done to inform the follow-on steps for supporting forest industry development."*

National Log Export Policy 2009-2011

- In 2009, following a consultative process, a National Log Export Policy was instituted that saw a graduated annual increase in the rates of export commission on targeted species of logs.

- Through this Policy, which expired in December 2011, the following species of logs were subject to the increased rates of export commission as follows:

Schedules A and B3

SPECIES	RATE OF EXPORT COMMISSION (%) – Effective	RATE OF EXPORT COMMISSION (%) – Effective	RATE OF EXPORT COMMISSION (%) – Effective
Purpleheart	7	10	12
Red Cedar	7	10	12
Letterwood	7	10	12
Bulletwood	7	10	12
Cow Wood	7	10	12
Locust (Bastard)	7	10	12
Tatabu	7	10	12
Kabukalli	7	10	12
Shibadan	7	10	12
Tauroniro	7	10	12
Washiba	7	10	12
Hububalli	7	10	12
Tonka Bean	7	10	12
Darina	7	10	12
Greenheart	7	10	12
Brown Silverballi	7	10	12

SPECIES	RATE OF EXPORT COMMISSION (%) – Effective	RATE OF EXPORT COMMISSION (%) – Effective	RATE OF EXPORT COMMISSION (%) – Effective
Itikiboroballi	7	10	10
Determa	7	10	10
Wamara	7	10	10
Hakia	7	10	10
Mora	7	10	10
Dukali	7	10	10
Kereti Silverballi	7	10	10
Wallaba	7	10	10
Fukadi	7	10	10
Futui	7	10	10

National Log Export Policy 2009-2011

- All other species not listed in **Schedules A and B** attracted a rate of 2% up to December 2011.
- In addition to the schedules above, the following implementing mechanism was also applied:
  - 1. Exporters will only be allowed to export logs from their own concession.
- Consideration was given to companies/entities exporting squares (products with dimension 20.3 cm X 20.3 cm and greater) for engineering end uses, with a valid contract/other relevant supporting documentation.
- The existing restriction on the export of Crabwood and Locust species of logs remained in place.

The Impact of the Log Export Policy 2009-2011

- The National Log Export Policy 2009-2011 saw mixed results over the three year period.

- To better appreciate the impact of the National Log Export Policy 2009-2011, a table is provided showing log export data prior to its implementation, and for the duration of same.

- The Policy was effective to some extent in 2009 and 2010. However, in 2011, the increase to 53 % points to the need for a more stringent Policy to deter log exports and stimulate greater in-country processing/ added value forest products production.

Product		2005	2006	2007	2008	2009	2010	2011 (Jan to Sept)
Logs	**Production**	**323.9**	**394.0**	**330.4**	**275.3**	**266.2**	**320.1**	**153.5**
	Export	115.8	190.8	157.1	92.4	62.04	110.6	80.7
	Percentage of Log Production that was Exported	35%	48%	48%	34%	23%	34%	53%

Indicative list of Countries which have introduced a Log Export Policy in the last 20 to 30 years

Country	Period	Type of Log Export Policy
USA	1926 to Present 1990 to present	Ban on export of logs taken from federal lands in Alaska Forest Resources Conservation and Shortage Relief Act (1990): 100% export ban on logs from Federal lands west of the 100th meridian, except timber surplus to needs, and 1995 ban on log exports from State and other public lands (excluding Indian land) west of the 100th meridian.
Canada	1906 to Present	Restriction on log exports from British Columbia, Variety of Federal and Provincial regulations regarding the export of logs.
Bolivia	1974-1996	Log Export Bans.
Brazil	1969-Present	Since 1969, Brazil has maintained a total ban on the export of unprocessed logs from its natural forests, at the instigation of ABIMCI, the national wood products association. Although Brazil does not have a ban on the export of plantation logs such as slash pine and eucalyptus, plantation logs can only be exported if the exporter can demonstrate that it has a genuine surplus.
Cameroon	June 1999 to Present	Log export restrictions in the form of a progressive increase in the share of annual cutting going to local processing.
Costa Rica	May 1986 to Present	Log Export Bans.
Ghana	1972, extended in 1979 and 1994 to Present	Log export bans. A ban on all exports of raw logs has been decreed, beginning in 1994.
Indonesia	1980-1992 1992-1998 November 2001 to mid-2002 2009 to Present	Log Export Bans Prohibitive tariff (replaced the log export bans). Log Export bans re-implemented. Log export ban amended to allow plantation grown logs to be exported due to low returns from domestic consumption.
Papua New Guinea	1994 to Present	Quotas on allowable logs to be exported. Now replaced by log export duties.
Malaysia	1992 to Present 1993-1996	Quota on export of logs from Sarawak Quota on export of logs from Sabah. Peninsular Malaysia has a total ban on the export of round logs, whereas Sabah allows the export of only 40% of the total volume of harvested logs.

Country	Period	Type of Log Export Policy
New Zealand	1993 to Present	1993 Forest Amendment Act bans export of most logs, chips, and sawn timber from natural forest and restricts harvest to areas with an approved sustainable management plan.
Philippines	1989 to Present January 1999 to Present	Export bans on all native wood products with the exception of value added products. The Philippines has a log export ban on logs from natural forests but allows the export of logs from plantation forests.
Russian Federation	1999 to Present	A more recent example of the use of log export taxes to stimulate the domestic wood products sector is Russia. Russia is using export taxes on raw logs to create “national champions” in the Russian wood products industry. The government imposed a 25% export tax on April 1, 2007, part of a previous commitment to gradually raise taxes from 6.5% in 2006 to 80% by 2009.
Vietnam	1992 to Present April, 1992 to Present	Ban on export of logs and sawn timber for wood harvested from natural forests.
Cambodia	September, 1992 to Present	Cambodia's provisional national council agreed to a moratorium on log exports
Thailand	1986 to Present	A complete logging ban imposed by the cabinet.
China	1998 to Present	Logging Bans.
Gabon	May 2011	Log Export Bans
Mozambique	Present	Logs categorized as 1st class cannot be exported. They have to be processed domestically.
Côte d’Ivoire	Present	A total ban on the export of unprocessed logs.
Paraguay	1970 to Present	A ban on the export of logs since the 1970s.
Nicaragua	1997 to 1998 1998 to present	In 1997, the country instituted a ban on the export of the nation's most lucrative timber species, the precious hardwoods mahogany, royal cedar and pochote. In 1998 this ban was extended to include not just the export, but also the overall cutting of the precious hardwoods for a period of at least five years.

Country	Period	Type of Log Export Policy
Peru	1972 to Present	Since 1972, Peru has placed a total ban on the export of logs from its natural forests. Similar to Brazil, the export of processed big leaf Mahogany, *Swietenia macrophylla,* is permitted but regulated under CITES Appendix II requirements.
Suriname	Present	Suriname does not have a log export ban, the country prefers to export processed wood products. Suriname has an export tax of on the FOB value of all processed species exported from the country. Its main markets are China, the USA and the Netherlands.
Guatemala	Present	Guatemala has a total ban on the export of logs from its natural forests, but permits the export of logs from plantations. Guatemala does not have a tax on the export of logs but charges as stumpage fee of 10% based on the value of the total volume of the standing tree.
Ecuador	Present	Ecuador has a partial ban on the export of logs. The country only prohibits the export of Mahogany and Cedar logs.
Honduras	Present	A ban on the export of unprocessed industrial round wood.

International Lessons Learned in Instituting a Log Export Policy

- Support the development of domestic forest-based processing industry and create greater value-adding, as well as create more **<u>job opportunities</u>** in the sector, and therefore in the country implementing the ban.

- Increased exports of value-added forest-based industrial products and thus also its export revenues.

- Have the beneficial effect of reducing the level of log utilization and thus the rate of deforestation.

- Helps to reduce the incidence of illegal logging and the amount of illegal wood products entering the international wood products trade

International Experience on Price Benefits of Value Adding

- a reduction in the domestic price of logs, as domestic processors do not have to compete with foreign processors for access to the local timber supply; and
- an expansion of domestic processing, particularly from new investment that takes advantage of the availability of cheaper logs on the domestic market.
- increased wealth creation-higher prices for added value products from log processing

Price comparison of logs and value added products of some Guyanese Species traded during 2011

SPECIES	PRICE,$USD/m3 LOGS	PRICE,$USD/m3 SAWNWOOD (Green dressed)	Differential
Greenheart	165	840	409
Purpleheart	225	742	230
Mora	133	450	238

Factors that Impact on Policy

- **Level of Efficiency:** the forest sector has been operating at a conversion efficiency of 40% on average. Some of the factors that have impacted on this situation is the old machinery and equipment being used, lack of maintenance, lack of training and inefficient layout. Many analysts have identified this to be one of the main inhibitors for low adding value. in Guyana's forest sector.

- **Training:** training programmes have been set up to assist the forest industry e.g. FTCI's programme in forest management; saw doctoring programme- GFC and FPDMC. Poor response to these opportunities disadvantage the sector in making rapid development in added value areas and efficiency overall.

- **Employment:** the forest sector in Guyana generally focused on primary production/export of primary outputs. This has maintained a low employment coefficient since the average rate of persons employed in logging as compared to, basic processing and further processing is 1:3:16 (*Source: V. Molinos 1995*).

Considerations for Log Export Policy for Guyana 2012-2014

- **Concessions Utilization** active forest concessions have not been making optimal use of the total sustainable volume for extraction and are thus underutilizing these concessions.

- **Infrastructure Development and Maintenance:** Concessionaires are aware that large investments have to be made in infrastructure development and maintenance and this must therefore be strategically planned. Also a number of large concessions have investment proposals with the GoG and the development of infrastructure in these areas have been the basis of targeting such incentives.

- **Hauling Distance:** Technical/financial capability is required to harvest forest areas. If the concessionaire does not believe that it is feasible to work under the operational constraints, such as hauling distances, then the concession holder would not have deemed the operation as feasible. As such, there is no reasonable justification for this to be made an issue post facto.

- **Weather Patterns:** tropical rainforest regions of the world are known to have inclement weather patterns. This fact is known to all parties – the GoG and private sector. Effective planning can certainly assist in maximizing period of favourable weather.

Considerations for Log Export Policy for Guyana 2012-2014

- **Species Diversity and Abundance:** Guyana's forest is one of the most species rich forests in the world and a ML forest inventory is needed to inform a market driven approach and allow for there to be broadening of the species utilization base. The GFC has continued to encourage large concessions to carry out the much need forest inventories.

- **Policies and Regulations of the Forests:** the GFC has always taken on a participatory approach to the development of practical and implementable policies and regulations for the forest sector. These have been focused on sustainable forest management, forest legality, and efficiency. Due to these policie, markets have maintained strong demand for Guyana's forest products. Creating a higher value per unit of forest product extracted, remain at the core of forest policies, plans and regulations.

- **Regional Demand for Guyana's Wood Products:** from recent information released by the UNCTAD, regional and international demand for tropical wood products, that are comparable to Guyana's exports, is as outlined below. This summary provides clear justification of buoyant demand in the Caribbean region as well as in North America and UK, and Europe.

Regional Demand Summary

Total Imports of Comparable Wood Products (US$)	*Guyana Export (US$), 2010*
Trinidad and Tobago 95,353,000	2,337,536 (2.5%)
Grenada 21,020,000	779,039 (3.7 %)
Jamaica 124,639,000	206,033 (0.2 %)
St. Lucia 9,585,000	738,755 (7.7 %)
Antigua 10,595,000	461,628 (4.4 %)
Barbados 68,750,000	4,581,263 (6.7 %)
Caribbean 1,178,050,000	11,666,571 (1.0 %)

Source: UNCTAD: United Nations Conference on Trade and Development

International Demand Summary

Total Imports of Comparable Wood Products (US$)	***Guyana Export (US$), 2010***	***% Market Share***
24,447,808,000 (USA)	5,989,140	0.02
9,814,981,000 (UK)	2,059,231	0.02
21,805,587,000 (China)	8,885,273	0.04
8,043,225,000(Netherlands	5,280,295	0.07
3,508,814,000 (Denmark)	66,737	0.002

Source: UNCTAD: United Nations Conference on Trade and Development

Considerations for Log Export Policy for Guyana 2012-2014

- **Mill Capacity:** A GFC survey of existing mill capacity yielded the following data:
  - **Aggregate Existing Sawmill capacity**: 40,000m^3 of logs can be processed per month (480,000m^3 per year)
  - **Aggregate Existing Plywood and Veneer capacity:** 10,000 m^3 of logs per month
  - **Aggregate milling capacity** amounts to 40,000m^3 + 10,000m^3 per month= 600,000 m^3 per annum.
  - **Total log production in 2010** was 320,000 m^3. Aggregate existing processing capacity is 600,000 m^3 (inclusive of plywood processing).

- This represents only **53% of total installed capacity**.

- **Capital Investment and Retooling:** Stakeholders, in the past, have expressed concern about the availability of capital for retooling. From 2005 – 2010 the earnings from log export alone has been US$98M; this suggests that an adequate capacity in terms of financing, is available to facilitate reinvestment in retooling:
  - Average cost to establish a modern, state of the art static sawmill is US$0.75M.
  - Average cost to establish a portable mill operation is approximately US$ 70,000.

Considerations for Log Export Policy for Guyana 2012-2014

- Many forest producers/companies, currently have the capability to process logs into lumber. In many instances, processing capability was one of the main factors which were considered in the granting of these concessions.

- Currently, a large percentage of this installed processing capability is not being fully utilized. In the case of new entrants into primary forest production in Guyana, the actual cost to install value adding capability is financially feasible for investors – given available technology, Government's incentive regime and prices.

Determining the Appropriate Policy Mechanism

Based on the experiences of countries that have implemented log export policies, several options are available to Guyana involving the following:

- No log export bans, i.e. business as usual;
- Complete ban on all commercial species based on a phased approach;
- Complete ban on only the premium species and
- Differential export tax on logs.

Proposal for Log Export Policy 2012 - 2014

- Given the analysis presented above, the proposal is made for the following log export policy to be implemented for the period 2012-2014 with a review conducted in 2014 to inform a revised Policy for future years.

- This Policy will be implemented by the Guyana Forestry Commission on behalf of the Government of Guyana over the years 2012, 2013 and 2014, at increased rates of export commission for the listed species in export of log form, to be charged on the fob export value.

- The rates will apply as outlined in the table below for the identified species of logs and squares, and in keeping with the overarching mechanisms as explained below:

Schedule A – Species of Logs and Squares *3 cm X 20.3 cm and greater (or 8" X 8" and greater)*

SPECIES	RATE OF EXPORT COMMISSION (%) – Effective March 1, 2012	RATE OF EXPORT COMMISSION (%) – Effective January 1, 2013	RATE OF EXPORT COMMISSION (%) – Effective January 1, 2014
Purpleheart	15	17	20
Locust (bastard)	15	17	20
Greenheart	15	17	20
Red Cedar	15	17	20
Kabukalli	15	17	20
Washiba	15	17	20
Letterwood	15	17	20
Snakewood	15	17	20
Shibadan	15	17	20
Bulletwood	15	17	20
Tonka Bean	15	17	20

Schedule B – Logs and Squares *20.3 cm X 20.3 cm and greater (or 8" X 8" and greater)*

SPECIES	RATE OF EXPORT COMMISSION (%) – Effective March 1, 2012	RATE OF EXPORT COMMISSION (%) – Effective January 1, 2013	RATE OF EXPORT COMMISSION (%) – Effective January 1, 2014
Brown Silverballi	12	15	17
Keriti Silverballi	12	15	17
Tatabu	12	15	17
Wamara	12	15	17
Mora	12	15	17
Itikiboroballi	12	15	17
Darina	12	15	17
Wallaba	12	15	17
Tauroniro	12	15	17
Fukadi	12	15	17
Hububalli	12	15	17
Dakamaballi	12	15	17
Burada	12	15	17
Limonaballi	12	15	17
Muneridan	12	15	17
Iteballi	12	15	17
Cow Wood	12	15	17
Simarupa	12	15	17

Proposal for Log Export Policy 2012 - 2014

Schedule C

All other species not listed in **Schedules A and B** will attract a rate of 2% up to December 2014.

IMPLEMENTING MECHANISM

1. Exporters will only be allowed to export logs from their own concession.

2. The GFC currently charges an export commission of 2% on the free on the board (fob) value of logs and squares. The implementing mechanism for Schedule A and B, under the above Policy, will follow a similar system to which the GFC currently has in place for export commission.

3. Consideration will be given to companies/entities exporting squares (products with dimension 20.3 cm X 20.3 cm and greater) for engineering end uses. In such cases, the request needs to be made to the GFC for consideration, and will need to be accompanied by contracts and other relevant documents as so determined by the GFC.

4. The existing restriction on the export of Crabwood and Locust species of logs remained in place.