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Technical Report 85

SOLS18 (Stage 2): Timber Export Market Mission

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Abbreviations

Abbreviation	Description
AUD	Australian dollar
FSC	Forest Stewardship Council
ILPA	(Australian) Illegal Logging Prohibition Act
ITM	Independent Timber Merchants
ITTG	(New Zealand) Imported Tropical Timber Group
IWG	(Timber) Industry Working Group
MPI	(New Zealand) Ministry for Primary Industries
PHAMA	Pacific Horticultural and Agricultural Market Access
SBD	Solomon Islands dollar
SGS	*Société Générale de Surveillance S.A.*
VLC	Verification of Legal Compliance
VLO	Verification of Legal Origin

Executive Summary

The Pacific Horticultural and Agricultural Market Access (PHAMA) program supported a timber export market mission to visit key timber export markets in Australia and New Zealand. There were seven participants in the mission, consisting of two representatives of the Ministry of Forestry and Research, four representatives of various timber exporting businesses, and one facilitator from PHAMA. The group visited Brisbane and Auckland between 22 and 30 March 2015.

The group met with several businesses and organisations, including: timber importers, processors and wholesalers; end users; industry groups and government; Pacific Islands Trade and Invest; and the Solomon Islands High Commissioner to New Zealand. Issues were discussed relating to the trade in sawn timber from Solomon Islands in order to identify opportunities for its enhancement. Specifically, the mission allowed for greater understanding among both exporters and importers of issues such as:

- Market requirements for timber legality verification of forestry certification
- Timber quality and presentation
- Processing and end-product requirements
- Supply consistency
- Availability and potential markets for alternate species.

Some of the key outcomes of the mission are outlined below.

Demand for Solomon Islands timbers is strong, underpinned by the attractive appearance and properties of Solomon Islands timber species.

Demand is currently exceeding the supply capacity of the Solomon Islands industry and resource. This market situation is likely to persist for some time and the Solomon Islands industry should seek to capitalise on the potential value that this could afford to its products.

Third party legality verification will be necessary for future market access into the New Zealand market, and sustainable forest management certification is desirable in all markets.

Solomon Islands industry and government need to work towards the provision of third party legality verification, with an immediate focus on the New Zealand market. In doing this, the Solomon Islands industry should seek to engage with the New Zealand importing industry as part of a collaborative approach to meeting market requirements.

Industry value can be increased through relatively simple improvements to quality and presentation.

There are several practical and simple steps available to the Solomon Islands industry to improve the consistency of timber finishing and presentation and therefore the value of its timber.

Development and application of a national timber grading standard would improve understanding of timber quality issues among producers, help to improve the efficiency of utilisation, and lift the general consistency of timber quality and presentation.

Additional processing could be done in Solomon Islands and would lead to higher prices.

Importers would like additional processing to be done in Solomon Islands and are prepared to pay more for a higher value product. Practical and potentially feasible options are available to the Solomon Islands industry to undertake air and/or kiln drying of timber before export, and for the procurement and use of machinery to help ensure the consistent production of good quality timber.

The outcomes of the mission were discussed with the broader Solomon Islands timber industry and stakeholders at a workshop in Honiara during April. As part of this workshop, the Timber Industry Working Group (IWG) met to discuss the mission outcomes and to consider measures to continue to strengthen the Solomon Islands timber industry. The IWG subsequently prioritised the following activities:

1) **Development of capacity to provide third party legality verification**

   Identify options for developing capacity to provide third party legality verification in Solomon Islands. Include consultation with members of the New Zealand Imported Tropical Timber Group to ensure wide understanding of New Zealand market requirements and to jointly develop a work program to meet these.

2) **Development of national timber grading standard**

   Development and implementation of a national system for timber grading (utilising existing draft grading rules), as a means of improving awareness of timber quality issues, improving utilisation efficiency and maximising value.

3) **Improvements to timber processing and equipment**

   Assess the use and condition of processing machinery and its maintenance, including saw doctoring. Identify training requirements and opportunities for industry collaboration to address any deficiencies. Also consider the feasibility of improved air and kiln drying and identify options for developing this capacity.

The industry also recognised the need to continue to promote and strengthen the IWG with a view to **potential establishment of an industry body or association** that could represent the timber industry on an ongoing basis. PHAMA will support work towards this, initially through continuation of the IWG in collaboration with the Solomon Islands Chamber of Commerce and Industry and through further consultations to consider the establishment and operation of a permanent industry body.

1.0 Background and Introduction

Forest product exports are the largest industry in Solomon Islands. Unprocessed round logs account for the large majority of trade, with an annual trade in 2014 of SBD1.9 billion (approximately AUD300 million). This level of harvest is unsustainable and Solomon Islands Government policy is to diversify and increase the level of value-added processing of timber for export.

The sawn timber sector is smaller than the log export sector and has a different village-based production chain. Timber is a significant component of the Solomon Islands economy, with its exports being comparable in value to the cocoa and coconut industries. In 2013, the value of sawn timber exports was estimated as being SBD81.5 million (AUD13 million).

Production and processing of sawn timber is also a significant employer. It can be reasonably estimated that more than 1,500 people are directly employed in sawmills and timber yard businesses. In addition, many more are also engaged – directly and indirectly – in harvesting, shipping and transport, and associated businesses such as firewood production.

Timber is generally exported containerised as rough sawn timber, which is then reprocessed by importers and end users to meet market specifications and product needs. Australia and New Zealand are the largest and highest value markets for Solomon Islands timber and are currently of similar size in terms of volume and value. Both of these markets have increased in volume sold over the past 10 years but the largest increase has been the volume of timber exported to New Zealand. Timber is also sold from Solomon Islands into Asian markets, including Philippines, Taiwan and China, as well as New Caledonia and other Pacific Islands Countries.

In November 2012, under PHAMA activity SOLS10 Stage 1 (see PHAMA Technical Report 42), a limited survey of importers in Australia and New Zealand identified quality and consistency of supply as significant issues regarding Solomon Islands timber, along with concerns about maintaining market access due to new legality assurance requirements being introduced by Australia. SOLS10 Stage 2 (Technical Report 53) and Stage 3 (Technical Report 66) have undertaken activities to address the legality assurance concerns, strengthening Solomon Islands' market access position for timber exports, particularly to Australia and New Zealand.

Building on this legality assurance work, the SOLS18 Stage 1 Activity 'Timber Market Study' was undertaken between April and August 2014 (Technical Report 60). This incorporated a survey of existing and new markets for Solomon Islands timber and timber products with engagement with importers and other timber businesses in Melbourne, Sydney, Brisbane, Auckland and Christchurch, as well as with exporters in Honiara.

Drawing on this work, the Timber Industry Working Group (IWG) identified the need to improve their understanding of international market requirements and opportunities for strengthening the Solomon Islands timber export industry, and prioritised the undertaking of the market mission in the 2014/15 financial year. This was facilitated by PHAMA through reallocation between forestry activity budget lines to reflect the revised IWG priority.

2.0 Overview of the Mission Activities

PHAMA supported a timber export market mission to visit key timber export markets in Australia and New Zealand. There were seven participants in the mission, consisting of two representatives of the Ministry of Forestry and Research Timber Utilisation Division, four representatives of various timber exporting businesses, and one facilitator from PHAMA. The group visited Brisbane and Auckland between 22 and 30 March 2015. These locations were chosen as they are the main entry points to what are currently the two largest and highest value markets for Solomon Islands timber exports.

The mission group met with several businesses and organisations, including: timber importers, processors and wholesalers; end users; industry groups and government; Pacific Islands Trade and Invest; and the Solomon Islands High Commissioner to New Zealand. The schedule for the market mission is provided in Appendix A.

During consultations, issues were discussed relating to the trade in sawn timber from Solomon Islands in order to identify opportunities for its enhancement. Specifically, the mission allowed for greater understanding among both exporters and importers of issues such as:

- Market requirements for timber legality verification of forestry certification
- Timber quality and presentation
- Processing and end-product requirements
- Supply consistency
- Availability and potential markets for alternate species.

The mission participants are listed below in Table 1 and an outline of the businesses visited and main people consulted during the mission is provided in Table 2.

Following the mission, an industry workshop was held in Honiara during April 2015 at which the outcomes were discussed and approaches to strengthening the industry considered by the Solomon Islands timber industry and stakeholders.

Table 1 Participants in the timber export market mission*

Name	Organisation
Julius Houria	Ministry of Forestry and Research
Kathleen Bule	Ministry of Forestry and Research
Robert Mesa	Lagoon Eco Timber
Eric Tolilalo	Value Added Timber Association
Marlon Kuve	Natural Resources Development Foundation
Adam Bartlett	Hatanga Hardwoods
Andrew Piper	PHAMA

* Stephen Wong of Pacific Export Alliance Group was also part of the mission group but was unable to attend due to personal reasons.

Table 2 Activities undertaken and businesses consulted as part of the timber export market mission

Business or activity	Description	Main people consulted
Brisbane		
Britton Timber	Importer of Solomon Islands timber and wholesaler to Australian market.	Ross McKelvie (Product Manager)
All Kind Joinery	End user of Rosewood and Kwila and customer of some of the timber importers visited. Manufactures windows, doors, kitchens and similar for domestic and commercial applications.	Gerard Wilson (Director) Richard Travers (Director)
Bunnings Warehouse	Large chain of retail hardware stores in Australian and New Zealand markets. Mission group visited a Bunnings store to observe presentation of timber to retail market and the certification labelling of timber products.	
TLB Timber	Importer of Solomon Islands timber and wholesaler to Australian market.	Joe Chapman (Managing Director) Robert Chapman (General Manager)
Pacific Wood	Producer and exporter of Solomon Islands timber (through subsidiary company), as well as importer and wholesaler in Australia.	Chris Gabb (Operations Manager) Keith Maitland (Sales and Marketing Manager)
Forest visit	Visited Mount Coot-tha and Brisbane Forest Park. Mission group discussed production of native Australian hardwood timbers, which compete with timber from Solomon Islands.	
Agora Timber	Importer of Solomon Islands timber and wholesaler to Australian market.	Daryl King
Auckland		
JSC Timber	Importer of Solomon Islands timber. Timber processor and wholesaler to New Zealand market.	Malcolm Scott (Timber Importer) Malcolm is also Chair of the Imported Tropical Timber Group (ITTG).
New Zealand ITTG / New Zealand Timber Importers Association	Industry body that comprises representatives of New Zealand's tropical timber importers, tropical timber retailers, and environment and conservation organisations. The Ministry for Primary Industries (MPI) is represented as an observer. The ITTG is aligned with the New Zealand Timber Importers Association, which has a broader focus on all New Zealand timber imports.	A full record of the mission group's meeting with the ITTG is provided in Appendix B.
Radio interview #1	Interview with Radio 531 PI. Andrew Piper and Julius Houria discussed the objectives of the mission and outcomes to date. Radio 531 PI is a local Pacific radio station that covers news for the Pacific community. Interview was held at the Pacific Islands Trade and Invest Auckland office.	Ruci Farrell (Radio 531 PI)
Herman Pacific	Importer of Solomon Islands timber. Timber processor and wholesaler to New Zealand market.	Matthew Carter (Director) Kyle Deans (National Specifications Manager)

Business or activity	Description	Main people consulted
ASL Industries	Saw doctors and maintenance of sawmill equipment. Sales of new and re-conditioned timber processing machinery.	Nick Andrews (Manager)
Radio interview #2	Interview with Radio New Zealand International. Andrew Piper and Eric Tolilalo discussed the context of forestry in Solomon Islands, objectives of the mission and outcomes to date. Interview was conducted by phone while at ASL Industries.	
Simmonds Lumber	Importer of Solomon Islands timber and wholesaler into New Zealand Market. Also has operations in Australia.	Peter Hutchison (New Zealand General Manager) Carol McLinden (Office Administrator)
MPI – Quarantine	MPI Quarantine is responsible for overseeing and enforcing fumigation and timber treatment on arrival at port. Simmonds Lumber arranged for the MPI representatives to join the mission group's visit to their premises.	Leyton Hackney (Chief Quarantine Officer) Kerry Maguire
Pacific Islands Trade and Invest	Trade facilitation and investment promotion for Pacific Islands Countries. Pacific Islands Trade and Invest supported the mission in facilitating meetings and media activities in Auckland. Representatives of Pacific Islands Trade and Invest also joined the mission group for most of the meetings in Auckland.	Joy Kere (Solomon Islands High Commissioner to New Zealand) Michael Greenslade (Trade Commissioner) Mona Matu (Pacific Islands Trade and Invest) Joe Fuavao (Pacific Islands Trade and Invest)
South Pacific Timbers	Importer of Solomon Islands timber. Timber processor and wholesaler to New Zealand market. South Pacific Timber also has a retail operation in central Auckland.	Chris Vincent (Manager)

3.0 Outcomes of the Mission

3.1 Understanding and Engagement with Markets

The mission was a valuable opportunity for the Solomon Islands industry to engage with their markets as an industry and to better understand the markets of their customers, including processing requirements and the end-uses of their timber. It was also useful to see how Solomon Islands compares with competitor products from other countries and, relatedly, to consider how Solomon Islands timber is perceived as a 'brand' in the context of international timber markets.

The timber importers and other stakeholders met with during the mission were open to engaging with and supportive of the Solomon Islands timber industry. Australian and New Zealand importers would generally like to see the Solomon Islands timber industry reach a higher level of sophistication, with more value adding conducted in the country (they would see this as a 'win-win', as it would reduce the amount of processing they are required to do at present). The importers consulted indicated that they would pay higher prices for additional value-adding, with many also offering technical and practical support to assist the Solomon Islands industry where appropriate.

Pacific Islands Trade and Invest has also expressed its interest in supporting the Solomon Islands timber sector. During the mission, it was agreed that the most immediate role for Pacific Islands Trade and Invest might be in facilitating ongoing discussions with the New Zealand importing industry (in particular) and facilitating engagement between individual businesses where appropriate. Pacific Islands Trade and Invest would also be in a position to support continuing engagement between the Solomon Islands industry and markets in New Zealand, Australia and elsewhere, particularly after the completion of the PHAMA program in mid-2017.

3.2 Demand for Solomon Islands Timber

The timber species available from Solomon Islands are highly desirable due to their attractive appearance, durability, and stability in drying and processing. Solomon Islands timbers are also seen as good value for money compared to those available from other countries.

Demand for timber in Australia and New Zealand is strong. Nearly all the importers visited during the mission said that they would like more timber from Solomon Islands if it were available. As such, it was apparent that demand is currently exceeding supply. It is considered that these market conditions will persist for the medium term due to the factors constraining production and supply of timber in Solomon Islands and the likelihood of demand in Australia and New Zealand remaining strong due, in part, to the limited availability of alternative products (refer to detail of prior market assessment in SOLS18 Stage 1 report – Technical Report 60).

3.3 Technical Outcomes

A feature of discussions during the mission was the consistency of the main issues that were raised as being of importance to the industry and its customers. These were:

- Market requirements for timber legality and certification
- Timber quality and presentation
- Options for timber processing machinery and maintenance
- Other issues, such as the fumigation of containers for market entry.

Many of the technical issues discussed during the mission were raised during previous engagement with importers as part of SOLS18 Stage 1. The associated Technical Report 60 describes the technical elements of many of the issues discussed more broadly here.

3.3.1 Timber Legality and Certification

There is a similar level of interest in timber legality assurance and forest management certification across Australia and New Zealand. However, there are some differentiations between these two markets in relation to immediate market requirements for assurance of timber legality.

Australia

The Australian Illegal Logging Prohibition Act (ILPA) recently came into full effect in November 2014. The Australian importers consulted commented that compliance with the new legislation has so far been smooth when importing Solomon Islands timber, and that this was due to the development of legality assurance guidelines for Solomon Islands and subsequent co-endorsement of the Country-Specific Guideline by the Governments of Solomon Islands and Australia. One importer commented that *"[Solomon Islands] was faster and easier than other countries"* in terms of compliance with the ILPA. The introduction of the ILPA has created a minimum market requirement for timber legality and, to date, Solomon Islands has demonstrated its capacity to meet this requirement.

Notwithstanding this legislative requirement for legality assurance, consumers remain interested in certification of sustainable forest management and most importers said they are receiving increasing numbers of requests for certified material. This demand is currently stronger for larger commercial projects (which can include government funded projects, universities, restaurants, and architect influenced work) than it is in residential or domestic projects where price is typically more of an influence. It is clear that there is a continuing trend towards sustainability certification for wood products and all importers were interested to purchase certified material from Solomon Islands if possible. While there are no definitive market requirements for certified material, importers suggested that the Solomon Islands industry should work towards increasing its capacity to provide certified material in anticipation of this increasing market demand.

Discussions during the market mission did not explore in detail the possible price differential (and therefore incentive) for supplying certified material over non-certified material. The costs and practicality of obtaining certification have limited its uptake to date in Solomon Islands, and it is recognised that such factors would need to be assessed by businesses or communities interested in pursuing certification.

New Zealand

In New Zealand, the timber importing industry has led initiatives relating to timber legality and certification. The ITTG is an industry body that comprises representatives of New Zealand's tropical timber importers, tropical timber retailers, and environment and conservation organisations, with MPI represented as an observer. The ITTG has policies on timber procurement that, in effect, determine the New Zealand market requirements for imported timber. While in Auckland, the mission group met with the ITTG, which was a valuable opportunity for engagement on an industry-to-industry basis.

The ITTG has been active in promoting forest certification and legality verification and in supporting producers to improve their practices to help ensure sustainable forest management. In doing this, ITTG members apply a categorisation to their timber sources as summarised below, with Category 1 being most desirable:

1) *Forest Stewardship Council (FSC) certified or transitioning to FSC certified.*
2) *Other certified sources, including Programme for Endorsement of Forest Certification Schemes certified.*
3) *Third partly verified legal, including Verification of Legal Origin (VLO) and Verification of Legal Compliance (VLC).*
4) *Non-certified, non-controversial sources that are believed to be legal and sustainably managed and/or from plantations.*
5) *Non-certified source unknown as to legality or sustainability.*

(Source: ITTG)

An objective of ITTG members is to increase the proportion of timber they procure that falls within Categories 1–3. This is driven in large part by sustainability concerns in the market that are reflected through the demand of retail timber merchants, predominantly ITM, Bunnings, Carters, Placemakers and Mitre 10, who are the main customers of ITTG members.

Solomon Islands timber currently falls in Category 4 of the ITTG system. This status has been ensured by recent work by the Solomon Islands industry, as reflected by development of the legality assurance guidelines and compliance with the Australian ILPA. In the absence of such work, timber from Solomon Islands would mostly fall within Category 5 and, if that were the case, might have already lost access to the New Zealand market.

ITTG members advised the mission group that, as a minimum, they expect that within the next 18 months they will need to provide third party legality verification for all the timber they sell, i.e. Category 3 of the above system. This will apply to all countries and timber species. Given this, Solomon Islands will need to be able to provide third party legality verification (or at least demonstrate significant progress towards this) to be able to continue to sell into the New Zealand market. ITTG members advised that they would ultimately like to source certified timber and that legality verification is seen as a step towards this.

An outline of third party legality verification is provided in Box 1, while Box 2 provides a summary of the New Zealand market requirements for this.

Box 1: Third Party Legality Verification
Third party legality verification provides assurance that timber has been produced in compliance with all relevant laws and regulations, assessed against a set of criteria known as a 'legality standard'. The overarching intent of such assurance is to reduce the prevalence and impacts of illegal logging worldwide. It is widely viewed as a step towards full certification of sustainable forest management. Third party legality verification is conducted by an independent third party organisation, i.e. an organisation that is independent of both government and industry. There are several companies worldwide that provide such certification; however, none of these currently have a presence in Solomon Islands. An overview of schemes for timber legality verification and sustainable forest management certification is provided in Appendix C.

Box 2: New Zealand Market Requirements for Third Party Verification
Discussions with the ITTG during the market mission confirmed New Zealand market requirements in relation to timber legality verification. **Solomon Islands will need to be able to provide third party legality verification (or demonstrate progress towards this) to be able to continue to sell into the New Zealand market. This needs to occur within the next 18 months, i.e. by around the end of 2016.** There is currently limited capacity for provision of third party verification in Solomon Islands. Consideration needs to be given to the appropriate model and organisation/s that might provide this service, including cost structures. The ITTG has indicated that it is prepared to assist the Solomon Islands industry in working towards the provision of third party legality verification.

3.3.2 Quality and Presentation of Solomon Islands Timber

While demand for Solomon Islands timber is strong, the timber provided by the Solomon Islands industry is of variable quality in terms of its presentation and finishing. Issues can arise with importers around, for example, poor packing of timber into containers and the presence of unacceptable defects in the timber. The occurrence of such issues adds to the time and cost of processing and reduces the competitiveness of Solomon Islands timber relative to alternative products from other countries. Reflective of this, importers told the mission group that around 10% and up to 20% of a consignment of Solomon Islands timber can often be rejected or downgraded on arrival, due to the level of unacceptable defects in the timber. Importers have come to expect this of timber from Solomon Islands and factor this into the prices they offer. This represents an opportunity for price improvement to occur from consistent improvement in quality.

It was clear during the mission that there are several simple steps that the Solomon Islands industry could take to improve the quality and consistency of timber presentation and thereby value. These include:

- Consistent finishing of timber – ensuring timber is straight, docking ends of timber to ensure consistent lengths and cleanliness (for example, rocks can lodge in timber ends, which can damage saws during processing)
- Painting timber ends – using a wax coating to limit splitting as timber dries
- Refining sawing to cut closer to the specifications – some Solomon Islands timber observed during the mission was cut well above the requested specifications (sizes). While it is important to ensure adequate allowance for shrinkage and defect, the efficiency of utilisation (and therefore value) could be improved by cutting appropriate allowances

- Use of plastic wrapping for timber bundles – which keeps timber clean, dry and protected from damage
- Use of appropriate strapping for timber bundles – some types of strapping can move during transport and can break during unloading, adding to the time and cost of unloading.

Quality issues have for some time been raised by importers as a key challenge in sourcing timber from Solomon Islands and there is broad recognition of these issues among the Solomon Islands industry. The SOLS18 Stage 1 report (Technical Report 60) contains a detailed summary of these issues.

3.3.3 Timber Grading

At an industry level, the main approach to improving timber quality that has been contemplated by the Solomon Islands Government and industry has been the development of a national timber grading standard. Application of a national grading standard would improve understanding of timber quality issues among producers, help to improve the efficiency of utilisation and lift the general consistency of timber quality and presentation. This in turn should enable exporters to market their timber according to quality and drive improved export returns.

A uniform system for timber grading could benefit producers and processers through:

- A common approach to the assessment of timber at the point of sale to sawmills, facilitating improved understanding of quality requirements among small producers
- A consistent approach to timber grading among processors, encouraging greater consistency in the product delivered to export customers
- Increased awareness and focus on timber quality issues among processors, promoting improved timber quality across the industry
- Reduced timber wastage and improved financial returns to those involved in timber production and sales.

Timber importers were supportive of Solomon Islands developing a national grading standard and noted that most of the timber-producing Pacific countries have had one in place for some time (Papua New Guinea, Fiji and Vanuatu). A grading standard would be of use to importers in clearly defining quality expectations for timber orders and providing a basis for resolution of any disagreements regarding timber quality. Some importers also indicated that they would be happy to provide input or comment on development of a grading standard.

3.3.4 Timber Drying

Timber from Solomon Islands is typically exported ‘green’, i.e. without having been subject to a specific program of air or kiln drying. Subsequently, all timber is stored and dried on arrival in the destination market. While some level of ‘acclimatisation’ is necessary for all imported timber on arrival, most countries worldwide sell timber that has been at least partially dried.

Depending on the species, dimensions and other variables, air drying of Solomon Islands timber takes between 3 and 6 months. Most timber is also then kiln dried in order to reach the moisture content necessary for processing; this usually takes 10–14 days. The expenses associated with storage and drying of timber are significant costs to the importer and are factored into the prices paid to Solomon Islands exporters.

In addition to these direct costs of drying, providing green timber also imposes onto importers the costs associated with the natural shrinkage and movement of timber as it dries. Part of the appeal of Solomon Islands timber species is that they tend to move less during drying than other species (compared to Australian hardwoods, for example); however, all timber shrinks and ‘moves’ during drying, which can lead to splitting and twisting of timber. Where this occurs, such defects then need to be removed or adapted to during subsequent processing.

Importers would be supportive of additional drying being conducted in Solomon Islands (whether air or kiln drying, or both), and indicated that they would pay higher prices for such products. Although kiln drying is ultimately necessary to bring timber to the necessary moisture content for most applications, the general perspective of importers is that any degree of air drying done in Solomon Islands would be of benefit to them in terms of reduced time required for air drying on arrival.

Drying timber is a technically simple way of increasing timber value that could easily be conducted in Solomon Islands. However, exporters have identified some barriers to conducting both air and kiln drying:

- Air drying
  - Cash flow – in order to air dry timber in Solomon Islands, processors would need to pay for timber some months before they could receive payment for it themselves (recognising that this cost is currently borne by the importers and likely reflected in pricing).
  - Space – most timber businesses have limited space available in their existing facilities and limited resources to purchase new land.
  - Security – some businesses raised the potential issue of theft if timber were to be left for long periods in Honiara.
- Kiln drying
  - Cost of power – kilns require power in order to generate heat and circulate air, and the cost of electricity in Solomon Islands is very high. Potentially feasible options do exist through use of solar powered kilns and/or the use of sawmill residues to generate heat. Simple solar kilns can be set up using shipping containers (for example) and there is the technical capacity among timber exporters to establish such facilities.

Discussions during the mission did not explore in detail the potential price differential of supplying dried timber, and therefore the potential feasibility of undertaking timber drying in Solomon Islands. However, anecdotally there does appear to additional value that could be generated through timber drying.

3.3.5 Supply of Alternate Species

The Solomon Islands timber industry is dominated by sales of Rosewood (mainly to Australia), Vitex (mainly to New Zealand) and lesser amounts of Kwila and Akwa/Taun. In the context of sustainability and improving consistency of supply, it is important to continually explore alternative species and products that might be provided by the Solomon Islands industry.

A key message from discussions with importers during the mission was that industry is able to process and market ‘new’ species when they can be confident of supply and understand the properties/applications of the timber, and the species are well presented. The current model of exporting green and rough sawn timber means that importers must bear the cost of drying a relatively unknown species and marketing it with limited knowledge of its properties and uses, which is not conducive to uptake by importers or their customers. In this context, it was noted that selling dried timber and providing a (closer to) finished product to the market would make alternative species more attractive to importers, as they would not need to incur the full costs of processing.

Import demand for the main timber species is generated by the market appeal and known application of these species or products. If alternative species are to be provided, exporters will need to collaborate with importers to consider the properties, use and marketing of a species and work to ensure its consistent supply and quality.

3.3.6 Processing Equipment and Machinery

Production of good quality timber requires use and maintenance of appropriate machinery, and operators with the appropriate technical skills. The existing facilities and processing capacity among Solomon Islands exporters is variable in terms of both equipment and skills. Relatedly, an issue regularly raised by exporters is the limited availability and high cost of saw doctoring.

From the mission visits to timber processing facilities (predominantly in New Zealand), it was apparent that machinery is available that could be cost effective, including re-conditioned and second-hand equipment that would be appropriate and robust in Solomon Islands conditions. The types of machinery that might be considered by Solomon Islands industry as a means of improving quality include:

- Sharpening equipment for circular saws
- Bandsaw tensioning bench, which is necessary to ensure bandsaws are at the appropriate tension across the saw face to enable a straight cut
- Edge-straightening machine, similar to a planer but ‘straightens’ the face of a piece of timber, which then enables subsequent cuts to also be kept straight as timber is cut into smaller dimensions
- Bandsaws and other saw types.

It is apparent that there may also be scope for the Solomon Islands industry to collaborate in the purchase and/or sharing of some equipment. Through discussion among the mission group, it became apparent that some of the key pieces of equipment are already in Honiara, but owned by different businesses and in some cases without the knowledge to properly operate them. This is an area that could be improved through industry collaboration to identify skills requirements and develop a model of cooperation to ensure these machines are effectively utilised.

This is an area where there is a clear value in engaging with timber processors who have practical skills and experience of processing Solomon Islands timber species. Many importers have valuable technical and practical knowledge that could be drawn upon as part of a collaborative approach to quality improvement.

3.3.7 Fumigation

Fumigation of containerised timber is a significant proportion of the costs associated with the exporting and importing of timber to the Australian and New Zealand markets. Discussions regarding quarantine were mainly with representatives of the MPI – Quarantine as part of the visit to Simmonds Lumber.

A key discussion point was the New Zealand requirement to fumigate all containers from Solomon Islands on arrival, due to the presence of potentially invasive ant and snail species in the country. This requirement is applied regardless of whether containers are fumigated to an apparently appropriate standard in Solomon Islands. Due to this situation, fumigation is often being conducted twice – on leaving Solomon Islands and on arriving in New Zealand, when there is little practical value in incurring this cost at ‘both ends’.

It appears there may be scope for Solomon Islands to engage with MPI on the requirements for compulsory fumigation and to consider recognition of appropriate fumigation conducted in Solomon Islands. PHAMA has previously facilitated training for several fumigation operators to Australian Fumigation Accreditation Scheme standards and developed a standard tailored to the Solomon Islands situation. Further work is required by Biosecurity Solomon Islands and the fumigation providers in order to fully implement the standards developed for Solomon Islands. The Solomon Islands timber industry should collaborate with Biosecurity Solomon Islands if it wishes to engage with MPI on this issue.

3.4 Summary of Mission Outcomes

The consultations/discussions during the market information mission have led to identification of key outcomes for action or ongoing consideration by the Solomon Islands timber industry. These are summarised below.

Demand for Solomon Islands timbers is strong, underpinned by the attractive appearance and properties of Solomon Islands timber species.

Demand is currently exceeding the supply capacity of the Solomon Islands industry and resource. This market situation is likely to persist for some time and the Solomon Islands industry should seek to capitalise on the potential value that this could afford to its products.

Third party legality verification will be necessary for future market access into the New Zealand market, and sustainable forest management certification is desirable in all markets.

Solomon Islands industry and government need to work towards the provision of third party legality verification, with an immediate focus on the New Zealand market. In doing this, the Solomon Islands industry should seek to engage with the New Zealand importing industry as part of a collaborative approach to meeting market requirements.

Industry value can be increased through relatively simple improvements to quality and presentation.

There are several practical and simple steps available to the Solomon Islands industry to improve the consistency of timber finishing and presentation and therefore the value of its timber.

Development and application of a national timber grading system would improve understanding of timber quality issues among producers, help to improve the efficiency of utilisation and lift the general consistency of timber quality and presentation.

Additional processing could be done in Solomon Islands and would lead to higher prices.

Importers would like additional processing to be done in Solomon Islands and are prepared to pay more for a higher value product. Practical and potentially feasible options are available to the Solomon Islands industry to undertake air and/or kiln drying of timber before export and for the procurement and use of machinery to help ensure the consistent production of good quality timber.

4.0 Recommendations and Next Steps

Following the mission, an industry workshop was held in Honiara during April 2015 at which the outcomes of the mission were discussed and approaches to strengthening the industry considered by the IWG. Based on this, the IWG reviewed its industry strategy and has prioritised the following activities:

1) Development of capacity to provide third party legality verification

Identify options for developing capacity to provide third party legality verification in Solomon Islands, including consultation with members of the ITTG to ensure wide understanding of New Zealand market requirements and to jointly develop a work program to meet these.

2) Development of national timber grading standard

Develop and implement a national system for timber grading (utilising existing draft grading rules), as a means of improving awareness of timber quality issues, improving utilisation efficiency and maximising value.

3) Improvements to timber processing and equipment

Assess use and condition of processing machinery and maintenance, including saw doctoring. Identify training requirements and opportunities for industry collaboration to address any deficiencies. Also consider the feasibility of improved air and kiln drying and identify options for developing this capacity.

The industry also recognised the need to continue to promote and strengthen the IWG with a view to **potential establishment of an industry body or association** that could represent the timber industry on an ongoing basis. PHAMA will support work towards this, initially through continuation of the IWG in collaboration with the Solomon Islands Chamber of Commerce and Industry and through further consultations to consider the establishment and operation of a permanent industry body.

There may be scope for engagement with the ITTG to provide mentoring and guidance on the development of the IWG into a robust industry-led organisation. There would be value in ITTG members sharing lessons, providing mentoring and perhaps using its constitutional arrangements as model to help guide the development of the IWG.

The full industry strategy developed by the IWG has been updated and is attached as Appendix D.

Appendix A

Market Mission Schedule

Appendix A Market Mission Schedule

Day	Location	Time	Activity
Sun 22 Mar	Honiara	am	Travel: Honiara to Brisbane (Depart 13:30, Arrive 15:45)
	Brisbane	pm	
Mon 23 Mar	Brisbane	10am	Britton Timbers, Narangba
		2pm	All Kind Joinery, Chermside
Tue 24 Mar	Brisbane	10am	TLB Timber, Hamilton
		2pm	Pacific Wood, Acacia Ridge
Wed 25 Mar	Brisbane	8am	Mount Coot-tha and Brisbane Forest Park
		10am	Agora Timbers, Hamilton
		11am	Bunnings Warehouse, Albion
	Auckland	pm	Travel: Brisbane to Auckland (Depart 16:35, Arrive 22:45)
Thu 26 Mar	Auckland	10am	JSC Timber, Kumeu
		2:30pm	New Zealand Timber Importers Association, Pacific Islands Trade and Invest office – Newmarket Radio interview (by phone) – Radio Pacific
Fri 27 Mar	Auckland	9am	Herman Pacific, Silverdale
		10:30am	ASL Industries, Silverdale Radio interview (by phone) – Radio New Zealand International
		1pm	Simmonds Lumber, Sylvia Park MPI, Quarantine
		3:30pm	Debrief with Pacific Islands Trade and Invest Trade Commissioner and Solomon Islands High Commissioner, Pacific Islands Trade and Invest office – Newmarket
Sat 28 Mar	Auckland	9am	South Pacific Timbers, Eden Terrace and Mount Wellington
		pm	
Sun 29 Mar	Auckland	am	Travel: Auckland to Brisbane (Depart 09:30, Arrive 10:15)
	Brisbane	pm	Debrief and discussion of outcomes
Mon 30 Mar	Brisbane	am	Travel: Brisbane to Honiara (Depart 10:00, Arrive 14:15)
	Honiara	pm	Arrive Honiara

Appendix B

Record of Meeting with ITTG

Appendix B Record of Meeting with ITTG

Meeting of Solomon Islands timber export market mission with New Zealand ITTG / New Zealand Timber Importers Association

Thursday 26 March

Pacific Islands Trade and Invest Office, Newmarket, New Zealand

This meeting record has been reviewed and endorsed by members of the Solomon Islands Ministry of Forestry and Research and the ITTG.

Attendees	Representing
Andrew Piper	PHAMA
Julius Houria	Ministry of Forestry and Research
Kathleen Bule	Ministry of Forestry and Research
Eric Tolilalo	Value Added Timber Association
Robert Mesa	Lagoon Eco Timber
Marlon Kuve	Natural Resources Development Foundation
Adam Bartlett	Hatanga
Mona Matu	Pacific Islands Trade and Invest
Joe Fuavao	Pacific Islands Trade and Invest
Malcolm Scott	JSC Timber (and Chair of ITTG)
Matthew Carter	Herman Pacific (and Chair of New Zealand Timber Importers Association)
Chris Wiffen	TimSpec
…	TimSpec
Chris Vincent	South Pacific Timbers
Peter Hutchison	Simmonds Lumber
…	Mitre 10
Rio Yoon	MPI

Notes

This meeting was part of the Solomon Islands timber export market mission that visited Australia and New Zealand between 22 and 30 March 2015. The mission was organised by the Pacific Horticultural and Agricultural Market Access program (PHAMA) in conjunction with the Ministry of Forestry and Research and Solomon Islands timber export industry.

The meeting was arranged by PHAMA, the ITTG and Pacific Islands Trade and Invest. The venue was provided by Pacific Islands Trade and Invest.

The meeting was co-chaired by Malcolm Scott (ITTG) and Andrew Piper (facilitator of the export market mission).

Minutes

Andrew Piper gave a brief presentation to introduce the timber export market mission participants and to provide background on the Solomon Islands timber industry and objectives for the market mission. The presentation was concluded by opening discussion to confirm requirements/expectations of the New Zealand timber industry for:

- Legality verification and sustainability certification; and
- Timber quality and processing.

Context of timber production in Solomon Islands

The meeting discussed the log export trade from Solomon Islands and issues of sustainability with implications for environmental management and national government revenue. It was noted that there are distinct production chain of sawn timber (known in Solomon Islands as “milling”) and log exports (known as “logging”).

- The majority of sawn timber is produced by communities of landowners harvesting timber on their own land, rough sawing using a chainsaw or portable mill (“milling”), and then selling to a processor wholesaler in Honiara before it is prepared for export. The main markets for sawn timber are Australia and New Zealand.
- Logging occurs following a process where communities grant the ‘timber rights’ to a logging company that then undertakes harvesting and exporting of logs. The majority of logging companies are foreign companies and more than 90% of logs are exported directly to the Chinese market.

Julius Houria estimated that around 70% of exported timber is originally sourced from ‘village production’ and 30% from logging operations.

Compliance with Australian market requirements

The meeting discussed the application in the Australian market of the ILPA, which has been fully implemented since November 2014.

Compliance with this legislation has so far been smooth, in part due to the development of the Legality Assurance Guidelines for Solomon Islands and subsequent co-endorsement of a Country-Specific Guideline by the Solomon Islands and Australian Governments (the Country-Specific Guideline forms part of the Regulation to the Act and provides information to Australian importers on requirements for timber legality in Solomon Islands).

It was noted that the key requirement for compliance with this Australian legislation is documentation of compliance with the relevant approvals and permits, namely:

- Milling Licence and/or Felling Licence
- Permit to Export
- Certificate of Origin (an optional additional assurance that can be issued by the Ministry of Forestry and Research).

Additionally, many Australian importers also request a map defining the area of harvest as a means of confirming the source of timber (this information is also included in the Milling Licence).

Copies of the legality assurance guidelines were provided to those attending. New Zealand importers noted the usefulness of the guidelines in clearly defining legality requirements and as a demonstration of the work of the Solomon Islands Government and timber industry to ensure legal timber production.

ITTG timber sourcing policies

The ITTG has been active in promoting forest certification and legality verification and in supporting producers to improve their practices to help ensure sustainable forest management. In doing this, ITTG members apply a categorisation of timber sources as summarised below (with Category 1 being most desirable):

1) FSC certified or transitioning to FSC certified.
2) Other certified sources, including Programme for Endorsement of Forest Certification Schemes certified.
3) Third partly verified legal (including VLO and VLC).
4) Non-certified, non-controversial sources that are believed to be legal and sustainably managed and/or from plantations.
5) Non-certified source unknown as to legality or sustainability.

Solomon Islands timber currently falls in Category 4 of the above system. Recent work by the Solomon Islands industry, as reflected by development of the legality assurance guidelines and compliance with Australian requirements, has demonstrated the appropriateness of this status. In the absence of such work, timber from Solomon Islands would mostly fall within Category 5.

An objective of ITTG members is to increase the proportion of timber they procure that falls within categories 1–3. This is driven in large part by sustainability concerns in the market that are reflected through the requirements of retail timber merchants (e.g. ITM, Bunnings, Carters, Placemakers and Mitre 10) who are the main customers of ITTG members.

ITTG members advised the meeting that they expect they will need to provide third party legality verification (or better) for all timber within the next 18 months. This will apply to all countries and timber species. Given this, Solomon Islands will need to be able to provide third party legality verification (or at least demonstrate significant progress towards this) to be able to continue to sell into the New Zealand market.

Certification and legality verification in Solomon Islands

The meeting discussed previous programs for providing certification and legality assurance in Solomon Islands, including Village Eco Timber Enterprises that the ITTG supported, which previously provided verification of 'Eco-timber' in Solomon Islands.

It was recognised that there is currently limited capacity for provision of third party verification in Solomon Islands. Consideration needs to be given to the appropriate model/s and organisation for providing this service and it was suggested that a scoping exercise should be conducted in the coming months to identify options for this.

Natural Resources Development Foundation, represented at the meeting by Marlon Kuve, holds FSC group forest management certification that covers six communities in Western and Choiseul Provinces. Natural Resources Development Foundation hopes to expand the number of certified communities to 10 during 2015. This is an encouraging model that could be replicated or expanded; however, there have only been low levels of production to date. Also, meeting the cost of certification audits is challenging and so far has only occurred with donor and government support.

The example was discussed of three Solomon Islands timber export business (Value Added Timber Association, Lagoon Eco Timber and Timol Timber) that previously held FSC Chain of Custody certification but intentionally allowed their certification to lapse as there was not sufficient supply of FSC certified timber to justify them incurring the cost of maintaining their certification.

ITTG members advised that they would ultimately like to source certified timber and that legality verification is seen as a step towards this. In the short-to-medium term, the ITTG is prepared to assist the Solomon Islands industry in working towards the provision of third party legality verification.

Timber quality and processing

The timber species available from Solomon Islands are highly desirable; however, the timber provided by the Solomon Islands industry is of variable quality in terms of its presentation. Issues can arise with New Zealand buyers around additional fumigation requirements, poor packing of containers and the presence of unacceptable defects in the timber (leading to a rejection of some timber by New Zealand buyers). Such issues add to the time and cost of processing and reduce the competitiveness of Solomon Islands timber relative to alternative products from other countries.

Development and implementation of a national grading standard would be a good step in improving awareness and consistency of timber quality and presentation from Solomon Islands.

New Zealand importers would also be supportive of additional drying being conducted in Solomon Islands (whether air or kiln drying, or both), as well as other additional finishing or value-adding prior to export, and would be prepared to pay higher prices for such products.

Drying of timber, and providing a (closer to) finished product to the market would also make alternative species (aside from Vitex, Kwila, Rosewood, Taun/Akwa) more attractive to importers, as they would not need to incur the costs of processing species whose properties are unknown to the New Zealand market.

While quality issues are important to New Zealand buyers, they are currently seen as a secondary priority to timber legality in terms of ensuring ongoing access to the New Zealand market.

Decisions

Solomon Islands will need to be able to provide third party legality verification or demonstrate progress towards this to be able to continue to sell into the New Zealand market. This needs to occur within the next 18 months, i.e. by around the end of 2016.

ITTG is prepared to assist the Solomon Islands industry and government in working towards the provision of third party legality verification.

It was recognised that there is currently limited capacity for provision of third party verification in Solomon Islands. Consideration needs to be given to the appropriate model/s and organisation for providing this service. A scoping exercise should be conducted to identify options for this.

Development and implementation of a national timber grading standard would be a good step in improving awareness and consistency of timber quality and presentation from Solomon Islands.

New Zealand importers are supportive of additional value adding being conducted by Solomon Islands exporters. At this stage, such issues of timber quality are a secondary priority to working towards timber legality verification (and certification).

Pacific Islands Trade and Invest is willing to facilitate ongoing consultations and engagement between the Solomon Islands and New Zealand timber industries.

Next Steps

PHAMA will arrange a workshop in Honiara on 21 April to communicate outcomes of the export market mission to the broader timber industry, including consideration of steps towards provision of third party legality verification.

PHAMA will share a summary of workshop outcomes and a report of the market mission with ITTG members.

A subsequent meeting will be arranged by telephone in around May 2015 to discuss outcomes of industry consultations in Solomon Islands and further discuss steps towards development of capacity for third party legality verification. Meeting to include: Ministry of Forestry and Research, Solomon Islands timber industry, ITTG and PHAMA.

Appendix C

Overview of Timber Legality Assurance and Forest Certification

Appendix C Overview of Timber Legality Assurance and Forest Certification

Certification systems that apply to forest management and timber supply chains are designed to demonstrate the legality and/or the sustainability of forest management and forest and wood products.

Different types of certification apply to different activities along the supply chain. These can be broadly grouped into those that apply to forest management (*forest management certification*) and those that track the path of timber from the forest to the consumer (*chain of custody certification*).

Within the context of forest certification, a further differentiation is made between certification of legality and the broader scope of forest management. Timber legality certification (*legality assurance*) is designed to verify that timber and wood products have been legally sourced, while forest management certification encompasses economic, social and environmental requirements to verify that forests are sustainably managed. This differentiation can be used to categorise forest certification into two main 'levels', with legality assurance seen as the initial threshold when working towards certification of sustainable forest management.

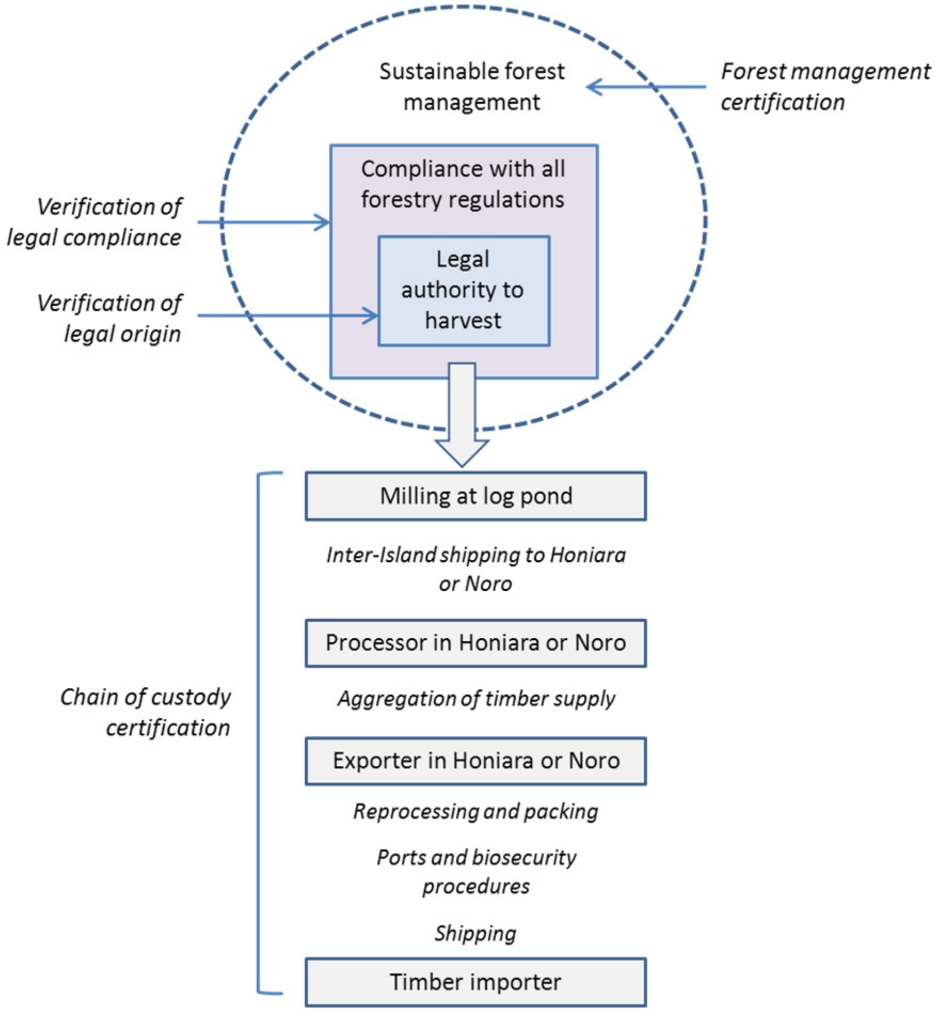
Legality assurance schemes comprise two broad components:

- VLO verifies that producers have the right to access and harvest, complying with the relevant timber harvesting laws and regulations. This includes possession of required approvals and permits; adherence to production quotas and allowable species; and payment of all relevant fees, charges, taxes and royalties.
- VLC verifies that legal origin has been demonstrated and that producers have complied with all relevant local, national and international forestry, environmental, social and labour regulations, codes of practice and conventions.

Figure 1 outlines the scope of legality and Chain of Custody schemes for forest products, and their interaction in the broader context of sustainable forest management initiatives. In this framework, VLO and VLC assessments relate to forestry operations within the harvested 'forest area', and the Chain of Custody extends from the forest area to the end consumer of wood products.

There are a range of programs worldwide that are based specifically on legality assurance, encompassing VLO and VLC, and supported by associated chain of custody systems. Examples of these include VLO and VLC standards established and implemented by organisations such as Smartwood, SGS (*Société Générale de Surveillance S.A.*) and Certisource.

Figure 1 Types and scope of forest certification and chain of custody schemes



Source: PHAMA Technical Report 42

Appendix D

Solomon Islands Timber Industry Strategy

Appendix D Solomon Islands Timber Industry Strategy

Solomon Islands timber exports – industry strategy

Forest product exports are the largest industry in Solomon Islands. Export of unprocessed round logs accounts for the large majority of trade, with an annual trade in 2014 of SBD1.9 billion (approximately AUD300 million). The level of harvest which supports this trade is unsustainable and Solomon Islands Government policy is to diversify and increase the level of value-added processing of timber for export.

Despite being much smaller than the log export sector, sawn timber is a significant sector for the Solomon Islands economy, with its exports being comparable in value to the cocoa and coconut industries. In 2013, the value of sawn timber exports was SBD81.5 million (AUD13 million).

In addition to timber exports, there is also a domestic market for sawn timber and related products, such as firewood. The size of this market is difficult to quantify but is known to add significantly to the total value of this industry.

Production and processing of sawn timber is also a significant employer. It can be reasonably estimated that more than 1,500 people are directly employed in sawmills and timber yard businesses. In addition, many more are also engaged (directly and indirectly) in harvesting, shipping and transport, and associated businesses such as firewood production.

Sawn timber supply chain

Production of timber is predominantly village-based and involves landowners harvesting trees and undertaking primary processing on-site (sawing a log into square 'flitches' or large dimension planks) before selling to sawmills who undertake further processing for sale into either domestic or export markets.

There are approximately 10–15 dedicated sawmill and timber export businesses in Solomon Islands, most of which are located in Honiara, with some also in Noro. In addition to these dedicated timber businesses, at any one time there are also several smaller operations that also export timber on a periodic or occasional basis.

Current timber exports are mainly to Australia and New Zealand, as well as to Asian markets (including China, Malaysia, Philippines and Taiwan). Timber is generally exported containerised as rough sawn timber, which is then further processed by importers and end users to meet market specifications and product needs, typically for use in building, cabinetry and decking. Vasa (*Vitex cofassus*) and Rosewood (*Pterocarpus indicus*) are the two main species exported, with smaller volumes of Kwila (*Instia bijuga*) and Akwa (*Pometia pinnata*) also exported.

Challenges for the industry

The sawn timber export industry has had challenges relating to consistency of supply, variable timber quality and presentation, and concerns relating to sustainability and legality requirements.

PHAMA has previously undertaken work to support the timber sector in being able to address timber legality assurance requirements for the Australian market and to strengthen the legality assurance systems implemented by the Ministry of Forestry and Research.

Building on the outcomes of the support for timber legality assurance, a timber export market mission to Australia and New Zealand was completed during March 2015, with participants from the Ministry of Forestry and Research and timber exporting businesses. The mission group met with several organisations in the key markets of Brisbane and Auckland and discussed issues affecting the industry, including: market requirements for timber legality verification of forest certification, timber quality and presentation, and requirements for processing machinery and equipment.

Engagement with industry during the market mission showed there was a need to for continuing work to: develop capacity to provide third party legality verification for the New Zealand market; improve timber quality and presentation; and improve the operation and maintenance of processing machinery.

IWG priorities

Drawing on these outcomes, the timber IWG has identified a suite of activities that would help to support and strengthen the Solomon Islands timber industry. These activities have been grouped under broad initiatives:

- Legality verification and forest certification support;
- Timber quality improvements;

- Industry body development;
- Timber marketing support; and
- Enabling business environment.

The table below outlines these initiatives and associated key activities and component tasks, along with indicative consulting inputs and costing.

Table 3 Priority initiatives to support development of the Solomon Islands timber sector

Initiatives	Key activities	Component tasks	Indicative technical inputs[1]	Estimated cost (AUD)[2]	Priority[3]	Timing
Legality verification and forest certification support	Development of capacity for third party legality verification	Scoping and development of systems to enable third party legality verification in Solomon Islands. - Identify options for developing capacity to provide third party legality verification in Solomon Islands, including consultation with members of the New Zealand ITTG to confirm New Zealand market requirements with the Solomon Islands industry - Support establishment of third party legality capacity, including development of legality standards and criteria and review of systems as appropriate - Monitor implementation third party legality systems and provide periodic support for their early implementation.	Total ~40 days	$50,000	**1**	Start June 2015
	Support for forest management certification	Provision of efficient and viable certification support services to facilitate greater uptake of forest management certification by Solomon Islands producers. Possible approaches include: - Supporting specific business to prepare for certification, through gap assessments or financial support - Scoping and developing frameworks that could facilitate greater uptake of certification by small producers - Facilitating training programs in sustainable forest management and certification for small producers, in conjunction with the Ministry of Forestry and Research's existing programs in this area.	Total around ~40 days	Indicative minimum amount ~$50,000. Dependent on scale of support, nature of businesses and scope of training programs.	**8**	To be determined

Initiatives	Key activities	Component tasks	Indicative technical inputs[1]	Estimated cost (AUD)[2]	Priority[3]	Timing
Timber quality improvement	Timber grading rules	Facilitate development and support implementation of a national system for timber grading in Solomon Islands (utilising existing draft grading rules): - Engage with domestic industry (producers and sawmillers) - Engage with representatives of importing industry. Design and conduct awareness raising program relating to grading rules, including training in timber packing and loading systems.	Total ~75 days, consisting of: - ~45 days for system development and engagement with industry - ~30 days for design and implementation support for awareness raising activities	~$75,000	**2**	Start September 2014 Duration 18 months End March 2016
	Timber processing facilities	Assess use and condition of timber processing machinery and existing timber handling practices, including requirements for saw doctoring and other machinery maintenance needs. Define skill enhancement requirements and design complementary training program. Explore opportunities for collaboration with importers as part of implementation.	Total ~35 days, consisting of: - ~15 days to assess capacity and requirements - ~20 days for program design	~$35,000	**3**	Start November 2014 Duration 6 months End May 2015
Industry body development	Further development of timber IWG	Investigate options and appropriate structures to facilitate further development of timber IWG. Facilitate endorsement of preferred option through stakeholder consultation with industry and government. Development of articles of association, and operating protocols. Exploration of funding support and development of secretariat capacity.	Total ~35 days	~$35,000	Recognised as high priority. PHAMA to support through separate funding.	Start September 2014 Duration 12 months End September 2015
Timber marketing support	Market information mission	Facilitate a market education mission of Solomon Islands exporters to key markets in Australia and New Zealand to better understand requirements of existing markets.	- Total ~30 days	~$85,000	Completed	Start September 2014 Duration 3 months

Initiatives	Key activities	Component tasks	Indicative technical inputs[1]	Estimated cost (AUD)[2]	Priority[3]	Timing
	Establish market information services	Develop provision of timber market information services to Solomon Islands producers, processors and other stakeholders. - Establish regular market awareness and information services as a means of facilitating improvements in: understanding of timber grading requirements, timber pricing, shipping arrangements, milling specifications and species requirements and related issues. Could include regular services on radio and/or in newspapers.	Total ~60 days for design and initiation of market information system	~$60,000	**4**	Start September 2014 Duration 18 months End March 2016
	Market promotion activities	Develop market promotion activities to capitalise on recognition of the Solomon Islands timber legality system under Australian legislation.	Total ~25 days	~$25,000		Start September 2014 Duration 12 months End September 2015
		Explore potential for and encourage trade of alternative timber species through engagement with importers.	Total ~20 days	~$25,000		Start February 2015 Duration 6 months End August 2015
		Further investigate and explore possible new markets and value-adding, including: - Deriving value from currently non-valued products - Further processing to add value to current products - Exploring alternative mainstream markets.	Total ~35 days	~$35,000		Start June 2015 Duration 12 months End June 2016
Enabling business environment	Access to finance	Explore provision of possible business support facilities that could work with the timber sector to develop improved infrastructure and processing capabilities through facilitating improved access to finance. - Outline potential business support requirements and design program of business support activities - Coordinate maintenance, review and reporting of program activities.	Total ~45 days, consisting of: - ~15 days for design of support program - ~30 days to support and review program functioning	~$50,000	**7**	Start February 2015 Duration 12 months End February 2016
	Improvements in business skills	Develop and facilitate training or mentoring programs to improve skills within the timber industry in business planning and management.	Total ~25 days	~$25,000	**6**	Start March 2015 Duration 6 months End September 2015
			Potential cost for 2014–2016	**AUD ~550,000**		

Explanatory notes:

[1.] Indicative inputs over the specified duration for a suitable technical specialist and a technical professional.

[2.] Inclusive of anticipated travel and other costs.

[3.] Priority ranking as ascribed by the Timber IWG during April 2015.