

SAUDI ARABIA: MARKET FOR FOREST PRODUCTS (HARDWOODS)

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Saudi Arabia is a desert country with no significant forested area and is entirely dependent on imports to meet domestic demand for wood. The construction boom years of the early 1980's resulted in a huge demand for softwood imports. Though offices and residences are still being built, demand for softwood lumber has steadily declined since 1991, as overall construction activity has slowed. However, in this twelve-year period, hardwood imports have remained steady due to an expansion in local manufacturing of furniture, cabinets, doors, and windows. In 2000 the Kingdom imported approximately 100,000 m³ of hardwood lumber, with up to 5,000 m³ destined for re-export to neighboring markets in Bahrain, Qatar, and Yemen. Of this, over 28,000 m³ was imported from the United States, an increase of more than 27 percent from 1999. Other major suppliers include Cameroon, Canada, Malaysia, Myanmar, and Romania. While overall demand for hardwoods has changed little, it is apparent that US hardwoods have begun to displace the more traditional imported species. With a growing population, a continuing need for housing, and an increase in local manufacturing of furniture and cabinets, wood imports are expected to increase over the next few years.

Hardwood End Uses and Product Preferences

There are multiple uses of hardwood in Saudi Arabia, with the most significant being joinery/interiors, furniture and cabinets. Because of the extreme climate, many Saudis invest much of their wealth in the interiors of their homes.

Hardwood and some softwood are both used in finishing (indoor trim, door frames, doors, windows and interiors). Color is important in the Saudi market, with red or dark colors being preferred, though there seems to be a growing

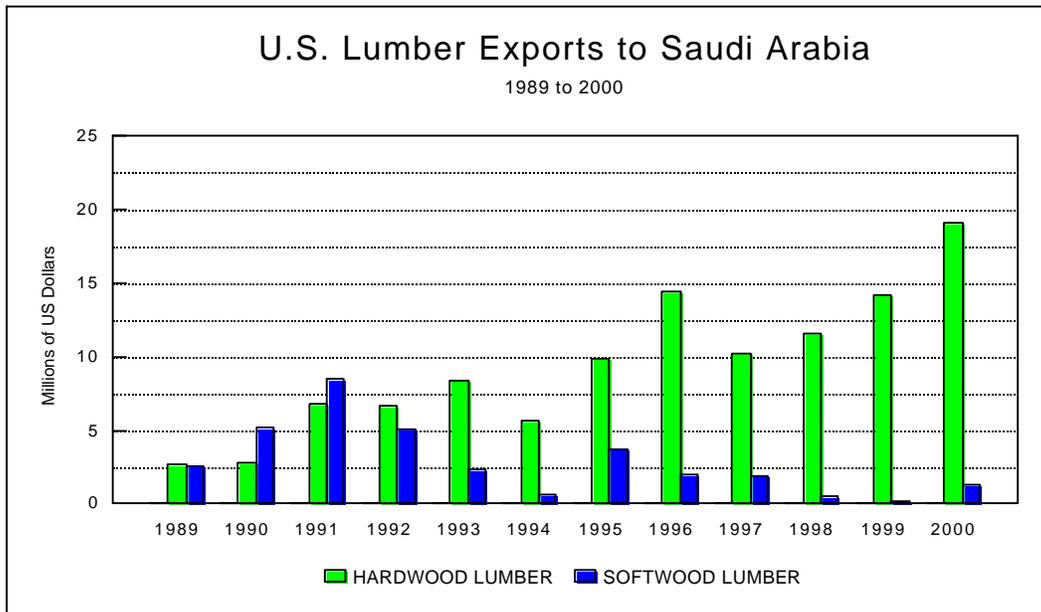
trend among the Saudis toward light hardwoods for residential and office interiors. Sources suggest that where Malaysian red meranti and subsequently Swedish redwood were used, red oak from the United States has become the preferred species and is very popular for use in upscale residences and offices.

Hardwoods such as mahogany and oak are common species in woodworking. Sources estimate that locally-manufactured furniture currently accounts for about 30 percent of total furniture purchased in the Kingdom, and expect this percentage to increase substantially. Some estimate that 90 percent of all furniture found in Saudi schools is manufactured locally. Kitchens are of extreme importance and in many cases a house will have two, one for cooking and the other for show. Western style kitchens were unknown in Saudi Arabia until about 20 years ago, but now wooden "American-style" kitchen cabinets are found in many newly constructed upscale villas and demand throughout the country is increasing. Plywood is used for interior partitions, paneling, and a host of other items. Use of veneers for offices and residential decor is increasing. Veneers are either imported or produced locally from imported logs. There are at least two companies in Saudi Arabia that have rotary veneer peeler machines: United Wood, Inc. (owned by Al Muhaidib) and Abdellatif and Mohamed Al Fozan Company. These companies import high quality logs from North America and Africa for veneer.

Depending on the species, lumber is shipped to Saudi Arabia from both the East and West coasts of the United States. Shipments from the East Coast take 20-25 days, arriving via the Suez Canal to Leddah port on the Red Sea. Lumber shipped from the West Coast takes 45 days and arrives at Dammam port on the Arabian Gulf. Most wood from the United States and Canada is transported on ships of 25,000 - 40,000 metric tons.

Export Logistics and Requirements

Raw lumber and logs are transported as general



cargo. The Saudi Government does not allow lumber to be shipped in containers, because of the difficulty of inspecting for hidden contraband. As a result, all hardwood lumber shipped to the Kingdom arrives as break-bulk. Due to this fact and extreme climate conditions (temperatures regularly exceed 50°C in summer), importers buy approximately half of all US hardwoods shipping-dry and half kiln-dried. At least two importers have small-capacity kilns to complete drying.

Imports and distribution of wood follow a mixed pattern. Generally, importers of hardwoods prefer to deal directly with exporters. In many instances, wood importers have offices in supplying countries such as the United States or Canada, where representatives purchase, consolidate, and ship to Saudi Arabia. In other cases, local procurement agents act on behalf of Saudi lumber merchants or specific suppliers and arrange consolidated orders from foreign suppliers. There are six very large companies, with very strong purchasing power, and a few smaller companies that specialize as hardwood traders, importing hardwoods into the Kingdom. A listing of importers may be obtained by contacting the FAS office in Riyadh. Major importers have their own distribution network, supplying wood directly to their own factories, other manufacturers, joiners,

retailers, and clients in the construction sector. Others sell to local lumber merchants. A flat tariff rate of 12 percent ad valorem is applied to imports of sawn lumber and logs. However, since most wood is transformed into value-added products, about 90 percent of wood imports are exempted from the customs duty. Saudi Arabia also requires a phytosanitary certificate from the country of origin. The Animal and Plant Health Inspection Service (APHIS) of the U.S. Department of Agriculture issues these certificates at the request of the shipper, certifying that the wood products conform to Saudi quarantine import requirements.

The upbeat economy combined with an annual population growth rate of 3.75 percent bodes well for the Saudi import wood market. Many Saudi importers of hardwoods have expressed interest in US hardwoods not commonly found in the Saudi market, such as maple, ash, cherry, and Western red alder. For more information about the market in Saudi Arabia, see FAS Attache Report AGR Number SA8002 on the FAS web site at www.fas.usda.gov/scriptsw/attacherep/default.asp

Based on reports submitted by the US Embassy, Riyadh, Saudi Arabia in January 1998, and the American Hardwood Export Council in May

2001.