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THE SUPPLY OF LUMBER TO THE FURNITURE INDUSTRY IN HONDURAS*

by

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1.- THE MARKET FOR SAWN TIMBER

Honduras produces both pine and hardwood lumber with the former accounting for over 95% of production and exports, in terms of volume. Pine lumber is graded according to the Southern Pine Lumber Bureau's grading rules. Top grade Honduras Pitch Pine receives a premium in the international markets because it can be produced in up to 10" widths and in lengths as long as 15'. Such grades can bring as much as U.S. $350 per thousand board feet fob Honduras, in the premium markets in Europe.- Premium grades such as these are not normally available on the local market where by far most common grade sold is second grade, planed or rustica.

A wide variety of dimensions are sold on the local market depending on the need of the industry concerned. One to three-inch thick pine lumber in widths from four-inch to eight-inch is common among the manufacturers of doors and moldings. The furniture manufacturers can require thicknesses of up to 10".

Hardwood lumber produced in Honduras is graded according to the standard grades of the National Hardwood Lumber Association of the U.S.A. Mahogany, Cedro, Granadillo, Teak, Laurel, San Juan and Guanacaste are the most common species sold in the local market. The Teak does not occur naturally, and is cut from stands planted by Standard Fruit many years ago. The dimensions sold for hardwood are similar to those in the softwood market.

2.- LOCAL MARKET END-USES

Contrary to most countries, the construction industry is not a major user of wood products in Honduras. Traditionally, stone has been the major building material, both because it is readily available at a low price and because of cultural traditions which have emphasized stone rather than wood working. Stone houses, therefore, have a status value and other than very low cost housing in the "barrios" and those provided by the banana companies to their employees, there are very few houses made of wood or containing a large wood component. There are no institutional arrangements which have encouraged an effective demand for low cost housing which could be made of wood. The high level of population growth and the low standard of housing in urban "barrios" indicate that a large latent demand for low cost housing exists.

The major wood using industry in Honduras is the furniture manufacturing industry, Table I. This industry is largely concentrated in San Pedro Sula and Tegucigalpa, and is dominated by six large manufacturers. In addition to the large manufacturers, there are numerous small "carpinterías" and furniture shops which in total make up a significant part of the market. The majority of furniture manufacturers produce custom made furniture from hardwood for sale to middle and upper class Hondurans. One large manufacturer in Tegucigalpa specializes in office furniture which is normally made of pine interiors and wood substitute over lays although custom high-grade hardwood office furniture can also be made on request.

TABLE I

ESTIMATED MONTHLY CONSUMPTION OF LUMBER IN TEGUCIGALPA AND SAN PEDRO SULA

(thousand board feet)

Name of User	Hardwood Lumber	Pine Lumber
Tegucigalpa		
Fábrica de Interiores de Madera	6.0	1.0
CAHIL Members	100.0	70.0
Yojoa	5.0	1.0
Galicia	10.0	3.0
Fábrica de Puertas y Ventanas Miraflores	5.0	10.0
Coffin Manufacturers		20.0 (1)
Total Tegucigalpa	126.0	105.0
San Pedro Sula		
CONTESSA	70.0	77.0
Maderas Industriales	35.0	15.0
Solex	20.0	20.0
Ideal	15.0	25.0
CIDA Members	25.0	12.5
Herrera	20.0	3.0
Capri	10.0	5.0
Coffin Manufacturers		12.5
Total San Pedro Sula	195.0	170.0
Total	321.0	275.0

Source: Estudio de Recursos Forestales estimates.

(1) On the basis of approximately 40.000 deaths per year in all Honduras and an average of 50-60 board feet per coffin it is estimated that some 2 to 2.4 million board feet on rough pine lumber are required in this end-use per annum.

There are a large number of small factories that specialize in making pine coffins.- According to the 1968 Industrial census, there are three wooden-box factories and one broom handle factory. Recently a crate component plant, a plant which makes squares for mouldings and an additional broom handle plant have been opened. All of these sell exclusively in the export market.

Several factories specialize in interior work for houses and offices, supplying the construction industry on a made to order basis. This segment of the industry is dominated by Maderas Industriales of San Pedro Sula, which supplies most of the larger construction companies with doors, closets and window framing and is also active in the export market.

3.- MARKETING CHANNELS AND PRICES

For purposes of analysis the market has been devided into three geographic areas - Tegucigalpa, San Pedro Sula and the rest of the country. Each will be considered in turn below.

The market in Tegucigalpa is marked by the lack of intermediaries between lumber producers and wood users. The market in Tegucigalpa is apperently not of sufficient size and is too homogenous in terms of product requirements to warrant the establishment of lumber yards selling both directly to the public and the wood using industries. Historically, sawmills have been located within the city limits and in some cases very near to residential areas thereby offering easy access to lumber purchasers.

The only intermediary operating in the market is CAHIL, the local cooperative of furniture makers and carpenters. The CAHIL cooperative markets about 60 thousand board feet of lumber per month. Their main sources of supply are Maderas Preciosas de Honduras (Casanova) for hardwood and the compánies of Sansone and Lamas for pine. Only about 30% of the 107 members of the cooperative buy through its facilities, as the cooperative does not receive a wholesaler's discount and their prices, including handling costs, are higher than mill gate prices for direct purchases.

The majority of hardwood lumber users buy directly from Maderas Preciosas de Honduras (Casanova) at their yard located within the Tegucigalpa city limits. Uncommon species, however, are sometimes bought from small producers in the producing regions and transported to Tegucigalpa. One medium-sized factory was found to purchase the majority of its requirements by this method. Pine lumber is bought by users directly from Sansone and Lamas.-

The end products manufactured are normally sold directly to consumers by both the large and small factories. The large factories maintain their own retail outlets and in addition sell to other retail outlets. It was not possible to obtain information on profit margins in this part of the trade.

There are no large sawmills operating in San Pedro Sula and the channels of distribution differ accordingly. The large furniture companies buy their hardwood directly from small producers in the producing regions which usually cut and hew logs for sale. Only a small proportion of the large furniture makers' supply come from large sawmills outside of San Pedro Sula and as a result, they maintain small sawing facilities for breaking down timber to their required sizes. Small furniture and carpentry shops meet their wood requirements through purchases from CIDA (the San Pedro Counterpart to CAHIL), which buys almost all of its hardwood requirements from one medium-sized producer in the Progreso area. Small carpinterias and furniture shops, which are not CIDA members, buy their lumber from small individual producers in the producing regions or through a small yard that has recently been established and which offers some resaw facilities. The yard has a turnover of from 3.000-5,000 board feet per month.

All users meet their pine requirements by purchasers from one of the many assembly and treatment yards located in the San Pedro Sula/Puerto Cortés area.

Marketing channels for end products are similar to those of Tegucigalpa. Marketing of wood products in the rest of the country is similar to that practiced by the small furniture and carpentry shops in Tegucigalpa and San Pedro Sula.

4.- PROBLEMS IN THE LOCAL SAWNWOOD MARKET

None of the existing hardwood producers in the country produce dried lumber for sale in the local market. Most lumber for export is air dried for a minimal period of time and shipped, with kiln drying taking place in the recipient country. Lumber for sale on the local market is sold with only minimal air drying and as result, all wood users must establish their own drying facilities.

The large furniture manufacturers and other large plants have installed their own modern drying facilities to meet their minimum dried lumber requirements. However, all of the major users point out that the drying of lumber is not their business and they would prefer to buy properly dried lumber. The installation of a drier represents a considerable capital out lay and drain which could be better used in their regular endeavours. All recognized that drying a variety of different types of wood is a difficult operation and they admitted that their losses, due to waste, were significant. Small wood users must also dry their lumber to some extent and do so in their own small drying wood yards. The small producers recognize however, that such drying is not adequate for the export market and feel cut off from this potentially large market as a result.

CAHIL in Tegucigalpa, has installed a drier with a per charge capacity of 60.000 board feet which on a four to five day charge basis would provide a maximum of 360.000 board feet per month which should be more than adequate for the Tegucigalpa market.

The situation is not being remedied in San Pedro Sula however. There are currently only two driers in the area, one at the Yodeco yard and one at the yard of Potrerillos. Both of these are operating at full capacity and are only drying pine lumber for export. CIDA currently has an application before the Banco Nacional de Formento to obtain financing for a drier. Their membership, however, is not as large as CAHIL in Tegucigalpa and the larger wood users are not members. The lack of drying facilities will therefore, continue to be a problem in San Pedro Sula.

There are ample quantities of second quality pine lumber in the local market on a continuous basis. Prime quality pine is difficult to buy as it is almost entirely sold in the export market. However, the end-users for pine do not require first grade material so this does not represent a problem.

There are serious problems of supply in the hardwood market. Honduras hardwood forests are relatively inaccessible and the well known species are scattered throughout the forest. Logging operations are halted during the rainy season because most of the operators are undercapitalized and are reluctant to establish all weather logging roads in view of the uncertainty surrounding the granting of concessions.

Because supply is so unreliable, most wood users are reduced to "taking what they can get" and to maintaining inordinate and costly inventory levels. Unusual amounts of time are spent in making contacts for supplies of wood. It should be emphasized that the shortage of hardwood in the local market is to be expected. There are very few companies operating in the field and the annual cut of hardwood is very small in comparison with the annual cut of pine. Local buyers are reluctant to pay high prices for hardwood and producers generally gear their operations to the export market. Nevertheless, it cannot be denied that a continuous readily available supply of hardwood lumber to the local industry would simplify the industry's problems and likely lead to its marked expansion.

As noted above, the end users of pine lumber are not particularly stringent in their quality requirements. Thus, second class lumber that is available is adequate for most end-users and in cases where first grade is required this can be made available if the customer is willing to pay the price.

Hardwood lumber is unseasoned and in many cases is cut from the forest by hand and delivered in the form of rough squares. Dimension requirements are very seldom met and thus resawing facilities are standard equipment amongst all the users. Wastage is substantial and factory owners complain that they are really "a number of factories in one" and therefore, cannot specialize in the aspects of the business that they know best and which are most profitable.

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