

The economics of the Wood Based Panel Industry in Tanzania

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The economics of the wood based panel industry in Tanzania was studied at two levels in accordance with the aims of the study. First , the 1975 industrial performance of the four mills which make up this industry (a fibreboard mill at Arusha, a particleboard mill at Mkumbara in Mombo and two plywood mills-one at Moshi and the other at Tanga) was examined so as to study the cost structure associated with the manufacture of these panels. Secondly, the panel industry was examined in a wider context taking into account the present and future supply and consumption of these panel, and trade in them. The 1975 industrial performance of the mills showed that capital formed a large portion of the inputs-being highest for fibreboard (55% of total cost of inputs) and lowest for the plywood mills (22-40% of the total cost of inputs). The plywood mills were noted to be more labour intensive than the other two mills. Also there was an over-employment of labour in all mills and a labour force review seems necessary. There was also noted a low capacity utilization in all mills. This could partly explain the high costs of production as a large portion of the costs were fixed. Except for the Tanga plywood mill, the production costs were higher than the sales prices of the panels, so the mills were making losses. The foreign exchange used in domestic production was high (40-60% of total costs of inputs). This was so even at the calculated break even point. With the exception of the Tanga plywood mill, all mills were, in 1975, not saving foreign exchange through domestic production. At the break-even point and above it these mills could save foreign exchange. The social- economic evaluation showed that the cost to the nation in producing these panels was higher than what the commercial evaluation revealed. It was also noted that the country could be self-sufficient in these panels in future if proper plans are made to assess the wood raw material available and to supplement that which is available, and also install the necessary processing facilities in time. Exports pre-suppose efficient production at costs below the sales prices of these panels in world markets and also the panels should be of international acceptance. The future of the panel industry depends very much on how the management of these mills can manipulate the various factors of production so as to make the domestic manufacture of these panels not only economical but of a quality suitable for export.