

# MASKAYU



**FIRST GRADUATION CEREMONY FOR FURNITURE  
PROCESSING PROGRAMME AT WISDEC SABAH**

**PROMOTING LEAN MANAGEMENT THROUGH  
EXPERIENTIAL LEARNING**

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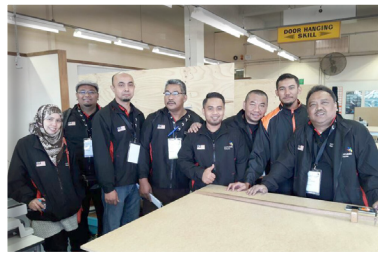
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## FIRST GRADUATION CEREMONY FOR FURNITURE PROCESSING PROGRAMME AT WISDEC SABAH



*The VIPs and students posing for a group photo after the ceremony.*

**M**TIB held the first graduation ceremony for the participants of the Furniture Processing Programme at WISDEC Sabah on 4 July. During the ceremony the 24 graduates from the programme's first intake were awarded their graduation certificates. The event, organised by MTIB in Kota Kinabalu, Sabah was attended by approximately 300 invited guests from the industry, government agencies and educational institutions.

The two-year programme, held in collaboration with the Ministry of Education under the vocational college banner, focuses on students to be trained as skilled workers from as early as the age of 16.

YB Datuk Datu Nasrun Datu Mansur, Deputy Minister of Plantation Industries and Commodities (MPIC) officially opened the ceremony accompanied by YB Tuan Anyi Ngau, MTIB Chairman and YBhg. Dato' Dr. Jalaluddin Harun FASc, MTIB Director-General.

Dato' Dr. Jalaluddin in his welcoming speech, stated that WISDEC's main purpose is to provide its students with industry-oriented skills training to produce skilled workers and ultimately reduce dependence on foreign workers.

In his opening speech, YB Datuk Datu Nasrun highlighted that the formation of WISDEC was in line with the country's efforts to provide a solid foundation for the development of the nation's human capital. Knowing that human capital is one of the most valuable resources for the development of the country, the 11th Malaysian Plan emphasised

on the development of human capital through the strengthening of the country's technical education and vocational training.

In line with that, MTIB through the Wood Industry Skills Development Centre (WISDEC) has been identified as a strategic partner in the development of the national timber industry by the Technical and Vocational Education Division (BPTV) under the Ministry of Education Malaysia (KPM).

As the training centre to offer skills certificates in woodworking courses, WISDEC is now focusing on meeting the demand for manpower in the local wood-based industry. As such, the first batch consisting of the 24 students were recruited from nearby schools, after their PT3 examination.



*YBhg. Dato' Dr. Jalaluddin Harun FASc, MTIB Director-General delivering his welcoming speech.*

**CAMBODIA****Timber, Log Trades Still Continuing Despite Ban**

According to report from NGO Forest Trends of the US, it finds that the banned log exports to Viet Nam from Cambodia has grown, which is contradicting to a timber and log export ban in January 2016 by the Cambodian government. In May 2017, 9,329 m<sup>3</sup> of logs (USD1.70 million/EUR1.46 million) from Cambodia had been sent to Viet Nam, a 50% growth compared to April 2017. As for Cambodian sawn timbers, which is also banned for export, the Vietnamese customs authorities recorded the country had received 18,691 m<sup>3</sup> (USD12.70 million/EUR10.89 million) in May 2017 compared to 21,670 m<sup>3</sup>. In relation to the report, Say Sam AI, the Environment Minister said that local officials are being investigated on the involvement in timber smuggling.

*The Phnom Penh Post, 24 July*

**CHINA****Rising Domestic Demand for Wooden Flooring**

The demand for wooden flooring in China has increased in recent years to become a significant market for producers. However, the development of the domestic market for wooden flooring has been hampered by a persistent shortage of timber raw material for manufacturing and this has led to sharp price increases in the domestic market. Analysts in China have assessed the likely future trends in China's domestic flooring market.

Many enterprises have begun to manufacture wooden flooring utilising new materials and are promoting their products as environmentally-friendly, comfortability and suitable for recycling. Formaldehyde free flooring is becoming increasingly demanded and the importance of this will grow. As a renewable resource, timber and bamboo grow fast and can be manufactured into first rate flooring. Currently, bamboo flooring is not very popular because of a lack of consumer awareness and weak promotion efforts. Chinese consumers have expressed concerns over cracking and mould growth, problems that arise

if the flooring is inadequately dried and processed. This is a technical issue that can be overcome and efforts are needed on promotion.

*Fordaq, 28 July*

**CZECH REPUBLIC****Wood Market Lack of Timber That Meet Strict Eco Standards**

Firms in the Czech Republic have expressed concern over a lack of locally produced timber that can meet the strictest eco standards, as some of the world's largest buyers of timber insist that wood used is either recycled or fully sustainable by 2020. Furniture maker Ikea is among the buyers who will look to meet the 2020 target for sustainability. It is reported that only 2% of Czech forests can currently meet the strictest sustainability standards. Ikea buys 375,000 m<sup>3</sup> of wood from the Czech Republic annually, but it could source this elsewhere if the eco standards are not met. A rival could be Poland, where 75% of forests currently meet the FSC sustainability standard.

*Prague Daily Monitor, 28 July*

**INDONESIA****Drive Down Costs of Accessories and Finishes to Boost Competitiveness**

The Ministry of Industry is aiming to consolidate the structure of the furniture industry and to drive down the cost of raw material inputs in furniture making, to boost competitiveness. The Ministry aims to streamline and reduce the cost of imported accessories for the furniture sector. Recently, the Indonesian Furniture and Handicraft Association announced a strategy to improve the competitiveness of the furniture industry. In particular the need to lower the costs of all raw materials used by manufacturers, especially the cost of accessories and finishes.

*ITTO TTM Report, 16-31 July*

**INDIA****Timber Demand Drops After GST**

After the implementation of Goods and Services Tax (GST) earlier this month, the demand for timber has taken a major hit and estimates by industry players indicate their orders are down by almost half. The demand for timber and timber products including plywood and laminates decline hit by some 40%, with plywood coming under 28% taxation. While monsoon is the lean season for timber merchants as demand usually dips, industry players say that it has further plunged this year, against the same period last year. The decline in demand is mainly driven by increase in price of timber as well as plywood. There is a significant difference between the tax rates of timber products. While traders will still benefit with input tax credit, for the end-consumer, products will be costlier by an estimated 10%.

*The Times of India, 30 July  
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## JAPAN Housing Starts Rebound

Japan's housing starts rebounded in June, figures from the Ministry of Land, Infrastructure, Transport and Tourism. Housing starts increased unexpectedly by 1.7% year-on-year in June, reversing a 0.3% fall in May. Previously, housing starts were forecast to drop 0.2%. Annualised housing starts increased to 1.003 million from 0.998 million in the previous month. The expected level was 987,000. Construction orders received by big 50 contractors also recovered in June after falling for two straight months. Orders advanced 2.3% annually, in contrast to a 0.5% fall in May.

*Alliance News, 31 July*

## MYANMAR Private Sector to be Contracted for Logging

The Deputy General Manager of the Extraction Department in the Myanmar Timber Enterprise (MTE) has reaffirmed that the private sector will be contracted to undertake log harvesting and transport this year. Analysts report that MTE may rent out its workable heavy machinery and elephants to contractors. MTE suspended harvesting and extraction for one year but will resume in fiscal year 2017-2018 except Bago Yoma (also known as Pegu Yoma), a range of low mountains between the Irrawaddy and the Sittaung Rivers in central Myanmar. It is understood that that potential contractors will be required to submit proposals to regional MTE officials who would decide on contract allocations after consulting with the MTE HQ.

*ITTO TTM Report, 16-31 July*

## MYANMAR Timber Industry Faces Challenges in the Voluntary Partnership Agreement Process in Forest Governance

The lack of transparency and accountability together with the issues of corruption, an overwhelming wood demand and land rights are still posing challenges for the timber industry's Voluntary Partnership Agreement in forest governance. The government has concerns and the fact that it does not have the trust of multiple stakeholders is a challenge for the process. Every change implies sacrificing the interests of certain people, or things, for a certain time but it will be a benefit in the long run and resulting in a sustainable enterprise.

On 25 November 2016, Myanmar started the preparatory work to eventually join the Voluntary

Partnership Agreement (VPA) for Forest Law Enforcement, Governance and Trade (FLEGT). Joining the FLEGT process would mean greater transparency across the length of the supply chain, from logging to export. It would include independent monitoring by civil society groups and the community itself to guarantee that the wood was legal. Myanmar held FLEGT-VPA legal introductions in all states and regions. 25 July was the last day of legal introduction.

Myanmar needs to halt exporting wood in logs for a certain period, as it is not worth the suffering for the sake of export revenues. The previous forest governance failed to generate a profit from exporting timber and it resulted in deforestation and severe climate change.

*Myanmar Times, 31 July*

## NICARAGUA Few Forests Boast FSC Certification

There are currently 25,000 hectares of planted forests in Nicaragua that have obtained Forest Stewardship Council (FSC) certification, which guarantees the sustainable management of forests. According to Marvin Centeno, President of the Nicaraguan Council for Forestry Certification, it is not natural forests that boasting the FSC certification in the country. In order to promote the certification of forests, local coffee company Cafe Las Flores, telecommunications company Yota and Radio Activa have entered an alliance with FSC whereby they pledge to give priority to suppliers ensuring that all their forestry-derived products are FSC-certified.

*La Prensa - Nicaragua, 31 July*

## RUSSIA Forestry Development Strategy through 2030 Drafted

In September 2017, the Ministry of Industry and Trade will submit the Forestry Development Strategy through 2030 to the government. The document will specify the main industry development areas, namely the creation of new pulp and paper facilities (including the launch of production of new types of pulp, such as dissolving, viscose and reel pulp) and the development of wooden house construction, production of sanitary products and processing of wood waste into biofuel. In addition, the strategy will contain a financial model of the forestry development.

*Lesprom, 28 July*

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### SWITZERLAND Swiss Timber Harvest Reaches 10-Year Low

According to results from the Swiss Federal Statistical Office and the forestry test network for the Swiss Federal Office for the environment, the Swiss timber harvest was down 2% in 2016 to 4.46 million m<sup>3</sup>. This is the lowest figure since 2007. Logs saw the biggest decline with 4% to 2.21 million m<sup>3</sup>. However, wood for fuel saw growth of 1% to 1,74 million m<sup>3</sup>. Industrial timber remained stable. The shift away from logs to wood for fuel continued in 2016.

*Holz Zentralblatt, 21 July*

### UNITED KINGDOM Construction Growth Drops to Lowest Level

Construction growth in the UK fell to its lowest level in 11 months during July 2017 as political uncertainty led companies to delay making decisions, according to the latest survey of purchasing managers working in the sector. A fall in new commercial work for building companies meant the headline reading of the construction purchasing managers' index fell to 51.9 in July, down from 54.8 in June. A level above 50 indicates expansion and below 50 indicates contraction.

The survey, which is produced by IHS Market and the Chartered Institute of Procurement and Supply, recorded the first reduction in new business volumes since August 2016. The survey comes one day after the manufacturing PMI for July 2017, which found that the fall in the pound was helping to contribute to the fastest growth in new export orders since April 2010 and the second-highest on record.

Worries about the economic outlook and heightened political uncertainty were key factors contributing to subdued demand. Construction firms reported that clients were more reluctant to spend and had opted to take longer in committing to new projects. Civil engineering was the only area of construction activity that saw growth in new business in July, due to work on the Crossrail trains line and the Thames Tideway sewer development, both in London.

The slowdown should come as no surprise following the fall in new commercial contracts after last year's Brexit vote. Commercial new orders since the referendum have fallen by 12.9% and there is generally a 12- to 18-month lag between orders and activity on the ground. Adding the

uncertainty regarding London as a financial centre and the impacts on new offices from the banking and financial services sector then it is unsurprising that there is a sharp fall in new orders and then commercial construction activity. The construction of large commercial tower blocks is likely to be affected by political uncertainty as they involve high investment upfront for long-term returns. Economists have pointed out that a surge in the building of office blocks in the years before the EU referendum may partly explain the fall in contracts since the vote.

*The Financial Times, 31 July*

### UNITED ARAB EMIRATES Huge Demand for Outdoor Specific Projects

The thriving construction market in Dubai is set to drive huge demand for outdoor specific design-and- build projects, calling for more authentic public spaces. With new landscaping projects implementing change in the outdoor construction sector, open communication and education towards the building industry's current position, products and services is paramount for investors looking to stay ahead, stated experts ahead of The Big 5 Outdoor Design & Build Show 2017, which will run from 25-27 September at the Dubai World Trade Centre.

*TradeArabia News Service, 26 July*

### UNITED STATES Spending on Home Renovation Rises

The Joint Centre for Housing Studies at Harvard University disclosed that in 2017, spending by US consumers on home renovations climbed year-on-year from USD296 billion (EUR253.78 billion) to USD316 billion, mostly due to the growth in consumer confidence and the hike in house prices. That compares with the USD334 billion spent in 2006 and USD222 billion in 2009.

Along with millennials, baby boomers are seen as the biggest driving factor for the home-improvement trend. A poll by home-renovation website Houzz found that 20% of baby boomers have yet to make a decision on whether or not they will stay in their homes for the coming half-decade. For about 60% of that demographic group, however, such plans have been made. Meanwhile, the National Association of Realtors disclosed that there was a 1.8% decrease in sales of existing homes in the US for June 2017.

*Wall Street Journal (The) - United States, 25 July*

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Upon graduation, the students had already received more than four certificates:

|   |                                                                               |
|---|-------------------------------------------------------------------------------|
| 1 | City & Guilds Skills Foundation and Proficiency Certificate – Basic Carpentry |
| 2 | Malaysian Skills Certificates Level 2 and 3                                   |
| 3 | The Institute of Malaysian Plantation and Commodities (IMPAC) Certificate     |
| 4 | Ministry of Education i.e. SPM and MPAK Certificates                          |

Two graduates have been sent to WISDEC Selangor to undergo preparation for the Malaysian Youth Skills Competition in the fields of joinery and cabinetmaking. They will represent MTIB in the finals in August 2017.

Also present during the ceremony were Encik Mad Zaidi Mohd Karli, Senior Undersecretary of Timber, Tobacco and Kenaf Industry Development Division, MPIC; YBhg. Dato' Ahmad Tajuddin bin Jab, Deputy Director-General of Education Malaysia; and Encik Zainuren Mohd Nor, BPTV Director.



YB Datuk Datu Nasrun Datu Mansur, Deputy Minister of Plantation Industries and Commodities (left) presenting an award to the best student.

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## Timber World In Brief

### VIET NAM Government to Boost National Forest Protection, Review Forest Inventory

The Ministry of Agriculture and Rural Development of Viet Nam will introduce the Target Programme on Sustainable Forestry Development from 2016 to 2020 and review the National Forest Inventory from 2013 to 2016. The government plans to fine tune laws and mechanisms to ensure a firm legal foundation for forest development and protection in efforts to achieve its targeted forest coverage of 42% by 2020. Currently, 41.19% of its land area or 14.3 million hectare of land are covered with forest.

The government expects to implement financial initiatives to generate resources for forestry development and attain approval for the revised law on Forest Protection and Development. The areas of different types of forests including special forests, plantation forests and protective forests will be reviewed by the agro-sector. Provinces are expected to invest in and identify their staple forestry products. The annual average forestry production is expected to grow to 5.5% or 6% and generate USD8.50 billion (EUR7.29 billion) from

exports of forestry products and wood furniture by 2020 under the National Target Programme on Sustainable Forestry Development. The programme is also expected to enhance the lives of people dependent on forests and generate 25 million jobs.

*The Voice of Vietnam, 23 July*

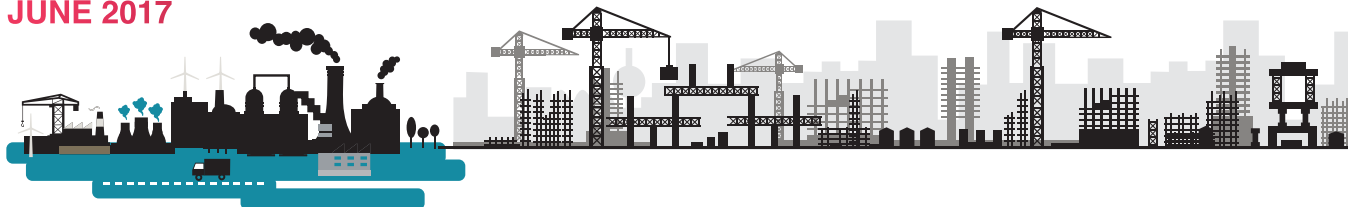
### GLOBAL FSC Wants to Reach Global Market Share of 20% by 2020

The first estimates of Forest Stewardship Council's (FSC) presence in the forest products supply chain are now available for 2016. The FSC Global Strategic Plan calls for FSC to reach 20% market share in global forest-based trade by 2020. To track progress towards this goal, FSC has developed a method to assess its current market share using six indicators. These indicators reflect the diversity of the forest products market and different stages of supply chains.

FSC-certified forests- including natural forests and plantations – produce some 16% of global timber by volume. Over 17% of timber harvested in plantations is FSC certified. FSC is growing most

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### Malaysia: MyCC Grants Conditional Block Exemption in Respect of Liner Shipping Agreements for Another Two Years

The Malaysia Competition Commission (MyCC) has decided to grant a block exemption for liner shipping agreements in respect of Vessel Sharing Agreements (VSA) and Voluntary Discussion Agreements (VDA) made within Malaysia or which have an effect on liner shipping services in Malaysia subject to the condition that no element of price fixing, price recommendation or tariff imposition by any person on transport users.

The Block Exemption Order (BEO) shall commence on 7 July 2017 for a period of two years or until the same is cancelled by the MyCC. The decision was made upon consideration of the feedback from the public, industry stakeholders and relevant government ministries over the past 30 days starting from 11 May 2017. In 2014, the MyCC granted a three year block exemption for liner shipping agreements which was due to expire on 6 July 2017. The application for the renewal of block exemption for VSA and VDA in respect of liner shipping services was submitted by the Malaysia Ship Owners Association (MASA) and the Shipping Association of Malaysia (SAM) on 6 March 2017.

The MyCC in the exercise of the powers conferred by subsection 8 (1) of the Competition Act 2010 ("the Act") may grant a block exemption provided all the

conditions under section 5 of the Act are satisfied cumulatively: There are significant identifiable efficiency benefits arising from the liner shipping agreements; The benefits could not reasonably have been provided by the parties to the liner shipping agreement without the agreement having the effect of preventing, restricting or distorting competition; The detrimental effect of the liner shipping agreements on competition is proportionate to the benefits provided; and (d) The liner shipping agreement does not allow liner operators to eliminate competition completely in respect of a substantial part of the liner shipping services.

The BEO does not exempt or provide immunity in respect of any abuse of a dominant position under the section 10 of the Act. Therefore, parties to a liner shipping agreement can still be found liable for an infringement if they are found abusing their dominant positions in the liner shipping market. The BEO does not cover inland carriage of goods and warehousing of goods. In addition, the BEO allows liner shipping operators to offer, on the basis of individual confidential contracting, their own service arrangements, upon certain conditions.

Source: [www.mycc.gov.my](http://www.mycc.gov.my), 21 June

### Australia: Patrick Shipping Container Charge Rates Increased by Up to 900%

Patrick Shipping has raised its rates for container handling, by more than 900% at some places.

### Shipments of Timber and Timber Products through Ports in Peninsular Malaysia, June 2017

| Products      | Port Klang     |                                    | Kuantan        |                                    | Pasir Gudang   |                                    | Tanjung Pelepas |                                    | Penang         |                                    | Total all Ports<br>m <sup>3</sup> | % Change<br>June 2017/<br>May 2017 |
|---------------|----------------|------------------------------------|----------------|------------------------------------|----------------|------------------------------------|-----------------|------------------------------------|----------------|------------------------------------|-----------------------------------|------------------------------------|
|               | m <sup>3</sup> | % Change<br>June 2017/<br>May 2017 | m <sup>3</sup> | % Change<br>June 2017/<br>May 2017 | m <sup>3</sup> | % Change<br>June 2017/<br>May 2017 | m <sup>3</sup>  | % Change<br>June 2017/<br>May 2017 | m <sup>3</sup> | % Change<br>June 2017/<br>May 2017 |                                   |                                    |
| Sawntimber    | 67,136         | -5                                 | 14,072         | 12                                 | 1,576          | -8                                 | 197             | -20                                | 7,092          | 27                                 | 90,073                            | -1                                 |
| MDF           | 20,946         | -7                                 | 643            | -20                                | 6,944          | 6                                  | 4,532           | -50                                | 12,471         | -41                                | 45,536                            | -24                                |
| Mouldings     | 9,219          | -28                                | 198            | 17                                 | 1,393          | -36                                | 606             | -23                                | 1,385          | -26                                | 12,801                            | -28                                |
| Plywood       | 8,528          | 1                                  | 101            | -37                                | 0              | -100                               | 395             | 79                                 | 10,444         | -12                                | 19,468                            | -6                                 |
| Veneer        | 770            | -42                                | 0              | -100                               | 0              | -100                               | 59              | 168                                | 1,221          | -35                                | 2,050                             | -38                                |
| Particleboard | 31,717         | -9                                 | 0              | -100                               | 219            | -47                                | 0               | 0                                  | 2,977          | -26                                | 34,913                            | -12                                |
| <b>TOTAL</b>  | <b>138,316</b> | <b>-8</b>                          | <b>15,014</b>  | <b>6</b>                           | <b>10,132</b>  | <b>-8</b>                          | <b>5,789</b>    | <b>-44</b>                         | <b>35,590</b>  | <b>-23</b>                         | <b>204,841</b>                    | <b>-12</b>                         |

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Its container charge in Melbourne will be raised to AUD32 (EUR21.52, USD24.09)/container from AUD3.5/container. In Brisbane, the rate will be AUD32.55/container, up from AUD28.75/container. In Fremantle and Sydney, container charges will be introduced at AUD4.76/container and AUD25.45/container respectively. Patrick Shipping has also increased the surcharges for wharf storage and maritime security levy. The marine freight company explained that the revision of rates is necessary in view of higher energy cost which for the company rose between 45% and 50%, as well as higher property cost.

Source: Australian Financial Review (The), 9 June

### Viet Nam: Many Shipping Firms, Seaport Worried About New Pricing Listing Decree

Many shipping companies and seaport are worried about Viet Nam's new price listing policy. Decree No. 146/2016, valid from 1 July 2017, prevents shipping enterprises and seaports from collecting unreasonable charges from export-import firms. Pursuant to the new policy, shipping enterprises and seaports will have to publish their service charges at their headquarters and transaction places and on their websites. A Viet Nam Ship Agents and Brokers Association (VISABA) representative stated that many shipping firms have signed agreements with different charges compared to listed charges. These agreements are valid until the end of 2017 or 2018. These enterprises will be subject to punitive sanctions if the charges to be collected differ from the price frame.

Source: The Saigon Times, 9 June

### India: Capacity of 12 Major Ports to be Raised to 3,000 Million Tonnes by 2025

India is set to boost the import-export handling capacity of its 12 major ports to 3,000 million tonnes by 2025 from the current capacity of 1,054 million tonnes. Besides the major ports, the country also has 200 small ports. According to Union Minister of State for Road Transport, Highway and Shipping Pon. Radhakrishnan, the Kamarajar Port in Chennai has grown its capacity to 30 million tonnes from the original 1 million tonnes.

Source: Hindu (The), 19 June

### Netherlands/Belgium: Merger of Ports is Expected to be Completed in 2017

The merger of the ports of the Dutch port authority Zeeland Seaports with the ports in Vlissingen and Terneuzen with the Port of Ghent is expected to be completed before the end of 2017. The port operator that results from the merger would be part of the 10th largest ports in Europe. The merger is said to be needed to remain competitive.

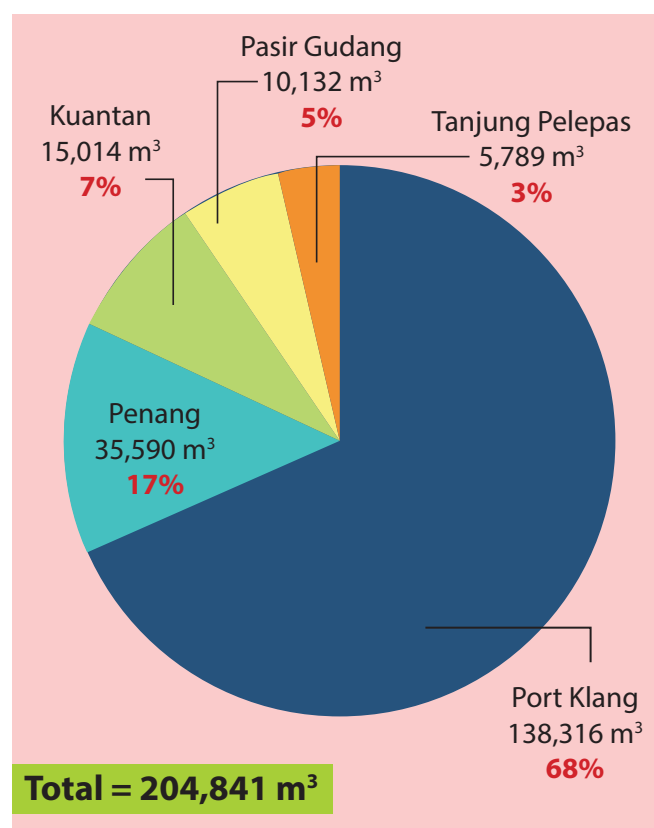
Source: De volkskrant, 10 June

### Russia: Total Ports Capacity of Country Can Exceed 1 Billion Tonnes in 2017

According to the forecast of the Association of Sea Commercial Ports of Russian Federation, at the end of 2017, the total port capacity of Russia may increase by 3.8% to 1 billion tonnes. According to the Association of Sea Commercial Ports, over the past five years, the total capacity of Russian transshipment complexes increased by 30% and freight turnover, by more than 35%. Federal and private investments in the development of port infrastructure from 2010 have exceeded RUB240 billion (EUR3.76 billion, USD4.24 billion).

Source: Portnews, 8 June

### Timber Shipment through Ports in Peninsular Malaysia, June 2017



JUNE 2017

Total export of Malaysian timber and timber products in June 2017 decreased 13% in value to RM1.75 billion from the previous month. Cumulative export for the second quarter of 2017 increased 5% to RM11.5 billion over the previous corresponding period.

## SAWNTIMBER

Export of sawntimber in June 2017 decreased 8% in volume and 14% in value to 173,692 m<sup>3</sup> with a value of RM301.1 million as compared to the previous month. Cumulative export for the second quarter of 2017 increased 15% in volume and 19% in value to 1.1 million m<sup>3</sup> totalling RM1.9 billion over the previous corresponding period.

Export of sawntimber to the EU for the month decreased 29% to 8,880 m<sup>3</sup> from 12,500 m<sup>3</sup> in the previous month resulting from declining demand from major markets in the region. Export to the Netherlands and UK decreased 31% to 3,723 m<sup>3</sup> and 19% to 1,523 m<sup>3</sup> respectively. Likewise, purchases made by Germany declined 4% to 1,337 m<sup>3</sup> followed by France with 41% to 706 m<sup>3</sup> and Belgium with 41% to 608 m<sup>3</sup>.

Total exports to West Asia decreased 14% to 24,217 m<sup>3</sup> from 27,983 m<sup>3</sup> recorded in the previous month. Export to the UAE decreased 17% to 6,699 m<sup>3</sup> followed by Oman 41% to 2,841 m<sup>3</sup>, Saudi Arabia 26% to 2,704 m<sup>3</sup> and Bahrain 44% to 604 m<sup>3</sup>. On the other hand, export to Yemen and Kuwait increased 43% and 63% to 8,438 m<sup>3</sup> and 575 m<sup>3</sup> respectively.

Buying from ASEAN increased 8% to 73,036 m<sup>3</sup> from 67,403 m<sup>3</sup> registered in the previous month. Export of sawntimber to Thailand, a major buyer of sawntimber from Malaysia declined 14% to 35,149 m<sup>3</sup> from 40,614 m<sup>3</sup> in the previous month. Purchases made by Singapore reduced as well by 5% to 6,492 m<sup>3</sup>. In the meanwhile, export to the Philippines and Viet Nam increased 63% to 29,824 m<sup>3</sup> and 10% to 1,563 m<sup>3</sup> respectively.

Shipments to East Asia decreased 26% to 34,637 m<sup>3</sup> from 47,052 m<sup>3</sup> in the previous month due to declining orders from China. Export to China decreased 44% to 18,196 m<sup>3</sup> from 32,356 m<sup>3</sup> in the previous month. On the other hand, export to Japan increased 41% to 6,028 m<sup>3</sup> followed by South Korea 5% to 2,665 m<sup>3</sup> and Taiwan 1% to 7,414 m<sup>3</sup>.

Elsewhere, exports to the US increased 43% to 1,721 m<sup>3</sup> whilst intake by Australia decreased 28%

to 483 m<sup>3</sup>. Demand from South Africa improved 58% to 5,588 m<sup>3</sup> from 3,528 m<sup>3</sup> in the previous month.

The average FOB price of sawntimber decreased 7% to RM1,734 per m<sup>3</sup> from RM1,859 per m<sup>3</sup> in the previous month. Price of Dark Red Meranti decreased 1% to RM2,462 per m<sup>3</sup> from RM2,498 per m<sup>3</sup> in the previous month. However, price of Dark Red Meranti to the Netherlands improved 1% to RM3,265 per m<sup>3</sup> from RM3,249 per m<sup>3</sup> in the previous month. Keruing was traded at RM2,064 per m<sup>3</sup>, an increase of 11% from RM1,867 per m<sup>3</sup> in the previous month.

## PLYWOOD

Export of plywood in June decreased by 17% in volume and value to 204,057 m<sup>3</sup> valued at RM361.9 million as compared to the previous month.

Total exports to the EU decreased by 4% to 11,041 m<sup>3</sup>. Export to the UK decreased 19% to 7,805 m<sup>3</sup>. Meanwhile, exports to the Netherlands and Ireland increased by 104% and 74% to 969 m<sup>3</sup> and 859 m<sup>3</sup>, respectively. France and Denmark also increased their intake to 723 m<sup>3</sup> and 300 m<sup>3</sup> from 76 m<sup>3</sup> and 126 m<sup>3</sup> respectively. In contrast, export to Belgium decreased by 47% to 342 m<sup>3</sup> whilst Italy and Germany did not make any purchases for this month.

Exports to ASEAN and East Asia region decreased by 21% with 143,718 m<sup>3</sup> compared to previous month. Brunei and Thailand reflected a decrease in intake by 31% and 46% to 571 m<sup>3</sup> and 3,490 m<sup>3</sup> respectively. Similarly, the Philippines recorded a decrease in their intake of plywood by 5% to 2,262 m<sup>3</sup>. Indonesia did not make any purchases for this month. In East Asia, Japan, South Korea, Taiwan, Hong Kong and China decreased their intake by 18%, 11%, 42%; 33% and 54% to 93,496 m<sup>3</sup>; 26,625 m<sup>3</sup>; 9,663 m<sup>3</sup>; 2,696 m<sup>3</sup> and 2,083 m<sup>3</sup> respectively.

Overall exports to West Asia decreased by 25% as compared to the previous month. Similarly, shipments to Yemen, the UAE, Saudi Arabia and Qatar decreased by 75%, 38%, 10%, and 91% to 5,470 m<sup>3</sup>; 2,403 m<sup>3</sup>; 1,942 m<sup>3</sup> and 43 m<sup>3</sup> respectively. Meanwhile, Bahrain increased its intake by 41% to 448 m<sup>3</sup> and Kuwait did not make any purchases for this month.

Export of plywood to the US significantly increased by 221% to 16,252 m<sup>3</sup>. Similarly, Canada also increased their intake by 12% to 349 m<sup>3</sup>. In contrast, Mexico recorded a decrease in their intake of

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plywood by 31% to 2,788 m<sup>3</sup>. Similarly, Australia and New Zealand decreased their intake by 12% and 84% to 3,324 m<sup>3</sup> and 21 m<sup>3</sup>, respectively. Elsewhere, exports to South Africa increased by 46% to 210 m<sup>3</sup>. Turkey, Algeria and Mauritius did not make any purchases for this month.

The FOB price of plywood decreased by 0.3% to RM1,774 per m<sup>3</sup> from RM1,780 per m<sup>3</sup> in the previous month.

## VENEER

Export of veneer for June 2017 increased by 6% in volume but decreased by 1% in value to 16,862 m<sup>3</sup> at RM24.6 million as compared to the previous month. Exports to South Korea, Taiwan and the Philippines increased by 23%, 16%, and 19% to 6,547 m<sup>3</sup>; 5,636 m<sup>3</sup>; and 1,148 m<sup>3</sup> respectively. Similarly, Viet Nam and Canada have increased their intake of veneer by 23% and 100% to 65 m<sup>3</sup>

and 24 m<sup>3</sup>, respectively. Inversely, China, India, Australia and Singapore decreased their intake by 16%, 55%, 72% and 84% to 2,245 m<sup>3</sup>; 239 m<sup>3</sup>; 82 m<sup>3</sup> and 3 m<sup>3</sup> respectively. On another note, Italy and Chile did not make any purchases for this month.

The FOB price of veneer decreased to RM1,459 per m<sup>3</sup> from RM1,558 per m<sup>3</sup>, a decrease of 6% from the previous month.

## MEDIUM DENSITY FIBREBOARD (MDF)

Malaysia's exports of MDF for June 2017 decreased 9% in volume and 12% in value compared to previous month. Export totalled 69,207 m<sup>3</sup> and valued at RM83.8 million.

Exports to East Asia registered a decrease of 21% to 12,055 m<sup>3</sup> from 15,166 m<sup>3</sup> in the previous month. Export to Taiwan, Japan and South Korea registered negative growth of 9% to 414 m<sup>3</sup>, 20% to 10,638 m<sup>3</sup> and 40% to 687 m<sup>3</sup> respectively. On the other hand, China including Hong Kong recorded positive growth by 24% to 316 m<sup>3</sup>.

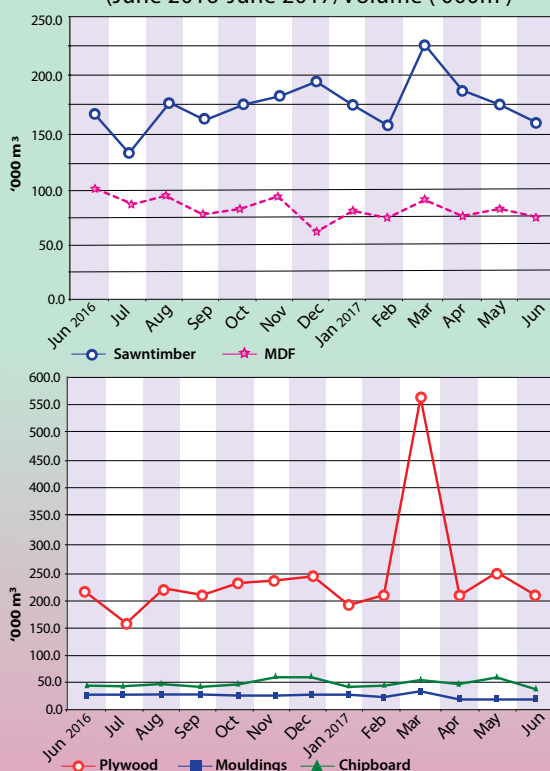
Exports to West Asia recorded positive growth of 16% to 36,661 m<sup>3</sup> from 31,586 m<sup>3</sup> in the previous month. Similarly, export to Jordan, Kuwait, Iran and Lebanon increased by 26% to 1,041 m<sup>3</sup>, 60% to 5,770 m<sup>3</sup>, 236% to 2,172 m<sup>3</sup> and 694% to 1,429 m<sup>3</sup> respectively. However, export to Saudi Arabia, the UAE, Oman, Bahrain and Qatar decreased by 13% to 6,621 m<sup>3</sup>, 20% to 10,740 m<sup>3</sup>, 50% to 860 m<sup>3</sup>, 52% to 514 m<sup>3</sup> and 77% to 577 m<sup>3</sup> respectively. However, Syria resumes its intake by 5,651 m<sup>3</sup>.

Elsewhere, exports to South Asia decreased by 40% to 5,438 m<sup>3</sup>. Similarly, export to Bangladesh, Pakistan and India decreased by 24% to 1,241 m<sup>3</sup>, 34% to 1,512 m<sup>3</sup> and 35% to 2,685 m<sup>3</sup> respectively. Moreover, Sri Lanka did not make any purchase.

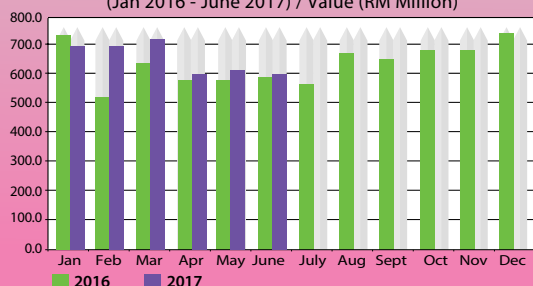
Contrariwise, exports to Australia and South Africa increased by 3% to 1,692 m<sup>3</sup> and 62% to 242 m<sup>3</sup> respectively. On the other hand, export to the US and UK decreased by 12% to 1,499 m<sup>3</sup> and 60% to 368 m<sup>3</sup> respectively. However, Mauritius resumes its intake by 322 m<sup>3</sup>.

In ASEAN, total exports to the region decreased by 41% to 7,649 m<sup>3</sup> from 12,965 m<sup>3</sup> in the previous month. Export to Indonesia and the Philippines decreased both by 24% to 2,796 m<sup>3</sup> and 1,423 m<sup>3</sup> respectively. Export to Viet Nam and Singapore also decreased by 52% to 3,366 m<sup>3</sup> and 92% to 25 m<sup>3</sup> respectively.

**Malaysia : Export of Major Timber Products**  
(June 2016-June 2017/Volume ('000m<sup>3</sup>))



**Malaysia : Export of Wooden Furniture**  
(Jan 2016 - June 2017) / Value (RM Million)



Source : Department of Statistics, Malaysia

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## LOGS

Logging activities during the month under review remained unchanged with most mills reported that they have adequate logs supply. In a mean time they have started to monitor their stock level due to the coming monsoon month.

Log prices for the species of Chengal, Balau and Red Balau stood firm at RM4,500 per tonne, RM3,000 per tonne and RM2,200 per tonne respectively. Similarly, the prices of Keruing, Kempas and Kapur logs remained at RM1,530 per tonne, RM1,720 per tonne and RM1,700 per tonne respectively. Prices of Dark Red Meranti and Red Meranti were traded at RM2,100 per tonne and RM1,750 per tonne respectively. On the other hand, logs prices for Mixed Heavy Hardwood was charted at RM973 per tonne whilst prices of Mixed Light Hardwood remained at RM1,225 per tonne.

## SAWNTIMBER

The average sawntimber prices for some species experiencing an upward trend due to declining supply in the market.

The sawntimber prices of Chengal, Balau and Red Balau maintained at RM6,921 per m<sup>3</sup>, RM3,178 per m<sup>3</sup> and RM2,895 per m<sup>3</sup> respectively. Meanwhile, prices for Keruing dropped slightly by 15% to RM1,201 per m<sup>3</sup> over the previous month. Kempas and Kapur sawntimber prices stood at RM2,239

per m<sup>3</sup> and RM1,746 per m<sup>3</sup> respectively. Similarly, prices for Dark Red Meranti and Red Meranti were traded at RM2,278 per m<sup>3</sup> and RM1,977 per m<sup>3</sup> respectively. Prices of Sepetir increased slightly by 4.6 % to RM1,342 per m<sup>3</sup> over the previous month. Sawntimber prices of Mixed Heavy Hardwood and Mixed Light Hardwood remained at RM828 per m<sup>3</sup> and RM1,059 per m<sup>3</sup> respectively.

## PLYWOOD

The supply of plywood to the domestic market remained adequate for the month under review. Plywood of 4mm, 6mm, 9mm and 12mm of thicknesses were continuously traded at RM14.60, RM22.00, RM38.00 and RM48.00 per piece respectively.

## MEDIUM DENSITY FIBREBOARD (MDF)

The supply of MDF was reported to suffice the need of local market. At the same time, there was positive demand from key end-user such as construction. Price of MDF recorded an improvement by 4% to 5% for the month. MDF of 4mm, 6mm, 9mm and 12mm of thicknesses were traded at RM13.50, RM18.05, RM24.65 and RM32.20 per piece respectively.

## INTRA-MALAYSIA TRADE \* - JUNE 2017

The shipments of sawntimber from Sabah to Peninsular Malaysia decreased by 41% in volume from 281 m<sup>3</sup> to 166 m<sup>3</sup> recorded last month valued at

INTRA-MALAYSIA TRADE – JUNE 2017

| From    | Products   | MAY 2017                 |                 | JUN 2017                 |                 | % Change in Volume<br>Jun 2017 / May 2017 | % Change in Value<br>Jun 2017 / May 2017 |
|---------|------------|--------------------------|-----------------|--------------------------|-----------------|-------------------------------------------|------------------------------------------|
|         |            | Volume (m <sup>3</sup> ) | Value (RM '000) | Volume (m <sup>3</sup> ) | Value (RM '000) |                                           |                                          |
| SABAH   | Logs       | 0                        | 0               | 0                        | 0               | 0                                         | 0                                        |
|         | Sawntimber | 281                      | 582             | 166                      | 346             | -41                                       | -41                                      |
|         | Plywood    | 8,732                    | 15,044          | 8,483                    | 14,450          | -3                                        | -4                                       |
|         | Veneer     | 16                       | 40              | 0                        | 0               | -100                                      | -100                                     |
| SARAWAK | Logs       | 0                        | 0               | 0                        | 0               | 0                                         | 0                                        |
|         | Sawntimber | 668                      | 683             | 252                      | 259             | -62                                       | -62                                      |
|         | Plywood    | 6,314                    | 8,462           | 4,899                    | 6,452           | -22                                       | -24                                      |
|         | Veneer     | 7,754                    | 9,867           | 4,972                    | 6,492           | -36                                       | -34                                      |

Source : Department of Statistics, Malaysia

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RM346,000. Similarly, export of plywood decreased by 3% in volume to 8,483 m<sup>3</sup> worth RM14 million.

No intra trade from Peninsular Malaysia to Sabah and Sarawak was recorded in June 2017.

Export of sawntimber from Sarawak to Peninsular Malaysia decreased by double digits or 62% to 252 m<sup>3</sup> from 668 m<sup>3</sup>, worth at RM259,000. Export of plywood fell by 22% to 4,899 m<sup>3</sup> valued at RM6.5 million. Similarly, export of veneer fell by 36% to 4,972 m<sup>3</sup> and 34% in value to RM6.5 million.

Source: MTIB and Department of Statistics, Malaysia 

**\*AVERAGE DOMESTIC PRICES OF LOGS, SAWNTIMBER, PLYWOOD AND MDF IN PENINSULAR MALAYSIA  
JUNE 2017 (VALUE IN RM)**

| SPECIES                                        | LOGS/tonne | SAWNTIMBER/m <sup>3</sup> |         |            |         |
|------------------------------------------------|------------|---------------------------|---------|------------|---------|
|                                                | 18" UP     | GMS                       | STRIPS  | SCANTLINGS |         |
| <b>HEAVY HARDWOOD</b>                          |            |                           |         |            |         |
| Chengal                                        | 4,500      | 6,921                     | 5,367   | 7,768      |         |
| Balau                                          | 3,000      | 3,178                     | 2,684   | 2,743      |         |
| Red Balau                                      | 2,200      | 2,895                     | 2,542   | 3,213      |         |
| Merbau                                         | 2,700      | 3,849                     | 3,178   | 3,955      |         |
| Mixed Heavy Hardwood                           | 973        | 828                       | 968     | 1,001      |         |
| <b>MEDIUM HARDWOOD</b>                         |            |                           |         |            |         |
| Keruing                                        | 1,530      | 1,201                     | 1,271   | 2,203      |         |
| Kempas                                         | 1,720      | 2,239                     | 2,225   | 2,331      |         |
| Kapur                                          | 1,700      | 1,746                     | 1,412   | 1,746      |         |
| Mengkulang                                     | 1,200      | 2,119                     | 925     | 1,624      |         |
| Tualang                                        | 1,400      | 2,472                     | 2,331   | 2,493      |         |
| <b>LIGHT HARDWOOD</b>                          |            |                           |         |            |         |
| Dark Red Meranti                               | 2,100      | 2,278                     | 1,695   | 1,912      |         |
| Red Meranti                                    | 1,750      | 1,977                     | 1,780   | 2,083      |         |
| Yellow Meranti                                 | 1,200      | 1,342                     | 1,236   | 1,271      |         |
| White Meranti                                  | 1,070      | 2,119                     | 1,412   | 2,260      |         |
| Mersawa                                        | 1,480      | 1,554                     | 1,130   | 1,589      |         |
| Nyatoh                                         | 1,300      | 1,554                     | 565     | 777        |         |
| Sepetir                                        | 1,100      | 1,342                     | 918     | 1,165      |         |
| Jelutong                                       | 1,140      | 1,497                     | 1,201   | 1,730      |         |
| Mixed Light Hardwood                           | 1,225      | 1,059                     | 918     | 989        |         |
| <b>MALAYSIAN RUBBERWOOD</b>                    |            |                           |         |            |         |
| <b>RUBBERWOOD</b><br><i>Hevea brasiliensis</i> | LOGS/tonne | SAWNTIMBER/m <sup>3</sup> |         |            |         |
|                                                |            | 1" X 1"                   | 2" X 2" | 3" X 3"    | 4" X 4" |
|                                                | 180        | 876                       | 1,377   | 1,554      | 1,766   |
| <b>PLYWOOD 4' X 8'</b>                         |            |                           |         |            |         |
| (RM per piece)                                 | 4mm        | 6mm                       | 9mm     | 12mm       |         |
|                                                | 14.60      | 22.00                     | 38.00   | 48.00      |         |
| <b>MDF 4' X 8'</b>                             |            |                           |         |            |         |
| (RM per piece)                                 | 4mm        | 6mm                       | 9mm     | 12mm       |         |
|                                                | 13.50      | 17.15                     | 24.65   | 32.20      |         |

Note: Log prices ex-batau. Sawntimber, plywood, MDF and Malaysian Rubberwood (*Hevea brasiliensis*) prices ex-mill

\*Prices are only indicative





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The FOB price of MDF decreased to RM1,211 per m<sup>3</sup> from RM1,251 per m<sup>3</sup>, a decrease of 3% from the previous month.

## MOULDINGS

Exports of mouldings for the month decreased both by 13% and 12% in volume and value to 17,294 m<sup>3</sup> and RM62.3 million respectively. However, cumulative exports for the period of January to June 2017 decreased both by 2% in volume and value to 118,622 m<sup>3</sup> and RM416.3 million respectively as compared to the previous corresponding period in 2016.

Exports to the EU for the month recorded at 6,367 m<sup>3</sup>, a decrease of 16% compared to the previous month. Germany, the Netherlands, UK and Belgium decreased their purchases by 34%, 13%, 10% and 1% to 584 m<sup>3</sup>; 3,555 m<sup>3</sup>; 625 m<sup>3</sup> and 638 m<sup>3</sup> respectively. However, Italy did not make any purchases.

Exports to ASEAN region increased as Viet Nam intake of mouldings increased by 109% to 192 m<sup>3</sup> whilst exports to Indonesia and Singapore decreased by 49% and 1% to 64 m<sup>3</sup> and 1,277 m<sup>3</sup> compared to the previous month.

Meanwhile, exports to Taiwan, China and South Korea decreased by 43%, 23% and 21% to 61 m<sup>3</sup>, 388 m<sup>3</sup> and 1,239 m<sup>3</sup> respectively. However, exports to Japan and Hong Kong increased by 7% and 2% to 1,814 m<sup>3</sup> and 339 m<sup>3</sup> respectively.

Elsewhere, export to Australia and the US increased by 14% and 11% to 2,588 m<sup>3</sup> and 1,634 m<sup>3</sup> respectively compared to the previous month. However, Canada did not make any purchases.

FOB unit value increased to RM3,600 per m<sup>3</sup>, an increase of 1% compared to the previous month.

## BUILDERS JOINERY AND CARPENTRY (BJC)

Total BJC cumulative exports from January to June 2017 increased 6% to RM616.1 million as compared to RM579.1 million in the corresponding period last year. Export to the EU increased 16% to RM179.3 million. Export to Sweden, the Netherlands, Italy, and France increased by 74%, 71%, 68% and 46% to RM5.3 million, RM4.4 million, RM4.2 million and RM13.1 million respectively.

Similarly, export to Germany, Belgium and Denmark improved 32%, 24% and 9% to RM17.5 million, RM23.8 million and RM12.4 million respectively.

However, export to Turkey and the UK decreased by 22% and 6% to RM2.5 million and RM83.0 million compared to the previous year.

In Asia, exports to the UAE, Viet Nam, South Korea, Japan and Taiwan increased by 117%, 17%, 12%, 9% and 8% valued at RM4.8 million, RM19.9 million, RM1.5 million, RM38.4 million and RM8.5 million respectively compared to the previous year. However, exports to Thailand, Saudi Arabia, India, Singapore and Pakistan decreased by 18%, 13%, 10%, 4% and 0.1% to RM16.1 million, RM2.0 million, RM29.2 million, RM65.1 million and RM26.2 million respectively. Meanwhile, Bahrain resumed its purchases and Qatar did not make any purchases.

Exports to Australia, the US and South Africa increased by 6%, 3% and 2% to RM107.2 million, RM52.5 million and RM8.3 million respectively. However, Mauritius decreased its purchases by 40% to RM116.9 thousand compared to the previous years.

## FURNITURE

Total cumulative export of wooden and rattan furniture for the second quarter of 2017 increased 7% from RM3.6 billion to RM3.9 billion compared to the same period in 2016.

Imports of wooden furniture by the US expanded 15% from RM1.3 billion to RM1.5 billion. Intake by Japan remained positive with a 4% increase from RM279.6 million to RM289.9 million. The UK's imports saw a growth of 6% from RM220.3 million to RM234.4 million. Canada's uptake of wooden furniture strengthened with an increase of 8% to reach RM134.2 million. China boosted its wooden furniture consumption by 74% totalled RM79.6 million. India's consumption of furniture increased by 30% to RM93.4 million. South Africa picked up 20% to record RM24.7 million.

The UAE and Saudi Arabia decrease their furniture consumption by 18% and 9% to RM84.3 million and RM71.8 million respectively. Australia and Singapore decreased its consumption by 5% to RM292.0 million and 8% to RM214.5 million respectively.

Rattan furniture shipments decreased to RM13.5 million for the January to June 2017 period compared to RM25.1 million in 2016, a drop of 46%. Main buyer Singapore absorbed RM1.7 million, thus decreasing its buying by 56%. Australia also reduced its consumption by 50%, into RM1.3 million. Meanwhile India saw positive improvements with an increase from RM1.1 million into RM3.8 million.

## PROMOTING LEAN MANAGEMENT THROUGH EXPERIENTIAL LEARNING



*Participants of the programme.*

**M**TIB has been conducting the Lean Management Programme since 2014 with the purpose of improving work process flow particularly in manufacturing operations such as floor lay-outs, logistics management, and maintenance in order to increase the operation efficiency of a timber-based company. This is an initiative, helmed by MTIB, to contribute to Malaysia's journey towards becoming a developed nation, by focusing efforts to increase the nation's productivity rate to a higher level.

A total of 41 timber-based companies joined this programme in 2014–2016 which resulted in a total amount of savings of over RM30 million per year. The savings included labour/overtime, number of workers, work space and maintenance. In 2016, 13 timber-based companies joined this programme and have since achieved remarkable results. In view of that, MTIB decided to continue the programme in 2017.

In order to promote the programme, MTIB has embarked on a series of one-day roadshows throughout the Peninsular Malaysia which included Kuantan, Pahang (17 July); Muar, Johor (20 July); Kuala Lumpur (24 July); and Seberang Prai, Pulau Pinang (26 July). The roadshows would also serve as an introduction to the concept of Lean Management to the participants who mainly consist of timber-based company owners and staff.

In his opening speech at the Kuala Lumpur session, YBhg. Dato' Dr. Jalaluddin Harun FASc, Director-

General of MTIB, stated that the Malaysian government had identified productivity as a 'game changer' under the 11th Malaysian Plan (2016–2020) where more emphasis is to be given towards productivity in order to achieve higher economic growth. Therefore, it is highly important for the timber industry to take heed of this and participate in productivity-related programmes. In line with that, MTIB believes that Lean Management Programme would be of

significant assistance in the matter.

The roadshows also included a knowledge-sharing session by previous companies that had completed their Lean Management programme with MTIB such as Diverse Intergrated, BSL Furniture Sdn. Bhd., Royal Selangor Sdn. Bhd. and Welley Timber Sdn. Bhd. The purpose of the session was for these companies to explain to the participants the positive impacts the Lean Management Programme had on their companies and how they managed to achieve them. They also stressed on the importance of having a high commitment from all levels of management in order to successfully complete the programme. The session was an eye opener for the participants as they learnt that although Lean Management Programme required a great deal of effort and cooperation, it was very rewarding, as evident by the amount of savings the companies managed to make.



*Speaker from Royal Selangor shared the company's successful lean journey with the participants.*

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Following the session was the Lean Kando workshop session which was helmed by Encik Muhar Murad who was the consultant hired by MTIB to conduct the Lean Management Programme 2017. Lean KanDo is a competitive, engaging and energetic lean game that introduces the principles of Lean processing done through experiential learning. The session provided firsthand experience in understanding the principles and fundamental concepts of Lean processing. It also demonstrated how Lean can improve job and customer satisfaction, and business performance. The Lean KanDo session also encouraged the participants to identify how Lean processing could improve their workplaces



Participants gained knowledge in lean management through hands-on experience with the Lean KanDo System.

This was followed by the theory behind the concept of Lean Management as well as a briefing to the participants on how they can participate in the MTIB Lean Management Programme 2017.

The roadshows were attended by about 100 people from 59 timber-based companies. Overall, the programme was well received by the participants

as it increased their awareness of the cost saving benefits of Lean Management as well as signaling MTIB's commitment in transforming the Malaysian timber industry to becoming more productive and competitive and thus able to better compete with international timber-based companies. 

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## Timber World In Brief

rapidly in countries with tropical forests. This expansion brings possibilities for expanding the market for timber from responsibly managed forests. In these countries, the share of FSC-certified timber is nearly 13% of harvested timber volume. In addition to timber, FSC-certified forests produce a large variety of non-timber forest products (NTFPs). For instance, nearly 5% of global cork production is now FSC certified. This has been achieved thanks to support from dedicated forest owners and managers.

FSC is developing new tools to capture the value of other ecosystem services – besides timber and NTFPs – that are provided by FSC-certified forests. Forests act as carbon sequestration and storage facilities, and FSC-certified forests are no exception. Some 6% of FSC-certified forests provide carbon offsets – income from global carbon funds. Overall, more than 12% of FSC forest management

certificate holders report having earned monetary compensation for providing ecosystem services. On average, FSC certificate holders receive over a quarter (28%) of their forest product financial turnover from FSC-certified products. Among forest management certificate holders, the share is even larger – about three fifths (60%). The reason behind this difference may be that forest management certificate holders operate at the beginning of the supply chain, where the share of FSC materials in their sales tends to be higher than in the processing or retail sectors.

FSC works with leading global forest products companies to measure the share of FSC-certified materials in finished products. Currently, FSC focus on furniture, structural/construction timber, composites, packaging, paper and newsprint, household and sanitary sectors, and on the use of reclaimed paper.

FSC/Fordaq, 31 July 



Jelutong Dyers logo



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## GLOBAL SKILLS CHALLENGE 2017



*Encik Amri Mustafa of WISDEC (right) with Encik Mohd Izuwan Mat Rabi, Malaysian contestant in the cabinetmaking trade category.*



*Encik Amrul Ridwan Mohd Azam, Malaysian contestant in the joinery trade category.*

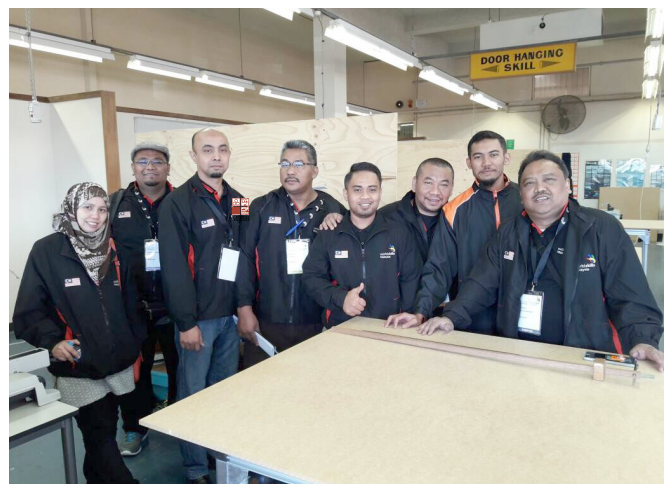
A team of Malaysian contestants participated in the Global Skills Challenge 2017 which was held from 3 to 9 July at TAFE NSW Newcastle, Hamilton, Australia. The GSC 2017 is a simulated International Competition held biennially as a lead up to the Worldskills International Competition. The Malaysian team participated in this competition as a training exercise before participating in the 44th Worldskills Competition (WSC), which will be held in Abu Dhabi in October 2017.

The organiser of GSC 2017 invited contestants from 15 countries namely Malaysia, Canada, France, Japan, Morocco, Russia, Chinese Taipei, United Kingdom, Brazil, China, Hong Kong, Korea, New Zealand, Singapore and United States, comprising approximately 300 competitors, experts and delegates to Australia for the four-day competition. Being one of the participating countries, Malaysia sent eight contestants to the competition, through the Ministry of Human Resources and Ministry of Works. The Malaysian team covered eight trades: Joinery, Cabinetmaking, Bricklaying, Wall and Floor Tiling, Welding, Beauty and Therapy, Refrigeration and Air-conditioning, and Cooking.

The cabinetmaking trade category was represented by Encik Mohd Izuwan Mat Rabi who had undergone intensive training at Wood Industry Skills Development Centre (WISDEC). The joinery trade category was represented by Encik Amrul Ridwan Mohd Azam from the Industrial Training Institute Kuala Terengganu (ILPKT).

To develop human capital in the timber industry, MTIB was appointed as the Industry Lead Body (ILB) by the Department of Skills Development (JPK), Ministry of Human Resources. As ILB, MTIB undertakes training programmes and activities, in order to elevate the level of skills of human resources in the timber. Two MTIB officers Encik Amri Mustafa and Encik Saifol Azri Mohamad have been appointed as national expert in cabinetmaking and joinery.

The Malaysian contingent was led by Encik Nidzam Bin Kamarulzaman, Director-General of Skills Department. MTIB was represented by Puan Norhasniza Mohd Rom, Encik Amri Mustafa and Encik Saifol Azri Mohamad, who also took part in the competition.



*Encik Nidzam Bin Kamarulzaman, Director-General of Skills Department (extreme right) with MTIB team.*

## CHINESE TAIPEI SKILLS INVITATION COMPETITION 2017

**H**uman capital development is essential in nurturing K-workers in the timber industry in Malaysia. It is one of the National Timber Industry Policy's (NATIP) thrusts. As such, MTIB works closely with the Department of Skills Development and the Ministry of Works Malaysia to promote and participate in skills competitions on both national and international levels.

These efforts included the training of local participants for the Chinese Taipei Skills Invitation Competition 2017 in Tainan City, Chinese Taipei held from 11 to 16 July. The event is held biennially, leading to the WorldSkills International Competition and this competition acted as a training ground for the competitors before moving towards the 44th WorldSkills Competition (WSC) to be held in Abu Dhabi in October 2017.

The Chinese Taipei Skills Invitation Competition 2017 was officially launched and closed by Mr. San-Quei Lin, Vice Minister for the Ministry of Labour in Taiwan. He is also the Vice President for Special Affairs Wordskills Organisation.

The Chinese Taipei Skills Invitation Competition 2017 welcomed competitors from WorldSkills Member countries which included Korea, Korea, Japan, Brazil, Thailand, India, Indonesia and Malaysia. 140 competitors, experts and delegates converged

on the Yunlin-Chiayi-Tainan Regional Branch of the Workforce Development Agency, Ministry of Labour for three days of exhilarating competition. Malaysia sent four contestants to compete in four trade categories: Joinery, Mechanical CAD Engineering (C.A.D), Web Design and Cabinetmaking.

During the competition, participants received tips and guidance from experts, experienced in the WSC. The participants experienced the real pressure of competing at the highest level. The experience also helped them identify their areas of skills that require further training, to prepare for the WSC. The Chinese Taipei Skills Invitation Competition 2017 proved to be an invaluable training opportunity for all competitors involved, particularly for Team Malaysia, who will be vying for their first gold medal during the 44th WSC.

The cabinetmaking trade category was represented by Encik Mohd Izuwan Mat Rabi who had undergone intensive training at Wood Industry Skills Development Centre (WISDEC). Joinery trade category was represented by Encik Amrul Ridwan Mohd Azam from Industrial Training Institute Kuala Terengganu (ILPKT). MTIB was represented by Encik Amri Mustafa (national expert in cabinetmaking) and Encik Saifol Azri Mohamad (national expert in joinery) from WISDEC. 



*A group photo of competitors/contestants.*



*Encik Mohd Izuwan Mat Rabi, Malaysian contestant with his masterpiece during the competition.*

## CONSULTATION WITH INDUSTRY ON THE MALAYSIAN STANDARD DRAFT ON DRESSED TIMBER, DOOR JAMBS AND GENERAL MOULDINGS - SPECIFICATION

**M**TIB was appointed as a Standards Development Agency (SDA) for timber, timber products and timber structure on 22 August 2013. SDA is responsible for the management as well as the development of standards at both national and international levels. Public comment is an important stage in the Malaysian Standard (MS) development process. The period of public comment is two months (60 days) to allow for the submission of comments on the draft or existing MS by interested parties. The requirement is consistent with Article 4, 4.1 and Annex 3 of the WTO/TBT Agreement. All views and comments received during this stage will be deliberated by the relevant committee and further drafting will be made, if necessary.

In line with that, a half-day consultation with the industry on the Malaysian Standard (DMS) Draft on Specification for Dressed Timber Door Jambs and General Mouldings (MS 1401) was held on 20 July in Putrajaya. The purpose of the consultation was to update the timber industry and stakeholders on the deliberation progress of the MS 1401 revision, to obtain feedback and comments on the proposed changes made to MS 1401 during the public comment stage, and the application of the Malaysian Standard among industry players.

In addition, the consultation was an essential platform for the industry to share views related to the development of the MS and also to update the industry and the stakeholders on the standardisation activities being carried out by SDA. It was also aligned with the spirit of the Standards to facilitate business interaction, enabling companies to comply with the relevant laws and regulations, speeding up the introduction of innovative products to market and providing inter-operability between new and existing products, services and processes.

MS 1401 was first published in 1996 and it was revised by a Working Group (WG) under the Technical Committee on Timber in 2016. Once the DMS was finalised and endorsed by the TC, it was opened for public comment from 25 May till 23 July 2017. This standard describes the grading requirements applicable to dressed timber, door jambs and general mouldings of premium, standard and utility grade manufactured from

tropical hardwoods and plantation timbers. The DMS was reviewed and deliberated by a WG which comprised experts from Forest Research Institute Malaysia, MTIB, Malaysian Wood Moulding & Joinery Council, Universiti Putra Malaysia (UPM) and Universiti Teknologi MARA. The WG was chaired by Assoc. Prof Dr. H'ng Paik San from UPM.

The consultation was attended by 56 participants from the respective industries, higher learning institutions and relevant government agencies, including MTIB.



*The consultation session in progress.*



*Attendees during the event.*

## BUMIPUTERA FURNITURE ENTREPRENEURS SCHEME (SuperBumi)

### Introduction

In 2016, MTIB began implementing the “Bumiputera Furniture Entrepreneurs Scheme” (SuperBumi), in accordance with Thrust 7 of our National Timber Industry Policy (NATIP) i.e. Bumiputera participation. The objectives of SuperBumi are:

- To increase the number of Gen-Y Bumiputeras in the furniture export industry, based on the 1Malaysia concept to support Thrust 7 of the National Timber Industry Policy (NATIP) i.e. Bumiputera participation.
- To guide participants of the programme to engage directly in the country’s furniture export chain.
- To create new entrepreneurs, particularly from Gen-Y Bumiputeras in the furniture export industry through a sub-contracting system (vendorship) or direct exporting.

The pilot programme, involving 10 participants was successfully executed in collaboration with Muar Furniture Association (MFA). The programme is divided into two main phases. **Phase I:** the training phase, consists of a one-month intensive course plus three months of on-site training, followed by two months post-programme support with the main contractors.

**Phase II:** the application phase, is where successful participants from Phase I are given continuous support and supervision for about a year to establish their own businesses as new subcontractors until they become independent wood-based furniture entrepreneurs or exporters.



Participants attending an intensive course.

Course modules for the training phase include introduction to the furniture industry and its products, marketing and business development, manufacturing operations management, financial and cost management, and business planning. Hands-on training on the manufacturing processes, machine operation, production control and quality control are also conducted in the factories.

The encouraging results of SuperBumi 1.0 have convinced the cabinet to approve the implementation of the programme at a larger scale: SuperBumi 2.0 which will train up to 100 participants in stages from 2017 to 2020. The increase in participation is to improve the outcome and create a more significant impact, in line with the 2050 National Transformation (TN50) launched by the Prime Minister recently.

### Growing Acceptance and Demand in the Global Market

The timber industry is a major contributor to the nation’s export earnings. The total value of wood product exports in 2016 was RM22 billion with wood furniture exports recording the highest value. Overall furniture exports including wood-based furniture accounted for RM7.56 billion of the total value. Malaysia currently ranks as eighth as a furniture exporting country.

Undoubtedly, more entrepreneurs are needed in the industry for the supply to be able to keep up with the growing global demand. As there is a need to increase Bumiputera participation in the timber industry, MTIB spearheaded the initiative to launch SuperBumi 1.0 last year, in collaboration with several prominent furniture contractors in Muar, Johor.



Vendorship guidance.

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Hands-on training.

## Muar – Malaysia's Biggest Furniture Manufacturing Hub

Muar was chosen as the primary training site of this programme because it is the biggest furniture manufacturing hub in the country, and because of its unique production and export system in which the production is done in stages with a symbiotic sub-con and main-con system that benefits both parties. The sub-cons will produce small components and semi-finished furniture products, while the main-cons combine the components to create complete furniture for export. This unique system helps maintain the strong business bond between the sub- and main-cons, increasing profitability for both parties.

A mutual agreement has been achieved between MTIB and MFA. The spirit of cooperation and trust among the sub- and main-cons is an essential social capital, and has become a dominant asset in the Muar furniture industry, which is also the main factor contributing to their success. On top of that, most 'Muarian' furniture manufacturers are open and generous in sharing their knowledge and experiences, as well as the means by which they work together to create relevant business opportunities in the furniture industry that benefit each other.

The success of SuperBumi 1.0 is a notable example. Five main-con furniture manufacturers were



Subcontracting work trials.

committed to train and guide the 10 participants aged between 24 to 40 years. These main-cons were Deep Furniture Sdn. Bhd., Intergo Furniture Sdn. Bhd., SF Furniture Sdn. Bhd., Simewood Product Co., Ltd., and Fair Production Sdn. Bhd. For more extensive coverage, the participants were also given the opportunity to survey the processes of furniture production in nine main and sub-con factories around Muar. This enabled them to a better understanding of the importance of innovation, diligence and determination in ensuing the production of quality products.

## Bridging Inter-Ethnic Bonding and Realising the 1Malaysia Spirit

In conclusion, the short-term goal of SuperBumi is to encourage Bumiputera entrepreneurs to participate directly in the furniture manufacturing industry, to learn from successful main-cons and start their own business as sub-cons at the initial stage. The participants from the pilot programme have successfully passed the training phase and are being offered to participate in Phase II: the Application Phase which will begin in October 2017.

The participation of these Bumiputera entrepreneurs has been synergised with the support given by the main-cons, making it possible to achieve the objective of nurturing and improving continuous cooperation between different ethnicities, hence strengthening the spirit of 1Malaysia.



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## 20<sup>TH</sup> ASOF AND ITS RELATED MEETINGS



*Attendees at the 18<sup>th</sup> ASOF Meeting.*

delighted with the progress of the new structure after the streamlining process under ASOF and hoped the progress would further enhance the collaboration and implementation of Sustainable Forest Management in the region.

Dato' Sr. Dr. Azimuddin Bahari, Deputy Secretary-General, Ministry of Natural Resources and Environment, Malaysia and Mr U. Tint Swe, Director of Training and Research Development Division,

Forest Department of Ministry of Natural Resources and Environmental Conservation, Myanmar were elected as Chairperson and Vice-Chairperson of the 20th ASOF Meeting, respectively.

**A**SEAN Senior Officials on Forestry (ASOF) meets annually to formulate and implement regional cooperation activities in support of the following strategic thrusts: ensuring sustainable forest management and conservation of natural resources, strengthening ASEAN cooperation and joint approaches in addressing international and regional forestry issues, promotion of intra and extra ASEAN trade in forest products and private sector participation, increasing productivity and efficient utilisation of forest products, and capacity building and human resources development.

The 20th Meeting of ASOF was held on 24-28 July in Putrajaya. YB Dato' Sri Dr. Haji Wan Junaidi bin Tuanku Jaafar, Minister of Natural Resources and Environment, Malaysia warmly welcomed all delegates from ASEAN Member States to Putrajaya. He underlined the importance of the forest in providing goods and services, maintaining climatic and environmental stability and conserving biodiversity as well as contributing to economic development. The ASEAN region is covered by more than 200 million hectares of forest as habitat for up to 20% of the world's plant and animal species, many of which are endemic to the region.

Dato' Sri Dr. Haji Wan Junaidi congratulated the ASEAN Cooperation in Forestry that has been able to level up cooperation in various areas and reiterated their commitment towards the implementation of the Strategic Plan of Action (SPA) for the ASEAN Cooperation in Forestry (2016-2025) and Work Plan for FLEG in ASEAN (2016-2025). He was also

Dato' Sr. Dr. Azimuddin in his welcoming remarks expressed that it was a great privilege and honour to be elected as the Chair of the Meeting and to work together with delegates to strengthen the ASEAN Cooperation on Forestry. The 20th ASOF meeting aimed to provide clear direction for strengthening collaboration under the areas of forest management, forest products development, CITES and Wildlife Enforcement, forest and climate change and social forestry. Conveying the message from the Minister to move forward with the newly adopted SPA for ASEAN Cooperation in Forestry (2016-2025) and Work Plan for FLEG in ASEAN and taking into account current challenges and global development, YBhg Dato' Sr. Dr. Azimuddin encouraged AMS to develop a closer and more cohesive cooperation.

The 20th ASOF Meeting was held in plenary and closed sessions during which several important issues were highlighted and deliberated. The issues included progress in the implementation of policy framework related to ASEAN cooperation in forestry, joint consultation with the chairman of ASEAN on prevention of forest fire in the ASEAN region, sustainable forest management in ASEAN, ASEAN cooperation programmes and projects in forestry, joint ASEAN positions and approaches on regional and international forestry issues, ASEAN forest and environment issues, and ASEANROK cooperation in forestry.

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In conjunction with the ASOF meeting, the 20th Meeting of the ASEAN Working Group on Forest Products Development (AWG-FPD) was held earlier on 24-25 July at the same venue. Dr. Megat Sany Bin Megat Ahmad Supian, Under Secretary, Biodiversity and Forestry Management Division, Ministry of Natural Resources and Environment Malaysia and Mr. U Tint Swe, Director, Training and Research Development Division, Forest Department of Ministry of Natural Resources and Environmental Conservation, Myanmar were elected as the Chairperson and Vice Chairperson of the Working Group Meeting, respectively.

The meeting discussed the decisions, progress, and follow up actions made during the last ASOF, SOM-AMAF, AMAF and Relevant ASEAN Meetings which included the Roadmap for an ASEAN Community. Essential issues updated were on:

- Cooperation in the Timber Certification Initiative which comprised the country progress reports on Criteria and Indicators (C&I) for legality of timber, forest management certification and the implementation of timber certification and legality assurance systems, and the ASEAN Chain of Custody (CoC) Guidelines and Progress on the FLEG Work Plan (2016-2025).
- Cooperation in Herbal and Medicinal Plants including the Country progress report on herbal and medicinal Plants, exchange of database on ASEAN herbal and medicinal plants and the ASEAN documentation of R&D information and directory'.
- Cooperation in Forest Products Development with 'Update on the Identification, Support of Project Proposals and Accelerate Possible Areas of Cooperation for Forest Products Development and Trade', 'Update on Non-Timber Forest Products (NTFP) Development and Trade', 'Update on the Establishment of Networking among ASEAN Research and Trade Promotion Institutions to

Facilitate Exchange of Information, Transfer of Technology, and Sharing of Expertise in Forest Products Development and Trade', 'Update and Information Sharing on Common Non-Tariff Barriers by Importing Countries', 'Update on Exchange of Information and Harmonise Technical Regulations to Facilitate Trade', 'Update on Support Aligning National Standards and Testing Protocols in line with Existing Internationally Recognised Standards' and 'Update on Strengthening Cooperation in Human Resources Development in Forest Products Development'.

- Plan of Action (PoA) for ASEAN Cooperation in Forest Products Development.

- Joint Consultation between AWG-FPD and ACCSQ Working Group on Standards and Mutual Recognition Agreement (MRA).

Ensuing from the AWG-FPD meeting, the ASOF 18th Seminar on Current International Issues Affecting Forestry and Forest Products: Forest Landscape Management was also held on 26th July. Among the papers presented and discussed were Sustainable Landscapes: A Means of Managing Social and Environmental Issues in The Tropics, Landscape Management by Community in Social Forestry Programs: Practice and Impacts, Forest Landscape Restoration for Climate Mitigation and Adaptation: ITTO Lessons, Experiences and Initiatives in Forest Landscape Management in Malaysia, Cambodia, Indonesia, Lao PDR, the Philippines, Thailand and Viet Nam.

The Malaysian delegation was led by Dato' Sr. Dr. Azimuddin Bahari, Deputy Secretary-General, Ministry of Natural Resources and Environment, Malaysia. MTIB was represented by Encik Mohd Kheiruddin Mohd Rani, Tuan Hj. Mahpar Atan, Tuan Hj. Kamaruzaman Othman, Puan Hj. Mahsuri Mat Dris, Puan Ennie Syarina Norizan and Encik Mohd Afthar Amir.



The 20<sup>th</sup> AWG-FPD Meeting in progress.

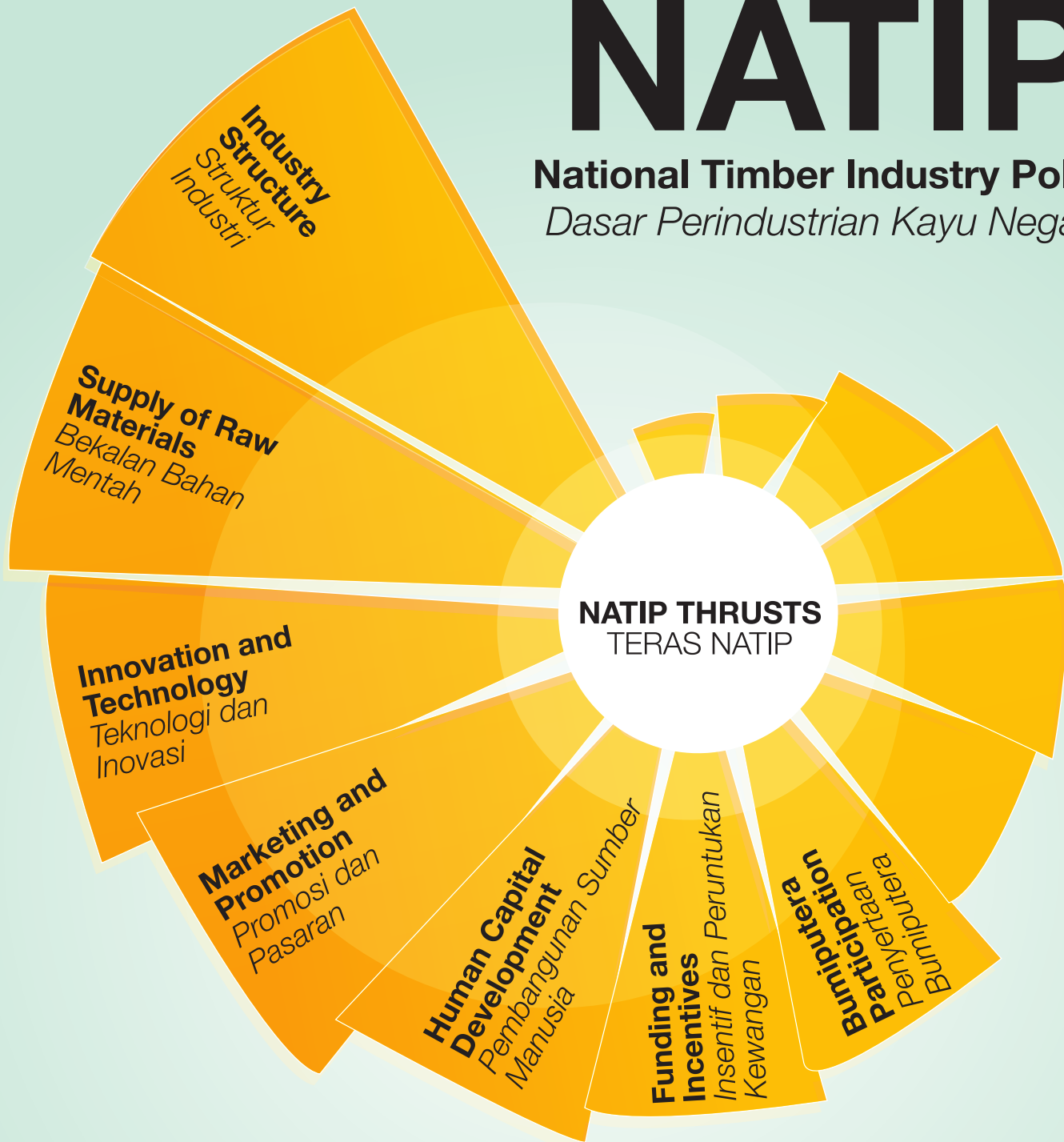


ASEAN Member States during the AWG-FPD.

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# NATIP

**National Timber Industry Policy**  
*Dasar Perindustrian Kayu Negara*



## NATIP Target *Sasaran NATIP*

**Export target by 2020**

*Sasaran eksport 2020*

**RM53**  
**Billion/Bilion**

**60%**

**Value-added**  
*Nilai tambahan*

**40%**

**Commodity**  
*Komoditi*

**6.4%**

**Annual export growth**  
*Pertumbuhan eksport tahunan*



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## INDONESIA TIMBER EXPORTERS TO GAIN BENEFITS FROM FLEGT



### Overview

*Indonesia officially the Republic of Indonesia is a unitary sovereign state and transcontinental country located mainly in Southeast Asia with some territories in Oceania. Situated between the Indian and Pacific oceans, it is the world's largest island country, with more than seventeen thousand islands. At 1,904,569 sqkm, Indonesia is the world's 14th largest country in terms of land area and world's seventh largest country in terms of combined sea and land area. It has an estimated population of over 260 million people and is the world's fourth most populous country, the most populous Austronesian nation, as well as the most populous Muslim-majority country. The world's most populous island, Java, contains more than half of the country's population.*

Indonesia's republican form of government includes an elected legislature and president. Indonesia has 34 provinces, of which five have Special Administrative status. Its capital and country's most populous city is Jakarta, which is also the most populous city in Southeast Asia. The country shares land borders with Papua New Guinea, East Timor and the eastern part of Malaysia. Other neighbouring countries include Singapore, Viet Nam, the Philippines, Australia, Palau and the Indian territory of the Andaman and Nicobar Islands. Despite its large population and densely populated regions, Indonesia has vast areas of wilderness that support the world's second highest level of biodiversity. The country has abundant natural resources like oil and natural gas, tin, copper and gold. Agriculture mainly produces rice, palm oil, tea, coffee, medicinal plants, spices and rubber. Indonesia's major trading partners are Japan, United States, China and the surrounding countries of Singapore, Malaysia and Australia.

### Economy

Indonesia has the largest economy in Southeast Asia and is one of the emerging market economies of the world. The country is also a member of



G-20 major economies and classified as a newly industrialised country. It is the 16th largest economy in the world by nominal Gross Domestic Product (GDP).

Indonesia still depends on domestic market and government budget spending and its ownership of state-owned enterprises (the central government owns 141 enterprises) and the administration of prices of a range of basic goods including, rice and electricity plays a significant role in Indonesia market economy, but since the 1990s, the majority of the economy has been controlled by private Indonesians and foreign companies.

In the aftermath of the financial and economic crisis that began in mid-1997, the government took custody of a significant portion of private sector assets through acquisition of nonperforming bank loans and corporate assets through the debt restructuring process and the companies in custody were sold for privatisation several years later. Since 1999 the economy has recovered and growth has accelerated to over 4–6% in recent years.

In 2012, Indonesia has seen a slowdown in growth mostly due to the end of the commodities export boom. During the global financial crisis, Indonesia outperformed its regional neighbors and joined China and India as the only G20 members posting growth. Indonesia's annual budget deficit is capped at 3% of GDP and the Government of Indonesia lowered its debt-to-GDP ratio from a peak of 100% shortly after the Asian financial crisis in 1999 to less than 27% today.

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President Joko Widodo was elected in July 2014, seeks to develop Indonesia's maritime resources and pursue other infrastructure development, including significantly increasing its electrical power generation capacity. Fuel subsidies were significantly reduced in early 2015, a move which has helped the government redirect its spending to development priorities.

Indonesia with the nine other ASEAN members, will continue to move towards participation in the ASEAN Economic Community, though full implementation of economic integration has not yet materialised.

## Forest Resources

Indonesia has the world's third largest area of tropical forest and globally significant biodiversity. Indonesia's forests are home to thousands of plant and animal species and 50-60 million Indonesians depend directly on the forests for their livelihoods. Forest governance is a tangible entry point for engagement on decentralisation and democracy,

conflict and injustice, poverty and vulnerability.

Recognising the domestic and international importance of its tropical landscape and the people in it, the Indonesian government has made encouraging decisions, it has voluntarily committed to a minimum 26% reduction in greenhouse gas emissions by 2020 and developed a strategy for land use and forestry emissions, extended a moratorium on new clearing of primary forests and peat lands from two to four years (2013-2015), and increasingly recognised the rights of forest communities and indigenous peoples. Indonesia must balance these environmental and social goals with a rapidly growing economy based on natural resources and corporate interests.

## Timber Production in Indonesia

According to the latest FAO forest statistics on Indonesia, the country produced around 6.2 million m<sup>3</sup> of wood in 2016. Details of production are as follows:

**Indonesia : Production of Timber Products, 2012-2016**

| Product       | 2012             | 2013             | 2014             | 2015             | 2016             |
|---------------|------------------|------------------|------------------|------------------|------------------|
| Veneer        | 89,100           | 81,600           | 81,600           | 81,600           | 81,600           |
| Plywood       | 5,178,000        | 5,268,000        | 5,768,000        | 5,768,000        | 5,768,000        |
| Particleboard | 125,000          | 125,000          | 125,000          | 125,000          | 125,000          |
| MDF           | 229,000          | 253,000          | 192,000          | 192,000          | 192,000          |
| <b>Total</b>  | <b>5,621,100</b> | <b>5,727,600</b> | <b>6,166,600</b> | <b>6,166,600</b> | <b>6,166,600</b> |

Source: FAO Stats

## Timber Industry in Indonesia

Timber has long played a significant role in Indonesia's economic development and continues to be the country's second most valuable exports trailing behind oil. In 1987, Indonesia exported more than USD1.7 billion worth of plywood. Timber exports have been going downhill since the ban on logs which was implemented in 1980, when revenues well exceeded USD2 billion. During the boom of the 1970s, the timber industry was characterised by large multi-national corporations linking with local firms to export logs.

Today, the emphasis is shifted to plywood, with foreign joint ventures accounting for less than 20% of production, due to the government's change of policy, banning log exports in favour of plywood. The Forestry Ministry summarised their current policy on timber resources as to maintain supply of raw materials for the forestry industry and to enhance the value of forest products through local processing.

Indonesian timber industry had been an important source of revenue for the Indonesian economy. About 10 million Indonesian work in the timber industry and depend directly on the forest for their livelihood. Indonesia is still one of the world's largest exporter of tropical timber mainly to China, Japan and South Korea generating upwards of USD5 billion annually.

## Indonesia's Export of Timber and Timber Products

Indonesia's export of timber and timber products in 2016 decreased 4% to USD5.48 million over the previous corresponding period. China is the major export market for Indonesia's timber and timber products followed by Japan and the US. Indonesia export mainly plywood, furniture and mouldings. Export of plywood, furniture and mouldings totalled USD2.21 million, USD1.09 million and USD615 thousand respectively. Indonesia export plywood mainly to Japan amounting USD576 compared to the previous years. Meanwhile, its furniture

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is mainly exported to the US which amounted USD435 thousand and its mouldings is mainly exported to India amounted USD14 thousand respectively.

### Indonesia's Import of Timber and Timber Products

According to the latest UN Comtrade statistics, Indonesia's import of timber and timber products in 2016 decreased 5% to USD659.8 thousand over

the previous corresponding period. Indonesia imported mainly other furniture, sawntimber and particlboard. Imports of other furniture, sawntimber and particleboard totalled USD144 million (an increase of 7%), USD109.1 million (a decrease of 3%) and USD44 million (a decrease of 11%).

China is the major import sources for Indonesia's import of timber and timber products. Meanwhile, Malaysia is ranked third as the import sources of timber and timber products after the US.

### Indonesia : Export of Timber and Timber Products, 2012-2016

(Value : USD '000)

| Product       | 2012             | 2013             | 2014             | 2015             | 2016             |
|---------------|------------------|------------------|------------------|------------------|------------------|
| Plywood       | 2,011,518        | 2,176,213        | 2,372,471        | 2,345,947        | 2,211,610        |
| Furniture     | 1,221,082        | 1,216,624        | 1,255,611        | 1,172,265        | 1,086,555        |
| Mouldings     | 514,980          | 508,960          | 616,508          | 613,754          | 614,540          |
| Seat          | 528,409          | 511,437          | 510,273          | 518,849          | 506,289          |
| BJC           | 315,786          | 330,434          | 341,399          | 355,271          | 362,872          |
| Fibreboard    | 54,007           | 58,883           | 85,890           | 96,347           | 91,907           |
| Veneer        | 33,906           | 31,446           | 30,274           | 41,316           | 54,214           |
| Sawntimber    | 53,969           | 46,659           | 51,866           | 45,872           | 51,353           |
| Wooden frames | 61,736           | 51,485           | 48,788           | 55,740           | 50,925           |
| Particleboard | 2,240            | 1,487            | 1,313            | 2,598            | 1,220            |
| Logs          | 0                | 0                | 0                | 0                | 0                |
| Others        | 400,403          | 429,357          | 522,612          | 448,910          | 426,236          |
| <b>Total</b>  | <b>5,198,036</b> | <b>5,362,985</b> | <b>5,837,005</b> | <b>5,696,869</b> | <b>5,457,721</b> |

Source: UN Stats.

### Indonesia : Import of Timber & Timber Products, 2012-2016

(Value : USD '000)

| Product       | 2012           | 2013           | 2014           | 2015           | 2016           |
|---------------|----------------|----------------|----------------|----------------|----------------|
| Furniture     | 142,786        | 146,397        | 139,615        | 134,887        | 144,006        |
| Sawntimber    | 95,727         | 98,352         | 109,878        | 112,931        | 109,070        |
| Particleboard | 76,114         | 86,496         | 72,755         | 49,036         | 43,589         |
| Fibreboard    | 69,259         | 59,959         | 47,672         | 45,037         | 41,388         |
| Logs          | 18,184         | 20,505         | 27,426         | 42,921         | 30,955         |
| Veneer        | 35,583         | 36,775         | 32,164         | 33,255         | 29,391         |
| Plywood       | 70,821         | 57,340         | 45,758         | 36,007         | 28,669         |
| BJC           | 5,443          | 6,237          | 7,943          | 5,688          | 4,833          |
| Mouldings     | 3,120          | 2,630          | 1,753          | 1,893          | 1,561          |
| Wooden Frames | 388            | 400            | 632            | 616            | 578            |
| Others        | 29,724         | 32,340         | 38,695         | 33,704         | 42,056         |
| <b>Total</b>  | <b>547,149</b> | <b>547,431</b> | <b>524,291</b> | <b>495,975</b> | <b>476,096</b> |

Source: UN Stats.

### Malaysia's Export of Timber and Timber Products to Indonesia

Indonesia has always been a significant timber

trade partner for Malaysia. Indonesia ranked 18th with 1.29% of Malaysia's total market share. In 2016, export of Malaysian timber and timber products to Indonesia registered an increase of 14% to RM285.1

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million from RM249.7 million in 2015. Logs was the main product exported with a total value of RM178 million, followed by fibreboard at RM40.1 million and wooden furniture at RM25.3 million.

### Malaysia's Import of Timber and Timber Products from Indonesia

In 2016, import of Malaysian timber and timber products from Indonesia show an increase of 3% to RM524.1 million from RM508.5 million in 2015. Indonesia ranked second with 13.5% of Malaysia's total market share. Plywood was the main product imported with a total value of RM326.8 million followed by wooden furniture at RM84.5 million and mouldings at RM40.8 million.

#### Malaysia : Export of Timber and Timber Products to Indonesia, 2012-2016

(Value : RM)

| Product          | 2012               | 2013               | 2014               | 2015               | 2016               |
|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Logs             | 6,941,992          | 13,933,644         | 38,091,899         | 105,816,611        | 178,005,303        |
| Sawntimber       | 17,032,294         | 5,599,455          | 2,948,818          | 2,009,109          | 2,515,248          |
| Plywood          | 4,104,158          | 2,249,186          | 1,164,394          | 125,357            | 2,145,382          |
| Veneer           | 906,134            | 1,086,799          | 1,019,738          | 815,021            | 844,740            |
| Mouldings        | 1,674,528          | 531,257            | 103,164            | 229,494            | 420,600            |
| Particleboard    | 71,658,809         | 82,901,626         | 65,406,825         | 38,768,266         | 20,266,377         |
| Fibreboard       | 73,044,106         | 57,263,726         | 40,956,310         | 43,438,834         | 40,133,879         |
| Wooden Frame     | 203,279            | 114,466            | 188,847            | 28,695             | 20,725             |
| BJC              | 10,633,470         | 9,984,751          | 9,918,100          | 11,003,272         | 7,081,762          |
| Wooden Furniture | 68,065,485         | 41,836,450         | 46,929,415         | 36,009,492         | 25,339,512         |
| Rattan Furniture | 290,961            | 488,937            | 710,021            | 647,366            | 521,642            |
| Other Products   | 10,483,659         | 5,484,018          | 4,616,402          | 10,855,724         | 7,803,131          |
| <b>Total</b>     | <b>265,038,875</b> | <b>221,474,315</b> | <b>212,053,933</b> | <b>249,747,241</b> | <b>285,098,301</b> |

Source: MTIB and DOSM

#### Malaysia : Import of Timber and Timber Products from Indonesia, 2012-2016

(Value : RM)

| Product          | 2012               | 2013               | 2014               | 2015               | 2016               |
|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Logs             | 7,729,257          | 2,970,501          | 3,044,028          | 1,743,937          | 1,115,140          |
| Sawntimber       | 21,459,130         | 15,671,617         | 19,729,497         | 12,670,399         | 9,275,320          |
| Plywood          | 73,532,077         | 118,321,953        | 228,678,651        | 323,340,320        | 326,843,436        |
| Veneer           | 6,541,048          | 9,253,029          | 6,046,540          | 3,597,799          | 1,134,160          |
| Mouldings        | 79,879,788         | 63,190,024         | 42,520,854         | 48,658,503         | 40,830,713         |
| Particleboard    | 0                  | 5,890              | 117,507            | 628,415            | 478,460            |
| Fibreboard       | 21,475,151         | 27,766,131         | 32,199,652         | 27,203,119         | 17,923,232         |
| Wooden Frame     | 12,942             | 56,693             | 146,624            | 408,899            | 197,698            |
| BJC              | 4,516,767          | 8,777,638          | 5,955,414          | 5,746,713          | 8,109,088          |
| Wooden Furniture | 44,701,277         | 40,194,112         | 40,919,841         | 49,781,203         | 84,474,763         |
| Rattan Furniture | 2,529,555          | 4,807,906          | 1,271,311          | 2,125,721          | 4,693,068          |
| Other Products   | 10,190,006         | 9,272,913          | 27,353,968         | 32,609,902         | 28,985,134         |
| <b>Total</b>     | <b>272,566,998</b> | <b>300,288,407</b> | <b>407,983,887</b> | <b>508,514,930</b> | <b>524,060,212</b> |

Source: MTIB and DOSM

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## Import Tariffs

The Indonesia's import duty on timber and timber products ranges from 0 – 25%. Details are as follows:

| Product                        | MFN Tariff (%) | ATIGA (%) |
|--------------------------------|----------------|-----------|
| Fuel Wood                      | 0              | 0         |
| Wood Charcoal                  | 0              | 0         |
| Logs                           | 0              | 0         |
| Hoop Wood                      | 0              | 0         |
| Wood Wool and Wood Flour       | 0              | 0         |
| Railway Sleepers               | 0              | 0         |
| Sawntimber                     | 0              | 0         |
| Veneer                         | 0              | 0         |
| Mouldings                      | 5              | 0         |
| Chipboard/Particleboard        | 5              | 0         |
| Fibreboard                     | 5              | 0         |
| Plywood                        | 10             | 0         |
| Densified Wood                 | 5              | 0         |
| Wooden Frame                   | 20             | 0         |
| Packing Cases                  | 5              | 0         |
| Casks, Barrels, Vats and Tubs  | 5              | 0         |
| Tools Bodies and Handle        | 5              | 0         |
| Builders Joinery and Carpentry | 5              | 0         |
| Tableware and Kitchenware      | 5              | 0         |
| Wood Marquetry                 | 25             | 0         |
| Other Article of Wood          | 5              | 0         |
| Furniture                      | 5 - 10         | 0         |

## Prospects

According to World Bank's Indonesia Economic Quarterly report, economic growth for Indonesia is expected to be at 5.2% for 2017 and 5.3% for 2018. The strong footing for the nation in 2017 is expected with a better global environment and supported by the fiscal performance of the nation and better spending quality.

Indonesia has started issuing FLEGT (Forest, Law Enforcement, Governance and Trade) licenses in November 2016. With this license, timber exports from Indonesia can enter the European Union market without the need for importers to conduct further due diligence checks. Entering the EU market could serve Indonesian exporters as a reference to access other markets that enforce timber legality, such as Australia, Japan and the USA. Timber Legality Assurance System (SVLK) is required by Indonesian law for all wood product exports. All Indonesian exporters who qualify for SVLK can automatically obtain the FLEGT license and export to the EU.

It is expected that Indonesia's furniture product exports to triple from USD1.5 billion to USD5 billion

from 2016 to 2021. Maximising the use of FLEGT licenses could improve not only Indonesia's timber exports, but also the livelihoods of millions of people dependent on small and medium-sized enterprises (SMEs), which dominate the furniture sector.

The FLEGT license will serve to increase their market share, improve the competitiveness of their products, increase revenue for the communities and improve the livelihoods of those involved. Even though illegal logging is one of the biggest challenges faced by Indonesia and that contrary to some predictions that this licensing system would hamper exports, the figure is quite encouraging.

Thus, more work is needed to make it easier for SMEs to comply with the verification requirements of SVLK and FLEGT. Governments at the national and local levels should make it easier for SMEs to comply with license requirements. Further improvements to FLEGT licensing are foreseen, to help SMEs with compliance and to remove excessive requirements that make it harder for them to compete with larger exporters.

Malaysia has always been an important trading partner with Indonesia in timber. To improve trade and to sustain its market share in Indonesia, Malaysian exporters will have to provide competitive pricing with better quality along with effective marketing strategies. In order for the Malaysian timber industry to enhance its export in the Indonesia market, the Malaysian manufacturers need to maintain and enhance their presence in the Indonesia market through participation in major timber, furniture and construction fairs and exhibition as it will be a good demand for Malaysian furniture and value-added timber product in Indonesia.

Malaysian exporters should also take full advantage to further promote Malaysian timber and timber products especially value-added products such as BJC, mouldings and engineered timber products. Malaysian timber exporters need to take this chance and make their presence felt and enhance networking with Indonesia's timber and furniture importers while at the same time undertake market research on current Indonesia importers' market preferences and taste. Therefore, it is envisage that with the above opportunities, timber trade for both countries especially in terms of export and import activities and investments in timber products will be increased in the coming years.

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## TERUNTUM – POPULAR IN SABAH FOR MARINE PILING



Flowers of *Lumnitzera littorea*



Bark



Wood colour and texture.

**T**eruntum is the standard name for the timber of *Lumnitzera* spp. belongs to the family of *Combretacea*. Vernacular names applied include Teruntum (Peninsular Malaysia and Sarawak) with various epithets, Geriting (Sabah) with various epithets and Sop-sop (Johor). Major species include *L. littorea* and the pole-sized *L. racemosa*. Teruntum also known as Sangali (Fiji), Teruntum (Indonesia), Brown mangrove (Papua New Guinea), Tabau (Philippines), and Fat (Thailand). It is classified as Medium Hardwood with a density of 755-835 kg/m<sup>3</sup> air dry. Teruntum tree is found mainly in mangrove forests.

### General Description

The sapwood is not well-defined and is lighter in colour than the heartwood. The heartwood is light grey-brown to light brownish red. The grain is straight to shallowly interlocked. The texture is very fine, even and glossy. The wood surface is described as moderate in lustre. It has a scent of roses or spicy odour when freshly cut.

Vessels are moderately small to medium sized and moderately numerous, in radial groups of two to seven and with simple perforations. Tyloses present in some vessels. Wood parenchyma is sparse and indistinct. Rays are moderately fine.

### Physical Properties

|                           |                                         |
|---------------------------|-----------------------------------------|
| Air-dry density           | 755-835 kg/m <sup>3</sup>               |
| Radial shrinkage          | 1.0 %                                   |
| Tangential shrinkage      | 1.3 %                                   |
| Seasoning                 | Seasons fairly well with little degrade |
| Recommended kiln schedule | n.a                                     |

### Mechanical Properties

|                                                 |                          |
|-------------------------------------------------|--------------------------|
| Strength group                                  | SG 4                     |
| Static bending MOE                              | 14,800 N/mm <sup>2</sup> |
| Static bending MOR                              | 77 N/mm <sup>2</sup>     |
| Compression strength perpendicular to the grain | n.a                      |
| Compression strength parallel to the grain      | 42.00 N/mm <sup>2</sup>  |
| Shear strength                                  | 9.50 N/mm <sup>2</sup>   |

Note: MOE – Modulus of Elasticity

MOR – Modulus of Rupture

### Durability

The timber is moderately durable.

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## Working Properties

The timber is reported to plane very cleanly, producing a smooth and glossy surface.

## Uses

Teruntum timber is popular for marine piling in Sabah. It is also an attractive wood for furniture and other uses include flooring, interior finishing, panelling, mouldings, door and window frames, pallets, packing boxes and crates.

## References :

- 100 Malaysian Timbers 2010 Edition, MTIB
- MTC Wood Wizards. Retrieved from [http://mtc.com.my/wizards/mtc\\_tud/items/report\(31\).php](http://mtc.com.my/wizards/mtc_tud/items/report(31).php)
- ITTO Lesser Used Species. Retrieved from <http://www.tropicaltimber.info/specie/teruntum-lumnitzera-littorea/#lower-content>



An attractive wood for flooring.

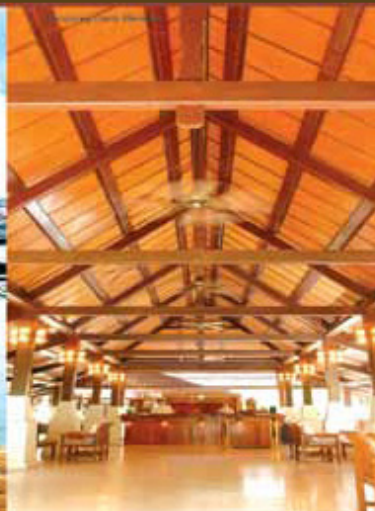
# Malaysian Wood

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*Workshop on Principles and Rules for the Structure and Drafting of MS, organised by MTIB for its officials on 5-6 July 2017 in Putrajaya.*



*Courtesy visit to Malaysian Quarantine and Inspection Services (MAQIS), led by YBhg. Dato' Dr. Jalaluddin Harun FASc, MTIB Director-General on 13 July 2017.*



*Workshop for TANGGAM designers, organised by MTIB on 19-21 July 2017 in Langkawi, Kedah.*



*YBhg. Dato' Dr. Jalaluddin Harun FASc, MTIB Director-General posing with MTIB personnel during Hari Raya Celebration at MTIB, Kuala Lumpur on 20 July 2017. It was held in conjunction with MTIB's monthly assembly.*



*Basic Course on Furniture Making, organised by MTIB on 24 - 27 July 2017 at WISDEC Selangor, Banting.*



*Course on CNC Machinery for Bumiputera organised by MTIB on 26-28 July 2017 at A.N. Interior Design Sdn. Bhd. in Sandakan, Sabah.*