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MTIB

MASKAYU

COMMODITY INDUSTRY CONSULTATION 2012

ALAMESRA FURNITURE PROMOTION CENTRE IN SABAH LAUNCHED

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Cover: *The newly launched Alamesra Furniture Promotion Centre features products manufactured by Sabah SMEs. See story on page 12.*

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COMMODITY INDUSTRY CONSULTATION 2012

A formidable challenge that timber industry face today is picking up exports sales to achieve the National Timber Policy (NATIP) exports value, targeted at RM53 billion by 2020. As the future of the Malaysian timber industry is inherently linked to its ability to address and overcome issues and challenges before them, a series of deliberations were convened by relevant Ministries and agencies to ensure positive growth of the development of the industry.

YB Tan Sri Bernard Dompok, Minister of Plantation Industries and Commodities (centre) chairing the consultation session. He is flanked by YB Dato' Hamzah Zainudin, his Deputy; and Datin Paduka Nurmala Abdul Rahim, Secretary-General of MPIC.

Realising the importance of addressing significant issues affecting the industry, the Ministry of Plantation Industries and Commodities (MPIC) organised a Commodity Industry Consultation on 27-28 June at Seri Kembangan, Selangor. It was held as a platform for the Ministry to listen and give feedback on issues affecting the commodity industry across the sector. The consultation on 27 June provided room for timber fraternities to interact with the Ministry.

In his welcoming address, YB Tan Sri Bernard Dompok, Minister of Plantation Industries and Commodities (MPIC) urged the timber players to take the opportunity to voice their problems and suggestions towards developing the country's timber industry. He noted that in 2011, wood products such as furniture and plywood remained as major contributors to the export earnings, of which, furniture exports were valued at RM6.2 billion or 31% of total wood product exports, whilst plywood exports amounted at RM5.1 billion or 25.5% of total exports of wood products.

Prior to the consultation session, there was a certificate presentation to MTIB upon its appointment as an Industry Lead Body (ILB), and MTIB's recognition as an Accredited Certification Body (ACB). Both certificates were presented to Dr. Jalaluddin Harun, Director-General of MTIB by Department of Skills Development, Ministry of Human Resources; and Department of Standards Malaysia (DSM), respectively. The appointment of MTIB as an ILB marks another milestone for MTIB, in its effort towards the development of human capital in the timber industry. The appointment is for a period of two years commencing from the year 2012, and an allocation of RM351,000 was granted to MTIB for the development of human resources in the country's timber sector. Whereas, the recognition of MTIB as an ACB is in line with MTIB's initiative to assist the timber industry to constantly look beyond customer's expectation in order to deliver high quality timber products. MTIB has developed a Product Certification Scheme which is aimed at achieving timber products satisfaction by preventing nonconformity at all levels of production.

Two key issues discussed during the consultation session were labour shortage and minimum wages. Other matters raised were raw materials, financing and insurance.

The consultation session was attended by over 60 representatives from timber associations and representatives from government agencies, financial institutions, banks and the private sector. Also in attendance were YB Dato' Hamzah Zainudin, Deputy Minister of MPIC and Datuk Madius Tangau, Chairman of MTIB.

Dr. Jalaluddin Harun, MTIB Director-General (left) receiving a mock cheque from Dr. Pang Chau Leong, Director-General of Department of Skills Development.

Encik Shaharul Sadri Alwi, Director of Accreditation of DSM presenting the ACB certificate to Dr. Jalaluddin Harun, MTIB Director-General (left).

TIMBER WORLD IN BRIEF

AUSTRIA
Timber Industry Sees 8.3% Growth in Production

Austria's timber industry recorded a production volume of EUR7.64 billion in 2011. This is an 8.3% growth year-on-year and a new record year for the sector. The sector employed a total of 28,606 people in 2011.

The country's timber industry has threatened Austrian railway company OBB to move its timber transport onto the road, as timber transports on rail are no longer affordable and competitive. The prices of the rail cargo subsidiary of OBB, Rail Cargo Austria (RCA), are said to have increased to an extent that is no longer bearable. In addition, numerous freight loading stations have been shut down.

Oberösterreichische Nachrichten, 21 June

BRAZIL
Amazon Deforestation at Record Low

Forestry Research Associates (FRA) said government measures to turn industries away from illegal timber had led to less deforestation. This includes discouraging the steel industry to use illegal wood to produce charcoal, with the threat of cancelling state financing for companies if they failed to source sustainably. The record low levels of deforestation in Brazil have been credited to the creation of sustainable forestry plantations in the country.

New figures, released by the National Institute for Space Research in Brazil, show that Amazon deforestation rates had reached their lowest levels since records began more than 20 years ago. In the 12 months to 31 July 2011, about 6,418 km^2 of forests were destroyed - the smallest area since 1988. The rate of deforestation has now dropped by 75% since 2004.

The Brazilian government said the improvement was down to changes in society and government measures, such as enforcement.

TTJ Timber Trades Journal, 19 June

CANADA
New Government Agency to Manage Forestry Sector

Ontario has formed a new government agency known as the Nawiinginokiima Forest Management that will oversee and manage timber sales along the northeast shore of Lake Superior.

The entity will cover five forest management units comprising Pic River Ojibway Forest, Big Pic Forest, Nagagami Forest, Black River Forest and White River Forest. Market demand and the timber supply will be better aligned with the new agency, which marks the first Local Forest Management in Ontario, Canada.

ForestTalk.com, 27 June

EUROPE
Sawmill Industry Suffers from Economic Downturn

The European sawmill industry is suffering from a combination of the economic crisis, a lack of confidence amongst consumers, high costs and difficulties with the availability of raw materials, according to Alfred Jechart of the European Organisation of the Sawmill Industry (EOS) at its general meeting in Riga. However, the industry will overcome the difficulties as a result of new production technologies in construction, the EU climate targets and the properties of wood.

The organisation is also planning a Europe-wide marketing campaign with the European Timber Trade Federation.

Holz-Zentralblatt, 18 June

FINLAND
Demand for Sawn Goods Expected to Increase in 2013

According to the Finnish Forest Research Institute, demand for sawn goods will remain weak in 2012. Tight saving measures in Europe will postpone decisions concerning construction with at least 12 months. The Institute forecasts that demand will start to increase in 2013. Regional variations will be significant, however.

The price of sawn goods has remained stable even though demand has been poor. In early 2012, export prices have gone up slightly, but the average price for the whole of 2012 is expected to remain at the 2011 level. There is pressure to raise prices as production has been restricted. The increase in prices is uncertain, however, as growth in demand is not expected.

Maaseudun Tulevaisuus, 8 June

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GERMANY
Timber Retail Sector Sees Growth of 10%

Germany's timber retail sector recorded a growth in turnover of 10% in 2011 compared with 2010. The sector saw a high demand for indoor doors, interior fittings and timber garden products as well as wooden floorings. The sector saw a cumulative growth of 1% in the period January to April 2012. This is however below the turnover growth of the entire timber trade, which grew by 5%.

Holz-Zentralblatt, 8 June

INDONESIA
Funds to Ensure Trees are Not Felled before Harvest Time

A funding of IDR3 trillion (USD316.45 million) has been prepared by the Ministry of Forestry to ensure that farmers do not cut down the trees before harvest time. The fund will be channelled to farmers in need of cash.

According to Mr. Zulkifli Hasan, the Forestry Minister, farmers tend to cut trees from the plantation forest whenever they need money resulting in the lack of logs with diameter of 30 centimetres. Most trees were felled prematurely with diameter not more than 15 centimetres.

Bisnis Indonesia, 7 June

LATVIA
Furniture Manufacturers to Raise Sales

Latvia's manufacturers of furniture are expecting to raise their sales by 4% to 5% in 2012, year on year, forecasts the Latvian Furniture Association. The companies are not hoping to resume the impressive pre-crisis sales figures, as negative developments in Euro zone may leave effect also on the Latvian wood processing industry.

Key export markets of Latvia's furniture manufacturers are the Scandinavian countries, Central Europe, Estonia, and the US, and key products are wooden pieces of furniture. Main rivals of Latvia's companies are Lithuanian and Polish furniture manufacturers.

Baltic News Service, 19 June

UNITED KINGDOM
Mouldings Sector Towards Fully Finished Products

Mouldings suppliers report that there is a trend towards plainer profiles and simple, elegant finishes. Construction industry will want more fully finished products. Quick turn-around times, special orders and bespoke manufacturing are popular. MDF is also increasing its market share.

TTJ Timber Trades Journal, 23 June

Joinery Market Tough

In the UK, in a recent survey 41% of the members of the British Woodworking Federation have reported sales increase in the last quarter of 2011, compared with the same period of previous year, and 48% in the first quarter of 2012. About a third of the respondents reported sales decline. Sixty-three percent will increase investments in product development in the next 12 months. Fifty-seven percent expect their sales to grow in 2012.

The market is still tough for joinery companies, costs are going up and house builders are squeezing joinery manufacturers' margins. There has been little improvement in bank lending. In the architectural joinery sector, major contracts are difficult to get.

TTJ Timber Trades Journal, 12 June

MAY 2012

SCORE to Benefit Rajang Port

The Rajang Port Authority (RPA) was keen to exploit the many opportunities expected to be generated from developments at the Sarawak Corridor of Renewable Energy (SCORE). Puan Helen Lim Hui Shyan, General Manager of RPA said SCORE would fuel economic growth in Sarawak's central region as the business would grow and the markets would expand. There would be more activities and hence, more cargo. RPA was blessed to be positioned in a strategic advantage. The port's core activity of handling containers had registered very encouraging growth. For the past five years, RPA had recorded an average increased of 6% to 7% annually. As a riverine port in this region, RPA had achieved a total throughput of 88,700 TEUs (20ft equivalanet units) of containers last year. In addition, Encik Vincent Goh Chung Siong, Chairman of RPA added that RPA had showed favourable and increasing surplus since 2007.

Source: The Star, 3 May

Malaysian Ports Register Higher Container Throughput

Malaysian ports recorded an increased in container throughput of 0.31 million TEUs or 6.5% to 5.1 million TEUs in the first quarter 2012 compared with the same period last year, said YB Datuk Seri Kong Cho Ha, Minister of Transport. He further said that Port Klang was the top container port in the period (January-March 2012) with a container throughput of 2.46 million TEUs compared with 2.26 million TEUs in the same period in 2011, an increase of 9.1%.

In addition, Port of Tanjung Pelepas (PTP) managed a throughput of 1.88 million TEUs for the first quarter 2012 against 1.79 million TEUs in the same period a year ago.

Datuk Seri Kong Cho Ha also said all ports in Malaysia experienced positive growth of between 1% and 24%, with the exception of Johor Port, Kuantan Port and Miri Port, which declined by 8.9%, 6.7% and 0.7% respectively. The drop in Johor Port's container throughput was due to a 30% decrease in container transshipment to the port compared with the same period last year. As for Kuantan Port, the declined was due to empty container as a result of lower import and export trade. Based on the latest 2011 containerisation international list, Port Klang had improved its standing in the global container ports league from 13th spot in 2010 to 12th position, while PTP maintained at 17th position.

Source: Sin Chew, 4 May

Outlook for Dry Bulk Still Bearish

According OSK Analyst, Mr. Ahmad Maghfur Usman, despite a 78.6% correction in the Baltic Dry Index (BDI) since the benchmark for dry bulk cargo rates bottomed out in early

Shipments of Timber and Timber Products through Ports in Peninsular Malaysia, May 2012

Products	Port Klang		Kuantan		Pasir Gudang		Tanjung Pelepas		Penang		Total all ports	% Change
	m^3	% Change May 2012/ Apr 2012	m^3	% Change May 2012/ Apr 2012	m^3	% Change May 2012/ Apr 2012	m^3	% Change May 2012/ Apr 2012	m^3	% Change May 2012/ Apr 2012	m^3	May 2012/ Apr 2012
Sawntimber	29,263	3	107	45	561	-4	83	-43	3,524	-7	33,538	-19
MDF	14,628	-3	-	-	5,603	-29	9,188	18	12,544	-5	41,963	-32
Mouldings	8,029	-18	209	21	1,947	-6	675	33	2,284	1	13,144	-12
Dressed Timber	1,668	-6	53	320	1,046	6	322	56	338	30	3,427	-24
Plywood	587	-28	-	-	25	100	-	-	5,791	-18	6,378	-45
Veneer	80	156	-	-	-	100	26	-	113	204	193	-47
Particleboard	39,753	1	-	-	243	14	2,937	-39	46	-	42,979	25
TOTAL	**94,008**	**-3**	**369**	**36**	**9,425**	**-21**	**13,231**	**12**	**24,640**	**-8**	**141,673**	**-16**

Note : Indicates % change over the previous month
Source : MTIB

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February, the sector remained bearish due to an oversupply that would likely last till 2014. Any uptick on the BDI might not be indicative of a long-term trend as the oversupply situation was still prevailing. He added that the index would probably drift downwards and continue to be volatile against the backdrop of moderating demand from China, a leading global importer, and global growth.

The BDI has declined 28.8% year-to-date and 14.2% year-on-year to 1,157 points as at 5 pm, 7 May. It fell below its 26-year low to 647 points on 2 February. Industry observers had noted that freight rates were unlikely to see any bright spots in the near term as close to 1,500 dry bulk vessels would be added to the existing fleet of 8,100 vessels globally within this year and next, putting further pressure on operators to keep rates low.

Analysts also maintained their underperform rating on Maybulk, which derives over 80% of its revenue from dry bulk. They had thus maintained their underperform rating on Malaysian Bulk Carriers Bhd. (Maybulk), which derives over 80% of its revenue from dry bulk. They said its management had guided for lower revenue in its financial year 2013, after the company posted a 61.7% dip in net profit in the year ended 31 December 2011 to RM91.3 million. Lower charter rates also led to a 36.6% slump in its revenue to RM256.3 million from RM404.2 million a year earlier. In a note to clients on Maybulk's fourth-quarter results, CIMB Research said, earnings were likely to come under more pressure in 2012 as the overcapacity problems seem to have escalated.

Bulk freight rates were hovering at levels where many operators found it difficult to even cover their cash operating costs. Maybulk was still in the black, due to profitable long-term charters signed a few years ago. This could change in 2013 as some of these charters are up for renewal by end-2012. The brokerage added that dividends would be less forthcoming as Maybulk readied itself for acquisitions to expand its fleet. In the coming years, Maybulk is expected to pay little dividends as the operating environment for bulk companies remains challenging. Against expectations of a 7 sen dividend, Maybulk declared only 3 sen, which brought yield down from 5.7% in 2010 to a mere 1.7%. In addition to the tough situation, Maybulk was also likely to be conserving cash, a sure sign that it was shopping around for cheap assets. The freight operator will grow its average capacity in dead weight tonne this year by 9% with the delivery of three new vessels, one of which arrived in January and the rest in April and October.

Another Analyst said Maybulk's shares had rallied RM1.11, or 72.1%, in January after rumours that a privatisation was in the offing, although parties close to the company reportedly had said this was groundless. The stock had since retreated 32.8% to RM1.78 as of yesterday. A total of 2.6 million shares were traded. On the other hand, Maybulk-CC warrant, however, saw more action ending the day the fourth most actively traded stock with 24.9 million units done. It gained half a sen to 19.5 sen.

Source: The Star, 8 May

Eleven Firms Bidding for Second Package of Samalaju Port Project

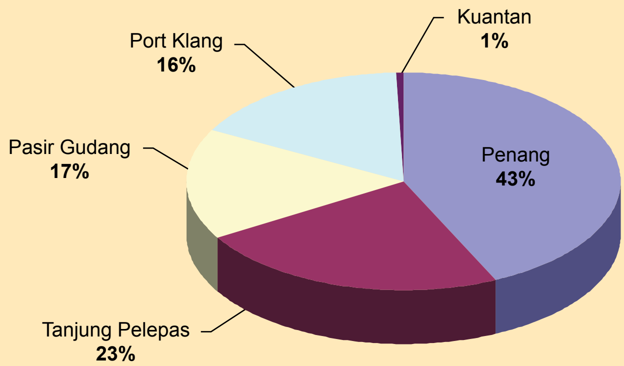
Eleven Malaysian companies had bidded for the construction job for the interim port facilities of the new Samalaju Port in Bintulu. The tender for the package which was the second for the port project called by Bintulu Port Holdings Bhd. (BPHB) has since closed. The bidders included those from Sarawak and Peninsular Malaysia. The package was worth about RM200 million with various works to be completed between nine and 12 months.

BPHB had been tasked by the Sarawak government to build the new port, which was a component of Sarawak Corridor for Renewable Energy (SCORE) to cater for energy-intensive industries in Samalaju Industrial Park. The Samalaju Port project was integral to energy intensive industries in SCORE. BPHB targets to award the contract for the interim port facility package later this month. On the other hand, Datuk Mior Ahmad Baiti Lub, CEO of BPHB said the interim facilities would include a 300 metre barge berth with a depth of 7 metre. The new port's first package that involved site clearing and earthworks would be due for completion in the next two months.

Samalaju Port was established under the Sarawak Laws and is within the jurisdiction of Sarawak. The new port was a separate port and not a part of Bintulu Port. Based on its masterplan, BPHB targeted to commence the construction of the port on 450 ha early next year for full completion in 2016.

Source : The Star, 9 May

Shipments of Timber and Timber Products through Ports in Peninsular Malaysia, May 2012



Total = 141,673 m³

MAY 2012

Export of timber and timber products from Peninsular Malaysia in May increased 12% in volume and 10% in value to 254,735 m^3 valued at RM284.7 million over the previous month. Cumulative exports for the period of January to May decreased 5% in volume to 1.1 million m^3 with a value of RM1.3 billion over the corresponding period.

Sawntimber

Exports of sawntimber in May registered a positive growth of 3% in volume and 9% in value to 87,019 m^3 with a value of RM104.1 million as compared to the previous month. Likewise, cumulative exports for the first five months of the year showed an increase of 9% in volume and 4% in value to 419,396 m^3 worth RM509.8 million.

Exports to the EU decreased 7% to 9,010 m^3 with most major markets reducing purchases due to the Euro zone prolonged debt crisis. The UK and Germany reduced buying by 23% and 36% to 1,428 m^3 and 1,369 m^3 respectively. Likewise, export to Belgium decreased 21% to 1,092 m^3. The Netherlands however, increase its shipments by 10% to 3,138 m^3.

Total export to West Asia increased 8% to 10,533 m^3. Export to Saudi Arabia increased significantly to 3,506 m^3 from 1,080 m^3 in the previous month. Likewise, exports to Bahrain increased 75% to 960 m^3. However, imports by the UAE and Oman decreased 21% and 74% to 3,356 m^3 and 403 m^3, respectively.

Buying from ASEAN increased 6% to 46,491 m^3 over the previous corresponding period. Exports of sawntimber to Thailand and Singapore improved 6% and 9% to 33,150 m^3 and 11,965 m^3 respectively. Export to Indonesia also increased 18% to 1,145 m^3 whilst export to Viet Nam declined 30% to 231 m^3.

Demand in East Asia recorded a negative growth where export decreased 22% to 9,258 m^3. China and Taiwan decreased purchases by 32% and 18% to 5,333 m^3 and 744 m^3, respectively. Similarly, export to South Korea declined 21% to 587 m^3. In contrast, imports by Japan improved 14% to 2,412 m^3.

Elsewhere, exports to the US increased 97% to 1,117 m^3 whilst Canada only purchased 110 m^3 of sawntimber. However, intake by Australia decreased 45% to 725 m^3. Import from South Africa increased 45% to 4,302 m^3.

The average FOB prices of sawntimber increased 5% to RM1,196 per m^3 from RM1,136 per m^3 in the previous month. Dark Red Meranti (DRM) was traded at RM2,690 per m^3, increased 4% from the previous month. Prices of DRM to the Netherlands also increased 9% to RM3,014 per m^3. There was no trading for Redwood to the UAE and Keruing for the month.

Plywood

Plywood exports in May 2012 were at 17,767 m^3 valued at RM29 million. Cumulative exports for the period January to May showed decreases of 11% and 4% in volume and value to 85,179 m^3 valued at RM137.3 million respectively from the previous corresponding period.

Total export to the EU decreased by 14% to 11,977 m^3; imports by the UK decreased 14% to 9,880 m^3. Similarly, imports by the Netherlands decreased to 386 m^3 from 1,370 m^3 in the previous month. However, exports to Belgium and Denmark increased by 129% and 20% to 1,197 m^3 and 514 m^3 respectively from the previous month. France, Germany, Ireland and Italy did not make any purchase in May 2012.

Exports to the ASEAN region was lower as Singapore's intake of plywood decreased by 30% to 1,324 m^3. However, Thailand's intake increased by 18% to 1,033 m^3 and Indonesia resumed imports by 36 m^3. In East Asia, exports to Hong Kong decreased by 50% to 84 m^3 while Japan resumed import by 84m^3. China, South Korea and Taiwan did not import any plywood in May 2012. Total export to West Asia were lower by 54% to 754 m^3 from 1,650 m^3 in the previous month. Export to the UAE decreased to 540 m^3 from 1,587 m^3 in the previous month while Qatar increased import by 240% to 214 m^3. Bahrain and Kuwait did not make any purchase in May 2012. Elsewhere, exports to Australia decreased by 10% to 1,426 m^3 while the US did not import any plywood. South Africa reduced its intake to 149 m^3 from 299 m^3 in the previous month.

The FOB price of plywood increased to RM1,631 per m^3 from RM1,585 per m^3 in the previous month, a marginal increase of 3% from the previous month.

Veneer

Total export of veneer for May 2012 showed an increase of 8% in volume and 11% increase in value to 733 m^3 at RM1.5 million compared to the previous month. Cumulative exports from January to May decreased by 10% in volume and 5% value to 2,388 m^3 valued at RM4.4 million from the previous corresponding period of last year.

Exports to Taiwan decreased by 33% to 263 m^3 while imports by Thailand increased 100% to 140 m^3. Canada and the UK resumed imports by 42 m^3 and 31 m^3 respectively.

Medium Density Fibreboard (MDF)

Exports of MDF for May 2012 decreased 39% in volume and 38% in value to 76,809 m^3 valued at RM74 million respectively as compared to previous month.

Exports to East Asia for the month increased 28% in volume to 2,173 m^3 from 1,696 m^3 in the previous month. Exports to China (including Hong Kong) recorded an increase of 106% to 1,005 m^3 whilst exports to Japan and Taiwan both fell 4% to 594 to m^3 and 569 m^3 respectively.

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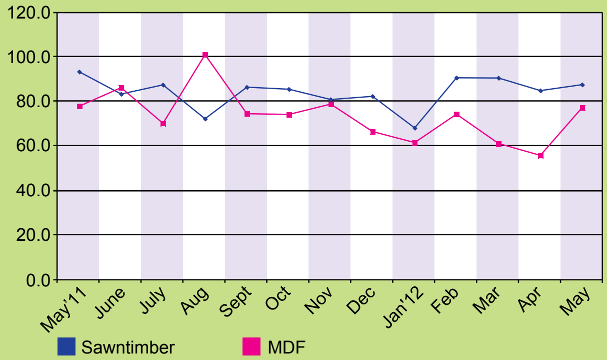
MAY 2012

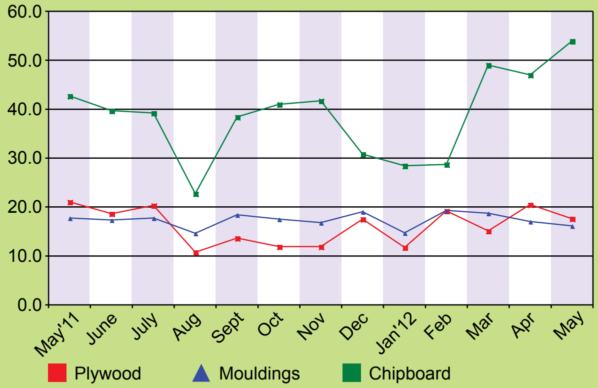
On the other hand, demand from West Asia recorded a positive growth with an increase of 91% in volume to 47,333 m³ from 24,759 m³ in the previous month. Exports to Syria recorded a positive growth of 128% to 6,377 m³ followed by Oman 127% to 3,785 m³, Saudi Arabia 124% to 4,505 m³, Bahrain 110% to 857 m³, Jordan 100% to 4,555 m³, Iran 76% to 12,626 m³ and Kuwait 55% to 1,178 m³. Meanwhile exports to the UAE showed a decline of 27% to 6,206 m³ respectively from the previous month.

Elsewhere, exports to the US and Australia for the month increased 64% to 2,168 m³ and 24% to 1,934 m³ whilst the UK and South Africa fell 22% to 516 m³ and 52% to 617 m³ respectively.

Export of Selected Products from Peninsular Malaysia

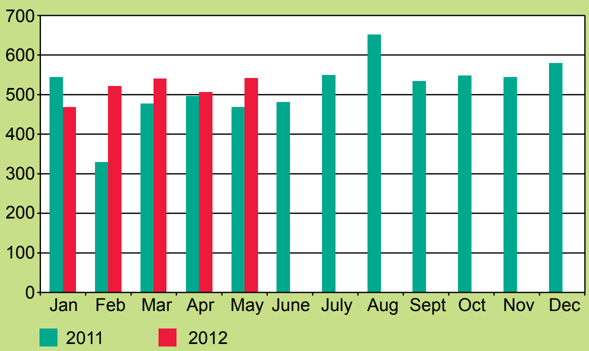
(May 2011 - May 2012) / Volume ('000m³)





Malaysia: Export of Wooden Furniture

(January 2011 - May 2012) / Value (RM Million)



In ASEAN, export to the ASEAN region for this month decreased by 43% to 9,509 m³ from 16,810 m³ in the previous month. Exports to the Philippines increased by 16% to 1,614 m³. However, Singapore, Indonesia and Viet Nam registered negative growth of 31% to 406 m³, 49% to 3,627 m³ and 50% to 3,772 m³ respectively.

Mouldings

Exports of mouldings for the month decreased 5% in volume and in value to 16,272 m³ worth RM46.7 million. However, the cumulative exports for the first five months recorded an increase of 9% in volume and 15% in value to 86,826 m³ with a value of RM242.6 million compared to the previous corresponding period.

Export to the EU decreased marginally to 6,925 m³ from 7,069 m³ recorded in the previous month. Sales to Belgium and Germany dropped 17% and 16% to 675 m³ and 2,122 m³ respectively. On the other hand, the Netherlands and UK improved purchases by 11% and 26% to 2,778 m³ and 519 m³ respectively.

In Asia, shipments to Japan decreased 9% to 1,798 m³. Likewise, South Korea and Singapore reduced purchases by 12% and 1% to 1,158 m³ and 1,160 m³, respectively.

Elsewhere, demand by the US fell 11% from 1,824 m³ to 1,627 m³, while exports to Australia improved marginally to 2,190 m³.

FOB unit value decreased slightly from RM2,872 per m³ in the previous month to RM2,871 per m³.

Builders Joinery and Carpentry (BJC)

BJC exports decreased slightly in January to May 2012 to RM410.6 million compared to the previous corresponding period. Exports to the EU dropped 11% to RM122.2 million. In the meanwhile, shipments to the US improved marginally to RM30.9 million. Similarly, export to Singapore increased 12% to RM39.9 million. However, exports to Australia decreased 5% to RM49.3 million.

Exports to the UK fell 31% to RM38.0 million. Likewise, purchases by France and Denmark decreased by 9% and 8% to RM17.9 million and RM12.0 million respectively. On the other hand, imports by Belgium soared 84% to RM25.8 million.

In Asia, India improved purchases by 30% worth RM27.5 million while exports to Thailand also increased 17% to RM11.8 million. However, exports to Australia and the UAE decreased 5% to RM49.3 million and 25% to RM8.9 million respectively.

Furniture

Total export of wooden and rattan furniture for the period under review in 2012 rose 11.4 % compared to the corresponding period of 2011. Total shipment recorded RM 2.6 billion against RM2.3 billion in 2011.

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MAY 2012

Logs

Logging activities for the month of May were reported adequate and stable. According to an analyst, European buyers would start to purchase in large quantity in order to build up their stocks for the coming summer. This would help to maintain market stability in terms of both prices and demand.

Logs species of Chengal, Balau and Merbau were reported to be traded at RM7,000 per tonne, RM2,850 per tonne and RM2,700 per tonne respectively. Meanwhile, prices of Keruing and Kempas were reported to be traded at RM1,550 per tonne and RM1,450 per tonne respectively. Prices for Dark Red Meranti, Red Meranti and Mersawa were respectively quoted at RM1,570 per tonne, RM1,430 per tonne and RM1,450 per tonne. On the other hand, prices for Mixed Heavy and Mixed Light Hardwood were reported to be traded at RM820 per tonne and RM800 per tonne respectively.

Sawntimber

Sawntimber requirement was still tight, especially for the housing and construction sectors which were the largest consumer of sawntimber. Producers and exporters were experiencing ever-higher freight costs and were unlikely to be able or willing to make large concessions; thus might decide to sacrifice volumes while holding on to firm prices.

Prices for sawntimber of Chengal, Balau and Merbau were traded at RM8,120 per m^3, RM3,250 per m^3 and RM2,470 per m^3 respectively. Sawntimber prices of Keruing and Kempas were quoted at RM2,260 per m^3 and RM1,980 per m^3 respectively. Prices for Dark Red Meranti, Red Meranti and Mersawa were reported to be traded at RM3,650 per m^3, RM2,050 per m^3 and RM2,840 per m^3 respectively. Last but not least, prices for Mixed Heavy, Mixed Hardwood were traded at RM1,130 per m^3 and RM855 per m^3 respectively.

Plywood

Supply of plywood to the domestic market remained adequate and demands for shuttering boards in the building and construction sector continued to be stable. Plywood prices remained at last month's level. Plywood of 4mm, 6mm and 9mm of thicknesses were stably traded at RM16.10, RM25.60 and RM38.50 per piece respectively. Meanwhile, shuttering boards of 12mm of thickness were traded at RM48.50 per piece.

Medium Density Fibreboard (MDF)

Supply of MDF remained stable with prices remaining at last month's level. MDF of 4mm, 6mm, 9mm and 12mm of thicknesses were traded at RM13.20, RM16.90, RM23.30 and RM30.10 per piece respectively.

Intra-Malaysia Trade * - MAY 2012

Shipments of sawntimber from Sabah to Peninsular Malaysia were reported to have declined by 5% to 745 m^3, valued at RM1.2 million. However, shipments of plywood increased by 25% to 10,025 m^3, worth at RM15.2 million. Export of veneer was reported at 141 m^3 with a value of RM198,000.

Meanwhile exports of sawntimber from Sarawak to Peninsular Malaysia were reported to have increased by 2% to 1,957 m^3, valued at RM1.7 million. However, shipment of plywood reported a jump from 14,459 m^3 in April to 80,239 m^3 with a value of RM14.1 million. Export of veneer also improved drastically from 2,824 m^3 to 10,586 m^3 with a value of RM8.7 million.

No intra trade from Peninsular Malaysia to Sabah and Sarawak were recorded in May 2012.

** Source: Department of Statistics, Malaysia*

INTRA-MALAYSIA TRADE - MAY 2012

From	Products	APRIL 2012		MAY 2012		% change in volume May 2012/Apr 2012	% change in value May 2012/Apr 2012
		Volume (m^3)	Value (RM '000)	Volume (m^3)	Value (RM '000)		
SABAH	Logs	0	0	0	0	0	0
	Sawntimber	788	1,254	745	1,232	-5	-2
	Plywood	8,006	12,130	10,025	15,246	25	26
	Veneer	0	0	141	198	141	198
SARAWAK	Logs	0	0	0	0	0	0
	Sawntimber	1,915	1,421	1,957	1,758	2	24
	Plywood	14,459	17,130	80,239	14,139	455	-17
	Veneer	2,824	2,739	10,586	8,726	275	219

Source : Department of Statistics, Malaysia

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MAY 2012

*AVERAGE DOMESTIC PRICES OF LOGS, SAWNTIMBER, PLYWOOD AND MDF IN PENINSULAR MALAYSIA MAY 2012 (RM)

SPECIES	LOGS/tonne	SAWNTIMBER/m³		
	18" UP	GMS	STRIPS	SCANTLINGS
HEAVY HARDWOOD				
Chengal	7,000	8,120	2,965	6,215
Balau	2,850	3,250	2,470	3,180
Red Balau	1,800	2,540	1,625	2,260
Merbau	2,700	2,470	2,330	2,685
Mixed Heavy Hardwood	820	1,130	920	1,130
MEDIUM HARDWOOD				
Keruing	1,550	2,260	2,190	2,470
Kempas	1,450	1,980	1,270	1,980
Kapur	2,200	2,260	1,980	2,400
Mengkulang	1,440	1,980	1,200	1,980
Tualang	1,460	1,745	1,270	2,225
LIGHT HARDWOOD				
Dark Red Meranti	1,570	3,650	1,500	2,895
Red Meranti	1,430	2,050	1,520	2,545
Yellow Meranti	2,500	2,825	2,685	2,895
White Meranti	1,060	1,575	2,260	1,695
Mersawa	1,450	2,840	2,685	2,260
Nyatoh	870	1,130	635	1,200
Sepetir	2,500	1,235	2,260	1,270
Jelutong	960	1,485	600	1,380
Mixed Light Hardwood	800	855	780	850

MALAYSIAN RUBBERWOOD *Hevea brasiliensis*	LOGS/tonne	SAWNTIMBER/m³			
		1" X 1"	2" X 2"	3" X 3"	4" X 4"
	180	1,165	1,175	1,246	1,310

PLYWOOD 4' X 8' (RM per piece)	4mm	6mm	9mm	12mm
	16.10	25.60	38.50	48.50
MDF 4' X 8' (RM per piece)	4mm	6mm	9mm	12mm
	13.20	16.90	23.30	30.10

Note: Log prices ex-batau. Sawn timber, plywood, MDF and Malaysian Rubberwood (Hevea brasiliensis) prices ex-mill0
** Prices are only indicative*

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TIMBER ROUND-UP

Purchase of wooden furniture from Malaysia for January to May 2012 increased 11.6% compared to the same period in 2011. Imports of wooden furniture by the US expanded 15.1% from RM688.8 million to RM792.5 million. Japan recorded a consumption hike of 14.9% from RM184.1 million to RM211.6 million. UK imports saw a growth of 7.6% from RM159.4 million to RM171.6 million.

Consumption by Japan recorded a hike of 15% from RM184 million to RM211.6 million. The UK's imports for the first five months of 2012 inched slowly to RM171.6 million from RM159.4 million. Intake by Australia remained positive with a 5.4% increase from RM155.5 million in 2011 to RM163.9 million in the corresponding period in 2012.

Shipments to Singapore picked up 7.6% in 2012 to record RM131.4 million. Canada's uptake of wooden furniture strengthened with an increase of 26.3% to reach RM123.4 million. The UAE posted an increase of 4.3% with an intake of RM81.8 million. India saw a modest increase of 3.0% to RM56.4 million. Saudi Arabia managed to record an increase of 7.5% to RM50.2 million. Germany boosted its wooden furniture consumption by 28.2% with a purchase of RM44.2 million in 2012 from RM34.5 million in 2011. Netherlands, Norway and Spain cut back consumption by 10.1%, 49.4% and 28.8% respectively.

Rattan furniture shipments slid to RM8.5 million in the January to May 2012 period compared to RM11.3 million in the first five months of 2011, a drop of 24.5%.

Main buyer Singapore absorbed RM1.8 million, thus reducing its buying by 25.4 %. The UK drastically cut back on its consumption by 92.0%, spiralling downwards from RM1.5 million in 2011 to RM119,250. Meanwhile both Australia and Germany saw positive improvements with 183.1% and 286.8% or RM704,692 and RM615,241 respectively.

ALAMESRA FURNITURE PROMOTION CENTRE IN SABAH LAUNCHED

Datuk Madius Tangau, MTIB Chairman (fourth from left); Dr. Jalaluddin Harun, MTIB Director-General (on his right); YB Datuk Haji Syed Abas Syed Ali, Science and Technology Advisor to Chief Minister of Sabah posing after the MoA signing ceremony.

Alamesra Furniture Promotion Centre is located in Alamesra Plaza Utama, Kota Kinabalu, Sabah, occupying an area of 1,848 square metres. The promotion centre provides an opportunity for Sabah Bumiputera companies to promote as well as trade their products. The centre is the first to be established in Sabah while the other furniture promotion centres are situated in Kota Damansara, Selangor and Nusa Bestari, Johor Bahru. Alamesra Furniture Promotion Centre offers a wide selection of furniture ranging from bedroom, living, kitchen, pre-school and office furniture. The centre was officially opened by YB Tan Sri Bernard Dompok, Minister of Plantation Industries and Commodities (MPIC) on 18 June.

In the welcoming remarks of Datuk Madius Tangau, Chairman of MTIB, which was read by Dr. Jalaluddin Harun, Director-General of MTIB, he elaborated on the various furniture promotion centres which are under MTIB's jurisdiction. Alamesra Furniture Promotion Centre will act as a one-stop centre for Bumiputera companies to market their products. He noted that Syarikat Adhwa Bersaudara Sdn. Bhd. had been chosen to administer and operate the promotion centre as well as to carry out promotional activities.

Tan Sri Bernard, in his speech which was read by Datuk Madius Tangau, congratulated MTIB for taking the initiative in establishing the first furniture promotion centre for Bumiputera in Sabah. He envisaged that the promotion centre would be able to promote and create awareness among the people on the uniqueness of Sabah-made furniture. He further added that the timber industry is one of Malaysia's important sectors in generating export earnings as well as a contributor to economic growth. In 2011, timber exports amounted to RM20.03 billion, which was 14.1% of the total exports of commodity products worth RM141.2 billion. The timber industry is providing employment to almost 350,000 people. In terms of timber products, the furniture sector is a major contributor with exports totalling RM6.2 billion, which is 31% of Malaysia's total timber exports. He also encouraged more contribution and involvement of SME Bumiputera in the timber industry. In 2011, a total of 284 Bumiputera furniture entrepreneurs were recorded, of which 29 were from Sabah.

To enhance the contribution and participation of the SME Bumiputera, concerted efforts in the furniture production emphasising on the latest designs and finishing should be given a priority. YB Minister acknowledged that MTIB through WISDEC offers various courses and training related to designs. These would assist furniture entrepreneurs especially SME Bumiputera to produce innovative and up-

Datuk Madius Tangau officiating the Centre.

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PENFURNEX 2012-MTIB BAGS BEST BOOTH COMPETITION

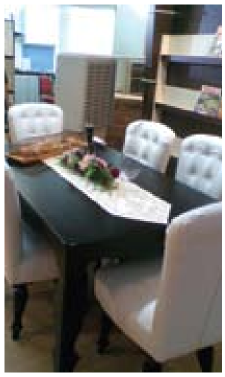
In its efforts to promote the use of timber in the domestic market, MTIB participated in the Penang Furniture Expo (PENFURNEX 2012), which was held from 22-24 June at Penang International Sports Arena (PISA), Pulau Pinang. MTIB exhibited a timber home concept.

YAB Tuan Lim Guan Eng, Chief Minister of Penang, who officiated PENFURNEX 2012 applauded the furniture manufacturers and association for their hard work, initiative and drive in making Malaysia's furniture internationally known and also as one of the top 10 furniture exporting countries in the world today. He noted that PENFURNEX provided an excellent platform for furniture industry players and its related industry players to network, trade, exchange ideas as well as build brand awareness.

Trophy for the Best Booth.

He also urged the manufacturers to continue to develop products from sustainable materials and methods to take advantage of the market shift towards 'green furniture'. He added that a balance between economic growth and sustainability was important to ensure long-term growth of the furniture industry.

MTIB booth.



Dining set displayed at the expo.

MTIB was declared the winner of the Best Booth competition and received a trophy. The booth exhibited an elegant lifestyle concept using Malaysian timber. The products comprised a dining set, two contemporary wooden chairs, a TV cabinet, timber flooring and interior decorations. Numerous enquiries were received on the products exhibited. MTIB also displayed its publications and some sample products such as chipboard, mouldings, plywood and veneer.

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to-date designs. He further added that these skills would enhance the competitiveness of the furniture produced by the entrepreneurs, for both the domestic market as well as abroad.

New furniture design is one of the determining factors for a company to market its furniture. On that note, YB Minister stressed that the Ministry is working on ways to facilitate the transfer of technology to enhance the production and design of furniture. Since Italy is one of the market leaders of designs, collaboration efforts with Italian designers have been identified to assist the local furniture industry in their production. Apart from that, MPIC is encouraging the transformation of the production and branding of furniture from OEM to ODM. YB Minister believed that this transformation, would strengthen Malaysia's position in furniture designs and benefit the furniture industry particularly the Bumiputera furniture producers.

In line with NATIP, the marketing and promotion of products by Bumiputera companies have been identified as one of the ways to enhance their sales. As such, YB Minister urged Bumiputera furniture producers to continue participating in the local and overseas trade fairs so as to stay competitive.

In conjunction with the opening of the promotion centre, agreements between MTIB and operators of Kota Damansara, Nusa Bestari and Alamesra were also signed. One hundred and fifty visitors attended the opening of Alamesra Furniture Promotion Centre.

Viewing products displayed in the Centre.

NATIONAL COMMODITIES POLICY (DKN): A CATALYST TO POSITION MALAYSIA AS A WORLD COMMODITY HUB BY 2020

Puan Hjh. Noor Laila Mohamed Halip, MTIB Director of Strategic Planning and Corporate Affairs briefed participants on NATIP.

The National Agricultural Policy (NAP) which was first implemented in 1984 has become the framework to transform the agriculture sector which includes the plantation industry and the commodities sector. Three NAPs have been implemented to enable the agriculture sector to continue being one of the economic pillars of the country. The First National Agricultural Policy (NAP1), implemented from 1984-1991, emphasised on the development of the sector - focusing on export growth, reducing the incidence of rural poverty and increasing the income of the smallholders through optimum utilisation of resources. The Second National Agricultural Policy (NAP2), implemented from 1992-1997, focused on efforts in increasing productivity and efficiency, implementing sustainable management in agriculture and promoting downstream processing activities. Lastly, the focus of the Third National Agricultural Policy (NAP3), undertaken from 1998-2010 was to enhance the competitiveness of the agriculture sector by implementing food security initiative, developing new sources of growth and increasing involvement of the private sector in agriculture.

Over the years, the structure of the country's commodities industry, comprising oil palm, rubber, timber, cocoa, pepper and tobacco, has evolved from being a producer of raw materials to a producer of high value-added and market-oriented products. In 2011, the National Commodities Policy (DKN) was formulated specifically to strengthen the role and contribution of the plantation commodity industries to the country's economy. The policy is targeted to transform the commodity industries to be more dynamic and competitive by 2020. The policy's formulation takes into account the industries' orientation on market requirement and the potential of wealth creation through the production of high value-added products.

The DKN were formulated to transform Malaysia as a world commodity hub through seven thrusts namely:

Thrust 1 : Strengthening Commodity Industries in the National Economic Development

Thrust 2 : Spurring Modernisation in Commodity Industries

Thrust 3 : Diversifying Production of High Value-added Products

Thrust 4 : Generating New Source of Revenue

Thrust 5 : Enhancing Competitiveness and Market Expansion

Thrust 6 : Accelarating the Development of Smallholders and Entrepreneurs

Thrust 7 : Developing and Strenghtening Human Capital in Commodity Industries

In order to ensure the aspirations stated in DKN are shared amongst all sectors of the commodity industry, briefings were held in Kota Kinabalu, Sabah on 19 June and Kuching, Sarawak on 21 June. A total of 100 and 90 participants attended the briefing in Sabah and Sarawak respectively. The participants were from the commodities manufacturing and trading sectors, government departments and agencies, financial sectors and academia.

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MTIB PROMOTES BIOCOMPOSITE PRODUCTS AT JEC ASIA

Tun Dr. Mahathir Mohamad, former Prime Minister of Malaysia (centre) being briefed by Encik Zulkepli Abd. Rani, Director of FIDEC on the fibre and biocomposite products.

MTIB booth.

MTIB is continuosly undertaking efforts to promote fibre and biocomposite materials as green products to local and international users. In line with that, MTIB participated in JEC Asia 2012, the largest composite show in Asia, held from 26-28 June at Suntec Convention Centre, Singapore.

JEC is the largest composite organisation in Europe and in the world. It represents, promotes and expands composite markets by providing global or local networking and information services. Apart from JEC Asia, JEC also organised JEC Europe Show in Paris and JEC Americas in Boston. This year, Malaysia was selected as "Country of Honour" for the rapid growth potential of the local composite market, and the solid network established between the worlds of science, technology, R&D, teaching and industry.

A total 400 exhibitors from 10 countries participated in the event showcasing their latest composite products and technology capabilities. JEC Asia 2012 was well-supported by various globally renowned academic institutions and industry associations as well as companies exhibiting their products from across Asia to Europe including Germany, Austria, China, South Korea, USA, Italy, India, Japan , Poland, Russia, Sweden, Switzerland and Turkey. Major players from various segments of the value chain of the composites industry ranging from aeronautics, transportation, construction, sport, wind energy and marine participated in the exhibition.

The Malaysian Pavilion comprised booths by MTIB, MATRADE Singapore, SIRIM Berhad and Petronas Research Sdn. Bhd. MTIB together with Duralite (M) Sdn. Bhd. and Gerbang Masyhur Papan Lapis Sdn. Bhd. showcased the entire biocomposite value chain. The products exhibited ranging from woodwool cement board to palmwood plywood for construction material which attracted many enquiries. The MTIB booth received an honorary visit from Tun Dr. Mahathir Mohamad the former Prime Minister of Malaysia accompanied by the JEC delegation.

The JEC Asia 2012 exhibition attracted more than 10,000 trade visitors, a majority of which were key decision makers in the global composite arena. MTIB was represented by Encik Zulkepli Abd Rani, Cik Zamzarina Ahmad, Dr. Loh Yueh Feng and Puan Noridah Tahir.

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In his opening remarks, Encik Wan Mazlan Wan Mahmood, Under-Secretary of Strategic Planning and International Division, Ministry of Plantation Industries and Commodities (MPIC), stated that following the launch of the policy in 17 February 2012, specific action plans have been drawn up by several technical working groups appointed by the Ministry. The plans aim at strengthening the industry's capability to cope with the fast moving market changes and compete under greater challenging situations expected in the future. He added that the implementation of those activities will be carried out by relevant ministries, agencies and organisations.

Each agency under the purview of MPIC was later given the opportunity to give a briefing on overview strategies for respective commodities. The briefing attracted lively discussions at the end of the sessions. As for timber sector, the participants raised pertinent issues related to the contents of NATIP.

15TH ASOF AND 4TH AEG-FPD MEETING

The ASEAN Experts Group on Forest Products Development (AEG-FPD) was established in line with the objective of the ASEAN Economic Community (AEC) which is to create a stable, prosperous and highly competitive ASEAN economic region in which there is a free flow of goods, services, investment as well as free flow of capital, equitable economic development, and reduced poverty and socio economic disparity, taking into consideration the roadmap for the integration of the wood-based products sector.

The 4th Meeting of AEG-FPD which was held on 25-26 June in Hanoi, Viet Nam, discussed the decision, progress, and follow-up actions made during the 3rd AEG-FPD which included the ASEAN Economic Community (AEC) Blueprint and Scorecard as well as the Strategic Plan of Action (SPA 2010-2015) on the Development of R&D for Forest Products. Some of the issues updated under the SPA were the identification and support of project proposals; the acceleration of possible areas of cooperation for products development and trade; 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; the establishment of ASEAN Regional Knowledge Network on Forest Products Development (ARKN-FPD); updates in promoting quality standards and innovating the diversification of forest products; updates and information-sharing on common non-tariff barriers by importing countries particularly the US, the EU and Japan; updates on exchange of information and harmonising technical regulations to facilitate trade as well as updates on documentation of best practices, establishing and maintaining a database for a forest products development information system. The development of national standards through adoption or modification of ISO standards was also discussed during AEG-FPD, including the latest ISO standards on wood-based product panels, sawntimber and flooring which can be used for harmonisation of standards within AMS.

The 15th Meeting of the ASEAN Senior Officials on Forestry (ASOF) was held on 28-29 June in Hanoi, Viet Nam preceding the AEG-FPD meeting. Dr. Nguyen Ba Ngai, Deputy Director General, Viet Nam Administration of Forestry, Ministry of Agriculture and Rural Development, Viet Nam welcomed all delegates and expressed his appreciation for the honour accorded to Viet Nam to be the Host of the 15th ASOF and related Meetings. H.E. Cao Duc Phat, Minister of Agriculture and Rural Development, Viet Nam, on behalf of Viet Nam, as the Host Country of the ASOF Meeting in officiating the ASOF meeting, highlighted the richness of the ASEAN Region in natural resources as well as in flora and fauna resources.

Delegates of AEG-FPD Meeting.

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Malaysian delegates at the ASOF meeting.

He also addressed the role of tropical forests in the ASEAN Region that are becoming even more important since the rising of issues related to climate change. However, deforestation is a major challenge faced by the ASEAN region due to the demand on economy since the forestry sector contributes to its socio-economy to support the livelihood of both the local community and the people in general.

The 15th ASOF Meeting was held in plenary whereby several important issues were highlighted and deliberated during the meeting. The issues included progress in the implementation of policy framework related to ASEAN cooperation in forestry, roadmap for an ASEAN community (2009-2015), strategic plan of action (SPA) of ASEAN cooperation in forestry (2011-2015), 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, Thailand, ASEAN forest and environment issues, ASEAN-ROK cooperation in forestry and preparation for the special ASEAN-ROK ministerial meeting on forestry. The ASEAN Secretariat also updated the meeting on the recent developments in ASEAN and the decisions made by the ASEAN Leaders during the ASEAN Summits, ASEAN Economic Community (AEC) Council, ASEAN Economic Ministers (AEM), and Senior Economic Officials Meeting (SEOM) on issues related to integration initiatives to support trade facilitation.

The 13th Seminar on Current International Issues Affecting Forestry and Forest Products: Forest & People and ASEAN Cooperation, was also held in conjunction with the meetings. The objectives of the seminar were to discuss issues and key dimensions that need to be addressed through regional forestry cooperation towards a People-Centred ASEAN; to exchange lessons on how sustainable forest management (SFM) can effectively contribute to food security, livelihoods and poverty alleviation, climate change mitigation and adaptation; and to develop ideas and recommendations on enhancing the contribution of Social Forestry to ASEAN Community Building.

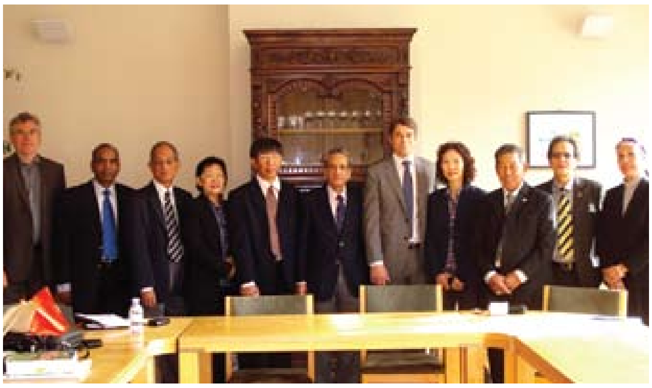
The AEG-FPD and ASOF Meeting was attended by representatives from nine AMS comprising Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Thailand and Viet Nam as well as the ASEAN Secretariat; and their respective Delegations. Representatives from the Korea Forest Service (KFS), the ASEAN-Swiss Partnership on Social Forestry and Climate Change (ASFCC), and the ASEAN-German Programme on Response to Climate Change (GAP-CC) were also in attendance.

The Malaysian delegation was led by Puan Zurina Pawanteh, Under-Secretary, Ministry of Natural Resources and Environment. MTIB was represented by Encik Mohd. Kheiruddin Mohd. Rani, Director of Trade Development and Puan Hjh. Mahsuri Mat Dris, Senior Deputy Director of Industry Development.

Brunei Darussalam will host the 16th Meeting of ASOF in 2013, prior to the Special SOM-34th AMAF. The 5th AEG-FPD Meeting will be held back to back with the ASOF Meeting.

SECOND JOINT EXPERT MEETING AND 10TH TECHNICAL WORKING GROUP ON FLEGT-VPA

Malaysian is currently in the process of negotiation with the European Union (EU) to conclude the Forest Law Enforcement, Governance and Trade Voluntary Partnership Agreement (FLEGT-VPA) and the implementation of the Timber Legality Assurance System (TLAS). Following the Cabinet's decision, the National Steering Committee at its meeting on 12 January 2012 decided to re-undertake consultation with the industry on the implementation of TLAS for Peninsular Malaysia and Sabah, and to work on control procedures for the movement of timber from Sarawak to Peninsular Malaysia and Sabah respectively.



Second JEM delegates at European Forestry House, Brussels, Belgium.

Details of the control procedures of TLAS as contained in the various Tables are being deliberated at the Joint Expert Meeting (JEM) before being submitted to the Technical Working Group for its consideration. The Second JEM was held on 4-5 June at European Forestry House, Brussels, Belgium and was attended by government officials from Malaysia and European Forest Institute (EFI). The meeting was co-chaired by Encik S. Rajan, MTIB Director of Licensing and Enforcement and Mr. Jussi Lounasvuori from EFI.

The meeting's task was to review every Table of Annex B TLAS (Tables 1-18) for four VPA Products. The meeting, after having gone through the Tables thoroughly, made the following two key changes:

- A new Table was included to address the issuance of *harvesting license* (Table 1 bis). It was seen pertinent to lay down the conditions for receiving a harvesting license and make cross-references between this new Table and the Tables defining these conditions.
- Where necessary, text of Tables was re-organised and edited in order to clearly express what the legal requirements are (Criterion), and how and by whom the compliance with Criterion is verified (Verification Procedure).

The Second JEM agreed to adopt the various amendments to the TLAS Tables as decided and Malaysia was requested to make necessary editorial changes to TLAS Tables as agreed. The meeting also reviewed the proposed procedures for timber from Sarawak into Peninsular Malaysia and Sabah and agreed with the relevant Table of TLAS.

The 10th Technical Working Group (10th TWG) was back to back with the JEM on 6–8 June at DG Environment, Brussels, Belgium. The Malaysian delegation was led by Encik M. Nagarajan, Deputy Secretary-General (Commodities), Ministry of Plantation Industries and Commodities. The EU delegation was led by Mr. Hugo-Maria Schally, Head of Unit, Multilateral International Agreements, Processes and Trade Issues, DG Environment, European Commission. The 10th TWG was attended by 20 delegates included four delegates from the Mission of Malaysia to the EU, Brussels.

A brief presentation was made by the EU on the progress and preparations for the implementation of the EU Timber Regulation which will begin to apply on 3 March 2013. The EU and Malaysia shared information on the signature and process to be undertaken for the ratification of the VPA by each of the Parties.

Malaysia informed the meeting of the latest (seventh) Stakeholder Consultation VPA which was held in Kuala Lumpur on 26 April 2012. Malaysia further reiterated that stakeholder consultation is an integral part of the development of FLEGT VPA TLAS and in this context is planning to convene a consultation with EU stakeholders during the working visit of the Minister of Plantation Industries and Commodities to Europe in September 2012.

10th TWG meeting at DG Environment, Brussels, Belgium.

The TWG reviewed the legal text of the FLEGT VPA and agreed to most part of the text except two contentious Articles which need further consideration. The meeting also discussed and made significant progress on the text of the various Annexes to the Agreement.

ABC IN FURNITURE INDUSTRY

Every manufacturing firm requires allocation of raw materials consumption, labour, and overhead expenses to process goods in order to determine the final manufacturing costs. In most industries, manufacturing costs range from 60 to 70% of the final sale price. Therefore, the need for an effective cost allocation system is vital to control manufacturing costs. In the manufacturing sector such as the furniture industry, raw materials and labor might be assigned directly to a product, process, or activity. However, some overhead or indirect costs require the establishment of distributing or cost driving bases to allocate them to final goods. Today intense global competition has made decision error due to poor cost information more probable and more costly.

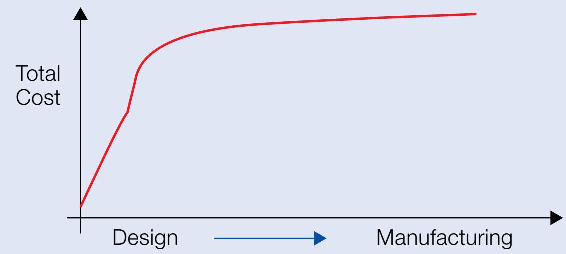


Figure 1: *Product life cycle and relationship with cost (Dorf and Kusiak 1994).*

The Impact of Cost in Manufacturing

Manufacturing costs including design and engineering activities have critical impacts on overall manufacturing costs. Many of the problems encountered in manufacturing can be traced back to design process. In wood product companies such as furniture manufacturers, many manufacturing problems have risen due to bad design.

Figure 1 shows the behavior of total cost as a function of time (from design to manufacturing). As much as 80% of total cost is committed during the first 20% of lead time. However, less than 2% of total sales are spent or allocated to design and engineering activities in many industries, including the wood products industry. The lack of attention to the design process has harmed the competitiveness and profitability of the wood products industry. In fact, significant savings can be made down the production stream if design factors such as engineering, tooling design, finishing, and tolerance are considered when designing a new product. One of the ways to reduce product costs is by designing products that contain common parts rather than those that are unique and costly. - *Cooper, R (1989).*

There are several ways we can classify costs to accommodate the accounting system requirements (**Figure 2**). When a firm would like to know precisely how much raw material is being consumed by a product, process, or activity cost, traceability becomes critical for managers. There are raw materials that can be precisely traced to the final product (direct materials) but others become difficult to quantify and allocate (overhead or indirect materials).

A manager might also consider that every activity in the production process could be classified as value-added or nonvalue-added activities. When managers use this strategy, the organisation is focused on value-added processes and the goal is to eliminate all activities that are considered waste, nonvalue-adding, or cost producers.

Under this classification, managers will have to clearly identify activities that are strictly necessary to produce the goods or services. These activities will absorb the cost based on cost drivers that are also defined by the managers. Later, the cost is translated to the goods or services, depending on how much the cost driver (distribution-based) was consumed by every product. This approach helps the company understand that cost cannot be controlled, but the activities that generate costs can be. Therefore, the activities that generate too much cost or waste can be minimised or perhaps eliminated, increasing the added value of the goods or services.

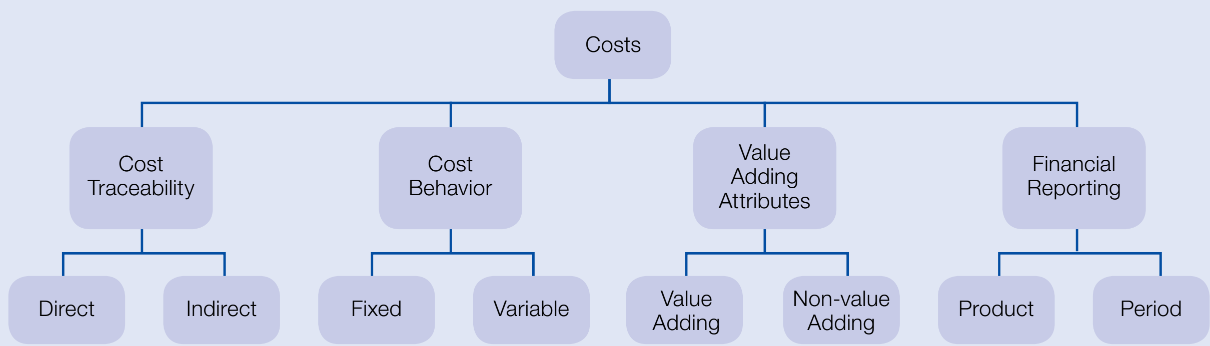


Figure 2: *Cost classification (Clinton and Van der Merwe 2006).*

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Activity Based Cost System

ABC emphasises the need to obtain a better understanding of the behavior of overhead cost, and thus ascertain what causes overhead costs and how they relate to products. ABC assumes that activities cause costs and that products (and customers) create demands for activities. Costs are assigned to products based on individual products' consumption or demand for each activity. An outline of the ABC system is as follows:

1. Identify the major activities that take place in the organisation

↓

2. Determine the cost driver for each major activity

↓

3. Create a cost centre/cost pool for each major activity

↓

4. Trace the cost of activities to products according to a product's demand for activities

The **first stage** is to identify the major activities in the manufacturing process that could be machine related activities, direct labour activities (e.g. assembly departments) and various support activities such as packing, material handling and parts administration.

The **second stage** is to analyse the factors that influence the cost of that particular activity (cost drivers). For example, if production scheduling cost is generated by the number of production runs that each product generates, then the number of set-ups would represent the cost driver for production scheduling. ABC also uses volume-related cost drivers such as labour hour or machine hours for those variables with short term output i.e. power costs can be traced to products using machine hours as the cost drivers.

The **third stage** requires that a cost centre (cost pool) be created for each activity. For example, the total cost of all set-ups might constitute one cost centre for all set-up related costs.

The **final stage** traces the cost of activities to products according to the products' demand (using cost driver as a measure demand) for these activities during the production process. A product's demand for the activities is measured by the number of transaction it generates for the cost driver.

An Illustration of ABC and Traditional Product Costing System

Table 1 demonstrates an example of a highly simplified SME company which produces two products: H and L. Both are produced on the same equipment and use similar process. The products differ by volume. Product H is a high-volume product while L is low-volume product. Both approaches as in **Table 1**, trace overhead costs to products using the two stage allocation process. In the first stage, costs are assigned to cost centres. In practice, a traditional costing system traces overheads to several production cost centres, and support (service) department overheads are reallocated to production departments. Overheads are normally allocated to products using two volume-based allocation rates: direct labour rates and machine hour rates.

With the ABC system, separate cost centres are created for each major activity. The second stage of the allocation process allocates costs from cost centres to products. Based on **Table 1(a)**, using the traditional costing system, the resulting products H and L using both machine hours and direct labour hours as basis give the same cost per unit. Note that the cost per unit is the same whichever volume base is used, because machine hours and direct labour hours are consumed in the same proportions by each product. Therefore the product cost allocations will be identical.

Using ABC system which use cost drivers to relate activities (and thus assign the cost of the activities) to the products. This is illustrated in **Table 1 (b),** where ABC system uses three second-stages allocation bases (machine hours, number of set-ups and number of purchase orders) while the traditional system uses one allocation base (either machine hours or direct labour hours). Note in practise the ABC systems uses many drivers as allocation bases in the second stage of the cost allocation system whereas the traditional cost systems tend to use, at most, two second stages allocation bases.

Based on **Table 1**, the cost per unit for each system are as follows:

	Traditional costing	**ABC costing**
	RM	**RM**
Product L (low volume product)	40	134
Product H (high volume product)	40	30.60

With the traditional cost system, the high volume product H costs the same to produce as the low-volume product L. This is because the high volume products in total consume ten times the number of machine hours required by their low volume counterparts. Consequently, RM400,000 overheads are allocated to produce H and RM40,000 to L, but since the volume for product H is 10 times higher, the unit costs are the same.

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Table 1

	Machine Hours per unit	Direct Labour hour per unit	Annual Output (units)	Total Machine Hours	Total Direct Labour Hours	No.of Purchase orders	No.of set-ups
Product L	2	4	1,000	2,000	4,000	80	40
Product H	2	4	10,000	20,000	40,000	160	60
				22,000	**44,000**	**240**	**100**

The overhead cost of the activities as follow:

	RM
Volume-related	110,000
Purchasing-related	120,000
Set-up-related	210,000
	440,000

(a) Traditional volume based costing system

Cost-centre allocated costs		RM440,000
Overhead rate per machine hour		RM20/hr (RM440,000/22,000 machine hours)
Overhead rate per direct labour hour		RM10/hr (RM440,000/44,000 machine hours)
Cost overhead per unit:		
	Product L	RM40 (RM20@2 machine hours OR RM10@4 direct labour hours)
	Product H	RM40 (RM20@2 machine hours OR RM10@4 direct labour hours)
Total Cost:		
	Product L	RM40,000 (1,000 units@RM40/hour)
	Product H	RM400,000 (10,000 units@RM40/hour)

(b) ABC system

	Activities		
	Volume-related	**Purchasing-related**	**Set-up related**
Costs related to activities	RM110,000	RM120,000	RM210,000
Consumption of activities (Cost Drivers)	22,000 machine hrs	240 purchase orders	100 set-ups
Cost per unit of consumption	RM5/machine hrs	RM500 per order	RM2,100 per set-up
Cost Traced to products:			
L	**RM10,000**	**RM40,000**	**RM84,000**
	(2,000 machine hrs @ RM5/hr)	(80 purchase order @ RM500/order)	(40 setups @2,100/setup)
H	**RM100,000**	**RM80,000**	**RM126,000**
	(20,000 machine hrs @ RM5/hr)	(160 purchase order @ RM500/order)	(60 setups @ RM2,100/setup)
Cost overhead per units:			
	Product L = RM134 (RM10,000+RM40,000+RM84,000)/1,000 units		
	Product H = RM30.60 (RM100,000+RM80,000+RM126,000)/10,000 units		

Using computer numerical control (CNC) equipment can reduce direct labour and increase competitiveness for furniture manufactures.

Conclusion

Traditional costing systems can over-cost high-volume products and under-cost low-volume products whenever the costs of some product related activities are unrelated to volume. The ABC system recognises that some activities are unrelated to volume by using cost drivers that are independent of production volume. Activities are divided into three major categories at the product level – unit level, batch related and product sustaining activities and product costs are accumulated by these three categories. Unit cost using traditional costing system can also produce misleading information. The ABC

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AUSTRALIAN ILLEGAL LOGGING PROHIBITION BILL 2011'S DEVELOPMENT

Illegal logging of timber contributes to environmental degradation. It also hampers social development by depriving local communities and their government of utilising the benefits of their resources. Environmental and social costs have been estimated at approximately USD60 billion per annum. Illegally logged timber undermines well regulated and sustainable industries by undercutting legally harvested timber products. Major consumer countries have or are putting in place measures to combat illegal logging and associated trade. The United States and the European Union have measures to restrict the importation of illegally sourced timber products. Australia, being a net importer of timber and timber products is following suit. To meet these requirements, timber producing countries are also developing timber verification schemes to demonstrate the legal origins of their timber products.

As a means of further advocating measures to restrict trade in illegally harvested timber products, Australia, through the Australian High Commission in Kuala Lumpur, Malaysia organised a workshop on 20 June to brief the local timber industry on the work in progress with regards to the development of the Australian Illegal Logging Prohibition Bill 2011. The workshop, held in the spirit of enhancing regional bilateral relationships and engaging its key partners, had Mr. Paul McNamara, Assistant Secretary, Forestry Branch; and Mr. Tom Keary and Ms Alexandra Banks, Policy Officers, International Forest Policy Section, Department of Agriculture, Fisheries and Forestry (DAFF) Australia, present the updates and the next course of actions with regards to the Bill.

Participants comprising the public and private sector including relevant trade associations and councils from the three regions in Malaysia were informed at the outset that the Bill places requirements on selected Australian importers and processors and not on trading partners or their exporters. To date the Australian government had conducted extensive consultations on its Illegal Logging Policy and subsequent Bill that outlines the high -level legislative framework. The Bill was twice referred to a Senate inquiry to facilitate formal comments on the proposed legislation. Consultations were undertaken through existing bilateral arrangements and working group meetings of industry, non-governmental organisations, and key trading partner's exporters. Detailed discussions with a range of stakeholders were conducted to facilitate the development of the regulations. A third public inquiry by the Joint Standing Committee on Foreign Affairs, Defence and Trade was held on 9 May 2012 in Canberra, Australia and Malaysia during which a witness presented her views and concerns on key issues related to the Bill which, incidentally, could be detrimental to Malaysia's timber exports to Australia.

Members at the workshop were informed that key issues raised at the Joint Standing Committee on Foreign Affairs, Defence and Trade Inquiry included Australia's compliance with international trade obligations (WTO compliance) - international consultation and participation of international trading partners in the Illegal Logging Stakeholder Working Group. The Malaysian timber industry was notified that the said regulations would commence two years after the legislation entered into force. Key areas of regulation currently taken into consideration by the Australian government include the due diligence principles and the list of regulated timber products.

There was active interaction between representatives of DAFF and the participants whereby many issues of concern were raised and clarified. DAFF said that the Australian government will consult further on the draft regulations prior to its introduction expected in late 2012. It invited Malaysian feedback through formal and informal channels and assured that feedback from stakeholders will be considered in the development of the regulations. The Illegal Logging Stakeholder Working Group is likely to be held late July or early August 2012 and Malaysia made a formal request to be included in the Working Group.

MTIB was represented by Puan Hjh. Norchahaya Hashim, Deputy Director-General; and other officials namely Cik Hjh. Robiyah Hj. Husin, Encik Md. Yusoff Ismail, Encik. Mohd Fadza Ishak and Puan T. Selvee.

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system is a model of resource consumption, not spending. It attempts to measure the total organisational resources required to produce a product. The ABC system is designed to identify priorities for managerial attention, and not to provide decision-relevant costs.

Although the ABC method has some advantages over traditional costing systems, the implementation of this solution might take more time and resources than traditional costing techniques; however the cost savings in the long term could offset such implementation costs.

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BRAZIL AND ITS FURNITURE EXPORT OUTLOOK

Brazil is located in Eastern South America, bordering the Atlantic Ocean and has a total area of 8.5 million sq km. Brazil, one of the emerging economic powerhouses is the largest and most populous country in South America with a population of 205.7 million (July 2012 estimate). With its vast natural resources and a large labour pool estimated at 104.7 million in 2011, it is today South America's leading economic power and a regional leader. Economic growth stood at 2.7% for 2011 and forecasts for 2012 growth are higher. GDP per capita was USD11,600 in 2011 (estimate) and urban unemployment is at the historic low of 4.7% (December 2011). The country has vast natural resources and timber is one of them.

Forestry

Half of Brazil is covered with forests, including the world's largest rain forest, the Amazon. The Brazilian government created the Brazilian Forest Service to manage the Amazon forest resources in a sustainable manner. Brazil is currently ranked second in world forest area coverage after the Russian Federation. Total forest area stood at 520 million ha in 2010, comprising native and planted forests.

Native forests in Brazil are under both private and public ownership. Private forests are the major source of tropical wood production, distributed mainly in the Northern (Amazon) region of the country. The states of Amazonas, Pará and Mato Grosso are the top resource base for wood products.

Of the planted forests 65% are made up of Eucalyptus, and the remaining 35%, Pine plantations. The majority of the planted forests were established in the late 1960s. The Law 5,106/66, created incentives for forest plantations. The South and Southeast regions of the country are the main sources of planted forests.

The Brazilian Forest Certification scheme, recognised by the Programme for the Endorsement of Forest Certification Schemes and regulated by the Brazilian Standards Institute and the Forest Stewardship Council scheme are the two certifying schemes used.

Overview of the Furniture Sector

The Brazilian furniture industry is very fragmented and has two main characteristics; a high number of small companies and highly labour intensive. Santa Catarina, Rio Grande do Sul, São Paulo and Parana are states with many furniture factories ranging from micro, small, medium and to a few large sized enterprises. It ranks 10th in the CSIL database of world furniture markets and also as a furniture producer. Brazil ranks 30th as a furniture exporter and 39th as a furniture importer.

The furniture retail sector represented 1.5% of Brazilian revenue during 2010, supplied mainly by the furniture industry. Furniture products were one of the main sources of income for retail chains and department stores in Brazil. In 2011, Brazil consumed USD14,784 million in furniture, according to the Institute for Studies and Industrial Marketing (IEMI). With increased income available to Brazilian households, a huge part of the money was spent in housing improvement, including furniture and other household products. This was further boosted by the continuation into the second phase of the public housing campaign which aims to build 2 million homes before 2014 for low income families. A huge demand for residential furniture is expected to arise from this project. Moreover 50% of the Brazilian population are urbanites and accounts for 30% of the total country consumption. Many leading furniture manufacturers are targeting this fastest growing segment of the population by launching specific furniture lines. Credit facilities are an added marketing tool to lure this segment. Demand for furniture in the contract and hospitality sector is also expected to pick up momentum with Brazil hosting the 2014 World Cup and the 2016 Olympic Games.

The large volume of furniture trade contributed for the Brazilian trade surplus. More than 15,000 Brazilian furniture manufacturers created 293,000 jobs in 2010. With the production of 44 million pieces, the companies earned about USD1.5 billion of which USD766 million came from exports.

Despite Brazil's small share of international trade (0.4% of imports and 0.7% of world exports), the country recorded a furniture consumption per capita of USD78, higher than the global average of USD63.

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In 2011, Brazil consumed USD14,784 million in furniture, according to the Institute for Studies and Industrial Marketing.

Furniture Export

Brazil's main export market for furniture (HS 9401 and 9403) in 2010 and 2011 was Argentina, valued at USD155.1 million up by 19% from 2010. It absorbed 21% of the market share. The United States, the second biggest market taking in a market share of 11% valued at USD82.9 million, however recorded a dip of 3% as against 2010. The United Kingdom imported furniture valued at USD67 million, a slight drop of 4% from the previous year with a market share of 9%. Angola is an important export market for Brazil, registering 6% market share with an export value of USD47.6 million. Other key markets include France, Uruguay, Chile and Paraguay. Total exports of furniture for 2011 notched USD736.6 million, a decline of 3.8% over 2010. Nevertheless it exported more furniture than it imported.

Furniture Import

China is a major supplier of furniture (HS 9401 and 9403) to Brazil. Its market penetration into Brazil increased from a mere USD55.5 million in 2009 to a whopping USD124.8 million in a span of only 12 months. Its exports valued USD164.6 million in 2011, taking up 29% of the total market share. It chartered an increase of 31.8% over its 2010 performance.

Brazil imported USD116.1 million worth of furniture from the United States in 2011. The United States took up 20.6% of the market segment and posted an increase of 12% over 2010's exports. A distant third was Germany with consignments valued at USD48.0 million, taking up 8% of the market share.

Brazil: Export of Furniture, 2009-2011 (HS 9401 and 9403)

Destination	(USD in million)			% of Market Share 2011	% Change 2011/2010
	2009	2010	2011		
	Value	Value	Value		
Argentina	72.64	130.06	155.14	21.06	19.29
United States	94.34	85.34	82.89	11.25	-2.87
United Kingdom	71.74	69.74	67.07	9.10	-3.83
Angola	54.52	48.14	47.62	6.46	-1.09
France	71.37	73.18	39.51	5.36	-46.01
Uruguay	21.82	30.41	34.06	4.62	12.01
Chile	25.29	30.84	32.17	4.37	4.30
Paraguay	15.33	22.58	30.87	4.19	36.71
Bolivia	10.47	16.17	24.74	3.36	52.99
Venezuela	18.04	20.21	23.41	3.18	15.87
Peru	10.45	19.61	22.04	2.99	12.43
Germany	33.43	31.11	18.74	2.54	-39.76
Mexico	7.81	11.33	8.38	1.14	-26.01
Others	181.66	177.09	150.02	20.36	-15.29
TOTAL	**688.91**	**765.79**	**736.66**	**100.00**	**-3.80**

Source: World Trade Atlas (WTA)

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Brazil: Import of Furniture, 2009 - 2011 (HS 9401 and 9403)

Destination	(USD in million)			% of Market Share 2011	% Change 2011/2010
	2009	2010	2011		
	Value	Value	Value		
China	55.57	124.88	164.58	29.31	31.79
United States	92.83	103.64	116.15	20.68	12.08
Germany	39.93	45.82	47.95	8.54	4.66
France	20.21	27.30	34.35	6.12	25.84
Korea, South	1.58	14.55	28.04	4.99	92.67
Poland	16.57	22.96	26.98	4.80	17.48
Italy	14.75	21.68	25.68	4.57	18.47
Thailand	6.59	8.92	18.10	3.22	102.90
Japan	23.10	23.30	15.54	2.77	-33.32
Turkey	4.14	5.53	12.01	2.14	117.00
Argentina	5.36	8.81	10.08	1.80	100.00
Spain	8.76	11.35	15.18	2.70	33.69
Taiwan	3.33	6.43	6.68	1.19	3.90
Hong Kong	1.51	4.68	4.77	0.85	1.88
Austria	1.03	1.38	1.36	0.24	-1.67
Others	21.63	37.61	34.14	6.08	-9.23
TOTAL	**316.90**	**468.84**	**561.58**	**100.00**	**19.78**

Source: World Trade Atlas (WTA)

Other markets making up the top five included France and South Korea with shipments valued at USD34.3 million and USD28.0 million respectively with market shares of 6% and 5% respectively. A point to note is that Thailand ranked as the eighth supplier to Brazil with exports valued at USD18 million and a market share of 3%. Brazil's total import of furniture for 2011 amounted to USD561.6 million, a significant increase of 19.8% from 2010.

The main export market for Brazilian furniture in 2010 and 2011 was Argentina.

Malaysia's Export of Wooden Furniture

Malaysia exported wooden furniture valued at RM975,000 in 2011, an increase of 148% from RM393,000 in 2010. The main type of wooden furniture exported to Brazil from Malaysia is furniture and parts and other wooden furniture valued at RM538,000 in 2011. Other leading types are seats with wooden frames and wooden furniture of the type used in kitchens valued at RM184,000 and RM140,000 respectively.

Potential

Although not a significant market for Malaysian furniture exports, Brazil can still be looked upon as one with the potential to increase our exports. Brazil's housing plan project "Minha Casa, Minha Vida"(My Home, My Life), hosting of the World Cup 2014 and The Olympic Games 2016 are all expected to increase the demand for furniture for the various sectors.

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www.iafpalliance.com / www.fordaqfurniture.com / www.fao.org.com

WORKSHOP ON ENHANCING SUSTAINABILITY OF FORESTRY PRACTICES ON PEATLANDS

Workshop participants.

Peat swamp forest is the main wetland forest type in South East Asia covering about 25 million ha. of land and providing many benefits to local livelihood as well as generating timber and non-timber forest products. It is estimated that less than 30% of this forest remains in relatively intact condition in the western part of the region with 20% converted to plantations and the remaining 50% in degraded or fragmented situation. Due to heavy harvesting rates and poor recovery as well as conversion and degradation from fires, the level of timber harvesting from peat swamp forests has significantly declined.

Recognising the importance of sustaining and managing the peat swamp forests according to Sustainable Forestry Management principles and practices, the Global Environment Centre, ASEAN Secretariat and the Ministry of the Environment of the Republic of Indonesia organised a three-day seminar on Enhancing Sustainability of Forestry Practices on Peatlands from 27 to 29 June in Bogor, Indonesia. The workshop was officiated by Ir. Arief Yuwono MA, Deputy Minister of the Environment of the Republic of Indonesia.

The objectives of the workshop were to review the current management of peat swamp forests in the region and also to document the Best Management Practices of peat swamp forests and forest plantation.

A total of 21 working papers were presented on various topics including Forest and Plantation Management on Peatlands, Rehabilitation of Peat Swamp Forest and Certification of Forestry Activities on Peatlands. The workshop was divided into two working groups which focused on forest management and rehabilitation, and plantation management on peatlands.

The workshop concluded several important issues such as the need to develop strong policies for peatland protection and sustainability; to impose a moratorium on further development of plantation on peatlands and to enhance water management and conversion of peat swamp forest.

Given the serious recent decline of peat swamp forests, the governments and other stakeholders were also urged to take immediate action to:

- Protect all remaining intact peat swamp forests in South East Asia and not permit further conversion for agriculture or plantation purposes. Remaining Peat Swamp Forests should be protected or rehabilitated as necessary and either conserved or managed according to Sustainable Forestry Management principles and practices
- Manage the remaining peat swamp forests in the context of environmentally sound and sustainable development to maintain their natural roles and functions as well as ensure equitable allocation of benefits to key stakeholders including the local community
- Ensure that if any future plantations are developed in peatland areas – they are only developed on severely degraded peatlands which cannot be recovered to forest
- Manage all peatlands in an integrated manner for each complete hydrological unit with water management enhanced to reduce subsidence and GHG emissions and fire risk
- Develop practical guidelines and best practice manuals for the rehabilitation of peat swamp forests with indigenous species and also the operation of existing industrial tree plantations on peat. These should be supported with appropriate certification standards or regulations
- Strengthen the implementation of the ASEAN Peatland Management Strategy and associated National Action Plans including development of incentives and financing mechanisms

The workshop was attended by more than 100 participants. MTIB was represented by Puan Hazlinda Zainal Abidin from Forest Plantation. MTIB

Workshop in session.

MERAWAN – SUITABLE FOR INDOOR AND OUTDOOR

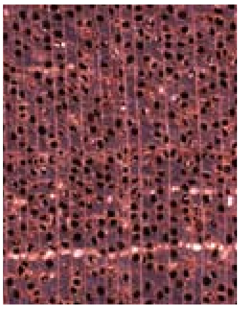
Merawan is the standard Malaysian name for timber from the Hopea *spp. (Light species) of family* Dipterocarpaceae. *Merawan is also known as Gagil in Sabah. This medium hardwood is well distributed on low-lying undulating land near streams..*

General Characteristics

Wood colour and texture.

The sapwood is generally lighter in colour and is poorly defined from the heartwood. It is normally yellow when fresh and tends to change to light brown or red-brown when exposed. Its texture is moderately fine and even with grain interlocked. Its timber density ranges from 495 to 980 kg/m^3.

Anatomical Features



Cross section of Merawan.

Growth rings are absent but the concentric resin canals often stimulate growth rings. The vessels are with simple perforations and are medium-sized, generally moderately numerous, mostly solitary, the rest are in radial or oblique pairs and radial multiples of up to four in a series, diffused but with a tendency to align in short oblique lines. The wood parenchyma is of both paratracheal and apotracheal types; the paratracheal type is incomplete vasicentric or aliform tends to the confluent pattern, while the apotracheal type is irregularly spaced bands containing resin canals and occasional terminal layers (without canals) and diffused or short tangential lines between the rays in some species. Rays are moderately fine and visible to the naked eye. The intercellular canals of the vertical type are present in concentric formations, filled with white resin which can be seen on all section.

Durability

This timber is categorised as moderately durable according to the severe graveyard test under Malaysian weather conditions. However the light-coloured portion of the timber can be readily treated with preservatives whereas the dark-coloured heartwood is very difficult to impregnate with preservative.

Mechnical Properties

The timber falls into Strength Group 4 or SG 4. Strength properties of Merawan which has been tested are as follows:

Mechanical Properties of Merawan

Test Condition	Air-dry
Modulus of Elasticity (N/mm^2)	15,000-15,500
Modulus of Rupture (N/mm^2)	90 - 92
Compression Parallel to Grain (N/mm^2)	45.90 - 50.80
Shear Strength (N/mm^2)	9.0 - 9.3

Machining Properties

Generally, the timber is difficult to saw and bore but planes easily with smooth surfaces. The difficulty in working in this timber is due to its inherent properties such as hardness.

Machining Properties of Merawan

Sawing	Difficult
Planing	Easy to fairly easy
Boring	Easy to slightly difficult
Turning	Easy
Nailing	Very poor

Shrinkage

Shrinkage upon seasoning is moderate to high averaging from 0.9% to 1.3% for radial and 2.2% to 3.3% for tangential.

Uses

Merawan timber used for flooring.

Merawan is suitable for medium and heavy construction under cover and when treated with preservatives can be used outdoor as such as railway sleepers and fence posts. The light coloured portion of the wood is suitable for flooring particularly for sport halls like badminton and squash courts. The timber can also be used for rafters, joists, door and window frame, flooring, joinery, furniture, veneer and plywood. It is also popular for handle of tapping knives in Peninsular Malaysia.

References:
- *PROSEA: Plant Resources of SEA 5. Minor commercial timbers.*
- *Technical Guide MTIB*
- *100 Malaysian Timbers 2010 Edition, MTIB*

MTIB Moments

Dr. Jalaluddin Harun, MTIB Director-General cutting a cake to celebrate MTIB's 39th Anniversary. The event was held on 1 June 2012 at MTIB, Kuala Lumpur.

YB Dato' Hamzah Zainudin, Deputy Minister of Plantation Industries and Commodities (left) mingling with children during Program Jelajah Janji Ditepati held on 9 June 2012 in Kulim, Kedah. MTIB exhibited timber products at this programme.

MTIB organised a Course on ISO/IEC Guide 65:2000 Product Certification for its officials (auditors and implementors) on 11-12 June 2012 at MTIB, Kuala Lumpur.

A Workshop on Manual of Forest Plantation was held from 14 to 16 June 2012 in Kuantan, Pahang. It was attended by personnel of Forest Plantation Division of MTIB.

MTIB officials briefed students of Sek. Men. Vokasional Kuala Selangor on timber applications at a mini exhibition. The programme was held in conjunction with the Hari Koperasi Sekolah on 27 June 2012.

MTIB organised a Course on Team Building for its officials from 29 June-1 July 2012 in Tanjung Bidara, Melaka. Thirty-three officials attended the programme.