Report from Malaysia

MFPC Chair calls for new marketing strategies

As reported in the *Business Times*, Chairman of the Malaysian Furniture Promotional Council (MFPC) Mr. Merlyn Kasimir encouraged Malaysian furniture manufacturers to enhance new marketing strategies to reposition themselves globally while achieving higher productivity and maintaining lower production costs.

In 2008, exports of Malaysian furniture grew by 2% and were worth RM8.72 billion, while imports of furniture grew 9.8% and valued at RM1.5 billion. However, trade in Malaysian furniture exports declined by 14.2% in January 2009 and 13.8% in February 2009. On an annual basis, Malaysian furniture exports were worth about 2.5% of the world furniture trade.

Malaysian construction sector suffers continuing slump

Demand for construction materials in Malaysia continued to decline, pushing down prices for construction materials. Steel, a competitor with timber products, was expected to further drop 25% in price in 2009. The trends, reported by the Malaysian Iron & Steel Industry Federation in *The Star*, showed declines in production of 10.7% to 7.8 million tons in 2008. Domestic prices of steel bars had tumbled from RM3,800 per ton in July 2008 to RM2,000 in recent weeks.

Sarawak scales back timber quota rate

According to *Bernama News*, Sarawak scaled back the enforcement of its rules on the timber quota rate for the first six months of 2009 to help timber exporters weather the global recession. The standard royalty rate for timber has already been reduced from RM65 to RM50 per meter from January to December 2009. The payment period for timber royalties has also been extended from two weeks to three months.

Exports of timber products from Sarawak declined about 30% to RM1.3 billion in the first quarter of 2009, compared to RM1.9 billion in the first quarter of 2008. The volume of timber products also dropped 34% during the same period. Royalties from timber products plunged by about 39% to RM82.6 million in the first quarter of 2009, compared to RM134.9 million in the first quarter of 2008.

In 2008, the Sarawak timber industry registered a 2.6% rise in export revenues worth RM7.9 billion compared to RM7.7 billion in 2007.

Malaysia Log Prices

Sarawak log, FOB	US$ per m^3
Meranti SQ up	228-252↓
Small	211-242
Super small	200-224
Keruing SQ up	216-228
Small	187-218
Super small	162-193
Kapur SQ up	206-231
Selangan Batu SQ up	178-215
Pen. Malaysia logs, domestic (SQ)	**US$ per m^3**
DR Meranti	232-251
Balau	298-325
Merbau	320-353↓
Rubberwood	42-77
Keruing	215-231

Peninsular Malaysian meranti logs are top grade and are used for scantlings for the EU. Their prices are higher than Sarawak's.

Malaysia Sawnwood Prices

Malaysia Sawnwood, FOB	US$ per m^3
White Meranti A & up	280-311
Seraya Scantlings (75x125 KD)	448-463↓
Sepetir Boards	249-271
Sesendok 25,50mm	350-368↓
Kembang Semangkok	294-317

Malaysian Sawnwood, domestic		US$ per m^3
Balau (25&50mm,100mm+)		330-350↓
Merbau		472-523↓
Kempas 50mmx(75,100 & 125mm)		260-300
Rubberwood	25x75x660mm up	196-246
	50-75mm Sq.	237-269
	>75mm Sq.	259-288

Malaysia Plywood Prices

Malaysia ply MR BB/CC, FOB	US$ per m^3
2.7mm	414-476↓
3mm	391-421↓
9mm & up	336-408↓

Meranti ply BB/CC, domestic	US$ per m^3
3mm	387-428↓
12-18mm	321-350↓

Other Malaysia Panel Prices

Malaysia, Other Panels, FOB		US$ per m^3
Particleboard	Export 12mm & up	228-251↓
	Domestic 12mm & up	213-230↓
MDF	Export 15-19mm	283-315↓
	Domestic 12-18mm	272-290↓

Malaysia Added Value Product Prices

Malaysia, Mouldings, FOB	US$ per m^3
Selagan Batu Decking	543-553↓
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	559-572↓
Grade B	510-519↓

Malaysia Furniture and Parts Prices

Malaysia, Rubberwood, FOB		US$ per piece
Semi-finished dining table		
solid laminated top 2.5'x4', extension leaf		58-74
As above, Oak Veneer		65-79
Windsor Chair		57-59
Colonial Chair		55-60
Queen Anne Chair (soft seat)	without arm	55-63
	with arm	55-64
Chair Seat 27x430x500mm		43-48
Rubberwood Tabletop		**US$ per m^3**
22x760x1220mm sanded & edge profiled		
Top Grade		554-586↓
Standard		539-557↓

Report from Indonesia

Indonesian panel manufacturers hit by slump in demand

According to *Bloomberg News*, the Japanese economy declined sharply in January to March 2009, with GDP falling an annualized 15.2%. Meanwhile, *Channel News Asia* reported US housing starts and building permits dropped by 3.3% from March to April 2009 to an annual rate of 494,000 units. The statistics, announced by the US Commerce Department, showed the lowest results since the data began to be collected in 1959. The weak demand for products in both the US and Japan continue to hit Indonesian plywood and panel-products manufacturers hard.

However, as local spending expands rapidly and with GDP standing at 4.4% for the first quarter of 2009, Indonesian timber product manufacturers were beginning to look to the local market to help mitigate the recession, as consumer confidence reached a four-year high in April 2009. *Bloomberg News* reported that consumer spending increased sharply by 5.8% in the first quarter of 2009, from 4.8% in fourth quarter of 2008.

APHI warns too many levies hurt Indonesian competitiveness

The Association of Indonesian Forest Concessionaires (APHI) has indicated total levies on forest-based industries, including those imposed by local governments, account for more than 30% of the production cost of local forestry companies. APHI officials said the levies are not only a burden to forestry companies but also render Indonesian timber products less competitive in comparison to Malaysia and China's timber products. According to *The Jakarta Post*, total levies imposed on timber products in neighboring countries in Southeast Asia stand at 15% or less.

In addition, the levies could amount to as much as USD30 per m^3 for every USD100 per m^3 of timber product sold. There are a total of 28 types of levies imposed on Indonesian timber products, ranging from property taxes to forestry commissions. Moreover, the federal government mandates that timber product manufacturers must source their raw materials from production forests instead of natural forests. As a result, manufacturers have lost access to an important raw material supply. Current output from production forests are on a decline.

Statistics compiled by the Central Statistics Agency (BPS), indicated that Indonesia's exports of plywood have declined from a high of USD3.4 billion in 1997 to USD1.5 billion in 2008. Both sawnwood and other timber product exports have also dropped by value from 1997 to 2008. A forecast by the Association of Indonesian Wood Panel Producers (Apkindo) indicated that the plywood industry could contract by another 40% in 2009.

Indonesia Log Prices (domestic)

Indonesia logs, domestic prices	US$ per m^3
Plywood logs	
Face Logs	186-229
Core logs	167-200
Sawlogs (Meranti)	174-235
Falcata logs	142-176
Rubberwood	36-62 ↑
Pine	157-196
Mahoni (plantation mahogany)	470-496 ↓

Indonesia Sawnwood Prices

Indonesia, construction material, domestic		US$ per m^3
Kampar (Ex-mill)	AD 3x12-15x400cm	170-189
	KD	193-227
	AD 3x20x400cm	218-241
	KD	222-247
Keruing (Ex-mill)	AD 3x12-15x400cm	234-248
	AD 2x20x400cm	220-238
	AD 3x30x400cm	200-219

Indonesia Plywood Prices

Indonesia ply MR BB/CC, FOB	US$ per m^3
2.7mm	403-460 ↓
3mm	359-400 ↓
6mm	316-380 ↓

MR Plywood (Jakarta), domestic	US$ per m^3
9mm	253-264 ↓
12mm	245-255 ↓
15mm	234-248 ↓

Other Indonesia Panel Prices

Indonesia, Other Panels, FOB		US$ per m^3
Particleboard	Export 9-18mm	216-227 ↓
	Domestic 9mm	191-203
	12-15mm	182-193
	18mm	172-184
MDF	Export 12-18mm	253-266 ↓
	Domestic 12-18mm	233-244 ↓

Indonesia Added Value Product Prices

Indonesia, Mouldings, FOB	US$ per m^3
Laminated Boards Falcata wood	302-314 ↓
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	494-528 ↓
Grade B	449-470 ↓

Report from Myanmar

Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)	
Veneer Quality	Apr	May
2nd Quality	-	-
3rd Quality	3,585 (4 tons)	-
4th Quality	3,215 (12 tons)	3,385 (21 tons)
Sawing Quality	Apr	May
Grade 1 (SG-1)	2,342 (42 tons)	2,307 (55 tons)
Grade 2 (SG-2)	2,393 (39 tons)	1,842 (59 tons)
Grade 3 (SG-3)	-	-
Grade 4 (SG-4)	1,992 (302 tons)	1,915 (178 tons)
Grade 5 (SG-5) Assorted	1,714 (111 tons)	1,697 (112 tons)
Grade 6 (SG-6) Domestic	1,443 (112 tons)	1,249 (113 tons)
Grade 7 (ER-1)	1,011 (311 tons)	1,061 (79 tons)
Grade 8 (ER-2)	-	-

Hoppus ton=1.8m^3; All grades, except SG-3/5/6, are length 8' x girth 5' &up. SG-3/4/6 are girth 4' &up. SG-3 grade is higher than SG-4 but with lower girth and price.

Prices differ due to quality or girth at the time of the transaction.

Logs, FOB	€ Avg per Hoppus Ton (traded volume)
Pyinkado (export)	496 (233 tons)
Gurjan (keruing-exp)	--
Tamalan	--
Taungthayet	--