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MTIB

MASKAYU

CONFERMENT OF ORDER BY THE SULTAN OF PAHANG

A REVIEW OF IBS COMPONENTS IN MALAYSIAN CONSTRUCTION INDUSTRY

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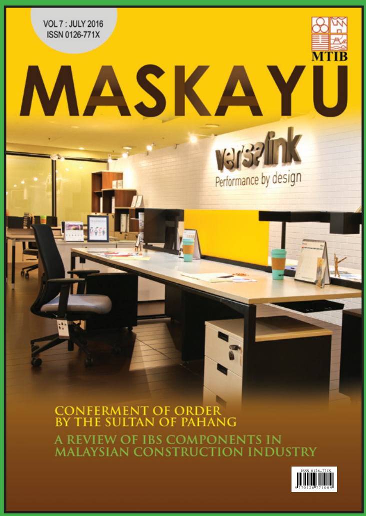

MIFF 2016

***Cover** : Jemaramas Jaya Sdn. Bhd. won a Platinum Award (Office Furniture) under the Furniture Excellence category in MIFF 2016.*

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Highlights

Regular Features

CONFERMENT OF ORDER BY THE SULTAN OF PAHANG

Congratulations to YBhg. Dato' Dr. Jalaluddin Harun, *Director-General* of the Malaysian Timber Industry Board (MTIB) who was conferred the Darjah Sultan Ahmad Shah Pahang (DSAP), an Order which carries the title Dato', on 28 July 2016. This was in conjunction with His Royal Highness Sultan of Pahang's 85th Birthday.

YBhg. Dato' Dr. Jalaluddin Harun, MTIB Director-General.

ASEAN
IMF Predicts Economy in 2016 to Expand

In the World Economic Outlook Update (WEO), the International Monetary Fund (IMF) predicts that the economy of ASEAN-5 in 2017 and 2016 will expand by 5.1% and 4.8% respectively. ASEAN-5 consists of Viet Nam, the Philippines, Malaysia, Thailand and Indonesia. This is albeit uncertainties over a decision made by the UK to exit the European Union (EU), also known as Brexit. The forecast remains the same from the WEO published in April 2016.

According to the IMF, the world has yet to experience Brexit's full effects. Brexit has caused limited impact on the economy of China. The IMF added that as Brexit continues to unfold, there is an increase in political and economic uncertainty.

Brunei Times (The), 20 July

AUSTRALIA
Building Approvals Slip in May 2016

According to data provided by the Australian Bureau of Statistics (ABS), building approvals in the country dipped by 5.2% during May 2016. For the month, detached home approvals edged up by 0.1%, while approvals for other dwellings such as apartment blocks and townhouses declined by 11.3%. The 5.2% slip in overall building approvals for the month is higher than analysts' forecasts of a 3.5% decrease. For the year ended May 2016, overall building approvals in Australia fell by 9.1%.

The Australian, 4 July

BAHRAIN
Economic Growth

In the first quarter of 2016, Bahrain's economy grew 4.5%, the highest since 2015. The growth was led by a 12.1% gain in the oil sector, followed by 8.4% in social and personal services, 5.4% in construction and 3.1% in financial services, all on a year-on-year basis.

Trade Arabia, 22 July

BRAZIL
New Mobile Application for Timber Tracking

The Brazilian Forest Service (SFB) has launched an application for smartphones and tablets that allows timber tracking and concession production. The application utilises available information from Brazil's 2015 Chain of Custody System (CCS).

The CCS captures information on standing trees in approved logging concessions. When any tree is felled within the sustainable forest management regime the forest concessionaire is required to provide information to the CCS. All transport of logs from forest to industry is also registered in the system. At a sawmill, sawn output is bundled and each bundle is provided with an identity tag (QR Code) generated by the CCS.

The CCS system can retrieve data on processed logs and produce geographic coordinates for logs and sawn wood. The SFB says the aim of this application is to provide transparency on forest concession activities to improve the confidence of timber buyers that the material being offered for sale can be tracked through the system to demonstrate legality. This is important in the domestic and international market where verified legal timber is now demanded.

Fordaq, 13 July

BRUNEI
Brexit May Have Significant Impact on Country

It is projected that the decision made by the UK to leave the EU will have an impact on Brunei. There are around 500 million consumers in the EU, including some 50 million Muslims. Brunei will no longer be able to depend on the UK to venture into the EU with Brexit. The UK is the strongest partner of Brunei in the EU. Brexit has resulted in oil prices declining to less than USD50 (EUR44.87) for one barrel and sterling depreciating to historic lows.

So far, businesses in Brunei have experienced limited impact with Brexit. Business owners have been encouraged to capitalise on the depreciation of sterling, which has decreased to its lowest points in a period of 31 years. The British pound is being stocked up by locals for tuition fees or travel expenses to the UK.

Brunei Times, 4 July

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CHILE
Low Prices Hit Forestry Exports

The low prices affecting the forestry industry have led to a 5% drop in exports in this sector totalling USD2.61 billion (EUR2.36 billion) in the first six months of the year compared to USD2.74 billion in the same period in 2015. Pulp and paper were among the worst hit with a drop of 5.9% while forestry products and wooden furniture fell by 3.2%. Specifically profiled wood dropped the lowest while wood chips rose by a quarter in the first half of 2016 compared to the same period in 2015.

El Mercurio, 8 July

EUROPE
Brexit to Negatively Impact Tropical Imports

From the perspective of the tropical wood sector, Brexit will have significant implications. The UK is now by far the largest importer of tropical timber in the EU.

If all timber-based products are included (primary raw materials, secondary processed products and tertiary products like furniture), in 2015 the UK accounted for around 25% of the total value imported into the EU from tropical countries. France followed with 15%, the second largest EU market for tropical timber.

The UK import value of tropical timber products increased by 32% from EUR720 million in 2011 to EUR960 million in 2015. This is in contrast to other leading EU markets for which, during the same period, tropical timber imports were either flat (Belgium) or declining (all others).

The expected economic slowdown in the UK on the back of the uncertainty after the referendum result is therefore likely to have a disproportionately large impact on the EU's imports of timber products from tropical countries.

A large part of the recent growth in the UK's imports of timber products from these countries has been in the form of furniture from Viet Nam, Indonesia and Malaysia, a trade now likely to slow in the short to medium term.

Longer term, the prospects for tropical timber products in the UK and the EU will be partly dependent on the speed of underlying economic adjustment and partly on the terms of trade agreed. If the UK recovery is relatively swift, there may be longer term advantages for tropical timber producers (and other non-EU timber product suppliers into the UK) if the new arrangements lead to introduction of tariffs or otherwise impede trade in timber products between the UK and continental Europe's large and dominant wood product manufacturing sector.

Fordaq, 12 July

FINLAND
Real Exports Value of Forest Industry Products Up

According to the Natural Resources Institute Finland (Luke), the real export value of Finnish forest industry products was EUR3.85 billion in January-April 2016, up 3% from the corresponding period in 2015. Forest industry products accounted for 24% of the total value of Finnish goods exports. In January-April 2016, Finland's wood imports totalled 3.18 million m^3. The volume of imports increased by 8% from the corresponding period in 2015. Most of the imported wood, 86%, originated from Russia. Estonia accounted for 9% of the imports, and Latvia accounted for 4%. The imports of logs focused on the needs of the pulp industry as 84% of wood import was pulpwood or chips.

Press Release, Natural Resources Institute Finland, 8 July

GERMANY
Sharp Rise in German Exports of Kitchen Furniture

After the regressive development in January and March, German furniture exports and imports increased again in April as they had done in February. According to the figures compiled by the German furniture industry association (VDM) on the basis of the foreign trade statistics from Destatis, the federal statistics office, the exports were 4.2% higher than in the same month of last year. This also far surpassed the growth of 1.7% recorded for February. In contrast, exports had fallen by 1.9% and were down even further in March at -2.3%. Substantial differences were apparent between the individual product groups in March as well. Whilst exports of mattresses (-10.2%), shop and large-scale project furniture (-9.3%), and upholstered furniture (-8.3%) all fell sharply, double-figure growth of 14.9% was registered in kitchen furniture. Exports of living room, dining room, and bedroom furniture rose by 9.0%. Growth of lower single-figure percentages was recorded for other furniture (+4.7%), other seating

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furniture (+2.4%), and office furniture (+1.2%). The inconsistent development in the first four months left German furniture exports up by 2.0% by the end of April.

EUWID, 14 July

INDONESIA
Ministry May Allow Wood Log Export to Generate Revenue

According to Bambang Hendroyono from the Ministry of Environment and Forestry, the Ministry plans to reopen the wood log export to increase non-tax state revenue for 2017. The move will also help to add value as the wood will be processed domestically. Presently, due to the low prices of wood logs, many forest concession holders are not cutting down trees.

Bisnis Indonesia, 14 July

LATVIA
Pywood Imports Up More Sharply Than Exports

Latvian plywood exports in the first quarter were higher than in the same period of a year earlier for the fourth time in succession. At 66,800 m^3, last year's figure was exceeded by 14%. According to information from the Forest Department of the Latvian Ministry of Agriculture, the export value, on the other hand, only increased 7% to €43.1 million. Germany remained the biggest recipient market with above-average growth of 17% to 12,400 m^3. Deliveries to the UK were almost double those of the relatively weak period of last year at 10,300 m^3. In contrast, a reduction of 57% to 2,700 m^3 was recorded for the Netherlands. 6,200 m^3 went to Turkey, 4,700 m^3 to France, and 30,500 m^3 to other countries.

EUWID, 18 July

MYANMAR
Might Start to Import Timber to Protect its Forests

The Myanmar government might start importing timber to protect its forests. However, as the country has been a long time timber producer and exporter, the local timber companies will continue their operations.

U Kyaw Zaw, Director of the Office of the Minister for Natural Resources and Environmental Conservation, stated that other countries in the Asia Pacific region have the same plan to conserve their forest resources and decided to import raw timber, according to Myanmar Times.

During the 2014-2015 financial year, Myanmar stopped exporting timber logs. Now, the country has banned logging as to re-establish the forests. The existing stocks of Teak and hardwood will be sold by Myanmar Timber Enterprise until 2017, as to meet the local factories' needs. Still, the remaining sawmills will need the raw material to keep up with operations and demand.

U Bar Bar Cho, a timber trader, told Myanmar Times that importing timber is a viable plan to stop the local logging, while at the same time, some products might be even cheaper to import than to be produced domestically. If raw timber could be bought more cheaply, furniture and other products could be sold inexpensively to compete with the international market, he added.

2016 Union revenue law states that the trade of Teak and hardwood logs and boards of 100 sqm more will pay 25% of commercial tax and 5% of income tax. An executive member of Myanmar Forest Products Merchants Federation, U Kyaw Thu, said that this tax has to be reduced for imported materials.

Logging might be resumed during the 2017-2018 financial year because of the local demand for raw material.

Fordaq: 27 July

SOUTH KOREA
Central Bank Predicts Economy to Improved

The Bank of Korea (BoK) projects that the economy of South Korea will hit 2.9% in 2017. For 2016, the central bank has slashed the projection from 2.8% to 2.7%. Local consumption will be affected by a new regulation to address graft and a decision made by the government to deploy the Terminal High Altitude Area Defense system. The BoK lowered the economic forecast for 2016 due to weak domestic exports and uncertainties over a decision made by the UK to leave the European Union, also known as Brexit, among others.

Joongang Daily, 15 July

SWEDEN
Minister Would Like to see Climate-Friendly Alternatives to Concrete

Sweden's Minister for Housing, Peter Eriksson would like to see alternatives to concrete in the construction sector. Since concrete is a product that has a very negative impact on the climate, more climate-friendly alternatives would be a

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significant improvement, he said at a seminar during 'politicians' week' Almedalsveckan i Visby. He mentioned wood, which is a material that exists in abundance in Sweden.

Byggindustrin, 6 July

TAIWAN
GDP Growth Estimate for 2016

On 19 July 2016, Chung-Hua Institution for Economic Research (CIER) revealed that it has lowered its GDP growth forecast for 2016 on Taiwan to 0.84%. It was a reduction from its previous estimates of 1.36% as the global economy was unfavourable for private investment and exports.

Taipei Times, 20 July

TURKEY
US Investments Will Continue Despite Failed Coup

Bora Gurcay, Chief of TABA- AmCham, the Turkish American Business Association, has said that US investors are getting ready to increase new investments in Turkey despite the failed coup attempt. According to Gurcay, four prominent US firms have indicated that they are not planning to change their decision on the large investments they have scheduled for the second half of 2016. In fact, the planned investments could be taken a step further. The companies have apparently been reassured by the stance that the Turkish people have taken in support of democracy, showing that it is deep-rooted.

Yeni Safak, 22 July

UNITED KINGDOM
Solheim Calls for UK to Remain Committed to EU Environment Policy

Erik Solheim, the new director of the United Nations Environment Programme (UNEP), hopes the UK will remain committed to EU environmental policy in the wake of the Brexit vote. Solheim highlighted the importance of countries working together to tackle cross border issues. According to Solheim, the UK could remain a member of the Emissions Trading System (ETS) and subscribe to almost all of the EU's environment and climate legislation, which is thought to be the largest body of environmental legislation in the world.

The Guardian, 6 July

UNITED STATES
Decline in the US Wood Flooring Imports

After two consecutive months of growth, the US wood flooring imports declined in April compared to the previous month. Hardwood flooring imports dropped 5% to USD2.5 million. Imports of assembled flooring panels were USD10.2 million, down 2% from March. Both were down 11% in year-to-date imports compared to April 2015.

However, hardwood flooring imports from Indonesia increased in April to USD889,707 but year-to-date imports remained below 2015 levels. Only China showed slightly higher year-to-date imports (+1%) from April 2015. Brazil, usually a minor hardwood flooring supplier to the US market, increased shipments to USD154,148 in April.

Overall declines were similar for assembled flooring panels, except for Indonesia and Thailand which posted significant gains in year-to-date imports compared to the same time last year.

Year-to-date imports from Thailand doubled from April 2015, while imports from Indonesia were up 12%. China remains the largest supplier of assembled wood flooring panels, but year-to-date imports were down by almost one third from April last year.

Source: ITTO/Fordaq, 7 July

VIET NAM
Economy to Grow

Based on a report published by the Viet Nam Institute for Economic and Policy Research, it was projected that the economy of the nation in 2016 would grow by 6% or below. The report projected that for the remaining months in 2016, inflation in Viet Nam would speed up. In the six months to June 2016, economy grew 5.52%. This was due to a slowdown in industrial output.

Voice of Viet Nam (The), 18 July

Malaysia: Containerchain, Four Others Penalised Over Breach of Competition Laws

The Malaysia Competition Commission (MyCC) has imposed penalties on container depot operators Prompt Dynamics, EAE Depot & Freight Forwarding, ICS Depot Services, Ayza Logistics and Ayza Industries as well as Containerchain (M) (Containerchain), an ICT services provider for the shipping and logistics sectors, for breach of the Competition Act 2010. Under the charge, the companies were found guilty of colluding to increase depot gate fee to RM25 (EUR5.50, USD6.11) from RM5 and grant RM5 rebates to hauliers. Pursuant to that, the MyCC has instructed Containerchain to draft a plan for prevention of its computer systems from being used for anti-competition activities while a circular also has been issued to prevent the depot operators from implementing the depot gate fee hike. Besides that, all five companies have been ordered to pay fines amounting to RM645,774 in total with a daily penalty of RM7,000 to be imposed on those that fail to observe the remedial actions within 30 days after issuance of the instructions.

Source: Sundaily (The), 2 June

Philippines: Four International Ports to be Operated by International Container Terminal Services (ICTS) in 2016

In 2016, four international ports will be operated by International Container Terminal Services (ICTS). At least USD1.10 billion (EUR989.98 million) worth of investment has been made by the Philippine-based firm in the ports. By the end of 2016, work on a new port located in Iraq will be completed.

In September 2016, Port of Buenaventura in Colombia will be unveiled while in 2016, a port in Melbourne, Australia will be launched. An investment of USD100 million has been made by the firm in the port in Congo while USD500 million each has been invested in Melbourne and Colombia.

Source: Manila Bulletin, 2 June

Indonesia: Pelabuhan Indonesia to Launch Container Terminal in July 2016

On 15 July 2016, the New Priok Container Terminal I in North Jakarta will be launched by Pelabuhan Indonesia II (Pelabuhan Indonesia). At present, Tanjung Priok Port can only accommodate feeder vessels. The container terminal, which is able to accommodate up to 1.5 million twenty-foot equivalent units (TEUs) on a yearly basis, spans

Shipments of Timber and Timber Products through Ports in Peninsular Malaysia, June 2016

Products	Port Klang		Kuantan		Pasir Gudang		Tanjung Pelepas		Penang		Total all Ports m^3	% Change June 2016/ May 2016
	m^3	% Change June 2016/ May 2016	m^3	% Change June 2016/ May 2016	m^3	% Change June 2016/ May 2016	m^3	% Change June 2016/ May 2016	m^3	% Change June 2016/ May 2016		
Sawntimber	58,521	-4	2,588	-66	1,437	12	705	150	9,401	1	72,652	-9
MDF	41,076	21	0	0	9,860	-7	7,200	42	22,272	42	80,408	23
Mouldings	12,660	3	261	64	1,918	-1	634	0	1,734	5	17,207	3
Plywood	8,586	-1	0	-100	21	21,649	126	-21	8,870	-4	17,603	-3
Veneer	150	-60	14	133	15	100	112	180	738	7	1,029	-7
Particleboard	35,674	2	342	-44	388	-14	139	672	3,179	-14	39,722	0
TOTAL	**156,668**	**3**	**3,205**	**-62**	**13,639**	**-4**	**8,916**	**44**	**46,194**	**15**	**228,622**	**4**

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across 32 hectares. According to Prasetyadi, Director of Operations and Information Systems, a test run has been conducted for New Priok Container Terminal I. On 2 July 2016, another trial run will be held.

Source: Jakarta Globe (The) , 10 June

India: Best Performance Award Given to Paradip Port Trust (PPT) by Shipping Ministry

The Ministry of Shipping of India has awarded Paradip Port Trust (PPT) the Best Performance Award to recognise significant improvements by the local firm in efficiency parameters during 2015/16. Among its achievements, PPT in the period reduced its vessel turnaround time by 36% on-year to 4.50 days from 7.01 days; increased the throughput of mechanised coal berths by 23% to 40,440 tonnes and boosted its berth day output by 19% to 21,139 tonnes. The award was handed to PPT during an event held in Goa, India.

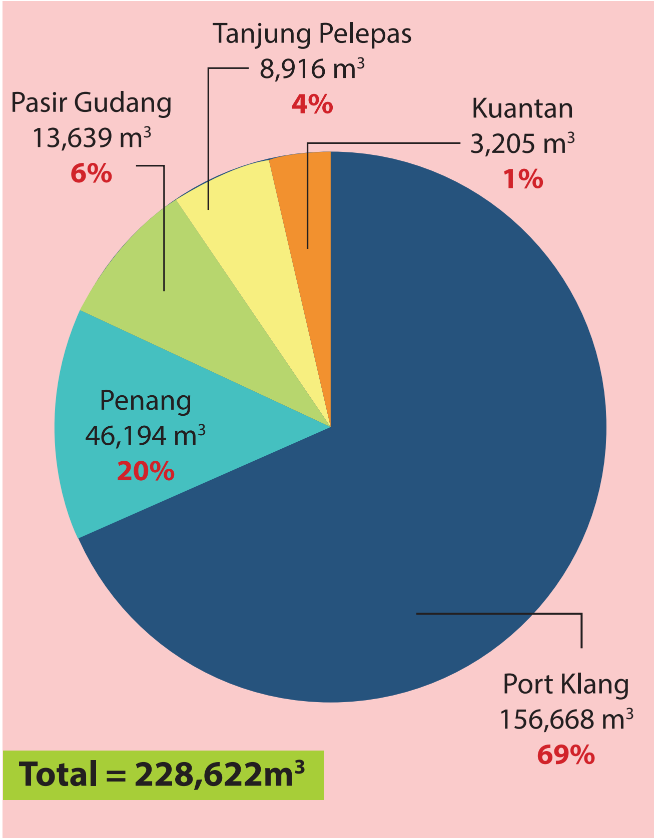
Source: SteelGuru, 10 June

Singapore: Port of Singapore Records Growth in Container, Cargo Throughputs

In May 2016, the total of containers at the Port of Singapore rose 1.6% year-on-year and 5.4% month-on-month to 2.665 million TEUs. This marks the first year-on-year growth in 15 months. Meanwhile, total cargo throughput rose 7.7% year-on-year and 1.9% month-on-month to 52.257million tonnes. The growth was attributed to the rising demand for containerised cargo from the transshipment hinterlands of Singapore-Southeast Asia, South Asia.

Source: Straits Times (The), 14 June

Timber Shipment through Ports in Peninsular Malaysia, June 2016



JUNE 2016

Total export of Malaysian timber and timber products in June 2016 increased 1.5% in value to RM1.79 billion from the previous month. Cumulative export for the second quarter of 2016 increased 4% to RM10.9 billion over the previous corresponding period.

SAWNTIMBER

Export of sawntimber in June 2016 decreased 0.4% in volume however increased 0.4% in value to 160,284 m^3 with a value of RM272.5 million as compared to the previous month. Cumulative export for the first six months of 2016 decreased 6% in volume however increased 11% in value to 954,897 m^3 totalling RM1.6 billion over the previous corresponding period.

Export of sawntimber to the EU for the month decreased 23% to 7,839 m^3 from 10,177 m^3 in the previous month resulting from declining demand from major markets in the region. Export to the Netherlands and UK decreased 30% to 2,220 m^3 and 41% to 1,275 m^3 respectively. Likewise, purchases made by France declined 55% to 739 m^3. In the meanwhile, export to Belgium and Germany increased 67% and 7% to 1,522 m^3 and 1,117 m^3 respectively.

Total exports to West Asia decreased 26% to 20,060 m^3 from 27,225 m^3 recorded in the previous month. This is due to declining demand from major markets in the region. Export to Oman decreased 18% to 4,142 m^3 followed by Saudi Arabia by 11% to 2,295 m^3, Yemen by 85% to 1,151 m^3 and Qatar by 36% to 1,143 m^3. On the other hand, export to the UAE increased 16% to 8,373 m^3 from 7,208 m^3 in the previous month.

Buying from ASEAN increased 10% to 63,379 m^3 from 57,778 m^3 registered in the previous month. Export of sawntimber to Thailand, a major buyer of sawntimber from Malaysia improved 12% to 35,438 m^3 from 31,725 m^3 in the previous month. Likewise, export to the Philippines and Singapore increased 9% to 17,227 m^3 and 8% to 9,645 m^3 respectively.

Shipments to East Asia increased 11% to 40,608 m^3 from 36,443 m^3 in the previous month. Similarly, export to Taiwan improved 12% to 8,432 m^3 followed by Japan at 110% to 8,023 m^3. On the other hand, export to China and South Korea decreased 0.4% to 20,489 m^3 and 20% to 3,356 m^3 respectively.

Elsewhere, exports to the US decreased 15% to 1,399 m^3 whilst intake by Australia increased 23% to 1,010 m^3. Demand from South Africa improved 13% to 5,912 m^3 from 5,220 m^3 in the previous month.

The average FOB price of sawntimber increased 1% to RM1,700 per m^3 from RM 1,688 per m^3 in the previous month. Price of Dark Red Meranti (DRM) decreased 8% to RM1,736 per m^3 from RM1,888 per m^3 in the previous month. However, price of DRM to the Netherlands declined 3% to RM3,438 per m^3 from RM3,537 per m^3 in the previous month. Keruing was traded at RM1,683 per m^3, an increase of 2% from RM1,648 per m^3 in the previous month.

PLYWOOD

Total export of plywood in June decreased 6% in volume and 2% in value to 215,307 m^3 valued at RM367.0 million as compared to the previous month.

Total exports to the EU decreased by 21% to 10,459 m^3. Similarly, exports to Belgium, Ireland and the UK decreased by 7%, 68% and 28% to 567 m^3, 228 m^3 and 7,561 m^3 respectively whilst Germany did make any purchases. However, the Netherlands increased its intake by 8% to 1,322 m^3, whilst Denmark, and Italy resumed their intake.

Exports to ASEAN region decreased as Brunei, Indonesia, Singapore, and Philippines intake of plywood reduced by 20%, 45%, 16% and 30% to 996 m^3, 63 m^3, 3,232 m^3 and 2,697 m^3 respectively. On the other hand, Thailand increased its intake by 18% to 5,865 m^3. In East Asia, China and Japan reduced their intake by 33% and 5% to 1,859 m^3 and 94,024 m^3 respectively. Conversely, Hong Kong, South Korea and Taiwan increased their intake by 69%, 6% and 9% to 4,959 m^3, 25,431 m^3 and 14,501 m^3 respectively.

Overall, exports to West Asia decreased by 65% as compared to the previous month. Similarly, shipments to Bahrain, Saudi Arabia, the UAE, Kuwait and Yemen reduced by 46%, 33%, 50%, 57% and 79% to 223 m^3, 3,275 m^3, 2,470 m^3, 129 m^3 and 5,208 m^3 respectively. However, Qatar improved its intake by 20% to 528 m^3.

Elsewhere, exports of plywood to South Africa, Mauritius, the US, Mexico, Australia and Turkey increased by 158%, 5,000%, 198%, 20%, 10% and 385% to 490 m^3, 153 m^3, 12,583 m^3, 6,237 m^3, 4,747 m^3 and 1,095 m^3 respectively. However,

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Canada and the UK reduced their intake by 95% and 28% to 127 m³ and 7,561 m³ respectively whilst Algeria, New Zealand and Norway did not make any purchases.

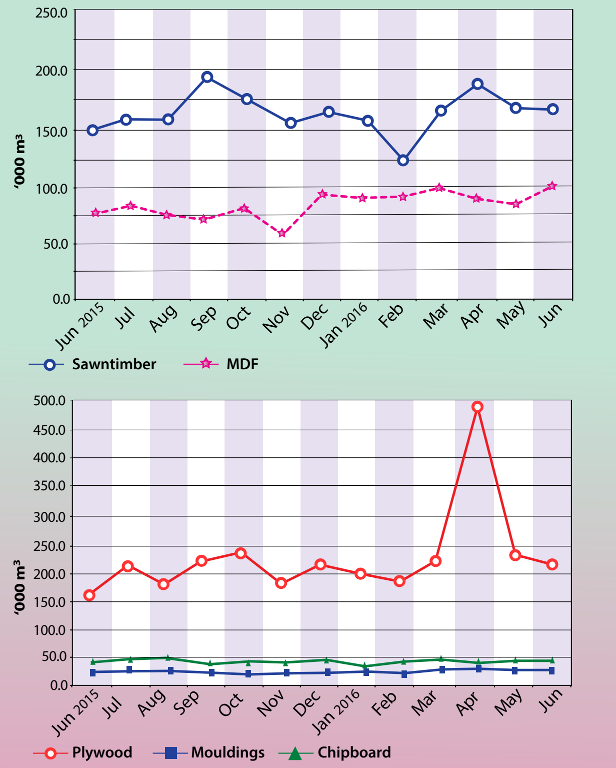
The FOB price of plywood increased by 108% to RM1,705 per m³ from RM819 per m³ in the previous month.

VENEER

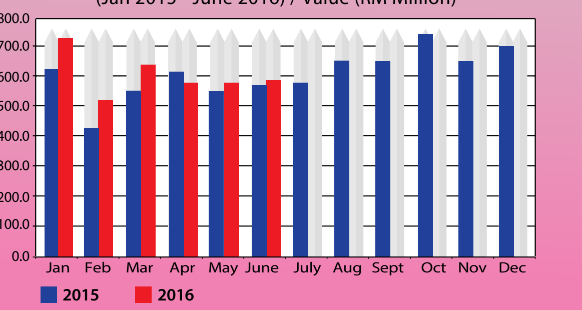
Exports of veneer for June 2016 showed a decrease of 21% in volume and 15% in value to 15,831 m³ at RM25.7 million as compared to the previous month. Exports to China, Taiwan, South Korea and Singapore decreased by 27%, 28%, 20% and 94% to 639 m³, 5,989 m³, 7,075 m³ and 4 m³ respectively whilst Canada and the Philippines did not make any purchases. Contrariwise, Australia, India, Italy and Viet Nam increased their intake by 73%, 357%, 132% and 179% to 249 m³, 402 m³, 144 m³ and 117 m³ respectively, whilst Chile maintained its intake at 31 m³.

The FOB price of veneer increased to RM1,622 per m³ from RM1,504 per m³, an increase of 8% from the previous month.

Malaysia : Export of Major Timber Products
(June 2015-June 2016/Volume ('000m³)



Malaysia : Export of Wooden Furniture
(Jan 2015 - June 2016) / Value (RM Million)



Source : Department of Statistics, Malaysia

MEDIUM DENSITY FIBREBOARD (MDF)

Peninsular Malaysia's exports of MDF for June 2016 showed an increase of 18% in volume and 16% in value from the previous month. Export totalled 101,444 m³ at RM107.4 million.

Exports to East Asia registered a decrease of 4% to 12,283 m³ from 12,730 m³. Export to Taiwan registered positive growth by 57% to 1,399 m³, followed by China (including Hong Kong) with an increase of 8% to 271 m³. However, export to Japan decreased by 4% to 10,319 m³, followed by South Korea decreased by 64% to 294 m³.

However, exports to West Asia market recorded positive growth with an increase of 36% in volume to 53,245 m³ from 39,175 m³ in the previous month. Export to Qatar recorded an increase of 9% to 2,003 m³ followed by Iran at 22% to 5,186 m³, Saudi Arabia increased by 36% to 9,035 m³, the UAE increased by 63% to 22,048 m³, followed by Bahrain increase by 96% to 1,502 m³, Jordan by 139% to 859 m³ and Kuwait increased by 308% to 3,443 m³. On the other hand, Oman decreased by 7% to 1,921 m³.

In the meanwhile, export to South Asia recorded positive growth by 5%. Export to India and Sri Lanka recorded an increase of 30% to 4,721 m³ and 232% to 1,927 m³ respectively. However, export to Pakistan and Bangladesh decreased by 5% to 5,832 m3 and 78% to 427 m³ respectively.

Export to Australia, the US, South Africa, UK and Mauritius all showed positive growth by 4% to 2,122 m³, 17% to 2,097 m³, 95% to 249 m³, 277% to 968 m³ and 453% to 387 m³ respectively.

In ASEAN, total export to ASEAN region for this month decreased by 3% to 14,991 m³ from 15,377 m³ in the previous month. Export to Indonesia and Singapore registered negative growth by 25% to 2,086 m³ and 57% to 191 m³ respectively. Meanwhile, export to Viet Nam and Philippines increased by 4% to 10,170 m³ and 26% to 2,489 m³ respectively.

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JUNE 2016

LOGS

In June, overall domestic prices of logs for most of the species reported to sustain at last month's level. Most of the mills prefered to process only logs species which placed higher demand for the month.

Logs price for the species of Chengal and Balau stood firm at RM4,000 per tonne and RM3,000 per tonne respectively. The prices of Keruing, Kempas and Kapur logs also remained at RM1,400 per tonne, RM1,650 per tonne and RM1,700 per tonne respectively. Meanwhile, the price for Red Meranti logs declined by 2.9% to RM1,700 per tonne from previous month. Mersawa and Nyatoh logs, however, were traded at RM1,500 per tonne and RM900 per tonne respectively while prices for Mixed Heavy Hardwood grew 7.1% to RM1,011 per tonne. Mixed Light Hardwood remained at RM1,200 per tonne.

SAWNTIMBER

The average sawntimber prices for the month fluctuated as the supply in the domestic market reported to decline. At the same time, the demand from the overseas market continued to weaken as reported by the industry.

Prices of Chengal and Balau sawntimber remained firm at RM6,638 per m^3 and RM3,178 per m^3 respectively. Meanwhile, Red Balau prices went up by 0.7% to RM2,987 over the previous month. Similarly, Kempas and Mengkulang sawntimber rose significantly by 6.2% and 5% to RM2,189 per m^3 and RM1,483 per m^3 respectively. Sawntimber prices of Mixed Heavy Hardwood prices fell by 7.5% to RM865 per m^3 whilst Mixed Light Hardwood was traded at RM1,130 per m^3.

PLYWOOD

The supply and demand of plywood for the month continued to be fullfilled. Plywood traders continously reported that there were no significant changes in the export price. Plywood of 4mm, 6mm, 9mm and 12mm thicknesses stood at RM14.60, RM22.00, RM34.50 and RM41.50 per piece respectively.

MEDIUM DENSITY FIBREBOARD (MDF)

The supply of MDF to the domestic market were reported to be able to fulfill the needs of local demand. MDF of 4mm, 6mm, 9mm and 12mm thicknesses were sold at RM12.10, RM15.80, RM21.70 and RM28.10 per piece respectively.

INTRA-MALAYSIA TRADE * - JUNE 2016

In June, the intra-Malaysia trade remained fluctuated as per previous month. The industry players also continously focused more on the local needs due to weak demand from overseas market.

The shipments of sawntimber from Sabah to Peninsular Malaysia increased tremendously by 185% to 174 m^3, valued at RM395,000. Conversely,

INTRA-MALAYSIA TRADE – JUNE 2016

From	Products	MAY 2016		JUNE 2016		% Change in Volume June 2016 / May 2016	% Change in Value June 2016 / May 2016
		Volume (m^3)	Value (RM '000)	Volume (m^3)	Value (RM '000)		
SABAH	Logs	0	0	0	0	0	0
	Sawntimber	61	172	174	395	185	130
	Plywood	9,743	17,459	7,987	14,538	-18	-17
	Veneer	152	243	0	0	-100	-100
SARAWAK	Logs	0	0	0	0	0	0
	Sawntimber	530	693	478	745	-10	8
	Plywood	8,765	11,419	8,049	10,121	-8	-11
	Veneer	3,984	5,606	9,360	12,803	135	128

Source : Department of Statistics, Malaysia

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shipments of plywood decreased slightly by 18% in volume from 9,743 m³ to 7,987 m³ valued at RM14.5 million.

Meanwhile, export of sawntimber from Sarawak to Peninsular Malaysia dropped by 10% to 478 m³, worth at RM745,000. Similarly, export of plywood fell by 8% in volume to 8,049 m³ valued at RM10.1 million. However, export of veneer grew by triple digits both in volume and value to 9,360 m³ and RM12.8 million.

No intra trade from Peninsular Malaysia to Sabah and Sarawak was recorded in June 2016.

** Source : Department of Statistics, Malaysia*

***AVERAGE DOMESTIC PRICES OF LOGS, SAWNTIMBER, PLYWOOD AND MDF IN PENINSULAR MALAYSIA JUNE 2016 (VALUE IN RM)**

SPECIES	LOGS/tonne	SAWNTIMBER/m³		
	18" UP	GMS	STRIPS	SCANTLINGS
HEAVY HARDWOOD				
Chengal	4,000	6,638	7,062	8,828
Balau	3,000	3,178	3,249	3,531
Red Balau	2,500	2,987	3,037	3,178
Merbau	2,700	3,849	3,884	3,955
Mixed Heavy Hardwood	1,011	865	989	1,024
MEDIUM HARDWOOD				
Keruing	1,400	1,766	2,016	2,203
Kempas	1,650	2,189	2,225	2,189
Kapur	1,700	2,248	2,260	2,331
Mengkulang	1,100	1,483	1,554	1,575
Tualang	1,400	2,472	2,542	2,585
LIGHT HARDWOOD				
Dark Red Meranti	1,900	2,013	2,119	2,707
Red Meranti	1,700	1,907	1,977	2,048
Yellow Meranti	1,200	1,342	1,412	1,554
White Meranti	1,070	2,119	2,189	2,260
Mersawa	1,500	1,554	1,660	1,695
Nyatoh	900	777	812	847
Sepetir	1,100	1,283	1,335	1,469
Jelutong	1,100	1,518	1,554	1,730
Mixed Light Hardwood	1,200	1,130	1,222	1,236

MALAYSIAN RUBBERWOOD *Hevea brasiliensis*	**LOGS/tonne**	**SAWNTIMBER/m³**			
		1" X 1"	**2" X 2"**	**3" X 3"**	**4" X 4"**
	150	900	1,000	1,050	1,100

PLYWOOD 4' X 8' (RM per piece)	**4mm**	**6mm**	**9mm**	**12mm**
	14.60	22.00	34.50	41.50
MDF 4' X 8' (RM per piece)	**4mm**	**6mm**	**9mm**	**12mm**
	12.10	15.80	21.70	28.10

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

*** Prices are only indicative**

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MOULDINGS

Exports of mouldings for the month increased by 6% and 2% in volume and value to 21,093 m^3 and RM71.7 million respectively. However, cumulative exports for the period of January to June 2016 decreased by 13% in volume however increased by 4% in value to 120,708 m^3 and RM423.9 million respectively as compared to the previous corresponding period in 2015.

Exports to the EU for the month recorded at 7,102 m^3, an increase of 3% compared to the previous month. The Netherlands increased their purchased by 9% to 3,627 m^3. Meanwhile, Belgium, Germany and the UK decreased their purchases by 29%, 20% and 4% to 558 m^3, 902 m^3 and 582 m^3 respectively.

Exports to ASEAN region decreased as Singapore intake of mouldings decreased by 14% to 1,217 m^3 whilst exports to Viet Nam decreased 60% to 59 m^3 from 147 m^3 compared to the previous month.

Meanwhile, exports to Taiwan, China, Hong Kong and Japan increased by 148%, 139%, 92% and 19% to 52 m^3, 402 m^3, 277 m^3 and 2,496 m^3 respectively. However, exports to South Korea decreased by 20% to 1,123 m^3 compared to the previous month.

Elsewhere, export to the Canada and Australia increased by 15% and 10% to 133 m^3 and 3,083 m^3 respectively compared to the previous month.

FOB unit value recorded at RM3,400 per m^3, a decrease of 4% compared to the previous month.

BUILDERS JOINERY AND CARPENTRY (BJC)

Total BJC cumulative exports from June 2016 increased 18% to RM579.1 million as compared to RM492.1 million in the corresponding period last year. Export to the EU increased 13% to RM154.3 million. Export to Germany, Turkey, Italy, Denmark and the UK increased by 248%, 238%, 120%, 40% and 13% to RM13.3 million, RM3.3 million, RM2.5 million, RM11.4 million and RM88.4 million respectively. However, export to Sweden, Belgium and France decreased by 55%, 18% and 15% to RM3.0 million, RM19.3 million and RM8.9 million compared to the previous year. Meanwhile, the Netherlands resumed its intakes.

In Asia, exports to Taiwan and Saudi Arabia decreased 15% and 14% valued at RM7.9 and RM2.3 million respectively compared to the previous year. However, exports to Qatar, Pakistan, Thailand, Singapore, the UAE, India, Japan, and South Korea grew 5%, 43%, 16%, 16%, 11%, 7%, 3% and 1% to RM1.3 million, RM26.2 million, RM19.7 million, RM67.7 million, RM2.2 million, RM32.5 million, RM35.4 million and RM1.3 million respectively. Meanwhile, Bahrain did not make any purchases.

Exports to Australia increased by 42% to RM101.0 million compared to the previous year. However, South Africa and Mauritius decreased its purchases by 5% and 2% to RM8.1 million and RM194 thousand. Likewise, the US increased its intake by 18% to RM51.2 million from RM43.2 million in the previous corresponding period.

FURNITURE

Wooden and rattan furniture exports between January to June 2016 improved by 9% to RM3.63 billion compared to RM3.35 billion recorded in the previous corresponding period of last year.

Exports of wooden furniture from Malaysia increased by 8% from RM3.33 billion to RM3.60 billion compared to the same period in 2015. Economic recovery in the US, although seemed to be slow, has helped furniture exports to the US recover by 12% to RM1.3 billion from RM1.1 billion recorded in the previous corresponding period.

Shipments to Australia grew by 22% to RM307.4 million while exports to the UK increased by 26% to RM220.3 million. Similarly, demand from Singapore increased by 28% to RM234.0 million. Demand from Japan, India and South Korea also increased by 27% to RM279.6 million, 23% to RM71.6 million and 0.2% to RM60.8 million respectively.

However, imports by Canada decreased by 12% to RM123.9 million. Imports by Russia also drop by 38% to RM16.1 million.

Meanwhile, rattan furniture exports showed an increase of 60% to RM25.1 million, compared to RM15.7 million recorded in the previous corresponding period. Demand from the UK, Singapore and Australia had increased by 36% to RM2.6 million, 57% to RM3.9 million and 163% to RM2.6 million. On the other hand, the US and Thailand reduced their consumption by 45% to RM547 thousand and 62% to RM279 thousand.

A REVIEW OF IBS COMPONENTS IN MALAYSIAN CONSTRUCTION INDUSTRY

Attendees at the workshop.

The Industrialised Building System (IBS) is a valuable construction system compared to conventional building system. A successful implementation of IBS in the construction industry can offer various benefits compare to conventional in-situ system. Faster construction, cost savings, reduction of unskilled workers and better construction quality control are some of the more significant advantages of IBS. The Malaysian government launched the IBS Roadmap in 2003 and it focuses on the five IBS main groups which are Pre-cast Concrete Framing, Panel and Box Systems, Steel Formwork Systems, Steel Framing Systems, Prefabricated Timber Framing Systems, and Block Work Systems. The key areas in the IBS roadmap are manpower, material, component and machine, management, process, and method, monetary (economy and financial) and marketing and promotion.

Together with the IBS Roadmap, MTIB also established the IBS Roadmap for timber (2013-2023). This Roadmap formulated a comprehensive programme for immediate, medium-term and long-term action plans. Three key areas have been identified in this Roadmap as the pillars to strengthen and intensity support for the development of the highly competitive timber IBS sector. The three main pillars are promotion, training & technical support, and technology and R&D. The objective of the Roadmap are to promote and encourage the manufacture of IBS timber products, to promote IBS timber compliant products for developers, contractors, architects and engineers, and to foster vendor development programmes for timber IBS.

Timber is a high performance material with many benevolent features and benefits which makes it an ideal material for modern construction. It possesses superior strength to weight ratio and performs admirably in situations of fire, particularly when the appropriate dimensions are used. Further, timber complements the aesthetics value due to its pleasant and warm effect. Timber is widely and effectively used as an IBS construction material in many developed countries such as North America, Australia, New Zealand and the UK. Countries such as Germany, the UK and Japan have shown that there is a vast potential for IBS to progress as evidenced by their growing market share. In fact, the success of IBS in those countries is due to the concerns of home buyers about long-term energy saving, indoor air quality and other health and safety issues. Timber is a promising material for IBS and modular coordination (MC) applications if the right specifications such as grades, species and dimensions are adhered to as well as with proper handling in accordance with the quality assurance system.

Currently only wood, timber framing and roof trusses are listed as IBS timber components for the timber industry. As such, the Construction Industry Development Board Malaysia (CIDB) has made an effort to review the suitability of these components to be maintained as a components of timber IBS and if there are others suitable components to be considered and registered as additional IBS timber components. For that reason CIDB held a workshop on 27-28 July to discuss the issues. MTIB was represented by Tuan Hj. Mahpar Atan, Director of Industry Development. He suggested that to improve the performance of solid sawntimber, the timber be manufactured as engineered timber products (ETP) such as glued laminated timber (glulam), laminated veneer lumber (LVL), cross laminated timber (CLT) as well as parallel strand lumber (PSL) that can be used for longer spans, higher and more uniform

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COURSE ON UAV AND LiDAR MAPPING

The timber industry is a major foreign exchange earner for the country. The industry has seen rapid growth from being a mainly primary processing industry in the 1960's to a more downstream industry in the 1980's until today. The success of the industry can be largely attributed to the availability of raw material from local natural forests and the favourable investment policies practised by the government. However, over the years, there has been a steady decline in the production of logs from natural forest. If this trend continues, Malaysia will be facing a shortage of raw material supply in the future. In order to circumvent this, the government, through Ministry of Plantation Industries and Commmodities (MPIC) and MTIB has, since 2007, embarked on a Forest Plantation Development Programme to ensure the availability of raw material supply to the industry.

To date, 109,659.43 hectares have been planted under this programme through the expansion of plantation areas and the task of auditing and monitoring plantations have become more complicated and challenging. The difficult task of monitoring a large area of forest plantation is made more difficult by the rugged terrain in some of those plantations. It is becoming more apparent that MTIB and Forest Plantation Development Sdn. Bhd. (FPDSB) officers in charge of forest plantation need to equip themselves with more extensive knowledge on the use of modern GIS technology to handle current needs.

Demonstration of UAV and LiDAR.

Attendees during the course.

In order to enhance their knowledge in the area, MTIB and FPDSB officers attended a course on Unmanned Aerial Vehicle (UAV) & Light Detection and Ranging (LiDAR) Mapping held on 25 – 27 July at Universiti Teknologi MARA, Shah Alam. This course aimed to provide basic knowledge and understanding of the concept of UAV mapping technology. The participants were able to see the accuracy assessments of UAV LiDAR datasets and utilise the UAV LiDAR acquired datasets for various mapping applications. They also had a hands-on training on the use of the software on images captured by the UAV.

LiDAR is an active remote sensing technology and the system works by actively transmitting laser pulses towards objects and receiving scattered as well as reflected pulse signals from the object. One of the advantages of using LiDAR is that it is a fast and cost-effective mapping technique over large areas with high accuracy.

The UAV which is commonly known as a drone, also referred to as a Remote Piloted Aircraft (RPA) by the International Civil Aviation Organisation (ICAO), is an aircraft without a human pilot aboard. Its flight is controlled either autonomously by on-board computers or by the remote control of a pilot on the ground. The UAV is usually deployed for military and special operation applications. It is however, also used in a growing number of forest plantations, for mapping and monitoring. It is often preferred for missions that are too dull, dirty or dangerous for manned aircraft.

MTIB was represented by three officers from the Forest Plantation Division. They were Tuan Hj. Kamaruzaman Othman, Director of Forest Plantation, Puan Norhazaedawati Baharuddin, Puan Hairani Mohd Noh and Encik Mohd Ridzuan Samsury.

A COURSE ON USING GLOBAL POSITIONING SYSTEM (GPS)

Participants during the course.

MTIB's role in the development of forest plantations in Malaysia requires the use of modern technology such as GPS, Unmanned Aerial Vehicle (UAV) and satellite images which are essential in the smooth implementation of the Forest Plantation Development Programme. GPS devices determine the location and size of the planted land area.

In order to increase knowledge and skills in using GPS especially to those using the devices in their daily work, a course on Basic Skills in Using the Global Positioning System (GPS) was organised by MTIB on 27-29 July in Setiu, Terengganu.

The objective of the course was to enhance knowledge and skills in the use of GPS and its application in the establishment of forest plantations. The course was attended by 25 participants comprising officers from MTIB, RISDA, Universiti Malaysia Kelantan and representatives of the private sector.

GPS is a satellite-based navigation system made up of a network of 24 satellites placed into orbit by the US Department of Defense. GPS was originally intended for military applications, but in the 1980s, the government made the system available for civilian use. GPS works in any weather condition, anywhere in the world, 24 hours a day. In the course, participants were apprised on the techniques of mapping using GPS and generating reports based on GPS data.

The speaker for the course was from Omniestar DGPS Sdn. Bhd., an authorised dealer of GARMIN products in Kelantan and Terengganu.

The programme involved lectures, group presentations and on-site practical sessions.

Group discussion.

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Timber News

strength, and flexibility. The ETP is widely used by developed countries such as the USA, Canada, Japan and Australia. However in Malaysia, the ETP is still a small industry. However it clearly has great potential due to the advantages of the Malaysian tropical hardwood for domestic as well as international constructions. CIDB agreed to consider the proposal to be included as IBS timber components.

Tuan Hj. Mahpar Atan, MTIB Director of Industry Development (centre) with other participants.

MALAYSIA'S INVOLVEMENT IN FOREST LAW ENFORCEMENT, GOVERNANCE AND TRADE, VOLUNTARY PARTNERSHIP AGREEMENT (FLEGT VPA)

First Malaysia-European Union Senior Officials Meeting (1st SOM) on VPA, 19 January 2007 in Miri, Sarawak.

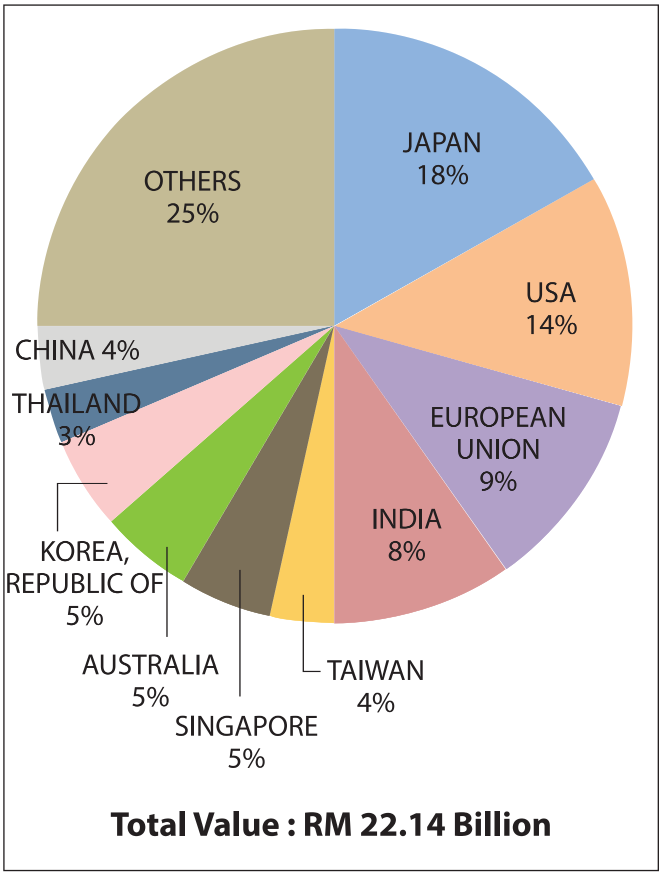
Introduction

The government of Malaysia has been involved in formal negotiations with the European Union (EU) on the Forest Law Enforcement, Governance and Trade Voluntary Partnership Agreement (FLEGT VPA) since September 2006. So far, substantial progress has been made since the negotiation started, especially with the implementation of Malaysian laws and regulations pertaining the timber industry. The EU FLEGT VPA process offers an opportunity for Malaysia to provide legality assurance on its timber products exported to the EU and thus maintain its market access to the region.

The Timber Legality Assurance System or TLAS, is the heart of FLEGT VPA. TLAS is developed on a regional basis due to regional differences in legislation and related procedures in the Malaysian timber industry. Taking recognition that issues related to land and forests are under the jurisdiction of individual states in Malaysia, the Forestry Department (FD) is closely consulted during the negotiation process and is directly involved in the development of TLAS. As agreed and decided by the Cabinet, the implementation of TLAS will be in phases, with Peninsular and Sabah in the first phase. Meanwhile, third party monitoring will assure the credibility of TLAS which is currently being implemented and enforced by relevant implementing, licensing and monitoring agencies related to the timber industry, which involves eight agencies from five ministries.

The Importance of the EU Market

Export of Malaysian timber and timber products has contributed about RM20 billion on average since year 2010. The timber and timber products exported around the globe are mainly wooden furniture, plywood, sawntimber, logs and fibreboard. Meanwhile timber imported into the country has been worth RM2.5 million on average since 2010 and this include products such as sawntimber, wooden furniture, plywood, veneer, chipboard and particleboard.



Source: MTIB

Malaysia : Export of Timber Products By Major Destination, 2015

Malaysia's timber industry's major trading partners in the export segment are Japan, the US, the EU, India and Taiwan. Malaysia's timber import mostly originates from China, the US, Indonesia, Thailand and Viet Nam. The EU is a major market for Malaysia's timber products and export totalled RM2.09 billion in 2015. It is well-known that the EU is Malaysia's biggest market for timber and timber products after Japan and the US.

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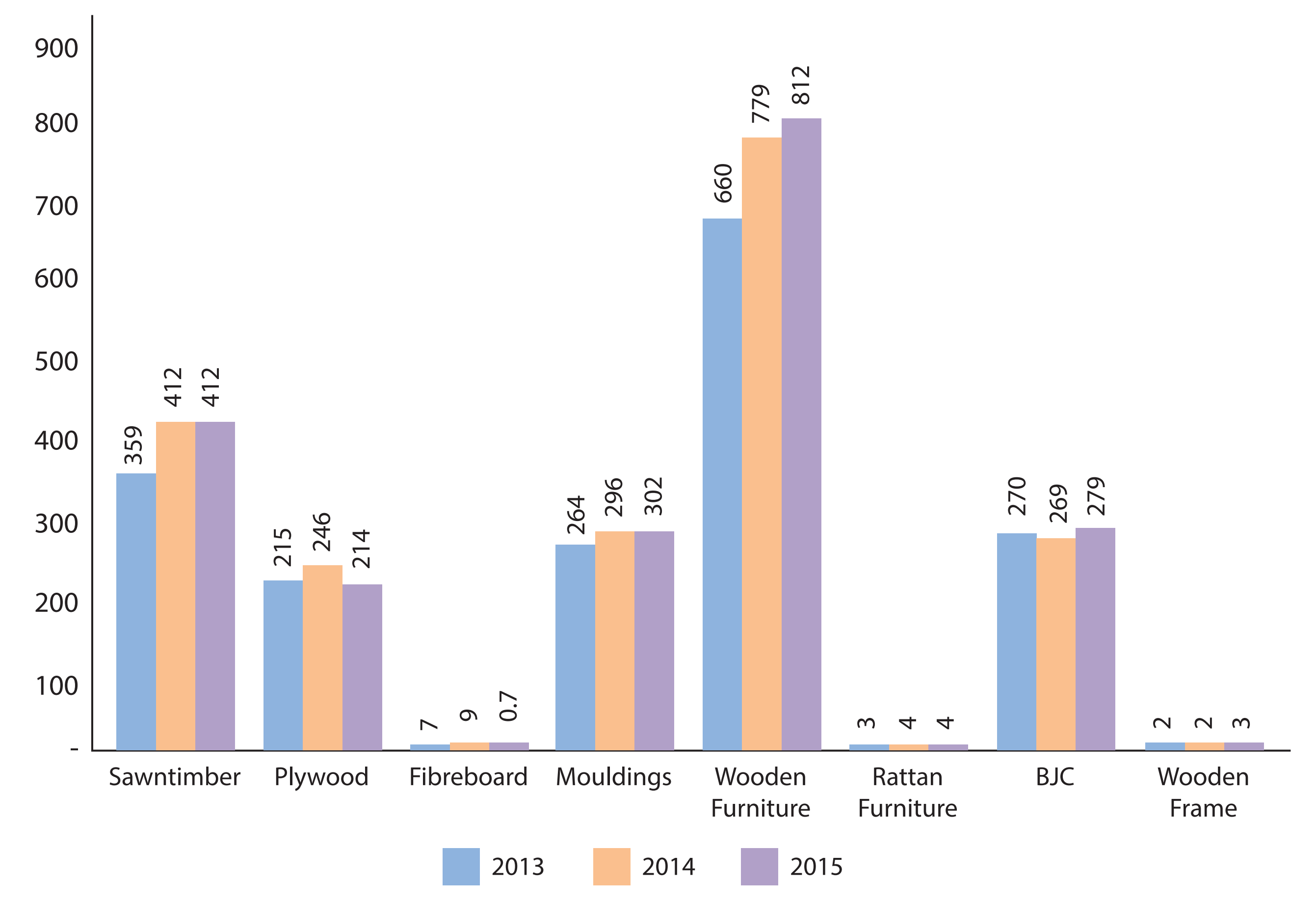
Malaysia: Export of Timber and Timber Products to the European Union, 2013-2015

(Value : RM 000,000)



Source: MTIB

Malaysia: Export of Timber and Timber Products to the European Union, 2013-2015

Referring to the figures, high value-added products are mostly sought after by the importers from the US, Japan, the EU, Australia and Singapore. Products such as wooden furniture, sawntimber, mouldings, BJC and plywood have been in high demand in the European market. Since the said market is noted as an environmentally conscious market, it is essential for Malaysian exporters to adhere to specific rules and regulations in order to sustain in the market.

Concerns and Effects of Illegal Logging or Illegal Trade of Timber and Timber Products

Illegal logging is associated with the harvesting of timber in contravention of the laws and regulations of the country of harvest. It is a global problem with significant negative economic, environmental and social impact. In economic terms, illegal logging results in lost revenues and other foregone benefits. In environmental terms, illegal logging is associated with deforestation, climate change and loss of biodiversity. Illegal logging can also be linked to conflicts over land and resources, the disempowerment of local and indigenous communities, corruption and armed conflicts.

Illegal activities also undermine the efforts of responsible operators by making available cheaper but illegal timber and timber products in the market place.

Increased Demand for Legal and Sustainable Timber Worldwide

Demand for timber from either legal or sustainable sources in the international market has increased and the enforcement of the Lacey Act in the United States (2008) and the EU Timber Regulation (EUTR-2013) are some of the measures undertaken by key timber importing markets to address the issues of illegal logging and trade in illegal timber products.

As a major producer of tropical timber, with an average annual export valued at RM20 billion, Malaysia recognises the need to provide assurance on the legality of timber products being exported.

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First Joint Experts Meeting (1st JEM) on 6-7 March 2012 at MTIB, Kuala Lumpur.

THE Voluntary Partnership Agreement (VPA)

In year 2003, the EU initiated the FLEGT Action Plan in response to the demand to combat illegal logging and its associated trades. One of the main features in the Action Plan was the VPA with partner countries to ensure that the timber and timber products imported into the EU are produced in compliance with the laws and regulations of the partner country.

In order to understand the link between the VPA and the EUTR, the process was started in October 2010 whereby the EU adopted the EUTR which prohibits the sale of illegally harvested timber and products manufactured from such timber to the EU market. Likewise, earlier on, Malaysia and EU were already in the early stages of formal negotiation on the VPA. The EUTR as well as the VPA supports the EU FLEGT Action Plan which aims to prohibit the trade in illegal timber to the EU. The VPA helps to ensure that timber and timber products imported into the EU are produced in compliance with the partner/producer's country laws and regulations.

The EUTR, which came into force on 3 March 2013, requires the party which places timber or timber products in the EU market for the first time (normally the 'operator') to exercise 'due diligence' to minimise the risk of placing illegally harvested timber, or products containing illegally harvested timber on the EU market. Therefore, it is the obligation of the operator to undertake risk assessment and risk management exercises so as to minimise timber and timber products with this risk, slipping through into the EU market. Timber products covered under the VPA and accompanied by a valid FLEGT License will be accepted as having complied with the `due diligence' requirements of the EUTR.

Product Coverage on FLEGT VPA

In the case of Malaysia, most of the major timber product codes exported to the EU is covered under the Malaysia-EU FLEGT licensing scheme. These products are logs, sawntimber, veneer, plywood, mouldings, builder's carpentry and joinery, railway sleepers, wooden frames, particleboard, fibreboard and wooden furniture. These eleven products accounts for the entire range of timber products exported by Malaysia to the EU.

Definition of Legal Timber Under the Malaysia-EU FLEGT VPA

Under the Malaysia-EU FLEGT VPA, legal timber is defined as 'timber harvested by licensed person from approved areas and timber and timber products exported in accordance with the laws, regulations and procedures pertaining to forestry, timber industry and trade of Malaysia'. The negotiation acknowledges the rules and regulations pertaining to the timber industry, which are currently being practiced in Malaysia.

Benefit of Joining the FLEGT VPA

The most immediate and significant benefit is providing market access for the Malaysian timber industry to the EU. The timber products involved, accompanied by the FLEGT license, would be accepted as legal products under the EUTR and enjoy unimpeded access to the market.

The VPA would thus provide a competitive advantage to Malaysian FLEGT-licensed timber products compared to those from non-VPA countries. In addition, it is very likely that FLEGT-licensed timber products would also be able to gain better market acceptance and preference in other environmental sensitive markets, such as the US, Australia and Japan, which are currently growing wider.

Monitoring the Implementation of TLAS

Under the VPA, the implementation of the TLAS will be subjected to an annual monitoring by a Third Party Monitor (TPM) to ensure that the TLAS is operating in accordance with the provisions of the VPA. The main functions of the TPM will be to audit compliance with the TLAS as well as to identify and document non-compliances and system failures. In addition, the implementation of the TLAS will be monitored through internal audits conducted by the respective implementing agencies.

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Vice versa, there will be also an element of Independent Market Monitor (IMM) in the EU market which will enable the interested party in Malaysia to collect and analyze information on the performance of Malaysian FLEGT licensed timber products on the EU market and to also see the impact of market related to measures taken in the EU.

Possible Action Taken If Consignment Found Not Complied with the Control Procedures Set Out in the TLAS

All timber or timber products covered under the VPA must comply with the control procedures as set out in the TLAS for exports to the EU. Should any non-compliances be detected and, depending on the severity of the non-compliance, the consignment of products involved may not be issued with a FLEGT license, and appropriate remedial measures will need to be undertaken before any FLEGT license could be issued. In the case of Peninsular Malaysia, MTIB is the Licensing Authority for FLEGT license once the VPA has been signed and agreed. MTIB will issue the FLEGT license once all the criteria and procedures comply with the laws and regulations for exporting to the EU market.

Status of Certified Timber and Recognition of Legal Timber in VPA

By far, it is noted that certified timber is not defined as legal timber under the EUTR. Only FLEGT-licensed timber coming from a country that has a Voluntary Partnership Agreement (VPA) with the EU and whose Timber Legality Assurance System (TLAS) has been declared functional; timber and timber products covered by a valid CITES license are considered to have complied with the requirements of the EUTR. However, certified timber will be considered as low risk timber. This will partly show the meaning of green lane treatment for the VPA countries producing timber that will enjoy more preference compared to certified timber or timber which complies with the EUTR's requirement.

Revision of EUTR

The European Commission has done a consultation on the evaluation of the EUTR, two years after its implementation, which was in July 2015. The principal objective of the consultation was to gain feedback from stakeholders in order to underpin the mandatory report on the effectiveness of the Regulation, due to be submitted by the Commission to the European Parliament in December 2015.

Essentially, the Regulation seeks to prevent the sale of illegally sourced timber and timber products in the EU market. In 3 March 2013, the EUTR established obligations for 'operators', responsible for first placing timber and timber products onto the European market, to exercise due diligence in order to manage and mitigate the risk of illegal products entering their supply chain. In addition, the EUTR requires companies, known as 'traders', purchasing timber and timber products on the European market to maintain records to enable supply chain traceability.

The Regulation applies to a wide variety of timber products including raw, sawn and machined wood, composite boards such as fibreboard, particleboard, plywood and veneering sheets together with a variety of office, kitchen and bedroom furniture. At present, seating and certain upholstered products are omitted from the product scope.

The review of the EUTR is intended to assess the functioning and effectiveness of the Regulation in preventing illegal timber from entering the European market. In addition, it will also consider the current product scope and administrative burdens for small and medium-sized enterprises (SMEs) especially in the Europe market. The consultation survey can be accessed at https://ec.europa.eu/eusurvey/runner/EUTR-Review-Survey-2015 link.

On 18 February 2016 the Commission released the report and found out that the EU is on track to achieve its objectives to combat illegal logging and associated trade in illegal timber, but challenges remain. Some positive trends are visible, namely that EU operators are gradually taking steps to ensure the legality of their suppliers and that there is more awareness of the problem of illegal logging amongst EU consumers. The Regulation has also encouraged producer countries to develop systems assessing compliance with the requirements of the legislation.

However, more effort is needed from both the Member States and the private sector to ensure its effective and efficient application. Since 2014 there has been significant progress in the implementation of timber regulation across the EU. While in July 2014 there were 18 non-compliant Member States, in June 2015 the number was reduced to four (Greece, Hungary, Romania and Spain). The Commission launched infringement procedures against these Member States in 2015. It was also widely recognised that the Regulation adds significant value to the international efforts to halt

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deforestation and forest degradation, conserve biodiversity and address climate change. The results of evaluation will be used to further improve the implementation and application of the Timber Regulation.

Updates on Malaysian Timber Legality Assurance System for Peninsular Malaysia (MYTLAS – PM)

Pending the conclusion and signing of the VPA, Malaysia has decided to implement the TLAS as Malaysian TLAS (MYTLAS) beginning 1 February 2013 purely as Malaysia's own initiative in order to meet the EUTR requirements (for Peninsular only). To assure its robustness, a Compliance Audit was conducted in March 2013 by a Third Party Auditor. The audit was based on a set of established Checklist and Guidelines developed by another independent consultant.

The Report of the Compliance Audit demonstrated a high level of compliance of all criterion indicated in the 24 Tables of the TLAS. There were some criteria and tables of the TLAS which were rated as partial compliance. These partial compliances were discussed by the Implementation Agencies Coordination Committee (IACC) and remedial actions undertaken. The Technical Advisory Group (TAG) which comprised representatives from NGOs, industry groups and forest experts also discussed the findings and actions taken by the IACC in order to strengthen the implementation of MYTLAS. As of December 2015, a total of 33,000 MYTLAS licences had been issued for the EU market.

Effect of 'Brexit' and FLEGT VPA

In early June 2016, the population of the United Kingdom voted in a referendum to leave the EU. Since then, the legal status of the referendum is said to be 'advisory', and the UK Parliament must now vote on whether and how to trigger the two-year process by which the UK can leave the EU. This process is described in Article 50 of the Lisbon Treaty. Until this two-year process has been formally started and completed, all EU law remains in force in the UK.

Forest Trends has come out with an information brief which examines the implications that a withdrawal of the UK from the EU would have on timber trade-related processes such as the FLEGT and the EUTR. If the UK formally leaves the EU in 2018, UK officials would definitely no longer have an official role in the negotiation of VPAs. However, the UK has been a leader in the VPA, investing significant financial and intellectual resources in the process and will be very likely to continue to play an important role. Furthermore, if the UK leaves the EU, but stays within the European Economic Area (EEA), it would also continue to respect FLEGT licenses, although the legal basis for this would differ.

Under the EEA model, a national Timber Regulation would likely follow the Norwegian precedent since Article 3 of the EUTR cannot be used to establish a "green light" for FLEGT-licensed products in EEA countries without transposing the FLEGT regulation into national law. Under the Norwegian legislation, buying FLEGT-licensed timber is considered a credible option for risk mitigation, but would require further additional steps of Due Diligence. Since the UK has shown her credible leadership in the VPAs negotiation and other investment (financial and human resources) in the processes, they also unilaterally recognise FLEGT licenses in its national

First TLAS Advisory Group (TAG) Meeting held in Kuala Lumpur on 19 August 2013.

Various dialogue with implementing agencies and industry players such as with Perak Forestry Department and timber industry in Perak, 21 August 2014 with regards in FLEGT issues.

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COMING EVENTS - DECEMBER 2016

DATE	EVENT	VENUE	ORGANISER
2-4	**ID D'ART – DIJON 2016** International Creative Design Show for Furniture , Home Textile and Decoration Fair	Parc des Exposition et Congress de Dijon, France	ID d'ART Tel : + 33 (0) 47892 6817 Fax : + 33 (0) 47837 6186 E-mail : I -dart@id-dart.com
5-7	**INDEX NORTH AFRICA 2016** International Furniture Exhibition of Morocco	Office des Foires et Expositions de Casablanca, Morrocco	Dmg events Middle East, Asia & Africa Tel : + 971 44380 355 Fax : + 971 44380 361 E-mail : dmgdubai@dmgeventsme.com
5-8	**HE HOME SHOW 2016** International Home and Interior Exhibition	Oman International Exhibition Centre, Oman	Global Exhibition Conference LLC Tel : + 968 2478 3800 Fax : + 968 2478 3500 E-mail : info@gecexpo.com
9-12	**WOODEX ASIA 2016** International Wood Industry Processing Fair	Mahatma Mandir Exhibition Centre, Gujarat, India	Radeecal Communications Tel : + 91 (0) 792640 2202 Fax : + 91 (0) 792640 1544 E-mail :sales@radeecal.in
9-12	**ZAK DOOR AND WINDOWS EXPO MUMBAI 2016** Building & Construction, Decoration, Home Exhibition	Bandra – Kurla Complex (MMRDA Grounds), Mumbai, India	Zak Group Tel : + 9144 4295 9595 Fax : + 9144 2820 2728 E-mail : zak@group.in

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Feature

procurement policy. There is therefore little reason to expect that national commitment will change, particularly in light of the continued support for FLEGT from the UK Timber industry, civil society and government.

Conclusion

In conclusion, the industry needs to be ready in adapting to the new requirement for environmental pressure from the EU and Europe. They also need to put more initiatives to upgrade skills and quality of product, and be more sensitive towards climate change and environmental pressure especially those strongly demanded in developed country. Furthermore, the Malaysian timber industry needs to improve its skills, and research and development efforts to produce nature friendly products as it will, in the long run, reduce cost of production and protect the earth. Ultimately, this will increase awareness towards the effects of destroying forest and unsustainable forest management, on our next generations.

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Malaysian Timber Statistics 2013-2015
http://www.flegtvpa.my – Official portal for Malaysia-European Union FLEGT VPA
http://ec.europa.eu/environment/consultations/eutr_en.htm
Briefing Notes: Malaysia-European Union Forest Law Enforcement, Governance and Trade (FLEGT) Voluntary Partnership Agreement (VPA)
Malaysian Timber Legality Assurance System (MYTLAS) Brochure – Your Assurance of Legal Timber from Malaysia
Forest Trends Information Brief – Brexit, FLEGT and the Timber Trade

TIMBER INDUSTRY IN MEXICO

Quick Facts

Official Name of Country	The United Mexican State
National or Regional Currency	New Mexican Peso, MXN
Population	128.9 million (as 21 August 2016)
Area	* Total : 1,964,375 sq. km * Land : 1,943,945 sq. km * Water : 20,430 sq. km
Natural Resources	Petroleum, silver, copper, gold, lead, zinc, natural gas, timber
Capital City	Mexico City

Country Overview

Mexico is a country located in North America with a North Pacific Ocean, Gulf of Mexico, and Caribbean Sea coastline. Neighboring countries include Belize, United States, and Guatemala. Mexico is crossed by two mountain ranges known as Sierra Madre Oriental and Sierra Madre Occidental, which are the extension of the Rocky Mountains from northern North America. The government system is a federal republic; the chief of state and head of government is the president. Mexico has a free market economy in which the prices of goods and services are determined in a free price system.

Mexico is a member of the Asia-Pacific Economic Cooperation (APEC), the North American Free Trade Agreement (NAFTA), a trilateral trade bloc in the region comparing the US, Canada and Mexico and the Trans-Pacific Partnership (TPP). Mexico joined the Trans-Pacific Partnership (TPP) negotiations in 2012, which will establish new and higher standards for global trade. Also in 2012, Mexico joined Chile, Colombia and Peru to launch an ambitious regional economic integration effort, the Pacific Alliance, focused on liberalising trade and investment, as well as facilitating the movement of citizens.

It is divided into 31 states, with Mexico City as the capital. The currency is the Mexican peso (MXN), and the official language is Spanish. English is also understood by many members of the business community in the capital and larger cities, as well as in the tourist resorts and areas bordering the United States.

Economy

Mexico is among the world's 20 largest economies and is the second largest economy in Latin America. In 2014, its economy - which is highly dependent on the health of the US economy, grew by 2.4%. Contrary to the more optimistic forecasts, growth maintained a similar pace in 2015 (2.3%). The IMF forecasts a 2.6% growth rate for 2016, with poverty and the country's large informal sector remaining key obstacles to greater economic development. Since 2012, the Mexican Peso has fallen against the US Dollar, Chinese Yuan and the British Pound. The economy has benefited from a booming automobile industry and, in 2014, Mexico became the largest car producer on the subcontinent. Remittances from Mexicans living in the US, which represent the country's second largest source of foreign currency, grew steadily in both 2014 and 2015. While FDI had declined in 2014, it rebounded strongly in 2015.

Mexico consists of highly diversified and modern industries, with significant amounts of private investment. Recent administrations have expanded competition in seaports, railroads, telecommunications, electricity generation, natural gas distribution, and airports, among others.

Mexico has free trade agreements with over 50 countries, including the European Union (EU), Japan, and many other countries around the world, placing more than 90% of trade under free trade agreements. Mexico has been on a reform path for a number of years, privatising, deregulating, and cutting back the role of government.

Agriculture accounts for nearly 3.5% of Mexico's GDP and employs over 13% of its active population. However, the scarcity of credit continues to harm

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this sector. Mexico ranks among the world's largest producers of coffee, sugar, corn, oranges, avocados and limes. It is also the world's fifth largest producer of beer and its second largest exporter. It is amongst the world's leading producers of many minerals, including silver, fluorite, zinc and mercury.

Mexico is also major oil producer and exporter. Though production has fallen in the last few years, about one-third of government revenue still comes from the industry. Much of the crude is bought by the US.

Moreover, oil and gas reserves are one of the country's most precious possessions. Mexico is the world's fifth largest producer of oil and the Mexican oil company PEMEX is the second most powerful company in Latin America.

Falling global oil prices in 2015 presented a great economic challenge for Mexico, which saw its oil revenues decrease by 38% in the first 10 months of the year. Moreover, the oil sector experienced a drop in production and marked decline in exports, which increased Mexico's trade deficit. Economic reforms launched in 2014 have not yet fully borne fruit; although tax reform increased state revenue and helped mitigate the oil shock, the Government's budget deficit increased. As a result, the 2016 budget introduced cuts worth EUR 5.35 billion.

Forest Distribution

Mexico has a forest area of 65 million ha. equivalent to 33% of the country's total land area. The forest industry contributes 0.9 % to Mexico's GDP of which the pulp and paper sector is a significant and growing sector. The pulp and paper (P&P) supply chain in Mexico comprises both domestic and international elements. The majority of virgin fibre inputs are imported from American and European markets. Around 99% of pulp and paper is consumed domestically with small volumes of exports destined principally to markets in the Americas. The pulp and paper industry in Mexico has been growing and is attracting foreign investment in the sector as demand increases. A number of multinational paper companies now operate in Mexico, including International Paper, Kimberly-Clark, Smurfit Kappa, CMPC, and SCA. The largest Mexican producers are Grupo Durango and Copamex.

Main species used by the industry are Eucalyptus Spp (95%) and Pinus Spp (Caribbean Pine), key species produced domestically and used by the pulp and paper industry. The sector also uses large volumes of recycled material. Approximately 80% of the fibre used in paper production is recycled – this is sourced both domestically and imported. The majority of domestically produced fibre is sourced from industrial pulp plantations, which have been grown in recent years to supply the demands of the industry. These are principally located in five states and in 2009 plantations covered 140,000 ha. It is not known what volumes originate from natural forest. Mexico has around 60 pulp and paper mills which are principally focused on packaging and tissue. The larger operations are clustered in the south and east of the country. These are predominantly paper mills with two integrated mill in the south close to the forest resource.

Mexico's forest cover and growth between 2000 and 2010 has decreased by 0.3% annually compared to 0.5% annual loss between 1990 and 2001. Between 1990 and 2010, Mexico lost 7.8% of its forest cover, equivalent to around 5.49 million ha. The major drivers of deforestation are land conversion for agriculture, forestry and cattle ranching. Planted forest accounted for 5% of total forest area in 2010, and primary forest accounted for 53% (equivalent to 3% of the world's primary forest). The increase in planted forests between 1990 and 2010 was 178,000 ha.

Timber certification schemes is also available in Mexico and to date 704,799 ha. of the country's forests have been certified by FSC10, principally community owned forests. Almost 2,000 Mexican communities hold permits to harvest timber and Mexico has more independently certified community forests than any other country. There are currently no records of PEFC11 certification in Mexico. Criticisms of the schemes, the presence of certification is positive in providing additional assurances of responsible forest stewardship, though there are concerns that the growing plantation sector will affect biodiversity and water resources. This situation though is changing with increased foreign investment into the sector and plantation industry. These developments do however though raise concerns regarding poor forest governance and the declining resource though forest certification in the country is increasing and is therefore considered high priority.

In addition, the World Bank Forest Carbon Partnership Facility (FCPF) is assisting the country in the development of an emission reduction programme in five states especially affected by deforestation and forest degradation, thus scaling up the "early action" piloted under the Forests and Climate Change Project.

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Products and Trade

The majority of timber production focus on producing sawntimber and particleboard. Most of sawntimber production is used in domestic construction mainly contrete forming. Other important uses include finishing work such as mouldings and parquet flooring, doors, windows and furniture. Over 90% of the hardwood consumed in Mexico goes to the furniture manufacturing industry.

Mexico produces significant quantities of wood and paper products, mainly for domestic consumption. Mexico's paper industry relies on secondary fibres from recycling for 80% of its fibre needs. The country imports moderate quantities of forest products, most notably pulp and paper. Important non-wood forest products found in Mexico include resins, waxes, fibres and latex. Mexico tariff rates for furniture products ranges from 0% - 15%.

Malaysia's Export of Timber and Timber Products to Mexico

The majority of timber products exported from Malaysia to Mexico is plywood. Its export value was increasing from 2011 to 2013 (It recorded the highest at RM105.54 million). However, the value slipped in 2014 (RM88.32 million), due to slow down of its economy and also a fall of global oil prices. Export in 2015 recorded a decline of 8.24% to RM81.04 million. The second highest product exported to Mexico in terms of value is wooden furniture which recorded RM15.61 million in 2015, an increase of 70.79% compared to 2014, which recorded RM9.14 million.

Malaysia : Export of Timber and Timber Products to Mexico by Value

(Value : RM)

Product	2011	2012	2013	2014	2015
Plywood	88,582,728	106,843,155	105,542,241	88,320,547	81,040,673
Wooden Furniture	12,073,822	15,233,931	10,348,744	9,138,139	15,607,138
MDF	1,010,561	402,094	926,479	3,489,799	7,997,881
Wooden Frame	8,852,309	10,677,560	11,472,200	8,438,913	7,136,877
Other Products	18,051	314,435	47,364	58,706	356,659
Veneer	0	0	0	0	2,407,101
Mouldings	364,961	0	0	0	0
BJC	0	164,569	0	0	0
TOTAL	**110,902,432**	**133,635,744**	**128,337,028**	**109,446,104**	**33,505,656**

Source: MTIB, DOSM

Malaysia : Export of Timber and Timber Products to Mexico by Volume

(Volume : m³)

Product	2011	2012	2013	2014	2015
Wooden Frame	1,081,987	1,281,246	1,287,030	945,412	710,593
Plywood	55,202	66,962	62,885	50,725	40,967
MDF	671	275	613	2200	4,157
Veneer	0	0	0	0	1,231
Mouldings	105	0	0	0	0
BJC	0	63997	0	0	0
Wooden Furniture	179,252	260,201	129,661	81,542	0
Rattan Furniture	0	0	0	0	0
Other Products	8,560	91,495	11,468	17,649	0
TOTAL	**1,325,777**	**1,764,176**	**1,491,657**	**1,097,528**	**756,948**

Source: MTIB, DOSM

Imports of Major Timber Products and Furniture

Due to the distance disadvantage, Malaysia does not import large quantities of timber or timber products from Mexico. The total import of major timber products and furniture from Mexico is increasing from 2011 to 2014 with USD153.47 billion recorded in 2014. However, the value recorded a decrease in 2015 of 1.55% valued at RM151.09 billion. The highest import is wooden furniture with a market share of 98.92 % or USD149.46 billion in terms of value in 2015, a decrease of 1.64% from USD151.95 billion in 2014. Other notable import was sawntimber with a market share of 0.36% or USD542.16 million in 2015, an increase of

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4.82% from 2014. There has been a notable increase across almost all major products and furniture, except for BJC, wood packaging, railway sleepers and wooden frame.

Malaysia : Import of Timber and Timber Products to Mexico by Value

(Value : RM)

Product	2011	2012	2014	2015	% Change 2015/2014
Logs	76,585	0	0	0	0
BJC	0	0	0	0	0
Wooden Frame	0	0	0	306,797	100
Wooden Furniture	5,102	116,298	298,650	184,605	-38.19
Other Products	23,000	5,865	132,392	0	-100.00
TOTAL	**104,687**	**122,163**	**431,042**	**491,402**	**14.00**

Source: MTIB, DOSM

Malaysia : Import of Timber and Timber Products to Mexico by Volume

(Volume : m^3)

Product	2011	2012	2013	2014	2015
Logs	31	0	0	0	0
BJC	0	0	120	0	0
Wooden Frame	0	0	0	0	23,574
Wooden Furniture	n.a	n.a	n.a	n.a	n.a
Other Products	n.a	n.a	n.a	n.a	n.a
TOTAL	**31**	**n.a**	**120**	**n.a**	**23,574**

Source: MTIB, DOSM

Mexico : Production of Timber Products, 2010-2014

(Vol : '000 m^3)

Product	2010	2011	2012	2013	2014
Sawntimber	2,136	2,068	2,210	2,268	2,248
Fibreboard	27	34	34	29	29
Plywood	127	120	135	127	111
Particleboard	591	582	738	769	754

Source: FAO

Mexico's Export of Major Timber Products and Furniture

The majority of the timber and furniture products that Mexico's exporting to the world is furniture products which occupied 94.63% of the market share in 2015, an increase of 0.95% from 2014. Exports of furniture by Mexico were on an upward trend from 2011 untill 2015, and were recorded at USD7.72 billion in 2015.

Mexico Furniture Industry

Mexico is a country where furniture production in general is based on a high content of manual labour, due to the low salaries. The market requires large volume production and quality standards that people cannot achieve by themselves without the use of machines therefore resulted the Mexican furniture manufacturers to the following alternatives:

- Acquiring high-tech equipment in order to improve their competitiveness and,
- Promoting the production of traditional furniture with attractive designs at low prices

Wooden furniture industry in Mexico is widely considered of family tradition, relatively young, with resistance to change and almost a handcraft style. However, in order to maintain its national presence and to compete with international markets, where strong competition with imported furniture that had caused more local companies to ventures and penetrated the international markets.

It is important to note that roughly 42% of Mexican furniture production is exported, mainly to the US. Basically, Mexican furniture companies face competition from Asian producers mainly Chinese furniture entrance into the US market and also domestically. With the increase and growth of Chinese furniture exports to the US., several Mexican manufacturers have encountered fierce competition and even bankruptcy.

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Mexico : Major Import of Timber and Timber Products

(Value : USD '000)

Product	2011	2012	2013	2014	2015	% Change 2015/2014	% Market Share 2015
Sawntimber	430,975	469,194	499,761	517,241	542,160	4.82	0.36
Plywood	283,552	293,514	282,213	314,832	324,354	3.02	0.21
Fibreboard	176,183	198,405	237,524	208,544	221,354	6.14	0.15
Moulding	70,492	81,207	92,637	124,849	154,498	23.75	0.10
Particleboard	44,818	55,709	66,715	68,996	76,455	10.81	0.05
Veneer	57,568	61,117	67,660	67,048	75,908	13.21	0.05
BJC	52,083	51,791	51,369	65,479	61,592	-5.94	0.04
Articles Of Wood	35,981	34,059	35,300	36,328	41,958	15.50	0.03
Wood Packaging	38,087	33,961	38,088	40,824	35,996	-11.83	0.02
Tool and Brooms	14,155	18,768	17,860	17,492	29,978	71.38	0.02
Logs	8,190	16,511	8,381	11,831	12,383	4.67	0.01
Railway Sleepers	18,661	22,056	16,081	14,263	11,426	14.73	0.01
Wood Marquetry	11,610	11,935	9,361	9,898	11,356	14.73	0.01
Casks and Barrels	3,471	3,705	5,490	6,273	8,254	31.58	0.01
Tableware and Kitchenware	4,620	4,846	5,738	6,947	7,807	12.38	0.01
Wooden Frames	4,331	4,101	4,827	4,648	3,727	-19.81	0.00
Densified Wood	3,969	3,526	4,586	3,925	3,630	-7.52	0.00
Wood Wool	2,771	2,534	1,768	2,032	2,128	4.72	0.00
Hoopwood	1,876	1,832	2,194	1,747	1,994	14.14	0.00
Wood Charcoal	190	282	641	251	944	276.10	0.00
Fuel Wood	861	896	1,105	1,052	929	-11.69	0.00
Furniture (9401 & 9403)	132,139,666	134,557,973	140,942,159	151,945,941	149,461,225	-1.64	98.92
TOTAL	**133,404,110**	**135,927,922**	**142,391.458**	**153,470,441**	**151,090,056**	**-1.55**	**100.00**

Source: UN Comtrade

Mexico : Major Export of Timber and Timber Products

(Value : USD '000)

Product	2011	2012	2013	2014	2015	% Change 2015/2014	% Market Share 2015
Articles of Wood	93,959	99,540	122,938	117,431	124,681	6.17	1.61
Moulding	49,603	61,648	77,055	78,963	85,410	8.16	0.21
BJC	46,541	50,244	45,901	53,317	60,743	13.93	0.79
Packing Cases	30,887	32,627	36,771	44,000	42,128	-4.25	0.55
Wood Charcoal	18,552	21,480	26,123	28,636	32,732	14.30	0.42
Particleboard	13,269	16,008	29,451	13,104	12,824	-2.14	0.17
Sawntimbwr	12,960	17,091	15,554	11,977	9,505	-20.64	0.12
Wooden Frames	10,306	11,058	9,835	9,216	9,428	2.30	0.12
Logs	4,693	11,402	17,355	15,621	8,113	-48.06	0.11
Casks and Barrels	198	626	1,905	4,121	4,665	13.20	0.06
Plywood	2,034	2,164	4,109	5,401	4,327	-19.89	0.06
Railway Sleepers	4,496	6,081	251	662	4,286	547.43	0.06
Wood Marquetry	4,050	4,477	13,299	4,238	4,072	-3.92	0.05
Fuel Wood	1,909	999	2,230	3,062	2,597	-15.19	0.03
Tool and Brooms	1,086	1,630	2,055	2,481	2,531	2.02	0.03
Veneer	2,234	2,523	2,667	2,129	2,231	4.79	0.03
Fibreboard	1,331	1,382	1,769	1,223	1,345	72.94	0.02
Tableware	961	1,179	1,168	1,223	1,345	9.98	0.02
Other Densified Wood	151	143	194	254	471	85.43	0.01
Hoopwood	5	119	292	223	357	60.09	0.00
Wood Wool	5	1	3	47	21	-55.32	0.00
Furniture (9401 & 9403)	4,562,422	5,529,348	6,223,216	7,241,700	7,310,263	0.95	94.63
TOTAL	**4,861,652**	**5,871,770**	**6,634,141**	**7,639,055**	**7,724,890**	**1.12**	**99.11**

Source: UN Comtrade

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Of the 19,000 furniture manufacturers in Mexico, about 86% are small companies with few resources to upgrade their products. Manufacturing of furniture is located mainly in 10 states: Distrito Federal, Estado de Mexico, Jalisco, Baja California, Chihuahua, Nuevo Leon and San Luis Potosi (all of these exporters) and Aguascalientes, Sonora and Durango. So far, only 13% of imported furniture comes from Asian countries, with 39% imported from North American Free trade Area (NAFTA) partners, the U.S. and Canada, with the same percentage from Europe. It would suggest that the Mexican marketplace can be profitable to explore, particularly the medium and lower-priced sectors.

The furniture industry accounts for 1.8% of the manufacturing industry's GDP and 0.4% of that of Mexico as a whole. Around 75% of the value of the production is devoted to home furniture. 10% of the sector belongs to office furniture and the rest is focused towards collectives and others. Mexican furniture production is as follows:

- Home furniture - 75%
- Office furniture - 10%
- Institutional furniture (hotels, restaurants, school, etc.) – around 15%

One of the biggest problems faced by the Mexican wood furniture is the lack of a stable supply of quality timber products at competitive prices.

Major raw materials used for this industry are as follows:

- Commercial wood - Pine, Holm Oak, Oak, Parota, Ocote (Pinsu montezumae), Oyamel and Mezquite (Prosopis);
- Precious woods - Mahogany, White & Red Cedar, Ebony and Maple. (Many of this are imported);
- Agglomerated woods - Which result of the compressing or pressing sawdust and barks leftovers.

Malaysia's Prospects in Mexico

This is due for the difficulties faced among Mexican companies to offer a high and stable volume of wooden furniture to big domestic distributors. There seems to be have good prospects to penetrate the Mexican market. For the Malaysian wooden furniture exporter, the medium priced furniture (dining rooms and office seats) could have a good reception in the Mexican market.

There is demand for imported furniture from the increasing middle class in Mexico which is currently made up of about 20% of the country's population. Malaysian furniture industry should therefore target specialised furniture stores, furniture boutiques, department stores and supermarket chains as these are where wooden furniture are sold.

If TPPA materialised, Malaysian manufacturers may take advantage of the assembling and finishing of high quality furniture in Mexico in order to secure access to the North American markets and take advantage of the low labour cost there as well. In addition, there are practically no import tariffs for Mexican-made furniture in the US., provided the NAFTA's regional content requirements are fulfilled. Mexican exporting companies and big manufacturers of wooden furniture offer a great potential for Malaysian timber products such plywood and also has ample potential to penetrate the Mexico market since Mexico only produces one seventh of its plywood and MDF consumption.

Malaysian exporters are thus strongly encouraged to take advantage of the good prospects of the market by maximising the opportunity offered under the TPPA to increase its timber product and furniture market share in Mexico.

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- *http://www.economywatch.com/world_economy/mexico*
- *http://www.state.sc.us/forest/prodmex*

Mexico : Import Duty for Timber and Timber Products

Hs Code	Product	Duty (%)
4401	Fuel Wood	0
4404	Hoop Wood	5.0 - 8.0
4405	Wood Wool and Wood Flour	5
4406	Sleepers	5
4407	Sawntimber	0 - 5.0
4408	Veneer	0
4409	Mouldings	10 - 15.0
4410	Particleboard	10 - 15.0
4411	Fibreboard	3.3 - 5.0
4412	Plywood	0 - 7.0
4413	Densified Wood	6.7
4414	Wooden Frames	15
4415	Packing Cases	15
4416	Cask, Barrels, Vats and Tubs	10
4417	Tools Bodies and Handle	10
4418	Builders Joinery and Carpentry	15
4419	Tableware and Kitchenware	15
4420	Wood Marquetry	15
4421	Other Articles of Wood	15
9401,9402,9403	Wooden Furniture	0 - 15

Source: WTO

PENYAU – SUITABLE FOR HEAVY CONSTRUCTION, HEAVY-DUTY FURNITURE AND FLOORING

Wood colour and texture

Penyau tree

Penyau is the Standard Malaysian Name as well as the ASEAN Standard Name for the timber of Upuna borneensis (Dipterocarpaceae). *The species is described as a lowland forest tree, and is found in Borneo, as well as Sabah, Sarawak, and Brunei where it is commonly known as Penyau, Resak and Upun batu.* Upuna borneensis *is a monotypic plant, meaning that there is only one species in this genus. The timber is extremely strong (Strength Group 3). It is slightly difficult to saw due to its hardness and resinous nature.* Upuna borneensis *is a large tree with low stout buttress. The bark is dark brown, finely flaky with the inner bark not laminated.* Upuna borneensis *leaves are thinly coriaceous and usually somewhat bullate. This species is frequently found in mixed dipterocarp forest and the heath forest of Borneo. The wood is commonly used in heavy construction, for building and boat making. The conservation status of this species is endangered.*

General Characteristics

The sapwood is well-defined from the heartwood, which is dark brown. The heartwood is dark brown when freshly cut, becomes lighter when dry, and ages into a darker colour again upon exposure. The heartwood is reported to be naturally resistant to decay in certain areas. The wood surface is described as rather low in luster. There is no distinct odour or taste. The wood contains gum whichtends to affect some machining operations.

Density

The timber is very hard and very heavy with a density of 945-1,040 kg/m^3 air dry. The timber is classified under Heavy Hardwood in Malaysia.

Natural Durability

The timber is very durable under exposed conditions.

Preservative Treatment

It is extremely resistant to preservative treatment.

Texture

Texture is fine to moderately fine but even, with straight to shallowly interlocked grain.

Strength Properties

The timber falls into Strength Group A (Burgess, 1958) or SG3 (MS 544: Part 2:2001).

Machining Properties

It is slightly difficult to saw due to its hardness and resinous nature. Planing is easy and the surface is generally smooth although there is a slight pick-up of grain in radially sawn material.

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Nailing Property

The nailing property is rated as poor.

Air Drying

The timber seasons moderately slowly, with very minor seasoning defects except for some insect damage. Thick boards of 13 mm take approximately three months to air dry, while 38 mm thick boards take four months.

Shrinkage

Shrinkage is fairly high, with radial shrinkage averaging 1.8% and tangential shrinkage averaging 2.9%.

Working Properties

Planing :	Slightly difficult	Finish :	Smooth
Boring :	Fairly easy	Finish :	Rough
Turning :	Slightly difficult	Finish :	Moderately smooth
Nailing :	Poor		
Gluing :	Slightly difficult		
Finishing :	Poor		

Penyau sawntimber

Uses

The timber is suitable for all forms of heavy construction, heavy-duty furniture, heavy-duty flooring, railway sleepers and power transmission poles, if sufficient lengths can be obtained.

References:

- *MS 544: Part 2:2001. Code of Practice for the Structural Use of Timber: Permissible Stress Design of Solid Timber*
- *Wong, T. M. 1982. A Dictionary of Malaysian Timbers. Revised by Lim, S. C. & Chung, R. C. K. Malayan Forest Records No. 30. Forest Research Institute Malaysia, Kuala Lumpur. 201 pp*
- *100 Malaysian Timbers, Malaysian Timber Industry Board (MTIB)*

Ex-MTIB Officials Alumni, held on 19 July 2016 in Kuala Lumpur.

YBhg. Dato' Dr. Jalaluddin Harun, MTIB Director-General (seated second from right), posing with MPIC and MTIB officials: YB Datuk Seri Mah Siew Keong, Minister of Plantation Industries and Commodities (centre); YB Datuk Datu Nasrun Datu Mansur, Deputy MPIC (on his right); YB Datuk M. Nagarajan, Secretary-General of MPIC (fourth from right); YB Tuan Anyi Ngau, MTIB Chairman (third from right), during the Minister's and his Deputy's visit to MTIB, Kuala Lumpur on 25 July 2016.

YB Datuk Seri Mah Siew Keong, Minister of MPIC (left) at MTIB's Mini Showroom, Menara PGRM, Kuala Lumpur.

YBhg. Dato' Dr. Jalaluddin Harun, MTIB Director-General (seated, centre) posing with MTIB officials from Kuala Lumpur and Butterworth during the Hari Raya celebration ceremony organised by MTIB Butterworth on 29 July 2016.

YBhg. Dato' Dr. Jalaluddin Harun, MTIB Director-General and MTIB officials visiting Rabvolks Homes Sdn. Bhd. in Bertam, Butterworth on 29 July 2016.