

THE STATUS OF THE WOOD INDUSTRY AND POTENTIAL LOCATIONS

Benedick Bisoni
**Section Head Industry Services &
Regional Cooperation Division**
DIDR

23 January 2019
**Mini Seminar on Furniture and Wood Based
Industry**
Hotel Le-Meridian, Kota kinabalu



Contents

- **To highlight the status of Sabah's wood industry**
- **To explore the potential locations for the furniture and wood industry in Sabah**



NEW POLICY OF THE STATE GOVERNMENT

- **To ban or not to ban (permanently)?**
- **Log Export ban since end of 23 May 2018 by Chief Minister of Sabah.**
- **Emphasis on value-added industries, attracting new investments and generating employment**
- **Upstream – Downstream – Marketing (supply chain)**
- **Details Master Plan and Marketing Platform.**

WOOD-BASED INDUSTRY STRUCTURE

Industry Structure:

Dominated by plywood, pulp and paper and sawmilling (Utilized 69% of log input).

Sabah: distribution of Log Input To Processing Mills

Type of Mill	2015 (%)	2016(%)	2017 (%)
Plywood/Veneer	65	63	65
Pulp & Paper	21	* 7	* 4
Sawmill	18	24	23
Chipmill	6	6	8
Total	100	100	100

* SFI Sdn Bhd – was not operating in most part of the year.

The Wood-Based Industry Structure

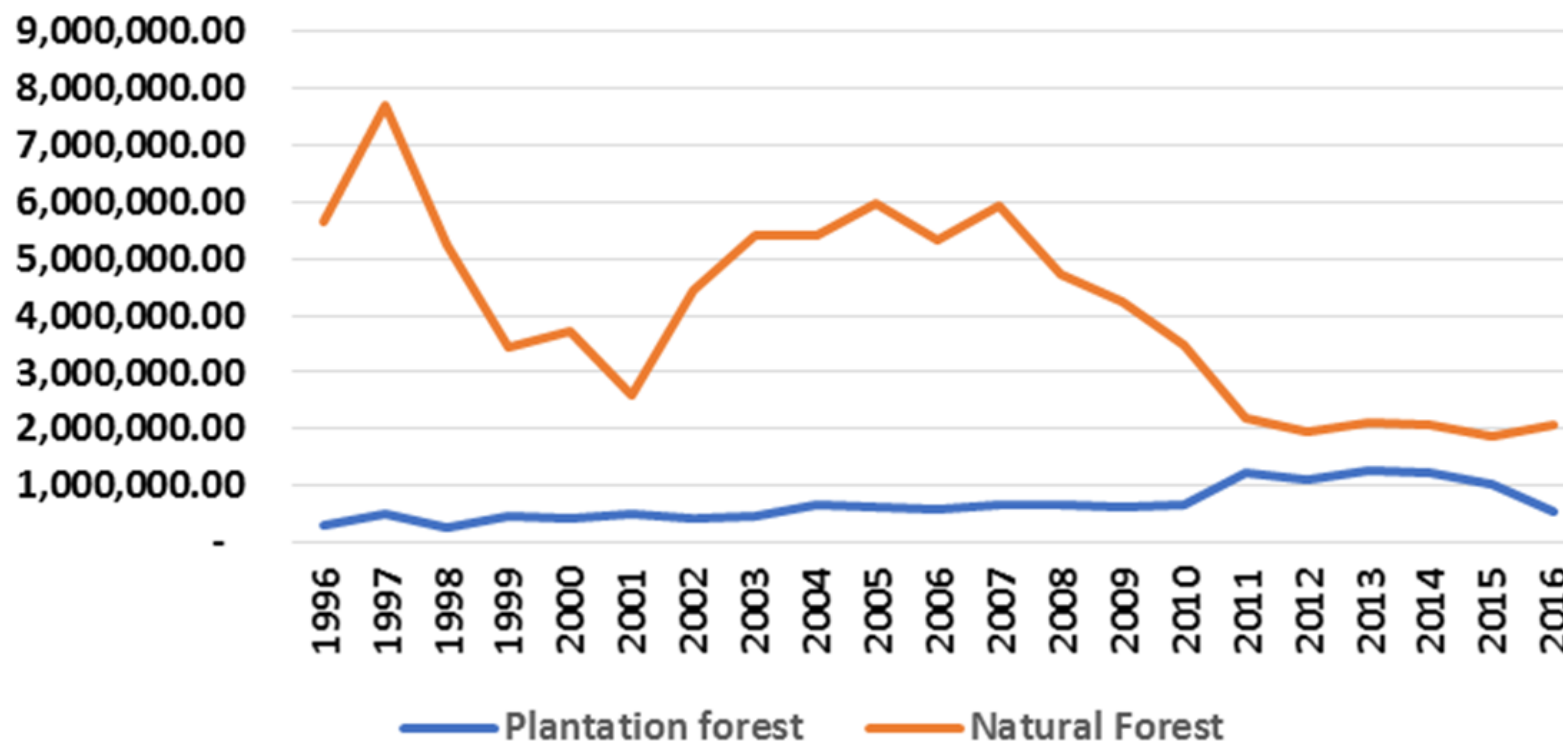
- **Plywood dominates the wood-based industry in Sabah.**
- **Reasons: More adaptive and more resilient to changes in raw material (small diameter logs and plantation species) and able to import materials from other countries (Ex. veneer as core).**
- **Pulp and paper: Sourcing raw material supply from own concession and the same with chip mill.**
- **Export sales/value: Declining partly due to low export of pulp and paper, but also due to limited export of timber products with high-value.**
- **Export value from timber in 2017: RM1.85 billion (small as compared to the two regions in Malaysia)**

Supply of raw material:

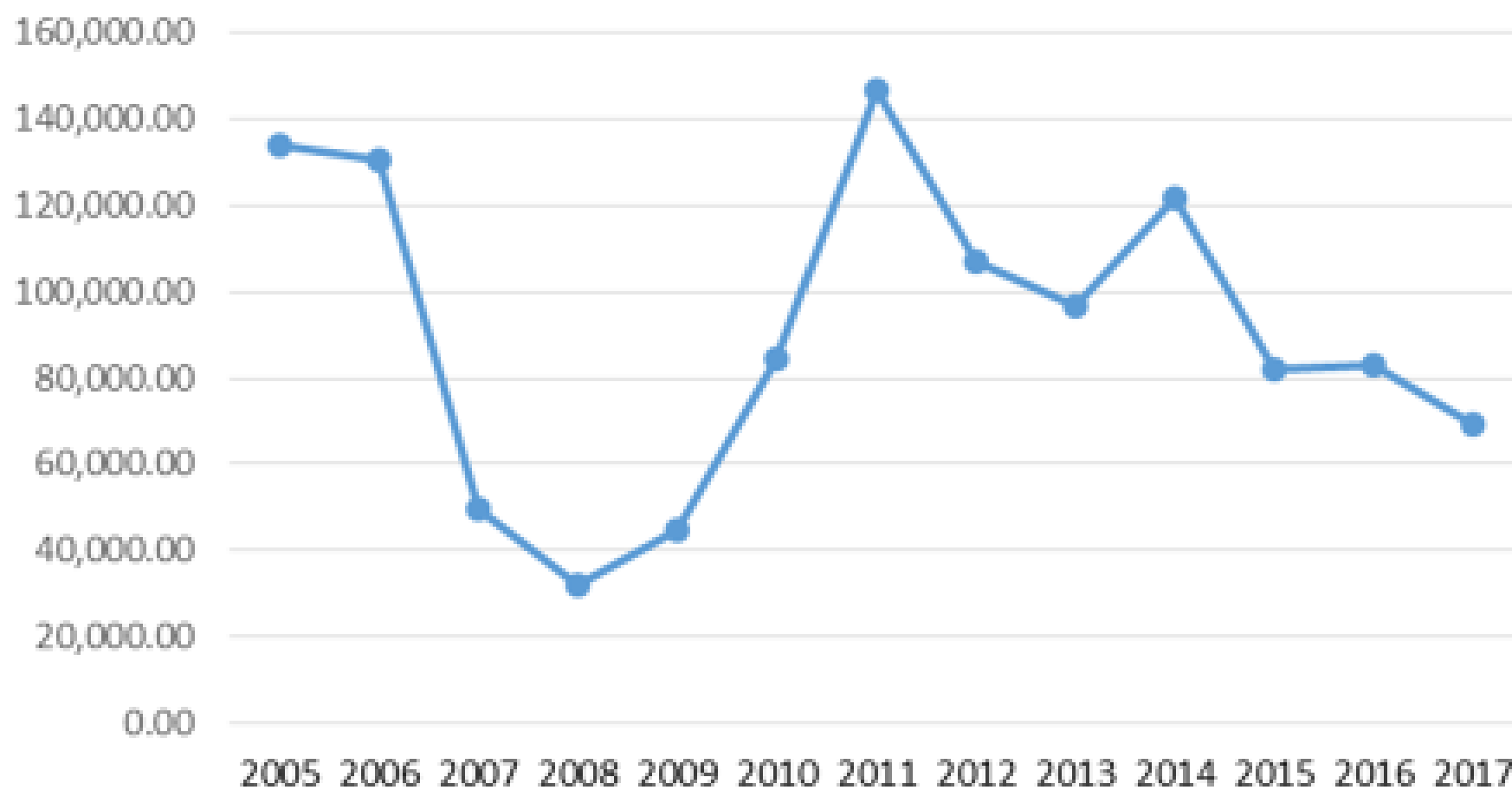
- **The State has a clear policy on Sustainable Forest Management (SFM). No turning back.**
- **Focus: More to conservation and rebuilding resources in view of the heavily logged forests in the past.**
- **Future log supply from the natural forest: 1-2million m3.**
- **Forest plantation: Increasing and above the 1 million m3 mark since 2011, although production declined in 2015 & 2016 due to a long lay off Sabah Forest Industries Sdn Bhd.**
- **Import volume: small (below 100,000m3). Mostly veneer and scantlings from Sarawak. Log import insignificant.**

Supply of raw material:

Sabah: Log Production Trend From Natural Forest & Plantation Forest (1996-2016) in M3

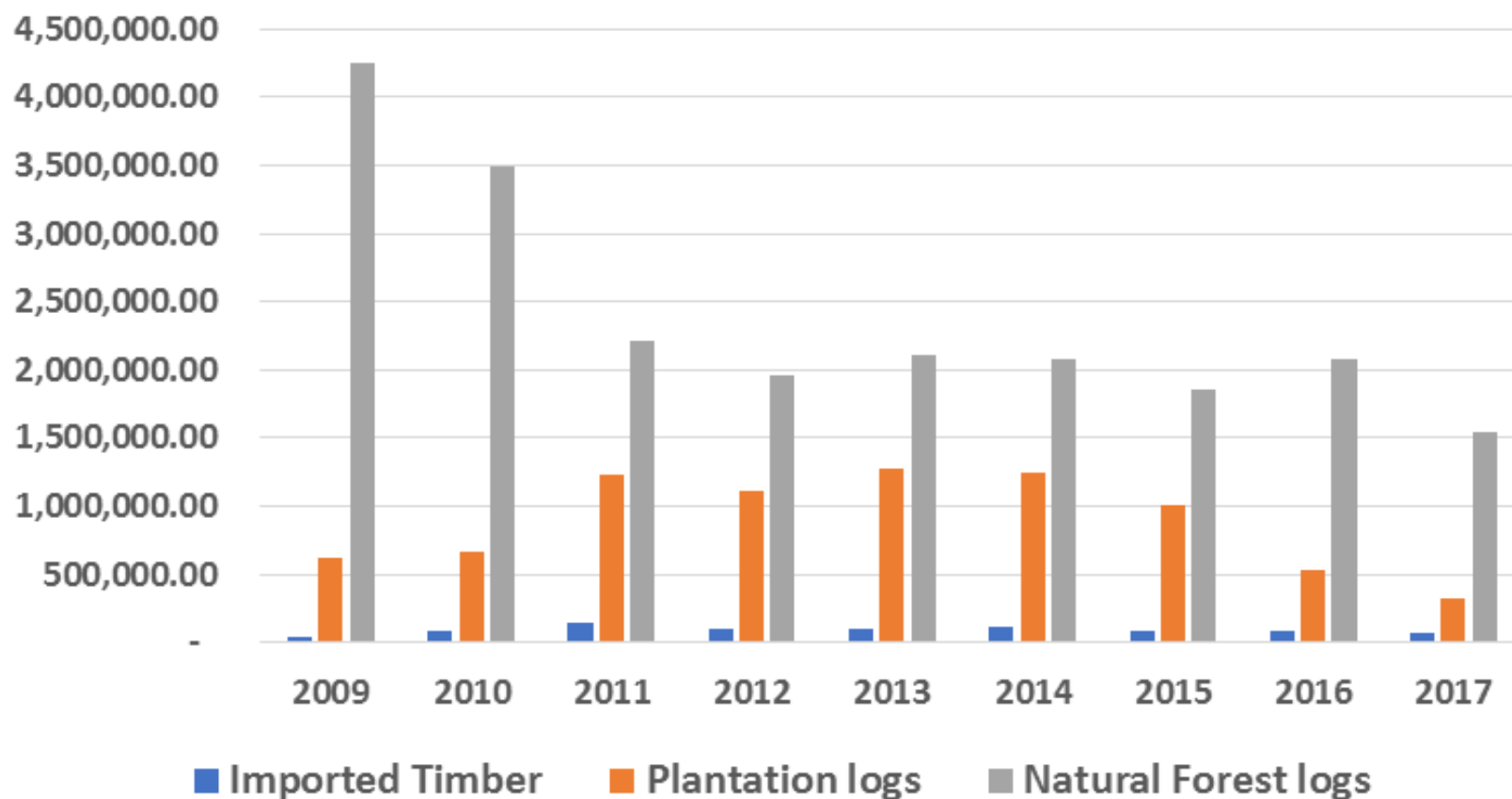


**Sabah: Imports of Timber
(Logs,Veneer and Sawn timber) - 2005 to 2017
Volume (m3)**



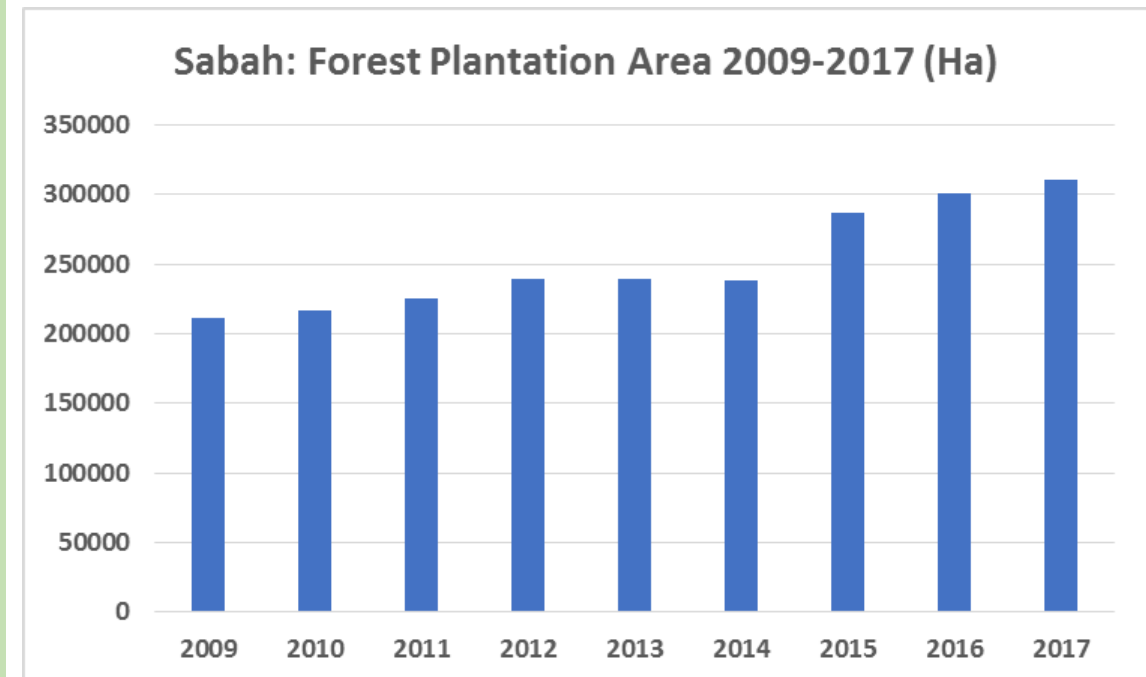
Total Supply of Raw Material (Natural Forest/Forest Plantation/Imports)

Sabah: Total Supply of Timber in M3 (2009-2017)



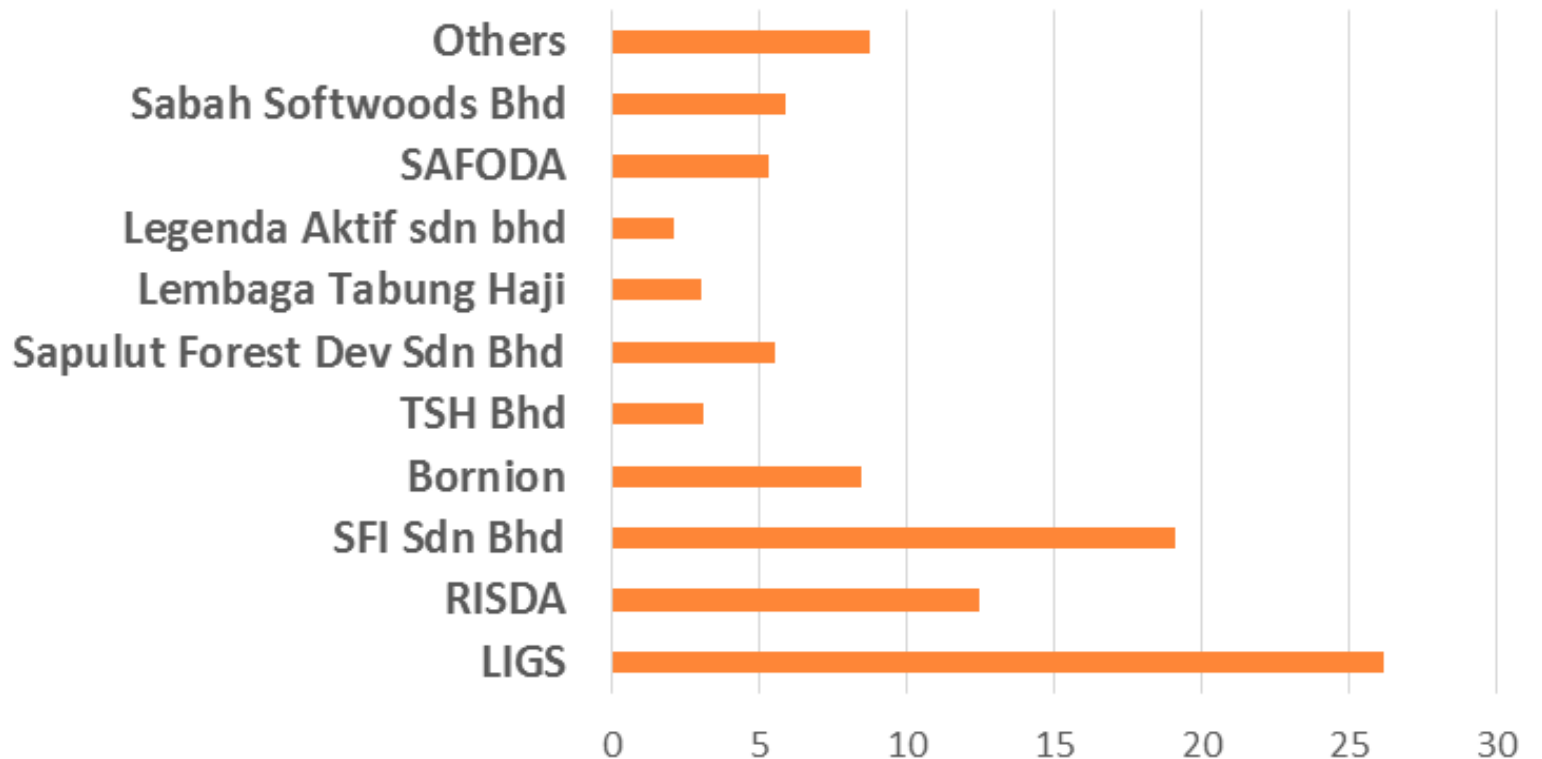
Forest Plantation

- **The future is from forest plantation.**
- **Total area planted in 2017: 310,799 ha.**
- **Large areas earmarked for forest plantations, if developed according to plan and with availability of fund.**
- **Future supply may increase to 2.5 million m³ and above per annum.**



Forest Plantation: Ownership

Sabah: Forest Plantation Ownership 2017 (%)



Forest Plantation By Species

Species Produced (2017)

- ✓ ***Acacia* : 66 %**
- ✓ ***Albizia Falcataria* : 16%**
- ✓ **Rubber: 11%**
- ✓ **Teak: 4%**
- ✓ **Others: 3%**

Species Planted (2017)

- Rubber: 180,498 ha [56%]**
- Acacia mangium*: 53,796 ha [17 %]**
- Eucalyptus grandis*: 18,870 ha [6%]**
- Albizzia falcataria*: 13,902 ha [4%]**
- Eucalyptus pelita*: 16,184 ha [5%]**
- Others: 27,594 ha[12%]**

Sabah: Main Timber Markets - 2017

Destination	Export value (RM-FOB)	%	Rank
Japan	375,474,998.76	20	1
South Korea	216,815,260.44	12	2
P.Malaysia	196,390,644.94	11	3
China	154,583,729.03	8	4
United States	145,031,519.48	8	5
Taiwan	138,407,217.83	8	6
Philippines	84,531,984.36	5	7
Thailand	84,370,123.95	5	8
India	65,967,028.69	4	9
Mexico	61,507,747.10	3	10
Others	323,505,947.12	18	
Total	1,846,586,201.70	100	

Pen. Malaysia As Sabah's Timber Market

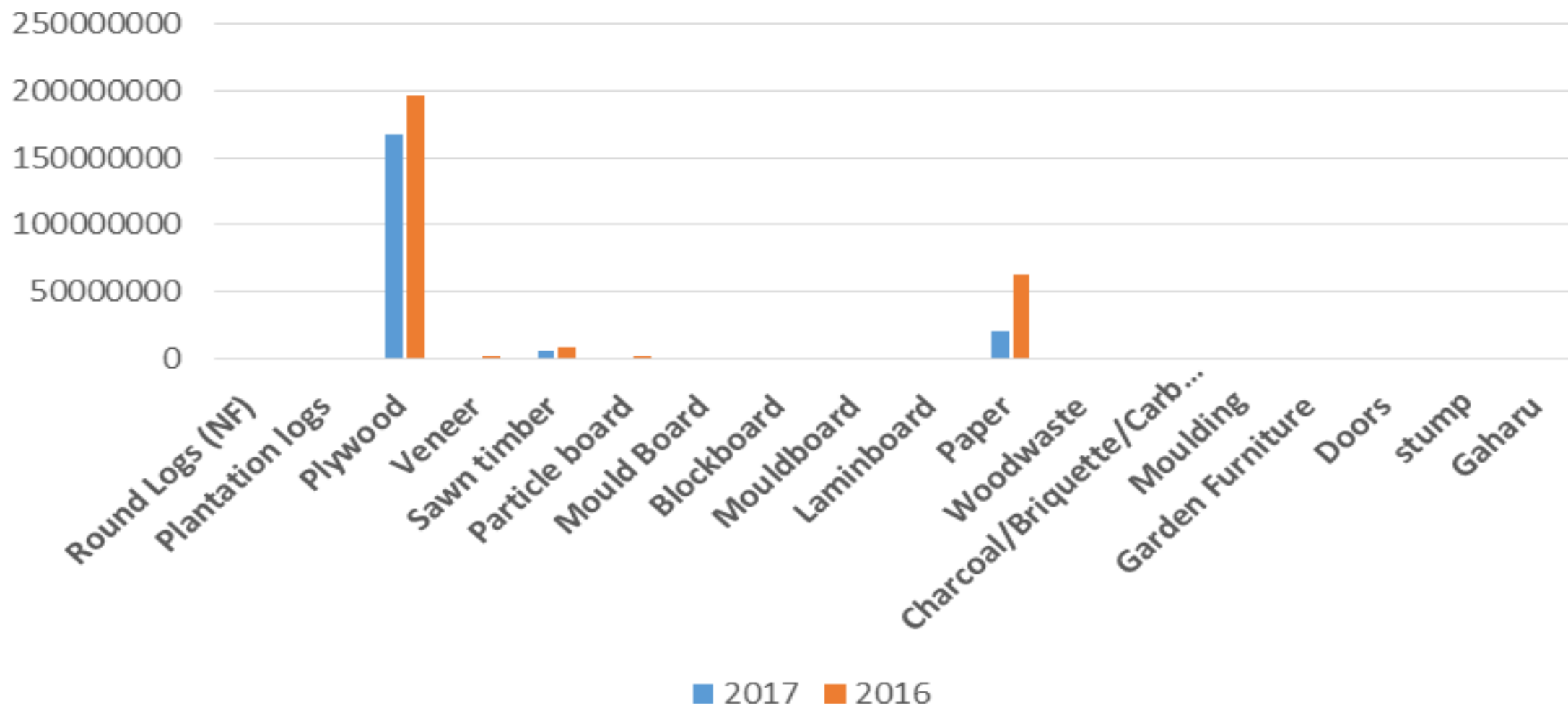
Interesting facts:

- **Pen. Malaysia is the third biggest importer of Sabah's plywood.**
- **18% of Sabah's total exported plywood volume**
- **Either re-exported or used domestically for value-added manufacturing.**

Sabah: Export of Timber Products to Pen. Malaysia 2016-2017

Year/ Product	2017		2016	
	Volume	Value (RM)	Volume	Value (RM)
Round Logs (NF) - (m3)	-	-	-	-
Plantation logs (m3)	-	-	-	-
Plywood (m3)	92,180.25	167,340,046.31	110,904.79	196,961,933.20
Veneer (m3)	35.29	42,609.23	1,519.55	2,352,201.90
Sawn timber (m3)	2,788.83	6,480,926.01	3,241.28	8,286,106.93
Particle board (m3)	967.85	525,396.32	29,410.14	2,095,482.28
Mould Board (m3)	126.06	519,058.49	49.90	179,739.86
Blockboard (m3)	26.79	32,992.50	10.70	12,979.00
Mouldboard (m3)	126.06	519,058.49	-	-
Laminboard (m3)	300.06	337,327.60	67.22	73,135.65
Paper (M/T)	6,198.31	20,435,984.05	21,439.16	62,759,371.37
Woodwaste (M/T)	1,400.00	42,000.00	-	-
Charcoal/Briquette/Carbon rod (M/T)	26.00	79,026.92	-	-
Moulding (m3)	115.24	188,742.17	103.07	364,185.20
Garden Furniture (M/T)	171.00	267,888.20	144.00	216,575.31
Doors (m3)	32.11	98,647.14	-	-
Stumps (m3)	-	-	9.30	15,000.00
Gaharu (kg)	-	-	5.80	12,500.00
Total	196,909,703.43		273,329,210.70	

Sabah: Export Value of Timber Products to Pen. Malaysia 2016-2017

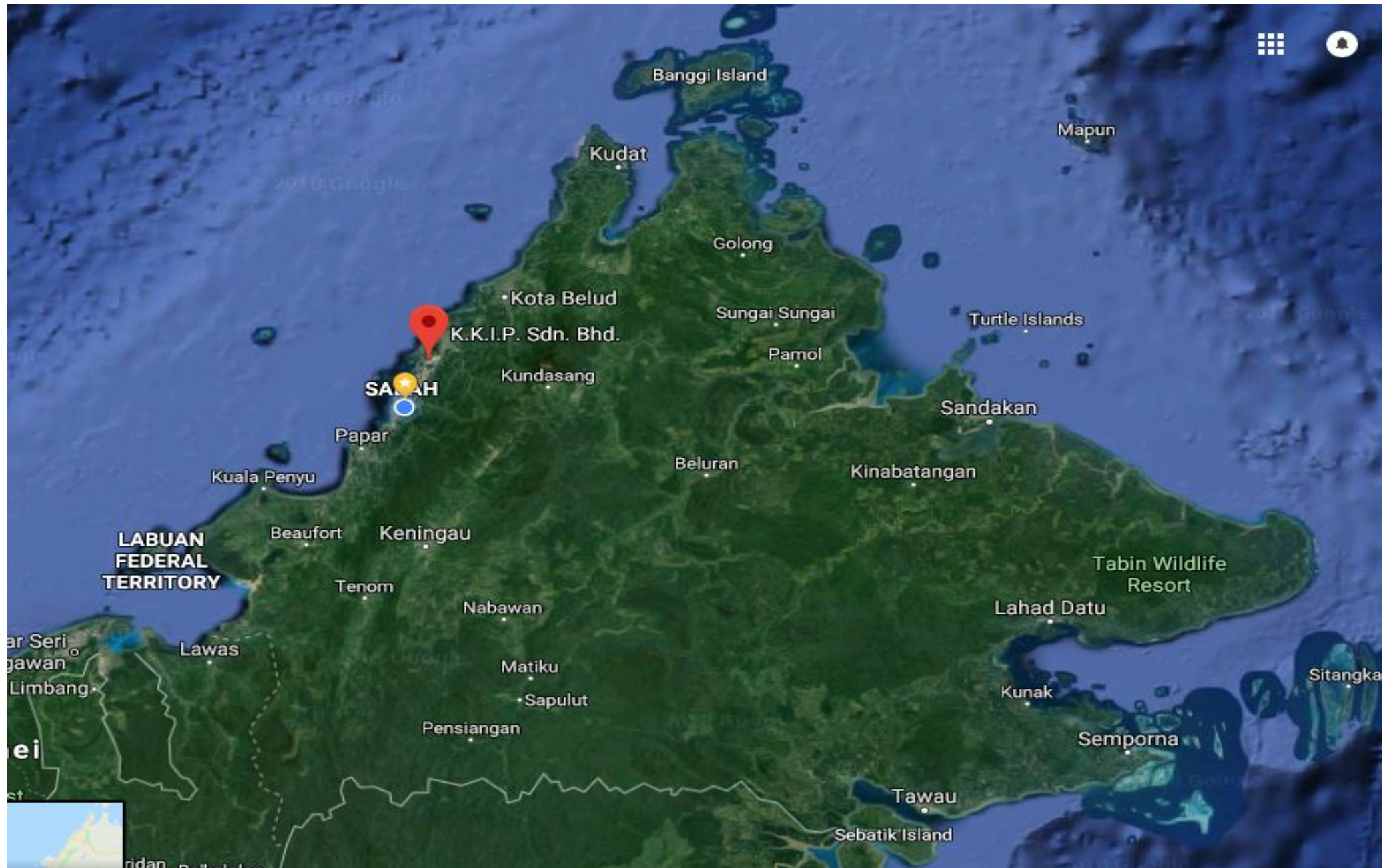


Prospects of the Timber Industry

- **The future prospect is still there but needs to restructure based on Sabah's comparative advantage & changing raw-material (How primary products could be value added instead of being exported).**
- **Encourage horizontal integration of wood manufacturers towards manufacturing of high value-added products.**
- **Encourage the use of green technology in the wood-based industries and diversify production to include non-traditional timber products.**
- **Create “unique branding” for wood products produced in line with good forest governance.**

Potential Locations for the Wood Based Industry

- **Kota Kinabalu Industrial Park.**
- **POIC Sandakan (Furniture Hub).**
- **POIC Lahad Datu.**
- **Sandakan.**
- **Keningau.**



Logistic



Export Processing Zone



Automotive & Related Industries



Food Industries



R&R and Recreation Area



Power Plant



Aerospace



Industrialized Building System (IBS)



Auto City



North



Aerospace Training Center



Biotechnology

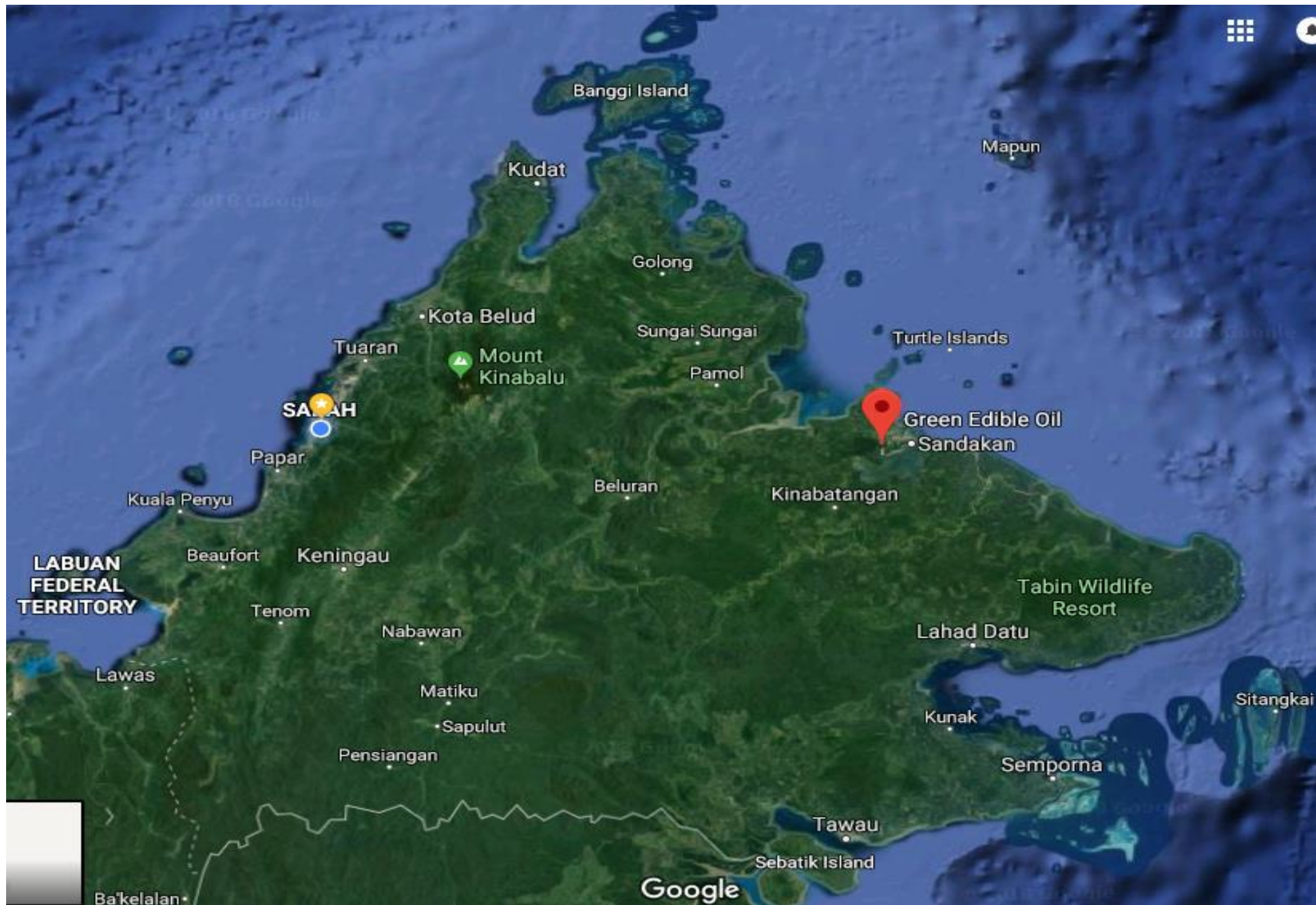


General Industries

DEVELOPMENT STATUS AT KKP, PHASE 1

LEGEND :

- IZ 3 Lot 17A & 17B(6.2 acres) : Self Generation Power Plant(30MW - 60MW)
- IZ 5 & IZ 6 (122.50 acres) : FEZ (Bonded Logistic Zone; Regional Distribution Center; Digital FTZ; Export Processing Zone)
- IZ 7 PH 2 (130 acres) : FEZ (Aerospace MRO & Related / Compatible General Industries)
- IZ 7 PH 3 (139.58 acres) : FEZ (Regional Distribution Center; Digital FTZ; Export Processing Zone)
- IZ 9 (100 acres): FEZ (Automotive & related Industries)
- IZ 8 (110.10 acres ; Bal 35 acres) : FEZ (Halal / Food Industries / Shared) Integrated SSO (Supply Chain Shared Services and Outsourcing center)
- IZ 8 Lot 803A & 803B(4.76 acres) : SSO (Integrated Supply Chain Shared Services and Outsourcing center)
- IZ 10 (30 acres) : IBS (Industrialized Building System)
- IZ 11 (85.45 acres) : FEZ (General Industries / Export oriented industries)
- IZ 14 (60 acres) : Auto City / Automotive after market (4S showroom; specialist workshops; Auto Drag Race)
- IZ 15 PHASE 2 (10 acres) : (Aerospace Technician Training)
- CZ 1 PH2 (37.3 acres) : FEZ (Biotechnology)
- Salut Bay R&R (15 acres) : R&R and Recreation Area
- DEVELOPED AREA
- UNDEVELOPED AREA
- DEVELOPMENT BY OTHERS



BASIC INFRASTRUCTURE OF PHASE I

Internal Road

- 15 km Road
- 24 km Drainage

Water

- Treated water : 12 Mil Litre Water tank
- 11 km water pipe line

Telecommunication

- 40 km telecommunication cables

Sewerage System

- 3,000 PE Sewerage treatment & 6.6 km drainage

Streetlights

- 15 km Streetlights

Power Supply

- 2 x 33/11kV Power connection (PPU)
- 7x11/0.415kV Distribution (PE)
- 18km x 33kV underground cabling
- 35km x 11kV underground cabling
- 4km x 33kV Suspended cabling

BASIC INFRASTRUCTURE OF PHASE I (CONT..)

Dedicated Palm Oil Jetty	Up to 30,000 DWT
Bulking Installation	<ul style="list-style-type: none">• Operated by Sawit Bulkiers Sdn Bhd• Bulking connected to jetty• Current capacity : 25,000 MT• Upgrading : 50,000 MT by end of this year
Pipe Rack	Pipe line connected to bulking and jetty

EXTERNAL INFRASTRUCTURE & UTILITIES

Water	5km water pipeline with booster pump station from nearest water treatment plant to POIC water tank
Power	132 kv connected via POIC PMU
Telecommunication	Fibre optic (Fast data communication)
Access	<ul style="list-style-type: none">• 4km Dual Carriage Way with Street lights• 13 km dual carriage road to Sandakan port capable of handling containerised cargo

WATER TANK 12 MIL. LTS

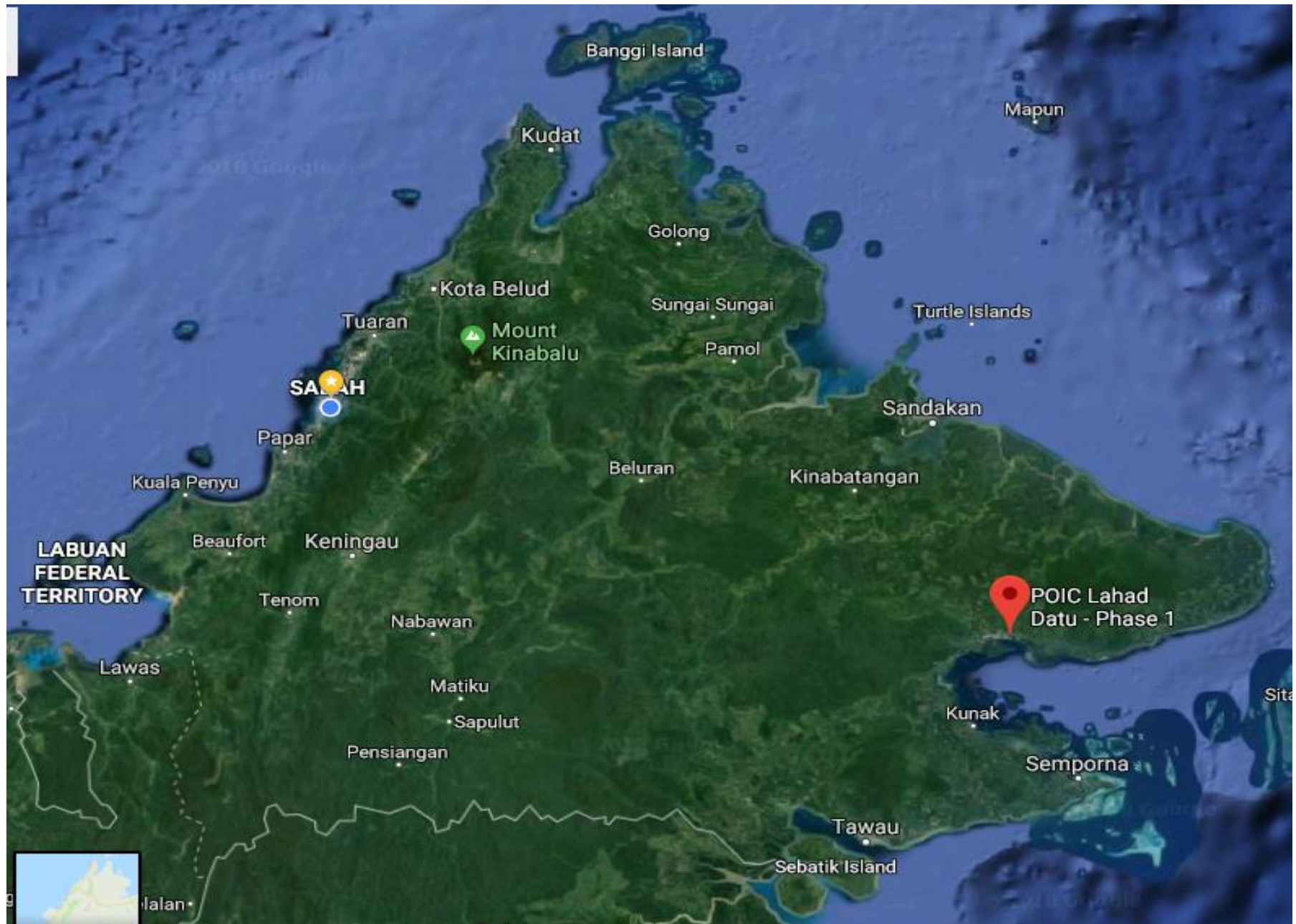


INTERNAL ROAD



1ST BERTHING ON 9TH JAN 2017





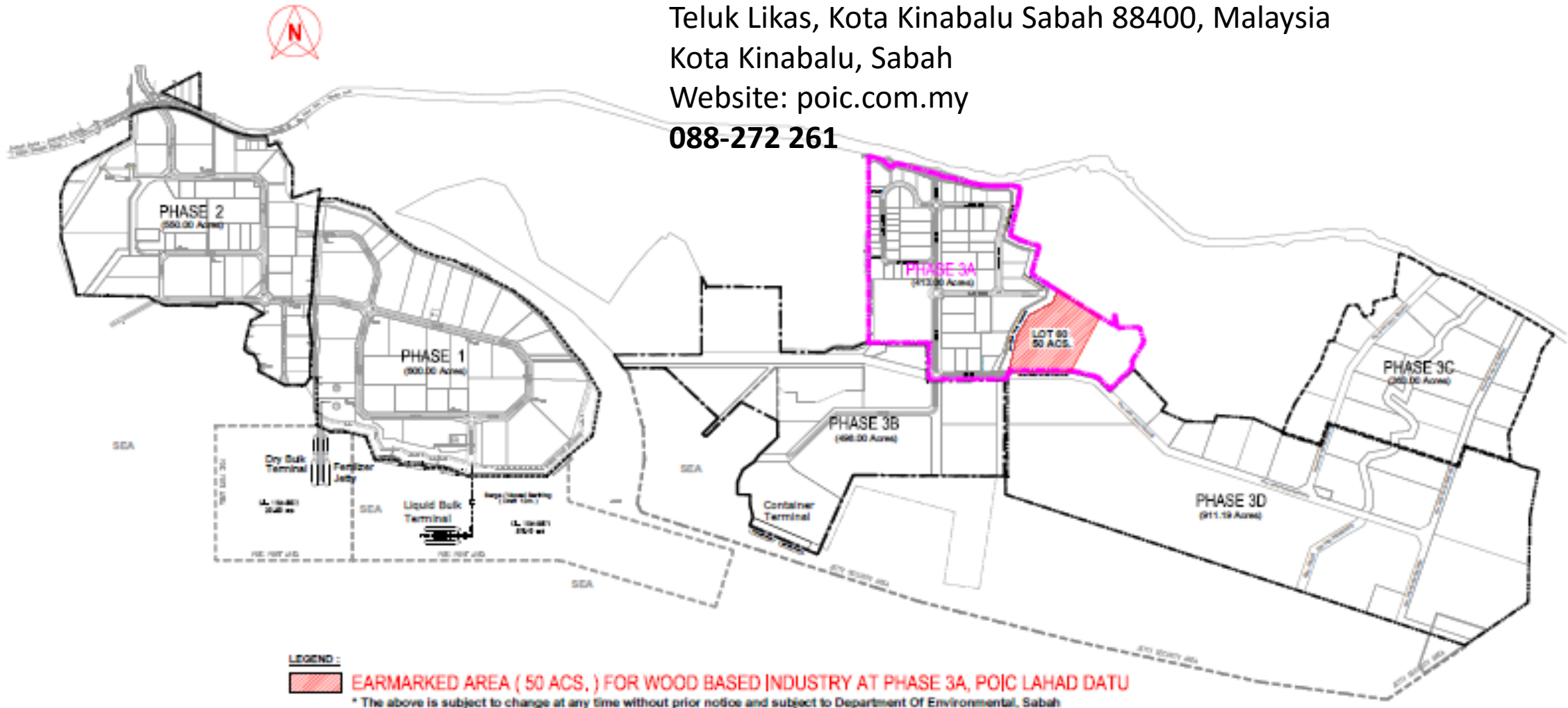
POIC Sabah Sdn Bhd (Lahad Datu)

Wisma Perindustrian , 17th Floor, Jalan Istiadat,
Teluk Likas, Kota Kinabalu Sabah 88400, Malaysia

Kota Kinabalu, Sabah

Website: poic.com.my

088-272 261



Proposed Wood based industry at Lot-60, Phase-3A, POIC Lahad Datu, Sabah

a) Basics

Land size	:	50-acres
Zoning category	:	Special industry
Land condition	:	As is where is basis
Type of industry	:	Subject to Environmental Impact Assessment (EIA)
Distance to POIC Container Terminal	:	Within 1KM
Distance to POIC Dry Bulk Terminal	:	Within 7km
Distance to POIC Liquid Bulk Terminal	:	Within 8km

b) Infrastructure available

POIC Container Terminal:

- Designed to cater 250,000TEUs per year.
- 15M water draft alongside to handle Panamax vessel up to 65,000dwt
- 2 STS cranes with capacity of 18-22 moves per hour of each crane
- One stop center with Custom Inspection building and other relevant government authorities and shipping logistics in one location.
- Storage space – 28,000 sq. ft. of Container Freight Station
- Shipping liners – SITC, MTT, Harbour Link and Evergreen

Dry Bulk Terminal:

- Designed to berth 4 vessels at one time. Two outer berths can accommodate 2 ships up to 30,000dwt while the 2 inner berths can accommodate ships up to 10,000 dwt
- 2 high speed gantry cranes and integrated conveyor belt system installed to handle bulk cargo at the speed of 1,000 tonnes per hour.
- Storage space – Bagged fertiliser warehouse with 40,364sq ft and PKE/PKS warehouse with 67,812sq ft.

Liquid Bulk Terminal:

- Dedicated terminal for oil based products.
- 2 outer berths have an alongside draft of 20m capable of accommodating vessel up to 100,000dwt while the 5 inner berths ranging from 10-12m draft to handle vessels of up to 20,000dwt.
- Allows direct pumping from shipper's tanks to vessel via POIC interchange
- Storage space – liquid bulking terminal with 20,000mt oil capacity

Utilities:

- Tap off points for water, electricity and telecommunication available at site.

Potential Locations for the Wood Based Industry

Other Potential Locations:

1. Seguntor Industrial Area, Sandakan. (1,950 hectares – 1,024 hectares for wood industries)
2. Keningau District – Near to FMUs, Sawmills and Wood based.
3. Ladalam Timber Complex, Jalan Tanjung Batu Laut, Tawau – (7 Sawmills and 2 Wood based.
4. Kimanis, Papar District – RMK8 - ITC (2 Sawmills, 4 Wood based)



BENEDICK BISONI
Principal Assistant Director
Department of Industrial Development & Research
Email: benedick.bisoni@sabah.gov.my
Tel: 0198818833

THANK YOU