

‘Tariff wars’ worry Malaysia, but full speed ahead on value-adding

Aussie hardwoods figure in flooring as output goes through the roof

JIM BOWDEN

MALAYSIA harbours fears that escalating trade tensions between the US and China might see the Republic dump plywood on the Japanese market, currently Malaysia’s largest customer.

While manufacturers of furniture, wood-based panels plywood and mouldings may benefit from the diversion of investment and demand from the two countries, there is the potential that excess Chinese timber products could be dumped into export markets that Malaysia currently supplies

“There is also the potential risk of China-made wooden products and furniture flooding the Malaysian market, which affects companies focusing on domestic sales,” says



Boomerang... Francis Raj of Malaysian flooring company BKB (right), and Andrew Kong, MTC corporate communications manger, look over NSW sawn blackbutt timber to be processed into high-value flooring for the Australian market.

However, despite the ‘tariff trade wars’, Malaysia is expected to achieve its \$A8.4 billion export target by 2020 under a revised national timber industry policy. To achieve this, Mr Low says Asia will be the focus region for Malaysia’s exports of timber and timber products in the next few years.

In August, the Malaysian Timber Industry Board revealed the sector contributed \$A7.8 billion in export earnings last year, up 4.8% from 2016.

Malaysia’s timber exports to developed countries such as Japan, the US, Europe and Australia, meanwhile, are also expected to increase due to strong demand for Malaysian engineered wood products that meet global certification standards and market specifications.

Mr Low says most timber operators view the timber industry as a sunset industry,

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“MTC A BRIDGE BETWEEN LOCAL INDUSTRY AND IMPORTING COUNTRIES

Malaysian Timber Council chairman Datuk Low.

With Malaysia’s open economic policy, Mr Low has

urged stronger trade relations with China and the US,

focusing on attracting foreign direct investment.



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given the diminishing raw materials available in Malaysia. Moreover, Primary Industries Minister Teresa Kok has stated her commitment to maintaining the country's forest cover at 50% at least.

"With diminishing log supply from our natural forests owing to the reduction in annual coupe for sustainability and bio-conservation, MTC plays a crucial role in assisting the timber-processing industry in augmenting the supply of raw materials," Mr Low said.

MTC acts as a bridge between timber companies in Malaysia and importers from other countries to match the needs of customers to suppliers, and to facilitate exports. MTC has offices in London, the UK, Dubai, the United Arab Emirates, and Guangzhou, China, and more recently, has added Bangalore, India, to the list.

Malaysia currently exports timber products to more than 160 countries, promoting value-added timber products, especially interior-decor products such as flooring, wall panelling, doors, skirtings, mouldings and furniture.

Key issues are market access, labour and entry to financial facilities for small and medium businesses.

Moving forward, Datuk Low says the industry is focusing more on downstream processing to lift the value of the timber industry as a whole.

Meanwhile, on an MTC-organised Malaysian familiarisation program for foreign journalists last week, editor Jim Bowden noted a tremendous uplift in European wood engineering technology since his last visit about 10 years ago.

Swiss-built kilns and gluing and treatment methods and



Colour-coded... Lim Kim Lee and Chareen Cheen explain the variety of FSC-certified products produced at Finess Mouldings. Based in Selangor, Malaysia, the company has just commissioned its sixth factory giving a combined production area of 48,000 sq m, with a staff of more than 400. Machinery is regularly serviced by principal suppliers from Germany, Singapore and Italy. Since 1998, the company has developed into Malaysia's largest producer of timber picture frame mouldings and was the first Malaysian manufacturer to gain ISO 9001 status.

German wood processing and finger-jointing machines are value-adding timber products at a remarkable rate.

One of Malaysia's largest flooring manufacturers, BKB Hevea at Ipoh on Peninsular Malaysia, imports sawn timber from Europe, the US and Australia.

“ AUSTRALIAN BLACKBUTT AND SPOTTED GUM IN DEMAND

This includes 30,000 sq m a month of sawn spotted gum and blackbutt bought directly from sawmills in NSW and Queensland, which in turn is shipped back to Melbourne and Sydney as a multi-layered 'sandwich' product with hardwood and softwood veneer surfacing, a core layer of pine, and a gluing and

bonding process that includes wood preservatives – all completed on one machine.

In fact, the company has been trading with Australia for more than 20 years, also buying jarrah and Tasmanian oak in smaller volumes.

Interestingly, BKB CEO Francis Raj says he has found little interest in Europe for his Australian hardwood flooring products.

"They prefer the oaks, so we are more than pleased with the acceptance of our flooring in Japan and Australia," he said.

BKB runs a bank of 24 ABB Kent automated water-bath kilns built in Zurich with capacity for 960 tonnes, taking moisture content on Australian species down to 6%.

• More reports on the MTC Malaysian familiarisation program over future issues of Timber&Forestry enews.



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