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Plywood manufacturers seek higher export cost and freight prices

BY JACK WONG



KUCHING: Malaysian plywood manufacturers have proposed higher export cost and freight (C&F) prices for their products shipment to Japan.

The proposed price increases for June and July shipment vary among the manufacturers but are generally in the region of US\$25 per cu m, according to Japan Lumber Reports (JLR) in its May 26 issue.

One reason cited by JLR for the Malaysian manufacturers to mark up the C&F prices was due to the higher costs of logs – the raw material for producing panel products – following the impending imposition of higher timber premium.

To recap, the Sarawak state government will raise the premium for hill timber to RM50 per cu m from 80 sen per cu m – which is a staggering 6,250% increase – from July 1, 2017.

The increased premium is for all species of logs harvested from the hill forests and logs of hill species from agri-conversion areas, which is RM3 per cu m prior to the revision.

The increased timber premium could generate up to RM300mil a year, and the money will be channelled to the Sarawak Foundation Fund to finance bright students' tertiary studies, including in foreign universities.

"Sarawak plywood mills have not been able to increase the export prices (of their products) because of depressed market in Japan but they are cornered by high log costs, so this hike (in new shipments) is inevitable.

"Many are in a very tough situation due to the log supply shortage and higher prices brought by the increase of timber premium by the state government.

"Plywood mills have asked the government to reduce the rate of increase or to postpone the increase. However, the requests are ignored," added JLR.

The report was published in the International Tropical Timber Organisation Tropical Timber Report May 16-31 issue.

According to JLR, as Japanese buyers are not able to obtain enough logs from Sarawak, they had to buy more from Sabah.

"Sarawak reduced its export log quota in 2016. Then by July this year, the timber premium rate will be raised, which will result in higher log costs. So, log suppliers will need to increase the log export prices."

JLR said Sarawak's meranti log prices for Japan were unchanged at US\$275-US\$280 per cu m in May but "future prices will be higher for sure. Log prices in Sabah are also climbing together with Sarawak."

Recent figures revealed that Sarawak exported RM5.95bil worth of timber last year.

Besides Malaysia, Papua New Guinea (PNG), which is also a major supplier of south sea or tropical logs, is experiencing tight log supply due to unstable weather conditions.

"Chinese log purchase in PNG and Solomon Islands is very active while Indian log buyers have come to fill up short supply in Sarawak, so competition is hard.

"Log prices are climbing in PNG and Solomon Islands not only by purchase competition but also lower log production due to unfavourable weather," said JLR.

For several years now, some 60% of Sarawak log exports go to India.

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