EAS STRATEGIC OPTIONS

RUBBERWOOD TIMBER DECREASING, WITHER THE WOODEN FURNITURE INDUSTRY?

ISSUE

Will the Malaysian furniture industry wither amidst the decreasing local supply of rubberwood timber?

Despite declining supply of local rubberwood timber, the wooden furniture industry has been able to sustain its production and trade. This means that the wooden furniture industry does not wither even though there is local shortage of rubberwood timber supply. The wooden furniture industry has adapted to the situation of declining rubberwood supply in various ways.

First, lesser rubberwood timber is used. The consumption of rubberwood logs by sawmills in Peninsular Malaysia in 2001 was 489,378 cubic meter. It has declined to 91,605 cubic meters in 2008 (Figure 1).

Figure 1: Consumption trend of rubberwood logs by sawmills in Peninsular Malaysia, 1995–2008 (’000 m³).

Second, furniture making industry has substituted rubberwood timber with other timber species with similar properties. FRIM’s survey of wooden furniture industry in 2007 showed that the main timbers used in wooden furniture making are keruing, kapur, meranti and kempas. Only 25% of wooden furniture mills in Malaysia used rubberwood as raw material. This is a reversed development in rubberwood timber utilization. It was developed in the 1980s to substitute for indigenous timber species but in turn is being substituted by indigenous timber species in the 2000s.

Third, some furniture mills have imported rubberwood timber to sustain their production. In 2009, MTIB’s recorded that Malaysia imported 73,000 cubic meter of rubberwood timber valued RM80 million. From January till May 2010, Malaysia imported a total of 30,000 cubic meters of rubberwood, mainly from Thailand.

Consequently, Malaysian’s wooden furniture export earnings are growing annually. Figure 2 clearly indicates the upward trend of exports over the years - almost four folds since 1995, from RM1.6 billion in 1995 to RM6.2 billion in 2009. The liberalization of international trade, as claimed by the International Trade Centre UNTAD/WTO, will open more opportunities for producers to expand their markets.

Figure 2: Export of wooden furniture of Malaysia, 1995–2009 (RM)

Source: Malaysian Timber Industry Board
**PROBLEM/OPPORTUNITY**

It is well-known that rubberwood timber is a major component in the wooden furniture making industry in Malaysia. It was used in furniture making since the 1970s. Rubberwood timber is a relatively cheap source of raw material as it is considered a ‘by-product’ in rubber plantations. In the 1990s, rubberwood timber comprised more than 70-80% of the wooden furniture produced in Malaysia. It is preferred in furniture making as it has light colour, smooth surface texture, attractive appearance and light in weight thus making it customer friendly. This situation has resulted in increasing demand for rubberwood timber as a raw material for the local wooden furniture making industry.

However, the area of rubber planting area has declined over the years as some of it was converted to oil palm plantations by the estates and smallholders. Planted area of natural rubber declined from 1.8 million ha in 1990 to 1.4 million ha in 2000 to 1.2 million ha in 2008. On the other hand, planted oil palm area increased from 2.0 million ha in 1990 to 3.8 million ha in 2003 to 4.5 million ha in 2008 (Figure 3). About 1.18 million ha (95%) of rubber area was under smallholdings in 2008. Smallholders normally sold the old rubberwood at a price of about RM190 per cubic meter in 2009.

Figure 3: Planted rubber and oil palm areas in Malaysia, 1995–2008 (million hectares)

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<thead>
<tr>
<th>Year</th>
<th>Rubber</th>
<th>Oil Palm</th>
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</thead>
<tbody>
<tr>
<td>1990</td>
<td>1.8</td>
<td>2.0</td>
</tr>
<tr>
<td>1995</td>
<td>1.4</td>
<td>3.8</td>
</tr>
<tr>
<td>2000</td>
<td>1.2</td>
<td>4.5</td>
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Source: Statistics on Commodities, Ministry of Plantation Industries and Commodities

An important current problem facing the furniture industry is the high labor cost compared to Indonesia which makes Malaysia less competitive in term of pricing. Local labors are less keen to engage in this processing industry and Malaysia has to depend on foreign labors to sustain the industry. Currently, employment in the furniture industry comprises 20% local labors and 80% foreign workers. This dependence on foreign labors is likely to face yet another challenge, i.e. the increasing demand for labor in China and Vietnam.

The local furniture processing industry obviously is confronted with scarcity of raw material supply and skilled labour shortage.

**OPTIONS**

To remain competitive in international wooden furniture trade particularly in the niche market, the following two options deem critical.

There is a need to enhance the product design and quality of furniture by incorporating Original Design Manufacturing (ODM) from the existing Original Equipment Manufacturing (OEM) as practiced by most manufacturers.

In this process, there is a need for furniture mills to invest in advanced automation technology to substitute labour to capital intensive technology as well as to diversify input sources through engineered wood, wood composites and wood saving. We hope that technological progress in furniture processing would replace the high labour cost in the long run as practiced in Japan. Following this paradigm shift, knowledge workers need to be employed and existing workers be re-trained.

**FURTHER INFORMATION**

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