Opportunities for Indonesian tropical hardwood products and market developments in Japan

Hiromitsu Samejima
(Institute for Global Environmental Strategies)
Indonesian wood producers & exporters need to understand what is happening in Japanese market.

Timber export from Indonesia in 2014

<table>
<thead>
<tr>
<th>Product</th>
<th>Value (million USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logs</td>
<td>25</td>
</tr>
<tr>
<td>Sawn timber</td>
<td>340</td>
</tr>
<tr>
<td>Venner</td>
<td>32</td>
</tr>
<tr>
<td>Plywood</td>
<td>2,196</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,593</strong></td>
</tr>
</tbody>
</table>

Plywood is the main wood product from Indonesia
Japan is still the largest importer

Import of plywood from Indonesia in 2013 (m$^3$)

(ITTO 2014)
Forest in Japan: 2.5 million ha
Forest coverage rate: 68% (Indonesia 51%)
Government : Private forests = 3:7
Natural : Planted forests = 5:5

However, the domestic forestry & timber industries have lost the national market by imported log and timbers.

(Forestry Agency 2015)
Principle of Japanese government policy is to rebuild the domestic forestry & timber industries, not to support foreign industries.

Price of domestic tree

Number of people working for forestry industries

Number of domestic plywood factories

(Forestry Agency 2015)
Competitors with Indonesian plywood to Japanese market
Competitors of Indonesian plywood in the Japanese market are

- Malaysia (mainly Sarawak)
- Japan’s domestic plywood
- China & Vietnam

Total demand in 2013
74 million m³

(Forestry Agency 2015)
Tropical plywood from Indonesia and Malaysia is the best material for **concrete forming panel** and **floor base**.

![Normal plywood](http://www.hokuryo-kensetsu.co.jp/katawaku/)

![Floor base](http://esprithome.blog59.fc2.com/blog-category-9.html)

![Concrete forming panel](http://www.depro-home.jp/%E6%9C%AC%E7%94%BA%E3%81%AE%E5%AE%B6/)

![Concrete forming panel](http://www.hokuryo-kensetsu.co.jp/katawaku/)
Historical trend of tropical log & plywood imported to Japanese market

Round log (m³)
- Indonesia
- Sabah
- Sarawak
- Philippine
- Solomon Is.

Plywood (m³)
- Japan’s domestic production
- Indonesia
- Malaysia total
- China

APKINDO monopoly 1984–1998
Six major trading companies of plywood

Annual sale 2014 (million USD)

Indonesia | Malaysia

Domestic

Vietnam

China

Indonesia & Malaysia

(Estimated from data in Mokuzai-Kenzai Weekly)
Many Indonesian and Malaysian plywood producers export the products to Japan through the six trading companies.
Japanese domestic plywood industries: Niche shift & revival

They innovated thick plywood using small domestic softwood and succeeded to promote it as **structure plywood** for housing.

They are trying to move into concrete forming panel and floor base now...
China and Vietnam: New comers

Poplar (Central China) and Eucalyptus (South China & Vietnam) planted since 1970s’.

Chinese plywood export > import since 2001.

The plywood is used especially for packing.

Planted Eucalyptus forest harvested in 5-7 years rotation. 1.7 million ha in total.
Current trade of FSC-certified plywood from Indonesia to Japanese market
FSC-certified HPHs are drastically increased in Indonesia

<ALAS KUSMA>
Sari Bumi Kusuma
Suka Jaya Makmur

<LYMAN>
Erna Djuliawati

<KAYU LAPIS>
Sarmiento Parakanca Timber (Sarpatim)

<CCM>
Intracawood

<Integra>
Narkata Rimba
Belayan River Timber

<Roda Mas>
Kemakmuran Berkah Timber
Roda Mas Timber
Ratah Timber

<SURYA SATRYA TIMUR (SSTC)>
Indexium Utama

<Dwima>
Dwima Jaya Utama
Carus Indonesia
Sumitomo Forestry, Itochu and Toyo Materia are main importers of certified plywood from Indonesia.

(Mokuzai-Kenzai Weekly, NGO etc.)
Sumitomo Forestry and Itochu use FSC-certified plywood for their original brands of environment-conscious products, in addition to plywood from planted fast-growing trees (ex. Falcata).

- Indonesian FSC-certified producers
- Sumitomo Forestry imported 1.85 million m$^3$ of FSC/PEFC certified wood & wood products in 2014.
- Sold for 9.2 billion USD in 2014. (FSC plywood: 1 billion USD)

(Mokuzai-Kenzai Weekly)
**jutec** is the major lumber wholesalers trading FSC-certified plywood.

*Flooring makers*

FSC/PEFC certified timber from Chile and Russia

FSC certified plywood 18,000m³ (2013)

FSC certified 18,000m³ (2015)

*Indonesian FSC-certified producers*

Toyo Materia

Asahi wood-tech
Order for FSC plywood regarding the environmental aspect

About 80%

Order for FSC plywood regarding the quality

Home maker

Lumber dealers

Builders

Home center

Furniture industry

223 shops
Timber certifications in Japanese market
There are three types of certification

(1)  Environmental and Social Impact (ex. FSC)
(2)  Local product
(3)  Quality
(1) Certification for environment

- FSC was introduced in Japan in 2000.
- However, **the recognition is still very weak**.

<table>
<thead>
<tr>
<th>Certification</th>
<th>Recognition rate in Japan (2015, n=5274)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eco-mark (low environment impact)</td>
<td>90.7%</td>
</tr>
<tr>
<td>FSC</td>
<td>11.4%</td>
</tr>
<tr>
<td>Low emission vehicle</td>
<td>81.4%</td>
</tr>
<tr>
<td>PEFC</td>
<td>8.3%</td>
</tr>
<tr>
<td>Recycled paper</td>
<td>55.1%</td>
</tr>
<tr>
<td>SGEC</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

FSC Japan

Main supporters to FSC Japan are domestic planted forestry companies and paper companies.

Hayami Forestry
The first FSC-FM certified forest in Japan (2000)

Promoting FSC-certified timbers from foreign countries are not their priority.
(2) Certification for local timber

- Many housing companies appeal that their building materials are national or local timbers.
- Many prefecture governments promote the local forestry industries with subsidy to home building using the local timbers.
(3) Certification for quality

The most interested & important certification for consumers. All plywood for housing in Japan should be certified by Japan Agriculture Standard (JAS).

45 factories in Indonesia, 33 factories in Malaysia are certified.

JAS mark clarify the produced factories.
Future potential to promote FSC-certification in Japan

(1) Tokyo Olympic 2020
(2) Promotion of Timber export
(3) Timber legality
(4) TPP (bad news?)
(1) Tokyo Olympic 2020

The new National Stadium will be build using a volume of domestic timber.

- Domestic certified timber will be used for the stadium & other buildings.
- Many prefecture government started to promote forest certification to supply materials for the memorial buildings.
- **It will finally increase recognition of forest certification (especially FSC) in Japan.**
(2) Timber export from Japan

• As domestic population and number of new wooden housing will decrease continuously, Japanese government started to promote timber export.
• To promote timber export, the government start to support domestic forestry to be certified by FSC & PEFC.
• It will also finally increase recognition of forest certification in Japanese market.

Volume of exported timber from Japan

Number of wooden house built

(Forestry Agency 2015)
(3) New law against illegal logging

- Gooho Wood system (legality variation for public procurement) started in 2006.
- It was earlier than US Lacey Act (2008) and EU Timber Regulation (2010), but has been criticized as the regulation is weak.
- Therefore, Japanese ruling party (LDP) is preparing to enact a new law to enhance legal timber trading in 2016.
Challenge for Indonesian certified timber to Japanese market
Negative image of tropical wood (especially from Malaysia and Indonesia) is still widely in Japan.

Illegal logging

Over harvesting

Social conflict

http://borneoproject.org/who-we-are/our-history
Indonesian forestry system has been obviously improved. However, it is not well recognized in Japanese market yet.

- **(1) Inventory and monitoring**
- **(2) Long-term forest management plan**
- **(3) Reduced-impact logging**

**IHMB**

INVENTORY OF STANDING STOCK

10 YEARS HARVESTING PLAN (2011-2020)

ANNUAL HARVESTING PLAN
Conclusion: **Come to Japan to promote Indonesian forestry products produced in sustainable way.**

Magazines and books for housing industries and end consumers

Exhibitions for housing industries

The booth of FSC Japan in Eco-Product 2013, Tokyo