EU/MY TIMBER TRADE MARKET UPDATE

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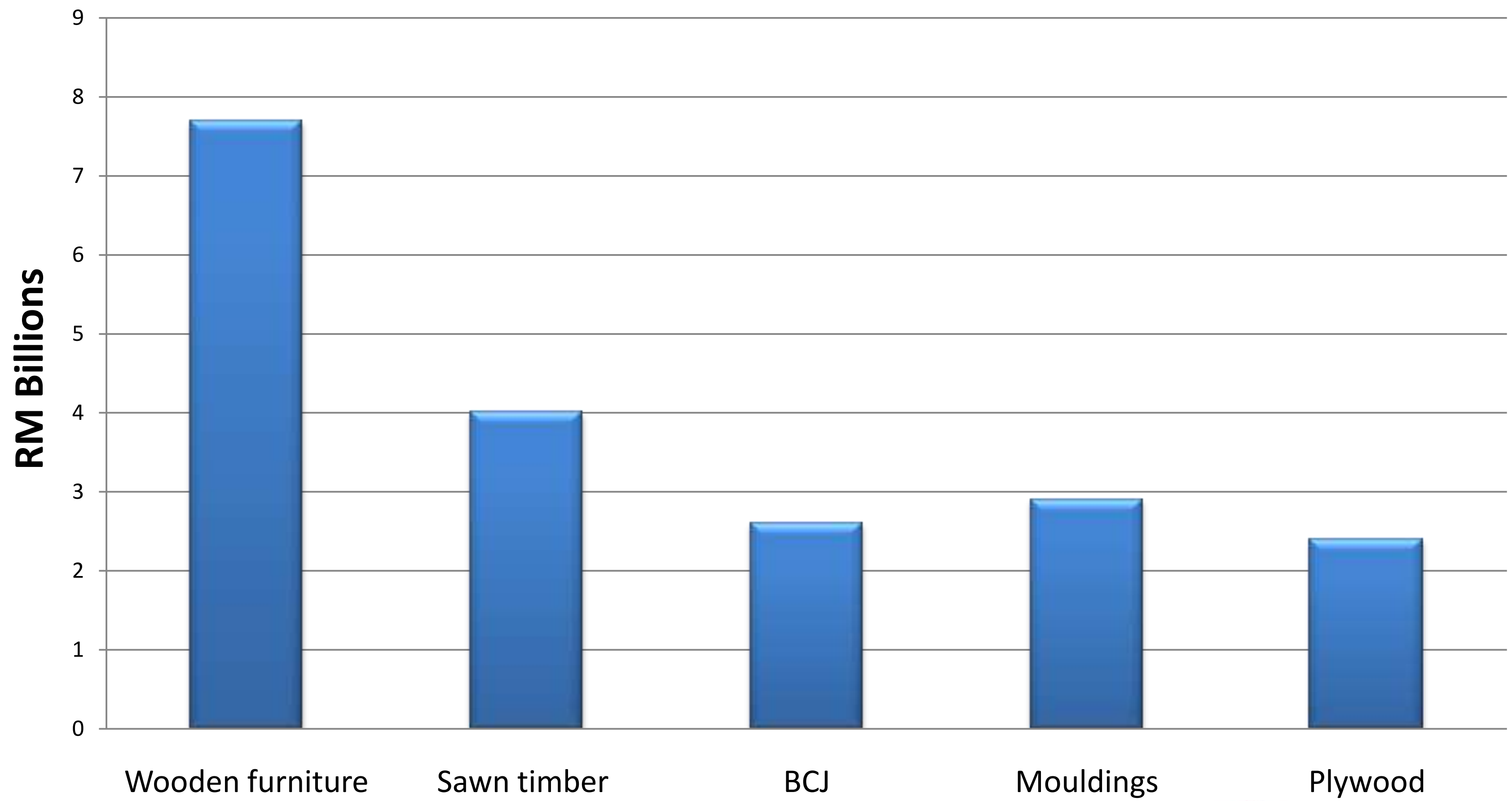
Malaysia's Export Of Key Timber Products to the EU in 2014 (In Value, RM)



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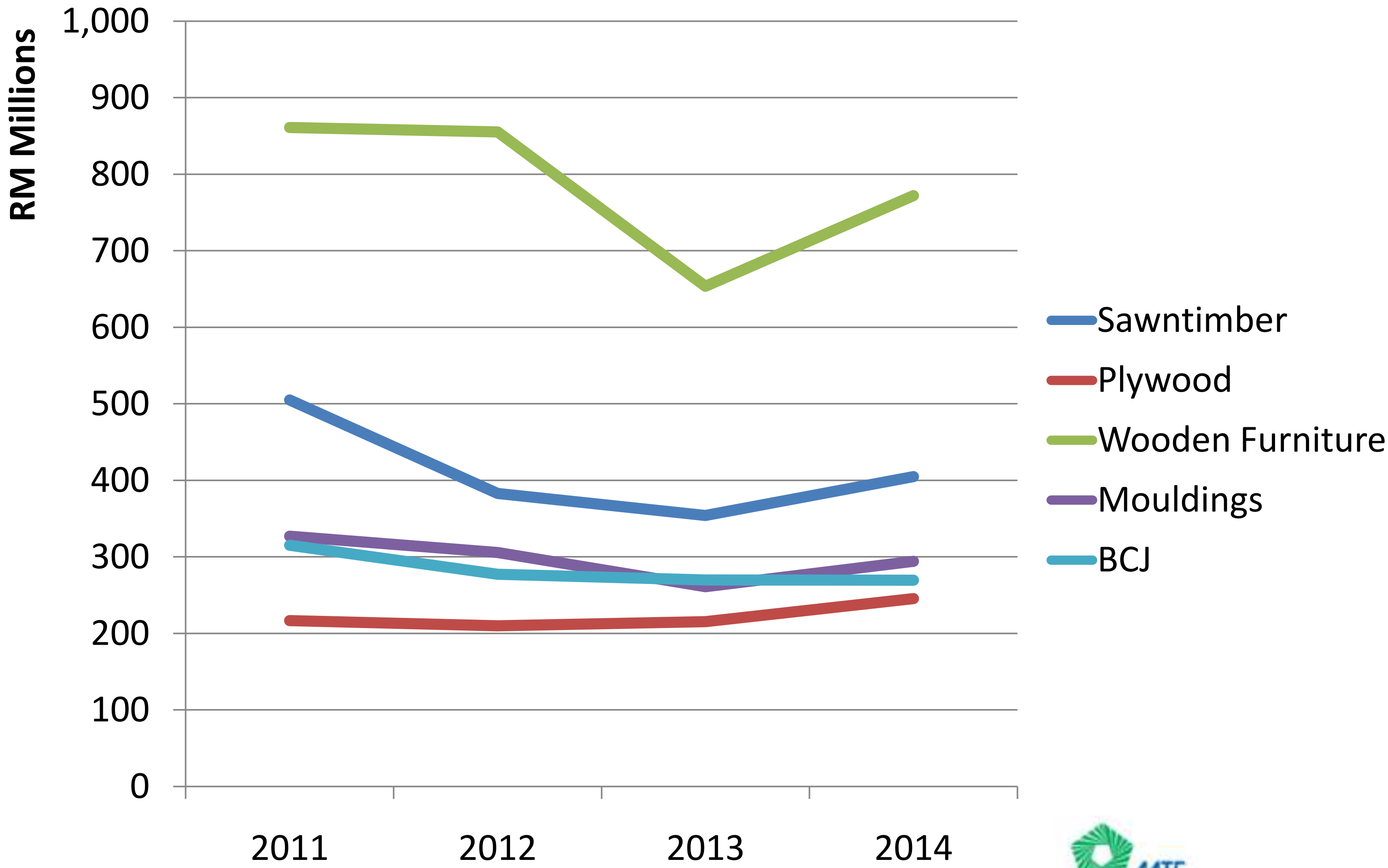
Malaysia's exports of main timber products to the EU 2011-2014



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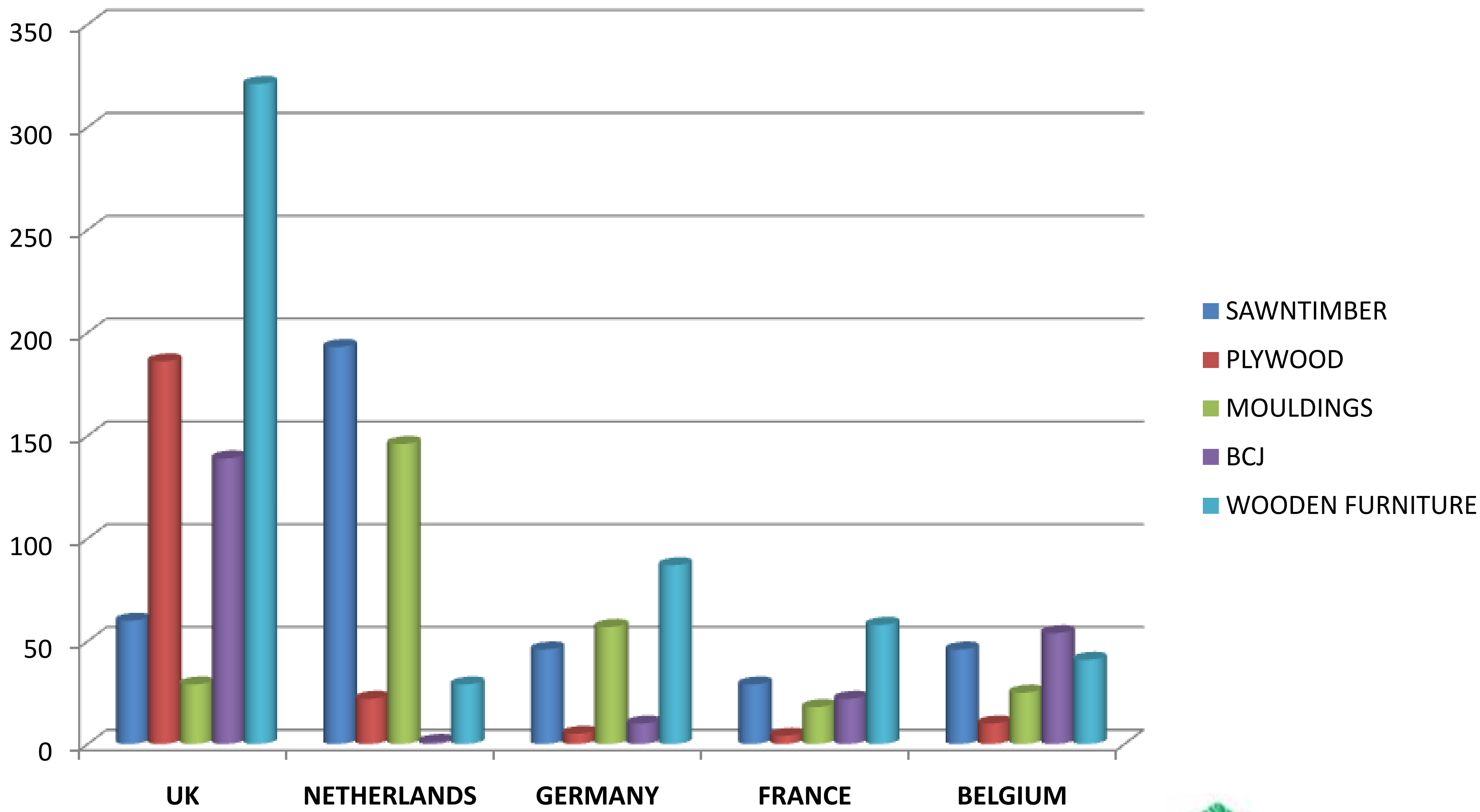
Malaysia's timber exports to major EU destinations in 2014 (by Value, mln RM)



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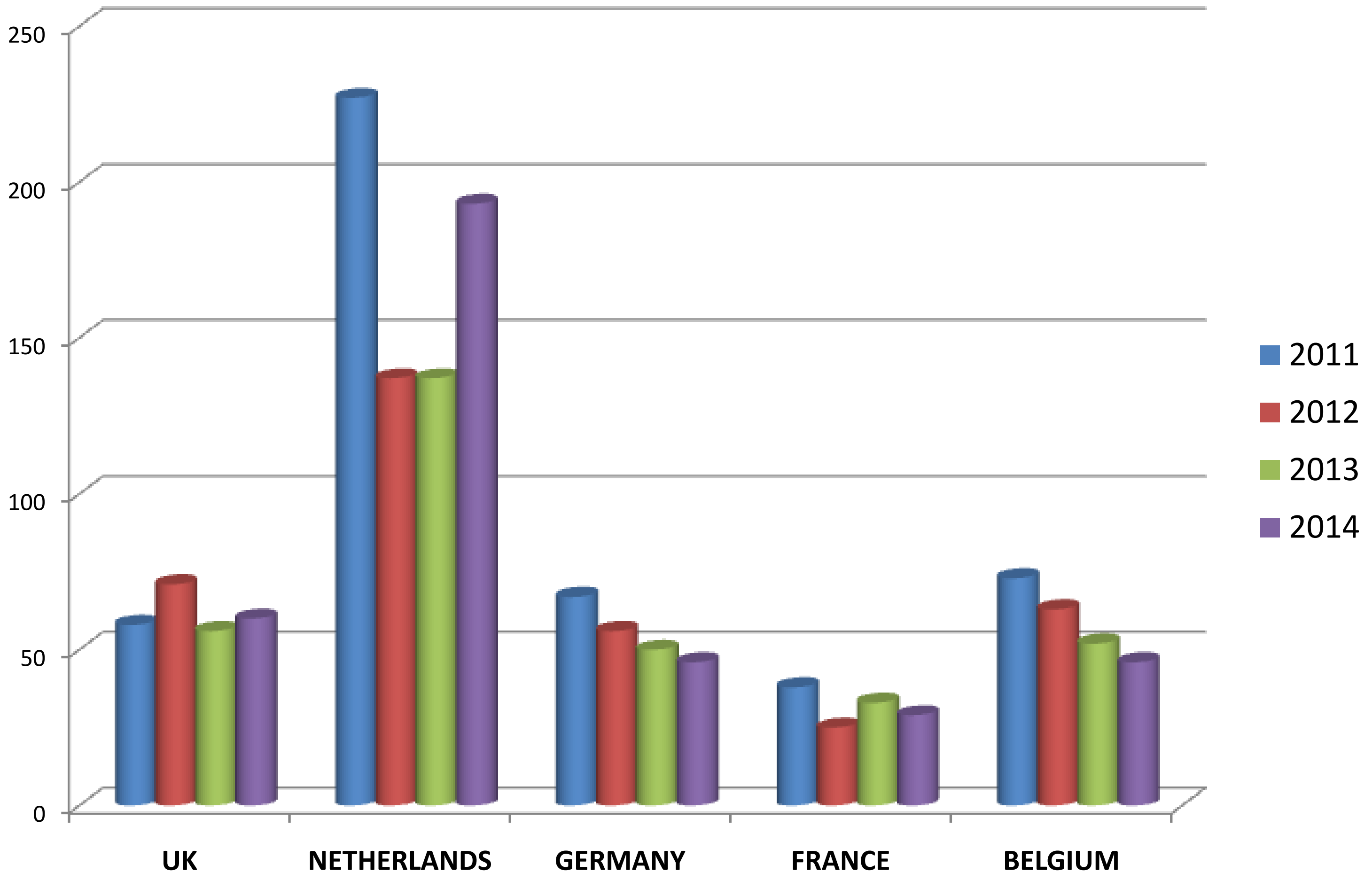
Malaysia's sawn timber exports to major EU destinations 2011 – 2014 (by Value, mln RM)



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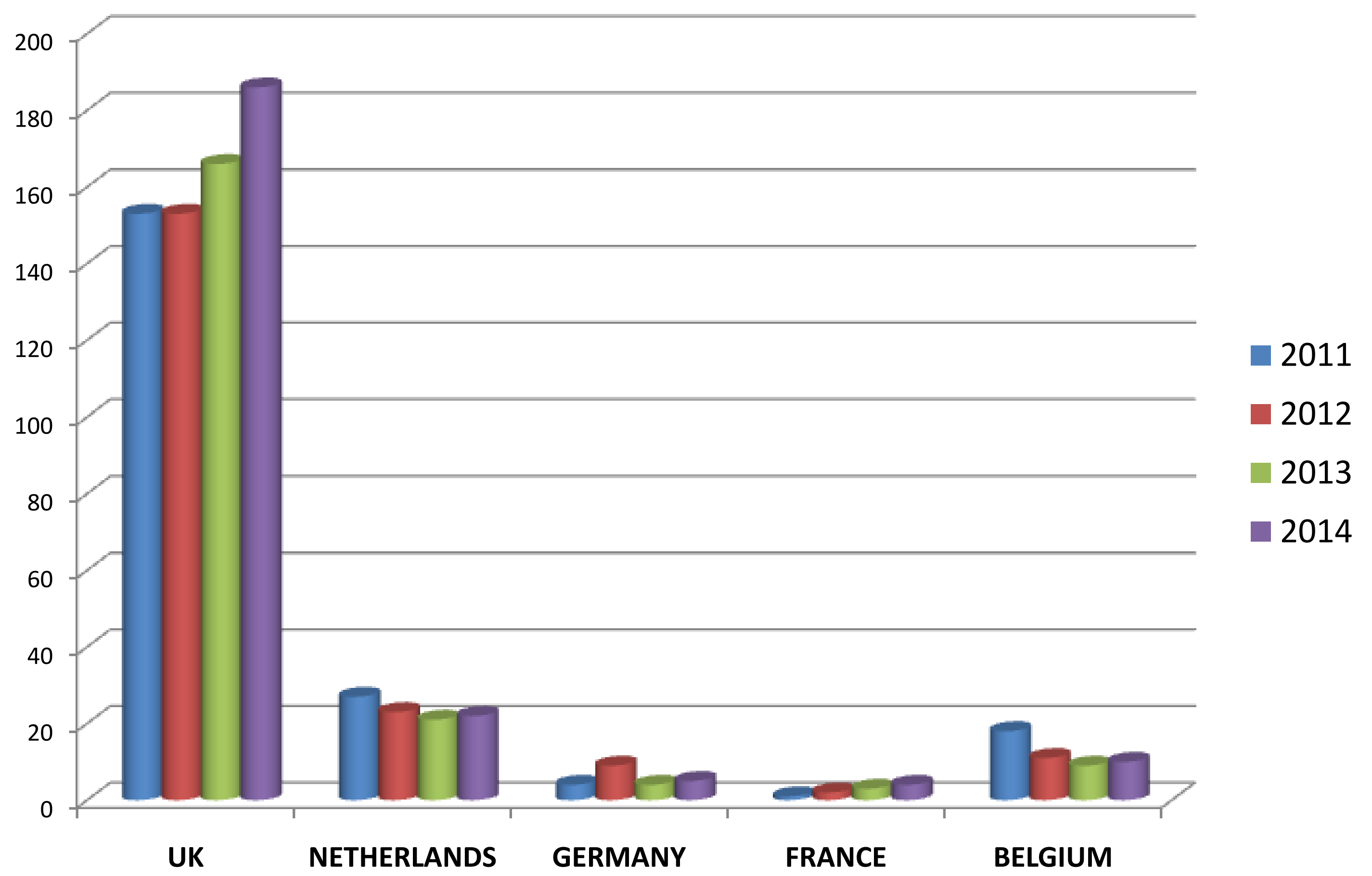
Malaysia's plywood exports to major EU destinations 2011 – 2014 (by Value, mln RM)



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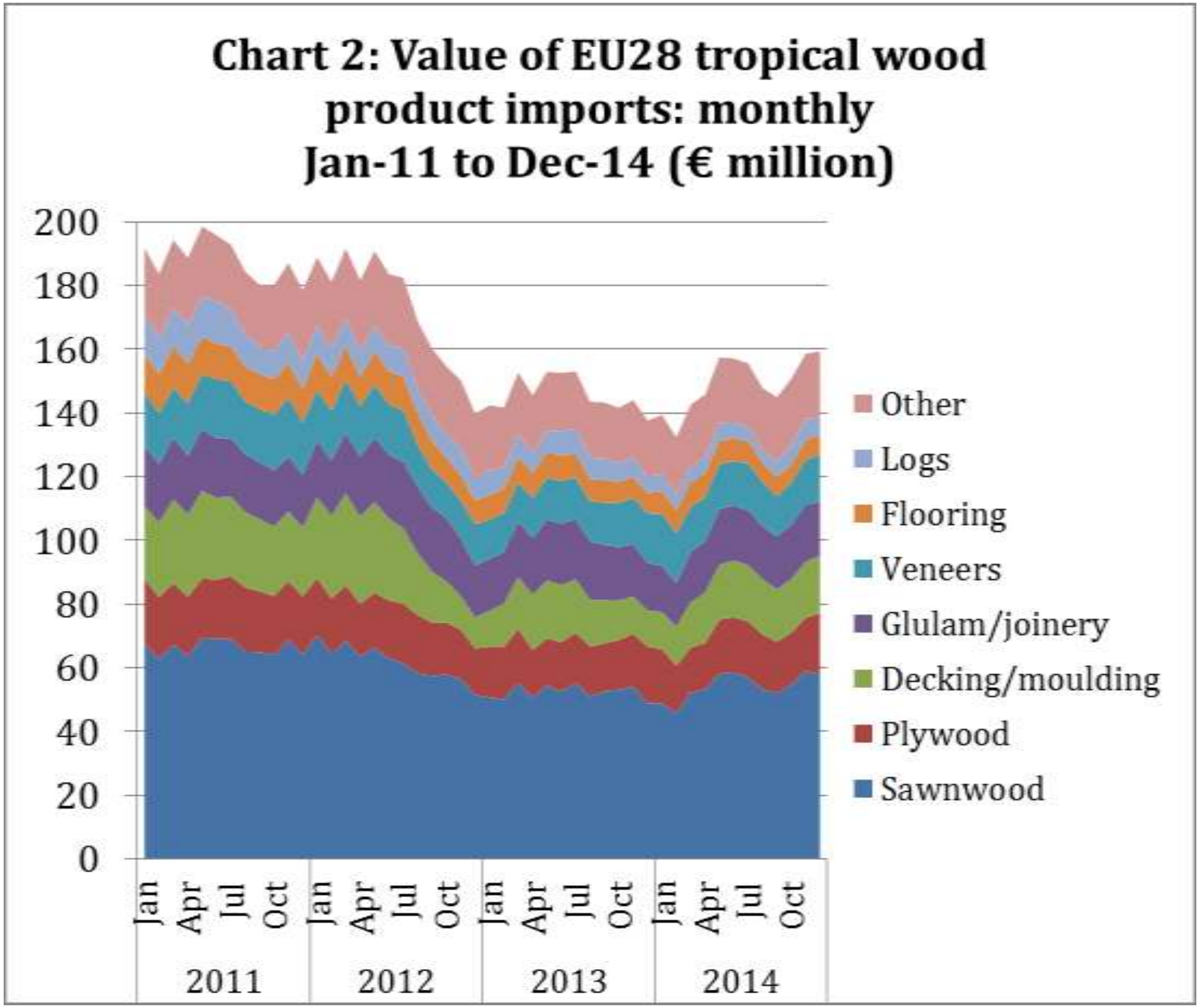
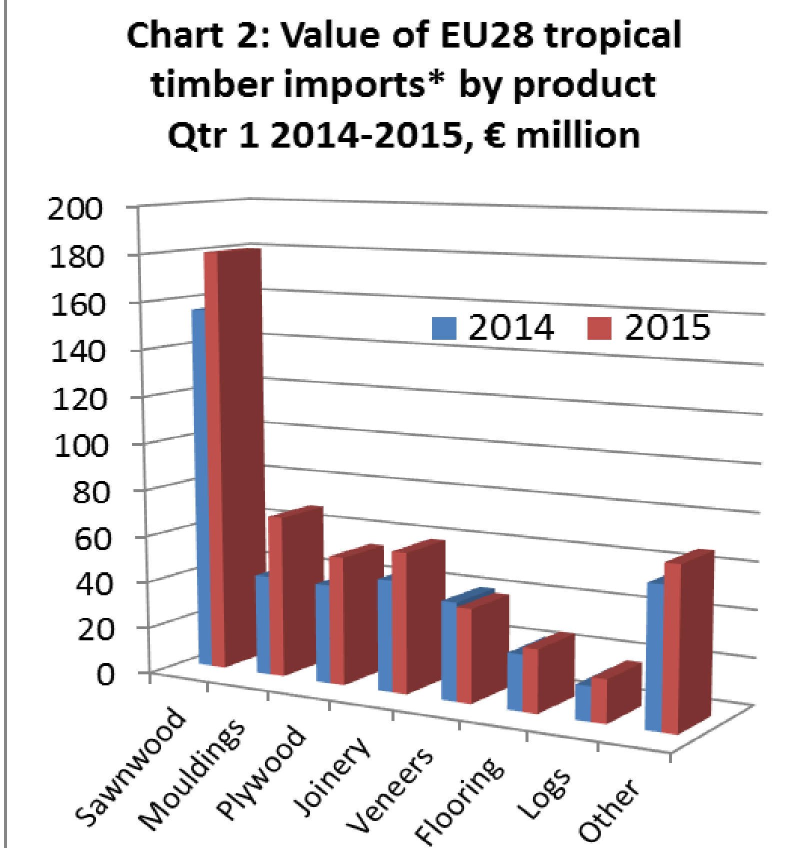
Value of EU28 tropical wood product imports Jan 2011 – Dec 2014 €million



Value of EU28 tropical timber imports by product Q1 2014-2015, €million



*Includes all products in HS Chapter 44 (wood) excluding biomass from countries wholly located in the tropics plus products identified as "hardwood" from Brazil and products identified as "tropical hardwood" from China

- Imports of sawntimber were €180 million in the first quarter of 2015, 16% more than the same period in 2014.
- Imports of mouldings increased 61% to €69 million.
- Plywood imports up 29% at €55 million.

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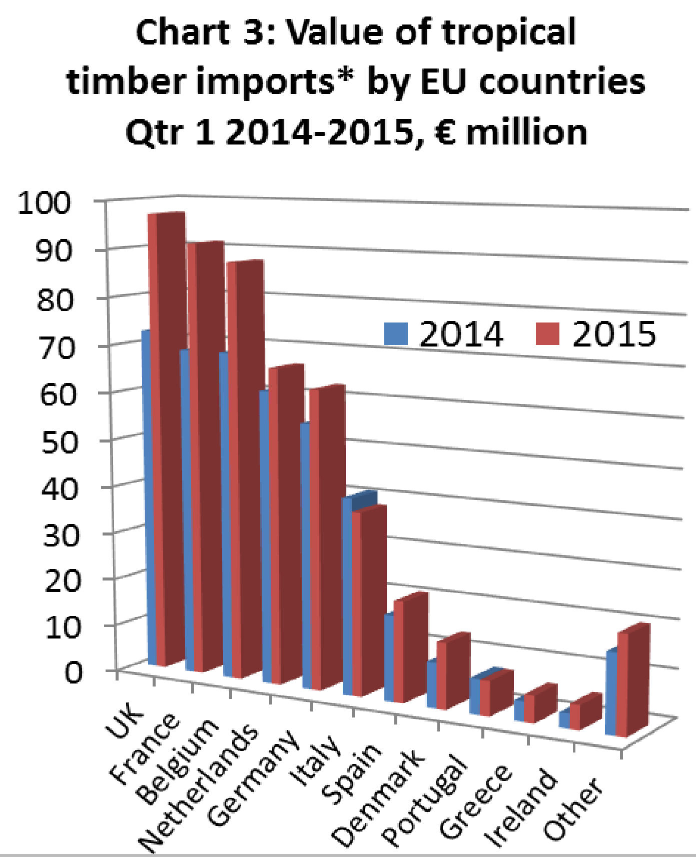
Total value of tropical wood imports by EU countries Q1 2014-2015, €million



**Includes all products in HS Chapter 44 (wood) excluding biomass from countries wholly located in the tropics plus products identified as "hardwood" from Brazil and products identified as "tropical hardwood" from China*

There was significant growth in the euro value of tropical timber imports in nearly all the main EU markets in the first quarter of 2015.

- The UK was the top importer at €97m – a 34% increase compared with 2014.
- Imports to France increased 32% to €91 million
- Imports to Belgium increased by 27% to €83 million.

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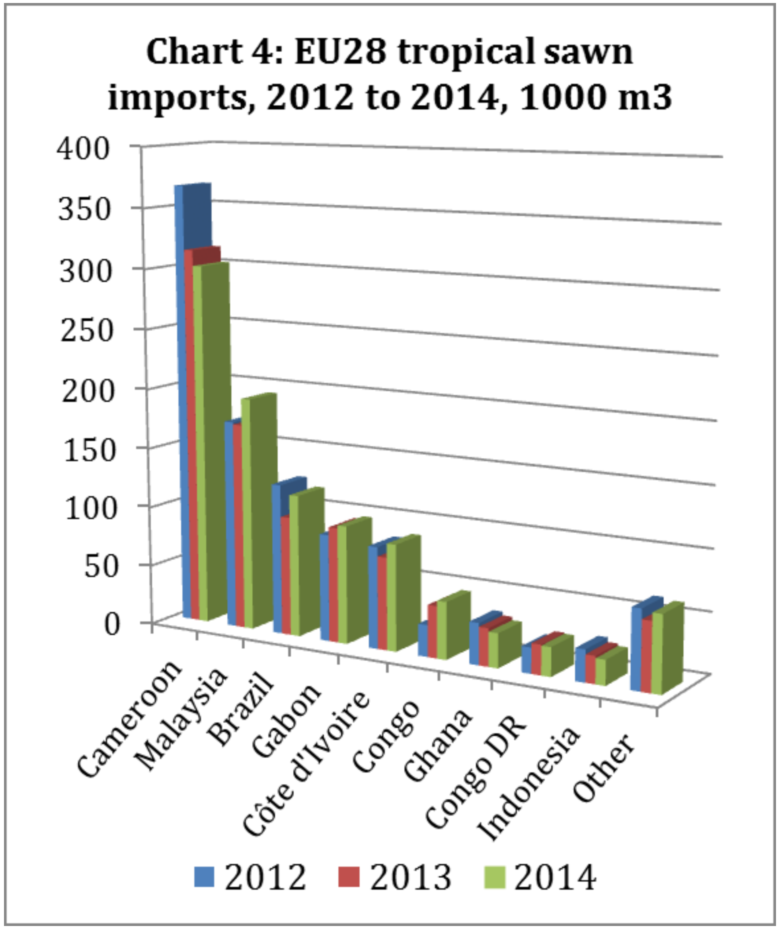
Volume of tropical sawn hardwood imports to the EU 2012-2014



- There was **a 5% increase** of tropical sawn imports into the EU in 2014 to a total of 985,000 m3 (still lower than imports before the 8% drop in 2013)
- **Malaysia (+13%, 194,000 m3)**, Brazil (+19%) and Ivory Coast (+15%) boosted their deliveries to Europe significantly last year.
- Both **the UK and the Netherlands**, two of Malaysia's largest European sales markets stepped up their tropical timber imports last year
- **Recognition of the Malaysian Timber Certification System** (MTCS) in the Dutch government procurement policy in 2013 may have boosted sales in the Netherlands during 2014.

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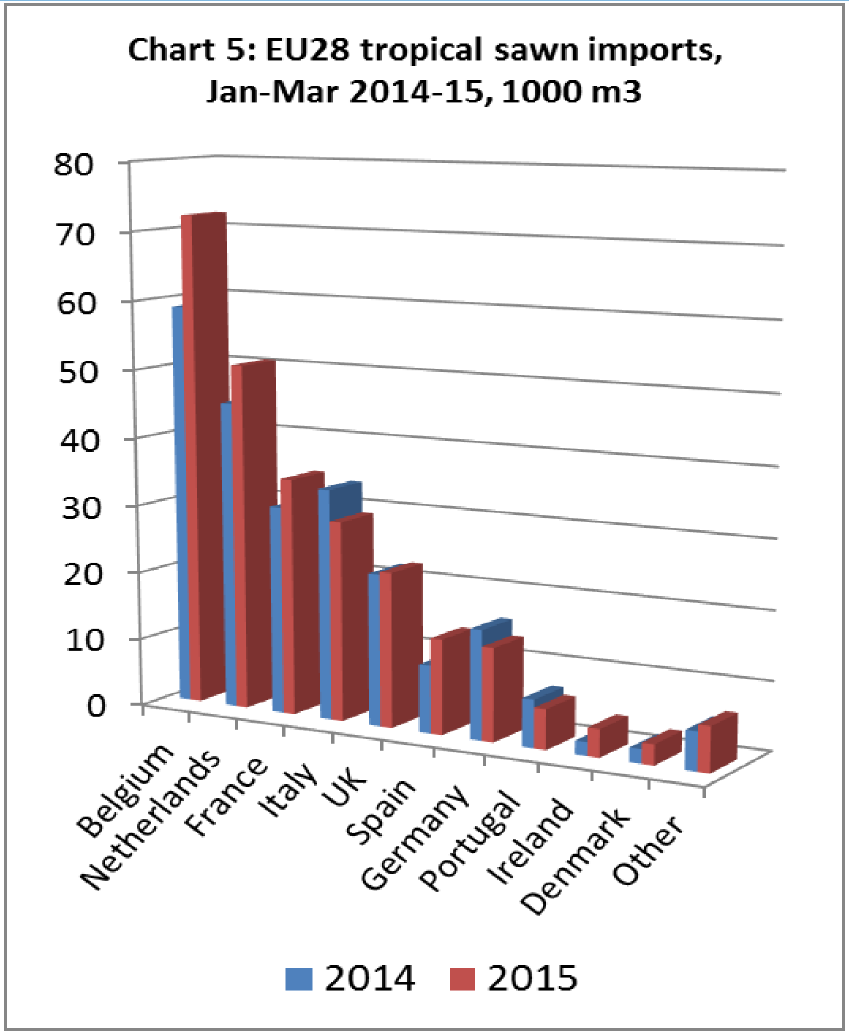
Volume of tropical sawn hardwood imports to the EU Q1 2014-2015



There was strong growth in imports of tropical sawn hardwood into **Belgium** and the **Netherlands** in the first quarter of 2015.

Imports into Belgium increased 23% to 72,000m3 during this period – it is the leading EU importer of this commodity.

The Netherlands grew 12% to 51,000m3

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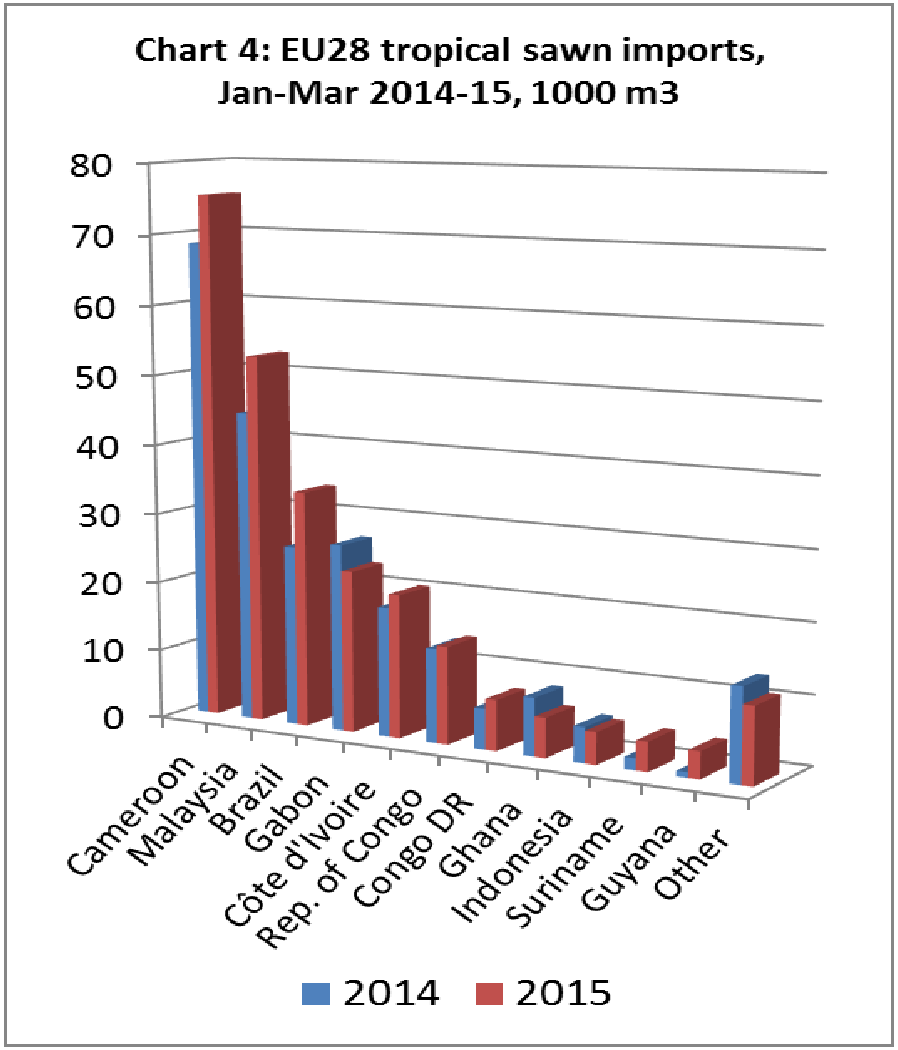
Volume of tropical sawn hardwood imports to the EU Q1 2014-2015



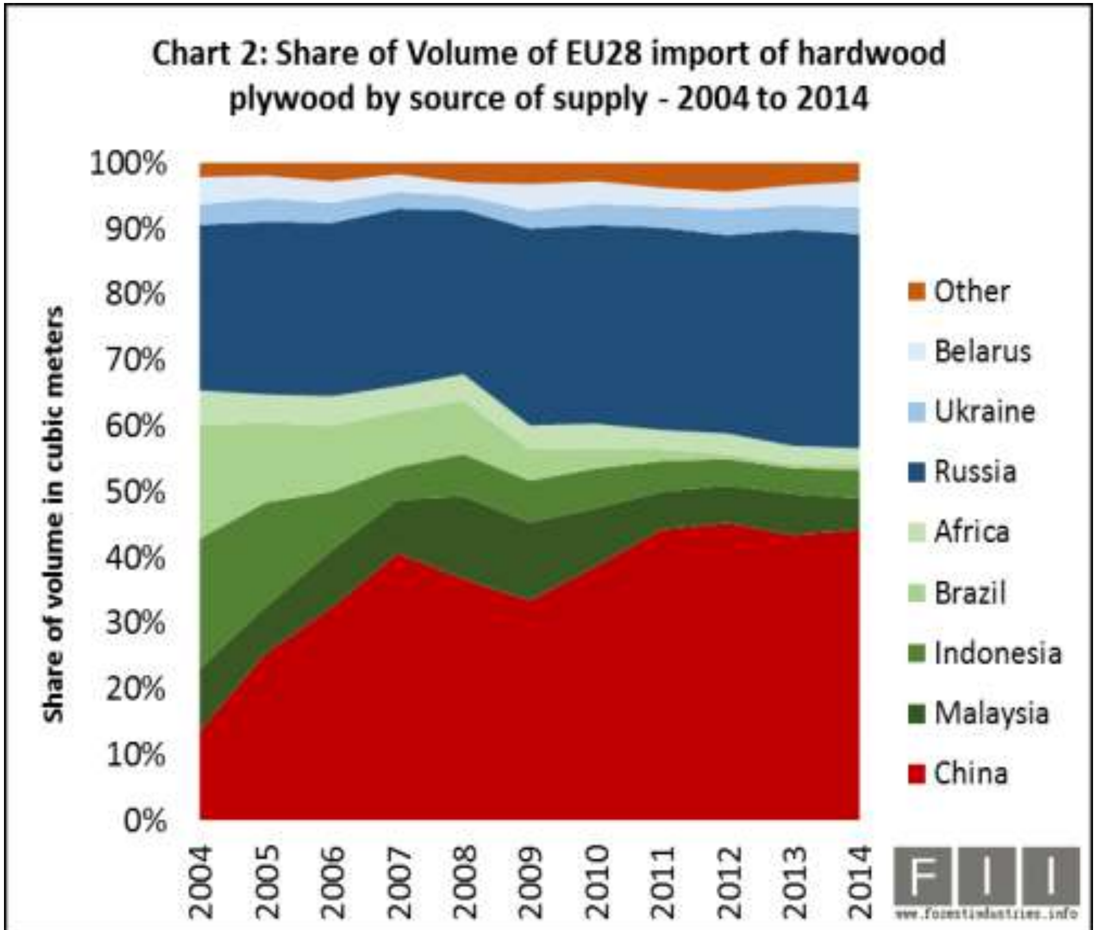
Imports increased sharply from the three most important supplier countries during the first quarter of 2015:

•Cameroon (+10% to 75,000m3)

•**Malaysia (+18% to 53,000m3)**

•Brazil (+31% to 34,000m3).

Share of volume of EU 28 hardwood plywood by source country 2004-2014



- The EU imported 2.4m3 of hardwood plywood worth €986 million, up 11% and 13% respectively compared to the previous year.

- There was a **15% fall in hardwood plywood imports from Malaysia** to 115,000m3 in 2014. This was due to increased imports from China & Russia, competition from Indonesia and increased trade within EU member states.

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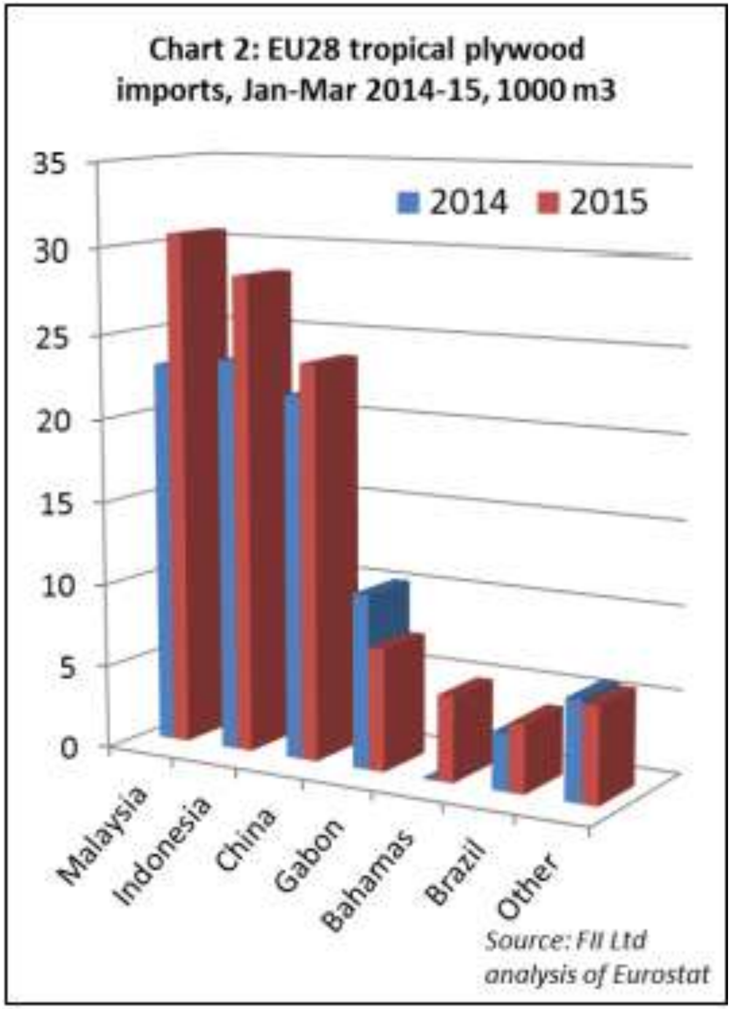
EU imports of tropical hardwood plywood by source country Q1 2014-2015



- EU imports of tropical hardwood plywood were 105,201 m3 in the first quarter of 2015, 19% more than the same period in 2014.
- Imports **from Malaysia, the largest supplier, were 33% up at 30,658 m3.**
- **There were also significant gains in imports from Indonesia (up 21% to 28,521 m3) and China (up 9% to 23,675 m3)**

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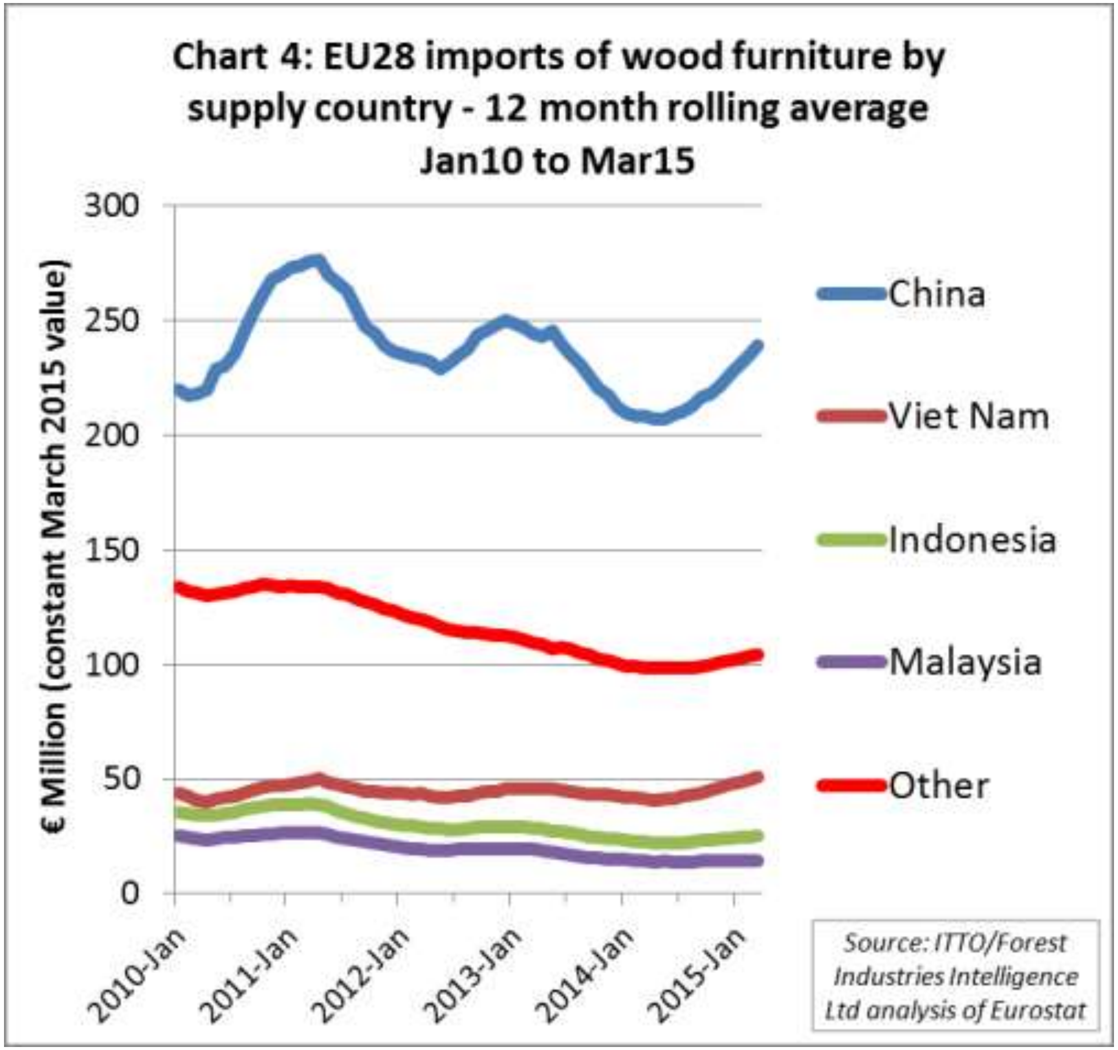
EU28 imports of wooden furniture by supply country Jan 10 - March 15



- In Q1 2015 Chinese wood furniture deliveries to the EU rose by 12.4% . China has a market share of 55% of total imports.

- Indonesia had a 6% market share in Q1.

- **Malaysia's market share fell from 4% to 3% in Q1**

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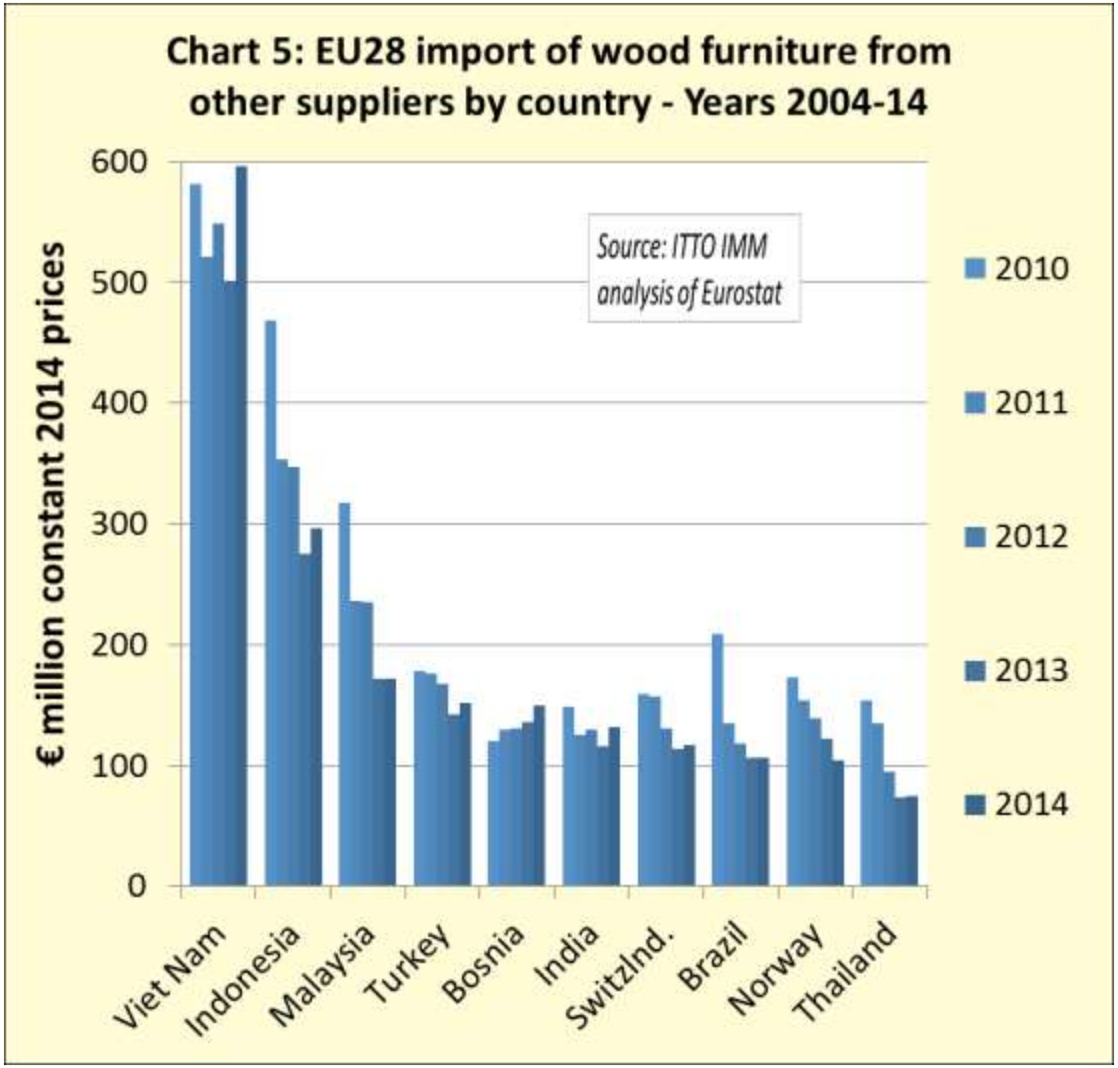
EU28 import of wooden furniture by supply country 2004-2011



- EU28 wooden furniture exports were valued at €8.43 billion in 2014, a 2.3% on 2013.
- Imports from Vietnam increased strongly last year, rising 19% to €596 million.
- Indonesian imports rose 7% to €296 million.
- **Imports from Malaysia remained the same between 2013 and 2014 at €172 million.**

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Volume of EU28 tropical decking and mouldings imports 2012-2014

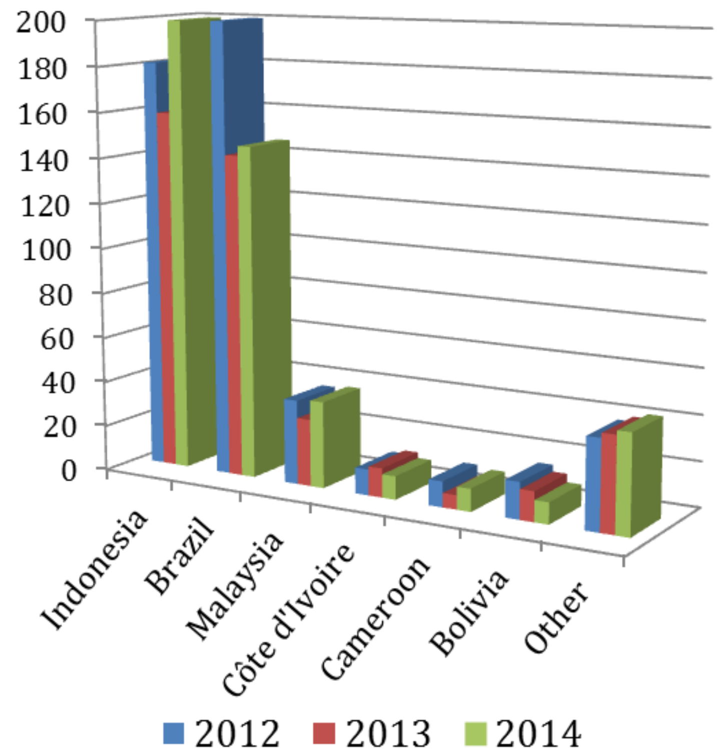


Chart 6: EU28 tropical decking & moulding import, 2012 to 2014, 1000 m3 roundwood equivalent

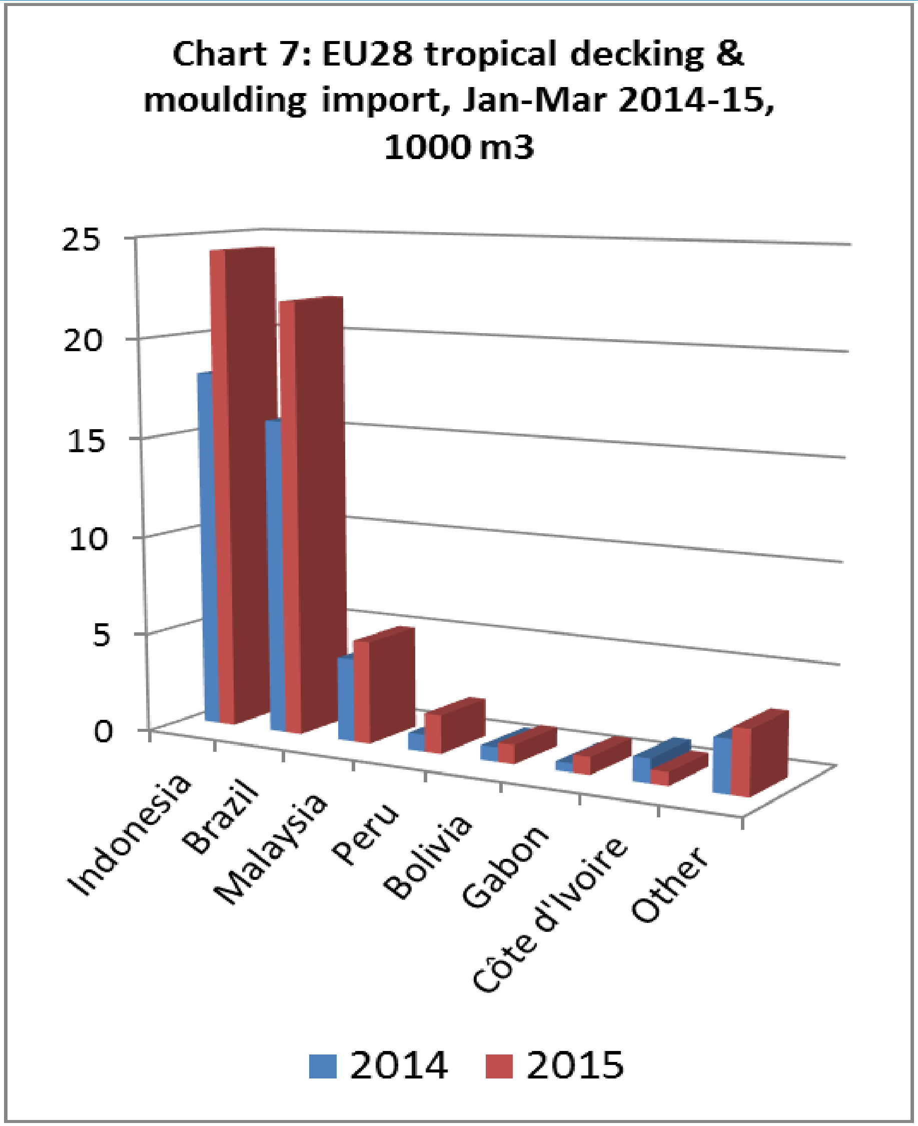
- Imports of "continuously shaped" wood (HS code 4409) fell by 19% in 2013 and then rose again by 13% to 457,000 m^3 in 2014

- Imports from the main supplier, **Indonesia** rose by 26% in 2014, due primarily to its competitive pricing.

- **Imports from Malaysia recorded an increase of 29%** in 2014.

- **However, the overall market share of tropical timber in the decking sector** continued to decline in 2014, **due to tough competition from other materials, especially**

Volume of EU28 tropical decking & moulding imports Jan-Mar 2014-2015

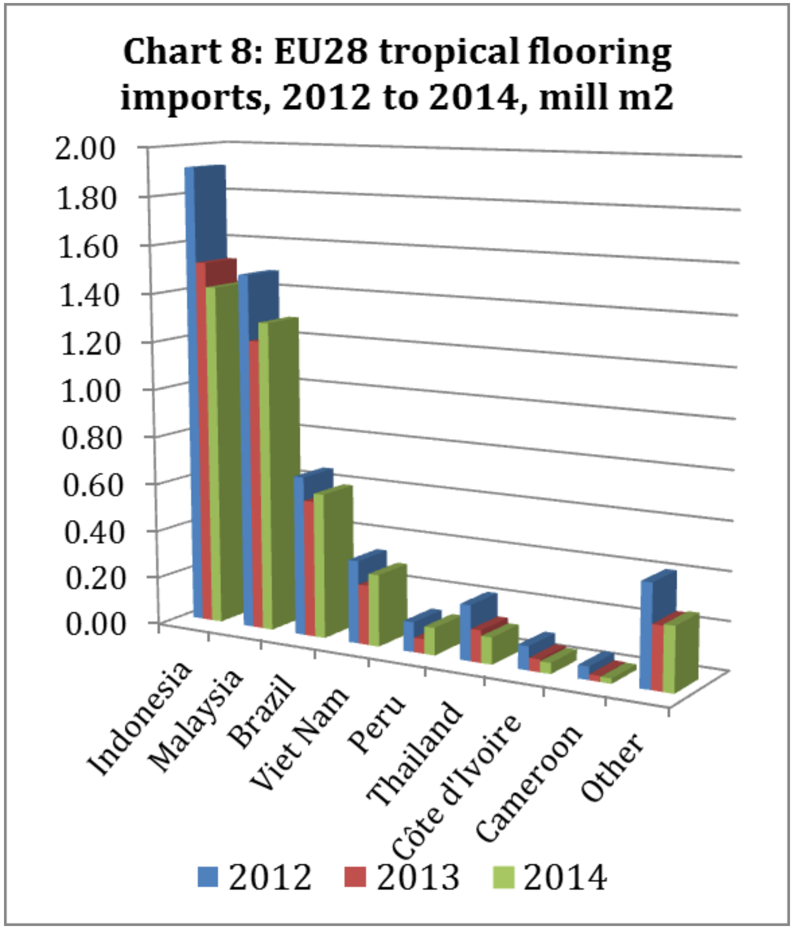


- EU imports of “continuously shaped” wood products were 59,062m3 in the first quarter of 2015, up 34% compared to the same period in 2014.

- Imports from **Indonesia,** the main supplier, **increased 34%** to 24,274 m3.

- Imports from **Brazil** were **up 38%** at 21,879 m3.

Volume of EU28 tropical flooring imports 2012-2014

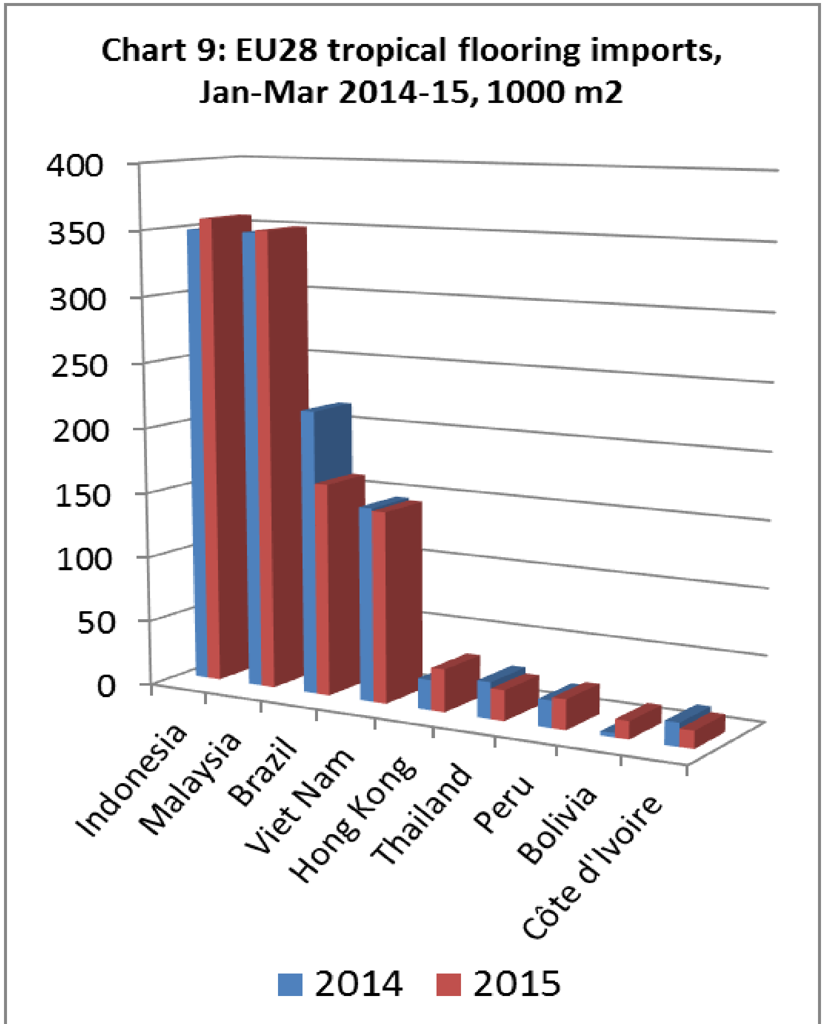


EU imports of tropical wood flooring only showed a minor increase by 2% to 4.17 million m2 last year, against the very weak level reached in 2013.

Malaysian deliveries recovered with a 7% increase last year, while imports from Indonesia dropped by another 7%.

Brazil (+6%), Vietnam (+20%) and Peru (+88%) showed signs of improvement, while Thailand (-17%), Ivory Coast (-14%), and Cameroon (-11%) continued to decline

Volume of EU28 tropical flooring imports Jan-Mar 2014-2015



EU imports of tropical wood flooring **fell by 6%** to 1.161 million m2 in the first quarter of 2015.

- Indonesia (+2% to 357,000m2)
- **Malaysia (+1% to 350,000m2)**
- Vietnam (-1% to 146,000m2).

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Main Challenges

Ongoing economic /financial consolidation in the EU – no major change in financial situation in the short term, especially with recent Greek crisis

Increasing competition from engineered/modified wood products
– mainly from EU softwoods and Russian species

EU Timber Regulation – increased enforcement, more MOs and Competent Authorities implementing

Increasing supply of FSC-certified tropical products and PEFC –certified - China & Indonesia Africa

Construction levels still in decline in major markets – no major change in the short term BUT MTC London will continue to seek opportunities e.g. Battersea Project in the UK, Construction projects in key traditional markets.

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Main Opportunities 2015/2016

Continue targeting EU importers who supply to main construction/development projects

Latest use of wood – building facades but need appropriate species similar to Western Red Cedar etc

Increase coalition with partners - promote the need to increase consumption of certified sustainable tropical wood products – in collaboration with the European TTF, national TTFs, direct contact with EU importers (already in practice)

Target EU product manufacturers who supply to projects – need to overcome FSC preference

Joint promotion of generic use of wood over and above other materials – collaboration with EU TTFs, other generic promotion efforts, continuous work with Government officials, ENGOs, local authorities and PEFC International & PEFC NGBs

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Conclusions

Malaysia still has the **positive edge** over other tropical wood product suppliers to the EU with the exception of Cameroon & Gabon BUT susceptible to intensive competition from EU/non EU producers (Russia, China) and other Asian suppliers such as Indonesia and Vietnam. **BEYOND MTC London's control! Determined by market forces…..**

Competition from China, Russia, Africa and EU producers – **price pressure & supply** – BEYOND MTC's control! All determined by market forces.

Uneven implementation of the EUTR across the EU-28 – MTC London provided inputs at the FLEGT Week in Brussels end March 2015 to encourage STRICT distinction between Sustainable Production & Legal Verification - and also towards the EU FLEGT and EUTR Review in June 2015. The EUTR Review expected to be completed by the end of 2015, EU FLEGT Action Plan Review to follow.

Further Challenges – EU Regulation on Deforestation - will set out more conditions for wood supplies from particularly conversion forests – BEYOND MTC's control!

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Conclusions

Successes:

Fought for Market Access for Malaysian Products over the years – policy challenges via procurement policies – promoting and succeeding on the uptake of MTCS

Neutralising the arguments v tropical producers/high risk/Corruption Perception Index (CPI) – individual sessions with EU member states/TTFs

Implementation of the TLAS BEFORE the EUTR was implemented – under MTC's initiative – to persuade EU importers to continue importing from Malaysia even though VPA NOT signed

Statistics indicate MY has not lost significant market share despite the financial crisis in the EU AND severe competition from competitors

MOST SIGNIFICANT : MTC LONDON HAS STRIVED AND SUCCEEDED IN MAINTAINING MARKET ACCESS FOR MALAYSIAN IMPORTS INTO THE EU DESPITE SEVERE CHALLENGES.

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Thank you

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