

Istituto nazionale
per il Commercio Estero

Guida pratica

MALAYSIA

MALAYSIA WOODWORKING MACHINERY MARKET REPORT

(updated December 2010)

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General Overview of the Wood Industry in Malaysia

The wood-based industry (WBI) has long been an important segment of Malaysia's dynamic manufacturing sector, the main driver of economic growth for the country. The industry has also played a significant role as an export earner. The industry has undergone major changes over the years, with downstream activities becoming increasingly important. Malaysia is no longer an exporter of unprocessed wood. Malaysia has emerged as a major exporter of wood furniture, panel boards (plywood, fibreboard, chipboard), flooring, etc.

The Malaysian furniture industry is an important component of the country's manufacturing sector. Although this industry accounts for less than 3 per cent of total manufactured exports, it has strong industrial linkages integrating about 750 small and medium enterprises (SMEs) with another 1,500 smaller production units. What is more, this sector is one of the few successful industry clusters under the Second Industrial Master Plan (1996-2005). Today, Malaysia is the 10th largest exporter of furniture with over 60 export destinations. Interestingly, rubberwood products account for roughly 80 per cent of wood furniture manufactured in the country.

Another major strength of the industry is that it shares the center stage within the SME category, which the Government has identified as the cornerstone of the Malaysian manufacturing sector, poised to play a critical role under the Third Industrial Master Plan (2006-2020). The wood-based industry's performance has thus far been exemplary, setting the pace for other SMEs to follow. The Malaysian wood furniture exports have been growing at creditable rates in recent years, with a strong Malaysian identity in foreign markets. The industry has the potential to be transformed into an intensively knowledge-based industry by harnessing the advances in information technology, wood science and design technology.

To be sure, the world demand for wood products is growing and this trend is expected to continue in the years to come. Seen in these terms, the prospects for Malaysia's wood product exports are undoubtedly bright, despite the protectionist hurdles in the export markets, which are by no means insurmountable. The challenges the industry will face on the supply side of the equation are far more formidable and worrisome. The industry is painfully aware that future shortages of raw material, if left unattended, will curtail the great potential for further growth of the WBI, which remains proactive in addressing the issue ahead of time. The easy phase of expansion, with plentiful supply of domestic raw material for the industry, is definitely over.

The industry is heading towards a looming shortage of wood, especially rubberwood, which has been the main driver in the spectacular growth of the Malaysian furniture and panelboard industries. Gone are the days when Malaysia was best known internationally for natural rubber. It is now better known for rubberwood products, especially furniture and panelboards. The Malaysian WBI is poised for continued expansion, with both existing and new players ready to invest, but the potential for such growth will be constrained by future shortages of raw material.

To date, the Government has meted out an array of policies to support, develop and promote the industry. These include the establishment of the Malaysian Timber Industry Board (MTIB) to regulate the timber industry, the Forest Department to oversee the timber resources, and the National Timber Certification Council (NTCC) to develop a national timber certification scheme. In addition to holding the annual Malaysian Furniture Fair to promote the local manufacturers, Malaysia has become a member of the International Tropical Timber Organisation (ITTO). The National Forest Policy (NPF) 1978 (revised 1992) lays the foundation for the development of the Malaysian forestry sector through the establishment of Permanent Forest Estate (PFE) and the scaling down of annual allowable cut in Peninsular Malaysia over the various five-year development plan periods.

Procedures are also in place to meet the increasingly high business standards in terms of price-cutting, quality and material properties. A periodic review of the existing policies is warranted to ensure that the industry stays competitive. However, the pressing problem the industry faces lies in the management of land utilisation, given the scarcity of readily available land for the cultivation of plantation forests. There is a need to step up research and development (R&D) for introducing not only new products and new processes that will augment the industry's competitiveness, but also new technology that will reduce the land intensity of rubber tree growing, i.e. clones with shorter gestation and richer wood.

(Source: Malaysia Institute of Economic Research)

Furniture industry

From a traditionally cottage-based industry that exported only RM 25 million per annum in the 1980s, Malaysian furniture production has today grown into a profitable industry that generates billions of Ringgit every year. Malaysia is now the world's 10th largest exporter of wooden furniture as of 2009. From January to December 2009, the total export earning from furniture alone were RM 7.62 billions.

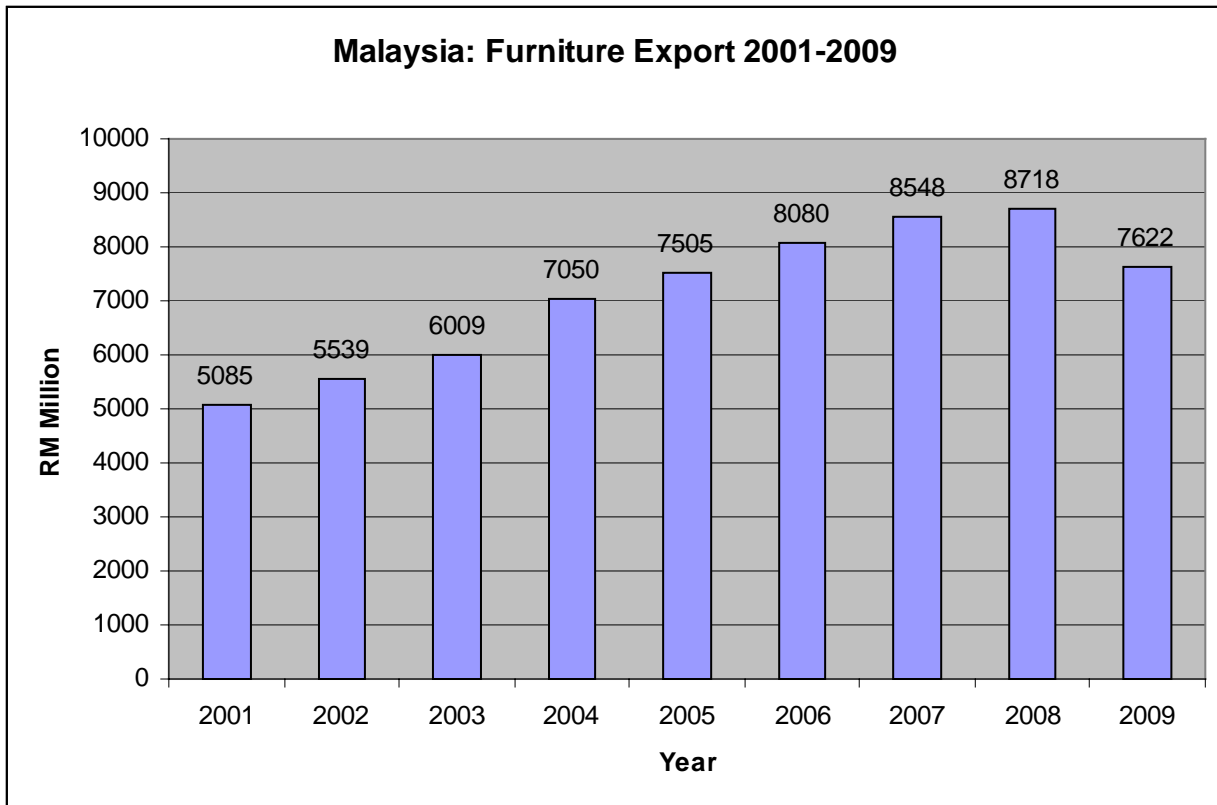
The Malaysian furniture sector owes its success to several factors:

- Abundant raw material, particularly Malaysian oak (*Hevea Brasiliensis*) or better known as rubberwood
- Properly managed natural resources
- Skilled and dedicated workforce
- Investment in the Research & Development of production techniques and equipment
- Appropriate government policies and incentives

There are more than 3000 woodworking establishments including furniture and furniture parts manufacturers in Malaysia. About 400 of them are mainly larger companies which are engaged directly in the export of furniture while several others are involved in contract manufacturing or producing parts and components. Many furniture-manufacturing companies have moved up the value chain from producing ready-to-assemble (RTA) furniture to manufacturing own-designed furniture for the export market. They have also embarked on brand development, positioning their products in the niche/up-market segment to compete with furniture from other countries.

This is a reflection of the success of the First and Second Industrial Master Plans that have placed emphasis on the development of downstream value-adding industries such as furniture and joinery manufacturing.

Figure 1: Malaysia Total Export of Furniture 2001-2009 (RM Million)



Source: Malaysia Furniture Promotion Council

Malaysia: Export of Major Timber Products

Malaysian timber products enjoy good reputation in global market, thanks to their competitive quality and prices. For many years, the growing export of timber products has contributed significantly to the country's export earnings. It has made Malaysia as leading exporter for tropical hardwood logs and sawn timber, and a major exporter of tropical plywood and veneer

Malaysia's timber industry was concentrated in the upstream sector, producing mainly the primary processed commodities such as sawn timber and plywood. However, since the government's implementation of Industrial Master Plans starting 1986, which provide various incentive and support, the local timber industry has moved into a more sophisticated level with diversified downstream activities that boost up the export earnings and bring about major socio-economic improvement.

For 2008 (Up to October), the major contributing sectors were wooden furniture RM 5.67 billions (30.6%), plywood RM 5.35 billions (28.9%), sawn timber RM 2.18 billions (11.8%) and logs RM 1.69 billions (9.1%), which together accounted for almost 80.4% of total receipts from the industry's export.

* Sawn timber includes dressed timber

** Plywood includes blockboard

***Other timber products include fuel wood, wood charcoal, hoop wood, wood wool & wood flour, packing cases, cask, barrel, vat & tubs, tool bodies & handles, tableware, kitchenware, wood marquetry and other articles of wood.

**** Grand Total does not include shipment between Peninsular Malaysia, Sabah & Sarawak

Source: Malaysia Timber Council

Overview of Italian Woodworking machineries in Malaysia

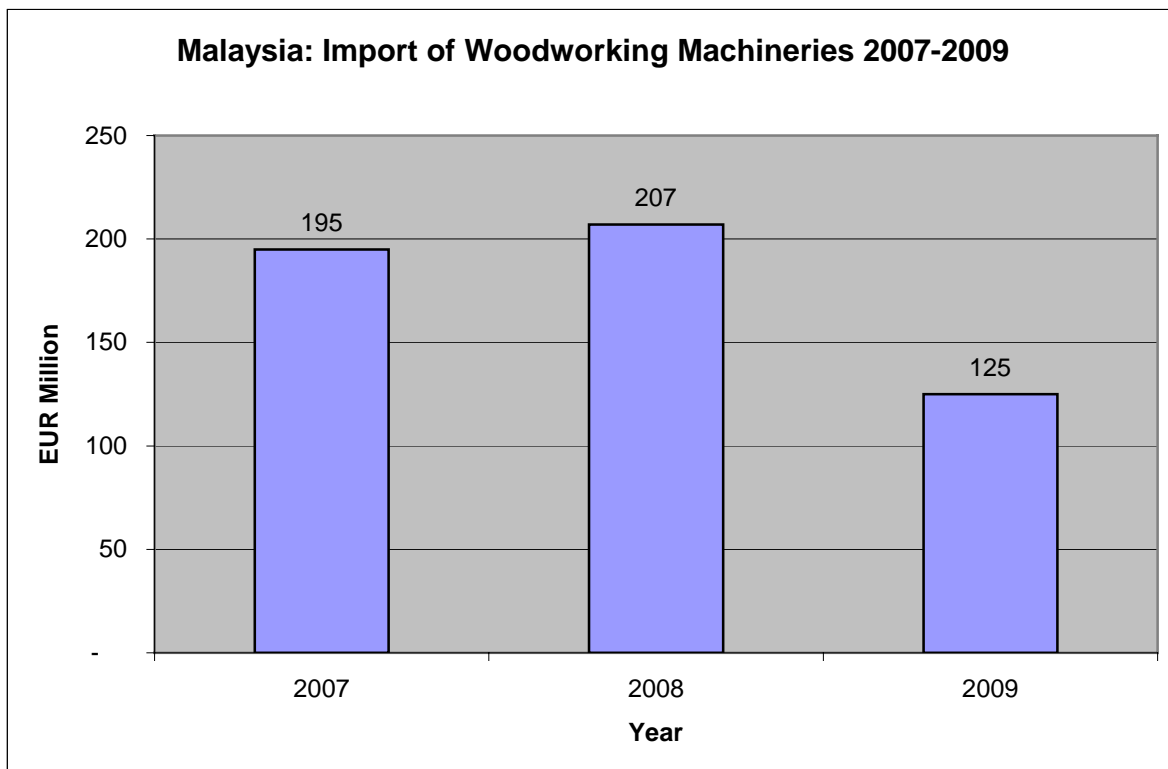
Background

To move on to more value-added processing through Original Design Manufacturing (ODM) and (OBM), it would involve the use of modern technology and investments in advanced machinery, tools and production systems.

Towards this end, several strategies have been outlined in the Third Industrial Master Plan (2006 – 2010), including efforts in R & D for the development of new materials and products and technology upgrading. Efforts are being channelled towards developing and adapting technologies to process every available raw material for the use of appropriate wood or lingo-cellulose-based products, and particularly reconstituted panel products where the technology being looked into is the use of lamination technology utilizing laminates in roll or sheet form or thermo fusing layers of impregnated films for flooring production lines.

There is also a need to improve processing efficiency by utilizing machinery that conserve timber raw materials through reduction of waste, e.g. by using automated technology (CNC) machines, and other Computer Aided design (CAD)/Computer Aided Manufacturing (CAM) technologies.

Figure 2: Malaysia import of Woodworking Machineries 2007-2009

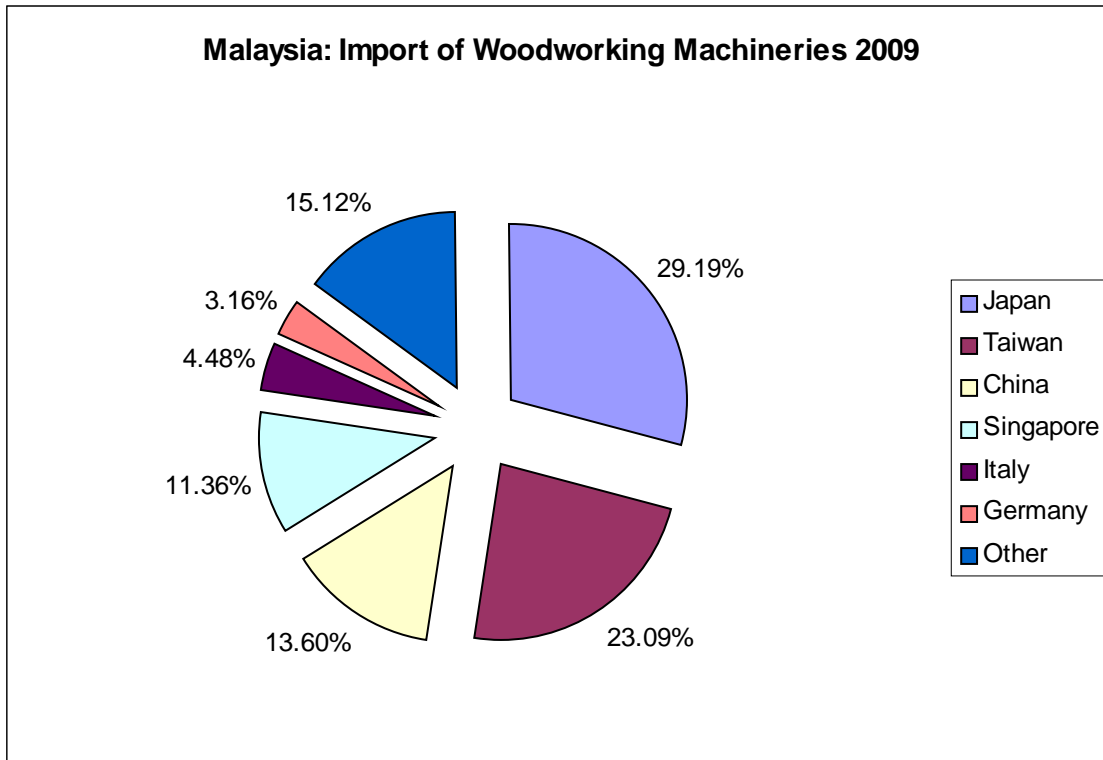


Source: Department of Statistic Malaysia

All these have brought about a continuous demand of woodworking machinery within the country. In 2009, the total import of wood making machinery, parts and accessories amounted to EUR 125 millions, recording a decrease compared to EUR 207 millions in 2008. This is mainly due to the world economic crisis.

Italian Woodworking machineries' performance

Figure 3: Malaysia import of Woodworking Machineries 2009



Source: Department of Statistic Malaysia

In 2009, Italy was the 5th largest supplier of woodworking machinery, parts and accessories to Malaysia (after Japan, Taiwan, China and Singapore) with 4.48% market share equivalent to RM 56.3 millions, -40.7 % lower than previous year. The main woodworking machinery from Italy are grinding, sanding or polishing machines, sawing machines, and planing, milling or moulding (by cutting) machines.

For details, please refer to the table below:

Table 1: Italian Woodworking Machinery Export to Malaysia

NO	Customs codes	Year			
		2007 (RM)	2008 (RM)	2009 (RM)	2010 (Jan-May) (EUR)
	8465 – Machines tools (including machines for nailing, stapling, glueing or otherwise assembling) for working wood, cork, bone, hard rubber, hard plastic or similar hard materials)	7638304	9290353	5523917	2477072
	846692 – For machine if heading 8465	135519	218649	111924	30412
	Total	7,773,823	9,509,002	5,635,841	2,507,484
	Growth rate		+22%	-40.7%	

Source: Department of Statistic Malaysia

Italian Woodworking Machinery major's Challenges:

a) Pricing

Most of the Malaysia furniture manufacturers and timber producer are prefer Japan, China and Taiwan's machineries due to the pricing factor. Although such machines come from China or Taiwan is not really comparable with Italy intern of quality, however, the purchase behavior in Malaysia is more focus on pricing instead of quality.

b) Technical support

The local buyers have mentioned that normally they can get the better technical support form Japan, Taiwan company if company to Italy. Is also more convenient to source a spare part from the country above.

**Table 2: Italian Woodworking Machinery Export to Malaysia
(Breakdown as per HS Code classification)**

NO	Customs codes (HS Code)	Year			
		2007 (RM)	2008 (RM)	2009 (RM)	2010 (Jan-Jun) (RM)
1	846510 – Machines which can carry out different types of machining operations without tool change between such operations	7343	966137	1358818	50060
2	846591 - Sawing machines	8222	63560	75284	106111
3	846592 – Planning, milling or moulding (by cutting) machines	241130	154760	174674	141547
4	846593 – Grinding, Sanding or polishing machines	4945266	6650920	830149	1326419
5	846594 – Bending or assembling machines	4326	211567	59701	124400
6	846595 – Drilling or morticing machines	13374	2667	68672	-
7	846596 – Splitting, slicing and paring machines	94249	-	3380	-
8	846599 – Other	2324390	1240739	2953236	728533
9	846692 – For machine if heading 8465	135519	2186649	111924	30412

Source: Department of Statistic Malaysia

Examples of Italian woodworking machinery sought by Malaysian manufacturers include:

- Integrated finishing system
- Finger jointing machine
- Multiple tenoner and drilling machine
- High end sanding machine
- Auto tools changer moulder
- Machineries for top layer line (Frame saw, band saw)
- Slicers
- UV curing equipment
- Lamination/Bending Machines
- Peeling machine, fancy plywood manufacturing machine, chipping machine
- CNC Machine
- Complete spraying facility (spray booth, conveyor belt etc)
- Panel saw, CNC router, Edge banding, Boring Machine
- Moulding Machinery
- Automation in moulding planner, Spray, Sanding and Gilding Machine
- Butt joint machine
- Hydraulic composer for lamination
- Membrane Press Machine
- Machines for manufacturing furniture components

Malaysia Import Statistic (in Euro)

Table 3: HS Code: 846510

Machines which can carry out different types of machining operations without change between such operations.

Country	2007		2008		2009		2010 (Jan-May)	
	Value (Euro)	Market Share (%)	Value (Euro)	Market Share (%)	Value (Euro)	Market Share (%)	Value (Euro)	Market Share (%)
Germany	803,232	26.80	137,439	3.76	122,213	3.25	983,298	41.75
China	735,807	24.55	220,049	6.01	748,228	19.92	177,358	7.53
Singapore	551,669	18.40	83,923	2.29	96,110	2.56	74,579	3.17
Taiwan	347,817	11.60	276,912	7.57	1093,128	29.11	79,488	3.37
Japan	145,244	4.85	1,882,839	51.49	10,175	0.27	144,052	6.12
Italy	7,343	0.24	966,137	26.41	1,358,818	36.18	50,060	2.13
Total	2,997,443	100	3,658,418	100	3,755,737	100	2,997,443	100

Source: Department of Statistic, Malaysia

Table 4: HS Code: 846591

Sawing machines

Country	2007		2008		2009		2010 (Jan-May)	
	Value (Euro)	Market Share (%)	Value (Euro)	Market Share (%)	Value (Euro)	Market Share (%)	Value (Euro)	Market Share (%)
Japan	3164,577	31.74	2,187,737	26.75	3,275,907	45.43		
Singapore	2597,922	26.06	1,400,828	17.13	121,679	1.69	653,957	23.88
Taiwan	1932,032	19.38	1,954,551	23.90	1,416,710	19.64	838,252	33.14
China	738,005	7.40	1,057,440	12.93	1,821,172	25.25	569,920	22.53
Germany	533,651	5.35	143,008	1.75	212,069	2.94	75,168	2.97
Italy	8,222	0.08	63,560	0.78	75,284	1.04	106,111	4.19
Total	9,969,821	100	8,179,225	100	7,211,568	100	2,529,610	100

Source: Department of Statistic, Malaysia

Table 5: HS Code: 846592

Planning, milling or moulding (by cutting) machines

Country	2007		2008		2009		2010 (Jan-May)	
	Value (Euro)	Market Share (%)	Value (Euro)	Market Share (%)	Value (Euro)	Market Share (%)	Value (Euro)	Market Share (%)
Japan	13,790,406	50.24	4,955,537	39.81	2,196,669	27.27	7,408,435	72.27
Taiwan	4,445,272	16.19	3,694,508	29.68	1,826,423	22.67	1,102,797	10.76
China	3,490,999	12.72	2,095,565	16.83	648,652	8.05	480,157	4.68
Singapore	2,678,127	9.76	205,499	1.65	37,945	0.47	58014	0.57
Germany	1,663,405	6.06	646,363	5.19	838,968	10.41	217,744	2.12
Italy	241,130	0.88	154,760	1.24	174,674	2.17	141,547	1.38
Total	27,449,693	100	12,449,343	100	8,056,539	100	10,250,422	100

Source: Department of Statistic, Malaysia

Table 6: HS Code: 846593

Grinding, Sanding or polishing machines

Country	2007		2008		2009		2010 (Jan-May)	
	Value (Euro)	Market Share (%)	Value (Euro)	Market Share (%)	Value (Euro)	Market Share (%)	Value (Euro)	Market Share (%)
Italy	4,945,266	32.93	6,650,920	26.72	830,149	17.20	1,326,419	28.92
Taiwan	2,398,495	15.97	2,177,405	8.75	1,538,969	31.88	747,638	16.32
Japan	2,306,167	15.36	13,081,830	52.56	406,968	8.43	1,838,596	40.09
China	1,598,023	10.64	1,118,528	4.49	725,089	15.02	465,275	10.15
Germany	580,486	3.87	363,966	1.46	540,901	11.21	30,749	0.67
Singapore	255,595	1.70	6,759	0.03	108,909	2.26	46,632	1.02
Total	15,015,500	100	24,889,358	100	4,826,987	100	4,586,197	100

Source: Department of Statistic, Malaysia

Table 7: HS Code: 846594

Bending or assembling machines

Country	2007		2008		2009		2010 (Jan-May)	
	Value (Euro)	Market Share (%)	Value (Euro)	Market Share (%)	Value (Euro)	Market Share (%)	Value (Euro)	Market Share (%)
Japan	34,933,313	56.98	6,729,098	68.20	6,015,451	75.78	1,239,541	54.12
Taiwan	873,552	14.25	767,207	7.78	675,734	8.51	303,156	13.24
Germany	416,899	6.80	585,462	5.93	62,887	0.79	173,953	7.60
China	364,062	5.94	999,896	10.13	530,827	6.69	271,422	11.85
Singapore	230,124	3.75	14,646	0.15	49,583	0.62	32,581	1.42
Italy	4326	0.07	211,567	2.14	59,701	0.75	124,400	5.43
Total	6,131,211	100	9,866,860	100	7,937,805	100	2,290,163	100

Source: Department of Statistic, Malaysia

Table 8: HS Code: 846595

Drilling or morticing machines

Country	2007		2008		2009		2010 (Jan-May)	
	Value (Euro)	Market Share (%)	Value (Euro)	Market Share (%)	Value (Euro)	Market Share (%)	Value (Euro)	Market Share (%)
Netherlands	2,624,965	40.72	413,054	6.78	7,594	0.11	1,881	0.03
Japan	537,415	18.34	1,703,717	27.98	778,993	11.01	61,028	3.53
Taiwan	744,466	11.55	912,090	14.98	364,749	5.15	211,607	12.24
Singapore	479,340	7.44	1,181,500	19.41	613,542	8.67	2,095	0.12
China	448,939	6.96	536,779	8.82	4,193,978	59.27	877,621	50.76
Italy	13,374	0.21	2667	0.04	68,672	0.97	-	-
Total	6,446,805	100	6,088,365	100	7,075,712	100	1,728,969	100

Source: Department of Statistic, Malaysia

Table 9: HS Code: 846596

Splitting, slicing and paring machines

Country	2007		2008		2009		2010 (Jan-May)	
	Value (Euro)	Market Share (%)	Value (Euro)	Market Share (%)	Value (Euro)	Market Share (%)	Value (Euro)	Market Share (%)
Taiwan	1,253,987	39.14	226,254	30.89	565,263	41.56	247,015	45.79
Germany	601,077	18.76	7,684	1.05	622,961	45.80	44,446	8.24
China	278,255	8.69	201,847	27.56	73,068	5.37	182,772	33.88
Japan	198,063	6.81	55,127	7.53	51,045	3.75	4,121	0.76
Italy	94,249	2.94	-	-	3,380	0.25	-	-
Singapore	7,870	0.25	-	-	-	-	61,071	11.32
Total	3,203,802	100	732,432	100	1,360,199	100	539,428	100

Source: Department of Statistic, Malaysia

Table 10: HS Code: 846599

Other

Country	2007		2008		2009		2010 (Jan-May)	
	Value (Euro)	Market Share (%)	Value (Euro)	Market Share (%)	Value (Euro)	Market Share (%)	Value (Euro)	Market Share (%)
Japan	32,381,868	44.07	31,413,797	46.45	15,415,205	40.35	4,760,322	17.76
Taiwan	15,983,615	21.75	12,629,303	18.67	5,352,590	14.01	3,755,459	14.01
China	10,181,506	13.85	9,258,955	13.69	6,163,857	16.14	2,796,394	10.44
Germany	3,157,782	4.30	2,292,411	3.39	391,674	1.03	1,085,839	4.05
Italy	2,324,390	3.16	1,240,739	1.83	2,953,236	7.73	728,533	2.72
Singapore	979,216	1.33	481,107	0.71	1,251,535	3.28	5,166,515	19.28
Total	73,486,529	100	67,631,540	100	38,200,194	100	26,796,177	100

Source: Department of Statistic, Malaysia

Conclusion:

The fleet of wood working machinery of the country is composed by products imported mainly from Japan, Taiwan, China, Singapore, Germany and Italy.

The technology level of the imported machines grew in the first 1990s, as a consequence of the need of producing better furniture for the international markets. For this reason the percentage of used machines decreased, and the more important exporter countries became Japan, Germany and Italy.

The European products are considered of high quality and are very appreciated by the local operators, even those machines are imported in the local markets by traders from Singapore. However, price factor still the main consideration of local manufacturers. Even though Italian machineries been recognized with high quality and durable performance, but the sales volume are not comparable with Taiwan and China's woodworking machineries.

In consideration of the needs of the local industry of updated technology and expand of export market, it is forecast a growth of the demand of wood working machinery for the future. However, it is also depend on the growth of world furniture market.