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Timber prices reach new highs

By C.S. TAN

PETALING JAYA: Prices for Malaysian logs and plywood continue to rise following a structural shift in supply after Indonesia's action on illegal logging in response to pressure from developed countries.

“The strong demand for Malaysian timber products, combined with short supply, has sent prices to fresh high levels,” International Tropical Timber Organisation (Itto) said in the introduction of its latest newsletter.



Meranti and *kapur* logs reached 13- and 10-year highs respectively, exceeding 1997 Asian pre-crisis levels, while dark red *meranti* sawnwood prices are at all-time high in US dollars since Itto started to track this product in 1998.

Those prices, however, are only at a six-year high in euros and pound sterling. “Meanwhile, prices for dark red *meranti* plywood are at a 10-year high, also exceeding 1997 Asian pre-crisis levels, except for 9mm (plywood),” Itto said.

Plywood prices in Malaysia were expected to remain high in the near future due to demand from Japan, China and India, the organisation added.

Malaysia's export of plywood in the first half this year was reported to be at two million cu metres, with over 60% of this volume bound for Japan.

Itto said prices of Indonesian timber resumed their rise as a result of more aggressive measures taken by the government there to clamp down on illegal logging.

“There were serious concerns among Indonesian legislators that poor law enforcement against illegal logging may eventually lead to market restrictions in Europe and the US, amid sharp criticism by conservationists at home and abroad,” Itto said.

Prior to the Asian financial crisis, Indonesia exported 9-10 million cu metres of plywood a year.

According to industry sources, Itto said, Indonesia exported only 3.4 million cu metres of plywood last year and was expected to reduce exports further this year.

“The closure of 66 plywood mills last year was having a bearing on the Indonesian plywood sector,” Itto added.

Cymao Holdings Bhd financial controller Chin Yoong Foo confirmed in a telephone conversation with *StarBiz* that timber prices had risen further last month.

More importantly for the company, a manufacturer of plywood, prices of plywood kept pace with log prices so that profit margins were being maintained. As such, industry conditions continued to be good, he added.

Cymao reported a 93% year-on-year increase in net profit for the second quarter ended June 30 to RM6.15mil. That is understood to be mainly due to higher plywood prices in June.

Generally, timber companies are expected to report improved earnings in the current quarter, benefiting from higher plywood prices for a full quarter.

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