ASSOCIATION SURVEY FOR KNOWLEDGE (ASK)

ASIA - PACIFIC

Prepared by GTF

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GLOBAL TIMBER FORUM'S ASSOCIATION SURVEY FOR KNOWLEDGE (ASK)

This Survey seeks to better understand the challenges faced by forest and wood-based industry and trade associations around the world. The responses from associations in Asia, Africa, Europe and South and North America will inform GTF's, and our project partners', knowledge about the skills and capabilities of associations and identify future support programmes particularly focused on priority countries.

The survey is focused on five themes:

Theme 1	Association's profile and capabilities
Theme 2	Priorities in delivering services to members
Theme 3	Challenges faced by the association membership
Theme 4	Analysis of domestic and regional markets
Theme 5	Analysis of international market and customer needs including legality and sustainability aspects

The survey was developed in collaboration with our project partners: FAO (Food and Agriculture Organisation of the United Nations) and WRI (World Resources Institute). The survey was made up of three complementary sections. Respondent associations were encouraged to complete all three sections.

The survey results are anonymised and non-attributable except at regional level. GTF will share relevant data with survey respondents and our partners to better assist the development and funding of trade-focused responsible timber trade programmes.

GTF wishes to thank the following organisations for their time in contributing to this survey:

Australia

- **AFPA** - Australian Forest Products Association
- **AFA** - Australasian Furniture Association
- **ATFA** - Australasian Timber Flooring Association
- **ATIF** - Australian Timber Importers Federation
- **EWPAA** - Engineered Wood Products Association of Australasia
- **FIAA** - Furnishing Industry Association of Australia Ltd
- **TVAA** - Timber Veneer Association of Australia

Indonesia

- **APHI** - *Asosiasi Pengusaha Hutan Indonesia* / Indonesian Forest Concession Holders Association
- **APKI** - *Asosiasi Pulp dan Kertas Indonesia* / Indonesian Pulp and Paper Association
- **APKINDO** - *Asosiasi Panel Kayu Indonesia* / Indonesian Wood Panel Association
- **ASMINDO** - *Assiasi Industri Permebelan & Kerajinan* Indonesia / Indonesian Furniture Industry and Handicraft Association
- **HIMKI** - *Himpunan Industri Mebel dan Kerajinan Indonesia* / Indonesian Furniture and Handicraft Association
- **ILWA & IBCA** - Indonesian Light Wood Association & Indonesian Bare Core Association
- **ISWA** - Indonesian Sawmill and Woodworking Association / *Asosiasi Pengusaha Kayu Gergajian dan Kayu Olahan Indonesia*

Japan

- Japan Federation of Wood-industry Associations
- Japan Furniture Industry Development Association
- Japan Plywood Wholesalers Association

Malaysia

- Timber Exporters Association of Malaysia[1]

Thailand

- **THA** - Thai Hevea Wood Association (*formerly the Thai Parawood Association or TPA*)
- (Thai) Sawmills Association
- **TPPIC** - Thai Panel Product Industry Club
- **TFA** - Thai Furniture Association

Viet Nam

- **VIFORES** – Viet Nam Timber and Forest Product Association
- **BIFA** – Binh Duong Furniture Association
- **HAWA** – Handicraft and Wood Industry Association
- **FPA Binh Dinh** – Forest Products Association of Binh Dinh

[1] Low response rate to interview requests meant sample not representative and removed from results. GTF hopes to include Malaysia in future studies.

Overview of results

This report features five of the main producing, manufacturing and consuming countries in the forest products sectors of the Asia Pacific region. The twenty five associations interviewed represent a diverse range of players from forest managers to retailers and all supply chain stages in between.

Whilst every country and association is different, there are some similarities in terms of approaches and challenges. The associations typically represent smaller (SME) sized companies, with less than a quarter of their membership represented by companies with more than 250 employees. The vast majority of funds received by the associations are raised directly from their membership through fees or through provision of services.

Two significant challenges for the member companies emerged across the region. The main challenge identified being the ability to access raw materials. The second most commonly identified challenge for members related to compliance with government policies and associated legislation. Domestically produced plantation grown hardwoods have become the most common raw material for the membership.

The current top priorities for the associations in terms of services offered are dominated by provision of legal information and guidance; communications support; technical advice and providing opportunities for members to meet.

The most commonly identified priority for external outreach was the need to promote the sector – in particular to address issues around the sector's often negative image.

Australia

The seven associations interviewed mainly draw their membership from Australia. Two also have members in New Zealand and one has producer members in Fiji and Papua New Guinea. All associations represent members from all over Australia, though Australian members are mainly from New South Wales, Victoria and Queensland. The seven associations have a combined membership of 1,809 companies, 88% of which are estimated to be small or micro businesses.

A broad range of services is provided, ranging from market information, to exhibitions and trade fairs and external communications. All associations prioritise relations with Government or public affairs. For four National associations this is their major activity. Assistance with product technical standards is also a major activity as are member meetings where feedback is obtained on lobbying activity and priorities.

The **challenges** faced by all company members are varied. For Australian producers, cheap imports are a significant financial challenge. The high Australian dollar and, until recently, slow markets in US and EU have resulted in increases in businesses targeting Australia with exports. The recent decrease in the AUD and pickup in US building construction markets has diverted product there so is helping some Australian producers. However, it has made little difference for others as key customers have now well-established contacts with importers and familiarity with cheap imported product. Associations representing importers tell a different story as some of their members are doing well through the fall in the value of the AUD and the pickup of US markets.

The lack of enforcement of relevant technical product and building standards is an area of government policy that is frustrating members of all associations. Very little exporting is occurring among commodity producers of finished product. A small number of furniture producers, particularly of high end items, are increasingly accessing markets in Asia. For the small proportion of members exporting there are some questions being asked by international markets about legality and sustainability. These originate from customers in Europe, USA and Indonesia and Japan. The level of questioning on legality and sustainability is similar for domestic as it is to international markets.

Two associations provide tools for compliance with Illegal Logging Regulations. One tool is specifically for meeting legality requirements. One association provides FSC and PEFC CoC certification services for producer members. Another association is in the process of developing illegal logging due diligence tools. Funding for the illegal logging due diligence tools has been provided by the Australian Government. Other associations provide assistance in the form of speakers at member events and/or referrals on to Government of industry provided tools.

There is a high degree of FSC and PEFC CoC certification among Australian producers and major importers. There are very low levels of certification among secondary processors and furniture makers and importers.

The main source of information about illegal logging due diligence compliance in terms of risk assessment and mitigation advice is the Australian Government and other national Government websites. FSC and/or PEFC certification was being recommended by four associations as a useful risk mitigation strategy for members. There was some dissatisfaction with the Australian Government's failure to change the Illegal Logging Prohibition regulation to recognise FSC and PEFC certification as "deemed-to-satisfy" the due diligence requirements of the Regulation.

There was strong support for Australian industry-developed guidance, tools and resources to assist importers with compliance. There was also strong support for industry led initiatives in timber product manufacturing export countries (i.e. particularly China and Vietnam where Australian Government Country Specific Guidelines do not exist) that explain the Australian requirements and what suppliers need to provide to their Australian customers.

Indonesia

The seven trade associations interviewed mainly draw their membership from Indonesian forestry and wood-based businesses. All associations represent members from all over Indonesia. The associations have a combined membership of over 6,951 companies. Of those, 64% are estimated to be small, medium or micro-sized (SME) businesses. The majority of company members are primary manufacturers (56%), followed by secondary manufacturers (27%) and forestry operations (16%). Overall, 68% of businesses are involved in export markets.

Across the country the most common services provided by the associations for their members are government relations, stakeholder engagement and public affairs.

The associations face a range of challenges in providing services. The three service areas' most highlighted challenges relate to providing assistance with accessing finance, assistance with promotion or marketing and the related topic of developing overseas exhibitions for their membership.

The current top priorities for the associations in terms of services offered are dominated by the need for more capacity to provide technical advice to their members. Other important priorities include:

- provision of business services,
- communications capacity for the sector,
- staff training, the capacity to organise trade fairs, and

- the capacity to advise members about the evolving legal landscape.

The main challenge for members of the associations, particularly SMEs, is accessing raw materials. This is closely followed by the challenge of working with government policy, then market access and legal compliance with the timber legality assurance system SVLK.

The associations' members predominately trade in export markets, though the domestic market was recognised by two respondents. The dominant markets are Japan, the United States and the European Union. The majority of association members see the European Union, the United States, India and Middle East markets as suitable for growth. Expansion of the domestic customer base was also featured.

The most frequently mentioned markets with clear signals regarding legality are the European Union, The United States and Australia. Other markets mentioned include Japan, South Korea and Canada.

The level of demand from domestic markets for legal and sustainable timber was estimated at a significantly lower level than that for export markets.

For those associations who have members that export products, the demand for and questions around sustainability are very frequent (rated 80/100). The clearest market signals are noted to come from the European Union, the United States, Japan and Australia.

Japan

Japan is one of the world's largest importers of tropical timber, sourcing this timber largely from neighbouring countries in Asia.

The government has been engaged on the issue of illegal logging and related trade with the introduction of the "Clean Wood" Act in May 2017. The Act creates a legal requirement to make best efforts to use legal timber. Operators who take measures to ensure they are using legally sourced wood can become registered, and are then required to undertake 'due diligence'. The key requirements of the Act apply only to registered entities involved in the manufacture, processing, import, export or sale of wood (excluding sales to consumers), and registered businesses using wood in building or construction or other operations using wood.

Those associations interviewed with members affected by the new legislation have indicated their engagement through support to their membership with support for them demonstrating due diligence. Japan's domestic growers and producers have long suffered from the competition of imports and continue to promote domestic products in a difficult trading environment.

Thailand

Thailand is the second largest economy in the 10-nation ASEAN. The four trade associations interviewed mainly draw their membership from Thailand forestry, plantation and wood-based businesses. All associations represent members from all over Thailand. The associations have a combined membership of over 503 companies. Of those, 81% are estimated to be small, medium or micro-sized (SME) businesses (less than 250 employees). The majority of company members are primary manufacturers (60%), followed by secondary manufacturers (20%). Across the associations surveyed an average of 78% of their members were primarily involved in export.

Across the country the most common service provided for members is stakeholder engagement, though the associations are very active in all other areas including government relations, public affairs, standards and trade data.

The **major issues affecting the associations** are dominated by legal reform processes, the image of the sector, relations between the associations and questions around the sustainability of the sector. Thailand banned the harvesting of wood from natural forests in 1989, thus they must rely on import of timber products especially sawn timber and plywood for their construction industries.

The associations face a range of challenges in providing services. These include a lack of capacity to assist their members through the provision of marketing support and market data, by addressing legal reform and by improving the image of the wood-products sector.

These challenges reflect the main issues for the members of the associations (particular for SMEs), which are changes to policy and legislation and difficulties accessing raw materials. This is followed by the challenge of maintaining current markets as well as shortages of skilled labour, exchange rates, dumping from China and challenges of implementing new technology.

A major issue concerning the whole sector is the review of the Thai Forest Act. The Act, which was enacted in 1941, is out of date for current circumstances, includes outdated definitions and is very complicated. This creates legal uncertainty in the forestry.

Thailand's domestic wood resource is dominated by Rubberwood (*Hevea*) harvested from plantations throughout the country. All of the associations surveyed stated that their members sourced from domestic forests, but a large number of import countries were also featured with Malaysia, China and New Zealand most frequently mentioned.

Across the associations surveyed an average of 78% of their members were primarily involved in export. Three of the associations stated that some members export, the lowest estimating 68%, the highest estimating 90% of all trade being exports. The associations' members predominately trade in export markets though the domestic market was also recognised by three respondents. The dominant export market is China. The majority of association members see the USA, India and Middle Eastern markets as key markets for growth. Expansion of the domestic customer base was also featured.

To increase exports or to enter the markets that are targeted the main issues identified were:

- Tax structure
- Production cost vs selling price (profitability)
- Changing customer attitudes to accept the quality of domestic raw material
- High competition into US markets, in particular from exporters in Brazil and Argentina
- Cultural variations and religious differences.

For those associations who have members that export, the demand and questions around legality are frequent. The most frequently mentioned markets with clear signals regarding legality are the European Union, USA and Canada.

The level of demand from domestic markets for legal timber was estimated to be at a very low level. Those that recorded demand estimated the level at around one third of that from international markets

Demand for and questions around sustainability are also very frequent. The clearest market signals are coming from the European Union, USA, Japan and Korea.

Of the four associations surveyed one directly provides support for supply chain management to their members and two refer their members to an external service provider. Two of the associations noted that they have not been requested by their membership to provide such services.

Viet Nam

The four trade associations interviewed mainly draw their membership from Vietnamese forestry and wood-based businesses. One of the associations (VIFORES) operates nationally and three are focused on a single province. The associations have a combined membership of over 3,220 companies - 74% of which are estimated to be small to medium (SME) or micro-sized businesses. Membership is diverse: 15% of business members identify solely as importers, 15% as secondary manufacturers and 48% identify as exporters but are also secondary manufacturers and importers of raw materials. Only 8% are primary manufacturers or involved in forestry (4% each).

Collectively the associations' members exported US$7.66 billion of wood products per annum from Viet Nam to the global markets.

The most common services provided are public affairs and provision of trade data. The most common technical services offered are those relating to sustainability issues, legality issues, health and safety and community relations.

The associations face a range of challenges in providing services. The two areas most highlighted relate to promoting the sector to stakeholders and the challenge of working with a sector dominated by SMEs. Other challenges cited were fluctuating export regulations, market data, the VPA process with the European Union and slow responses from membership to communications from the associations.

The current **top priorities** for the associations in terms of services offered are dominated by the need for more capacity to provide technical advice to their members.

The priorities for the associations in terms of expanded services are varied. The two most frequently mentioned areas were legality training and marketing skills development. Numerous other needs were identified including: helping with providing access to raw materials, trade fairs and exhibitions, member meetings, advocacy for the sector, staff training and market data.

The main **challenges for members** of the associations centre around accessing raw materials and challenge of meeting market requirements for demonstrating due diligence. Government policy and market information were two other challenges identified by two associations.

For those associations who have members that export, the demand and questions around legality are frequent and clear. The most frequently mentioned markets with clear signals regarding legality are the European Union, USA and Australia. The associations' members predominately trade in export markets with USA, European Union and Japan.

Demand from domestic markets for legal timber was also very high. The demand for and questions around sustainability are also frequent but less pressing than the calls regarding legality. The clearest market signals in favour of sustainability are noted to come from the European Union.

Part 1 - Association profile & capabilities

Geographical coverage

The seven Australian associations' members' locations extends across Australasia to include New Zealand, Fiji and Papua New Guinea, however the focus of all associations' activities is the Australian market.

The Indonesian, Japanese, Thai and Vietnamese associations all draw their membership from within their own borders and focus their activities within their own borders.

Membership & services offered

Profile of membership

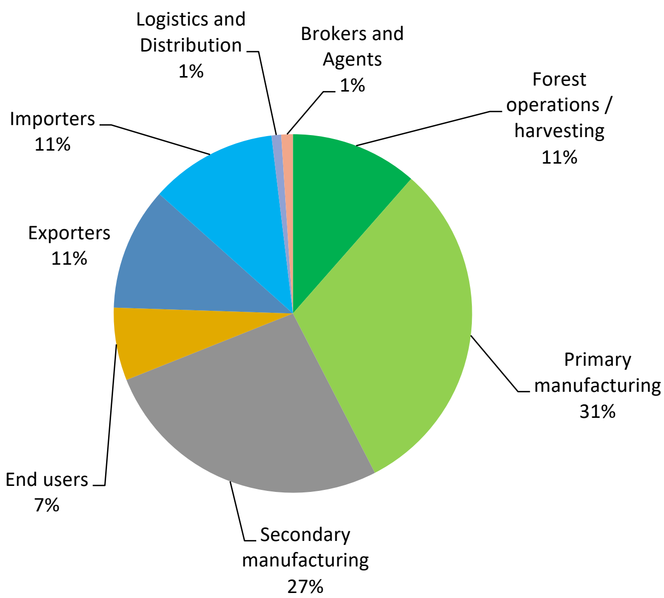
The 25 associations surveyed have a combined membership of 12,466 companies with an average membership size of circa 623 companies

Country	Total # members	Average # members
Australia	1,792	256
Indonesia	6,951	993
Thailand	503	126
Viet Nam	3,220	805
Total	**12,466**	**623**

Note: No data for Japan or Malaysia.

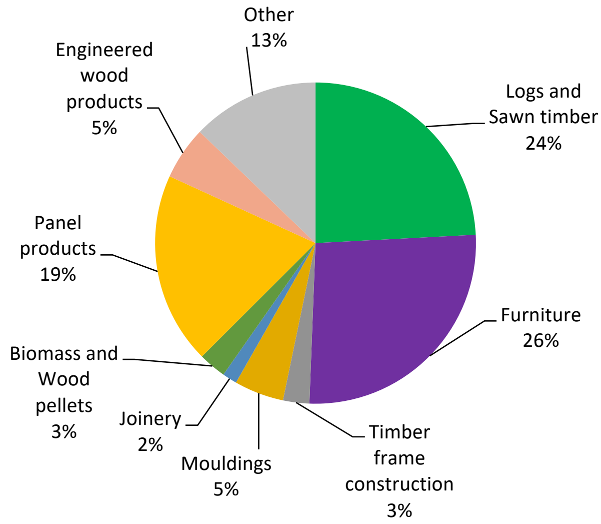
Sectors represented

Membership is extremely diverse though dominated by primary and secondary processors.



Products traded

The membership of the associations is extremely diverse and they trade a full range of wood products. The dominant sectors are furniture production followed by logs and sawn wood. The "Other" category is mainly comprised of flooring products.



Volume and Value traded by members

14 of the associations were able to provide data as to the approximate volume of wood traded by their membership. This totaled over 163 million m3 of wood with a traded value of USD$23 billion per annum.

Number of staff

Staff numbers vary widely between the associations. The average number of full time equivalent positions across the region is 6.6 members of full time staff equivalent (FTE). This includes senior management, policy managers, event organisers, technical specialists, accountants, and administrators. The largest association (in Indonesia) has 25 staff and the smallest (in Australia) has 1 FTE.

Technical staff

Fourteen of the associations have staff available to answer technical questions from the membership. These include specialists providing services and advice for members on meeting product and/or building standards to meet market requirements, processing, and compliance. The largest numbers of technical staff are found in Indonesia with 4 associations having 4-5 technical staff available for their members.

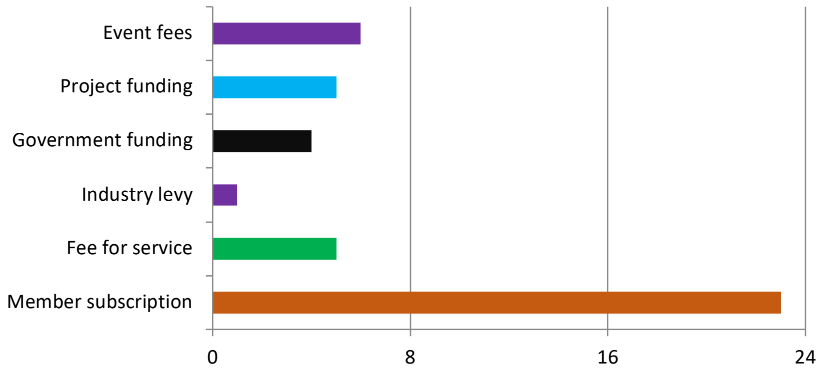
Overall budget

Most of the associations were able to provide data regarding their annual operating budget. The largest budget was $2.25 million USD per annum (in Australia), the lowest under $17,000 USD (in Indonesia).

Country	Highest budget	Lowest budget	Average budget
Australia	$2,250,000	$40,000	$767,665
Indonesia	$845,070	$16,900	$176,861
Thailand	$62,500	$28,000	$53,875
Viet Nam	$300,000	$35,000	$113,750
Japan	$1,786,000	$240,000	$1,013,112

Funding

Almost all of the associations are primarily funded through membership fees.

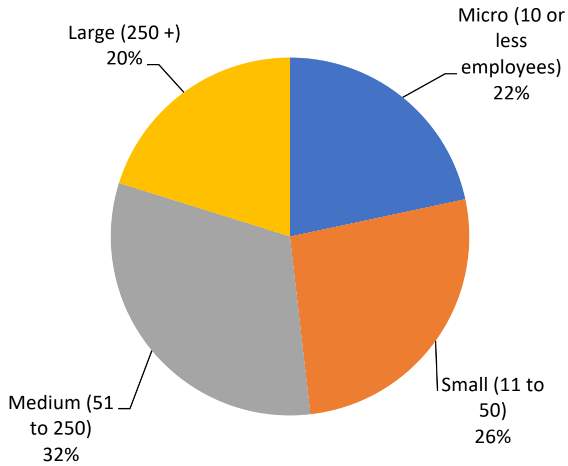


Additional funding sources (especially in Indonesia) include fees for arranging trade events and conferences and funding via project funding (primarily overseas government aid agency funding). Uniquely four of the five Australian associations and one Japanese association receive some government funding. Some of the Vietnamese and Australian associations raise funds through offering services for fees.

Size of member companies

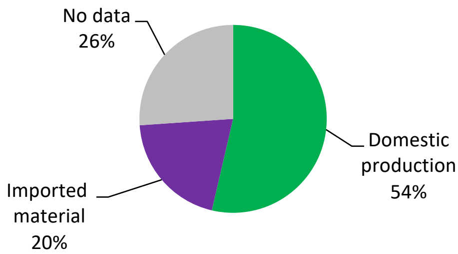
The members of the associations are dominated by small and medium sized organisations. Around 22% of the member organisations have more than 250 employees.

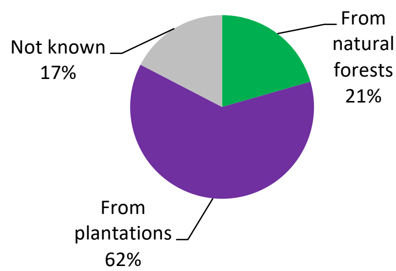
The Australian and Japanese associations on average represent the smallest (micro and small) companies. The other countries tend to have broad representation.



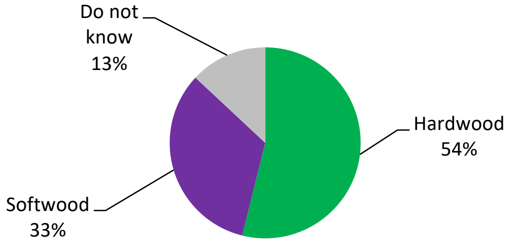
Raw material sourcing

The associations' members source a mix of hardwood and softwood species sourced primarily from domestic plantations.





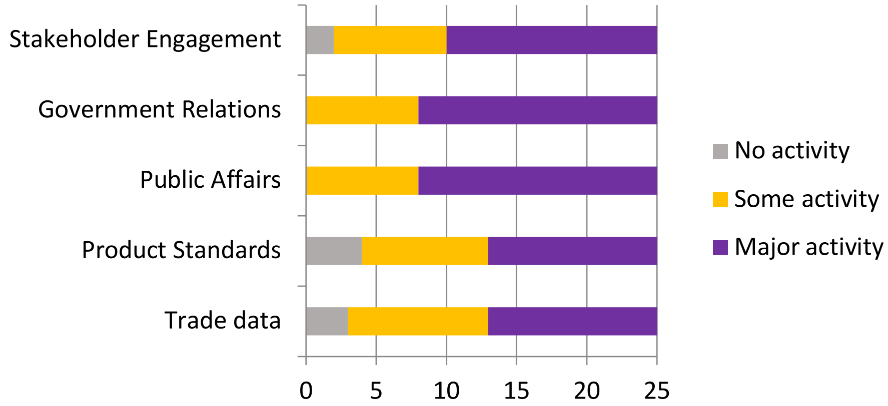
Material from natural forests is estimated at only 21% of the total volume traded.



Part 2 – Priorities and challenges in delivering services to members

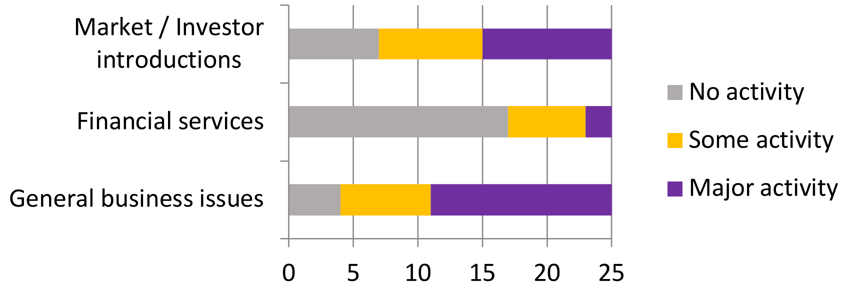
Services currently provided

All of the associations are engaged in a broad range of activities. Public affairs, government relations and general stakeholder engagement are almost universal activities.



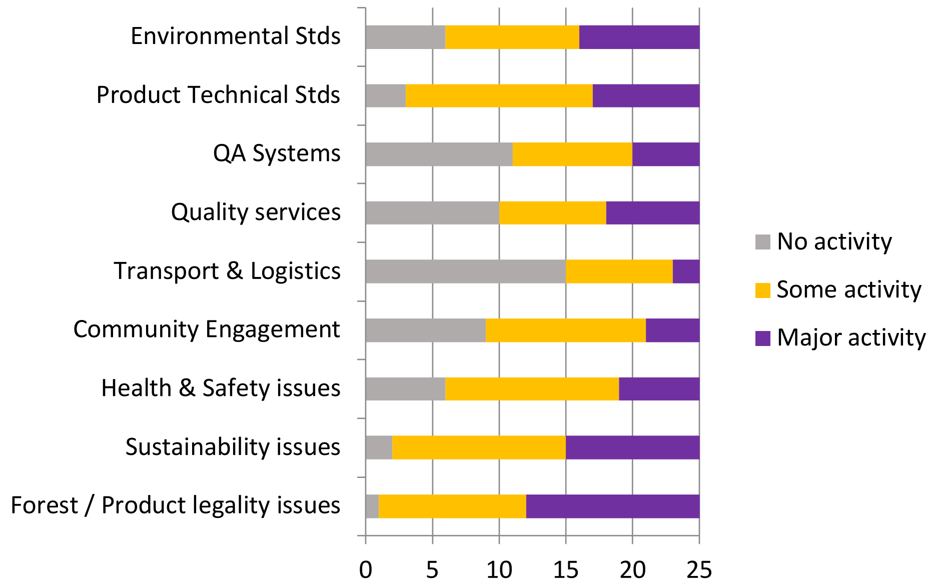
Business services provided

The associations offer a wide range of business services. Provision of financial services is rare.



Technical services provided

The associations offer a wide range of technical services. The most common services offered are those relating to forest product legality, sustainability issues, product technical standards and environmental standards.



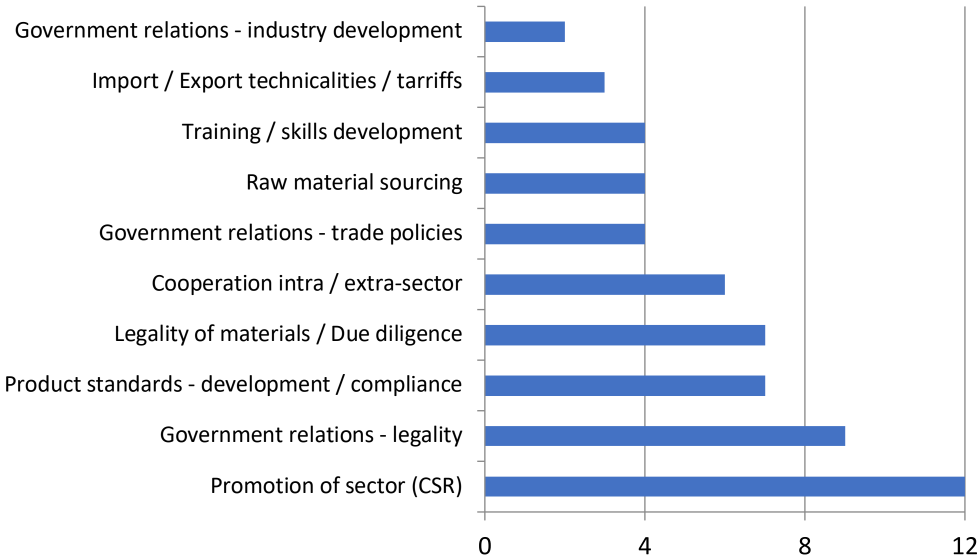
Priorities for service provision

The current top priorities for the associations in terms of services offered are dominated by provision of legal information and guidance; communications support; technical advice and providing opportunities for members to meet.

Priorities for Public Affairs / Government Relations / Stakeholder engagement

The most commonly identified priority for external outreach was the need to promote the sector – in particular to address issues around the sector's image.

Government relations are dominated by efforts to be involved in processes which impact forestry and forest product legislation. Related to this was the identified priority to engage in advising on legal sources of materials and the practice of due diligence.

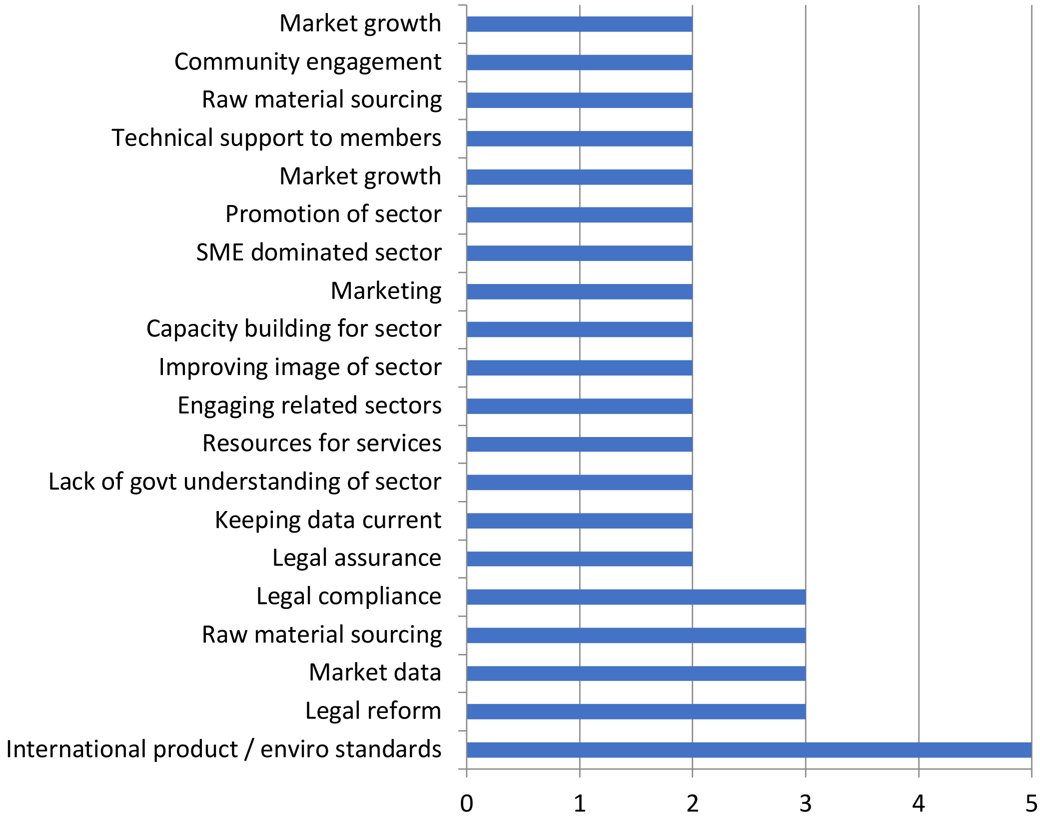


Activities involving bringing together associations both within and without the sector to find common ground were also identified as a priority.

Challenges in delivering current services

The most challenging service to deliver was identified as offering assistance to members in complying with international product and environmental standards.

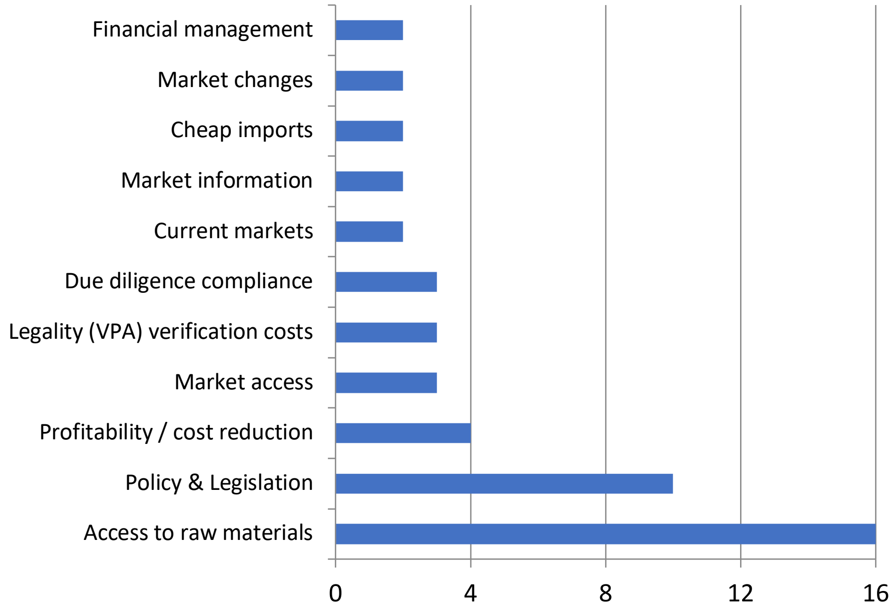
Other significant areas identified as challenges included: engaging in legal reform processes; providing market data to the membership; assisting or advising members on raw material sourcing. Other related challenges included advising on legal compliance and the related provision of legal assurance.



Part 3 – Challenges faced by membership (particularly SMEs)

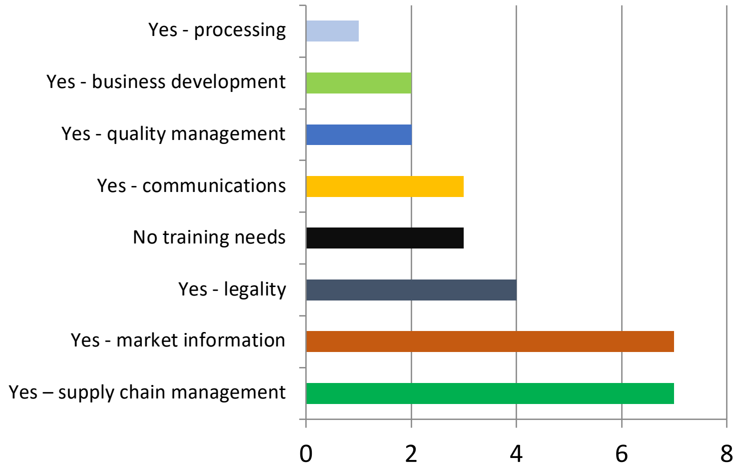
Top challenges for members

Two significant challenges emerged across the region. The main challenge that was identified being the ability to access raw materials. The second most commonly identified challenge for members related to compliance with government policies and associated legislation.



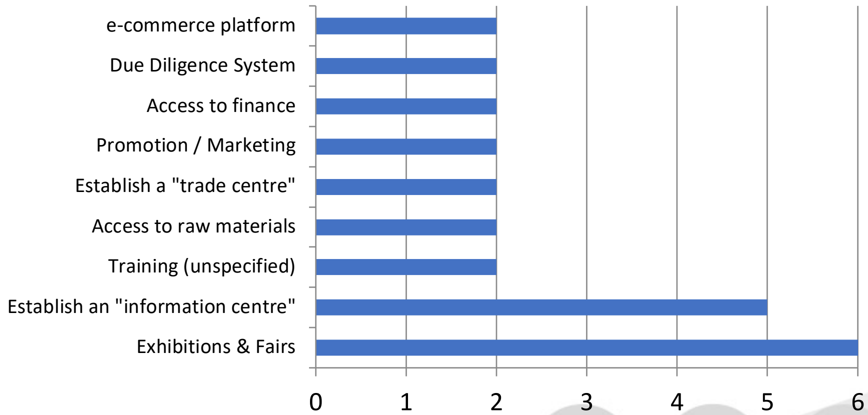
Training needs

Training needs identified were dominated by the need to train members on supply chain management and on methods of gathering market information. Other needs commonly identified include: legality and legal compliance and enhancing members' ability to communicate.



Additional services requested

The range of additional services requested is extensive. The most commonly mentioned additional services include the provision of exhibitions or trade fairs for members to participate in and the ability to provide more information on the products and services offered by the membership.



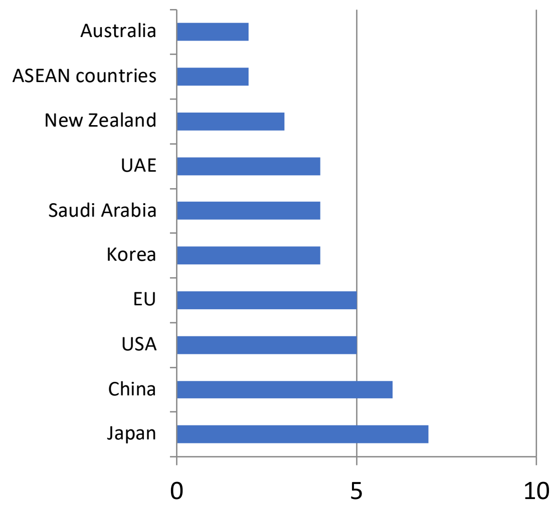
Part 4 – Analysis of domestic and regional markets

Exports – significance to members

The range of estimated exports by the members ranged from 1% to 90% with an average across the region of 45% of trade being for export.

Current main markets

The range of export markets is huge with over 20 countries listed. Domestic markets are the most commonly listed market.

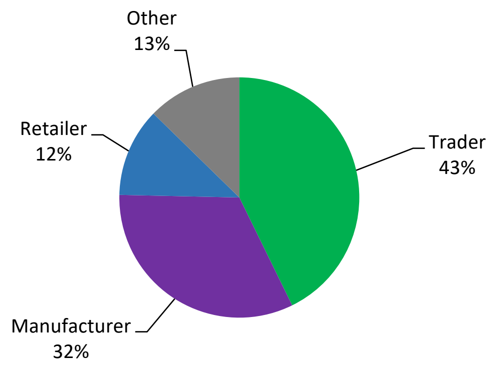


Exports – major markets

Major export markets were listed as: Japan, China, USA, EU, followed by Korea and the counties in the Middle East.

Customer profile

The profile of the customers for the memberships is dominated by trade with traders and manufacturers.



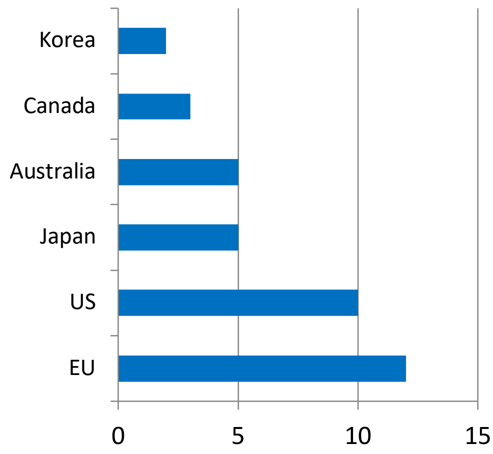
Exports – challenging issues

The major challenge for exports to new markets is price competitiveness. This is regarded as the major challenge for entering new export markets.

Part 5 – Analysis of international market and customer needs including legality and sustainability aspects

Legality – level of demand from international and domestic markets

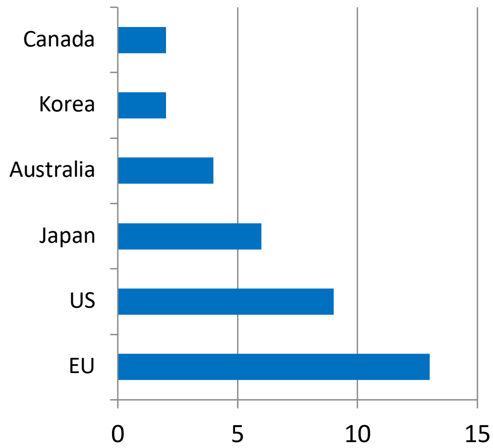
For those associations who have members that export the demand for and questions around legality mainly originated from customers in the EU, US, Japan and Australia.



Sustainability – level of demand from international and domestic markets

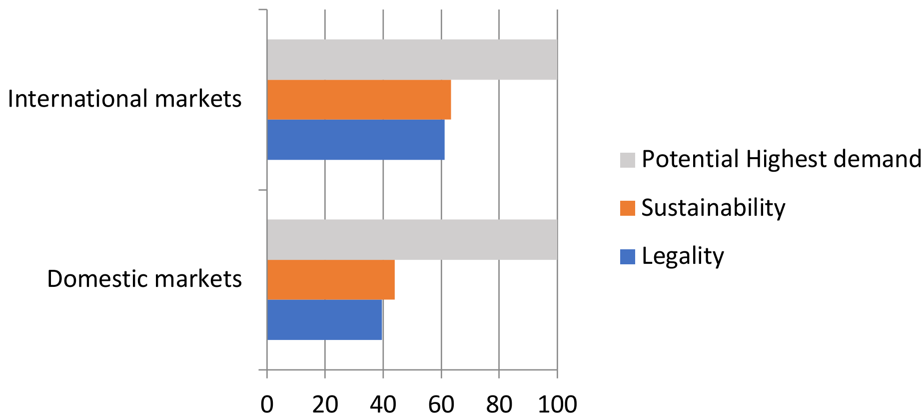
For those associations who have members that export the demand for and questions around sustainability are relatively frequent. The level of demand from international markets for sustainable timber was estimated at 43 (on a scale of 0 to 100) by respondents.

EU, USA, Japan and Australia were noted as the most frequently demanding markets.



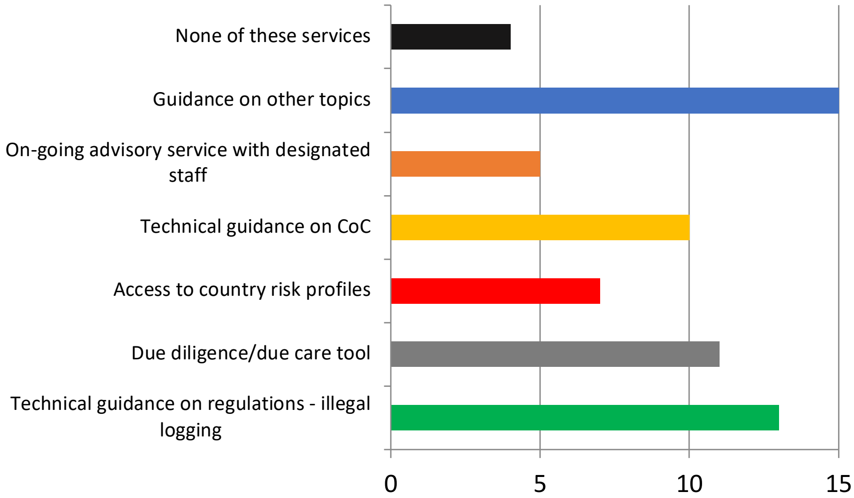
Three associations specifically mentioned that Chinese buyers make no demand for legal or sustainable timber.

A comparison of the international demand for legality and sustainability shows both indicators at similarly high levels.Demand from domestic markets is perceived as being lower in comparison and the demand for legal material is slightly lower than demand for sustainable material.



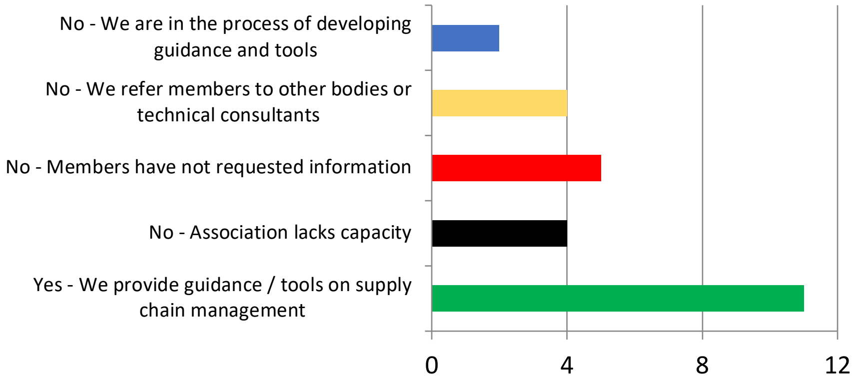
Supply chain management support – availability

Technical guidance related to regulations on avoiding illegal logging are the most frequent aspect of supply chain management supported. Due diligence / due care related tools and support are also well supported along with chain of custody support.



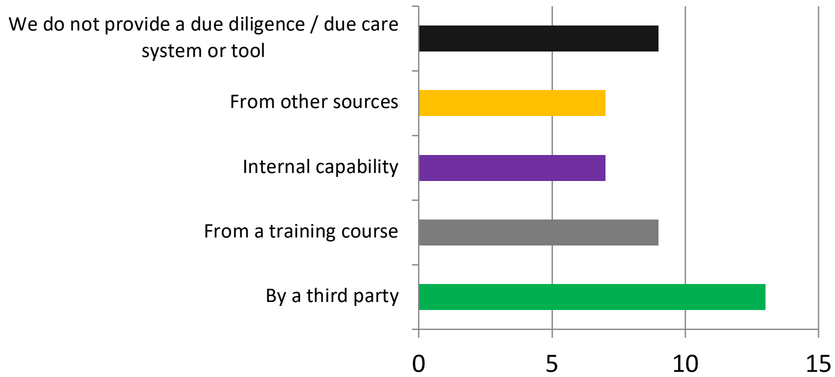
Supply chain management support – content

Half of the associations offer some form of support for their members on supply chain management issues. Four of the associations offer support via third parties.



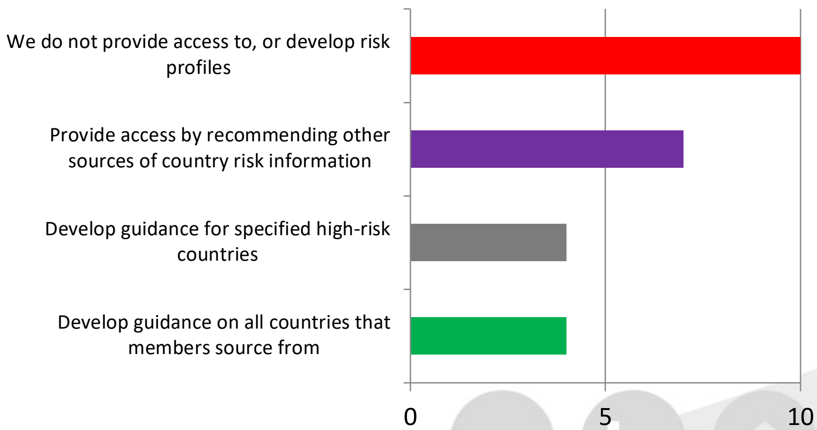
Supply chain management support – sources of information

Those associations that offer support for supply chain management primarily used a third party organisation to develop their guidance.



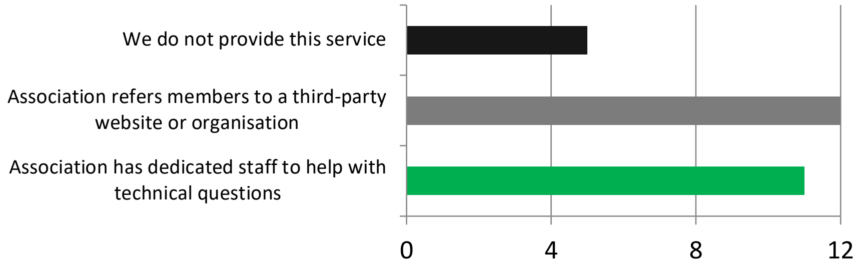
Supply chain management support – risk assessment provision

Only four of the associations interviewed have developed materials to assist their members with risk assessment of sources.



Provision of on-going technical supply chain management support

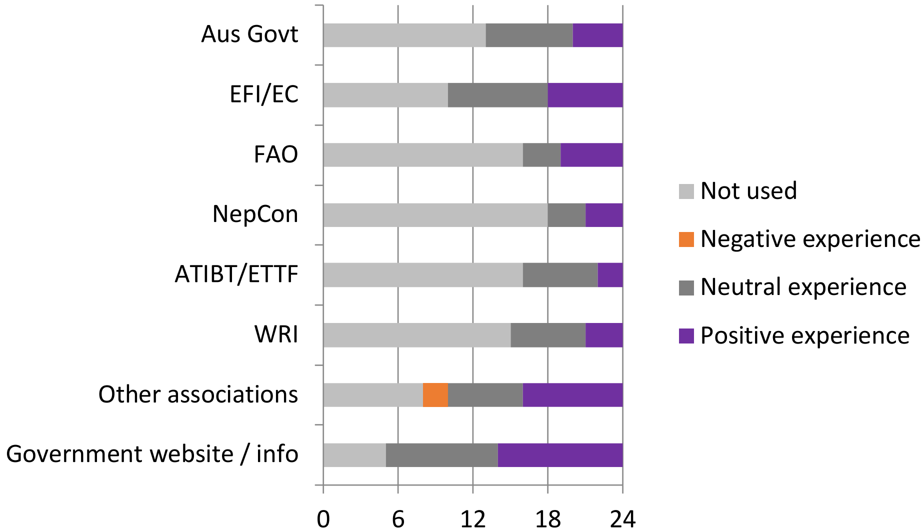
Thirteen of the associations have dedicated staff to support members on supply chain issues or related technical issues. Twelve associations indicated they used a third party organisation to perform this function. For those able to provide data (9) the average cost of providing such support is circa $36,000 USD.



Supply chain management support – risk mitigation advice

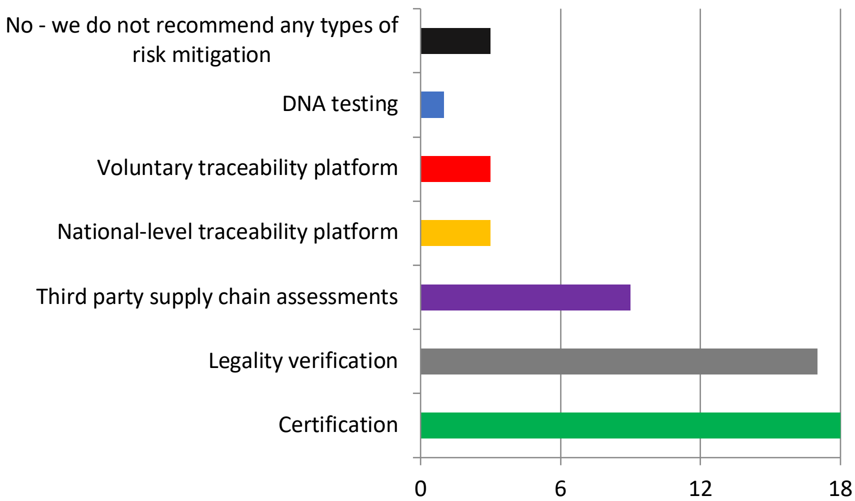
The main sources of external information to provide guidance on risk mitigation were sources provided by government agencies and from other trade associations.

The most positively received sources of information were those created by government agencies followed by other associations and materials prepared for the EC by the European Forestry Institute (EFI).



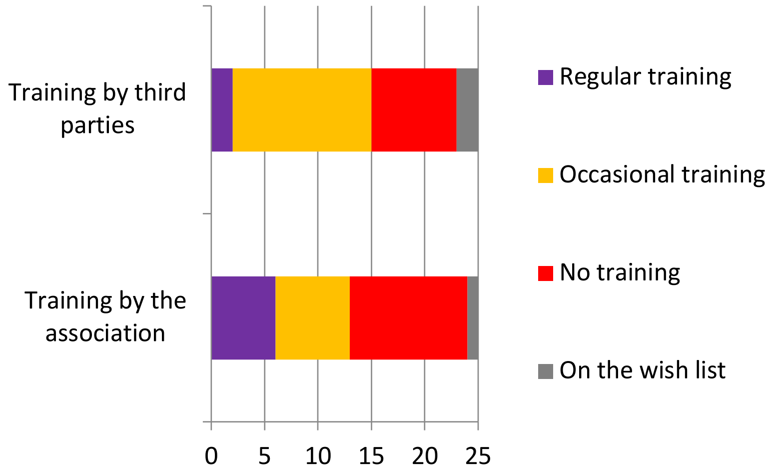
Types of risk mitigation recommended to members

The most common forms of risk mitigation advised to members include certification and legality verification.



Supply chain management support – training offered

The use of third party organisations on an occasional basis predominates across the region. Some associations have developed internal capacity for training and deliver regular programmes.



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