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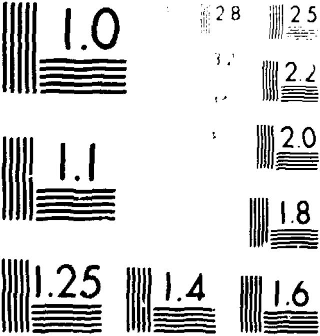
UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
Vienna International Centre, P.O. Box 300, 1400 Vienna, Austria
Tel: (+43-1) 26026-0 · www.unido.org · unido@unido.org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THE WOOD PROCESSING INDUSTRY IN INDONESIA *

by

The Directorate General of Forestry, Jakarta

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I. INTRODUCTION

Indonesia has registered a total forest cover of ± 120 million ha., of which ± 65 million ha. are designated for exploitation as production forests with a potential production of ± 68 million m^3/year from commercial species diametering 50 cm. and up. The major part (90 pct) of the said forest area is located on the islands outside Java/Bali. Belonging to the tropical rainforest type, it contains ± 4,000 species, among which only ± 250 commercial species (± 6 pct.) have been utilized nowadays.

The government has given the right of forest exploitation to concessionaires on the basis of Forestry Agreements.

Under the Forestry Agreement every concessionary is committed to establish a sawmill within 3 years and an integrated wood industry within 7 years at the latest.

In Indonesia large-scale forest exploitation just started in 1969. Until 1979 log production was oriented mostly to exportation. Under the recent government policy on timber, the wood-industrial development, especially the plywood industry, has gained momentum, while log ekspor is to be cut down gradually and is hoped to cease altogether in 1985.

II. DEVELOPMENT OF THE WOOD PROCESSING INDUSTRY IN INDONESIA

By the end of January 1982 the development of the wood processing industry reached the situation as follows:

1. There were 175 units of plywood industries with a capacity of 8,137,600 m^3/year. They were at different stages of development, namely:

Development Stage	Unit	Productive Capacity (m^3/year)
1. In productive operation	32	1,679,000
2. Under construction	43	1,937,700
3. Applying for approval	100	4,520,900

Of the above-stated number estimated, 150 units will eventually emerge as well-established, operative industries with a combined capacity of ± 7.8 million m^3.

2. Sawmills, numbering 348 units with a productive capacity of 10,163,700 m^3/yr., were at the following development stages:

Development stage	Unit	Productive capacity (m^3/yr.)
1. In productive operation	239	7,202,200
2. Under construction	28	869,000
3. Applying for approval	81	2,092,500

The above-mentioned sawmills either belonged to forest concessions or related to them. In addition, there were also a great number of non-concessionary, low-capacity sawmills with no guaranteed raw material supply from forest concessions.

Besides plywood - and sawmills there were also other types of generally small-scale wood processing industries (other than pulp and paper mills) such as those manufacturing door and window-frames, doors and windows, pre-fabricated houses, parquets, chip products, furniture, etc.

III. PROBLEMS

Following are some problems we encounter in the development of the wood processing industry in Indonesia:

1. The management of the conditions of the tropical forests in Indonesia with varying species, per-ha. volume, forest composition and

distribution is far from being an easy job if the aim is optimum utilization.

2. At present the wood processing industry is focused only on plywood and sawmilling industries, whereas other types are still to be developed. The main factors hampering the advancement of industries processing other wood species (primary industry) are, inter alia, the large investment required (also in woodwaste - using industries) and the low selling prices of the products, which have not yet succeeded in finding a ready market.
3. Despite the adequate number and the sufficient capacity of the existing sawmills, their actual capacity has just reached less than 50 pct., which is attributed to the following constraints:
   a. Restricted expansion of overseas marketing channels;
   b. It is difficult for us every time to adjust the quality and size of our products to the different tastes and standards of different buying countries;
   c. Limited ability of the entrepreneurs to modernize their plants;
   d. Inefficacious selection of machinery during the construction of the plants;
   e. Inefficient technical skill and management.

The last mentioned point e applies to sawmills as well as other timber industries.

4. Uncertainty about when the prevailing world economic recession - a result of the energy crisis - will end had had an unfavourable impact on business development in general and the wood processing industry in particular.
5. Incongruity between the distribution of sources of log supplies and that of consumers causes problems in inter-island transportation, especially from the Outer Provinces to Java and Bali. The largest concentration of wood consumers in Indonesia is on Java (± 63 pct. of the national wood consumption), whereas Java and Bali potentially yield merely 1-2 pct. of the total wood production of the country.
6. High cost of production resulting from inefficient exploitation, low productivity, lack of skill and infirm management.

7. Domestic and export marketing problems:

a. Domestic marketing

(1) Inadequate transportation system and infrastructure

(2) Timber from outside Java is generally offered at relatively high prices as a consequence of high economic costs and cost of distribution and marketing so that the commodity is beyond the reach of the people's buying-power.

b. Export

(1) The international timber market is a "buyers' market" characterized by its inherent free-competition practices, which can be so harsh that only strong and bonafide exporters will eventually survive.

(2) The world's wood demand and marketing are heterogeneous, i.e., every country or state has its own specific requirements, demands and taste concerning the conditions it wants so that extensive, accurate, relevant and comprehensive, hence expensive marketing data and information are needed.

(3) Protectionist restrictions posed by other countries be means of import duties, quota systems, binding pre-conditions on quality and non-tariff impositions by the countries or group of countries (EEC, EFTA, COMECON, etc.) concerned.

(4) Sudden price fluctuations resulting from changes in the world's timber market situation following upheavals in the social and political constellation. It is difficult for producers and exporters to get informed of these fluctuations in time to make the necessary quick adjustments to overcome the aftermath.

(5) Indonesian timber commodities are offered at incompetitive prices due to the high economic cost and freight.

(6) Inaccurate and irrelevant marketing date and information and insufficient promotional activities frequently weaken the position of the Indonesian lumberman and exporter.

IV. CONCLUSION

That was in brief the development of the wood processing industry in Indonesia and the problems it has to cope within its struggle for advancement.

From all that has been stated above the following salient point may be underlined in the Indonesian timber industrial development drive; the need for large-scale investments of capital, technology, management and marketing we cannot afford domestically.