

Opening Ceremony Export Furniture Exhibition (EFE) 2015 – 4 March 2015

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SPEECH BY

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OPENING CEREMONY

EXPORT FURNITURE EXHIBITION (EFE) 2015

KUALA LUMPUR CONVENTION CENTRE (KLCC)

WEDNESDAY, 4 MARCH 2015

YBhg. Datuk Himmat Singh

Secretary General

Ministry of Plantation Industries and Commodities

Mr. Chua Chun Chai

President

Malaysian Furniture Council (MFC)

Mr. Richard Ko

Chairman

EFE Expo Sdn. Bhd.

Mr. Sunny Ter

Chairman

ASEAN Furniture Industries Council (AFIC)

Members of Media

Tan Sri-Tan Sri / Datuk-Datuk

Ladies and Gentlemen,

A very good afternoon,

Salam Sejahtera and Salam 1Malaysia.

Let me begin by congratulating the Malaysian Furniture Council (MFC) for their efforts in successfully organising the Export Furniture Exhibition (EFE) 2015. This annual event serves as an important platform for both domestic and international buyers.

2. I also take this opportunity to extend a warm welcome to all of you, especially the participants and visitors from overseas who are here to attend EFE 2015. I do hope that you have a memorable stay in Malaysia.

Ladies and Gentlemen,

3. The timber industry in Malaysia continues to thrive in an increasingly competitive environment and it is one of the significant contributors to the nation's export earnings. In 2014, Malaysia exported timber and timber products valued at RM20.5 billion, an increase of 5.1%, compared to RM19.5 billion in 2013. Within the timber sector, the furniture industry is an important component and accounted for exports of RM8.01 billion in 2014, an increase of 8.8% compared to 2013.

4. My Ministry will continue to facilitate the development of the timber industry, in particular the development and exports of valued added timber products. In this context, the long term target under the National Timber Industry Policy (NATIP) is to achieve exports of timber and timber products valued at RM53 billion by 2020. Out of this target, exports of furniture products is to record an export value of RM16 billion by 2020.

5. I am optimistic that the export performance of the furniture products will continue to grow in the coming years. We need to combine our efforts to strengthen the supply chain, production of new market oriented value added products and explore new markets. The aggregation of these efforts will definitely contribute towards achieving the resilience of the timber industry and achieve our long term target by 2020.

Ladies and Gentlemen,

6. The year 2015 represents an important milestone for ASEAN, as this region will be transformed into an Economic Community. This will provide for free flow of goods with products originating and manufactured in ASEAN member countries enjoying zero duties. In addition, MFC has been given the responsibility and honour of Chairing the ASEAN Furniture Industries Council (AFIC) for 2015-2016.

7. There are opportunities in the growing ASEAN market. ASEAN countries represent the world's third largest regional market with more than 600 million people. In 2014, the Malaysian furniture industry export earnings to ASEAN countries were valued at RM1.03 billion. Singapore, Philippines and Indonesia are the major export destinations in the region.

8. In this context, it is pertinent that MFC use this platform to further expand the furniture industry market in ASEAN region. Malaysian furniture industry players are encouraged to undertake strategic alliances and partnerships, including cross border investment among ASEAN counterparts in order to enhance market competitiveness and production efficiency.

Ladies and Gentlemen,

9. Malaysia, currently ranks as the 8th largest exporter globally and the 3rd largest in Asia. "Made in Malaysia" furniture products are exported to over 160 countries all over the world. The United States remains as Malaysia's top furniture export destination and accounts for 30% of total export of furniture products. This is followed by Japan, Singapore, Australia and United Kingdom. In this context, wooden furniture export earnings contributed to nearly 80% of the total furniture products export earnings in 2014.

10. There is potential for increasing the export value of Malaysian wooden furniture, both in traditional and new markets. The new potential markets include Chile and Algeria. In addition, the Ministry through the Malaysian Timber Industry Board (MTIB) and the Malaysia Timber Council (MTC) is making continuous efforts to increase the global market share for Malaysian furniture. This is being undertaken through among others targeted promotion missions and negotiations under the various Free Trade Agreements (FTA) arrangements which are generally aimed at providing the means to accelerate higher levels of trade liberalisation. This would create effective market access by eliminating and reducing tariff rates and obtaining better terms for rules of origin (ROO) for Malaysian furniture products.

11. Malaysia has established FTAs with a number of countries, including with Japan, Pakistan, New Zealand, India, Turkey, Chile and Australia. In addition, a number of FTAs are being negotiated and I am optimistic with its conclusion, it will provide enhanced access for exports of furniture products from Malaysia, including to countries under the Trans Pacific Partnership Agreement. These include the United States, Peru and Mexico.

Ladies and Gentlemen,

12. My Ministry will continue to work with the industry to address issues of concern and facilitate the development of the furniture industry. Towards this end, we will identify the development of furniture clusters, complete with warehousing facilities and ancillary industries, as well as integrating them with a permanent exhibition cum trade center, to provide a year round sales avenue for Malaysian furniture. This will allow us to mobilize the resources towards transforming the furniture industry.

13. Another major issue that need to be addressed is the labour intensive nature of our furniture industry. In this context, I would like to emphasise the need to strengthen human capital development. My Ministry will continue to implement measures aimed at increasing the supply of skilled and trained manpower for the furniture industry. One of the initiatives being implemented includes collaboration between MTIB and the Ministry of Education through the Technical and Vocational Education Division (BPTV) in implementing Furniture Processing Technology in the Vocational College curriculum. The aim is to create a competitive and competent skilled workforce recognized by the industry. I hope that this will contribute towards increasing the number of skilled labour at the national level from 28% to 50% by 2020.

14. At the same time, in line with the efforts towards reducing dependency of labour, lean management is seen as an appropriate tool to address the workers issue. I believe, with the right level of commitment and planning, some benefits can be seen in a short period of time. I am pleased to inform that MTIB is undertaking this initiative in assisting the timber mills, particularly furniture mills. I was made to understand that the companies which have gone through the lean process has achieved a commendable impact, for instance, reduction of lead time of 50%, that is from 80 hours to 40 hours, as well as cost savings of RM70,000 per month, due to the reduction of energy cost.

Ladies and Gentlemen,

15. I also wish to urge the furniture industry to undertake efforts to transform from Original Equipment Manufacturing (OEM) to Original Design Manufacturing (ODM) and Original Brand Manufacturing (OBM). Currently, the ODM and OBM in the furniture industry is at 53%, as indicated by a survey. In this context, I wish to urge the industry to employ qualified furniture designers with skills and experience, whereby these designers will have a beneficial impact on the companies' performance through improved sales, higher margins and reduced operating expenditure. I am glad to note that MTIB with the cooperation of Malaysian Furniture Promotion Council and Majlis Reka Bentuk Malaysia will be organizing the MOBILI Furniture Design Competition, which has reached the 4th series since its launch in 2012.

16. To complement these efforts, local young designers are also encouraged to participate in the prestigious Milan International Furniture Fair (i-Saloni) under the