



CREDIT OPPORTUNITIES IN FOREST PLANTATION

OBJECTIVES

- To further encourage commercial forest plantations.
- To sustain material supply for the timber industry.
- To increase investment in timber industry.

BACKGROUND

- The export earnings from timber and wood-based products increased to RM22.79 billion in 2008 from RM22.76 billion in 2007 due to higher demand for timber and favourable economic climates.
- In the Third Industrial Master Plan (IMP3), the exports of the timber industry is targeted to grow at an annual rate of 6.4% to reach RM53 billion by 2020.
- The average annual production of logs from forests plantations in Malaysia is estimated at 31.8 million m³ for the period 2006-2020.
- Commercial forest plantations will maintain a sustainable supply of timber and at the same time the natural forests can be reserved for non-timber benefits such as water catchments areas, ecotourism and recreation, biodiversity and germplasm conservation.

SPECIAL PURPOSE VEHICLE

In March 2005, The Ministry of Primary Industries (MPI), (formerly known as Ministry of Plantation Industries and Commodities) was given an important task by the Cabinet to establish a large scale commercial forest plantations in Malaysia. To achieve this aim, a Special Purpose Vehicle, known as the Forest Plantation Development Sdn. Bhd. (FPDSB) was set up on the 13 February 2006 by the Malaysian Timber Industry Board (MTIB).

The main functions of the company are as follows

- To promote the establishment of forest plantations for future timber supply.
- To create a proper trading centre for timbers produced by man-made forests.
- To update MPI on issues pertaining to land, investment opportunities, policies and guidelines and to initiate new investment programmes.

ALLOCATION AND FINANCING

- The government has allocated RM1.045 billion to be given out as soft loan to eligible companies applying to participate in the forest plantation programme.
- For the first phase commencing 2006-2007, RM180 million has been disbursed to MTIB with a repayment period stretching to 20 years.
- For the second phase commencing year 2011-2020, the remaining sum of RM865 million will be further expended.
- FPDSB has been tasked to oversee and monitor the forest plantation programme.
- Total land area of 130,000 hectares have been earmarked for the programme for the next 15 years

The terms and conditions of the soft loan are as follows

Programs	Grace Period (Year)	Payment Period (Year)	Interest Rate (%)	
			Large & Medium Scale	Small Scale
Forest Plantation Development Programme	15	5	3	0.5
Forest Plantation Development Programme - Nursery	2	13	3	
Forest Plantation Development Programme - Bamboo spp	5	5	3	

The quantum of loan given to a successful applicant are as follows:

SPECIES	RATE
Rubberwood	RM10,000 / hectare (Peninsular Malaysia)
	RM13,000/hectare (Sabah & Sarawak)
Forest Species	RM8,000 / hectare
Bamboo	RM10,000 / hectare

CRITERIA FOR ELIGIBILITY

- **Malaysian public listed company** with a minimum of 51% local equity and registered under the Companies Act 1965;
- **For non-public listed company** the equity should be 100% Malaysian owned registered under the Companies Act 1965;
- The company should have a minimum paid-up capital of at least RM500,000.00 (large scale) or not more than 10% from the cost of the proposed project for (small and medium scale)
- **Peninsular Malaysia:** Forest plantation to be developed must be on stateland or alienated land with prior approval from the State Forestry Department and should not be on Permanent Reserved Forests (PRFs) that are gazetted for conservation and as water catchment areas or
- **Sabah:** Only areas that are approved as zones for Industrial Tree Plantation (ITP) under the Sustainable Forest Management Licence Agreement (SFMLA); and
- **Sarawak:** Only areas with a Licence for Planted Forest (LPF)
The land is either own land ownership with a permanent title or a minimum of 30 year leasehold (supported in writing from the State Authority);
- The land has been approved for the forest plantation by the relevant State Authority such as Forestry Department and Department of Environment (supported by

- The land is free from other crops such as palm oil and cocoa and the fund is for the new planting of timber species approved by the Technical Committee only; (see **Table 1**)
- The company should prove to be financially strong with satisfactory and reasonable cash-flow indicating capability for loan repayment;
- The company must have sufficient planting materials for the forest plantation that are approved by the Malaysian Rubber Board MRB) for rubberwood species and Forest Research Institute of Malaysia (FRIM) for other species;
- The company must be able to provide a minimum 10% financing from the cost of the proposed project and
- Companies should not have any adverse borrowing records of borrowing from any financial institutions or government agencies

THE PROCEDURES FOR LOAN APPLICATION

Applicants are required to submit the following documents:

- (1) Application Letter;
- (2) Company Profile;
- (3) Working Paper of the Proposed Project;
- (4) Copies of Form 9, 24 and 49 under the Company Act (to be verified);
- (5) A copy of Memorandum and Articles of Association (to be verified);
- (6) A copy of Land Title [Ownership] (to be verified) or Leasehold Agreement (LA);
- (7) Company's Organisation Chart (Forest Plantation Management Division).

As a guide, the working paper of the proposed project requiring financing should include the following:

- (i) Objective and Scope of the Project;
- (ii) Background of the Project;
- (iii) Project Location and Hectarage (Attach location map)
- (iv) Project Details including species of timber to be planted;

- (v) Prospect of the project
- (vi) Implementation Plan (Date to commencement and end of the project/Planting schedule);
- (vii) Project Costs (List all items and costs in detail);
- (viii) Project financing (Percentage of financing needed);
- Project cash flow for the 15-year period; and
- (ix) Marketing proposal for the timber produce (for own)
- (x) Project cash flow for the 15-year period
- (xi) The company's financial statement for the past three years (to be verified)

Complete application documents can be submitted to:-

Forest Plantation Development Sdn. Bhd. (FPDSB)
Level 9, Menara PGRM 2,
No 8, Jalan Pudu Ulu,
Cheras 56100 Kuala Lumpur

Tel : 03-9282 9000 Fax: 03-9286 1002

OR Malaysian Timber Industry Board (MTIB)
Level 13-17, Menara PGRM, No. 8,
Jalan Pudu Ulu, Cheras, P.O. Box 10887,
50728 KUALA LUMPUR.
Tel : 03-9282 2235
Fax: 03-9285 1477
E-mail : info@mtib.gov.my

written letter from these State Authorities)

For more information please contact:-

- i) Ministry of Primary Industries
Website: www.mpi.gov.my
- ii) Malaysian Timber Industry Board
Website : www.mtib.gov.my
- iii) Forest Plantation Development Sdn. Bhd.
Website : www.fpd.com.my

Table 1: Selected Species for Forest Plantation

Region	Main Species	Additional Species
Peninsular Malaysia	1. Rubberwood (Hevea brasiliensis) 2. Acacia spp. (Acacia mangium / hybrid)	1. Khaya spp. (Khaya ivorensis/ senegalensis) 2. Teak (Tectona grandis) 3. Sentang (Azadirachta excelsa) 4. Bamboo (Semantan, Beting, Beti, Betong & Hitam)
Sabah	1. Rubberwood (Hevea brasiliensis) 2. Acacia spp. (Acacia mangium / hybrid)	1. Kelempayan /Laran (Neolamarckia cadamba) 2. Batai (Paraserianthes falcataria) 3. Teak (Tectona grandis) 4. Bamboo (Semantan, Beting, Beti, Betong & Hitam)
Sarawak	1. Rubberwood (Hevea brasiliensis) 2. Acacia spp. (Acacia mangium / hybrid)	1. Kelempayan /Laran (Neolamarckia cadamba) 2. Batai (Paraserianthes falcataria) 3. Binuang (Octomeles sumatrana) 4. Khaya spp. (Khaya ivorensis/ senegalensis) 5. Bamboo (Semantan, Beting, Beti, Betong & Hitam)

Source: FPDSB