ASSOCIATION SURVEYS FOR KNOWLEDGE (ASK)

THAILAND

October 2018

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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 Australia, 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.

Thailand

The survey of trade associations in Thailand was conducted in September and October 2018.

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

- **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

Summary

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. 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 other 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: by provision of marketing and market data, address legal reform as well as improve the image of the wood-products sector.

These issues reflect the main issues for their members of the association (particular for SMEs) which are changes to policy and legislation and 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 with 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 sector as well as increases compliance costs being higher than they should be for all downstream businesses.

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 are the European Union, USA and Canada. The level of demand from domestic markets for legal timber was estimated at a very low level. Those that recorded demand estimated the level at around one third of that from international markets

Demand 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.

Part 1 – Association profile & capabilities

Geographical coverage

The four Thai associations interviewed draw their membership from within their own country and they operate across the whole country. The focus of their activities is almost exclusively within their own borders.

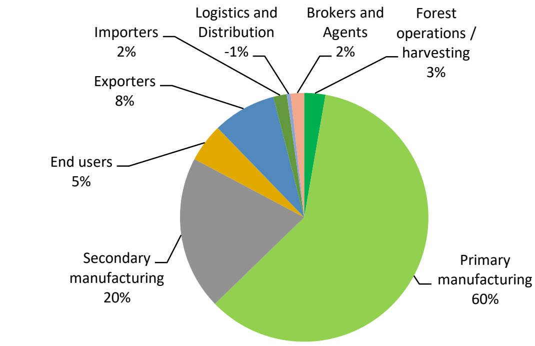
Membership & Services offered

<u>Profile of membership</u>

The associations surveyed have a combined membership of over 503 companies.

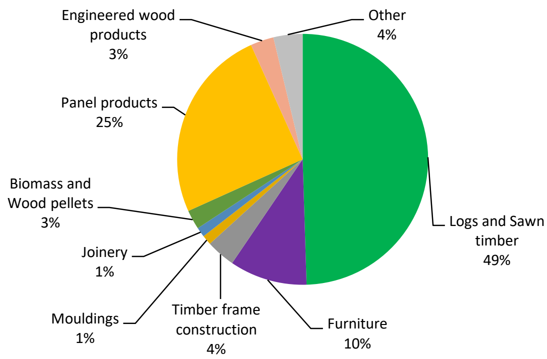
<u>Sectors represented</u>

The membership is dominated by operators in the primary processing sector and secondary manufacturing sector. The associations also represent the whole supply chain from forest managers through to end users, distributors and exporters.



<u>Products traded</u>

The membership is extremely diverse in terms of products traded. Rubberwood logs and sawn wood are the dominate business, followed by panel products and furniture.



<u>Volume traded by members</u>

Only two of the associations were able to provide data about the volume of wood traded by their membership. The total of the two associations' membership was over 40 million cubic metres.

<u>Value of products traded by members</u>

All four of the associations were able to provide data about the value of the wood products traded by their membership – collectively just under $1.6 billion USD per annum.

<u>Capacity - Number of staff</u>

Staff numbers are uniform between the associations and very small. The numbers of full-time equivalent positions across the sample is between two and three.

Technical staff

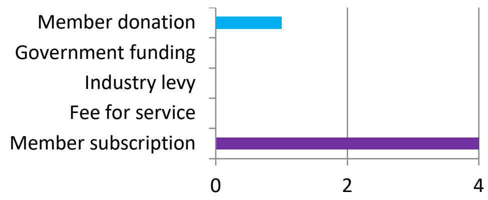
The four associations all have a single staff member available to answer technical questions from the membership. In three associations the president is the core person to take action and responsibility to answer technical questions. In only one association are these issues handled by a manager.

Overall budget

The four associations were able to provide data regarding their annual operating budget. The average across the three associations was just over $53,875 per annum. The smallest budget was $28,000 per annum, the largest $62,500.

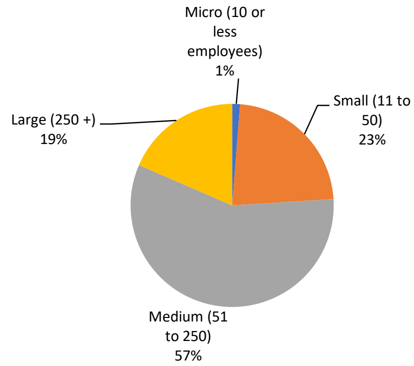
Funding

All of the associations interviewed are funded through membership subscriptions. One also receives funding through member donations.



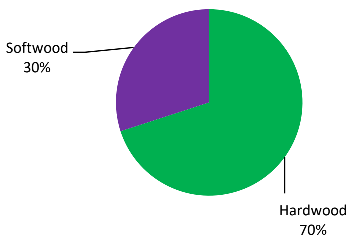
Size of member companies

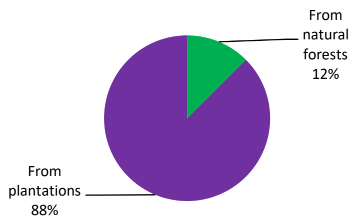
The 500+ members of the associations are dominated by small and medium sized organisations, though 19% of the organisations they represent have more than 250 employees.



Raw material sourcing

The association's members mainly source hardwood, *Hevea* being the dominant species, from plantations. Wood from natural forest is imported as Thailand has banned logging in its natural forests since 1989.

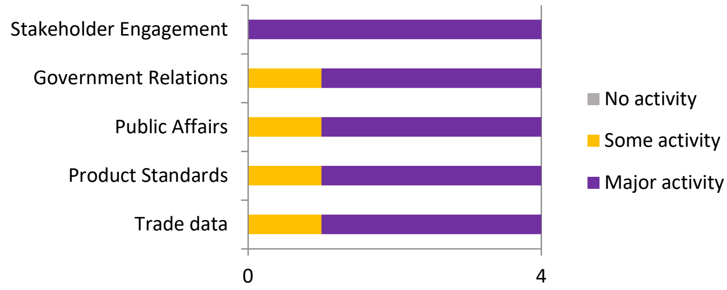




Part 2 – Priorities and challenges in delivering services to members

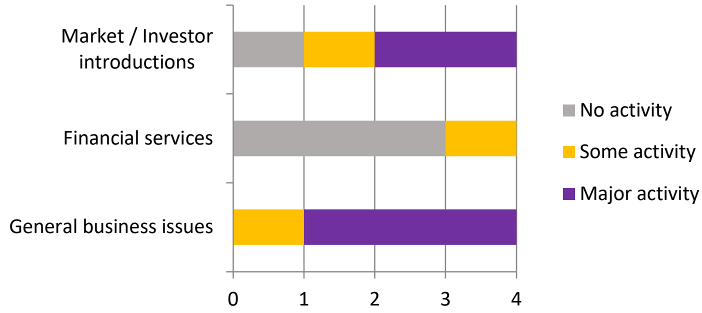
Services currently provided

Across the country the most common services provided are stakeholder engagement though the associations are very active in all other areas.



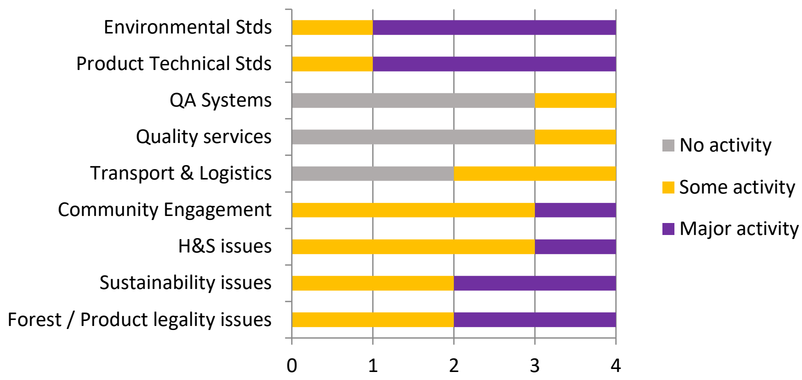
Business services provided

Support for general business issues features as a major activity for all the associations.



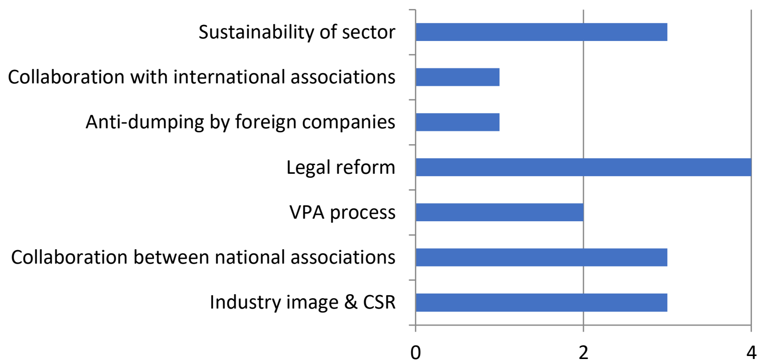
Technical services provided

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



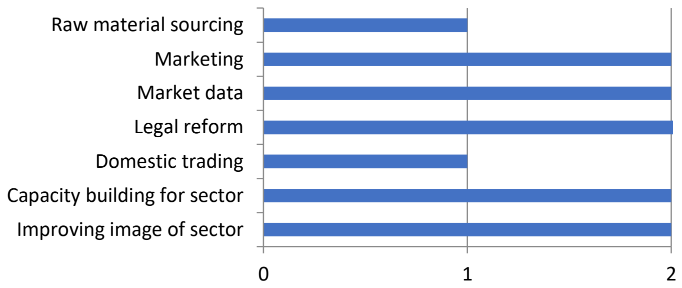
Major issues affecting the associations

The major issues affecting the associations are dominated by legal reform processes, the image of the sector, relations between the associations and other associations and questions around the sustainability of the sector.



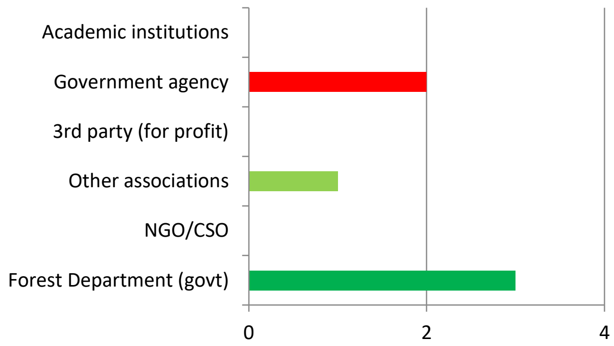
Major challenges faced by the association

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



Technical support – external partners

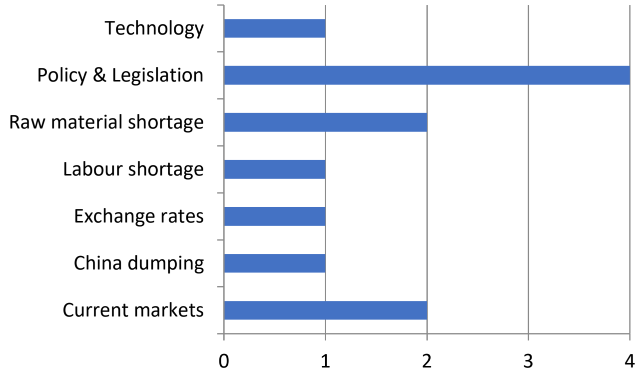
The associations mainly partner with the Royal Forest Department (RFD) or other government agencies.



Part 3 – Challenges faced by membership (particularly SMEs)

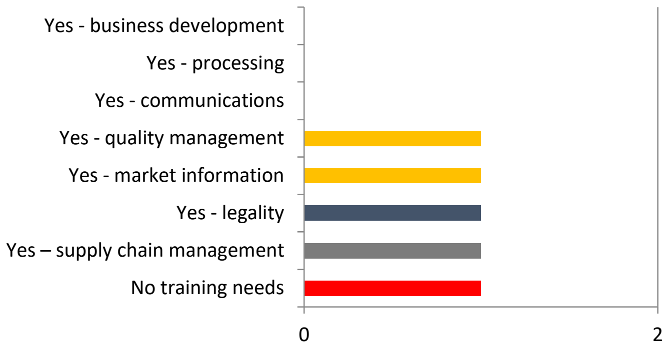
Top challenges for members

The main challenges for members of the associations are changes to policy and legislation, followed by accessing raw materials. This is followed by the challenge of maintaining current markets.



Training needs

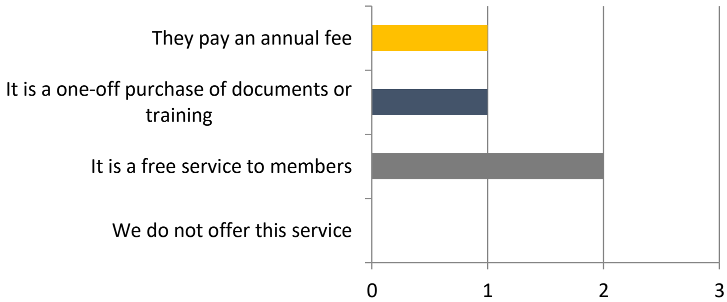
Training needs identified across three areas are diverse. There was no dominant single issue identified.



Training costs

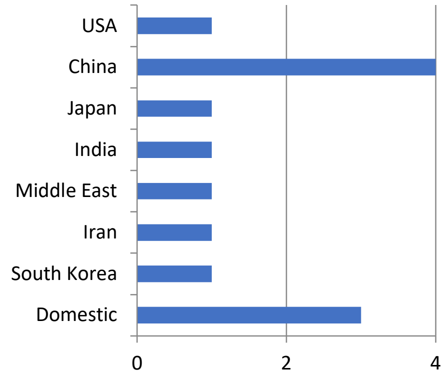
Currently where training services are offered it is commonly free to members.

The associations were able to isolate the costs of training and the average annual budget is estimated at $30,000 per association to provide these services.



Main markets

The associations' members predominately trade in export markets though the domestic market was recognised by three respondents. The dominant export market is China.



Target markets

The majority of association members see the USA, India and Middle Eastern markets as suitable for growth. Expansion of the domestic customer base was also featured.

Exports – challenging issues

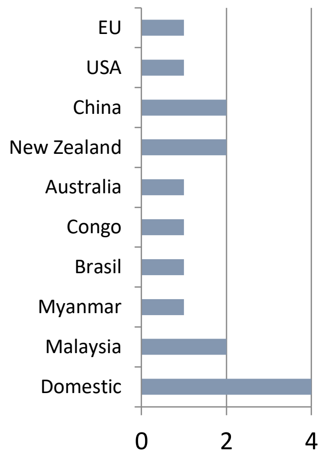
To increase exports or to enter the markets that are targeted the main issues identified are:

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

Part 4 – Analysis of domestic and regional markets

Sourcing

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.

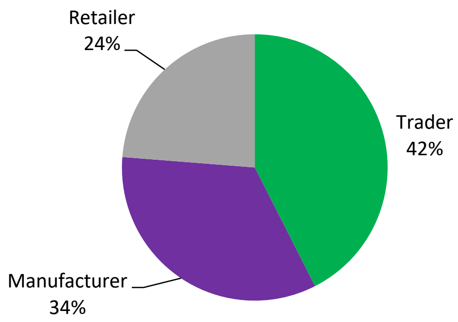


Exports – significance to members

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 66%, the highest estimating 90% of all trade being exports.

Customer profile

The profile of the customers for the memberships varies widely. Across the four associations traders and manufacturers represent the major markets. Retail markets are also of great significance.

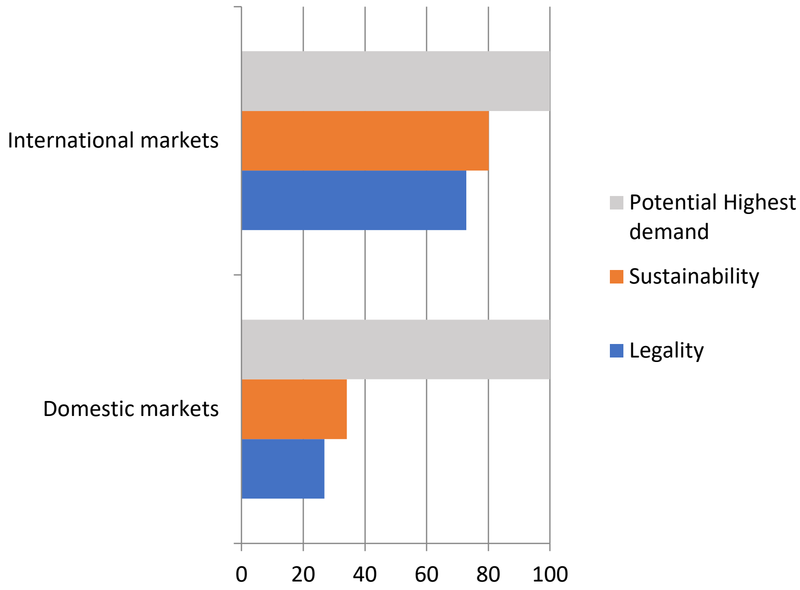


Part 5 – Analysis of international market and customer needs including legality and sustainability aspects

Legality – level of demand from international and domestic markets

For those associations who have members that export the demand 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 at a very low level by the respondents. Those that recorded demand estimated the level at around one third of the level of demand from international markets (on a scale ranging from zero – no demand: to 100 – frequent demand).



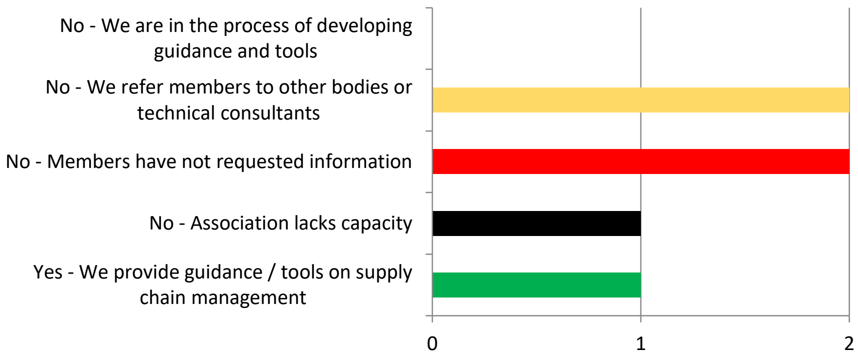
Sustainability – level of demand from international and domestic markets

For those associations who have members that export the demand and questions around sustainability are frequent. The clearest market signals are noted to come from the European Union, USA, Japan and Korea.

Supply chain management support – availability

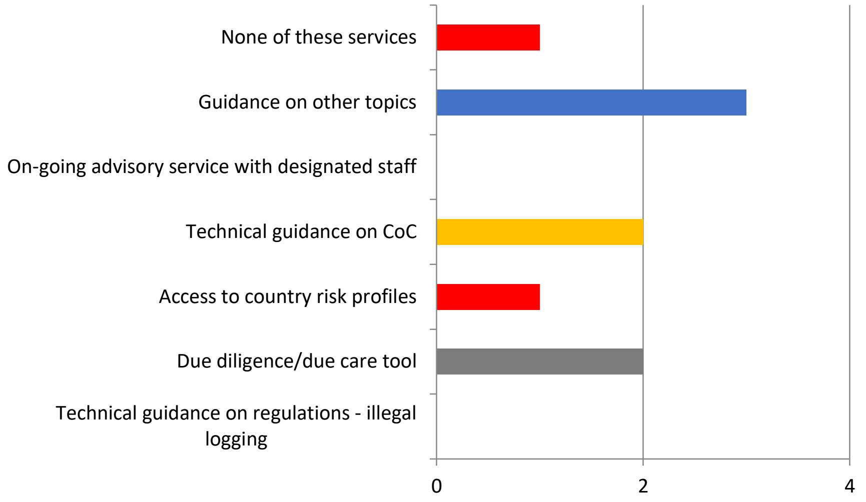
Of the 4 associations surveyed one directly provides support for supply chain management to their members and two refer their members to an external service provider.

Two of the associations noted that they have not been requested by their membership to provide such services.



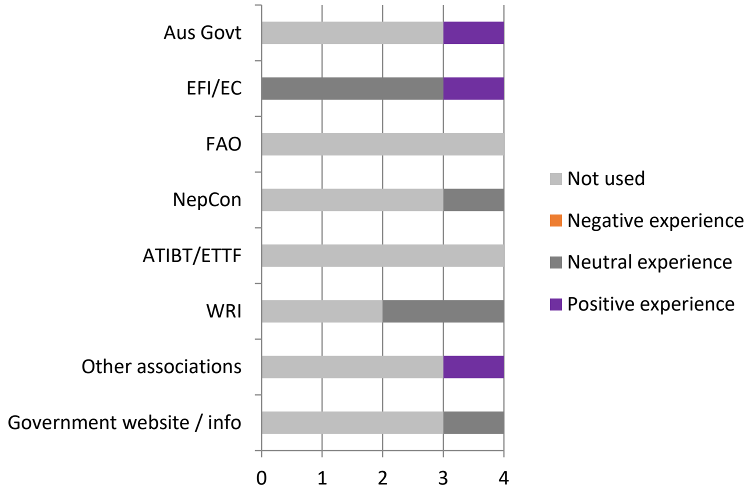
Supply chain management support – risk assessment provision

The associations surveyed provide a wide range of technical support to their members. Technical guidance on chain of custody and practicing due diligence are the main services widely offered.



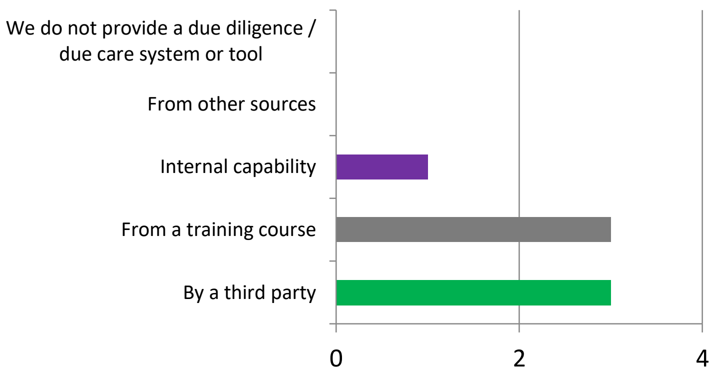
Supply chain management support – risk mitigation advice

The associations generally have not used many of the external sources of guidance which were considered.



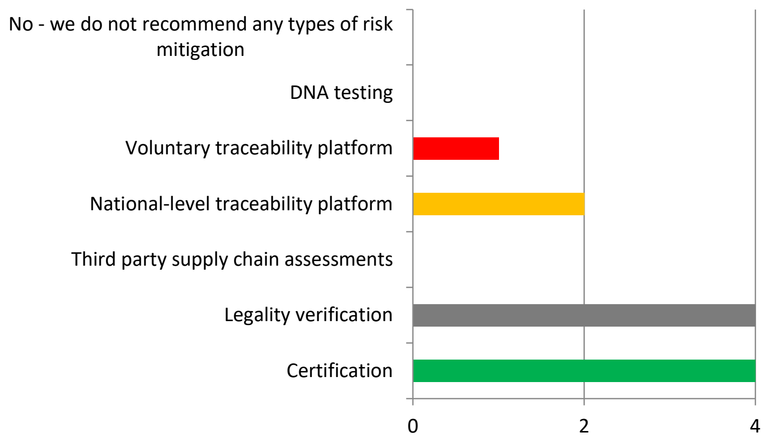
Types of risk mitigation – sources of information

Three of the associations recommend third parties to provide risk mitigation. For those associations offering their own advice they have gained their information from training courses.



Risk mitigation – types recommended

Two types of risk mitigation are generally advised – legality verification and certification.



Supply chain management support – training offered

Most associations offer occasional supply chain management training to their members. This training is almost exclusively offered via third parties.

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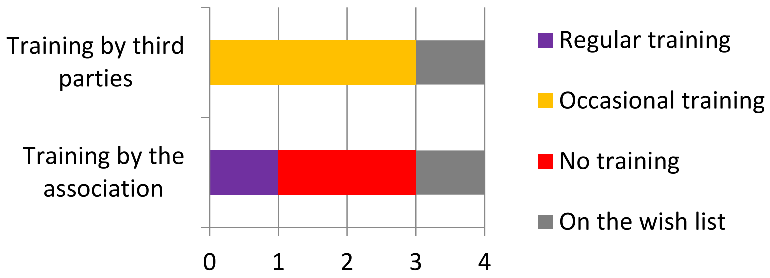

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