Forest Pricing Policy in Malaysia

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The Problem of Forest Pricing

The way in which timber companies pay to use forests can have a profound effect on sustainable forest management. A well-designed pricing policy can help ensure the efficient utilization of forest resources, a long-term sustainable harvest and minimum ecological and environmental damage. Peninsular Malaysia's pricing policy neither produces optimal financial returns for the government nor provides the best incentives for sustainable forestry practice.

Figure 1. Field work in Terengganu, Malaysia

The Need for Better Pricing?

The study was carried out against the background of recent changes in Malaysia's forest industry. The economy has seen a significant shift towards manufacturing while agriculture has been beset with labour shortages, rising wages, and increasing competition from other land uses. The future of the forestry sector in Peninsular Malaysia is open to question and the need for sustainable management more important than ever. In light of this, we decided to look at forest pricing policy to see how it could contribute to improving the overall economic and environmental performance of the sector.

Figure 2. Estimating stumpage value requires data on timber volume, harvesting cost and log price

Policy Impacts

The EEPSEA study in 2003 has highlighted the importance of better pricing policy in capturing economic rent from logging.

- Fixed royalty system: rent capture from logging - averaging 10% of the potential stumpage value
- Stumpage valuation technique: rent capture 65% of the potential prescribed stumpage value
- Policy implication: Tendering system most preferred revenue system
  - Fair market value to both the government and the concessionaires
  - Implemented by some state governments
  - Reduce forest area for logging and hence reduce deforestation.

Institutional Impacts

The research conducted in forest valuation and pricing has resulted significant impact at the national level

- Increase awareness on the values of non-market forest goods and services
- Application of various methods in estimating the economic value market and non-market forest goods and services
- Consideration and recognition of market and non-market values in decision making process at the state and national level
- Incorporation of non-market values in benefit cost analysis (BCA)
- Pricing system for forest goods and services
- Valuation of forest concession in asset valuation for timber company
- Compensation for environmental damage resulting from timber harvesting
- Establishment of Forest Valuation Standard for Malaysia

Academic Impacts

The training and research grants provided by EEPSEA has given me the opportunity to strengthen my knowledge and skills in conducting research in environmental and forest resource valuation in Malaysia.

Administration

- Dean, Faculty of Forestry (2008-2011)
- Think Tank member of UPM Strategic Plan (2010-2015)

Teaching, Research & Consultancy

- Supervision of students - undergraduate and graduate
- Research grants - government and private sector
- Invited speakers – seminars conferences, workshops
- Resource person - forest valuation, statistical analysis, economic analysis, logical framework analysis
- Consultancy work – forest valuation, economic analysis, forest management plan

Committee Members

- International (SEANAFE, APAFRI, APFEN)
- National, University and Faculty levels related to academic, research, networking and student affairs

Awards

- Excellent Service Awards
- Research Exhibition Awards - gold, silver and bronze medals at national exhibition and UPM Research and Innovation Exhibition (PRPI)
- Excellent Consultany Awards 2005, 2008
- Vice Chancellor Award 2009 (Professional Service Category)

Figure 3. Consultancy Vice Chancellor Awards from UPM (2009)

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