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Ministry of Agriculture,  
Forestry and Fisheries



**PD 928/22 Rev.1 (I)**

# **DEVELOPMENT OF SUSTAINABLE DOMESTIC MARKET FOR WOOD PRODUCTS**

The 59th International Tropical Timber  
Council

Pattaya, 13th November 2023

Prepared by:

Directorate of Forest Product Processing and Marketing

Directorate General of Sustainable Forest Management, The Ministry of  
Environment and Forestry of Indonesia



# ORIGIN



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1. National consumption of wood products had increased from 22.1 million m<sup>3</sup> in 2019 to 26.2 million m<sup>3</sup> in 2020, reduced to 23.3 million m<sup>3</sup> in 2021;
2. The COVID-19 pandemic has slowed down economic development has resulted in the reduced average income of citizens that caused the postponement or cancellation of many planned spendings including building construction using wooden materials, pointing out three critical conclusions:
  - **Exports of primary wood products are highly vulnerable to economic shocks.**
  - The focus and strong dependency on unprocessed wood products should be reconsidered to chance forest sector resilience in the future.
  - Domestic consumption may become a stabilizer for timber production in Indonesia.
3. The **sluggish development of consumption** in recent years has to be addressed with the main purpose of **promoting strong and resilient domestic consumption** to be the stabilizer of economic shock in the sector.
4. **ITTO PD 928/22 Rev.1 (I)** aims to promote the development of the domestic market for wood products through increased **resilience of consumption, enhanced supply chains, and improved government policies.**

# KEY PROBLEM

- 1. Denied consumers' taste and preference for wood products by the market
- 2. Weak institutional arrangement for raising consumption of wood products



Information on consumption of wood products & enriched products, penetration of substitutes, strategy & advantages of wood products

Absence of a national council to supervise domestic use, policy intervention construction sector, infrastructure & outreach program



Sluggish development of domestic consumption for wood products



Weakened growth of national wood industry



Diminished contribution of the industry to national economy

# PROJECT AREAS



JAPAN GOV  
THE GOVERNMENT OF JAPAN

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Map of Project Areas

# PROJECT AREAS (continued)

## Project Areas

### 1. West Java Province:

Population: 49.9 million (25.5 million are young generations); Capital city: Bandung; GDP/capita: US\$38.6 million; Area 35.378 km<sup>2</sup>; Forest Area: 776.830,83 Ha; Wood facility: 1,323 units; **The biggest wood products exporter (US\$426 million or 3.41 percent of total export) consisting of pulp, paper, panel, furniture, woodworking, veneer, woodcraft and woodchip.**

### 2. East Java:

Population: 40.7 million (19.6 million are young generations); Capital City: Surabaya; GDP/capita: US\$43.5 million; Area: 47.800 km<sup>2</sup>; Forest Area: 2.042.511 Ha; The 4<sup>th</sup> biggest timber producer; Wood facility: 10,120 units; **The 2<sup>nd</sup> biggest wood product exporter (US\$868.74 million of 17.84 percent of total export) consisting of paper, pulp, panel, furniture, woodworking, veneer, woodcraft and woodchip.**

### 3. Central Java Province:

Populations: 36.7 million (18.1 million are young generations); Capital City: Semarang; GDP/capita: US\$25.4 million; Area: 32.801 km<sup>2</sup>; Forest Area: 1.3 million Ha; The 5<sup>th</sup> biggest timber producer (mostly from private forest); Wood facility: 2,000 units; **The 3<sup>rd</sup> biggest wood product exporter (US\$1.91 billion or 14.07 percent of total export) with the products consisting of paper, pulp, panel, furniture, woodworking, veneer, woodcraft and woodchip.**



# “DEVELOPMENT OF SUSTAINABLE DOMESTIC MARKET FOR WOOD PRODUCTS” PD 928/22 Rev.1 (I)

**Executing Agency:** Directorate General of Sustainable Forest Management, The MoEF

### DURATION



**18 months**  
(July 2023-Dec 2024)

### BUDGET



- ITTO: \$261,811
  - GOI: \$23,880 (in-kind)
- ITTO Budget:  
Project cost \$ 213,760  
Year 1 \$ 131,890  
Year 2 \$ 81,870
- 1st installment: \$75,000  
Budget statement: \$ 40,211.29

### STAKEHOLDERS



SMEs, Overseas Cooperation Bureau (MoEF), Planning Bureau (MoEF), DG SFM, universities, MoI, MoT, Ministry of Public Works and Housing, National Public Procurement Policy Agency, Provincial Forestry Agencies, Forest Associations

# OBJECTIVES & PROGRESS



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**Development objective (after 3 years of completion):**

To increase contribution of the wood industry by 3% to GDP economy through strengthened growth of the industry

**Specific objective:** To promote strong and resilient domestic consumption of wood products

Project elements	Measurable indicator/Expected Outcomes	Progress
<p><b>Output 1</b> Increased capacity of domestic market to satisfy consumer's need for wood products</p>	<ul style="list-style-type: none"> <li>• A preliminary study by conducting survey on domestic wood consumption completed in first semester</li> <li>• Salient features of substitute products documented in first semester</li> <li>• 5 new wood products sold in domestic markets since 3rd semester</li> <li>• A mid-term national strategy for development of wood product ready for MoEF's endorsement</li> <li>• 6 consumer education sessions by conducting exhibition completed by end of 3rd semester</li> </ul>	<ul style="list-style-type: none"> <li>• 40%</li> <li>• 40%</li> <li>• 40%</li> <li>• <b>YPO2</b></li> <li>• 40%</li> </ul>
<p><b>Output 2</b> Enhanced institutional arrangements for steadily rising domestic consumption of wood products</p>	<ul style="list-style-type: none"> <li>• A national council on domestic market for wood products established in first semester and operational since 2nd semester</li> <li>• First draft policy interventions on use of wooden materials ready for review at national level by end of 2nd semester</li> <li>• First draft policy incentives for investment in collective facilities for wood processing ready for endorsement by MOEF by end of 3rd semester</li> <li>• Sharing of information and experience in development of domestic consumption implemented by ITTO secretariat</li> </ul>	<ul style="list-style-type: none"> <li>• 0%</li> <li>• 0%</li> <li>• 20%</li> <li>• 0%</li> </ul>

# PROGRESS



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Entry meeting and internalization with Executing Agency in February and July 2023



Coordination with PTC in the project locus in August 2023



The 1<sup>st</sup> PSC & PTC Meeting on 4 September 2023



1<sup>st</sup> Field visit with EA & Projects Managers ITTO on 5-7 September 2023



Coordination with Sub-con Candidates in September 2023



The appointment of Sub-cons & National Consultant in October 2023



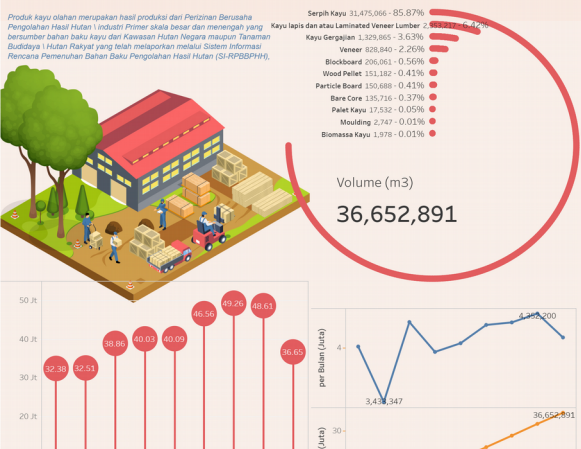
# CHALLENGES: THE DOMESTIC MARKET



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## PRODUKSI KAYU OLAHAN



Data supply & integration



Market intelligence



Integration with upstream



Support from the government (regulation, technology and infrastructure, expo, continued certification, market)



Sistem Informasi Legalitas dan Kelestarian (SVLK)  
Sustainability and Legality Information System



Policy integration

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# DOMESTIC MARKET FOR WOOD PRODUCTS FOR PEOPLE'S WELFARE

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