

AGARWOOD MARKET REPORT

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ABSTRACT

Agarwood is known as the most expensive wood in the world with its high value of culture and religion, as well as its wide usage in medicine, and fragrance and cosmetics. Currently, agarwood products specifically agarwood oil or oud can only be obtained from three sources, from the dwindling supply of the natural forests, sustainable plantation, and adulteration. The top ten export destinations are United Arab Emirates, Singapore, Malaysia, India, Laos, Japan, China, Taiwan, Oman, and Hong Kong. The global agarwood market is currently estimated at a minimum of USD \$6 billion dollars (Selina Akter, Md Tahir Islam, Mohd Zulkefeli, 2013), and can reach to 12 billion of market value (Capital, 2016a; Chetpattananondh, 2012). The fragrance market in the Middle East and North Africa as among the biggest market is predicted to increase to a value of 6 billion USD in 2018 (25.9%), and 2 billion USD (40.4%) in Saudi Arabia (Euromonitor, 2016). The global agarwood essential oil market is estimated to grow at the Compound Annual Growth Rate (CAGR) of 4.2% during 2016-2022 (Store, 2017). There is no clear grading and pricing standard for agarwood and agarwood products in the global consumer market. The traders fully rely on any of the eight grading techniques applied by the industry players. Supply rates are only 40% of the demand and a litre of Agarwood oil can be sold for around \$US10, 000 - 14,000 on the market (Colombogazette, 2016; Institute, 2007). The main leaders for cultivated agarwood are *Ajmal India*, *Treedom Thailand*, and *Asia Plantation Capital*. These companies require a time consuming planning and rigorous effort through professional management and long-term planning over a 7-year period. Synthetic agarwood producers are *Firmenich* and *Givaudan*. The volume sold per year is 4,870 litres in 2012 which is mainly used for perfume and cosmetics (Euromonitor, 2016). One company that is closely competing with *Evolva* is *Efflorus*, a company from Canada. They claim to launch their 'bio-oud' in the market by 2017 (Synbiowatch, 2016). There is likely a competition for biosynthesized agarwood after considering several important factors. Biosynthetic production of agarwood is the only sustainable way to keep agarwood alive. Agarwood has a long history in Malaysia along with more than 18 countries of trading worth millions of US dollars every year (MTIB, 2017). Nonetheless, there are a number of factors that inhibits the growth of this industry where in fact, Malaysia is one of the main producers of agarwood in the world. Thus, this study explores the position of Malaysia in the global agarwood industry while identifying the issues pertaining the industry. This study also suggests a few recommendations to ensure a sustainability agarwood industry in Malaysia.

ABSTRAK

Agarwood dikenali sebagai kayu yang paling mahal di dunia dengan nilai budaya dan agama yang tinggi, serta penggunaannya yang luas dalam bidang perubatan, wangian dan kosmetik. Pada masa ini, produk gaharu khusus minyak agarwood atau oud hanya boleh diperolehi dari tiga sumber, dari penyusutan bekalan hutan semula jadi, perladangan lestari, dan pencemaran. Sepuluh destinasi eksport teratas ialah Emiriah Arab Bersatu, Singapura, Malaysia, India, Laos, Jepun, China, Taiwan, Oman, dan Hong Kong. Pasaran gaharu global kini dianggarkan sekurang-kurangnya USD \$ 6 bilion dolar (Selina Akter, Md Tahir Islam, Mohd Zulkefeli, 2013), dan boleh mencapai 12 bilion nilai pasaran (Modal, 2016a; Chetpattananondh, 2012). Pasaran wangi di Timur Tengah dan Afrika Utara sebagai antara pasaran terbesar dijangka meningkat kepada nilai 6 bilion USD pada 2018 (25.9%), dan 2 bilion USD (40.4%) di Arab Saudi (Euromonitor, 2016). Pasaran minyak pati minyak dunia dianggarkan berkembang pada Kadar Pertumbuhan Tahunan Kompaun (CAGR) sebanyak 4.2% pada 2016-2022 (Kedai, 2017). Tidak ada piawai penarafan dan penetapan harga yang jelas untuk produk gaharu dan gaharu dalam pasaran pengguna global. Pedagang bergantung sepenuhnya pada mana-mana teknik gred yang digunakan oleh pengusaha. Kadar bekalan hanya 40% daripada permintaan dan satu liter minyak Agarwood boleh dijual sekitar \$ US10, 000 - 14,000 di pasaran (Colombogazette, 2016; Institut, 2007). Syarikat-syarikat besar untuk gaharu yang ditanam adalah Ajmal India, Treedom Thailand, dan Asia Plantation Capital. Syarikat-syarikat ini memerlukan perancangan memakan masa dan usaha yang ketat melalui pengurusan profesional dan perancangan jangka panjang dalam tempoh 7 tahun. Pengeluar gaharu sintetik adalah Firmenich dan Givaudan. Jumlah dagangan yang dijual setahun adalah 4,870 liter pada tahun 2012 yang kebanyakannya digunakan untuk minyak wangi dan kosmetik (Euromonitor, 2016). Satu syarikat yang bersaing dengan Evolva adalah Efflorus, sebuah syarikat dari Kanada. Mereka mendakwa melancarkan 'bio-oud' mereka di pasaran menjelang 2017 (Synbiowatch, 2016). Terdapat kemungkinan persaingan untuk gaharu biosynthesized setelah mempertimbangkan beberapa faktor penting. Pengeluaran biosintetik gaharu adalah satu-satunya cara untuk mengekalkan agarwood hidup. Agarwood mempunyai sejarah yang panjang di Malaysia bersama dengan lebih daripada 18 negara (MTIB, 2017). Walau bagaimanapun, terdapat beberapa faktor yang menghalang pertumbuhan industri ini walaupun Malaysia adalah salah satu pengeluar utama gaharu di dunia. Oleh itu, kajian ini meneroka kedudukan Malaysia dalam industri gaharu global sambil mengenal pasti isu-isu berkaitan industri. Kajian ini juga mencadangkan beberapa saranan untuk memastikan industri gaharu mampan di Malaysia.

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LIST OF ABBREVIATIONS

CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
EA	East Asia
MEA	Middle East Asia
UAE	United Arab Emirates
EU	Europe
SEA	South East Asia
NA	North East
MTIB	Malaysian Timber Industry Board
FRIM	Forest Research Industry Board
CGAR	Compound Annual Growth Rate
IFEAT	International Federation of Essential Oils and Aroma Trade
COP	Conference of Parties
SKU	Stock Keeping Units
APC	Asia Plantation Capital

CHAPTER ONE

PRESENT GLOBAL AGARWOOD MARKET

1.1 THE AGARWOOD MARKET

The global agarwood market is currently estimated at a minimum of USD \$6 billion dollars (Selina Akter, Md Tavir Islam, Mohd Zulkefeli, 2013), and can reach to 12 billion of market value (Capital, 2016; Chetpattananondh, 2012). The market structure of agarwood is oligopoly, as a small number of producers have the large majority of the market share. Presently, there are at least 12 countries involved in the international trade; which are Malaysia, Indonesia, Thailand, Laos, Singapore, China, France, Hong Kong, India, Japan, Cambodia, Korea, Kuwait, United Arab Emirates, Bahrain, Great Britain, Saudi Arabia and the United States (CITES, 2014). Top agarwood importing countries are in the region of Middle East (ME), Europe (EU), East Asia (EA), Southeast Asia (SEA), and North America (NA) (Antonopoulou, Compton, Perry, & Al-Mubarak, 2010) Top agarwood importing countries in these regions are summarized in Table 1.1;

Table 1.1: Top Importing Countries

Region	Top Importing Countries
ME	UAE (Dubai), Bahrain, Kuwait, Qatar, Oman, Saudi Arabia
EU	Switzerland, France, United Kingdom
EA	China, Hong Kong, South Korea, Japan, Taiwan
SEA	Singapore, Thailand, Cambodia, Vietnam, Malaysia, Indonesia
NA	United States of America

(Antonopoulou et al., 2010)

These countries are where demand for agarwood products is at the most. Oud Cambodi is perceived as the most valued agarwood in the market (wood chips and oil), before Oud Hindi. This is verified by 25 percent of the respondents where Oud Cambodi is in fact comes from a combination of all producers. It is also verified by Oud (2012), one of experts in Oud. Agarwood is exported in various forms which are wood chips, powder, essential oil and as finished products such as perfumes, incense, medicine and many more (BGCI, 2017). But the most common form of the agarwood traded is woodchips. However, only 10-20 percent of the agarwood can be obtained into chips. World agarwood market consists of 2 main markets, namely traditional market and new market (MTIB, 2012).