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### Report

Indonesia is a large market for forestry products, importing NZ\$5.5 billion in 2019. Whilst majority of this trade is pulp and paper, the remaining NZ\$818 million wood imports comprise mainly sawn timber (NZ\$205 million), fuel wood (NZ\$199 million), and logs (NZ\$82 million).

New Zealand is the fifth largest exporter of wood to Indonesia, accounting for 6.6% of the market, shipping sawn timber (NZ\$ 29.5 million, 14% of the market) and fibreboard (NZ\$24.9 million, 40% of the market). Indonesia is a promising market for New Zealand, though currently only our 11th largest export destination for wood and wood products, taking 3.9% of our sawn timber and 5.6% of our fibreboard.

Indonesia itself is a huge exporter of forestry and forest products, exporting NZ\$16.6 billion of products in 2019 primarily to China, Japan, and the United States. Indonesia's main export market is focused on teak, mahogany, and other Indonesian hard wood for export.

The key barrier to Indonesia timber imports is the Restriction and Limitation (LARTAS) regime. Importers are required to submit surveyor reports and other permits from relevant ministries (e.g. the Ministry of Environment and Forestry), these document requirements vary based on HS codes. In addition, there are also restrictions on the import of log wood.

Indonesia has a well-established local timber industry and significant wood resources for most wood types, i.e. hard and soft woods, as well as local pinewood. For pricing, pinewood is widely acknowledged for its affordable price compared to other wood. Pinewood board is sold through online channels with varied prices depending on size (NZ\$2-20). Quality is less of a concern to the Indonesian market, as an illustration recycled pallet wood is commonly accepted for industrial interior use. Understanding that New Zealand's pinewood is a higher quality impacts the pricing considerations and deeper market research is required from New Zealand exporters looking to access the target market.

According to the local wood association, the wood industry in Indonesia is experiencing a major downturn due to the COVID-19 pandemic. Wood manufacturers are experiencing significant revenue drop from both domestic or export markets. Under pre-COVID conditions, most local suppliers relied on the export market. Revenue in the industry has dropped to 30% with work only coming from installed capacity or existing projects, not through new opportunities.

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