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**THE CHAIN-OF-CUSTODY CERTIFICATION TREND IN MALAYSIA SINCE 2001 TO 2009 UNDER  
THE MALAYSIAN TIMBER CERTIFICATION SCHEME**

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**Abstract:** *The impact of uncontrolled deforestation of tropical forest in areas with high biological diversity is an important factor that leads to the introduction of “environmental certification” so call Chain-of-Custody (CoC) certification. COC is a system that allow consumer to track back the “tree” that has been transformed to the final product. Tracking start from the seller, distributor (warehouse), manufacturer, primary and secondary processor (milling) to the forest that has been awarded with a Forest Management Certificate (FMC). At this moment thought this certification is the best tool in controlling the deforestation globally. This study will further explain the CoC certification trend under Malaysian Timber Certification Scheme (MTCS) in Malaysia and its relation with the initiatives taken by Malaysian Timber Certification Council (MTCC) since year 2001 to 2009. Information on CoC certificate awarded to wood-based industry in Malaysia since year 2001-2009 were collected from MTCC, newsletter, annual report, local news paper and internet. This secondary data were then compiled and analyzed using descriptive analysis.*

**Keywords:** *Chain of custody, certification, malaysian timber certification council*

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## INTRODUCTION

Environmental certification is the best tool to promote good forest management in order to minimise deforestation, helping to alleviate poverty, protecting reserved watershed and water quality, preserving nature and sustaining continuous supply of forest resources. Besides that, it is also a way to improve the economy as it can be use as a marketing tool to enhance international market share. [1,2]. CoC certificate is a global recognition given to the wood-based industry that have been producing wood product based on the requirement set by the 'green' organasation that concern toward environment [10,14].

Presently, there are two international 'green' organizations that are actively engaged in the *environmental certification* issue, they are Program for Endorsement for Forest Certification (PEFC) and Forest Stewardship Council (FSC). In Malaysia, Malaysian Timber Certification Council (MTCC) was established since the year 1999 to develop and operates the Malaysian Timber Certification Scheme (MTCS) that barely focus on the *environmental certification* issue [3, 4, 13]. Starting from 1st July 2008, MTCC plays the role of the National Governing Body (NGB) for their scheme as a new institutional arrangement under PEFC. MTCS offers two types of certificates; they are Forest Management Certification (FMC) and *Chain-of-Custody Certification (CoC)* [5].

Since MTCC operates MTCS from 2001 until 2009-, there were only 148 out of 4830 wood based industries that had been award with *CoC* certification [6]. These wood-based industries are consist of sawmills, plywood or veneer mills, moulding plants, furniture mills and trading companies related with wood product. Previously, under the *Requirement and Assessment Procedure for Chain-of-Custody (RAPCOC)* and *Requirement for Chain-of-Custody (RCOC)*, the CoC certificate has to be renewed after five years. Now, the certificate has to be renewed after three years following the regulation under PEFC. Since the scheme is self voluntary, they are free to continue to renew the certificate if they require it. This paper is shows the trend of CoC certificates awarded to wood based industries in Malaysia.

## MATERIAL AND METHODS

### **Data**

Information on CoC initiative activities and numbers in certificate awarded to the wood-based industries in Malaysia since 2001-2009 were gathered from MTCC, newsletter, annual report, local news paper and web sites [7].



Table 1, show the trend of CoC certificate that has been award to the wood-based industries in Malaysia start from 2001 until 2009 based on the resource gathered.

Year	No. of Certificate Holders
2001	16
2002	10
2003	11
2004	18
2005	20
2006	13
2007	13
2008	20
2009	27

**Table1: Numbers of certificate awards start from 2001 until 2009 under MTCS by MTCC**

### Analysis

The secondary data gathered from the selected resource then compiled and analyzed using descriptive analysis. The output from the analyzed data was presented in a form of bar chart.

### Findings

Through the data gathered from the various information's, two outcomes had been established.

Table 2, show the initiatives taken by the MTCC in promoting and encouraging local wood based industries in Malaysia to take part in MTCS since 2001 until 2009.

**Table 2: Initiatives done by MTCC to encourage local wood-based industries in acquire the CoC certification under MTCS [8]**

Year	Activities
2001	<ul style="list-style-type: none"> <li>• Organise first Training programme on CoC Certification to create a pool of trained local auditors for CoC Cert under the scheme (RAP/COC)</li> <li>• First meeting of multi-stakeholder National Steering Committee (NSC) – 24 April</li> <li>• Finalisation of RAP/COC as the CoC standard – May</li> <li>• MTCCs Certification Committee holds its first meeting and issues <i>Certificate for Forest Management</i> to Pahang, Selangor and Terengganu FMUs and <i>Certificate for Chain of Custody</i> to 16 companies</li> <li>• Drew up strategy and programmed from 2002-2004 to promote to</li> </ul>



	MTCS in Western Europe, Australia and USA markets.
<b>2002</b>	<ul style="list-style-type: none"><li>• Launching ceremony of MTCC scheme officiated by Dato' Seri Dr. Lim Keng Yaik, Minister of Primary Industries – 31 January</li><li>• Participate in Malaysian Timber Certification Mission to Europe – 4 to 10 June</li><li>• MTCC becomes member of PEFC – 22 November</li><li>• Promote MTCS at Germany The Netherland, Belgium and UK</li></ul>
<b>2003</b>	<ul style="list-style-type: none"><li>• Mission to Europe – 26 May to 5 June</li><li>• Issuance of MTCC <i>Certificate for Forest Management</i> to Johor, Perak, Negeri Sembilan &amp; Kedah FMUs [using <i>MC&amp;I (2001)</i>] – 6 October</li><li>• Appointed Kaiser Communication GmbH (German) and Weber Shandwick Netherlands B.V (Dutch) to carry out public relation activities on behalf of MTCC</li><li>• Set up MTCC-Hamburg Project (Hamburg Round table on the MTCS)~in promoted MTCS in other certification Scheme</li></ul>
<b>2004</b>	<ul style="list-style-type: none"><li>• Arrange field tests of <i>MC&amp;I (2002)</i> in Peninsular Malaysia, Sabah and Sarawak – February to May</li><li>• Organise “Parliamentary Evening in Berlin” – 16 June</li><li>• Establish National Consultation on the Review of <i>RAP/COC</i> and finalization of new standard, the <i>Requirements fo Chain of Custody Certification (RCOC)</i> – 25 to 26 August</li><li>• Issuance of MTCC <i>Certificated for Forest Management</i> to Kelantan and Sela'an Linau FMUs [using <i>MC&amp;I (2001)</i>] – 5 July &amp; 18 October</li></ul>
<b>2005</b>	<ul style="list-style-type: none"><li>• Finalized <i>Assesment Procedures in using the Requirements for Chain of Custody Certification (RCOC)</i> – January</li><li>• Organise first training on RCOC in March &amp; June</li><li>• Organise “Parliamentary Evening in London” – 24 January</li><li>• Participate in Economic and Technical Timber Mission to New Zealand and Australia –April</li><li>• Start to promote the MTCS using advertisements and through publication (local and oversea)</li><li>• Encourage to use of <i>MC&amp;I (2002)</i> as <i>Forest Management Standard</i> – October</li><li>• Organise Parliamentary Evening in The Hague – 16 November</li></ul>
<b>2006</b>	<ul style="list-style-type: none"><li>• Announce implementation of new institutional arrangement for MTCC Scheme</li><li>• Set up the Joint Project Between MTCC and The City of Hamburg, Germany on <i>MC&amp;I(2002)- Free and Hanseatic City of Hamburg (FHH), Germany. The FHH will then accept certificates issued by certifiers accredited by MTCC.</i></li><li>• Announce importers in Europe can now be certified under the MTCC Scheme</li><li>• Dialogue Session with Certificate Holders which agenda as; ✓ <i>Activities undertaken to promote MTCC-certified timber products.</i></li></ul>



	<p>✓ <i>issues related to the green premium for certified products, <b>incentive</b> to promote the exports of MTCC-certified products, and <b>efforts to encourage</b> more timber companies to apply for CoC were discussed</i></p> <ul style="list-style-type: none"><li>• Malaysian Timber Mission Promotes MTCC Scheme in Brussels, The Hague and Berlin,</li><li>• Encourage certificate holder use of RCOC as CoC standard – 1 January</li><li>• Announcement on implementation of new institutional arrangement for MTCC scheme – 30 June</li><li>• First issue of newsletter, MTCC News – 31 August</li><li>• Participate in Malaysian Timber Mission to Europe – 24 to 30 September</li><li>• Institute first review of MTCC scheme by CPET, UK. All MTCC – certified timber products considered to meet the requirement for legality – 18 December</li><li>• Training on FM and CoC Certification auditors follow Standards Malaysia requirement</li></ul>
<b>2007</b>	<ul style="list-style-type: none"><li>• Participate in International Green Week Fair, Berlin (19 to 29 January 2007)</li><li>• Participate in MIFF 2007 Industry Seminar Series</li><li>• MTCC scheme announced been included in Dutch Public Procurement Policy</li><li>• Tax Deduction allowed on expenses incurred in obtaining MTCC Chain-of-Custody Certificate ~ all expenses incurred by companies in obtaining the MTCC COC certificate will be eligible for tax deduction beginning assessment year 2007.</li><li>• Briefing Sessions in Sarawak members of the Sarawak Timber Association (STA)-September</li><li>• MTCC allow overseas-based CBs that are accredited against a CoC certification programme endorsed by the PEFC Council was permitted apply to conduct assessments and surveillance visits against the Requirements for Chain-of-Custody Certification (RCOC) under the MTCC scheme</li></ul>
<b>2008</b>	<ul style="list-style-type: none"><li>• Announced New Zealand as new destination for MTCC-Certified Timber Products</li><li>• Announced MTCC Certificates accepted under The Netherlands Keurhout Hallmark System for Sustainable &amp; Legal Origin</li><li>• MTCC Submits its Scheme for PEFC Endorsement ~ <i>part of MTCC's measures to further strengthen and enhance the acceptance of the MTCS in the international market</i></li><li>• Briefing Session on Implementation of New Institutional Arrangement for MTCS</li><li>• Briefing Session on Use of PEFC International Chain of Custody Standard (Annex 4) Under MTCS</li><li>• New Institutional Arrangement for MTCS takes effect MTCC ~ <i>implemented the new institutional arrangement for the Malaysian Timber</i></li></ul>



	<p><i>Certification Scheme (MTCS) with effect from 1 July 2008</i></p> <ul style="list-style-type: none"><li>• Create programmed to provide rebate for exports of MTCS-Certified timber products ~ <i>holders of the MTCC Certificate for Chain-of-Custody are entitled to obtain a rebate from the cost of surveillance audits conducted under the MTCS</i></li><li>• The Department of Economy and Labour (Germany) ~ approve the Tropical timber certified by MTCC may be used for buildings and building projects of the Free and Hanseatic City.</li></ul>
<b>2009</b>	<ul style="list-style-type: none"><li>• Announced MTCS accepted under The Netherlands Keurhout Legal System- March</li><li>• The endorsement of MTCS by PEFC</li><li>• Participation in MICCOS</li><li>• Set up MTCC and PEFC Germany Joint Presentation ~ to promote the PEFC and the endorsement of the MTCS by PEFC.</li><li>• Announced the full acceptance of MTCS by Hamburg ~ <i>The Free and Hanseatic City of Hamburg in Germany has given the MTCS full recognition for sustainable forestry in its procurement guidelines.</i></li><li>• Promoted MTCS at German Timber Day</li></ul>

The output from the analyzed data was presented in a form of bar chart. Table 1, show initiatives taken by MTCC in promoted MTCS since 2001 until 2009.

The number of COC awarded to the wood based industries from 2001 to 2009 is shown in Figure 1;

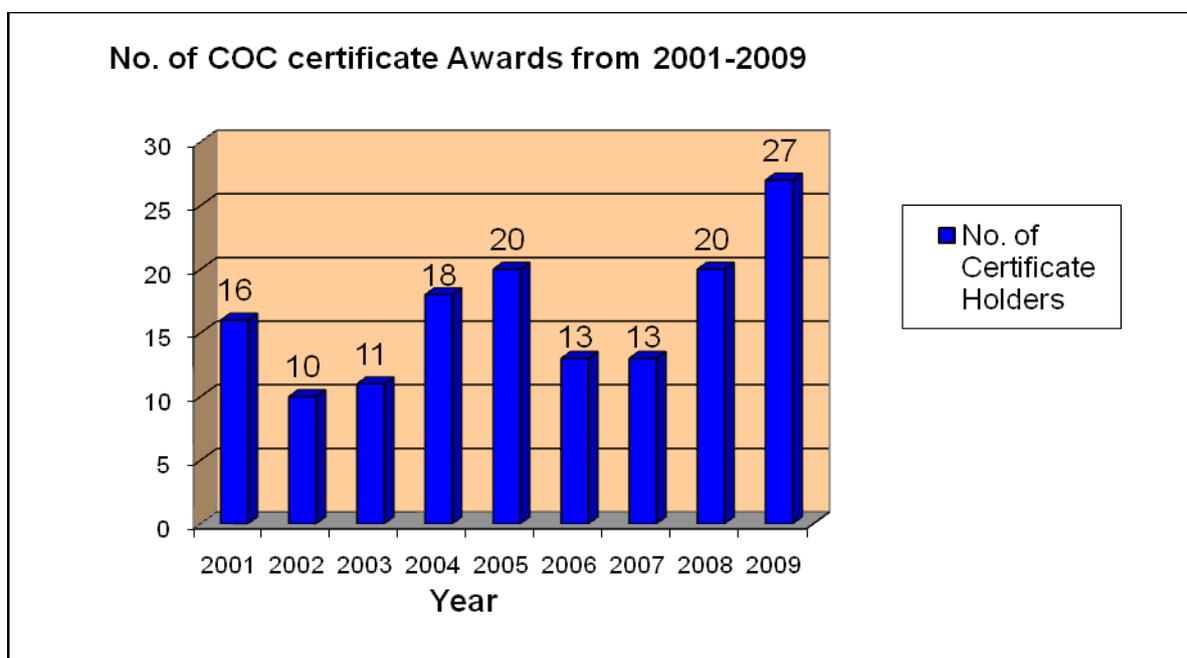


Figure1: Number of Certificate awards from 2001 to 2009



## DISCUSSION

Figure 1 shows that in year 2001 there were 16 factories have been awarded with CoC certificate when MTCC first started with their scheme. In year 2002, the numbers slightly decreased to 10 factories. But in year 2003, the numbers raise up again to 11 factories. These trends continue in year 2004 where the numbers increased to 18 factories and it's a better increment compared to the previous years. It goes same for the next continuous year by 20 factories had been award with the certificates. In the year 2006 and 2007, only 13 factories were awarded the certificates. This 35% decrease was due to the expiry of five years MTCC CoC certificate so call *RAPCOC* and it was replaced with new upgraded scheme call *RCOC* on 2007. Most likely the expired certificate holders were reluctant to renew their certificate as it did not contribute significantly in their international market sales. Furthermore it is hard to acquire the "green premium" for their certified products produced from the international market buyers [11]. In reality, this certificate is to ensure access to the international market especially to the European countries and United States only. As the *RCOC* taken place in year 2007 there was still no unchanged number in certificate takers same as year 2006. In 2008, after the *RCOC* was introduced, the numbers of factories that been award with CoC certificate increased to 20 factories and it's a better increment compared to the previous years. These trends again continue in year 2009 where the numbers was increased to 27 factories.

## CONCLUSIONS

If we look in into numbers of wood based industries being award with CoC certificates, it was too low compared with total existing wood based industries in Malaysia. Several major initiatives was taken by the MTCC from 2001 to 2009 (refer to *Table 2*) to increase the numbers CoC certificate holder in Malaysia (refer to Figure 1). Besides that, MTCC has been revising and upgrading the scheme every five years, and the latest development is by endorsing their scheme under PEFC to make sure the scheme is further in line with international market requirement [8]. These initiatives taken by MTCC are vital to ensure the MTCS are at par with other international environmental certification scheme [12].

Even with such initiatives done by the MTCC, the demand for the MTCS is low compared with the total number of wood-based industries in Malaysia. Should the MTCC introduce new innovative initiatives mechanism in order to increase the number of certificate holders?



Or does the the local wood based industries only treats this certificate just as a self voluntary scheme to be acquired only to when they wish enter certain international market? Whatever the answer, we should all bear in mind that this certificate is not only a tool to penetrate the international market, but also shows the concern towards sustainable forest management in Malaysian and part of a company social responsibility towards the environment.

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