



UNIVERSITI PUTRA MALAYSIA

**AN ECONOMIC VALUATION OF SAGO FOREST HARVESTING
REGIMES**

SULAIMAN BIN HAJI HUSAINI.

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**AN ECONOMIC VALUATION OF SAGO FOREST
HARVESTING REGIMES**

By

SULAIMAN BIN HAJI HUSAINI

**Thesis Submitted to the School of Graduate Studies, Universiti Putra Malaysia,
in Fulfilment of the Requirements for the Degree of Doctor of Philosophy**

January 2006



Dedicated to:

My Mother, Hajjah Hasiah Hj Mokhtar and late Father,

Haji Husaini Hj Zahwi



Abstract of thesis presented to the Senate of Universiti Putra Malaysia in
fulfilment of the requirement for the degree of Doctor of Philosophy

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Chairman: Professor Khalid Abdul Rahim, PhD

Faculty: Economics and Management

The perception that peat swamp land is a marginal land and sago is a marginal crop is an understatement. It is an understatement that omits the environmental costs and benefits associated with sago peat swamp forest management. Sago peat swamp forest serves important ecological and environmental functions and provides perpetual benefits, if managed in a sustainable manner. One of the measures for sustainability is the valuation of the resource. This study uses the disciplines of economics in order to generate the set of values. Hence the total economic valuation (TEV) approach is adopted. In order to demonstrate the TEV, the components of sago peat swamp forest to be estimated and quantified are the stumpage value, fish, domestic water, carbon sequestration and wildlife. The methods adopted in valuation of these benefits are market price, damage cost avoided and contingent valuation. The objective of the study is to estimate the TEV of sago harvesting regimes that are most efficient both financially and environmentally. The samples are the heads of the households from the villages that surround the study site. This is to ensure the samples are familiar with the study site.



The analysis is conducted in three parts. The first part is the willingness-to-pay (WTP) for the benefits provided by the Mukah Sago peat swamp forest. The analysis reveals that the determination of WTP is the income earned from the benefits. The second part is the quantification of each component of TEV used in the study. The analysis shows that the economic value is higher under sustainable option when compared with unsustainable option. The final part is the financial analysis. The financial and economic internal rates of return are calculated. The financial internal rate of return highlights only the income derived from the sago logs, the tangible asset. However, the economic rate of return aggregates all the values of the other benefits, both tangible and intangible into the income calculation.

The results are significant at both local and state levels. At the local level, the sago peat swamp forest plays an important role in income contribution to the farmers. However, their attitudes towards the conservation and maintenance of the sago peat swamp forest have to change towards sustainability for perpetual benefits. At the state level, sustainability needs proactive management to make the sago peat swamp forest more productive by implementing environmentally friendly projects that generate income for the benefit of the stakeholders.

Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk ijazah Doktor Falsafah

**PENILAIAN EKONOMI KE ATAS REJIM PENUAIAN
DALAM HUTAN SAGU**

Oleh

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Januari 2006

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Persepsi bahawa tanah gambut adalah tanah pinggiran dan sagu adalah tanaman pinggiran juga adalah satu kenyataan yang kurang tepat. Kenyataan ini tidak mengambilkira kos alam sekitar dan keuntungan yang terdapat dari pengurusan hutan paya sagu. Hutan paya sagu memainkan fungsi yang penting dalam ekologi dan alam sekitar, dan juga ia memberi keuntungan yang berterusan sekiranya diurus dengan cara lestari. Satu daripada cara untuk mengukur kelestarian adalah menilaikan sumber alam. Kajian ini menggunakan disiplin ekonomi untuk mendapat satu set nilai. Dengan itu pendekatan yang digunakan ialah, pendekatan Penilaian Ekonomi Menyeluruh (TEV). Untuk menunjukkan TEV, komponen-komponen hutan paya sagu akan dianggarkan dan dikuantifikasikan iaitu nilai batang sagu, ikan, air, sekuestrasi karbon dan hidupan liar. Cara yang digunakan untuk penilaian segala keuntungan ini adalah menggunakan harga pasaran, pendekatan mengelak kos kerosakan dan cara penilaian kontinjen.

Objektif kajian ini adalah untuk menganggarkan TEV rejim penuaian sagu yang efisien dari segi kewangan dan alam sekitar. Sampel yang diambil adalah ketua isi rumah daripada kampung-kampung yang berdekatan dengan tempat kajian. Ini

adalah untuk memastikan sample tersebut mempunyai hubungan rapat dengan tempat kajian. Kajian ini adalah dianalisis dalam tiga bahagian. Bahagian pertama adalah Kesanggupan-Untuk-Membayar (WTP) faedah-feadah yang diperolehi daripada hutan paya sagu di Mukah. Analisa ini telah menunjukkan bahawa WTP adalah dipengaruhi oleh pendapatan yang diperolehi daripada faedah-faedah tersebut. Bahagian kedua adalah untuk mengkuantifikasikan tiap-tiap komponen TEV yang digunakan dalam kajian ini. Analisa telah menunjukkan bahawa nilai di bawah opsyen lestari adalah tinggi daripada nilai opsyen yang tidak lestari. Bahagian yang terakhir membincangkan mengenai analisa kewangan. Kadar pulangan dalaman dan ekonomi telah diambilkira. Kadar pulangan dalaman kewangan hanya mengambilkira nilai pokok sago. Tetapi, kadar pulangan dalaman ekonomi mengambil kira semua faedah-faedah yang terdapat dalam hutan paya ke dalam pengiraan kewangan. Nilai faedah-faedah ini telah disatukan untuk mendapat nilai yang lebih sempurna.

Keputusan adalah signifikan bagi peringkat tempatan dan peringkat negeri. Di peringkat tempatan, hutan paya sagu memainkan peranan dalam menyumbang pendapatan kepada petani. Walau bagaimanapun, tabiat para petani terhadap pemuliharaan dan menyelenggara hutan paya sagu harus ditukar kepada lestari untuk keuntungan yang berpanjangan. Di peringkat negeri, lestari menghendaki pengurusan yang proaktif untuk memberikan hutan paya sagu lebih produktif dengan melaksanakan projek yang mesra alam yang akan menjana pendapatan untuk keuntungan pemegang taruh.

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TABLE OF CONTENTS

	Page
ABSTRACT	iii
ABSTRAK	v
ACKNOWLEDGEMENTS	vii
APPROVAL	ix
DECLARATION	xi
LIST OF TABLES	xvi
LIST OF FIGURES	xix
LIST OF BOXES	xx
LIST OF ABBREVIATIONS	xxi
CHAPTER	
1 INTRODUCTION	1.1
1.1 Background	1.2
1.2 Problem Statement	1.9
1.3 Objective	1.12
1.4 Definitions of Terms	1.12
1.5 Significance of Study	1.13
1.6 Assumptions	1.14
1.7 Organization of the Thesis	1.14
1.8 Limitations	1.17
2 SAGO FOREST MANAGEMENT	2.1
2.1 Importance of Sago Palm to Sarawak	2.1
2.1.1 Sago Cultivation Areas in Sarawak	2.3
2.1.2 Soils of Sago Palm Area	2.4
2.1.3 Demand and Supply of Sago Starch	2.5
2.2 The Sago Palm and Peat Swamp	2.7
2.2.1 Tropical Peatland	2.7
2.2.2 Distribution of Peat Soil	2.9
2.2.3 Physical and Chemical Properties of Peat Soil	2.10
2.2.4 Climate and Vegetation in Tropical Peatland	2.11
2.2.4.1 Climate	2.11
2.2.4.2 Vegetation	2.12
2.2.5 Reclamation, Utilization and Management	2.13
2.6.5.1 Present Land Use	2.13
2.6.5.2 Agricultural Utilization	2.14
2.2.6 Constraints of Peat Soil	2.15
2.2.7 Conservation	2.17
2.2.8 Peatland Functions and Values	2.19
2.3 Agronomy	2.19
2.3.1 Growth Habit	2.19
2.3.2 Ecological Conditions	2.21
2.3.3 Length of the Growing Cycle	2.23



2.4	Propagation	2.25
	2.4.1 Generative Propagation	2.25
	2.4.2 Vegetative Propagation	2.25
2.5	Establishment and Improvement of Sago Palm Groves	2.26
	2.5.1 Well-Tended Plantings	2.26
	2.5.2 Semi-Wild Plantings	2.27
	2.5.3 Planting on Deep Peat	2.28
	2.5.4 Yield Potentials of Sago Groves	2.28
	2.5.5 Sago Palm Growth	2.29
	2.5.6 Crown Size	2.30
2.6	Harvesting and Transport System	2.32
	2.6.1 Harvesting	2.32
	2.6.2 Sago Transportation Options	2.35
	2.6.2.1 Road	2.35
	2.6.2.2 Rail	2.35
	2.6.2.3 Canal	2.36
	2.6.2.4 Cable	2.38
	2.6.2.5 Iron Horse	2.40
2.7	Sustainable Development	2.41
	2.7.1 Definition	2.41
	2.7.2 Agriculture Development on Peat	2.43
	2.7.3 Sustainable Agriculture	2.43
	2.7.4 Sustainable Sago Forest Management	2.45
2.8	Overview of National Development Policies	2.46
	2.8.1 The Third Outline Perspective Plan (OPP3), 2000 – 2010	2.46
	2.8.2 The Eighth Malaysia Plan 2001 – 2005	2.47
	2.8.3 Integrated Coastal Zone Management	2.48
	2.8.4 Vision 2020	2.49
	2.8.5 The Environmental Policy	2.50
	2.8.6 Environmental Impact Assessment	2.51
3	LITERATURE REVIEW	3.1
3.1	The Total Economic Value Concept and the Valuation of Sago Forests	3.1
	3.1.1 Environmental Goods and Services	3.2
	3.1.2 Valuation of the Environment	3.6
	3.1.3 Economic Values and Valuation	3.10
3.2	Theoretical Framework	3.16
	3.2.1 Utility Theory	3.19
	3.2.2 Economic Valuation and Demand Curve	3.22
	3.2.3 Welfare Measure for Changes in Prices	3.28
3.3	Sago Project Evaluation – Financial Analysis	3.33
	3.3.1 Net Present Value and Internal Rate of Return	3.34
	3.3.2 Differences Between Economic and Financial Analyses	3.36
3.4	Sago Agroforestry Benefits	3.37
	3.4.1 Sago Logs	3.37
	3.4.2 Non-Sago Log Product - Fish	3.38
	3.4.3 Hydrology	3.38
	3.4.4 Carbon Sequestration	3.38



	3.4.5	Wildlife	3.39
	3.4.6	Sago Forest Conservation	3.40
4		METHODOLOGY	4.1
	4.1	Research Designs	4.1
	4.2	The Study Site	4.2
	4.2.1	Temperature, Relative Humidity and Sunshine	4.4
	4.2.2	Evaporation	4.4
	4.2.3	Rainfall	4.5
	4.2.4	Topography and Drainage	4.5
	4.2.5	Soil Type	4.6
	4.2.6	Physical Characteristics and Their Implications	4.6
	4.3	Population, Sampling and Survey Mode	4.8
	4.3.1	Sampling Frame	4.9
	4.3.2	Survey Mode	4.10
	4.3.3	Sample Size	4.12
	4.4	Measurements and Methods	4.13
	4.4.1	Contingent Valuation Method	4.13
	4.4.2	Survey Questionnaire	4.18
	4.4.3	Information Provided to Respondents	4.19
	4.4.4	Payment Vehicle	4.23
	4.4.5	Bid Elicitation	4.25
	4.4.6	Refusals and Zero Bids	4.29
	4.4.7	Attitudes	4.31
	4.4.8	Socio-Economic Characteristics	4.32
	4.5	Data Collection	4.33
	4.5.1	Pre-Test	4.34
	4.5.2	Sampling Logistics	4.35
	4.5.3	Reliability of the Instrument	4.38
	4.6	Data Analysis	4.39
	4.6.1	The Value of Sago Log Benefits	4.45
	4.6.2	Value of Non-Sago Products – Fish (NSP)	4.48
	4.6.3	Value of the Hydrological Benefits – Domestic Water Value	4.49
	4.6.4	Value of the Carbon Stock	4.50
	4.6.5	Benefits of Preservation of Wildlife - Protected Animals	4.52
	4.6.6	Benefits of Sago Forest Conservation	4.53
	4.6.7	Project Viability Analysis	4.54
	4.6.8	Net Present Value (NPV)	4.55
	4.6.9	Internal Rate of Return (IRR)	4.56
5		RESULTS AND DISCUSSION	5.1
	5.1	Response	5.2
	5.2	Socio-Economic Characteristics	5.5
	5.3	Age	5.6
	5.4	Use and Awareness	5.10
	5.5	Willingness-To-Pay Analysis	5.12
	5.6	Stumpage Value	5.18
	5.6.1	The Values of Sago Benefits	5.18



5.6.2	State of Sago Forest – The Study Site	5.18
5.6.3	Stocking Densities and Potential Annual Stock Harvested at Study Site	5.20
5.6.4	Estimation of the Value of Sago	5.21
5.6.5	Value of Sago Logs for the Alternative Options	5.22
5.7	Value of Non-Sago Products – Fish Harvest Benefits	5.24
5.8	Value of Hydrological benefits	5.32
5.9	Value of Carbon Stock	5.38
5.10	Value of Wildlife	5.41
5.11	Existence Values	5.44
5.12	Financial and Economic Analyses	5.46
	5.12.1 Assumptions	5.47
	5.12.2 Financial Analysis	5.48
	5.12.3 Economic Internal Rate of Return (EIRR)	5.49
	5.12.4 FIRR and EIRR	5.51
5.13	Conclusion	5.52
6	SUMMARY AND CONCLUSION	6.1
6.1	Overview of Thesis	6.1
	6.1.1 Basic Contention of Thesis	6.1
	6.1.2 Main Findings	6.3
6.2	Significance of Results	6.7
	6.2.1 The Sago Farmers	6.9
	6.2.2 The State	6.9
	6.2.3 Policy Implications	6.13
6.3	Conclusion	6.16
	REFERENCES	R.1
	APPENDICES	A.1
	BIODATA OF THE AUTHOR	B.1



LIST OF TABLES

Table		Page
1.1	The special properties of sago which determine the future prospects of the palm	1.3
2.1	Distribution of sago palms in Sarawak	2.4
2.2	Soils of sago palm areas in Sarawak	2.5
2.3	Export of sago starch	2.6
2.4	Sago factory production profile	2.7
3.1	Economic development and environmental sustainability	3.3
3.2	Overview of the values of environmental goods and services	3.4
3.3	Environmental functions of sago forest	3.5
3.4	General, ecological and economic system characteristics	3.7
3.5	Wetlands functions, related effects of functions and corresponding societal values	3.8
3.6	Wetland services viewed as economic goods and services	3.9
3.7	Differences between financial and economic analyses	3.36
3.8	Goods and services valued at sago agroforestry study site	3.37
4.1	The likely effect of the different harvesting methods on the sago agroforestry	4.8
4.2	Percentage of households and populations of the six villages at the fringe of the study area	4.8
4.3	Usage of the Mukah sago peat swamp forest by respondents	4.36
4.4	Reasons for refusal and zero bids	4.37
4.5	Alpha reliability coefficients of economic valuation of Mukah sago peat swamp forest	4.39
4.6	Goods and services valued at the study site	4.42
4.7	Evaluation methods, constraints and limitations	4.45
5.1	Households Populations and samples of the study area	5.2
5.2	Education levels of the villagers	5.3



5.3	Age groups of the respondents	5.3
5.4	Job breakdown according to the villages of the respondents	5.4
5.5	Sago farm sizes	5.4
5.6a	Correlation of age with marital status	5.7
5.6b	Correlation of age with education	5.7
5.6c	Correlation of age with farm size	5.7
5.7	Correlation of monthly incomes with other socio-economic variables	5.8
5.8	Activities in the use and awareness of the Mukah peat swamp forest	5.11
5.9	Attitudes towards management and maintaining the sago peat swamp forest (N = 617)	5.13
5.10	Attitudinal questions – priority of sago forest as national asset	5.14
5.11	Respondents priorities on Sarawak Government spending	5.14
5.12	Willingness-to-pay for all cases	5.16
5.13	Sago log yield per acre and sago palms planted per acre	5.21
5.14	Transportation methods used by farmers (N=617)	5.22
5.15	Features of the harvesting options in the study site	5.23
5.16	List of common fish species observed and collected at the study site	5.25
5.17	List of fishes collected from the river system	5.26
5.18	Mean values of fish	5.26
5.19	Fishing activities in Sebakong River	5.28
5.20	Fishing activities in Petanak River	5.29
5.21	Fishing frequencies and catches	5.30
5.22	Availability of fishes in the river system	5.32
5.23	Usage of the rivers (N=617)	5.33
5.24	Results of water quality analysis	5.34
5.25	Amounts of water abstracted from Petanak River	5.36



5.26	Parameters used for the calculation of the carbon stock and carbon sequestration at the study site	5.40
5.27	List and status of mammals in the study site	5.41
5.28	Market price of the wild meat (RM/kg)	5.42
5.29	Respondents' perceptions of the availability of wild animals	5.43
5.30	Willingness-to-Pay for conservation	5.44
5.31	Sensitivity analysis – financial internal rate of return (%) for sustainable option	5.49
5.32	NPV and EIRR at 8% discount factor under various options on per hectare basis	5.50
5.33	Sensitivity analysis – economic internal rate of return (%)	5.51
5.34	Total economic valuation (TEV) of sago peat swamp forest at the study site (RM/ha, 8% discount rate)	5.52



LIST OF FIGURES

Figure		Page
2.1	Annual nutrients flux for tropical swamp forest and sago plantation ecosystem	2.18
2.2	Growth habit of sago palm	2.21
2.3	Life cycle of sago palm	2.24
2.4	Crown size of sago palms in deep peat soil in Sg. Talau, Dalat, Sarawak, Malaysia, from 1993 to 1995	2.31
2.5	Crown size of sago palms in shallow peat soil in Sg. Talau, Dalat, Sarawak, Malaysia, from 1993 to 1995	2.32
3.1	Diagrammatic representation of the concept of total economic value	3.12
3.2	Classification of TEV in sago forest	3.16
3.3	Demand and willingness-to-pay	3.24
3.4	Marshallian and Hicksian demand curves	3.27
3.5	Environmental improvement: CS and ES	3.30
3.6	Environmental damage: CS and ES	3.32
4.1	Location of the study area	4.3
4.2	Sago forest harvesting alternatives for which the total economic value was estimated	4.40
4.3	Economic valuation techniques	4.44
5.1	Fishing sampling site at Sebakong sago plantation	5.31
5.2	Mukah water catchment area and water quality sampling points	5.35



LIST OF BOXES

Box		Page
4.1	Summary description of the Mukah sago peat swamp forest	4.20
4.2	Information presented on the functions of the peat swamp forest	4.21
4.3	Information on the economic value of preserving the Mukah sago peat swamp forest	4.23
4.4	Valuation of carbon stock in the NSPSF	4.51
4.5	Information on WTP for the conservation of sago forest	4.54

LIST OF ABBREVIATIONS

BOD	Biological Oxygen Demand
CBA	cost benefit analysis
cm	centimeter
CO ₂	carbon dioxide
COD	Chemical Oxygen Demand
CRAUN	Crop Research and Application Unit
CS	compensating Surplus
Ct	carbon tonne
CV	compensating variation
CVM	contingent valuation method
DID	Department of Irrigation and Drainage
EC	electrical conductivity
EIA	environmental impact assessment
EIRR	economic internal rate of return
EMS	environmental management system
EQA	Environmental Quality Act, 1974
ES	equivalent surplus
EV	equivalent variation
FIRR	financial internal rate of return
GDP	gross domestic product
GNP	gross national product
ha	hectare
ICZM	Integrated Coastal Zone Management
ITTO	International Tropical Timber Organisation



kg	kilogram
LAI	leaf area index
LAWOO	Land and Water Research Centre, University of Wageningen, Netherlands
LCDA	Land Custody and Development Authority
m	meter
m ²	meter square
m ³	cubic meter
me	milli equivalent
mg/l	milligram per litre
MWL	mean water level
NAP3	Third National Agriculture Policy
NDP	National Development Policy
NGO	non-government organization
NOAA	National Oceanic and Atmospheric Administration
NPV	net present value
NRC	National Research Council
NVP	National Vision Policy
OPP2	Second Outline Perspective Plan 1991 – 2000
OPP3	Third Outline Perspective Plan, 2000 – 2010
RM	Malaysian currency in ringgit
t	tonne
TDS	total dissolved solids
TEV	total economic value
TSS	total suspended solids



WTA **willingness-to-accept**

WTP **willingness-to-pay**



CHAPTER 1

INTRODUCTION

The notion that peat swamp land is a marginal land and sago is a marginal crop is an understatement. This understatement does not help the development of the communities which derive their income from sago farm. Further, such a notion omits the environmental costs and benefits associated with sago forest management options resulting in project evaluations and policy prescriptions that are less than socially optimal.

Forests serve important ecological and environmental functions and provide an important resource base, if they are managed in a sustainable manner. Sustainable sago forest management can provide a reliable source of income and subsistence products. Some of these benefits are obvious to the community, while others are either not well understood or are just taken for granted. Some of these benefits accrue through the provision of environmental amenities, and some are intimately linked to the economic system. These relationships between economic development and the environment have been stated clearly by the Bruntland Report (WCED 1987), which states:

“Environment and development are not separate challenges; they are inexorably linked. Development cannot subsist upon a deteriorating environmental resource base; the environment cannot be protected when growth leaves out of account the cost of environmental destruction. They are linked in a complex system of cause and effect”.

Excessive harvesting of forest products increases the water runoff that leads to accelerated level of soil erosion, further leading to the siltation of rivers. Our study

