

## Costs and benefits analysis of *Aquilaria* species on plantation for agarwood production in Malaysia

### ABSTRACT

The establishment of *Aquilaria* plantation for agarwood production has been regarded by the planters as a green -gold mine of the future. This study examines the costs and benefits of planting *Aquilaria* spp. for agarwood production. The analysis shows that whether planting *Aquilaria* spp. integration with banana (*Musa* spp.) or planting *Aquilaria* spp. as a single crop for agarwood production, both options are viable. An investment return for planting *Aquilaria* spp. integrated with banana (*Musa* spp.) on 1,000 hectares of land is higher with an internal rate of return (IRR) of 54.85% compared with 38.49% for a single crop *Aquilaria* plantation. The Net present value (NPV) of investment at a 10% discount for 1,000 hectares integrated planting is RM185.6 million (1 RM=USD0.32 in 2008) while the option involving single crop *Aquilaria* plantation for agarwood production is RM153.6 million.

**Keyword:** Cost benefits analysis; Net present value; Agarwood; Production; Malaysia; *Aquilaria* species