INTERNATIONAL TROPICAL TIMBER COUNCIL 51ST SESSION

A NEW CHAPTER FOR THE MYANMAR TIMBER INDUSTRY

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A new chapter for the Myanmar timber industry

A Layman's outlook

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Introduction

- Myanmar is one of the important producers of Tropical Timber
- TEAK is Logo of Myanmar Timber
- Teak has been playing important role in Myanmar History
- Myanmar lost her independence after the dispute between The Kingdom of Myanmar and The Great Britain
- The relationship between Myanmar and Yunan(China) has been passing through the stormy situation from time to time because of timber
- The revenue from timber trade is accused to prolong the armed conflict between the Central Government and the ethnic groups

The Past

Forest Management- Myanmar Selection System (MSS)

- The main objectives of the MSS **are to harvest annual yield on a sustainable basis** and to work out estimated future yield. The system is still in action. However, the compliance to MSS is in question. MSS is based on an Annual Allowable Cut (AAC) and operates according to felling cycles of 30 years with the divisions of forest blocks into 30 plots of approximately equal yield capacity, also with the girth limit.
- (Girth = Circumference)

Forest Management-
Myanmar Selection System (MSS)

MSS is practiced within the bound of :

(1) Space/Area limit (Felling series-30 Blocks)

(2) Size/Girth limit **(63 cm or 73 cm DBH)**

(3) Time limit (a felling cycle of 30 years)

Forest Management-
Myanmar Selection System (MSS)

However, it is found that Myanmar has extracted far more than AAC, and The Authorities has admitted, first time in the current government.

The main reason is that The uppermost layer of the Government of the previous (Military) Governments favored the revenue income over MSS.

Comparison between Extraction and Export

SR. NO.	YEAR	TEAK Logs (TONS)			HARDWOOD (TONS)			Total		
		Extract-ion	Export	Ratio	Extract-ion	Export	Ratio	Extract-ion	Export	Ratio
1	2003 -2004	362041	215535	60%	1127226	357718	32%	1489267	573253	38%
2	2004 -2005	300497	250007	83%	1148893	462919	40%	1449390	712926	49%
3	2005 -2006	308416	272732	88%	1193066	589144	49%	1501482	861876	57%
4	2006 -2007	334047	294282	88%	1219703	602142	49%	1553750	896424	58%
5	2007 -2008	348660	232544	67%	1302803	724436	56%	1651463	956980	58%
6	2008 -2009	250370	160480	64%	1380136	526809	38%	1630506	687289	42%
7	2009 -2010	219557	153146	70%	1490047	684854	46%	1709604	838000	49%
TOTAL		2123588	1578726	**74%**	8861874	3948022	**45%**	10985462	5526748	**50%**

Forest Condition

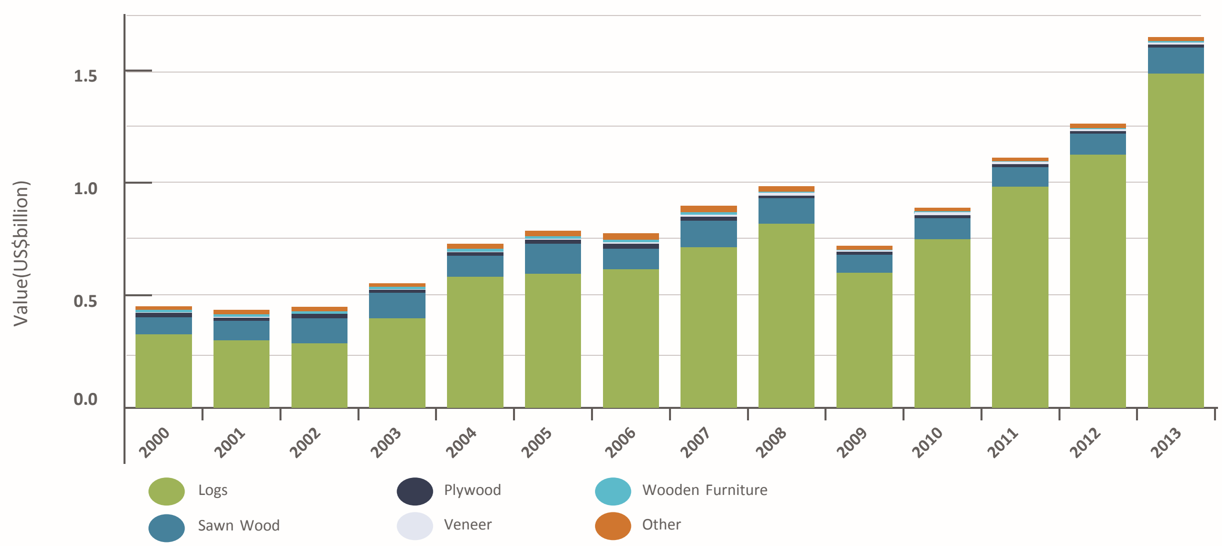
Category	Acres	% of Land Area
Permanent Forest Estate	48.90 million	30.7
Forest Reserve	30.11 million	18.0
Protected Public Forests	10.12 million	6.1
Protected Area System	8.68 million	6.7

Source- FRA 2015 Draft

Trade Situation

- **It relied too much on log export (LEB 31.3.14)**
- **In term of value, the log export shared more than 90%**
- **The industry was mainly sawmill**
- **The product type was mainly sawn timber (primary products)**

MYANMAR TIMBER PRODUCTS EXPORT BY VALUE (in Billion)



The Present

The Type of Products and Market Destination

Serial No	Product Group/Type	Market	Remark
A	**Primary**		
	Log	**Local Industry**	**LEB on 31.3. 2014**
	Sawn Timber	EU/USA/THAI/ MALAYSIA/VIETNAM	Mainly TEAK
	Veneer	India	Sharp Increase after LEB
	Plywood	India	Slight Increase after LEB
B	**Secondary**		
	Moulding		Insignificant
	Door	Domestic	Weak Technology/Finance for mass production
	Furniture	EU/	Insignificant
	Flooring(Solid)	EU/Singapore, Malaysia	Weak Market Potential
	Flooring (Engineer)		Technically Capable/Under Infancy stage
	Laminated Veneer Lumber		Technically capable with high potential
	Laminated Timber/Beams		Weak Interest

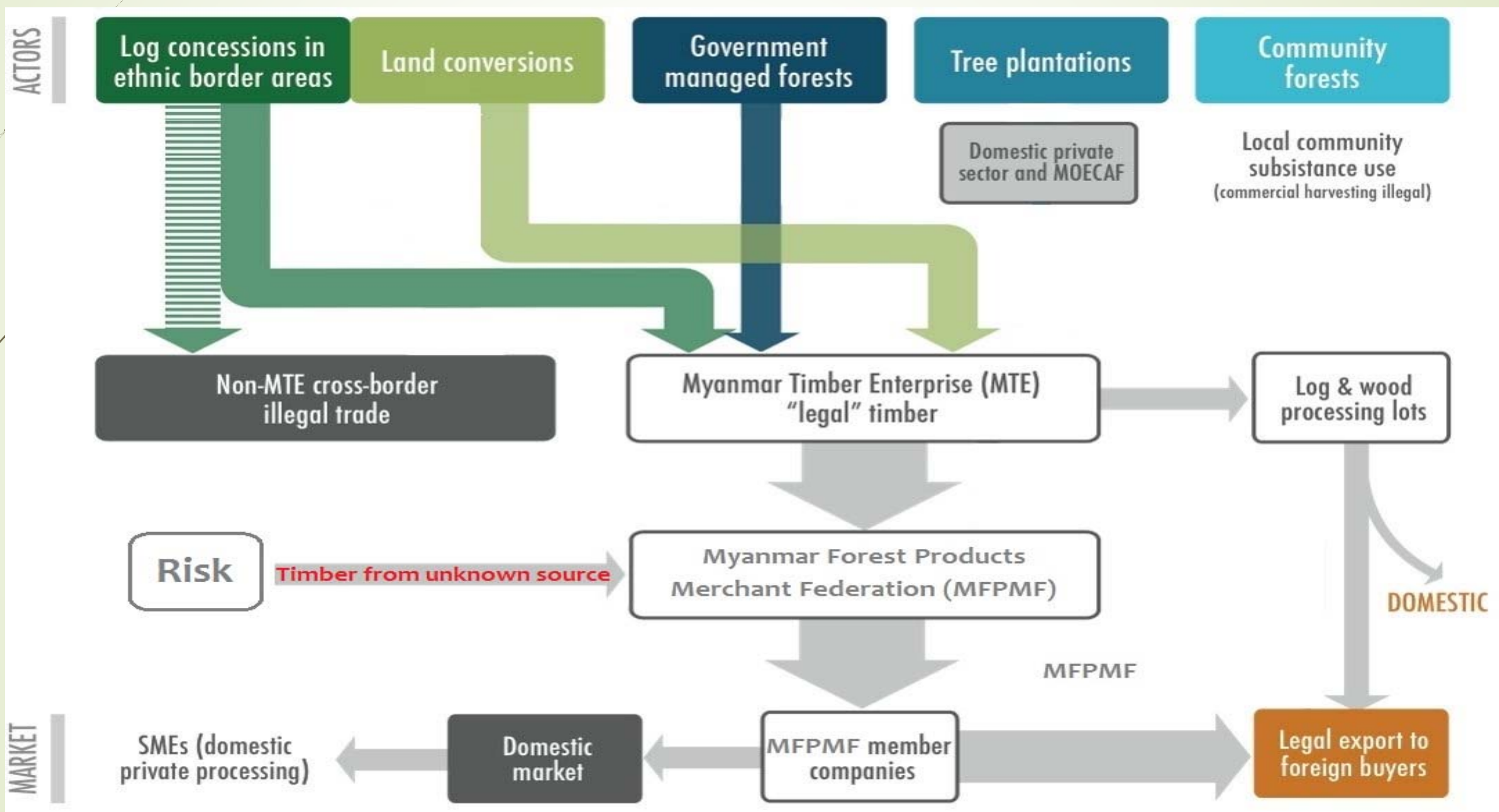
Private Sector Export Volume and Value

Sr. No.	Budget Year	COMMODITY				Total	
		Teak		Hardwood			
		Quantity (CBT)	Amount (US$)	Quantity (CBT)	Amount (US$)	Quantity (CBT)	Amount (US$)
1	2012 ~ 2013 (1-4-12 to 31-3-13)	5552.6473	15,240,493.34	22898.16424	14,302,681.19	28450.81154	29,543,174.52
2	**2013 ~ 2014 (1-4-13 to 31-3-14)** **Log Export Ban**	7409.85353	20,836,587.41	29772.0308	17,704,172.53	37181.88433	**38,540,759.95**
3	2014 ~ 2015 (1-4-14 to 31-3-15)	15351.93686	64,900,036.70	76851.99873	52,327,103.69	92203.93559	**117,227,140.39**
4	2015 ~ 2016 (1-4-15 to 27-9-15)	9897.6656	30,534,614.37	49753.03139	35,637,724.53	59650.69699	66,172,338.90

Status of Private Manufacturers (Local & FDI)

Sr. No	Year	Myanmar Citizen Owned Factories		FDI		Total	
		SME	WBI	SME	WBI	SME	WBI
1	2013-2014	1340	217	-	6	1340	223
2	2014-2015	1340	217	-	10	1340	227
3	2015-2016	1361	321	-	12	1361	333

Supply Chain of Log/Sawn Timber



Planted Year (2008)

The Future

Extraction Target of Logs Set by The Government

Sr. No	Year	CBM (Cubic Ton)				Remark
		Teak	reduction %	Hardwood	reduction %	
1	2011-2012	668 800	-	3 240 000	-	
2	2012-2013	567 000	15%	2 6000 000	20%	
3	2013-2014	533 000	5%	1 980 000	19%	
4	2014-2015	500 000	5%	1 980 000	-	
5	2015-2016	108 000	58.50%	1 980 000	-	AAC

Revised AAC	**For 2016-17**	**Teak 72 000 CBM**	**Hardwood 540 000 CBM**

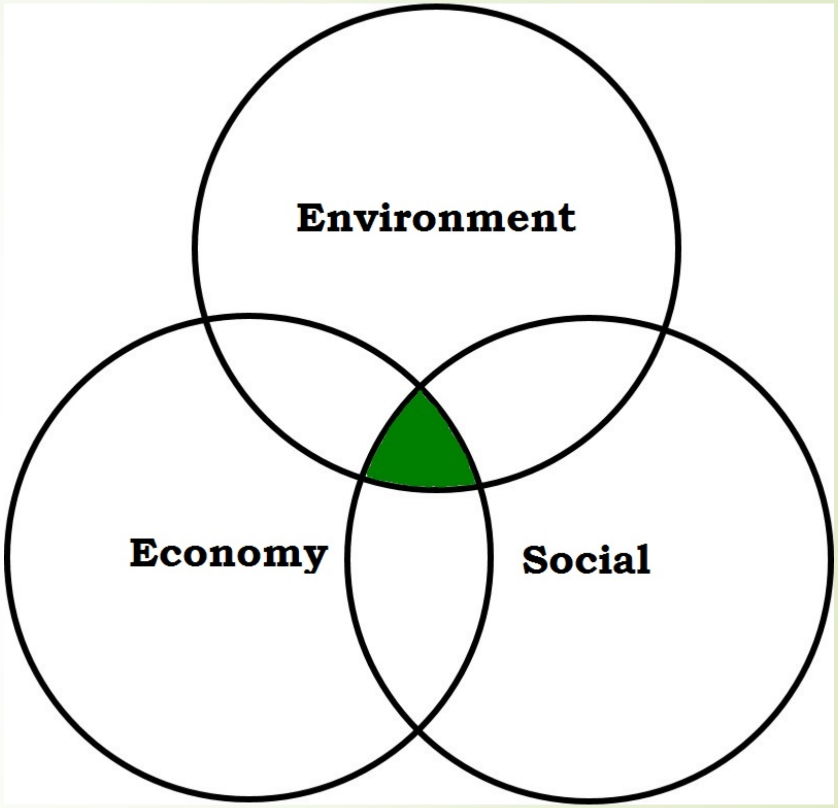
Species-wise Management between Union and State Governments (For Hardwoods)

Group No	Total Species	Under Union Govt.	Under State Government	Remark	
1	6	6	0	Rosewood Family are in this group	
2	25	21	4	Construction	
3	22	9	13		
4	15	0	15		
5	9	2	7		

Based on the quality and commercially-importance, hardwods are classified in 5 Groups. The Group 1 stands in First Position. The Minority will ask more on Federal Union under which they will have more control on Power and Resource Management. It will shape future timber trade of Myanmar.

Three Key Component of SFM

Generally, SFM composes the three key components; namely Environment, Economy and Social in balanced manner.



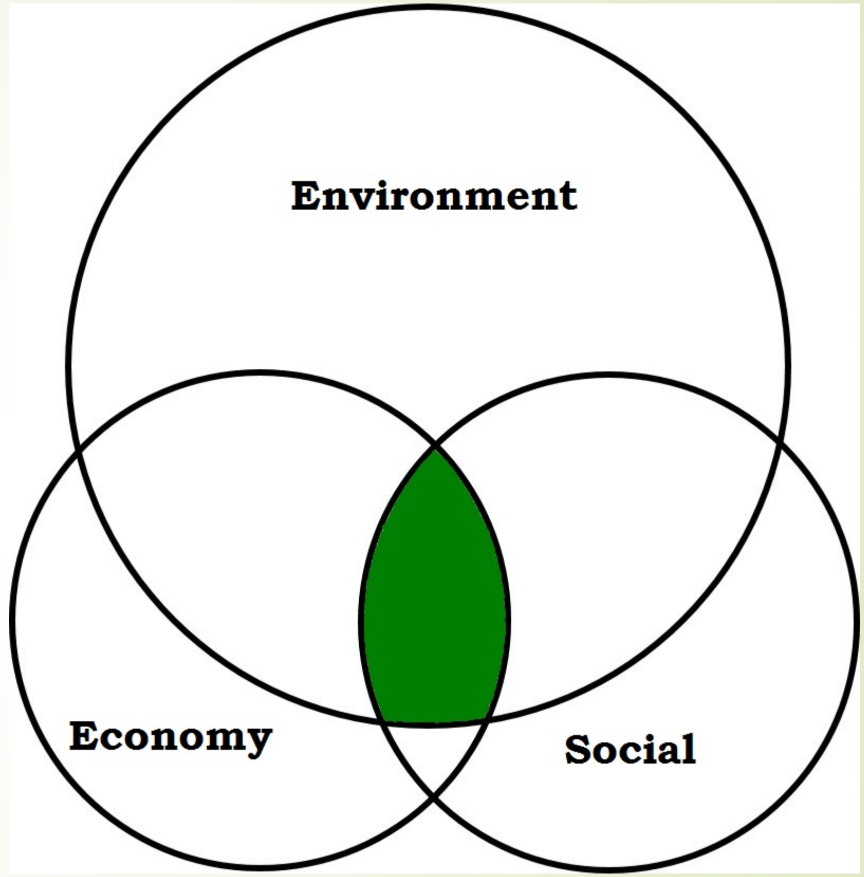
In future Myanmar Production Forestry, how 3 Key components like to be:

The new governments will be more to listen the peoples, the Environment will be given High Priority.

Some Environmentalist lobbying Logging Ban citing two reasons:

1. Weak Forest Governance to protect the forest resource
2. The Forest resource has been severely damaged

(it is very likely some FMUs will be rested)



What will influence

- PEACE Negotiation/FEDERAL STATE
- EITI (EITI stands for Extractives Industries Transparency Initiative)
- Election Result and new Government

PEACE negotiation has started and Federalism will be key component. The Forest Management/Trade will be certainly effected.

EITI process also effect the resource management to be in transparent manner.

There is no doubt that The New Government will pay more attention to the environmental value

Latest Development

1. Myanmar entered into Preliminary Phase of VPA Negotiation with EU. Interim Task Force with 8-delegates each from Government, Private and CSO sectors has been formed to initiate the process.
2. Myanmar Forest Certification Committee has drafted C&I for Natural Forest and Plantation Forest. MFCC will hold on Public Consultation Process to approve C&I. Then, Myanmar Forest Certification Scheme(MFCS) will be updated based on the C&I approved by the Public Consultation.
3. However, it will be very hard to get internationally acknowledged. As a result, the informal discussion is made with PEFC, which provides the mutual recognition among the members' National Certification Scheme

Initial Finding – Alarming and Pleasing

- The Minority Armed Groups(MAGs) is said to be suspicious on The Government's decision to go into VPA negotiation as a tool to control logging in their region., since there is not many timber remained in the Government Controlled Forests.
- Karan Ethnic Minority is said to have own Forest Management/Community Forest giving clear signal that they want to administer their forest.

  (Who wants to manage the forest is internal issue, how the forest will be managed will be the global issue)

The Conclusion

Opportunities for Production Forestry

- Still rich in forest resources (42% of total area)
- Well established policy, legal framework and institutions(compliance in question)
- Long history of forest management practices for SFM inclusive of CoC for legal timber
- Established stakeholder networks (govt., NGOs, CSOs, private, media etc.,) (Under the initiative of FLEGT VPA)
- Increasing international cooperation (FLEGT, WEN, CITES, Timber Certification, Ratification of UN Anti-corruption)

Opportunities for Production Forestry (Continued)

- Efforts to be a member of EITI
- Political will for “Clean Government and Good Governance”
- In the process of Decentralization and devolution
- Moving to people-centered approach
- Improve relation with international community

Producer or Consumer

- For Teak, Myanmar will remain as a producer
- For hardwood (Non-Teak Woods), Myanmar has just started some species, such as Oak, Sapalli and Ash wood

Thank You for Your Attention

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