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Burma

Solid Wood Products

Annual

2005

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Report Highlights:
This report is the 2004 annual report. Following an amendment of the existing forestry law, the Ministry of Forestry has allowed Myanma Honda Company as the first private entity to establish teak plantations. Exports of Burmese wood products remain the most important foreign exchange earner for the country. Despite continued pervasively illicit sales of wood product in Kachin State, seizures of illegal woods in 2004 reportedly dropped by 80 percent from 2003's level.

Includes PSD Changes: No
Includes Trade Matrix: No
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EXECUTIVE SUMMARY

The Government of Burma (GOB) claims that Burma (Myanmar) remains forested on about 52 percent of total land and possesses sizeable stands of commercial hardwoods due to a sound policy of sustainable forest management that has been in place since British times. This "sound policy" of forest management remains so only on paper and has been out of practice since the early 1990's due to the GOB's incessant need for hard currency. From the British Colonial days till the present, revenue derived from the timber trade continues to play a significant part of the economy. Timber is one of the few readily marketable export resources possessed by Burma. The Myanma Timber Enterprise (MTE), an agency under the Ministry of Forestry that has the government monopoly for export of teak, claims that, based on the sustainable yield of their forest management program, more than 66 million cubic meters of teak have been extracted over a period of 132 years and the reserved forest remain " intact" to this day. Yet good quality teak exports have fallen, demonstrating that the available supply of quality teak has dwindled. The most recent assessment by the Forest Department indicated that 38 percent of Burma was covered in closed forest (constituting more than 52 percent of the total forest cover). According to GOB's figures, Burma has grown over 32,400 hectares of teak since it launched a special teak plantation project in 1996 and produced 342,000 cubic meters of teak and 1.98 million cubic meters of hardwoods annually.

Even though the commercial extraction of teak and tropical hardwoods is controlled under Forest Department (FD) regulations and monitoring, population growth and the resulting demand for fuel wood and agriculture land are putting pressure on both teak and hardwood and other forested areas. Illegal logging of teak and hardwoods continues to be a problem in border areas, where many of Burma's ethnic groups are located. Timber revenues and control over trade at the border has enabled ethnic insurgent groups to gain a source of finance for their conflicts. The GOB has been following a program of exchanging "peace for natural resources" with some of these insurgent groups. Ceasefires are established in exchange for control over timber stands in the insurgent controlled areas. The FD and the MTE have no authority in these areas, in spite of the directives that establish the MTE as the sole authority over commercial extraction of teak and hardwoods. Management of forest and other natural resources by many of the cease-fire groups has been poor or nonexistent and much of the natural resources are heavily stressed. Another threat to Burma's forest resources is encroachment by villagers seeking wood for fuel and land for crops. Indeed, much of the increase in food production comes at the expense of large expanses of forest cover. In reality, the FD has no say over the cutting targets that are set by the local ruling government authorities in many areas.

Burma possesses more than 7,000 plant species and teak forest constitutes about 10 percent of the natural forest. Teak is found in Burma (Myanmar), India, Indonesia, Malaysia, Thailand, Laos, and Cambodia. However, the GOB stated that Burma possesses 60 percent of the total teak forest in Asia. The special teak type is mostly from Pegu and Sagaing Division while ordinary teak type could be found in all natural forests of the remaining States and Divisions. The highest yielding forest area is in Sagaing Division that yielded about 40,000 teak trees during FY 2003/04.

Accurate and reliable statistics on forest area resources, production, consumption, and trade are difficult to obtain due to illicit trade and insufficient government resources to adequately monitor the sector. Please note that this report only includes the Strategic Indicator table for the Forest Area. Post forecasts that annual production (based on Burma's fiscal year of April/March) of teak logs in 2004/05 will be around 522,000 cubic meters and rejected teak (lops and tops) 52,200 cubic meters. (Rejected teak or lops and tops consists of branches of the teak tree, trunks that have holes, trunks that are not straight, or such poor quality they cannot meet the set standard for export). Production of other hardwood logs will be approximately 1,972,800 cubic meters. Lumber output over the same period will be about 46,480 cubic meters of teak and 337,955 cubic meters of other hardwoods.

During the past decades, the forestry sector accounted for one percent of the country's GDP. Until the 1990's, the share of forest products in the export sector (in term of volume) was about 30 percent of total exports but declined since the early 2000's. However, the value of forest product exports increased from US$ 153 million in 1992/93 to US$ 280 million in 2003/04, due to increasing export prices. Logs are a dominant item in Burma's forest product exports. Exports of teak log in FY 2004/05 are estimated at 361,000 cubic meters, while exports of other hardwood log and teak lumber should be about 604,000 cubic meters and 33,000 cubic meters, respectively. There are no exports of hardwood lumber. The exports of teak logs and lumber are monopolized by the MTE. The private sector is mostly involved in exporting value added products including furniture, plywood and other forestry products (bamboo, cane, etc.). The low technological level of local processing sector hampers the production of lumber and other value-added products.

Commercial extraction of tropical hardwoods, both officially and outside the system, is extremely profitable and an important earner of foreign exchange. It is unlikely that the existing regulations, sound as they might be on paper, can be completely effective in curbing illicit extraction. At the village level, the short-term benefits of gathering fuel wood or clearing land for crops override the long-term benefits of reforestation or other environment-friendly land management techniques.

PRODUCTION

Burma is a timber surplus country surrounded by timber deficit countries such as Thailand, the People's Republic of China, India, and Bangladesh. The latest data released by FD in 2004 indicated that Burma has a total forest area of 132,650 square miles. As a result of diverse climatic conditions, the forest flora of Burma ranges from sub-alpine forests in the north through thorn forests in central Burma to tropical rain forests in the south.

STRATEGIC INDICATOR TABLE: FOREST AREA (000ha/000cum)			
Country: Burma	Previous	Current	Following
Report Year 2004	CY 2003	CY 2004	CY 2005
Total Land Area	67,658	67,658	67,658
Total Forest Area	34,356	34,356	34,356
---- of which Commercial			
---- of commercial, tropical hardwood			
----- of commercial, temperate hardwood			
----- of commercial soft wood			
Forest Type			
----- of which, virgin	34,356	34,356	34,356
----- of which plantation			
--- of which, other commercial(regrowth)(000hectares)			
Forest Ownership			
---- Nationally owned and no commercial access			
---Nationally owned, commercial logging permitted			
---- Other publicly owned land, no commercial access			
--Other publicly owned land, logging permitted	15,143		
---Privately owned commercial forest *			
---Under other or Unspecified Ownership (state own but not under Forest Act.)	21,103		
Total Volume of Standing Timber (000 cubic meters)			
-- of which Commercial Timber(000 cum)	124,148**	124,148**	124,148**
Annual Timber Removal (000 cum)	3,882	3,878	3,480
Annual Timber Growth Rate(000 cum)			
Annual Allowable Cut*	2,304	2,304	2,304
*= of which 265,494 cubic meters is teak, for each year(147,300 numbers of teak trees and 1,131,461 numbers of hardwood trees for each year)			

**= 6 feet girth at breast height

Note: There are no private owned forests in Burma to date. However Community forest areas have been permitted by the Community Forestry Instructions since 1996.

Forest Cover Change

There has been no assessment of change in forest area since 1990. However, the FD estimated that the average loss of forest cover is about 220,000 hectares per annum. Shifting cultivation, agricultural encroachment and illicit cutting has primarily been responsible for the deforestation.

The FAO has estimated that Burma is losing forest cover at a rate of 1.4 percent per year. This is one of the highest rates of deforestation, matched only by the Philippines, in Southeast Asia.

Reserved Forest Area

According to the FD, Reserved Forest, Protected Public Forest, and the Protected Areas System are legally constituted as the Permanent Forest Estate (PFE), which cover 17.2 million hectares, constituting 25.4 percent of the total land area of the country. The 1995 Myanmar Forest Policy stipulates that 35 percent of the total area of the country remains under permanent forest cover.

Forest Area (000 sq. miles)

Year	Total land area	Total Forest Area	Reserved Forest Area	Unclassified Forest Area	Others Area
1995/96	261,228	132,686	39,848	92,838	128,542
1998/99	261,228	132,650	44,859	87,791	128,578
1999/00	261,228	132,650	48,612	84,036	128,578
2000/01	261,228	132,650	49,979	82,671	128,578
2001/02	261,228	132,650	53,990	78,8660	128,578
2002/03	261,228	132,650	54,757	84,977	128,578
2003/04	261,228	132,650	58,467	81,479	128,578
2004/05	261,228	132,650	N/A	N/A	N/A

Planted Forests

Burma initiated plantation forestry as early as 1856 when small-scale teak plantations were established by the Taungya method. These reached a total of 47,617 hectares at the end of 1941. Large–scale plantation forestry was launched in 1840 and more than 30,000 hectares of forest plantation have been formed annually since 1984. As was clearly stated in the Myanmar Forest Policy of 1995, forest plantations will not be substituted for existing natural forest, but only to supplement natural forests. Five different types of forest plantations are established throughout the country: teak, commercial, village wood supply, industrial, and watershed.

Forest Plantations by Type for 2004

Type of Plantation	Target	Area
Teak	8,097	8,030
Watershed	8,077	7,755
Village Supply	3,658	3,155
Industrial	3,909	3,287
Commercial	6,666	7,603
Total	30,405	29,830

Special Teak Plantations

The Special Teak plantation program has a series of eight consecutive phases and has been in implementation since 1998. Each phase, lasting five years, will establish twenty plantation centers. Each center is to plant 405 hectares of teak plantations annually, for a total of 40,500 hectares to be put in twenty plantation centers in the first phase. The goal of the Special Teak Plantation program is to establish 324,000 hectares of teak plantations for clear-cut harvesting at the end of a 40-year rotation period. A sustainable production of 1.8 millions cubic meters of teak is estimated to be annually available from 8,100 hectares of these plantations at the end of rotation. The areas of 8,097 hectares and 8,030 hectares have been planted in FY 2003/04 and 2004/05, respectively.

Followings are the Special teak plantations areas:

Township	Teak Plantation (Hectares	
	2003 (Actual)	2004 (Provisional)
Shwebo	405	405
Kathar	405	405
Pyi	1,012	1,012
Tharyawaddy	1,012	1,012
Taunggoo	810	810
Bago	810	810
Rangoon (North)	405	405
Hinthada	810	810
Yamethin	1,215	1,215
Minbu	405	741
Gangaw	810	405
Total	8,097	8,030

Watershed Management

Watershed management areas suffering varying degrees of degradation are fairly wide spread due to both natural causes and man-made ones. The total watershed area in Burma is estimated to be about 6,556,000 hectares. Reforestation by plantation is practiced as an urgent measure to rehabilitate degraded watersheds. Since 1981, Burma has been establishing watershed plantations. Under this program, the Dry Zone Greening Department has established 7,389 hectares in FY 2003/04 (actual) and 7,214 hectares in FY 2004/05 (provisional) as of July 2004. The 1992 enacted Forest law provides the mechanism for declaring certain lands as having protected status as " Watershed Reserved Forests", and protecting public forests for water and soil conservation.

Environmental Management

The Dry Zone of Central Burma covers an area of about 8.72 million hectares in 57 townships. Since 1960 every possible measure to prevent and arrest environmental degradation has been hampered and hindered by an unfavorable climate and increasing population pressures. The foremost fuel wood deficit areas are located in the Central Dry Zone, where people spend much of their days collecting fuel wood. The Dry Zone Greening Department (DZDG) was instituted in 1997 as a new department to enhance greening and rehabilitation activities for improving the social and environmental stability of the entire Dry Zone. The total area under the charge of DZDG is about 8,727,716 hectares; constituting of 1,529,344 hectares of reserved forest, 3,279,987 hectares of un-classed forest and 3,918,385 hectares of agricultural land. In FY 2003/04 (actual) the DZGD was able to establish 8,381 hectares and 7,560 hectares in FY 2004/05 (provisional), reaching 98 percent of its target.

Greening Pegu Yoma Project

Pegu Yoma is where much teak and pyinkadoe (hardwood) is under the threat of deforestation due to population pressure, illicit logging and extension of farm lands. In order to reduce the deforestation, Greening Pegu Yoma Project was initiated in FY 2004/05, which will be extended to FY 2008/09. The objectives of this five-year term project are: 1) to ensure that Pegu Yoma remains as the natural home of teak; 2) to establish forest plantations and to preserve existing forest area; 3) to protect the watershed areas of existing dams; and 4) to encourage people's participation to establish community forests.

This project covers four districts in Pegu Division, Yemathin district in Mandalay Division, Thayet district in Magwe division, and Northern district in Rangoon division. By the end of July, 2004, forest plantations established in the project are as follows:

Types of Plantation	Area (hectares)		
	Target	Performance	Percentage
Teak plantation	6,360	6,295	99. 0
Watershed plantation	5,048	4,882	96. 9
Village wood lot	785	777	99.0
Industrial	567	324	57.1
Others	142	142	100
Total	12,894	12,420	96.3

Shifting-Cultivation Eradication Project

About three-quarters of the population in Burma reside in rural areas and rely mostly on forest resources to make their living. Shifting cultivation is common in seeking fertile virgin lands for cultivation. There are about 50 million hectares of forestland classified as good, inferior and degraded forest. Good and inferior forest areas are about 35 million hectares while the remaining 15 million hectares were of degraded forest areas due to shifting cultivation practices. Out of 35 million hectares, about 0.20 million hectares have been destroyed annually by shifting cultivation. In order to tackle the problems, the GOB initiated a five-year project of shifting-cultivation eradication from FY 2002/03 to FY 2006/07. The areas covered by this project are Kachin State, Chin State, Rakhine State (Ann Region) and Shan State.

Re-greening of Areas around Inlay Lake

The watershed area nearby Inlay Lake is about 0.53 million hectares with a water surface area of about 100 square miles. The recent situation indicates that the water surface area is 60 square miles in the rainy season and 40 square miles in the summer with an average depth of 16 feet. In order to protect the environment of the Inlay Lake and Moe Bye Dam, a radius of 20 miles within the area is protected as a wildlife reserve area. As of July 2004, 324 hectares of commercial plantation, were established, followed by village wood lots 263 hectares, watersheds 1,012 hectares, forest plantations 26 hectares, and wind breakers 30 hectares. In addition, 30,000 saplings and 10.06 million of seedlings have been distributed.

Reforestation in Border Areas

Burma's border areas are mostly rugged and mountainous, particularly in the north and the east where many different ethnic groups reside. In FY 2004/05, 46 hectares of commercial plantations have been planted, followed by village wood lots 150 hectares. An amount of 148,000 seedlings was also distributed for free along the border areas**.**

2004/05 Seedling Distributions in Plantations

States/Divisions	Type of Plantation (hectares)		Distribution of seedlings (Nos.)
	Village	Commercial	
Kachin State	40	16	38,000
Kayin State	4	2	10,000
Shan State (Thibaw)	40	4	5,000
Northern Shan State(Wa Region)	4	4	11,000
Southern Shan State	16	8	10,000
Mon State	0	0	15,000
Tanintharyi Division	2	2	40,000
Rakine State	4	4	8,000
PaO Region	20	4	5,000
Palaung Region	20	4	6,000
Total	150	46	148,000

Private Teak Plantations

In the past, only the government can grow teak as it is regarded as a royal plant. However, the Ministry of Forestry has recently allowed Myanmar Honda Company, a private entity, to grow teak commercially for the first time in order to preserve natural resources. The amendment of the forestry Law will be promulgated accordingly. According to the government sources, Myanmar Honda is allowed to grow 12,146 hectares of teak plantations within a ten-year period (1,215 hectares annually). The company is a joint venture between the GOB and Myanmar Honda in the capital ratio of 60:40. In addition to collecting respective taxes, the government will acquire the profit pro rata from the operations. Myanmar Honda is now recruiting experts and workers for this project. Confirmed Sources said that the project is likely to be located in Yinmabin township of Mandalay Division.

There are currently 18 private companies involved in commercial teak production on a contract basis with the GOB. Each of these companies is required to reforest 4,008 hectares of land over the two and half year in areas in MaBain, MinHla, YayTarShay, Phyuu, Taungtwin Gyi, KantBaLu, and Nyaung Cho Townships. 1,235 hectares were planted in 2004 and 2,773 hectares will be planted in 2005.

PSD TABLES

PSD Tables						
Country: Burma						
Commodity: Teak Logs (000 CUBIC METERS)						
	2002/03		2003/04		2004/05	
	Old	New	Old	New	Old	New
	2003	Revised	2004	Estimate	2005	Forecast
Market year begin						
Production	584	536	593	652		522
Imports	0	0	0	0		0
TOTAL SUPPLY	584	536	593	652		522
Exports	160	307	300	388		361
Domestic Consumption	424	229	252	264		161
TOTAL DISTRIBUTION	584	536	552	652		522

PSD Tables						
Country: Burma						
Commodity: Tropical Hardwood Logs (000 CUBIC METERS)						
	2002/03 Revised		2003/04 Estimate		2004/05 Forecast	
	Old	New	Old	New	old	New
Market year begin	April-March					
Production	1414	1931	1973	2028		1973
Imports	0	0	0	0		0
TOTAL SUPPLY	1414	1931	1973	2028		1973
Exports	378	456	500	570		604
Domestic Consumption	1036	1475	1473	1458		1369
TOTAL DISTRIBUTION	1414	1931	1973	2028		1973

PSD Tables						
Country: Burma						
Commodity: Teak Lumber (000 CUBIC METERS)						
	2002/03 Revised		2003/04 Estimate		2004/05 Forecast	
	Old	New	Old	New	Old	New
Market year begin	April-March					
Production	55	41	48	43		46
Imports	0	0	0	0		0
TOTAL SUPPLY	55	41	48	43		46
Exports	30	24	26	32		33
Domestic Consumption	25	17	22	11		13
TOTAL DISTRIBUTION	55	41	48	43		46

PSD Tables						
Country: Burma						
Commodity: Tropical Hardwood Lumber (000 CUBIC METERS)						
	2002/03 Revised		2003/04 Estimate		2004/05 Forecast	
	Old	New	Old	New	Old	New
Market year begin	April-March					
Production	349	284	335	236		338
Imports	0	0	0	0		0
TOTAL SUPPLY	349	284	335	236		338
Exports	0	0	0	0		0
Domestic Consumption	349	284	335	236		338
TOTAL DIST.	349	284	335	236		338

CONSUMPTION

Annual Allowable Cut (AAC)

The Forest Resources Management system in Burma started by the British in 1856 is said to be still in operation. Confirmed sources said that the AAC only exists on paper. In the first instance, an annual allowable cut (AAC) that had been calculated for the whole of Burma was harvested from ever decreasing areas, as various forest areas became inaccessible due to the insurgency activities over the years. Recently, teak and hardwoods have been increasingly over cut as a result of the regime's need for foreign currency. AAC in reality is being set according to the economic imperative rather than sustainability of production. Nevertheless, the Selection System, initiated by Sir Deitrich Brandis, is an exploitation-cum-cultural system known as Myanmar Selection System (MSS) that has a felling cycle of 30 years. Teak is generally girdled and then felled 3 years later. All other hardwoods are extracted without girdling. According to the Forest Department, the AAC for teak is still set at 265,494 cubic meters and AAC for other hardwoods is fixed at 2,039,345 cubic meters. The annual production is estimated at 341,419 cubic meters for teak and 204,230 cubic meters for hardwoods.

Extraction

Harvesting of timber, milling and trade in the forestry products is mainly done by the MTE. The Extraction Department under MTE is responsible for the harvesting and transportation of teak and non-teak hardwood logs from the forests to various delivery points. In FY 2004/05, the Extraction Department plans to extract 125,100 cubic meters of teak logs, 858,600 cubic meters of hardwoods, and 52,000 cubic meters of “reject” teak, respectively.

According to the sources, MTE has regularly held open sell bidding for teak and other hardwoods twice a month to both locals and foreign companies. In FY 2003-04, the MTE was able to achieve 101.6 percent of its targeted export earnings equivalent to US$ 280 million.

Domestic Marketing and Milling

The local marketing and milling department of the MTE, which process the logs into lumber for distribution in the Burmese market, do domestic marketing and milling. The MTE has four teak saw mills with a total daily capacity of 39,676 cubic meters of teak lumber, and 83 hardwood saw mills with a daily production capacity of 218,218 cubic meters. These mills also produce high quality conversions as to be exportable. Lumber production in FY 2004/05 is about 46,480 cubic meters of teak lumber and 337,955 cubic meters of hardwood lumber.

Domestic Consumption

MTE has the monopoly on the commercial exploitation of teak wood, from extraction to processing and marketing in all forms. For non- teak wood, established private timber businessmen are granted a license to extract under contract. In the milling and processing of hardwoods, local saw mills are issued permits for operating the mills on a yearly basis.

Hardwoods are produced both by MTE and the private sector, with the latter having the larger share. The private sector is allowed to export hardwood logs, lumber and finished products. The private sector is also allowed to export value added products of teak such as furniture and doors on condition that the wood is purchased through MTE tenders. However, the MTE contracts out some of its work to privately run logging companies and timber processing facilities. Despite the cancellation of Thai logging concessions on the Thai-Burmese border, and the GOB's ending of the logging concession system of forest management in 1993, some of the current contracts are referred to as concessions and are operated as such. These lucrative contracts are most often given to companies owned by the ruling elite’s relatives and also to companies that have close contacts with the military elite who essentially control the country. Such entrepreneurs frequently have other similar concessions throughout the natural resources sector. Subcontractors are also used by MTE to carry out logging operations. The sub contractors are obligated to deliver a certain volume of timber to the MTE at a given price.

Local sales of teak logs for domestic consumption decreased by 39 percent during FY 2004/05 from 264,000 cubic meters in FY 2003/04, and teak lumber sales increased by 18 percent from 24,000 cubic meters in FY 2003/04. Local sales of hardwood logs decreased by 6 percent during FY 2004/05 from 1,458,000 cubic meters in FY 2003/04 while local sales of hardwood lumber increased by 43 percent.

The private sector and joint venture companies can also compete in the monthly tender sales of teak and hardwood logs. For joint venture companies, the sales prices are set at six months average tender prices.

Illicit Trade

Post believes that the utilization of teak logs and lumber and other hardwood logs and lumber is much higher than official figures report because the illicit trade of logs and lumber is a thriving, prosperous trade. Data on this trade are very difficult to obtain and verify, since many of the participants in this trade are engaged in armed conflict with the GOB, or are high-level officials acting independently. The FD attempts to gather data on this trade, but the accuracy of the data cannot be verified independently.

Most of the domestic teak wood supply is provided from private sawmills and timber merchants who purchase illicit logs for milling, since MTE has prohibited the local sales of teak to private companies. Another source of illicit logs comes from additional teak lumber/hardwood permits sold by from the high-ranking officials. The contraband products are mostly sold as lumber or value-added products such as furniture, window/door frames and doors. Most of the teak and Padauk woods that are smuggled out through the Thai and Chinese borders are flooring strips, plank boards scantlings or lumber blocks.

Seizures of illicit logs/lumber (cubic meters)

	2003/04	2004/05
Teak logs	11,318	1,732
Teak lumber	14,783	2,331
Hardwood logs	14,443	3,513
Hardwood lumber	7,704	2,123
Union Total	48,248	9,699

According to FD data, total seizures of illicit logs and lumber decreased from 48,248 cubic meters in FY 2003/04 to 9,699 cubic meters in FY 2004/05. Illicit seizures were the highest in Kachin State (28 percent of the total), followed by Mandalay Division (20 percent), Pegu Division (17 percent), and others. Seizures of teak products (logs and lumber) comprise 42 percent of total seizures in FY 2004/05, as opposed to 54 percent in FY 2003/04. Meanwhile, seizures of hardwood products in FY 2004/05 comprise 58 percent, down from 46 percent in FY 2003/04.

Much of the timber cross border trade with Thailand also appears to be unrecorded. Most of the illegal timber extraction occurred in Kachin, Bago, Mandalay, Magwe and Sagaing Division. It is rather difficult for FD to control the forests, particularly in the border areas. Other factors contributing to illegal logging were an increase in population and rising demand for some timber varieties especially teak and pyinkado. In an effort to counter illegal logging, FD conducts ad hoc and regular checks of extraction sites, vehicles used to transport timber, saw mills and finished products. Those involved in logging timber are required to apply for extraction permits and mark all felled logs. The absence of either permits or the markings are used to determine if logs were illegally felled. Those caught with fraudulent documents or timber showing false markings are liable to a maximum penalty of three years' imprisonment and a Kyat 30,000 fine. (945 Kyat = 1$ U.S.). Heavier penalties for the illegal extraction of teak are seven years in jail and a fine of Kyat 50,000 fine. Seized timber is usually delivered to MTE and sold at monthly tenders to foreign buyers and to FJVC (Forest Joint Venture Companies)

TRADE

Export Marketing and Milling

The Export Marketing and Milling Department of MTE processes the logs and either exports them in log form or further processed the logs into timber. There are 83 state-controlled hardwood saw mills producing timber for the domestic market and eight state-controlled teak saw mills producing timber for export. In addition, MTE runs four plywood factories, five furniture factories, two molding factories and one flooring and molding factory. The total capacity of these processing units is about 288,000 cubic meters per year. In addition, according to the FD, there are 459 small to medium sized saw mills, 1,224 re-cutting mills and 487 factories producing furniture and partially processed products all privately owned.

Obsolete sawmills characterized Burma's wood industry, although some modern mills have been installed. As a result, according to internal GOB figures, the existing saw mills and plywood factories could absorb only 4 percent of the available AAC's. Exports of logs absorb the remainder. Annual revenue form this undertaking is roughly about US$ 200 million from the government sector and roughly about US$ 50 million from the private sector including Joint ventures. Forestry exports are comprised of logs (85 percent), sawn timber (12 percent), and value added products (3 percent). A total of 10 joint ventures and private investment companies are now involved in the timber industry.

Marketing

Burma's teak market remains a seller's market and timber reigns as Burma's number one export earner, accounting for 19 percent of Burma's total export that are valued in US dollars, and 36 percent of the country's trade that are valued in Euros in CY 2004. According to GOB's figures, timber exports amounted to US$ 280 million in FY 2003/04, and are forecast to decline to US$ 221 million in FY 2004/05. About three quarters of the teak available in the world market is produced out of Burma. Teak and hardwood logs are presently sold for export through a monthly tender system and also are sold by contract on certain occasions. Sawn timber and downstream products are mainly sold by sales contracts. High quality teak (grade 1 and 2) is usually sold through monthly tenders, while that for the third and fourth grades is sold through negotiations.

Tenders

Teak is sold via a twice-a-month tender, conducted on a sealed bid basis by MTE, with all sales on FOB basis. Submittance of earnest money of US$ 15,000 is necessary. In August 2003, due to US sanctions imposed on Burma, the required for earnest money was changed to permit the use of Euros - 15,000 for foreign buyers and 5,000 for local Burmese companies.

Sales

The major Burmese teak/hardwoods buyers are India, Thailand, Singapore, China, and European countries (including Germany, France, Holland, Denmark and Sweden). India is the most regular hardwood buyer. It is estimated that 60% of total forest product output is exported in the form of logs, followed by 10% being exported in the form of lumber, and the remaining 30% being used domestically. About a half of domestic use is for value-added wood products and the rest goes to lumber. At present, the MTE is making an effort to reduce sales of logs and switch to develop a value-added wood industry through exploring new export market opportunities and providing raw materials and technology transfer. The Myanmar Timber Association (MTA) organized a trade delegation tour to France, Germany and Italy in September 2004, to seek a direct trade with European consumers.

Yearly Export and Income Table

	Production (tons)		Exports (tons)		
Year	Type of timber	Quantity	Type of timber	Quantity	Value(USD)
FY 2001/02	Teak	276,067	Teak logs	162,373	
	Teak (rejected)	40,244	Teak conversion	15,659	
	Total	316,311	Total	178,032	156.23 million
FY 2002/03	Teak	297,979	Teak logs	166,891	
	Teak (rejected)	35,024	Teak conversion	18,763	
	Total	333,033	Total	185,654	154.51 million
FY 2003/04	Teak	362,039	Teak logs	215,535	
	Teak (rejected)	38,157	Teak conversion	22,323	
	Total	400,196	Total	237,858	218.335 million
FY 2004/05	Teak	116,956	Teak logs	200,500	
	Teak (rejected)	17,014	Teak conversion	23,360	
	Total	133,970	Total	223,860	173.735 million

Note: FY = Fiscal Year (April-March)

Exports

Teak log exports are estimated to decline by 7 percent in FY 2004/05 from the previous year's level. Meanwhile, exports of hardwood logs should increase by 6 percent in FY 2004/05. There were no official exports of hardwood lumber in FY 2004/05 while exports of plywood are estimated at 78,500 sheets.

In FY 2003/04, export market situation for Burma's teak logs improved. MTE was able to sell 215,535 tons of logs worth US$ 194.310 millions and the average prices received for the logs were:
2nd quality US$ 4,932
3rd quality US$ 4,735
4th quality US$ 4,229
SG 1 US$ 2,562
SG 2 US$ 2,048
SG 4 US $ 1,209

Demand for hardwood logs was also strong in FY 2003/04 although Burma relied only on the Indian market, which is a major buyer for hardwood logs. Due to a strong demand, MTE was able to increase by 10 percent the export sales prices of hardwood logs.

Exports of teak lumber are estimated to increase by 3 percent in FY 2004/05 from 2003/04's level. In FY 2003/04, MTE was able to export 32,000 cubic meters of lumber with the value at US$ 24 million.

In CY 2004 the export value of all forestry products amounted to US$ 401 million and Euro 45 million. Private sector could export value added forest products up to the amount of US$ 27 million in CY 2004.

Export Trade Tables

Note- All Euro values are in addition to US $ values, as Burma started conducting the tenders in Euros and U.S. dollars in August after stringent sanctions were imposed by the United States.

Teak Logs Tender Average Price Per Cubic Ton

Commodity	T 10(Jan) Average	T 11 (Feb.) Average		T 12 (Mar) Average		US$
	Euro	US$	Euro	US$	Euro	
3rd quality			3519	4479	3532	4327
4th quality	3341	4217	3366	4284	3187	3904
SG 1 quality	1941	2450	1986	2528	2020	2475
SG 11 quality	1628	2055	1644	2093	1662	2036
SG1V quality	957	1208	973	1238	987	1209

	T01 (Apr) average		T 02 (May) average		T 03 (June) Average	
Commodity	Euro	US$	Euro	US$	Euro	US$
2nd quality						
3rd quality			3,452	4145	3,650	4,396
4th quality	3,298	3,906	3,345	4,016	3.141	3,783
SG1 quality	2,163	2,562	2,216	2,661	1,963	2,364

SG 11 quality	1,750	2,072	1,760	2,113	1,586	1,910
SG 1V quality	1,055	1,250	1,158	1,390	1,158	1,395

Commodity	T04 (July) average		T 05 (Aug.) average		T 06 (Sept.) Average	
	Euro	US$	Euro	US$	Euro	US$
2nd quality			4,104	4,953	4,039	4,972
3rd quality	3,677	4,509	3,548	4,282	3,785	4,659
4th quality	3,314	4,064	3,182	3,840	3,308	4,072
SG1 quality	1,938	2,377	1,994	2,406	1,952	2,403
SG 11 quality	1,662	2,038	1,643	1,983	1,492	1,837
SG 1V quality	1,095	1,343	1,112	1,342	1,040	1,280

Export of Teak logs in 2004 (mt)

Destination	Jan	Feb	Mar	April	May	June
China	0	0	805	819	0	0
Hong Kong	0	0	0	0	0	469
India	7,385	2,908	8,063	3,575	2,677	29,052
Pakistan	176	937	0	55	0	0
Thailand	1,449	6,982	3,911	1,560	-	3,179

Export of Teak logs in 2004 (mt)

Destination	July	August	Sept.	Oct.	Nov.	Dec.
China	0	827	0	824		
Hong Kong	0	0	0	0	0	
India	13,706	11,302	5,543	7,622		
Pakistan	0	0	0	0	0	0
Thailand	350	3,797	4,692	2,534		

Export of Hard wood logs in 2004 (mt)

Destination	Jan	Feb	Mar	April	May	June
China	0	0	3,300	3,578	0	12,144
Hong Kong	0	0	0	0	0	842
India	8,510	11,984	22,290	7,868	12,492	60,451
Pakistan	2,977	5,905	4,356	9,937	1,230	4,359
Thailand	821	808	1,300	1,002	0	2,233

Destination	July	August	Sept.	Oct.	Nov.	Dec.
China	1,437	4,007	0	0		
Hong Kong	0	0	0	0		
India	33,594	27,273	10,699	7,605		
Pakistan	0	254	7,752	1,905		
Thailand	1,515	1,753	3,919	496		

Export Value of Timber and Forestry Products CY 2004				
Months	A/C	Export Value	Percent	Total Export Value
Jan	US$			
Feb	US$	19,576,361	8	232,279,320
March	US$	29,127,661	20	153,681,636
	Euro	*7,257,224*	*55*	*13,127,179*
Apr.	US$			
May	US$	26,080,223	10	248,709,093
	Euro	*8,322,760*	*51*	*16,237,337*
June	US$	40,800,050	24	168,524,797
	Euro	*7,387,594*	*45*	*16,386,982*
July	US$	28,082,654	17	165,811,270
	Euro	*3,886,771*	*24*	*16,474,359*
August	US$	26,511,068	17	151,807,452
	Euro	*5,335,377*	*30*	*17,623,958*
Sept.	US$	24,175,086	16	151,349,999
	Euro	*4,453,543*	*33*	*13,479,026*
Oct.	US$	22,017,361	25	86,691,308
	Euro	*4,748,524*	*40*	*11,928,984*
Nov.	US$	24,231,803	15	158,371,673
	Euro	*3,941,228*	*20*	*19,834,472*
Dec.	US$	160,677,446	27	591,069,297
	Euro			
Total	US$	401,279,713	19	2,108,295,845
	Euro	*45,333,021*	*36*	*125,092,297*

Review of Teak Log Tenders in 2004

According to the BIG business magazine in Burma, MTE's export sales during the first quarter of 2004 (Jan-Mar) were mostly shipped to Thailand (29 percent), followed by Singapore (21 percent), Hong Kong (19 percent) and Europe (10 percent), respectively. Meanwhile, sales to Myanmar companies, Malaysia, India and Japan dropped sharply.

In the second quarter of 2004, sales decreased by 44 percent from the first quarter. Sales to Europe and USA accounted for 38 percent of total teak log sales and Singapore 23 percent. Demand from such regular buyers as Thailand Hong Kong, Singapore, Japan and India were weak in this quarter.

In the third quarter of 2004, sales of teak logs further fell by 12 percent from the second quarter's level. Singapore was the major buyer accounting for 34 percent of total teak log sales, followed by Hong Kong (20 percent) and Europe & USA (18 percent).

January			February		March	
Tender No. 10, 2003/04 as of 1/29/04			Tender No. 11		Tender No. 12 as of 3/22/04	
Area	Ton	Value (euro)	Ton	Value (euro)	Ton	Value (euro)
Burma	223.486	266,122.65	176.428	185,719.59	177.226	181,736.00
Eur/UK/USA	212.454	351,233.07	242.538	453,150.09	257.942	401,177.00
Hong Kong	341.244	347,323.72	731.148	707,573.25	155.62	157,595.00
India	36.376	32,956.66	111.98	120,152.17	61.056	64,226.00
Japan	26.304	44,322.24	70.012	65,053.40	0	0
Malaysia	436.028	402,649.78	0	0	0	0
Singapore	697.396	744,696.77	240.454	299,226.46	474.674	509,309.00
Thailand	760.58	733,385.28	785.374	750,698.52	406.466	393,017.00
Total	2733.868	2,922,690.17	2357.934	2,581,573.48	1532.984	1,707,060.00

April			May		June	
Tender No. 01/04 as of 4/26/04			Tender No. 02/04 as of 5/24/04		Tender No. 03/ 04 as of 6/28/04	
Area	Ton	Value (euro)	Ton	Value (euro)	Ton	Value (euro)
Burma	107.682	174,166.00	131.926	179,210.00	96.94	132,398.00
Eur/UK/USA	273.134	441,429.00	295.308	496,446.00	857.418	433,067.00
Hong Kong	293. 676	301,418.00	132.648	144,975.00	35.538	42,717.00
India	0	0	0	0	24.07	41,112.00
Japan	36.956	51,738.00	0	0	23.258	39,539.00
Malaysia	130.476	130,061.00	0	0	156.35	188,800.00
Singapore	399.95	395,296.00	260.648	380,050.00	199.906	317,990.00
Thailand	115.322	115,942.00	35.516	42,939.00	115.212	130,880.00
Total	1,357.196	1,610,050.00	856.046	1,243,620.00	1,508.692	1,326,503.00

July			August		September	
Tender No. 04/04 as of 7/26/04			Tender No. 05/04 as of 8/30/04		Tender No. 06/04 as of 9/27/04	
Area	Ton	Value (euro)	Ton	Value (euro)	Ton	Value (euro)
Burma	165.168	257,019.70	158.39	256,441.05	175.844	210,457.87
Eur/UK/USA	224.066	466,309.89	177.974	375,752.83	200.598	422,673.27
Hong Kong	210.298	232,762.67	227.556	142,208.80	180.666	236,192.67
India	0	0	29.78	34,812.82	0	0
Japan	75.995	143,333.55	0	0	0	0
Malaysia	22.908	38,691.61	0	0	98.892	113,472.71
Singapore	333.116	453,512.52	485.092	689,373.83	289.574	454,202.27
Thailand	39.678	46,313.44	98.784	104,729.18	71.934	74,004.21
Total	1071.229	1,637,943.38	1177.576	1603318.508	1,017.508	1,511,003.00

October			November		December	
Tender No. 07/04 as of 10/25/04			Tender No. 08/04-05 as of 11/29/04			
Area	Ton	Value (euro)	Ton	Value (euro)	Ton	Value (euro)
Burma	28.744	42,454.888	221. 832	277,962. 242		
Eur/UK/USA	305.928	676,505.662	266.766	558,389.704		
Hong Kong	414.452	474,936.370	157.724	153,245. 140		
India	18.832	30,168.864	0	0		
Japan	0	0	0	0		
Malaysia	0	0	0	0		
Singapore	284.858	482,122.026	139. 352	320,002.128		
Thailand	181.208	168,827.234	111. 480	104,880. 904		
Total	1,234.022	1.876,015.044	897. 164	1,324,480. 118		

Private Sector Exports of Forest Products
(as of June 2004) (US$)

Commodity	Total (US$)
Bamboo	6,328.50
Broom	37,611.28
Cane	368,088.61
Cutch	25,263.00
Hardwood Conversion	1,361,542.32
Hardwood Plywood	2,814,717.57
Teak Conversion	2,492,471.76
Teak furniture	1,163,668.91

Removal of Round Timber (000 cubic tons)

Year	Industrial Round wood		
	Teak	Hardwood	Total
1990-91	793.056	2,779.30	3,572.36
1991-92	652.468	2,786.51	3,438.98
1992-93	614.873	2,566.25	3,181.13
1993-94	466.357	2,721.81	3,188.17
1994-95	473.617	2,150.35	2,623.96
1995-96	414.720	2,231.05	2,645.77
1996-97	366.650	2,448.05	2,814.70
1997-98	443.441	2,734.36	3,177.80
1998-99	471.542	2,808.47	3,280.01
1999-2000	480.327	2,870.01	3,350.34
2000-01	457.795	3,115.80	3,573.59
2001-02	507.475	3,428.60	3,936.08
2002-03	545.563	3,330.16	3,875.72
2003-04	524.363	3,357.24	3,881.60

Production of Firewood (1,000 metric tons)

Year	Total
1980-81	23,303,794
1990-91	32,269,488
1991-92	32,215,901
1992-93	32,379,316
1993-94	32,400,153
1994-95	32,476,040
1995-96	32,310,889
1996-97	31,963,078
1997-98	31,136,341
1998-99	31,752,010
1999-2000	33,134,152
2000-01	33,487,521
2001-02	34,195,511
2002-03	34,938,513
2003-04	35,743,521

End of Report.