



Ministry of Natural Resources and Environmental Conservation

Myanma Timber Enterprise



# Role of MTE in Myanmar Timber Industry

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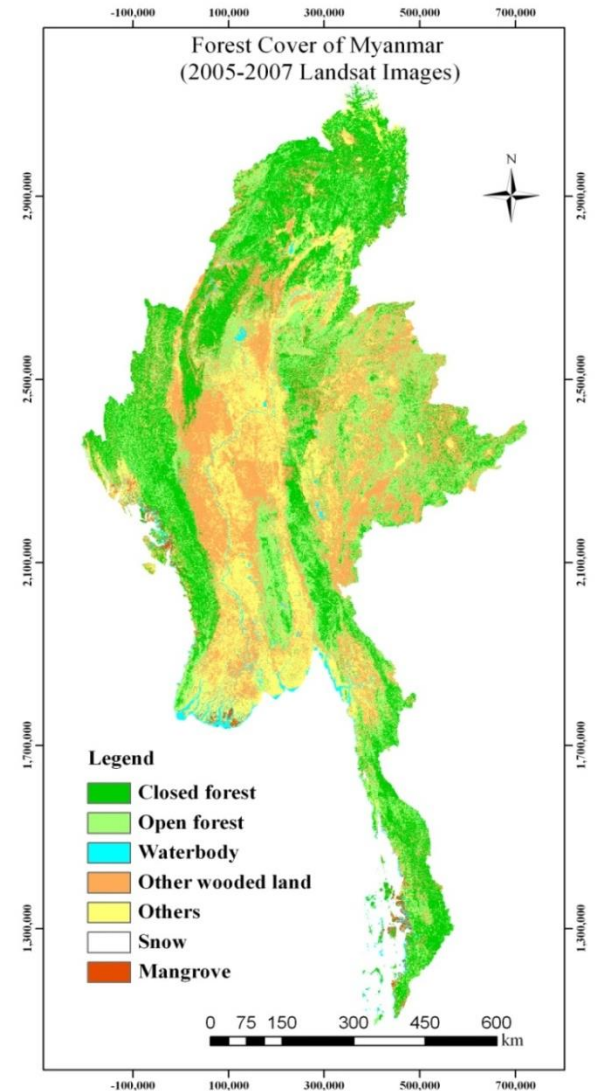
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# Forest Cover Status of Myanmar (2010)

Forest Cover of Myanmar Derived from 2005-2007 Landsat Images (FRA 2010)

	Area (,000 ha)	% of total country area
Closed forest	13,445	19.87
Open forest	18,329	27.09
<b>Total forest</b>	<b>31,773</b>	<b>46.96</b>
Other Wooded land	20,113	29.73
Others	13,869	20.50
Water body	1,903	2.81
<b>Total</b>	<b>67,658</b>	<b>100</b>

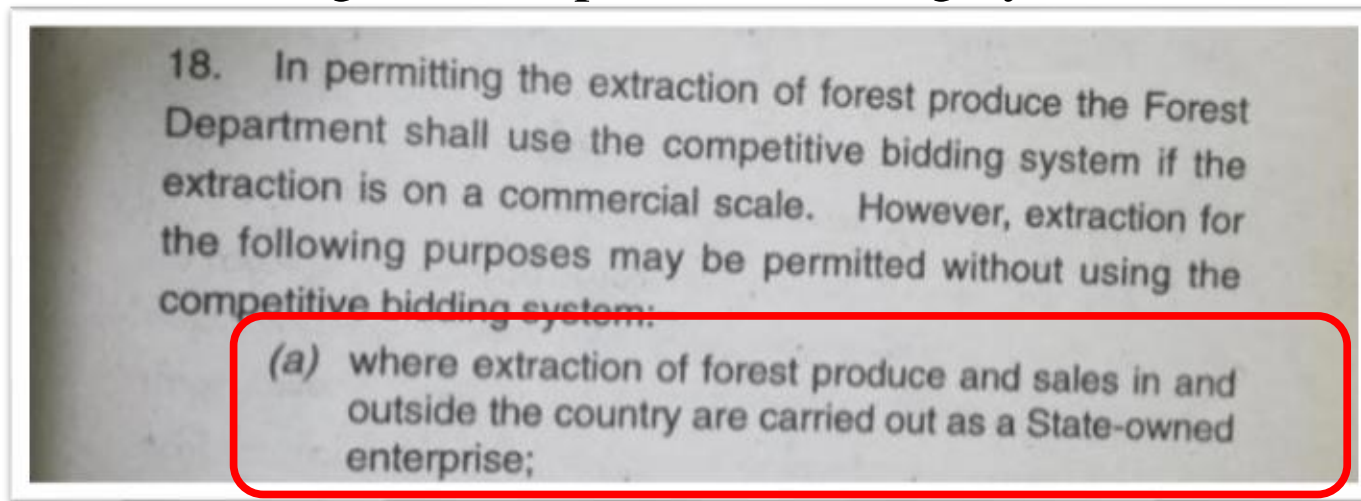


# I. Background Information

- ❑ All of the natural resources from Myanmar is conserved and administrated by the union ministry level named **Ministry of Natural Resources and Environmental Conservation** (MONREC).
- ❑ Under the Ministry, there are two main forestry related organizations:  
**Forest Department (FD)** and **Myanma Timber Enterprise (MTE)**.
  - ✓ Forest Department (FD) is mainly responsible for **Conservation** and **Management** of forests by developing Forest Management Plan/ Formulating Forest Policy & Laws and so on.
  - ✓ Myanma Timber Enterprise (MTE) is solely responsible for **Operations** such as harvesting, processing and marketing of timber.

# I. Background Information

- ❑ Therefore, to perform the business sector of forest resources, MTE was born as the name of STB( State Timber Board) since 1948.
- ❑ Moreover, by the Forest Law (1992), MTE, as a State-Owned Enterprise, has legal right of commercial harvest and sale of timber and timber products without using the Competitive Bidding System.



- ❑ There is no concession system practiced in Myanmar.

# I. Background Information

□ To do its business, MTE set the following **Policy & Objectives**.

## **Policy**

- ✓ To harvest and utilize timber and timber products in the sustainable way of production and to fulfill the local needs of timber.
- ✓ To develop and improve the wood-based industry sector for the effective utilization of forest resources.

## **Objectives**

- ✓ To harvest the optimum amount of timber that the forest can supply.
- ✓ To provide forest conservation by spurring effective timber utilization.
- ✓ To encourage private sector participation in value-adding timber.
- ✓ To improve socio-economic development of the nation and its people by realizing wood-based industry development.

# I. Background Information

□ Here is the **Current Strength and Power** of MTE by August 2017.

Sr. No.	Current Workable Strength	Quantity	Remark
<b>1</b>	<b>Current Staff</b>	<b>15951</b>	MTE as a whole
2	Working Elephants (total of over 3000)	1131	Extraction Dept.
3	Dozer, etc.(for Road Construction)	135	
4	Loader, etc. (for Logs Loading & Unloading)	203	
5	Truck (for Trucking)	357	
6	Extraction Agencies	28	
7	Elephant Conservation Based Tourism-ECBT Camps	16	
8	Vehicles	2482	MTE as a whole
9	Sawmills	7	Export Dept.
10	Sawmills	58	Local Dept.
11	Factories	20	WBI Dept.

## II. Main Functions of MTE

- ❑ MTE is performing its functions by annual, mid-term and long term plans according to the **National Plan Objectives**.
- ❑ The main functions of MTE are **Harvesting**, **Log distribution** and **Sale** to private sector as raw material and sawn-timber.



**Harvesting**



**Log Distribution**



**Log & Sawn Timber  
Sale**



## II. Main Functions of MTE

- ❑ **Harvesting Operations** are carried out by **Extraction Department** of MTE in accordance with operational harvesting plan, relevant rules and regulations and Control Check are done by the Forest Department(FD).



**Harvesting**

- ❑ At present, there are **25 Extraction Agency Offices** set up throughout the country, which are under the administration of the Region/State Office in-charges of the Extraction Department.

# II. Main Functions of MTE

Harvesting

Extraction Agencies

Map showing location of State/Region Offices, Extraction Agencies and their Representative Hammer Marks by MTE

No.	Agency	Teak	Hardwood
1.	Myittha	A	A
2.	Rakon	B	B
3.	Kalay	CD	CD
4.	East Mawlaik	E	E
5.	West Mawlaik	F	F
6.	East Kaha	I	I
7.	West Kaha	Cs	Cs
8.	Kawlin	D	D
9.	Shwebo	D	D
10.	Monywa	G	G
11.	Myitk	E	E
12.	Pyi	Q	Q
13.	One Gow	J	J
14.	Thayet	P	P
15.	Mieha	M	M
16.	Naypyitaw	K	K
17.	Pyin Oo Lwin	N	N
18.	Thabeik	L	L
19.	Thangay	LL	LL
20.	Loi-son	LL	LL
21.	Monsik	II	II
22.	Shwebo/Maleis	II	II
23.	Ilahuda	R	R
24.	North Pa Thin	NS	NS
25.	South Pa Thin	S	S



★ State/Divisions  
● D.G.M Offices  
● Extraction Agency Offices



## II. Main Functions of MTE

### Harvesting

### Harvesting System

- ❑ Selection Felling System under three Controls:-
  - ❖ Girth Limit Control
  - ❖ Area Control
  - ❖ Annual Allowable Cut
- ❑ All of the above controls are set by District Forest Management Plan prepared by the Forest Department (FD).

## II. Main Functions of MTE

### Harvesting

### Harvesting Operations

Felling

- Fellers

Skidding

- Elephants

Road  
Construction

- Dozer
- Grader

Trucking

- Truck
- Loader

Log  
Transportation

- Truck
- Barge
- Raft
- Rail Way



## II. Main Functions of MTE

### Harvesting

### Chronology of Harvesting (1948)

- ❑ Since 1948 until now, Fellers are used to be hired for the felling & logging operation.
- ❑ Other harvesting power such as Elephants and Machines will be hired where the internal capacity of MTE is limited.
- ❑ The elephants/machines owners and fellers are paid with the rate set by the extraction department.
- ❑ There was **no profit-sharing arrangement on timber**.
- ❑ Whatever the harvesting operations were carried out by MTE-own facilities or local owner, all of the functions were under the control and supervision of MTE.



## II. Main Functions of MTE

### Harvesting

### Chronology of Harvesting (1988 to 2015)

- ❑ Demands of foreign income generated from the Forestry Sector became raised.
- ❑ Consequently, more harvesting volume has to be extracted by MTE.
- ❑ With the limited budget and Capacity, most of the harvesting amount was permitted to the private companies (Sub-contractors) on behalf of MTE.
- ❑ In this regard, **timber sharing method was evolved**. Under this method, the private companies had to carry out the whole harvesting process by their initial investment.
- ❑ As a benefit, **they got timber sharing percentage and export permit of their share**.
- ❑ Allocation of harvesting amount, area and companies were directly managed and decided by the Ministry of Forestry .(Top down policy)
- ❑ Although MTE stands for controlling of the whole process, it is admitted that there is weak administration and supervision over those private operators.



## II. Main Functions of MTE

### Harvesting

### Harvesting Operation (Current)

- ❑ For this current year 2017, MTE has planned to carry out its harvesting operation except Bago Yoma Region.
- ❑ As usual, harvesting plan for 2017 was submitted to the cabinet via the Union Minister Office of MONREC.
- ❑ In the harvesting plan, detail plan of harvesting area and amount to be allocated (reserved or un-classed forest, compartment, township, district, and so on) in accordance with AAC and felling series allowed by the FD is included.
- ❑ And then, MTE got permission to harvest the total amount of **365,000 tons** of which 15000 tons for teak with the approval of Cabinet, via MONREC.



## II. Main Functions of MTE

### Harvesting

### Harvesting Operation (Current)

- ❑ Though the harvesting amount was over the AAC in the past, MTE managed to harvest under the limit of AAC since 2014.
- ❑ In 2017, the total amount (365,000 tons) of harvesting proposed by MTE is even **44%** less than AAC prescribed by FD.
- ❑ **However, the harvesting capacity by MTE-owned facilities is estimated as 220,000 tons.**
- ❑ The reason of extracting more than MTE's capacity is that MTE has to contribute to the State, to pay income and commercial tax and to bear the salary of retired and current staffs of MTE and other over-head costs.
- ❑ **Therefore, MTE planned to hire for the rest of 145,000 tons which is out of capacity to run by MTE.**





## II. Main Functions of MTE

- ❑ **The hireling plan** including types of operations (felling, skidding, road construction, trucking, loading & unloading), amount of volume and places (extraction agencies) has been submitted and got approval by the Union Minister Office of MONREC.
- ❑ Well experience with harvesting operations is priority for hireling and the hireling contract is done at the MTE agency office (bottom level).
- ❑ The difference of hireling between past and present is as follows:-
  - ❖ In the past **the private companies were directly hired by the Ministry of Forestry giving permission of timber sharing percentage and export permit of those shares.**
  - ❖ At present, that kind of permission is not allowed any more. The local private owner will be directly settled dues by their work done.



## II. Main Functions of MTE

### Harvesting

### Timber Production (Current)

□ Here is the amount of Teak and Hardwood to be harvested in 2017.

Sr. No	Commodity	Annual Allowable Cut by FD		No of trees to be harvested by MTE		
		(trees)	(tons)	(trees)	(tons)	(%) of AAC
1	Teak	19,210	23,052	10,620	15,000	55
2	Hardwood	592,330	829,262	193,412	350,000	33



## II. Main Functions of MTE

**Harvesting**

**Timber Production (Current)**

□ Here is Plan of timber production in 2017 which got approval by the Cabinet.

Types of Harvesting Operations	Strength & Power	MTE Strength & Power			Outsiders by Hireling Plan			Total Work Load (ton)
		Quantity	Work Load (ton)	Capacity (%)	Quantity	Work Load(ton)	Capacity (%)	
Felling	Feller	-	0	0		365000	100	365000
Skidding	Elephants	1131	236900	65	612	128100	35	365000
Road Construction	Dozer, Grader	135	264400	72	51	100600	28	365000
Log Trucking	Truck	357	122800	34	704	242200	66	365000
Loading & Un-loading	Loader, Clark	203	243900	67	101	121100	33	365000

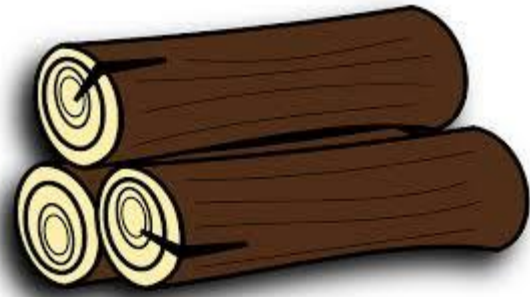
## II. Main Functions of MTE

### **Log Distribution Strategy** within MTE

(**Export/ Local/ WBI Dept.**) has already

included in the Operation Harvesting Plan

submitted to Cabinet via MONREC.



#### **Log Distribution**

- This strategy is drawn based on the income allocation by the Budget Department of the Ministry of Finance.



## II. Main Functions of MTE

### Log Distribution

### Log Distribution Strategy(Current)

- For this current year 2017, Myanmar Timber Enterprise (MTE) has planned to distribute the round logs as follow:

<b>Log Distribution Strategy by MTE</b>						
<b>Name of Department</b>	<b>Logs Quota</b>		<b>Logs Processing by MTE Owned Sawmills &amp; Factories</b>		<b>Logs Distribution to Private Sector</b>	
	<b>Volume (Ton)</b>	<b>%</b>	<b>Volume (Ton)</b>	<b>%</b>	<b>Volume (Ton)</b>	<b>%</b>
<b>Milling &amp; Marketing (Export)</b>	162,000	44	5,000	3	157,000	97
<b>Milling &amp; Marketing (Local)</b>	160,000	44	48,000	30	112,000	70
<b>Wood Based Industries</b>	43,000	12	40,000	93	3,000	7
<b>Total</b>	<b>365,000</b>	<b>100</b>	<b>93,000</b>	<b>25</b>	<b>272,000</b>	<b>75</b>



## II. Main Functions of MTE

Log & Sawn Timber  
Sale

### Export Policy of MTE

❑ **Export policy** of MTE is as follows:-

- ✓ Emphasized on fulfilling raw materials supply of domestic wood-based industries, **Log Export Ban (LEB)** was initiated by 1<sup>st</sup> April of 2014.
- ✓ Confiscated and conversion timbers are not allowed for export.
- ✓ Timber sold in local currency (Kyats) is not allowed for export since the end of September, 2017.



## II. Main Functions of MTE

Log & Sawn Timber  
Sale

### Union Tax Law

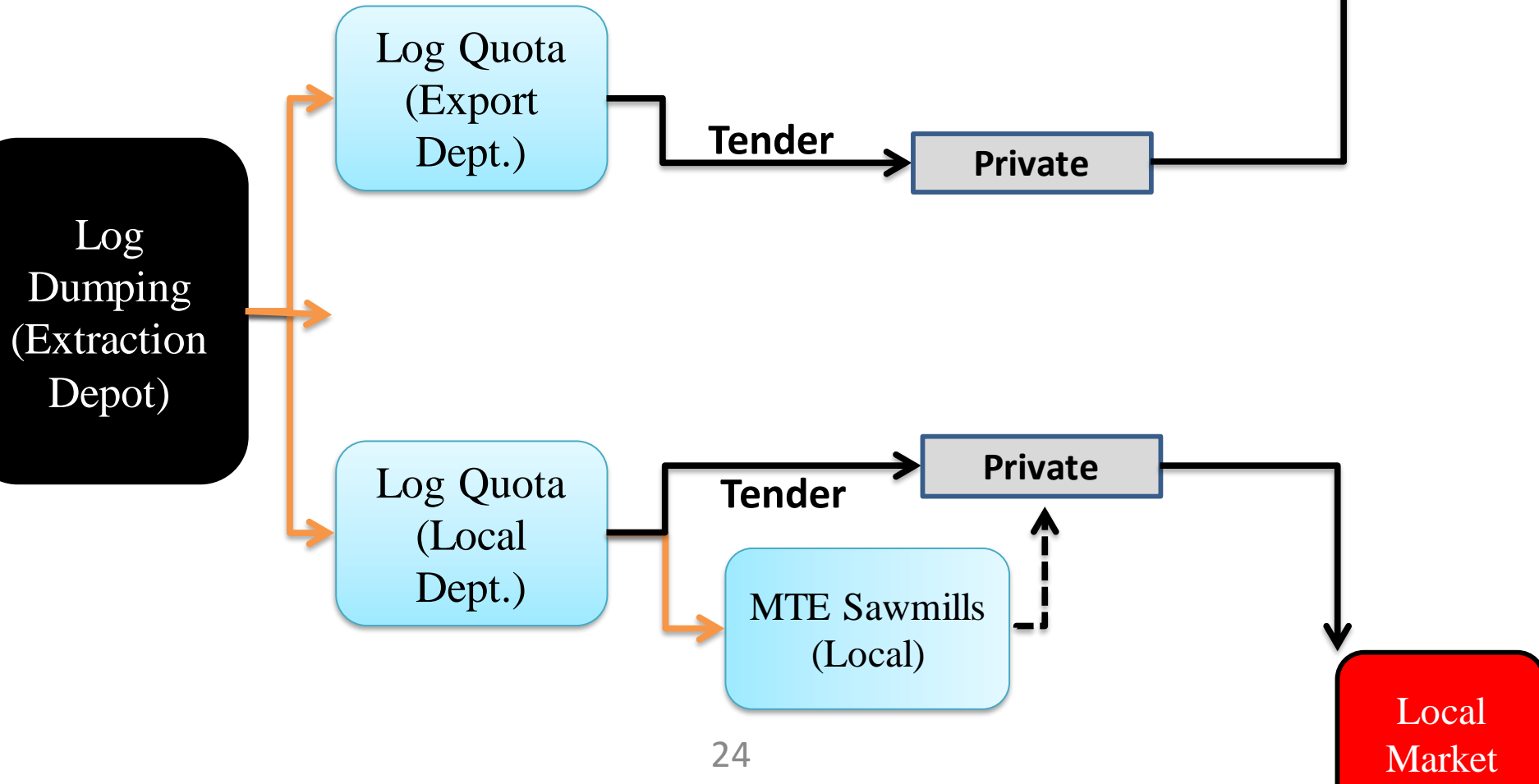
- ❑ According to **Union Tax Law 2017**,
  - ✓ Special Commodity Tax 10% is payable for Export Sawn Timber.
  - ✓ Commercial Tax 5% and Special Commodity Tax 5% are payable for logs & Sawn Timber.
  - ✓ Special Commodity Tax 0% is for Semi-finished and Finished Products.
  - ✓ Customs Duty 0% is payable for logs import and 20% is for furniture import starting from 1<sup>st</sup> October 2017/



## II. Main Functions of MTE

Log & Sawn Timber Sale

Sale System (Current)



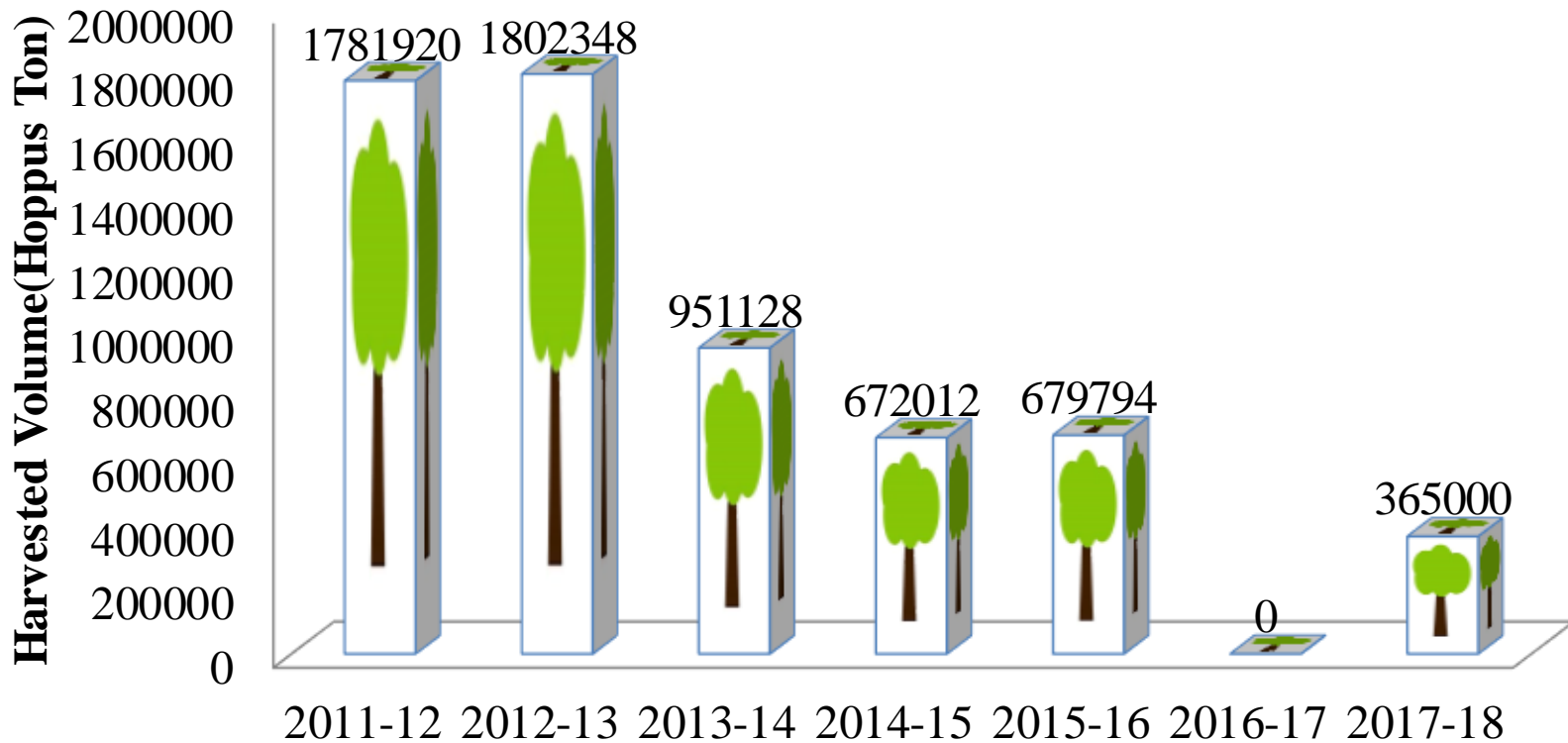


# **III. Performance of MTE**

# III. Performance of MTE

## Timber Production from 2011 to 2017

### Timber Production (Hoppus Tons)

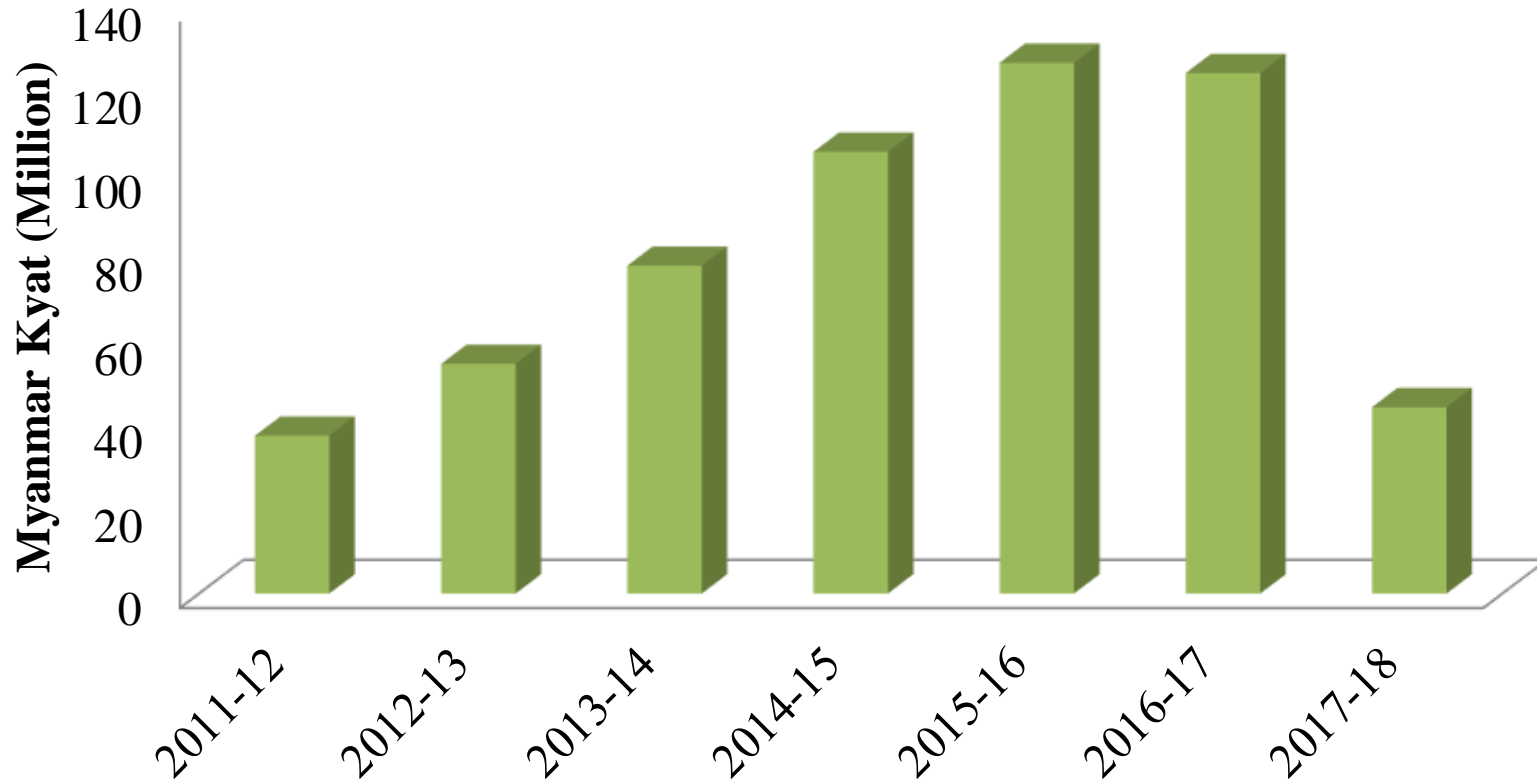


□ According to current state policy, there is a trend to less emphasis on natural resources (forest).

# III. Performance of MTE

## Domestic Income from 2011 to 2017

Domestic Income (Kyat Million)



# III. Performance of MTE

□ Major Export Countries are:

- ✓ India
- ✓ Thailand
- ✓ China
- ✓ Malaysia
- ✓ Singapore
- ✓ Germany
- ✓ America

# **IV. Major Challenges**

# IV. Major Challenges

## ❑ Right to Harvest:

- ❖ Political Instability
- ❖ Not clear right to harvest regularly, performing under the overwhelm of the FD
- ❖ Like a concession system, MTE should have the whole right of managing, harvesting and conserving the forest resources under the specific time frame.

# IV. Major Challenges

## ❑ **Limitation to Local Supply:**

- ❖ Though MTE's policy is mainly emphasized on local needs, in fact there is no clear strategy for log distribution to local.
- ❖ Current Log distribution is managed mainly based on the income generation allocated by the State, rather than local needs.

# IV. Major Challenges

## ❑ **Limitation of Log Sale System:**

- ❖ Though logs are transparently sold to the private by Monthly Tender, it is not a solution for the place where the places are shortage of timber supply or affected by natural disaster.
- ❖ There must be a specific log quota for each State and regions according to their local needs.



# IV. Major Challenges

## ❑ Burden of MTE's Strength:

- ❖ All of the salaries of the current as well as retired staff are fully responsible by the MTE. Every year, about 52 billion kyats have to pay for more than 30,000 Staffs of which about 15,000 are pensioners.
- ❖ Moreover, MTE owns more than 3000 Captive Elephants (Working Elephants, Elderly Elephants & Baby Elephants). They are under the care and treatment of MTE until their death.
- ❖ As the harvesting amount is tremendously decreased, it is a big challenge of MTE to manage and reform the current strength as all of their livelihoods are solely dependent on MTE.

# IV. Major Challenges

## ❑ Resources Constraint:

- ❖ Scarcity of forest resources
- ❖ Budget constraint
  - ✓ All of income generated by MTE has to contribute to the State and have no right to manage its income.
  - ✓ MTE has to run its operation under the allocation of Union Budget.
  - ✓ Therefore, even though MTE is an economic enterprise, it has difficulty to renew, maintain and modify its owned facilities such as machines, sawmills and factories.

# IV. Major Challenges

- Lack of Wood-based Industry Policy**
- Limitation of Skillful Labor**
- Elephant Conservation and Plantation (Constraint of Budget & Experiences)**
- Mind-set of Staff**

# **V. Reform Activities**

# V. Reform Activities

- ❑ **Reducing the harvesting amount** to be within the limit of AAC prescriptions set by Forest Department since 2013. Teak 55% of AAC and HW 33% of AAC.
- ❑ **LEB(Log Export Ban)** in 2014 April 1<sup>st</sup> to promote wood-based industry sector.
- ❑ **Cease of Modified Procedure System** (MP) since 2015 & only practicing **Normal extraction system**
- ❑ **Cease of Harvesting Permit** to the private by giving **Timber Share** in 2015.
- ❑ **One Year logging Ban** over the whole country while **ten years ban** for the Bago Yoma Region since 2016.
- ❑ Introduction of **Plantation** and Elephant Conservation based Tourism-**ECBT** apart from the Harvesting Operation.

## V. Reform Activities

- ❑ During logging ban, MTE has been significantly carrying out the internal reform such as -
  - ❑ Restructuring organization such as Decommission/Combination of some MTE extraction agencies and some MTE mills.
  - ❑ Transfer of working Elephants, Vehicles and Machines to the remaining MTE extraction agencies, including Staffs.
  - ❑ Reviewing the Operational Harvesting Plan to analyze the internal capacity of MTE.
- ❑ Since the preparation stage of **FLEGT VPA Process** is initiating, MTE, as the one of the main stakeholders, actively involve with the coordination of Forest Department and other lines departments.
- ❑ Moreover, MTE has been reforming and improving its performance on Chain of Custody- COC by revising and issuing sales documents and by negotiating with other line departments to support Myanmar Timber Legality Assurance System-MTLAS developed and reviewed by Myanmar Forest Certification Committee-**MFCC**.

Any Clarification, Recommendations and  
Comments are welcome!

More information of MTE can be found at

<http://www.myanmaritimer.com.mm/>

# Thank You !



Myanmar Elephants