



Update from AsiaTeak Group

Overview & COVID-19 situation

Hello to all AsiaTeak clients and associates. Like all of us, AsiaTeak has had its fair share of difficulties over the last 12 months but has come through relatively unscathed. One good thing to report is that none of our staff in Sri Lanka or Thailand have been infected to date but we did have some lockdown issues and restrictions imposed on our management which restricted our ability to visit the plantations from time to time. Thank goodness we completed our re-financing in 2019, I'm not sure we would have secured the same arrangements in 2020. At least one benefit of teak's long-term investment profile is that it is relatively unaffected by short-term market volatility.

Plantation Maintenance

Regarding the plantations, most of the annual/monthly/weekly maintenance tasks over last 12 months were completed on time but some of the more management-supervised activities have been delayed such as thinning, pruning and fertiliser/manure application but we are now catching up. However, we are seeing long-term weather pattern changes in both Thailand and Sri Lanka. This means longer dry periods and a shorter rainy season and during that rainy season, too much rain at once. These are difficult conditions to control. Teak needs a good 2 - 3 months dry spell each year to give the timber good density and colour, however, teak trees do not grow during the dry season and whilst we do have water sources on-site, these are in no way sufficient to make up for a long dry period. On the other hand, too much rainfall in a short spell does not help either. The ground cannot soak up and benefit from the excess water and the small fast running streams can erode the topsoil exposing the roots. We do have some soil protection measures in place and had planned an extensive program of extending this throughout the estates using the pruning and thinned out branches, but this was not possible last year. We have to do this during the dry period and in both Sri Lanka and Thailand, the rains will start again in April/May, so we are tight on time to get this done before then. It's not a disaster but it is a concern as these measures would have helped the growth rate which I fear has suffered. The dilemma is that this could be recovered if we had extra time to grow the trees, but most clients are looking for as early an exit as possible.

Audits & Valuations

We usually do our annual tree audits in Feb/March and use that data to update the valuations which are published in April each year. As per my last two notices (see website updates section), due to our financial re-structure in 2019 and the coronavirus outbreak last year, we were unable to do these for 2019 and 2020. Unfortunately, I have been unable to visit either Sri Lanka or Thailand since Feb 2020 as both these countries blocked foreigners from entering. I am constantly monitoring the travel restrictions and will go there as soon as these restrictions are lifted. In the meantime, I have requested that our local teams do a semi-audit of the plantations and provide the growth measurement data I need to calculate the valuations. These local teams, whilst they have assisted us in the past are not highly experienced in doing this so I will need to look at the data to see if it's reasonable/realistic. The other factor will be the current market price of teak. Again, we are trying to access this information but the teak market has been volatile over the last 12 months so again I have to look at what we get.

Whatever the outcome, I will try to get valuations out during April but they will come with the caveat that it is provided on the basis of my best estimate. My on-going plan is that I will go to all our plantations along with the full audit team supervised by our Independent Forestry Consultant; Dr. Nimal Ruwanpathirana and confirm or re-do the audits as soon as possible. I am hoping that this will be in June/July but that clearly depends on each country's travel restrictions.

Harvest

AsiaTeak's contract with the new investor provides for them to determine the harvest dates within the harvest windows as outlined in the new terms and conditions issued in October 2019. In practice it will be a decision we will all take together based on the optimum return but I do know their preference is to harvest as early as possible as long as the market conditions are right. There will be a number of considerations with growth rate and teak pricing being the major factors. The likelihood is that it will be phased anyway as the optimum way to sell would be direct to a manufacturer who will want a regular supply over a number of years rather than all in one go.

Website & login

For any AsiaTeak clients and associates that have not already done so, you can now access additional information online via our website www.asiateakgroup.com. Simply go to the website and click "Request Access" fill in the form and you will be sent an activation link. Clients can view their personal account information and others will be able to see the Reports and Updates etc.

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