
Proposal for a joint effort to promote plantation teak through a Global Teak Association

May 12, 2015

Floresteca, Brasil
Forescan Cia Ltda, Ecuador
Kilombero Valley Teak Company, Tanzania
Novelteak Costa Rica
Agropecuaria Santa Genoveva, México



1. Executive summary

EXECUTIVE SUMMARY

- During the World Teak Conference in Thailand in 2013, a group of plantation companies met and discussed common challenges faced in the business and the potential to address these through a common platform or association.
- Key challenges identified included:
 - Increase insights in teak trade flows, pricing levels and supply and demand trends for the plantation teak market.
 - Promotion of plantation teak in existing markets, aiming to achieve a higher price transparency.
 - Promotion of plantation teak in new markets to benefit all sellers without intensifying competition.
 - Development of product quality standards for plantation teak
- As none of the challenges can be tackled by individual growers, the group is proposing to develop an association to benefit the entire plantation teak value chain.
- Pöyry prepared a business plan to guide the formation of an association, as a non-profit organization which is described in this presentation.

2. Common goals

COMMON GOALS

- **To increase their insights in teak trade flows, pricing levels and supply and demand trends** of the plantation teak market on a short term (0-5 years) and long term (>10 years) horizon.
- **Promotion of plantation teak in existing markets**, aiming to achieve a higher price transparency that will better balance the differences which presently exist in the market.
- **Promotion of plantation teak in new markets** in order to benefit all sellers without intensifying the competition among sellers. New markets of particular interest are China, the Middle East, Europe and the USA.
- **Development of product quality standards** or guidelines for plantation teak products.

3. Challenges to the teak industry

A. SUPPLY AND DEMAND

- Concern among plantation growers about a possible mismatch of supply and demand in the Indian market.
- Potential of plantation teak to substitute teak from Myanmar forests as supply diminishes.
- Mapping of supply and demand for the short, medium, and long-term.



Both producers and buyers need to develop better insights about the potential flows in order to adopt strategies to sustain trade at levels that are attractive for growers, traders and consumers alike.

B. LIMITED MARKETS

- India consumes around 70% of the worldwide teak production for its domestic market.
- The industry has become vulnerable to Indian economic trends and currency fluctuations.



- It is important for the industry to further develop new and existing markets.

An association that can present plantation teak as a reliable and sustainable source of timber to manufacturers, distributors, and consumers across the world may help to increase the market share when competing with other hardwoods.

C. QUALITY GRADING AND PRICING TRANSPARENCY

- The teak market is extremely fragmented and dominated by many small growers, many traders as well as an end market made up of small manufacturing operations in SE Asia but mainly India.
- Consequently, quality rules and pricing are not uniform, and often not well understood by the producers or even by intermediate traders.
- As a result, growers do not optimize their products for market value and trading lacks transparency which in turn causes speculation on the side of investors, growers, and market players.



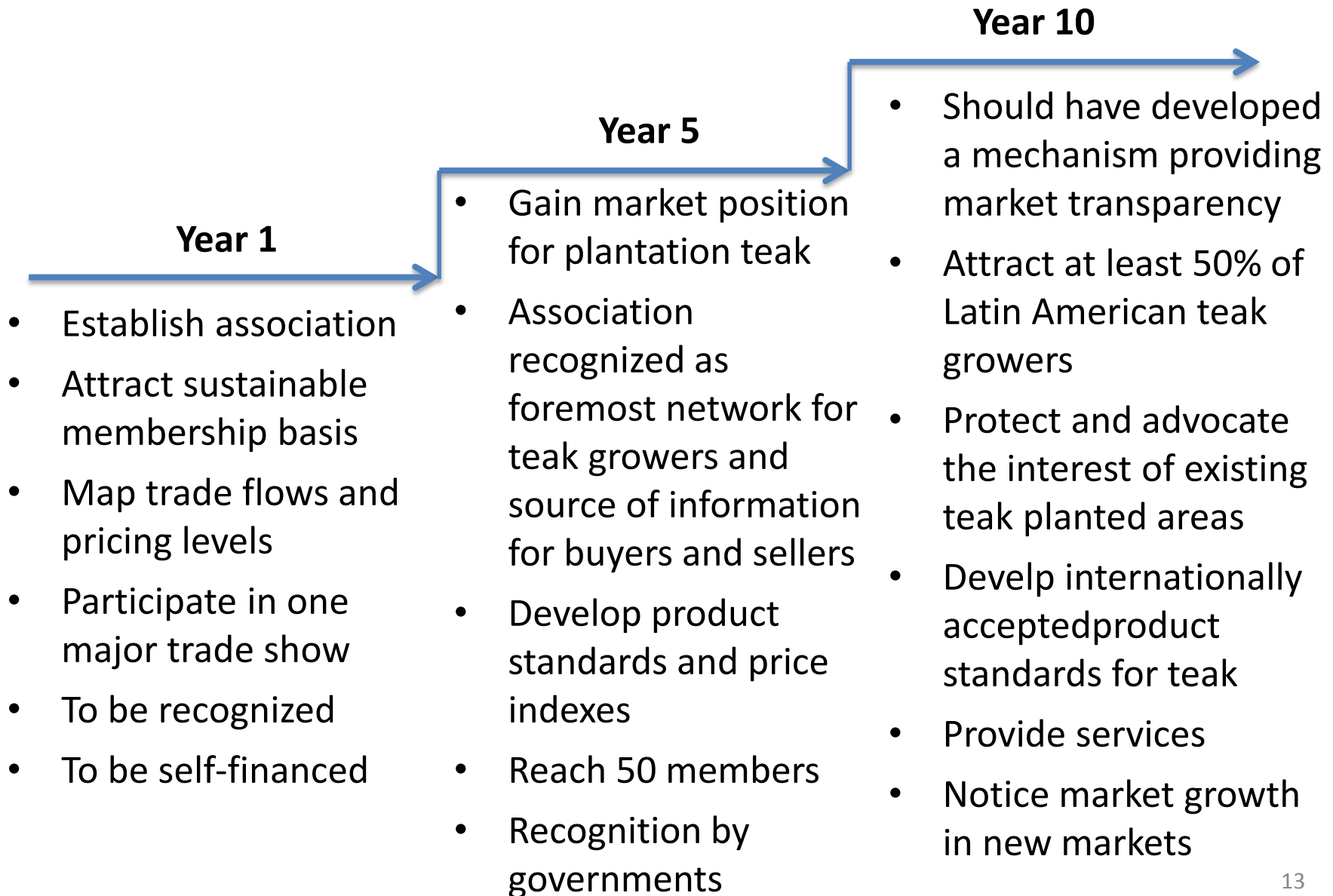
- The teak industry would benefit from a universal measurement and grading system for its products in order to improve transparency of pricing and optimize value for the growers and efficiency for buyers.

4. Formation of a Global Teak Association

FORMATION OF A GLOBAL TEAK ASSOCIATION

1. **Function:** The association will perform marketing and promotion activities
2. **Structure:** as a Non-profit organization
 - Due to tax efficiency
 - Easier to raise funds
3. **Funding:**
 - **Membership fee structure:** will establish a formula related fairly and in proportion to the scale and type of the member's business. Categories would range from 500 USD/year to 5,000 USD/year.
 - **Governmental funding.** Would depend on each country where members are based.
 - **Subscription and events.** Once the association is operating.

EXPECTED ACHIEVEMENTS OF THE ASSOCIATION



5. Next steps

NEXT STEPS

1. Identify potential members interested in being part of the association (membership will be open to growers, industrial producers, traders, and end-users).
1. Discuss and revise the implementation so that interested parties can commit participation.
2. Quantify income from membership fees to confirm feasibility of the operation.
3. In 2015 hire the 3 person team to work full time within the association and define location for a small office.
4. Define a detailed workplan for the first year of operation.

To join the effort, fill in the blanks!



Through a **Global Teak Association** we can team up for the benefit of the entire plantation teak value chain.

IF INTERESTED IN PARTICIPATING CONTACT:

**Floresteca, Brasil,
Sylvio Coutinho,**

sylvio.coutinho@floresteca.com

**Forescan Cia Ltda, Ecuador,
Antonio Pino,**

apino@forescan.com.ec

**Kilombero Valley Teak Co., Tanzania,
Hans Lemm,**

hlemm@kvtc-tz.com

**Novelteak Costa Rica,
Dominique Y. Leuba,**

dominique.leuba@novelteak.com

**Agropecuaria Santa Genoveva, México,
Carlos Rojas**

carlos.rojas@genoveva.com.mx