A STRONG PLANTATION
TEAK SECTOR
PRICE OF TEAK

The base of informed plantation decisions

Raymond M. Keogh Coillte
OVERVIEW

• PRICES (Problems)
• SUPPLY & DEMAND
• CURRENT PRICES
• STANDARD INTERNATIONAL PRICING MECHANISM
• CONCLUSIONS
PRICE PROBLEMS

- LACK OF RELIABLE INFORMATION
- LACK OF STANDARDS
- MISINFORMATION
- UNCERTAINTY & CONFUSION

DISFUNCTIONAL TEAK SECTOR
BENEFITS OF RELIABLE PRICES

• INFORMED DECISION MAKING

• TRANSPARENCY

• A STRONG TEAK SECTOR

DEVELOPMENT OF TEAK AS A RECOGNISED INTERNATIONAL ASSET CLASS
TEAK SUPPLY

• NATURAL FORESTs
  - 16 million ha

• PLANTATIONS
  – 7 Million ha Estate

GROSS AREA
TEAK SUPPLY

Natural Forest
• 0.4 million m³/year

Plantation
• 1 to 2 million m³/year
TEAK SUPPLY

• Why is productivity so low?
• Gross area misleading & meaningless
TEAK DEMAND

ALL COMMERCIAL TEAK FINDS A READY MARKET

This Prompted Widespread Interest in Investments

But … what does the future hold?
FUTURE DEMAND

Two Schools of Thought

Market easily swamped; & substitutes

v.

Demand driven by high-grade tropical hardwoods and CO$_2$ concerns
DEMAND pessimistic

• Large global surplus 2020
• Substitutes
  – Wood hardening
  – Fake finishes
  – Overlays
  – Alternative materials
• Less solid wood used (present trends)
DEMAND
optimistic

90 million m3 today (unsustainable)

150 % increase by 2050:

• 90 million ha (sustained natural forest)
• 5 million ha (sustainable hardwood plantations)

Tropical Hardwoods in Short Supply in Future
DEMAND

Avoid planning for the present

Alternative view of the future emerging

Climate change & opportunities for low carbon:

- Technologies
- Goods
- Services
DEMAND

Preference for products with:
• Low energy inputs
• Renewable
• Biodegradable
• High durability: free of toxic materials
• Long lasting
• Used in solid form
• Aesthetically pleasing

MARKET TEAK AGGRESSIVELY
CURRENT PRICES

Present Investigation

• 28 FOB prices;
• 1993 – 2006;
• 15 to 50 cm;
CURRENT PRICES

TEAK PRICES

Date

2nd Grade
3rd Grade
4th Grade
SG-1 Grade
SG-2 Grade
SG-4 Grade
SG-5 Grade
SG-6 Grade
Plantation
Plantation
Plantation
Plantation
CURRENT PRICES

• All < lowest Myanmar prices

• $ 200 & $ 300 / m3

• Insufficient info. to determine price change
CURRENT PRICE VALIDATION

• India prices: US $ 300 - $ 500
PRICING MECHANISM

PROBLEM to SOLUTION

• Information: Severely Limited

• Lack of Standards

Solution: Develop a Pricing Mechanism
PRICING MECHANISM

- Focus on: Export Log
- Develop Standards
- Apply Across the Value Chain

Implement (2 Steps)
PRICING MECHANISM

STEP 1

• Agree Simple Grading Rules

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PRICING MECHANISM

STEP 2

• Assess Along the Value Chain
  – Standing timber
  – Roadside log
  – FOB log
  – CIF log

• Repeat periodically
PRICING MECHANISM

Requirements

• Apply in Standard & Transparent Manner
• Publish Results
• Update Regularly
• Rapid Snapshot First
• Formal System Later
SUMMARY

- PRICES (Plantations)
- SUPPLY & DEMAND
- CURRENT PRICES
- STANDARD PRICING MECHANISM
THE WAY FORWARD

Urgent Need to Deal With Teak Prices

- Stakeholders agreement
- Standards
- Informal Snapshot Application

Small Input
Rewards will Outweigh Costs Many Times
A STRONG PLANTATION
TEAK SECTOR