



S I N G A P O R E

Insights into the Teak Market

Managua, Jan 2016

Introduction to Aron Global

One of the three dominant teak traders in the Latin America to Asia trade flow

Procurement Offices

- **Latin America & Caribbean**
 - Panama
 - Costa Rica
 - Ecuador
 - Guatemala
 - El Salvador
 - Trinidad & Tobago

Singapore Head Office

Sales Offices

- **India**
 - Kandla / Mundra
 - Chennai
 - Mumbai
 - Tuticorin
 - New Delhi
- Significant sales reach across **Vietnam and China**

Sales partner of Floresteca, Brazil in Asia

Aron Global & Floresteca together are the biggest suppliers into the World Market

Lat Am Teak

Size

- **325-350,000 hectares planted area. Largely 1995-2008**
- Plantings at a lower pace since the 2008 financial crisis

Distribution

- Brazil, Ecuador and Panama account for 70% of the total Lat Am standing stock.
- Balance 30% is Mexico, Costa Rica, Guatemala, Colombia, Nicaragua and El Salvador

Ownership

- Privately/Individually owned small and medium size plantations are on decline.
- Present and future ownership is dominated by organized sector, mostly open and close ended funds.
- TIMOs in the house since 2000.

Teak Market Space

The traded plantation teak market worldwide is around 1.25 million geometric cbm per year. Of this Lat Am is 0.75 million cbm.

What Vietnam AND China import in a year is what India imports every two weeks. Other countries do not even move the needle.

In effect, 95 percent of the plantation teak market is India.

Lat Am Teak – China/Vietnam

For China, Teak is Burmese Teak. Domestic consumption as well as re exports of value added products.

Vietnam is purely re export, certified & non certified outdoor furniture

Burma Teak going away is not as relevant as we think.

Rolls Royce TG versus a Hyundai TG.

China fed on an easy diet of cheap cross border Burma Teak.

Plantation teak is an experiment.

Experiment will continue unless they reach the decision on acceptability of quality at the right price. Till then China remains insignificant.

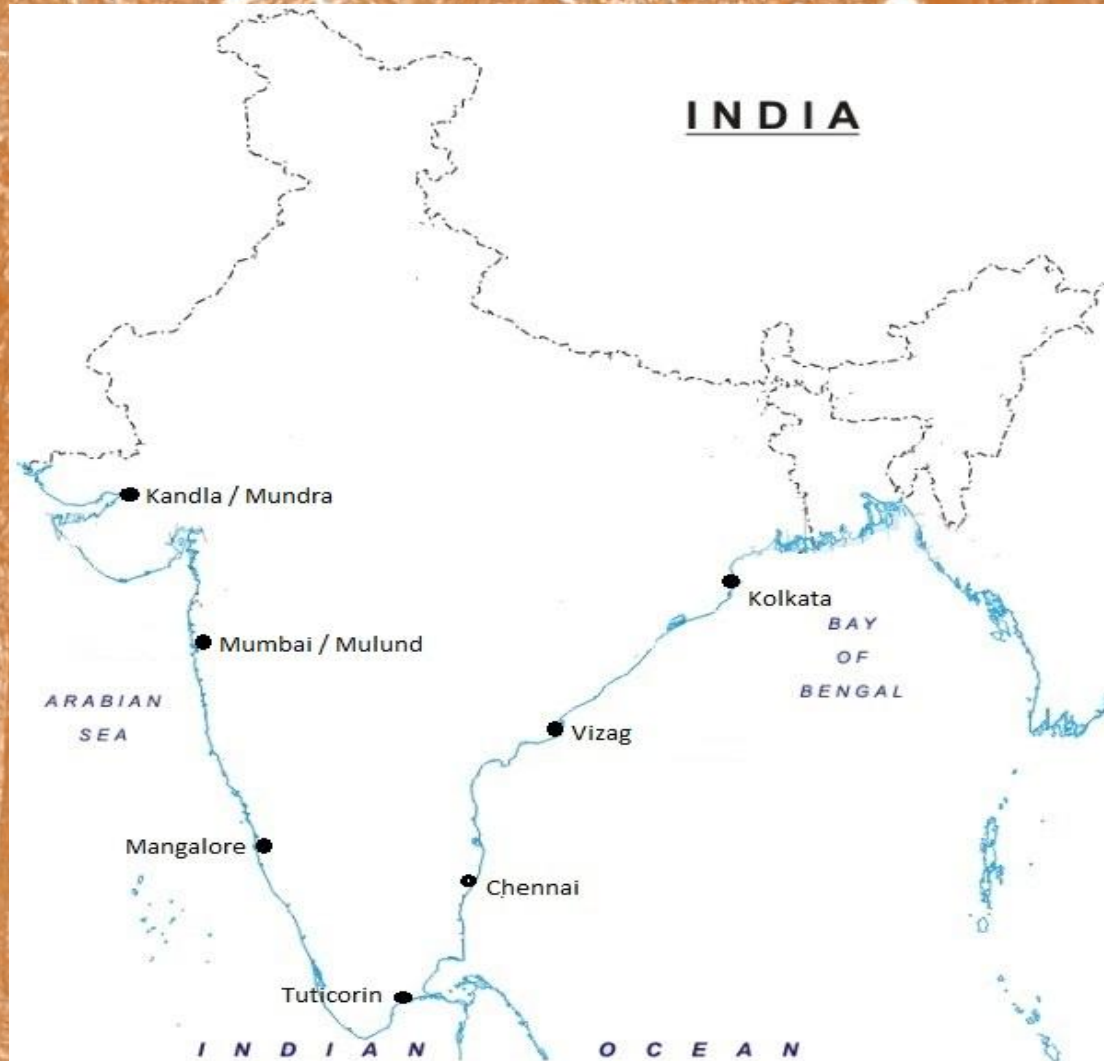
Teak Market - India

Fragmented. 600
Customers across 7 ports

Purchase
Spot. Credit Terms.

Unreliable
Difficult Customers

Complex.
Region wise preferences.



India's Teak Market - Long Term View

By 2030 India will have a GDP of ~ US\$ 5.5 trillion. **Equivalent to Lat Am.**

There is a high correlation between GDP and Timber Usage

Malaysian hardwoods 'owns' the India timber space. On a secular decline.

Teak is no more than 15 percent of India's timber imports. Headroom exists.

Eventually GDP led growth and replacement growth will both be seen.

Shifting Balance of Trade

Latin American Teak supply is a fraction of potential capacity. Changing fast.

2007 – 30 percent Latin Teak / 70 percent African Teak
2015 – 60 percent Latin Teak / 40 percent African Teak
2020 – 80 percent Latin Teak / 20 percent African Teak

Encouraging. But ...

325-350k hectares. 3.25-3.50 million cbm supply. On top it not linear.

40-69 cm thinnings / Clonal thinnings / Late thinnings? / Final harvest??

From a Seller's to a Buyer's market due to oversupply for the next 5-7 years.

Way forward for Lat Am Producers

Recognize reality. Reality different across girths, qualities and countries.

Create own sales network in Asia or forge long term relationships with quality traders.

New forms. Squares, sizes, decking, flooring, chips, thermal treated wood.
Certification? Focus on Lat Am/Asia. Niches available. US/EU/AF?

Focus on sales as a key business activity. Prepare for a difficult marketplace.
Be prepared for price volatility and liquidity volatility.



The future is still bright. The time to plant is perhaps now.

The low cost and proactive producer will reap the benefits after these few years of turmoil.



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Thank You