

# **PIX Sawn Softwood Timber FAS Finland Indices**



**Methodology and specifications – September 2020**

## Contents

**3 Mission statement**

**3 Introduction**

**4 Price discovery process and methodology**

**6 Methodology review and consultation process**

**7 Queries and complaints**

**7 Price correction policy**

**7 How to become a contributor to the price discovery process**

**8 Price specifications**

**9 Revision History**

**10 Disclaimer**

**11 Appendix**

## Mission statement

Fastmarkets is a leading commodity price reporting agency (PRA) covering the metals, mining, minerals and forest products industries. Our products include Metal Bulletin, American Metal Market, RISI, FOEX, Random Lengths, Industrial Minerals and AgriCensus. For more than 100 years we have been providing commodities price reporting services for use by market participants in their day-to-day commercial activities. These services include assessments and indices of commodity prices as well as news, research and commentary on the underlying markets.

Our mission is to meet the market's data requirements honestly and independently, acting with integrity and care to ensure that the trust and confidence placed in the reliability of our pricing methodologies is maintained. We do not have a vested interest in the markets on which we report.

## Introduction

Fastmarkets FOEX, in Helsinki, Finland, operating under the Finnish law, produces trademarked PIX price indices for selected pulp, paper, recovered paper and packaging grades as well as for wood-based biomass and bioenergy products like pellets, wood chips and wood. The first PIX index was launched in September 1996. Fastmarkets FOEX owns the trade mark rights to PIX Index.

Fastmarkets' staff are required to abide by a code of conduct and clear pricing procedures during their market reporting and pricing activities. Fastmarkets is completely independent and has no vested commercial interest in any of the markets it prices.

We are the world's largest dedicated forest products price reporting team. We have offices in New York, Boston, San Francisco, Eugene, Charlottesville, Atlanta, Brussels, Helsinki, Beijing, Shanghai, Singapore and Sao Paulo.

The aim of this document is to provide a clear overview of Fastmarkets methodology and specifications for the PIX Sawn Timber Pine FAS Finland and PIX Sawn Timber Spruce FAS Finland Indices (referred also together as PIX Sawn Softwood Timber FAS Finland). If you have any questions, please contact Fastmarkets FOEX director Tytti Inkinen, [tytti@fastmarkets.com](mailto:tytti@fastmarkets.com).

## Price discovery process and methodology

### 1.1 Methodology Rationale

Fastmarkets FOEX produces independent, fair and representative price index for sawn softwood timber (pine and spruce grades) exported from Finland on a monthly basis. Fastmarkets FOEX's rationale is to adopt and develop the price discovery process and the methodology described in the present guide to produce indices that are a consistent and representative indicator of value of the market to which they relate for the trading period they measure, as well as for the change in prices from one month to the next.

The PIX Sawn Softwood Timber FAS Finland benchmark indices and their sub-indices are calculated and confirmed by Fastmarkets FOEX based on confidential price information of actual, physical trades of rough sawn timber, collected on a monthly basis by email from companies trading in these grades. The indices represent the prices of the goods exported from Finland to all markets. The method of index calculation is fixed. The index has a large market coverage and a stable group of price providers.

The time period, or window, identified to assess a market (e.g., daily, weekly, monthly) is determined by Fastmarkets FOEX after considering the number of data points that Fastmarkets FOEX can reasonably expect to collect on a consistent basis over the selected period to support the price assessment process.

### 1.2 Data collection criteria

Fastmarkets FOEX staff aim to canvas a broad sample of market participants specifically involved in the buying and selling of the wood components of interest. FOEX' Finnish sawn softwood export price indices are calculated based on confidential price data provided monthly by companies producing and exporting sawn softwood. FOEX welcomes data contributions from buyers, as long as they comply with the current methodology and specifications for the selected grades of Finnish sawn softwood.

Price data is collected monthly from price providers, typically by email. Possibilities to use other alternative ways will be followed-up whenever deemed useful.

Reported price data will be stored at Fastmarkets FOEX for a maximum of seven full calendar years.

Fastmarkets FOEX has the discretionary right to decide whether to include price data received after noon on the working day preceding publication in the index calculation that month.

Price providers designate a point of contact and where possible a deputy for the price reporting task. Each price provider shall report their prices each month or provide a note of how long the last reported price is valid, or report "no transactions" if a provider has no eligible transactions in a given month.

Price providers agree to report their prices according to the methodology described in this document and based on all transactions meeting the specifications and to consult with Fastmarkets FOEX if they have any doubts as to the validity of a price to be reported.

Fastmarkets FOEX encourages organizations to submit all their pricing data, especially all the concluded transactions. Fastmarkets FOEX welcomes organizations to submit transaction data from authorized back office functions.

Company-specific data received from the price providers is accessible only to personnel employed by Fastmarkets FOEX.

Fastmarkets FOEX personnel dealing with the confidential price data or other sensitive information received from the price providers for the purpose of PIX index calculations, commit not to disclose the data received, nor the source, outside Fastmarkets FOEX.

Fastmarkets FOEX commits to compile the price data, to calculate the index values and to publish the index values in accordance with the rules and specifications set forth in this document.

### **1.3 What price data providers submit**

Data providers submit prices reflecting all eligible transactions, to the extent possible with reasonable efforts, taking into account the practical tasks in the sales administrative work to collect all required transactions. “Transaction” is defined as follows:

Final actual invoiced/to-be-invoiced deliveries of the product in question for the data month. An “eligible transaction” is a transaction that meets the specifications outlined in the Price Specifications section below. There are two main indices included: rough pine sawn softwood timber and rough spruce sawn softwood timber. Sub-indices are defined by quality grade and the two main indices are calculated based on them. The qualities for sub-indices can be found in Annex 1.

Providers submit prices in one of three ways:

1. Average weighted price for each grade/sub-index for pine and spruce including all export markets
2. Average weighted price for each grade/sub-index for pine and spruce by each export market
3. Combination of the two above

The way each data submitter reports prices is mutually agreed with Fastmarkets FOEX before they become formal contributors to the PIX indices. The method should be consistently used to the extent possible with reasonable efforts.

The prices reported to FOEX are actual monthly prices for transactions concluded in the full calendar month prior to the publishing date and for delivery within the next six months.

Prices which are directly indexed on PIX Sawn Softwood Timber FAS Finland indices/sub-indices do not count as eligible transactions and shall not be reported to the index.

### **1.4 Data validation**

Fastmarkets FOEX reviews the incoming price data in order to check its consistency with the reporting rules. If there are any doubts or questions about the price data, Fastmarkets FOEX contacts the price provider. If the inconsistent price point cannot be validated, Fastmarkets FOEX reserves the right to exclude the price data from the calculation.

## 1.5 Weighting of Data

Index calculation is directly weighted with the volumes reported for each grade by each data provider. Any price provider shall not get more than 50% weight in the index calculation process, including the sub-indices.

## 1.6 Calculation procedure

The quality-based sub-indices will be calculated as volume weighted averages of the prices provided. Based on these, the main indices will be calculated using fixed factors based on the market share of each quality grade. Changes to the main index weighting will only be made after discussion with the market participants and industry associations. Weighting is shown in Appendix 1.

## 1.7 Validity time of price points

If a price provider does not report prices in a given month (e.g. a company may not have deliveries, agreements, invoicing, sales or purchases during that month, or the reporting cannot be done due to technical or human reasons) Fastmarkets FOEX may use the previous price received, but only for one additional month.

## 1.8 Fall-back procedure

Fastmarkets FOEX does not set a minimum number of price points before calculating the index. However, in the unlikely event that there are not enough eligible price points in a given month, and the lack of price points is threatening to distort the index development, Fastmarkets FOEX reserves the right to roll forward previous price data beyond the limits mentioned above. In such case, Fastmarkets FOEX will state that because there are an insufficient number of new price points, the previous month's index value will be republished.

## 1.9 Procedure to ensure consistency in the price discovery procedures

All Fastmarkets FOEX price reporters are formally trained in the price discovery process and must abide by a written Code of Conduct and pricing procedures.

On a regular basis, Fastmarkets FOEX staff review markets and methodologies to ensure that assessment methodologies and the assessments they produce are appropriate for the market. Fastmarkets FOEX has also committed to conducting one external audit per year of one key index.

## Methodology review and consultation process

Fastmarkets' editorial teams carry out a formal review of its methodologies on an annual basis.

The process starts with an open consultation in which feedback is invited from users. Further consultation follows should any material change to the methodology be proposed. Material changes are those that, once implemented, may result in fundamental changes to the published price.

At the end of the consultation process, the editorial teams review any feedback received and decide on whether a change should be made before announcing and explaining that decision to the market via a pricing notice/coverage note.

The editorial teams may also suggest changes or additions to methodologies on an ad-hoc basis to reflect market developments, in which case they will follow the same process as outlined for formal reviews.

For more details, please refer to Fastmarkets' Methodology Review and Change Consultation Process document available on the Fastmarkets website, as well as on divisional websites such as Fastmarkets MB, Fastmarkets RISI or Fastmarkets FOEX.

## Queries and complaints

Fastmarkets FOEX encourages engagement from the market on its pricing principles and methodology. The company promotes understanding of its pricing procedures and is committed to responding to requests for further information and clarification on a timely basis.

There are multiple channels for interaction with the pricing team including email and telephone.

If a user has an issue with the published prices, then they may contact the pricing team. In the event that the response is not satisfactory the issue may be escalated to the internal compliance department. For more details refer to Fastmarkets' Complaint Handling Policy available on the Fastmarkets FOEX website.

Fastmarkets FOEX takes all queries and complaints seriously and will seek to provide an explanation of the prices wherever possible. It is important to note, however, that input data remain confidential and cannot be provided to third parties.

## Price correction policy

Price errors may occasionally happen for reasons that include technical input errors or incorrect application of the methodology. Fastmarkets FOEX will rectify and republish any incorrectly published price as soon as possible and will send a coverage note to all subscribers informing them of the change.

No price will be amended due to the emergence of new data or market activity after the initial publication. Retrospective changes to the published values will only be made in cases of administrative or calculation error leading to a material change in price.

## Become a contributor to the price discovery process

Fastmarkets FOEX continually seeks to increase the number of market sources willing to take part in the price discovery process. The main condition Fastmarkets FOEX requires from contributors is for

them to be active participants in the market. Fastmarkets' FOEX Data Submitter Policy provides guidelines defining the high level of data quality and integrity that Fastmarkets FOEX expects from contributing organization providing pricing data. Market participants that wish to provide pricing data and be part of the price discovery process should first read the Data Submitter Policy available on the Fastmarkets FOEX website.

All data sources are subject to review before their data submitted is fully taken into account in the pricing process. The aim is to make sure that submitters are trustworthy and have sufficient visibility and understanding of the market to be able to provide viable price data.

If you want to become a contributor to Fastmarkets FOEX pricing or have questions or comments about the methodology and price specifications, please contact Fastmarkets FOEX senior manager Tuomo Neuvonen, [tuomo@fastmarkets.com](mailto:tuomo@fastmarkets.com).

## Price specifications

Description: PIX Sawn Timber Pine FAS Finland and PIX Sawn Timber Spruce FAS Finland and their sub-indices

Grade: Rough sawn pine timber or rough sawn spruce timber grades (listed in appendix 1) exported from Finland

Unit: Prices are provided per cubic meter, volumes are provided in cubic meters

Export destination, country-of-origin: Destination is not limited, products must be produced in Finland

Incoterm: FAS. If prices are provided with other delivery terms, they will be normalized to FAS equivalent. If, for any reason, normalization is not possible the prices will be excluded from the index calculation.

Timing: The prices reported to Fastmarkets FOEX are final invoiced/to-be-invoiced deliveries concluded in the full calendar month prior to the publishing date and for delivery within the next six months.

Currency: EUR. Prices reported in other currencies are converted to the index currency by Fastmarkets FOEX using the data month's average ECB exchange rate.

Payment terms: Standard payment terms

Price Type: Prices are provided in euros excluding VAT or other taxes and before customer-specific rebates.

Publication: Monthly, on 4<sup>th</sup> Tuesday of the following month at noon Helsinki time. If Tuesday falls on a public holiday in Finland, the index will be published on the first working day thereafter.



## Revision History

Changes to methodology and specifications will be tracked here.

**September 2020 - Updates sections on Methodology Review and Change and Queries and complaints.**

**August 2020 – Expanded PIX Sawn Timber FAS Finland methodology guide published**

Fastmarkets FOEX expanded the existing specification document for the PIX Sawn Softwood Finland Indices into a full methodology guide in August 2020. During this process no material changes were made to the index methodology.

## **DISCLAIMER - IMPORTANT PLEASE READ CAREFULLY**

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Your investment actions should be solely based upon your own decisions and research and appropriate independent advice should be obtained from a suitably qualified independent adviser before any such decision is made.

## Appendix 1

### PIX Sawn Softwood FAS Finland

Spruce		Pine	
<b>50%</b>	Sawfalling centre cut	<b>30%</b>	V centre cut
<b>20%</b>	Sawfalling boards	<b>25%</b>	VI
<b>15%</b>	Schaal Export	<b>5%</b>	V side boards
<b>5%</b>	US centre cut	<b>15%</b>	US side boards & centre cut
<b>5%</b>	Genban	<b>20%</b>	Schaal Export
<b>5%</b>	VI	<b>5%</b>	Lamina centre cut