

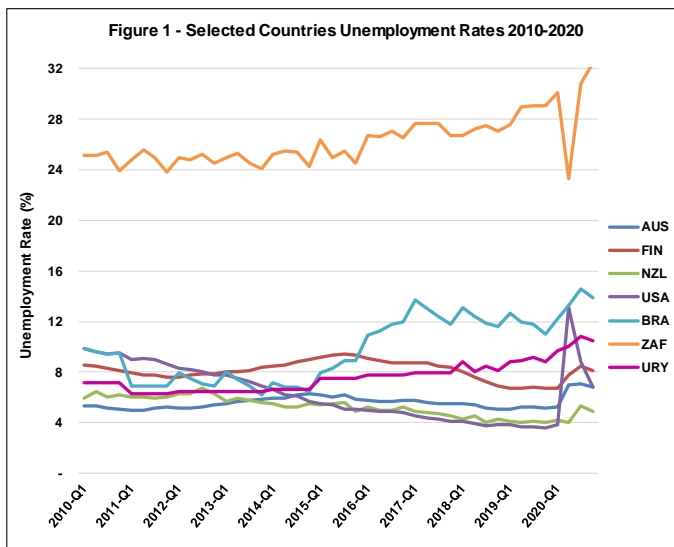
# Timberland Market Update

## Global Consulting Alliance

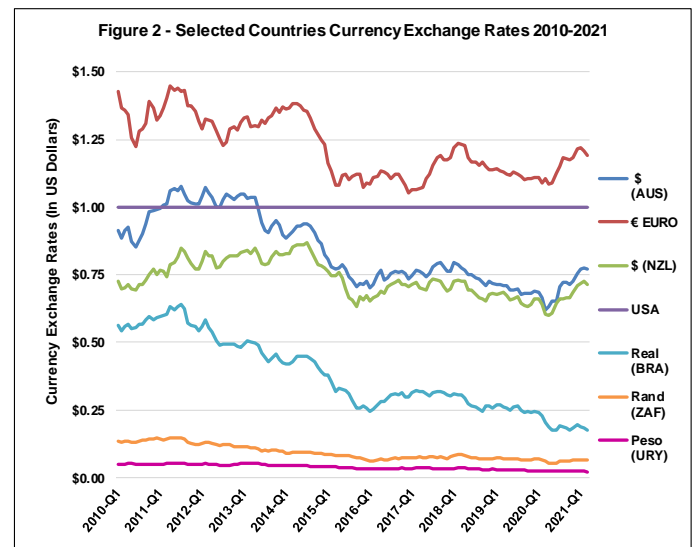
Quarterly Edition June 2021

### ECONOMIC DASHBOARD

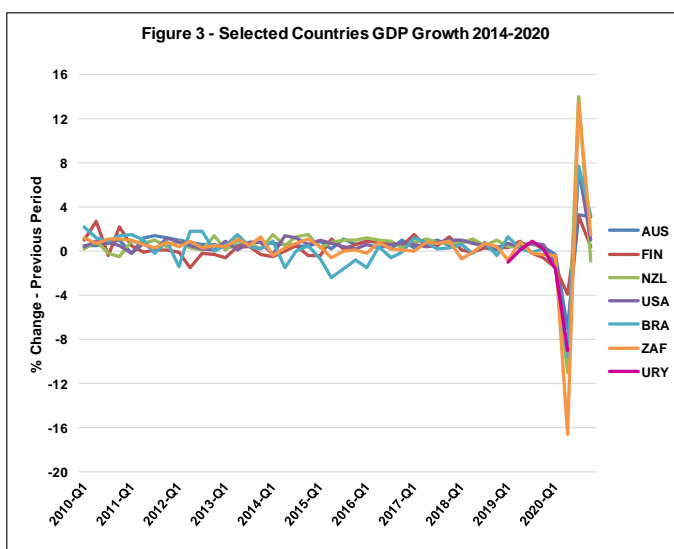
Figures 1 to 4 illustrate four key macroeconomic indicators as observed over the past decade, on a quarterly basis. These can be useful particularly to monitor the effects of the COVID-19 pandemic. Figure 4 rates are nominal.



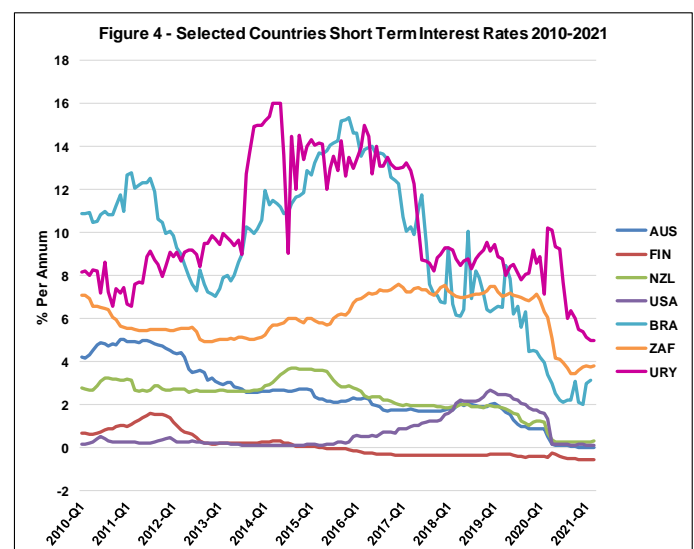
Sources: OEDC, Brazilian Institute of Geography and Statistics, macrotrends.net (World Bank), Statistics South Africa



Source: Federal Reserve, Uruguay Statistics National Institute



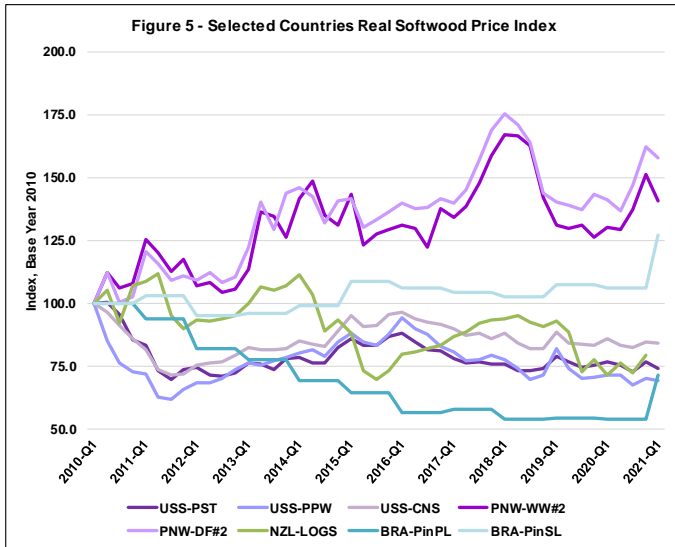
Source: OEDC



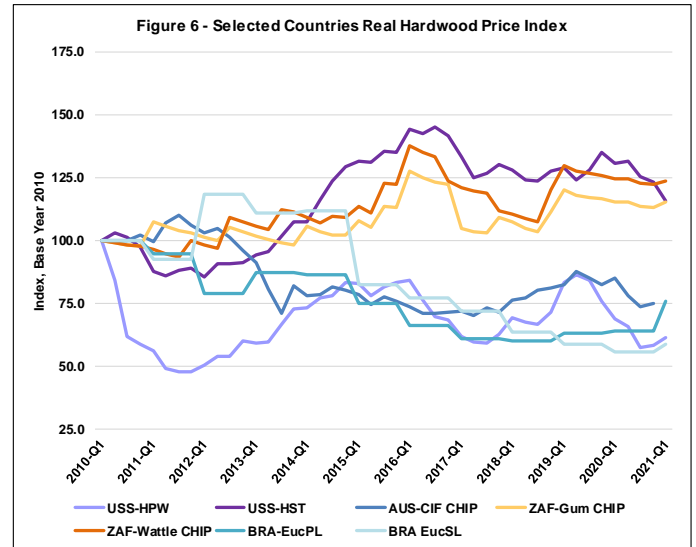
Source: OEDC, FRED - St. Louis Fed

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Figures 5 and 6 show indexed real pricing for select softwood and hardwoods – with Q1-2010 the base quarter-year.



Source: Timber-Mart South, RISI Log Lines, AgriHQ; USS = US South, PNW = US Pacific Northwest



Source: Timber-Mart South, RISI Log Lines, NCT; USS = US South

## Legend:

USS-PST = US South Pine Sawtimber, USS PPW = US South Pine Pulpwood, USS-CNS = US South Chip n’ Saw, PNW-WW#2 = US Pacific Northwest Whitewood #2 Saw Avg. Columbia River, PNW-DF#2 = US Pacific Northwest #2 Saw Avg. Columbia River, NZL-LOGS = New Zealand Softwood Logs Composite, BRA-PinPL = Brazil Pine Pulplogs, BRA-PinSL = Brazil Pine Sawlogs.

USS-HPW = US South Hardwood Pulpwood, USS-HST = US South Hardwood Sawtimber, AUS-CIF CHIP = Australia Hardwood CIF Chip, ZAF Gum CHIP = South Africa Gum CHIP, ZAF Wattle CHIP = South Africa Wattle Chip, BRA-EucPL = Brazil Eucalyptus Pulplogs, BRA-EucSL = Brazil Eucalyptus Sawlogs.

## ECONOMIC HIGHLIGHTS

### Global

- The United Nations Department of Economic and Social Affairs (UN DESA) in its 1 July 2021 Economic Analysis briefing noted that recent months have brought about a string of upbeat news about the global economy, suggesting a strong recovery from COVID-19. Merchandise trade has soared to above pre-pandemic levels and industrial production has seen a V-shaped recovery since the middle of last year. Prices of lumber and other raw materials reached record levels during Q2 of 2021 and crude oil prices climbed to a two-year high, above USD 70/barrel. As a result, macroeconomic growth forecasts have lifted to 5.4% in 2021 and 4.1% in 2022. However, UN DESA warns that below these positive headlines a more worrisome picture is emerging.
- UN DESA points out that the deep 2020 slump has resulted in a low comparison base and significant statistical carry-over, inflating the year-over-year growth rates in 2021. They note that this effect is particularly pronounced in countries that experienced a strong economic rebound during the latter part of 2020, such as China, India, Malaysia, Peru and Turkey. UN DESA argues that the challenge going forward will be to sustain strong growth momentum in the coming years. It further notes that global recovery is projected to be highly uneven, with growth prospects diverging strongly across regions and countries. This is due to disparities in vaccination rates and therefore governments’ ability to safely reopen their economies. UN DESA states that the improvement in global growth projections is primarily driven by the stronger-than-expected recoveries in

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China and the US, which together account for about 40% of world output. The favourable outlook for the US and China contrasts sharply with ongoing weakness in other parts of the global economy. UN DESA indicated that almost half of the countries, including many developing and transition economies, growth projections have been downgraded in the latest forecasting round.

- US GDP – Forecasters have been steadily revising forecasts of real GDP growth to account for expected impacts of the COVID-19 pandemic as well as the associated fiscal and monetary policy responses. The third estimate for Q1-2021 GDP growth from the Bureau of Economic Analysis showed that the economy grew at an annualised rate of 6.4%. Economic recovery predictions for 2021 improve as the year goes on – in June, two leading industry forecasters estimated a range of 6.5% to 7.5%, while in July, the US Congressional Budget Office estimated 7.4%. GDP growth predictions by most analysts have been pulled forward, with more robust growth in 2021 and 2022, diminishing more markedly in 2023 than previously forecast.
- US Unemployment – The Bureau of Labor Statistics reported that unemployment averaged 5.9% in June 2021. Prior to the economic effects of the pandemic, the US unemployment rate had hovered around 4% since 2017. Since most restrictions to contain the spread of COVID-19 have been lifted, demand for services has been high. One recent industry analysis estimated that unemployment will average 5.7% in 2021 and fall to 4.8% in 2022.
- The European Commission in July released its Summer Economic Forecast with GDP figures for the Euro Area (EA-19) and European Union (EU-27). The Summer forecast still predicts a strong recovery of 4.8% in 2021 (up from 4.3% and 3.7% predicted in the 2021 Spring and Winter Economic Forecasts respectively). The expected best performing countries for 2021 are Romania, Ireland, Hungary, Spain, and France with more than 6% growth. Poorer performing countries are the Netherlands, Denmark, and Finland. The improved outlook is due to the improving COVID-19 health situation. However, the spread and emergence of COVID-19 variants and slower vaccination rates in some countries may still impact the latest growth outlook.
- After six months, expectations regarding the Brazilian economy for 2021 changed significantly. On the one hand, there is an optimistic scenario for annual GDP (+5.2% against an expectation of +3.5% early in January). On the other hand, this growth has been accompanied by a robust inflationary acceleration (currently at 8.4% per annum, tending to 6.1% by year-end). In response to this economic context, the Central Bank of Brazil has been raising the base interest rate, projected to reach 6.5% at the end of the year, against an initial expectation of 3% per annum. Despite the recent BRL appreciation, the exchange rate is still hovering above 5.0 BRL/USD, favouring exports but backing up inflation.

## REGIONAL MARKET UPDATES

### Asia Pacific

- Based on Consensus Economics' June 2021 edition, Australia's economy is expected to grow by 4.9% in 2021, moderating to 3.1% in 2022. Both Indonesia (2021: 4.5%, 2022: 5.6%) and Malaysia (2021: 5.1%, 2022: 6.1%) are expected to see growth rates in 2022 surpassing 2021 growth rates. New Zealand's outlook is 4.4% in 2021 and 2.9% in 2022.
- The Reserve Bank of Australia (RBA) continues to target 10 basis points for the cash rate and the yield on the 3-year Australian Government bond. The RBA is expected to main this position until actual inflation is sustainably within the 2% to 3% target range. Unemployment fell to 5.1% in May 2021. Housing markets have strengthened further, with prices continuing to rise in most markets. Housing credit growth for owner-occupiers has picked up, with strong demand from first-home buyers.
- New Zealand's Reserve Bank retained the cash rate at 25 basis points in its 21 May Monetary Policy announcement. In mid-July however it announced it was ending bond buying and reducing other stimulatory settings. Expectations are that with inflation increasing, the OCR may lift from August with up to three increases possible before the end of 2021. The Q1-2021 household labour force survey put unemployment at 4.6% and this is forecast to continue improving over the balance of 2021. The government controls put in place to help contain house prices have had little effect, with strong house price inflation continuing. Housing supply remains

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severely short and demand seemingly insatiable. This is not helped by recent major flood damage to hundreds of homes in Westport, Blenheim and Southland.

- Chinese trade restrictions on Australia continue affecting the export of roundwood but not woodchip. There is no expectation for improved diplomatic relations any time soon. Some Australian softwood log exporters are reporting positive outcomes entering the India log market. However, export log volumes will remain restricted to a limited number of log grades as overall, log supply remains tight following the Black Summer bushfires and the conclusion of salvage logging operations.
- New Zealand's softwood production and export volumes have strongly recovered in the last few months with Q1 production up 20% and exports up 33% from the same quarter in 2020. Export volumes have averaged over 2.1 million m<sup>3</sup> per month year to date. The A grade export price continued to break records in June with CFR prices in June in the mid USD 190s/m<sup>3</sup>. July prices have now come off their peaks by around USD5-7/JAS m<sup>3</sup>. Shipping costs have also increased and now are approaching USD 60/JAS, the highest level since 2007/2008. For exporters, wharf gate prices are now beginning to reduce with increased shipping costs, CFR price declines only partially offset by some softening in the exchange rate. Wharf stocks in China remain at reasonable levels (3.5 million m<sup>3</sup> to 4.0 million m<sup>3</sup>) with offtake balancing imports.
- Chinese construction demand remains robust with residential housing starts mirroring 2020. However, dwelling sales prices are increasing less aggressively than last year (5% per annum).
- China's total hardwood woodchip imports increased modestly in CY2020 and increased 25% year to date (January to May 2021) relative to the same period last year. Within this increase, Vietnam increased its exports by 36.2%, Thailand by 32.5%, Malaysia by 59.3% (but from a small base), and South Africa also increased its exports. Australia's exports to China declined by 5.2% over the same period.
- Japan's import of hardwood woodchip year to date increased by only 2.24% relative to the same period in 2020 but remains some 17% below 2019 demand. Within the modest uptick, Australia has thus far seen the largest increase in demand (58.5%) with Chile, Brazil and Thailand seeing export declines.
- South Korean import demand for hardwood woodchip dropped by 5.8% year to date relative to the same period in CY2020.
- The above changes in hardwood chip trade occurred against the backdrop of a cycle of high market pulp prices that started in Q4-2020. As of Q1-2021 Chinese BHK market pulp prices have increased to ~USD 760/ADt.
- Australia is continuing to experience a shortfall in softwood sawlogs and sawn timber following the government's HomeBuilder grant that ended on 31 March 2021. HomeBuilder was designed to support the residential construction sector through the COVID-19 economic slowdown. Anecdotal evidence suggests shortages of sawn timber continue to cause construction delays and increases in timber prices.
- New Zealand's residential housing approvals slipped 20% in June from the high levels in May 2021 despite the critical shortages of housing stock. Materials shortages remain a major constraint.
- Following New Zealand's second ETS auction, prices are now close to NZD 50/NZU. Although the highest since the introduction of the scheme, it remains only around 50% of the price in Europe (~EUR 90 /unit).

### Europe

- Current demand for all wood assortments is very strong. The forest industry's wood paying capability has improved significantly during the last quarter of this year with price increases in most end use segments. Since the beginning of this year, most forest industry entities have experienced a substantial improvement in earnings, driven by rising product prices and increased demand. The market for sawn goods in Europe is still booming. In several European countries, the prices for sawn timber have almost doubled since the beginning of the year – the price of softwood pulp increased by almost 40%. Prices for all other end products, except for printing and writing papers, have improved significantly. Paper production capacity in Europe will continue to decrease due to mill closures, for example, the closure of Veitsiluoto mill in Finland. However, the closure of paper production capacity will not have any major impact on the wood supply and demand balances in the longer term.

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- At the beginning of the year, market pulp demand was strong globally, also supporting the demand for pulpwood in the Nordics. The decline in Chinese demand during Q2 has since started to negatively impact northern softwood pulp prices.
- Preliminary information leaked prior to the official release of the European Commission's new forestry strategy has created concerns within the forest industry. Concern was raised about the Commission's attempt to regulate forest policy with potential impact on forest production. According to preliminary information, the Commission's approach to the EU forestry strategy differs significantly from the views of the European Council and the EU Parliament.
- The prices of wood in Finland have risen by an average of 10% during the first half of 2021, while in the rest of Europe prices have risen by between 5% and 30%. Based on market surveys, the price of sawlogs may well increase further during the latter part of the year, but price expectations for pulpwood are more moderate. Prices for secondary wood products, such as wood-based panels or engineered products, have increased even further in recent months (according to EUWID price watch: +220% for plywood, +128% for OSB, +51% for particleboard and +16% for glulam).
- The current rise in prices for wood products is also impacted by the shortage and the rising price of melamine and formaldehyde supply in Europe. Supply disruptions could last until Q3-2021 and are evident especially for melamine resin production. This shortage has led to major disruptions and has forced several resin producers to scale back or temporarily stop offering adhesive resin, mostly used to make moisture-resistant or flame-retardant wood-based panels, glulam and CLT products.
- In the Baltics, the market situation for pulpwood is still quite balanced, and in Sweden, wood supply is also at normal levels. Russia has announced that it will ban the export of round softwood from the beginning of next year. Negotiations on the export ban are still ongoing, but even if it will be enforced as planned, the ban would still have a limited impact on forest industry operations, at least in the Nordics.  
Significant capacity expansions announced will impact woodflows in the Nordic region notably. In northern Sweden, SCA's expansion project at Obbola is advancing well. Also, Metsä Group's Rauma sawmill and Kemi biorefinery investments in Finland are progressing in accordance with plans. Strong demand for market pulp has kept mills operating at high rates. Several other planned sawmill expansions have also been announced recently in Finland. According to company disclosures, the Kemi biorefinery solely will increase wood consumption by some 4.5 million m<sup>3</sup> vs current levels, of which over 20% is planned to be imported from Sweden.

### North America

- US Housing starts fell slightly to 1.572 million units (SAAR) in May, down 3.0% from 1.73 million units in April and up 34.9% from 1.246 million units in May of 2020 when pandemic lockdowns were in effect. Starts in 2020 totalled 1.38 million units, which was an increase of 7.0% over the 2019 total of 1.29 million units. Total housing starts in 2021 are projected to be in the range of 1.54 million units to 1.61 million units. Some slipping from these targets has been occurring intermittently although analysts believe that this is due to building supply and labor constraints and that housing fundamentals remain strong. That said, some predict that growth will slow in 2023 before resuming in 2024 and 2025.
- American pulpwood prices vary by region and were largely depressed by mill curtailments in 2020. In the US South, softwood pulpwood stumpage prices fell 8% year over year to USD 8.40 per green ton (USD 22.60/cord) and hardwood pulpwood declined 26% year over year to USD 8.10 per green ton (USD 23.60/cord). Hardwood was more impacted in the region because of lower harvests, hindered by precipitation that was much greater than average. Going forward, prices in the US South are expected to increase modestly over the next five years to USD 9.40 per green ton for softwood pulpwood stumpage and USD 9.30 per green ton for hardwood stumpage. Increased demand for OSB and wood pellets will contribute to rising prices, while higher availability of residuals from increased lumber production will apply downward pressure. Meanwhile, in the northern US regions, prices were further depressed in 2020. In the Northeast, prices were 11% lower for softwood and 21% lower for hardwood due to weak pulp and paper markets and an explosion at the Pixelle pulp mill in Jay, Maine,

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which permanently cut off demand from the surrounding region. Some improvement is expected as demand is projected to increase, with prices reaching USD 25.50/cord for hardwood and USD 17.90/cord for softwood by 2025. In the North Central Region, prices were down 7% for hardwood and 16% for softwood which was likely related to the shutdown of two Verso mills in the region. The situation is not expected to improve in 2021 with prices continuing lower, however, in 2022 through 2025 it is anticipated that demand will return, with prices reaching USD 35.30/cord for hardwood and USD 31.80/cord for softwood.

- Pacific Northwest Douglas-fir log prices have been stable for the first half of 2021 but have declined in the past few months and are now expected to continue to decrease modestly. Salvage logs from the enormous 2020 Labor Day fires have increased supply, while mill capacity is still suppressed due to pandemic-related labour issues. Prices are expected to average USD 762/MBF (+9% from 2020) and Whitewood logs are expected to average USD 553/MBF (+6% from 2020) in 2021. West Coast Doug Fir #2 logs are trading around USD 800/MBF, delivered. Demand for logs is being driven by lower green log harvests and strong lumber prices. The US West region is expected to increase exports of sawtimber logs to 0.92 BBF in 2021.
- The Framing Lumber Composite Price (Framing Lumber, Southern Pine, OSB, Structural Panels, Studs, Western S-P-F) experienced record price variance and volatility in 2020 as demand rose much higher than supply due to COVID-19 reduced production. Meanwhile, housing starts and the repair and remodelling sector drove unexpectedly high demand. Volatility has continued in 2021 and Composite Price reached a new record high of over USD 1500 in May. From there, prices began a steep slide that continues to the present, returning the index closer to a historically more normal level of USD 575 as of this writing.
- US Hardwood lumber utilisation fell from 8.3 BF annually in 2019 to 7.3 BF in 2020 due to the economic effects of COVID-19. Exports to Vietnam have been faring better than other export markets, and railway ties have been impacted less than other manufacturing and industrial hardwood utilisation sectors. Furniture, pallets, and millwork were the most impacted sectors as measured in percentage of utilisation for the year. Mid-year 2021 estimates show that annualised consumption is trending at 7.1 BF. While exports are up and demand for cabinets and flooring are high, imported cabinets are taking up market share to keep up with demand caused by the pace of housing starts and the repair and remodelling sector. Pallet consumption is down nearly 11% despite record high shipments of durable goods, with lack of available wood material and transportation issues being cited as the cause.
- The year 2020 saw a remarkably destructive fire and hurricane season, said to be exacerbated by climate change. Over one million acres burned in Oregon; of that, 829 000 acres were in western Oregon, where large fires are unusual. In 2021, high fire activity is forecast as drought and high heat has settled in the US West and the fire season started early. As of this writing, the Bootleg fire in Oregon has burned 227 000 acres and is only 7% contained. Several other large fires are burning in Oregon and California. In 2020, Hurricane Laura struck the state of Louisiana as a category 4 storm with sustained winds of 150 mph. Hurricane Laura is tied for 5th strongest storm to make landfall in the continental US. The Louisiana State University AgCenter estimates that the storm caused USD 1 billion in damage to Louisiana's timber industry alone, destroying 757 538 acres of timber. According to Texas A&M Forest Service, 210 000 acres of timber in southeast Texas were also damaged by Hurricane Laura, while an additional 850 000 acres in the area received light and scattered timber damage. Hurricane Sally, which was mild by comparison, nonetheless heavily damaged 2 440 acres of timber in Alabama according to the Alabama Forestry Commission. NOAA's Climate Prediction Center does not predict a repeat of 2020s storm activity in 2021.
- US Timberland transactions in Q4-2020 picked up after a sluggish third quarter. USD 1.3 billion in sales closed and prices were substantial despite the downside risks of fire, pandemic, and political uncertainty. Industry experts felt that no discounted deals were on the market and year-end appraisals did not show evidence of big COVID-19 impacts, coming in mostly flat. Small retail HBU sales remained popular since some buyers were looking for isolation from COVID-19 and interest rates have been historically low. Timberland transactions in 2021 started out very slowly with just one transaction closing in Q1 but sales are picking up with four sales pending or closing in Q2. Among them was the 7 700 acre sale in Western Oregon by Campbell to Seneca, a private lumber company, for a significant USD 57 million or USD 7,402 per acre. Weyerhaeuser purchased

69 200 acres of quality pine plantation in Alabama for USD 2 153 per acre from Soterra, and German fund manager MEAG acquired 150 000 acres of the CalPERS Paramount portfolio across the South. Several more packages are either under contract, bid, or offered for sale in Washington, Oregon, Mississippi, Arkansas and Wisconsin.

### South America

#### Brazil

Industrial production continues to be heated since 2021 due to exports, which are strongly favoured by foreign exchange, and more recently because of attractive commodity prices. However, the industry's performance is expected to fall in the short term due to the USA's and EU's post-pandemic industrial production acceleration that will result in wood product import demand decreases, skyrocketing freight costs, Brazil's currency appreciation and high inflation impacting production costs.

Some of the highlights and lowlights concerning the industry performance in Q2-2021 are summarised below:

- Pulp: BEKP exports remained virtually stable (+0.1%) compared to the same quarter in 2020, but with a significant increase in revenues (USD +6.8%, BRL +2.2%). Expectations for the rest of the year remain positive. Suzano has announced its new pulp mill in Mato Grosso do Sul (2.3 million ADt/year), scheduled to start up during the first half of 2024.
- Composite Panel: it has been running at 100% of its capacity due to the recovery of the Brazilian economy, with emphasis on civil construction, with an optimistic scenario for the next year. Berneck's new mill in Lages-SC is planned to start producing in 2022 (+570 000 m<sup>3</sup>/year of Pine MDF).
- Charcoal: wood demand remains heavily pressured by pig iron exports and wood purchases in the spot market by Suzano and Veracel. However, the significant Q2-2021 drop in exports against Q2-2020 (-16%) seems to be a warning sign.
- Lumber: Q2 Exports grew 20% in volume and 45% in revenue (USD) compared to the same quarter last year. Companies project the same context for the H2-2021, but with increased production input costs of 10% to 20%. Their mid-term scenario is a drop in international prices associated with an appreciation of the Brazilian currency, negatively affecting exports.
- Moulding: despite exports falling 1.8% over the period, revenue grew 21% in USD and 16% in BRL due to increased international prices. The short-term scenario is stability, and the mid-term one is falling prices.
- Plywood: the Q2 performance was remarkable compared to Q2-2020, with exports growing 45% in volume and 182% in revenues (USD). This performance is not expected to be repeated in the second half of 2021. The mid-term scenario is a significant drop in international prices.
- Wood Prices: Pine and Eucalypt wood prices have increased significantly since mid-2020. However, increasing forestry OPEX and CAPEX costs (+10% to +20%) have pointedly impacted the economic return.
  - Pine wood: due to the remarkable performance of exports of lumber, plywood, and mouldings, wood prices increased from 35% and 42%, in real terms, between Q2-2020 and Q2-2021, and wood for pulp and MDF/MDP production by 19%.
  - Eucalypt wood: spot market prices in São Paulo, Minas Gerais and Mato Grosso do Sul increased from 6% to 20% in real terms between Q1-2020 and Q1-2021. This was lower than Pine's increase due to the significant bargaining power of the pulp, paper, and MDF/MDP industries.
  - The forest-based industry expects prices to stabilise as of the H2-2021 and fall marginally as of 2022. Even if that happens, prices will remain meaningfully higher than the prices prevailing before mid-2020. This forecast is supported by a likely balanced wood supply and demand associated with a drop in forest productivity.

### Uruguay

- The COVID-19 situation in Uruguay has improved much from mid-July. As of July 2021, Uruguay has a total death toll to date of 5 800, but the average of new cases per day decreased from 3 000 during June to 400 during July. Borders remain closed to prevent further infections, mainly from its neighbour countries Argentina and Brazil.
- Positive news about the vaccination programme. As of 15 July, about 70% of the Uruguayan population had been vaccinated with the first dose and 57% with both doses. The population between 15 and 18 are also being vaccinated.
- Forecasts for 2021 predict that the Uruguayan economy will grow 3.9% and inflation will be 7.3%. If these forecasts are confirmed, economic growth will not be enough to compensate for the drop in GDP in 2020 (- 4.5%) due to the pandemic.
- UPM's second pulp mill project in the central region of Uruguay proceeds according to plan, even though some delays in the construction of the railroad was experienced and some labour disputes have occurred during the last month. Both UPM1 and Montes del Plata (MdP) pulp mills operated at full capacity during 2020, consuming 4.79 million m<sup>3</sup> and 5.75 million m<sup>3</sup> of round logs respectively. Both pulp mills continue to drive demand for eucalypt pulplogs from all Uruguayan regions. Even though international pulp wood prices are growing; local foresters have not yet experienced an increment in stumpage prices.
- First woodchip vessels exported during 2021, showed a decreased in FOB price close to USD 10 per BDMT compared with 2020. As of Q2-2021, Uruguay already exported three *Eucalyptus globulus* woodchips vessels to China. Between 8 to 12 vessels will be exported to China during 2021. Demand from Europe is still lower than 2019, but higher than 2020, and paying higher FOB prices than China.
- Total pine logs volume during 2020 was close to 1.9 million m<sup>3</sup> (JAS), and as of the end of June 2021, total exports to SE Asia was more than 1 620 000 JAS m<sup>3</sup>, 78% to China and 22% to India. As of June 2021, FOB price is close to USD 85/JAS m<sup>3</sup>. The main concern currently is ocean freight costs, which historically were around USD 45/JAS m<sup>3</sup> and today are close to USD 85/JAS m<sup>3</sup>. As of Q2-2021, Uruguay loaded three Capsize vessels to China, with an average JAS volume of 87,000 m<sup>3</sup> of pine logs per vessel.
- Uruguay's eucalypt sawlogs exports continued during the first quarter of 2021, with similar volumes as 2020 and stable prices. The main concern regarding this activity is container availability and vessel capacity to load these containers.
- Only one plywood company in Uruguay is still functioning. For Q2-2021, demand and prices are growing, compared with 2020. Average FOB prices jumped from USD 290/m<sup>3</sup> during 2020 to more than USD 450/m<sup>3</sup> during Q2-2021.
- Last month, GFP sold one of its forest funds located in northern Uruguay. The asset is mainly planted with Pine, and the buyers were UPM and COFUSA. This means that in the near future, more Pine forests will be converted to Eucalypt forests. Demand for bare land forest soils is still very high in Uruguay.

### Africa

- The IMF estimated in April 2021 that Sub-Saharan Africa's economy will grow by 3.4 % in 2021 as a result of improved exports and commodity prices as well as a recovery in private consumption and investment. The Group of Twenty (G20) Debt Services Suspension Initiative has delivered valuable support to debt distressed countries, offering nearly USD 5 billion in debt savings between January to June 2021.
- Good news from South Africa is that its economy grew by 1.1% in the first quarter of 2021, translating into a 4.6% annualised growth rate. According to Stats SA the main drivers for growth on the supply side were the finance, mining and trade industries while household spending and changes in inventories helped to increase growth from the demand side. Despite three quarters of positive growth, South Africa's economy is still 2.7% smaller than what it was in the first quarter of 2020.



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- Africa is seeing an increase in COVID-19 cases as countries grapple with third waves of infections. In the last week of June 2021, more than 35 000 new COVID-19 cases per day (with up to 26 000 new cases per day from South Africa) were reported. According to the World Health Organisation the speed and scale of Africa's third wave is unprecedented. Part of the problem is that African countries are suffering from an acute shortage of COVID-19 vaccines. Only 15 million people, or 1.2% of the African population are fully vaccinated.
- Nearly 550 000 tonnes of woodchips were exported through the port of Richards Bay in South Africa between January and April 2021. This is an increase of more than 200 000 tonnes on the equivalent period in 2020.
- South African chemical wood pulp exports through the ports of Durban and Richards Bay for January to April 2021 remained at a similar level compared to the same period in 2020, at around 320 000 tonnes for the four months.
- The South African sawmilling industry continued to experience strong demand for sawn wood, driven by high levels of construction activity.
- Mozambique Tree Farming (MTF) has recently secured the first order of 100 000 tonnes of eucalypt round wood from the Portuguese pulp and paper producer, the Navigator Group. The logs were shipped in June from the port of Beira in Mozambique. MTF through its subsidiary, Investimento Florestal de Mocambique (IFM) manages 5 500 ha of eucalypt plantations in Gondola while a second subsidiary, Moz Fibra is developing log and woodchip infrastructure at the port of Beira.
- Green Resources has commissioned new pole drying kilns in Tanzania to increase production of utility poles for electrification. According to the International Energy Agency, Tanzania aims to ensure that 70% of the population will have access to electricity by 2030, with 50% of electricity coming from renewable resources.
- Proparco and the Emerging Africa Infrastructure Fund (EAIF) have signed a EUR 165 million deal to establish a 46 MW biomass plant in Côte d'Ivoire. The plant will be supplied with 450 000 tonnes of palm tree waste per annum from commercial agricultural operations of which 70% will be from small-scale farmers.

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