

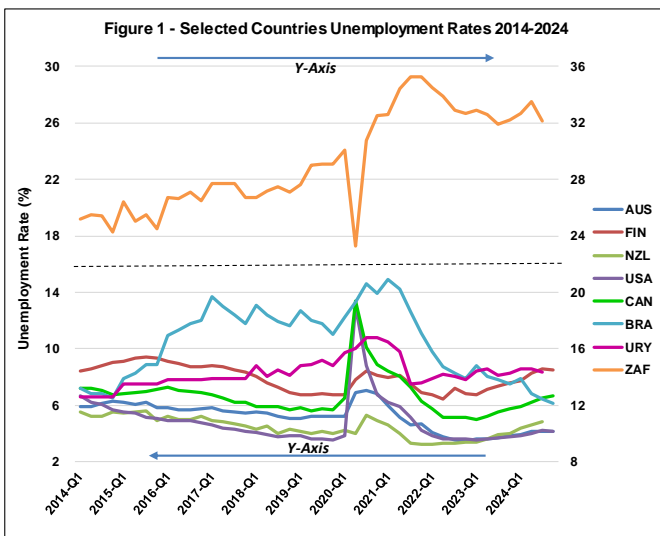
Forest Sector Outlook

Global Consulting Alliance

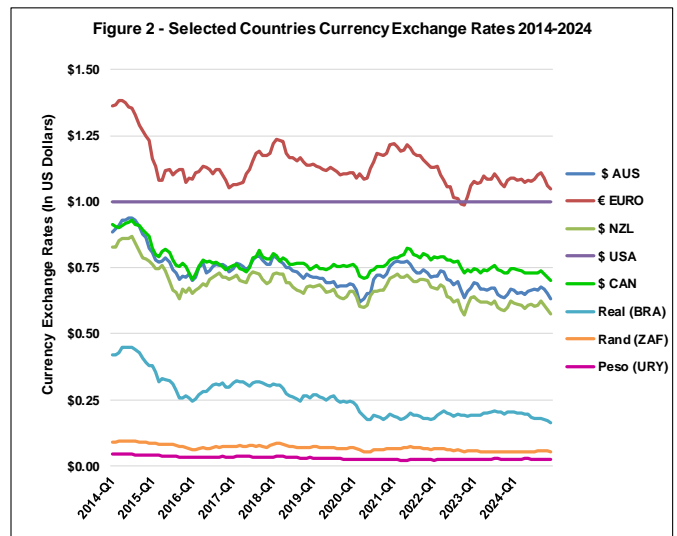
Quarterly Edition 2024-Q4

ECONOMIC DASHBOARD

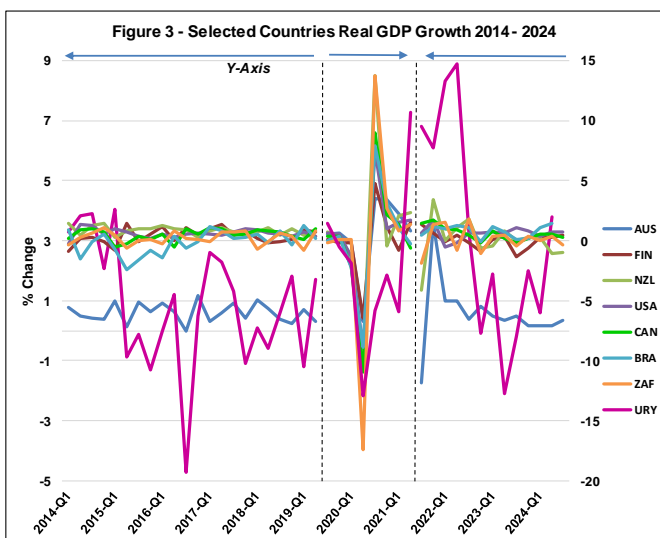
Figures 1 to 4 illustrate four key macroeconomic indicators as observed over the past decade, on a quarterly basis. These can be useful particularly for monitoring the post-pandemic conditions and the market implications of the ongoing wars in Ukraine and Gaza. Figure 4 rates are nominal.



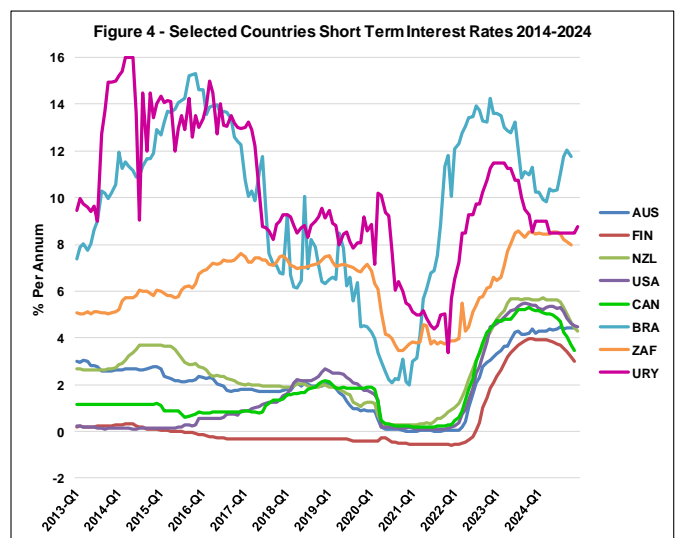
Sources: OEDC, Brazilian Institute of Geography and Statistics, macrotrends.net (World Bank), Statistics South Africa, FRED - St. Louis Fed.



Source: Federal Reserve, Uruguay Statistics National Institute



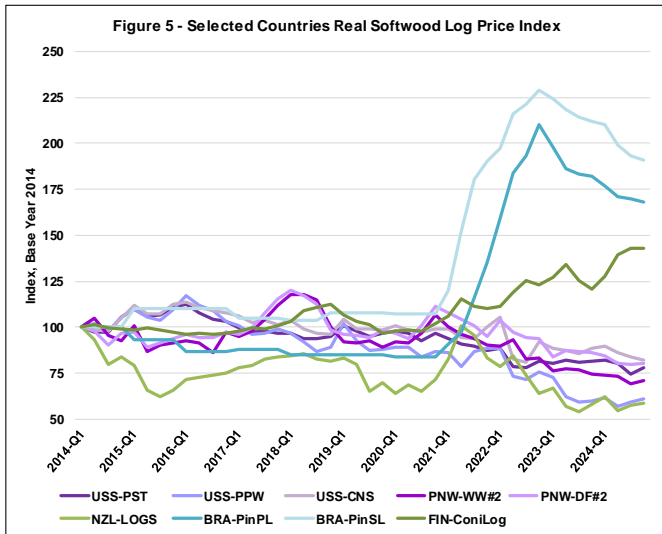
Source: OEDC, Chamber of Commerce and Services of Uruguay, Stats NZ, FRED - St. Louis Fed.



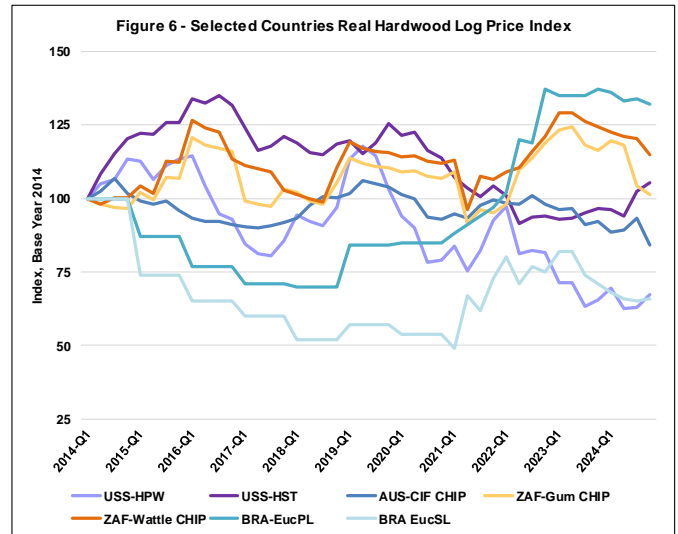
Source: OEDC, FRED - St. Louis Fed, Banco Central Del Uruguay, Reserve Bank of New Zealand

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Figures 5 and 6 show indexed real pricing for select softwoods and hardwoods – with Q1 2014 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, FIN-ConiLog = Finland Coniferous Logs.

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 World Bank, in its latest Global Economic Prospects report (January 2025), forecasts global growth to remain steady at 2.7% for 2025-26. However, the Bank cautions that this growth rate is insufficient to sustain long-term economic development. It highlights substantial uncertainty surrounding the global outlook, with risks skewed to the downside. These risks include heightened policy uncertainty, adverse trade policy shifts, geopolitical tensions, persistent inflation, and climate-related disasters.
- Amid this challenging backdrop, the Bank projects moderate growth in East Asia and the Pacific, influenced by weak domestic demand in China, as well as in Europe and Central Asia. In contrast, growth prospects are expected to improve in Latin America and the Caribbean, the Middle East and North Africa, South Asia, and Sub-Saharan Africa.
- Key regional growth forecasts for 2025 include:
 - **United States:** Real GDP growth is projected to slow from 2.8% in 2024 to 2.3%.
 - **China:** Growth is expected to decline from 4.9% to 4.5%.
 - **Europe and Central Asia:** Growth is forecasted to slow from 3.2% to 2.5%.
 - **Latin America and the Caribbean:** Growth is projected to accelerate from 2.2% to 2.5%.
 - **South Asia:** Growth is expected to rise from 6.0% to 6.2%.
 - **Sub-Saharan Africa:** Growth is forecasted to increase from 3.2% to 4.1%.
- The Bank also notes that aggregate commodity prices declined by approximately 3% in 2024, largely due to improved supply conditions for energy and food commodities. It projects further easing of commodity prices

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over the forecast period. However, the Bank warns that inflation could persist longer than anticipated if service sector inflation remains elevated, despite diminishing labor market tightness.

- Brazil – Annual projections have not been the strong point of the financial market. Comparing the forecasts published by the Focus Bulletin of the Brazilian Central Bank in early January with those of the end of December, we found significant gaps concerning almost all the economy's primary indicators. Specifically: inflation (3.9% vs. 4.9% - IPCA); GDP growth (1.6% vs. 3.5%), trade balance (70.5 billion vs. 73.8 billion USD), FX (5.0 vs. 6.1 USD/BRL), benchmark interest rate (9.0% vs. 12.25% - Selic). Due to the government's fiscal deficit increase, the forecasts of financial market agents for 2025 are pessimistic concerning inflation (IPCA = 4.99%), GDP growth (+2.02%), exchange rate (6 USD/BRL) and central bank interest rate (Selic = 15%). The exception is the trade balance (+74.2 billion USD). To be confirmed at the end of the year.

REGIONAL MARKET UPDATES

Asia Pacific

Australia

- According to Consensus Economics' December 2024 edition, gross domestic product (GDP) growth for the past calendar year (CY) was ~1.1%/a, with a forecasted increase to ~2.0%/a in CY2025.
- Consensus Economics projects consumer price index (CPI) inflation at 2.7%/a for the December quarter (Q4) 2024, and an average of ~2.7%/a across CY2025, which remains near but within the upper limit of the Reserve Bank of Australia's (RBA) target range of 2-3%/a.
- The Australian Dollar (AUD) weakened in early January, falling below 62 cents USD. Since September 2024, when the AUD was valued at 69.32 US cents, it has been on a steady decline. China's latest inflation data, highlighting increased deflationary risks, provided no support to the AUD. Markets remain divided on whether the RBA will reduce the target cash rate by 25 basis points (bps) in February, raising the risk that the AUD could dip below 60 cents USD.
- The unemployment rate is forecasted by Consensus Economics to rise from ~4.1%, in CY2024 to ~4.4% in CY2025.
- Housing approvals are expected to grow from 167 000 units in CY2024 to 181 000 units in CY2025, reflecting an 8.3% increase driven by expectations of declining interest rates. The Housing Industry Association (HIA) predicts that by CY2026 housing starts will be ~200 000 units and increasing.
- The Australian construction sector continues to face challenges. According to the Australian Securities and Investments Commission (ASIC), 3 217 construction firms entered administration in CY2024, a significant rise from 2 546 in CY2023. The impact of this trend on future construction activity and costs remains uncertain.
- On a real basis, sawlog prices in Australia are anticipated to remain flat in CY2025. A weaker AUD could make the country a less competitive market for sawn timber imports.
- The forest transaction market in Australia was subdued throughout CY2024. Limited data suggests that transaction timelines are lengthening, with bidders struggling to meet price expectations. It remains unclear whether this trend is driven by the macroeconomic outlook in Australia and China or rising longer-term government bond yields.
- The spot price of generic Australian Carbon Credit Units (ACCUs) remained relatively stable in CY2024, trading at around AUD 35.00. The last quarter of 2024 saw a sharp rise in the price to AUD 42.60 before falling away in December. As of mid-January 2025, the ACCU price is ~AUD 35.25.
- In their December 2024 pulp market review, Trade Tree Online (TTO) and Brian McClay & Associates (BMA) noted that capacity expansions in bleached hardwood kraft pulp (BHKP) by Arauco, UPM, Suzano, and Liansheng over the past year led to overcapacity and downward pressure on BHKP prices. Additional pulp projects are expected toward the end of the decade. Substitution of bleached softwood kraft pulp (BSKP) with

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BHKP last year resulted in BSKP capacity closures, which supported BSKP prices and widened the price spread between BSKP and BHKP.

- TTO BMA predicts BSKP will increasingly become a niche grade, commanding a growing price premium over BHKP.
- TTO BMA reports that China continues to ramp up its aggressive expansion of pulp and paper projects, leading to overcapacity across all grades. This has squeezed margins for large Chinese paper producers with some experiencing financial difficulties. Increased paper exports from China have also placed pressure on neighboring markets, and it will take time for this overcapacity to be absorbed.

New Zealand

- Following on from the earlier closures referred to in last quarter's FSO, Oji announced on 20 November 2024 that it was proposing to cease paper production at Kinleith from June 2025. The site has a more than 70-year history of paper production. This would be likely to result in the loss of more than 200 roles on the site and would have further flow on effects for the Central North Island region.
- David Seymour's (Act Party coalition partner) Treaty Principles Bill has been highly controversial, particularly among Māori. This has led to large-scale protest marches to parliament and consumed considerable political and media attention. The submissions process was overloaded due to the unprecedented volume of submissions forcing a deadline extension.
- No substantial forest transactions have settled since our last FSO although several transactions are in progress including the as yet unresolved sale of Rayonier's 77% interest in the 120 000-hectare Matariki Forests estate and Global Forest Partners' sale of its Te Waihou Plantations estate.
- Around seven transactions of smaller blocks of forestry land occurred in October and November 2024 again involving companies such as Ponga Silva (MEAG) and Ingka Investments (Ikea) expanding their estates by aggregating smaller forest properties. Germany, UK, and Hong Kong are the primary sources of finance. Approval times for overseas investment transactions have shortened substantially since the Associate Minister of Finance instructed the Overseas Investment Office to narrow its focus of review and speed up the approval process. The expected changes to streamline and amend the Overseas Investment Act 2005 to attract more international investment have yet to be completed.
- On 27 November 2024, the New Zealand Reserve Bank (RBNZ) made its third cut to the Official Cash Rate (OCR), as in October implementing a further 50 basis points reduction bringing it down to 4.25%. This cut was also anticipated by the market. The RBNZ survey of expectations published in November 2024 indicated an anticipated end of year inflation rate for 2024 of around 2% with a similar expectation for 2025. The survey also indicated that the OCR was expected to progressively reduce to 3.3% by the end of quarter three 2025.
- The lower New Zealand interest rates along with US dollar strength resulting from global concern over incoming President Trump's proposed trade tariffs have seen the New Zealand dollar fall to 0.556 to the USD on 12 January 2025. This is likely to worsen New Zealand's negative trade balance.
- The final government carbon auction for 2024 (early December 2024) saw 4.03 million units sold at the reserve price of NZD 64/NZU. This left 14.79 million units unsold. Although this was the first successful sale since the March auction, the low sales ratio had a depressing impact on secondary market prices (currently sitting at NZD 62.67/NZU as of 12 January 2025). This negative impact was increased by the government's announcement prohibiting ETS participation for farmland conversions to forestry where Land Use Classes (LUC) of 5 and below are included where these conversions exceeded 25% of investor land holdings. AgriHQ reports that this announcement has had an immediate impact on sales of farmland. The government also confirmed that the initially grossly excessive charges for ETS forestry participants introduced by the previous administration (temporarily suspended by the incoming government) will be reduced by half.
- AgriHQ reports that the domestic softwood log market remains subdued with building consents down 7% YoY. However, log prices have largely held or modestly reduced. Increased supply has also been noted as harvesting of small-scale private holdings ramps up in response to a small improvement in the export market. This has

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resulted in logs better suited to the domestic market boosting local supply. AgriHQ further reports that S1/S2 logs remain largely unchanged at NZD 125-NZD 130/tonne while pruned logs have shown a small decrease to NZD 200-NZD 220/tonne in the North Island and NZD 175-NZD 185/tonne in the South Island. In response to the constrained domestic market, mills have taken extended shutdowns over Christmas. Lumber exports have also leapt with monthly lumber exports in November 2024 up 48% on 2023.

- AgriHQ reports that CFR export prices have modestly softened with A grade trading in the USD 119-USD 123/JASm³ range. These declines have largely been offset for New Zealand producers by the softening exchange rate and reductions in shipping costs.

China/Asia

- Real estate developers in China are still suffering from a year-long slump that has sapped the confidence of potential buyers, caused a sharp decline in house prices and left millions of homes unfinished. Economists think both home prices and sales in the country will fall in 2025. The best they can say: The decline may be slower than it was in 2024.
- Real estate development company Country Garden's USD 190 billion of total liabilities (as of June 30, 2023) were well below Evergrande's USD 328 billion. However, Country Garden has more than 3 000 pending projects — four times as many as its rival — so a collapse of the firm would likely have a greater impact than Evergrande's, according to Bloomberg Intelligence.
- Across China, millions of square feet of unfinished apartments have been left to gather dust. Economists at Nomura International HK Ltd. estimated in mid-July 2024 that Chinese developers had delivered only about 60% of the homes they pre-sold from 2013 to 2020. (Buyer protections commonly used abroad, such as escrow accounts and installment payments, have tended to be weak in China.) In 2022 there were wildcat mortgage boycotts by owners of unfinished homes at over 300 housing projects in about 90 cities. With more than 70% of urban China's wealth stored in housing in some parts of the country, many livelihoods are at stake and the threat of popular unrest lingers.
- China has the equivalent of 60 million unsold apartments, which will take more than four years to sell without government aid, according to Bloomberg Economics. The oversupply is dragging down prices at the fastest rate in a decade, giving people less reason to buy a home. The situation is the worst in Beijing.
- China's softwood log imports for the first eleven months of 2024 were lower by -6.7% at 23.8 million m³ compared to the same period one year ago. The top six suppliers compared to the same period in 2023 were (from Timber-Online):

| | | |
|---------------|-----------------------------|--------------------------------|
| — New Zealand | 16.3 million m ³ | +0.6% (68.5% of total imports) |
| — Japan | 1.40 million m ³ | +10.6% |
| — USA | 1.17 million m ³ | -0.1% |
| — Canada | 1.06 million m ³ | +19% |
| — Germany | 959 000 m ³ | -68% |
| — Poland | 898 000 m ³ | -9.4% |

Of note, Australia came in as the seventh largest supplier at 484 000 m³ compared to zero volume last year.

- Softwood lumber imports into China were lower by -6.8% (to 15.3 million m³) for the first eleven months of 2024 as compared to the same period in 2023. The top six supplying countries compared to the same period in 2023 were (from Timber-Online):
- | | | |
|---------------|------------------------------|--------------------------------|
| — Russian Fed | 10.39 million m ³ | -2.4% (67.8% of total imports) |
| — Canada | 1.15 million m ³ | -0.3% |
| — Belarus | 1.05 million m ³ | +30% |
| — Finland | 572 000 m ³ | -23.5% |
| — Germany | 420 000 m ³ | -35.6% |
| — Sweden | 390 000 m ³ | -44.9% |

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Europe

- Fordaq and Eurostat data are showing a modest recovery in the European construction sector, with an annual growth in the Euro area in October 2024 of 0.6% in building construction and 3.0% in civil engineering.
- One of the tallest wood construction projects in Europe is in its final phase in Paris. Measuring 50 m in height with 15 stories. The building will be able to house around 400 people. The project serves as a showcase for the development of timber as a building material and to demonstrate that using more wood in construction can play a crucial role fighting climate change in more crowded French and European cities.
- The European Union (EU) reached a political agreement with the four founding members of Mercosur (Argentina, Brazil, Paraguay, and Uruguay) on the 6 December 2024 regarding the new EU-Mercosur Partnership Agreement. The negotiation process which started back in 2016 still needs to undergo legal review and be voted into law. Some countries such as Austria, France, and Poland have already indicated that they will not support the agreement due to local farmers opposition to differences in regulations.
- Following the European Commission's May 2024 anti-dumping investigation into wood flooring products from China, the Commission proposed provisional anti-dumping duties, ranging from 42.3% to 49.2%. These new duties will be introduced from mid-January 2025. This development occurred after a formal complaint by the European Parquet Federation (FEP) on behalf of major EU producers. FEP called the proposed duties sensible, reflecting the significant price differences caused by overcapacities and market distortions in China. Additional measures are still expected in 2025 resulting from the European Commission's current hardwood plywood anti-dumping investigation.
- According to data from Europäischer Wirtschaftsdienst (EUWID), Germany's latest forecast for 2024 damaged wood has been revised down to 25.3 million m³, which is 27.2% below 2023 levels. Softwood accounted for 22.3 million m³ (-29.3%) and hardwood for 3.1 million m³ (-6.9%).
- The European Forest Institute (EFI), released in December 2024 a new policy brief in collaboration with the SUPERB project. It shows that combining restoration with climate-adapted tree species (assisted migration) can significantly boost carbon sequestration. The full brief, named *How to strengthen the European forest carbon sink through prestoration: integrating active restoration and adaptation*, can be found at the following link: <https://doi.org/10.36333/pb11>.
- The EFI also released a new study on the potential future wood availability in parts of Europe¹. The study compares capacity from the European Forest Industry Facilities Database (EUFID) with the estimated supply from the procurement areas, calculated using the EFISCEN-Space resource model. It analyzed Norway, the Czech Republic, and Germany and highlights potential domestic conifer log shortages, and potential slight hardwood surpluses for these countries.
- The European Deforestation Regulation (EUDR) will be delayed by at least 12 months from its original target. Enforcement will now start in December 2025 and June 2026 for some small/microenterprises. The EU Council and Parliament approved the proposal, and the official statement was published in Regulation (EU) 2024/3234² on the 19 December 2024.
- According to Wood Central, over USD 188 billion in timber products, much originating from China, Canada, Russia, Sweden, Germany, and the USA, relies on the Suez Canal. The Red Sea crisis has worsened passage through the Suez Canal in 2024, and choked global timber supplies. This resulted in severe congestion, especially on Northern Europe and Asian routes handling bulk timber. Also straining trucking, and rail network logistics.

¹ Preliminary evidence of softwood shortage and hardwood availability in EU regions: A spatial analysis using the European Forest Industry Database (Nov. 2024) <https://doi.org/10.1016/j.forpol.2024.103358>

² <http://data.europa.eu/eli/reg/2024/3234/oj>

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Finland

- Stora Enso had a busy quarter with M&A activity. Sunila pulp mill site was sold to AALTO Development for an undisclosed price.
- Stora Enso acquired Junnikkala Oy, a sawmiller located in Oulu, Finland, for approximately EUR 137 million. Junnikkala had recently invested into expansion of sawmilling capacity, boosting total output to 0.8 million m³ per annum. Stora Enso's Oulu containerboard mills will benefit from raw material synergy.
- Stora Enso decided to discontinue the Beihai divestment process due to low interest on the asset.
- Finally, Stora Enso reports it will record non-cash impairment of EUR 668 million (net value).
- Koskisen Oyj announced a EUR 12 million panel investment program starting in 2025 to increase plywood capacity by 20 000 m³/a. Despite higher wood costs the group reported an increase in EBITDA, while the net profit remains negative.
- UPM Raflatac has decided to permanently close its Kaltenkirchen factory in Germany to improve efficiency and productivity. The closure will be implemented in stages during 2025.
- Metsä Group is looking to close the Kreuzau tissue asset in Germany, which was under a Federal Cartel Office investigation. The group also announced closure of plywood production at Suolahti mill in Finland in 2026. The asset is nearby a new LVL mill that is to be constructed.
- Metsä Group is looking to commercialize an innovation from Metsä Spring (VC arm) by producing "Muoto" packaging products in Rauma Finland, which are grease and waterproof moulded wood fiber products. CAPEX could be up to EUR 200 million by 2027.
- The Finnish roundwood prices remained flat throughout the quarter, albeit the price level is still persistently high. MTK comments that market volumes remain strong as import levels are modest, therefore the industry is stocking up raw materials.
- Forestland prices remained flat in Q3 of 2024 as they have done throughout the year. Based on transacted value, 2024 is expected to be marginally better than 2023. However, price trends differ greatly depending on the region. Google purchased 1 400 hectares of land for a datacenter for EUR 27 million in Northern Finland.
- According to latest research, approximately 5% of the total forestland in Finland is now in deceased persons' estates. The figure highlights the demographic change in which older generations pass their assets to younger generations, whom more and more often do not live nearby the forestland owned. According to estimates, up to 110 – 140 million cubic meters of wood are "not liquid" as the decision making with the estates is slow.
- According to research by Maarit Kallio, should EU countries and Norway meet LULUCF goals, approximately 132 million m³ of annual harvests would not take place, however 86 million m³ of annual cuts would take place outside of Europe, namely in the Northern and Southern America. Risk for unsustainably produced wood would increase dramatically.

Sweden

- Stora Enso announced it will sell 12% of its total forest assets of 1.4 million ha, located in Sweden. The company is looking to free up capital with this strategic decision. The future owner will enter into a long-term wood supply contract with Stora Enso.
- According to Skogsstyrelsen, the spruce bark beetle damage has decreased 95% compared to peak year of 2021, which was an outcome of a drought. The past summer was rainier which has limited the spruce bark beetle damage.
- Södra is planning to divest 153 000 ha of forest holdings in the Baltics. Södra's mission is focused on members' forests and to process their raw material, thereby creating value for these forest estates. Södra has therefore, as a step in implementing its strategy, decided to initiate a process to divest its forest holdings and related activities in the Baltics.
- A biocredit standard coordinated by Swedish Biocredit Alliance, in collaboration with World Forest Forum, Carlbo Biodiversity, Norra Skog, Södra, and Umeå municipality, has now been produced. The standard is global



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in scope and is a comprehensive framework to ensure quality and transparency for both buyer and seller by setting requirements on, for example, third-party verification and additionality.

- Södra has signed an agreement to supply UPM with kraft lignin from its world-leading new plant.
- Swedish wood prices have increased steeply and are at all-time high levels. Wood buyers are even offering price guarantees between contract and harvest to attract sales. The wood supply is especially tight in Southern Sweden.
- According to Svefa, forestland prices by the end of 2024 were marked by stabilization and new opportunities for investors in the forest property market. Despite challenges in some regions, record-high timber prices have dampened the price decline and opened up new business opportunities.

Russia

- According to the Federal State Statistics Service (Rosstat), the Russian timber harvest grew by 4.3% year-over-year from January to November 2024 and reached 107.3 million cubic meters of “dense timber”. Softwood represented 69.9 million m³ (+3.6%) of the total and hardwood was 37.4 million m³ (+5.8%).
- Rosstat also estimates that the total harvest of softwood and hardwood roundwood will be 196 million m³ in 2024 as compared to 188 million m³ in 2023, 195 million m³ in 2022, and 225 million m³ in 2021 (the peak harvest was 239 million m³ in 2018). It is forecasting an increase to 198 million m³ in 2025 and to 200 million m³ in 2026.
- According to Rosstat data: The volume of production of timber products in January to November 2024 compared to the same period last year were all generally higher except for wood pellets with softwood/hardwood lumber and wood pulp essentially unchanged (courtesy of WhatWood):
 - Softwood logs: 69.9 million m³ (+3.6%)
 - Hardwood logs: 37.4 million m³ (+5.8%)
 - Softwood & hardwood sawn timber: 25.9 million m³ (+0.0%)
 - Wood pellets: 989 000 tons (-19.6%)
 - Plywood: 3.1 million m³ (+5.0%)
 - Fiberboard (including MDF/HDF/flooring): 647 million conventional m² (+2.6%)
 - Particleboard (including OSB): 12.8 million conventional m³ (+22.1%)
 - Wood pulp: 7.8 million tons (-0.2%)
 - Paper and paper board: 9.7 million tons (+5.7%)

North America

- US privately-owned housing starts in December were at a seasonally adjusted annual rate of 1 499 000. This is 15.8% above the revised November estimate of 1 294 000, but is 4.4% below the December 2023 rate of 1 568 000. Single-family housing starts in December were at a rate of 1 050 000; this is 3.3% above the revised November figure of 1 016 000. The December rate for units in buildings with five units or more (multi-family) was 418 000 (US Census).
- US privately-owned housing units authorized by building permits in December 2024 were at a seasonally adjusted annual rate of 1 483 000. This is 0.7% below the revised November rate of 1 493 000 and is 3.1% below the December 2023 rate of 1 530 000. Single-family authorizations in December were at a rate of 992 000; this is 1.6% above the revised November figure of 976 000. Authorizations of units in buildings with five units or more were at a rate of 437 000 in December (US Census).
- An estimated 1 364 100 US housing units were started in 2024. This is 3.9% below the 2023 figure of 1 420 000.
- An estimated 1 471 200 US housing units were authorized by building permits in 2024. This is 2.6% below the 2023 figure of 1 511 100.
- Mortgage rates have been rising since the election of Donald Trump as the prospects of a trade war and inflation have caused banks to raise rates to around 7.0%. Home price growth continued to slow in October,

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growing at a rate of 3.60% year-over-year, according to the S&P CoreLogic Case-Shiller Home Price Index (seasonally adjusted – SA). This marks a decline from the 3.90% growth rate recorded in September and represents the seventh consecutive drop in the annual growth rate since reaching a peak of 6.54% in March 2024.

- US softwood lumber production in the first ten months of 2024 was lower by 4.1% (to 30.4 billion BF; 48.8 million m³, net) as compared to the same period in 2023. US West lumber production was lower by -3.9%, southern yellow pine (SYP) production was down by -4.4%, and the rest of the US was lower by -2.1%.
- US softwood lumber imports were lower by -1.7% in the first eleven months of 2024 to 13.5 billion BF. Imports from Canada increased by 0.7% to 11.0 billion BF and imports from Europe were lower by -20% to 2.1 billion BF (3.8 million m³). The leading European importers were Germany, Sweden and Austria and they represented 88% of European shipments to the US.
- Canada’s lumber output was lower by 15.5% to 17.3 billion BF (27.5 million m³, net) in the first ten months of 2024 vs. 2023 (COFI Connect). BC production was lower by 19.2% to 5.7 billion BF (9.1 million m³).
- Canadian softwood lumber exports through the first eleven months of 2024 were 12.42 billion BF, an increase of 0.6% compared to the previous year (COFI Connect).
 - Canadian lumber exports to the US were 11.1 billion BF, or 0.8% higher as compared to the same eleven months in 2023.
 - Exports to Japan were 9.9% higher to 389 million BF and were 11% lower (to 531 million BF) to China.
- Summary of softwood lumber trade between Canada and the US and industry scale (2024 estimated):
 - Canada softwood (SW) lumber exports to US = 12 billion BF (19 million m³) = 24% of US consumption.
 - Non-Canada SW lumber exports to US = 3.5 billion BF = 7% of US consumption.
 - Canada SW lumber production = 20.5 billion BF
 - US SW lumber production = 36 billion BF
 - US SW lumber consumption = 50 billion BF
 - Canada SW lumber exports to US as a % of total Canada production = 60%
 - Canada SW lumber exports to non-US markets = 1.4 billion BF
 - Bottom Line: the US needs Canadian lumber; Canada really needs the US lumber market.
- Summary of OSB trade between Canada and the US and industry scale (2024 estimated):
 - Canada OSB exports to US = 6.25 billion square feet (sf; 5.5 million m³) = 30% of US consumption.
 - Non-Canada OSB exports to US = 0.4 billion sf = 2% of US consumption.
 - Canada OSB production = 8 billion sf
 - US OSB production = 15 billion sf
 - US OSB consumption = 21.5 billion sf
 - Canada OSB exports to US as a % of total Canada production = 75%
 - Canada OSB exports to non-US markets = 0.4 billion sf
 - Bottom Line: the US needs Canadian OSB; Canada really needs the US OSB market!
- North American lumber prices bottomed in July and peaked in late November before drifting lower into January. As a result of higher sawmilling margins, all regions in North America were finally making positive margins. However, 25% import tariffs on Canadian lumber (and all other products) have been proposed by incoming President Trump and could be effective as early as his inauguration day (January 20). As a result, a number of the larger Canadian mills have indicated that if Trump signs a +25% tariff (to the existing import duty of 14.4% already in place), “then any lumber that isn’t already rolling on a rail into your yard will be subject to the added expense”.
- US pulpwood prices vary by region and season. In the Lake States region, Q4 hardwood roundwood prices remained flat quarter-over-quarter and year-over-year. Softwood roundwood prices were up USD 1 in the Lake States, and were up 7% year-over-year. In the South Central region, hardwood roundwood and softwood roundwood prices remained flat, while year-over-year, hardwood was down 6% and softwood was down 3%. South Atlantic region hardwood and softwood roundwood prices remained flat relative to last quarter. However, South Atlantic hardwood roundwood prices were up 13% year-over-year and softwood roundwood

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prices were up 9% year-over-year. Northeast region prices for hardwood and softwood roundwood were flat compared to last quarter and were up 4% for hardwood roundwood and down 4% for softwood roundwood year-over-year. Lastly, Pacific Northwest softwood roundwood prices were stable from last quarter and were flat year-over-year.

- Pacific Northwest Douglas-fir (DF) average log prices increased slightly in Q4 2024 through November YTD, although the increase was contained to the Willamette Valley region at 6.5%, while the Puget Sound region was flat and Columbia River region declined an average of 0.2%. YTD prices had declined most in the Willamette Valley in 2024 until they rose sharply in November. Monthly average DF 2-Saw prices across regions were down 4.5% through November YTD. Quarterly monthly average Whitewood 2-saw prices in Q4 through November were down 2.9% across regions. Prices were down 9.9% YTD in the Puget Sound region, down 3.4% YTD in the Columbia River region and up 4.7% YTD in the Willamette Valley region.
- US Q4 2024 large timberland transactions were infrequent, with few packages closing or pending. Pending transactions left from Q3 and Q2 are now closed with few exceptions. Some smaller Q4 sales have closed with details not yet available.
 - Some transaction details were reported, including:
 - Rayonier sold 115 000 acres (Project Teal) on the Olympic Peninsula of Washington to Ecotrust (74 400 acres) and Campbell (40 600 acres) for a total of USD 359 million for an average of USD 3 120 per acre for the total acreage. No per acre/per block pricing was available. Closed Q4.
 - A private owner (Hilton)/Landvest sold 41 100 acres in Maine to The Conservation Fund for USD 995 per acre. Closed Q4.
 - Rayonier sold 91 000 acres in southeast Oklahoma to New Forests for USD 1 500 per acre. Closed Q4.
 - Other transactions were pending or awaiting results such as:
 - Manulife/Landvest's Project Bugle package of 12 600 acres in Oregon was under contract in December.
 - The private (St. George)/AFM (Project Viper) offering of 17 000 acres in Georgia sold to an unknown buyer for around USD 3 000 per acre in December.
 - Stimson/AFM's Benewah package of 10 500 acres in Idaho sold to a conservation buyer for an unknown amount in December.
 - FIA/Landvest's Honey Island package of 11 000 acres in east Texas sold to RMS for an unknown amount in December.
 - Heartwood/Landvest's Project Razorback offering of 131 800 acres in Mississippi, Arkansas and Louisiana, former Anderson Tully property, sold to Manulife for an unknown amount in December and is believed to be a climate/carbon investment.
 - Campbell/AFM's Project Skyline offering in western Washington sold for around USD 5 000 per acre to a neighboring indigenous tribe.
 - The Molpus/AFM offering of 18 200 acres in Alabama, Mississippi and North Carolina (Tristate package) was expected to close in Q2 instead closed in Q3, but details are not yet available.
- US hardwood lumber demand was slow in Q4 through November, and prices remained stable as low demand and low production created no pressure in either direction. US hardwood lumber export volumes fell 9.1% from September to October yet were still ahead of YTD 2023 volumes by 4.8% and values by 4.6%. Hardwood lumber exports YTD through October to China (-4.4%) and Japan (-21.8%) have been slowing, but other Asian trade partners such as Vietnam (+25.8%), Indonesia (+54.3%) and Thailand (+35.3%) have been increasing through October YTD. Lumber exports to China fell sharply in October by 17.7%, at a time when they would normally be expected to increase. Red oak, poplar and walnut shipments to Asia have soared. Log export volumes of walnut and poplar far outpaced lumber exports. Demand for US hardwood lumber from Europe was up 4.3% by volume year-over-year in October, with nearly 34% going to the UK.

South America

Brazil



Forest Sector Outlook

Brazilian Forest Industry – Context and Trend

- **Pulp Industry:** In 2024, the performance was remarkable, with exports growing 3% in volume and 33% in revenue, reflecting average prices 29% above those of 2023. Suzano started operating its new BEKP plant in Ribas do Rio Pardo (MS) in July and will be fully operational in mid-2025 (+2.55 million tpa). Arauco has started constructing its new pulp mill in Inocência (MS), expected to produce 3.5 million tpa of BEKP by the end of 2027. As a result, Mato Grosso do Sul will have the largest concentration of hardwood pulp mills in the world (The Pulp Valley, with 10.6 million tpa) – not to mention the probable Bracell mill, to be implemented in the Bataguassu region with a capacity of 3 million tpa. Regarding a trend, the value chain expansion has stood out in terms of product and market diversification. As for the midterm challenges, the wood supply, and inbound and outbound logistics stand out due to the industry's size.
- **Pine industry:** In the aggregate (lumber, plywood, and moulding), 2024 exports grew 10.2% in quantity and 8.3% in revenue (USD), which means an average price 2% lower than in 2023. Compared to 2022, 2024 is still indebted in revenue (-23.2%) and average price (-24.1%). As for expectations for 2025, the industry “hopes” to recover prices and profitability. However, the confidence level is low due to current challenges (Brazilian inflation, port bottlenecks in Brazil) and potential challenges (increased export tariffs to the US, declining housing starts in the US and China).

Eucalypts Industry – Exports

The 2024/2023 analysis shows the following changes:

- Pulp: +3.2% QTY and +33% USD
- Chips³: +9% QTY and 0% USD
- Charcoal via green pig iron: -2% QTY and -11% USD
- Logs: -20% QTY and -20% USD

Pine Industry – Exports

The 2024/2023 analysis shows the following changes:

- Lumber: +4% QTY and +2% USD
- Moulding: +17% QTY and 0% USD
- Plywood: +16% QTY and +19% USD
- Aggregate: +10.2% QTY and +8.3% USD

Pine-Eucalyptus Composite Panel – Exports

Year-over-year, growth was significant in quantity (+44% QTY) and revenue (+36% USD), but with prices 5.6% lower.

Producer Price Index (PPI)

In the domestic market, according to the IBGE, the average prices of the primary processing industries linked to wood had the following year-on-year variations:

- Pulp and Paper: +5.4%
- Metallurgical industry: +4.8%
- Wood: +3.1%
- Furniture +0.6%

³ Eucalyptus + Acacia.

Forest Sector Outlook

In summary, the pulp, paper, and metallurgy industries readjusted their prices, excluding taxes and freight costs, at the same levels as the IPCA (4.9%). On the other hand, the wood and furniture industries are significantly lower.

Uruguay

- According to the Uruguayan Central Bank, the growth of the Uruguayan economy during 2024 was 3.2%. Inflation during 2024 was 5.49%/a.
- Uruguayan exports of goods increased 13% in 2024, with a total of USD 12 845 billion. This result is mainly explained by the increase in pulp exports and the recovery of soybean exports (which were impacted by the drought in 2023).
- The main export products in 2024 were pulp, beef, soybeans, dairy products and beverage concentrate. Soybeans and cellulose were the items with the highest positive impact, while rapeseed and canola, rice and malt had a negative impact on exports in 2024.
- The main destination of Uruguayan exports in 2024 was China, with 24% of the total, followed by Brazil, which had a share of 18% and, in third place, the European Union with 14% of total exports. The United States and Argentina accounted for 9% and 5% respectively.
- UPM's second pulp mill project in the central region of Uruguay started pulp production during March 2023, and by the end of 2024, it is the main consumer of eucalyptus pulpwood in Uruguay.
- UPM1, UPM2 and the Montes del Plata (MdP) pulp mills are consuming eucalyptus log from all forest regions of Uruguay. As of Q4 2024, MdP "imported" 5.77 million m³, UPM1 4.49 million m³ of logs and UPM2 5.58 million m³, consuming a total volume of 17.28 million m³, a volume 15% higher than 2023.
- As of Q4 2024, eucalyptus woodchip exports were close to 0.53 million m³ (12 vessels, 12 less than 2023). These woodchip vessels exported during 2024 showed a decrease in FOB price close to USD 3/BDMt compared with 2023, with an average FOB value during 2024 of USD 160/BDMt. During 2024, Uruguay exported 11 vessels to Portugal and one to Spain (during 2023 Uruguay exported 19 eucalyptus woodchip vessels to Portugal, one to Sweden and four to China).
- Total pine log export volume during 2024 was close to 0.82 million JAS m³, representing 29 vessels, all of them to India. This volume shows an annual decrease of close to 10% compared with 2023. Average FOB price for 2024 was around USD 78/JAS m³ (during 2023 the price was closer to USD 80 /JAS m³).
- Uruguay's eucalypt sawlog exports continued during 2024, with a total volume of close to 280 000 m³ and average FOB prices of between USD 85/m³ and more than USD 300/m³ (big variations in FOB prices were detected based on logs quality). The 2024 volume was 40% higher than in 2023, being the maximum volume ever reached for this product in Uruguay. The average FOB price reached during 2024 was similar to the one reached during 2023. 96% of the total exported volume during 2024 went to India, China and Vietnam.
- Only one plywood company in Uruguay is still operational. For 2024, exported volume increased approximately 8% and average price increased 4%. As of 2023, average FOB price was around USD 326/m³ and the average price for 2024 was USD 340/m³.
- Carbon credits from Uruguay's forest projects showed a decrease in demand and prices during the last months of 2024. Carbon Credit prices are around USD 6/verified carbon unit.

Africa

- During the fourth quarter of 2024 several important national elections took place in Africa. Namibia, Botswana, and Ghana experienced peaceful national elections while the outcome of Mozambican election led to widespread civil unrest. South African exports through the port of Maputo (including timber exports) were severely disrupted.
- In September 2024, Border Timbers Limited (BTL) shareholders voted in favor of a takeover by Cicada Plantations Zimbabwe (Private) Limited (CPZ). Cicada will acquire 100% of the issued share capital of BTL by means of a share swap. It plans to list the company within 24 months on the Victoria Falls Stock Exchange.



Forest Sector Outlook

Border was delisted from the Zimbabwe Stock Exchange in November. Cicada is a diversified agricultural company with large landholdings in Zimbabwe's eastern province.

- Sappi Southern Africa pledged to invest ZAR 10.8 billion (USD 567 million) over the next five years in the KwaZulu-Natal province of South Africa. This pledge was made in November 2024 at the KZN Investment Conference.
- Mondi South Africa has committed more than EUR 680 000 towards support for its partnership with WWF South Africa on water stewardship and wetland conservation. This extends the 30-year WWF-Mondi Partnership; one of the longest running corporate partnerships of WWF South Africa.
- Uganda launched the Alliance for Climate Forestry Compensation Strategy at the recently concluded COP29. The strategy is designed to guide Uganda in developing carbon credit projects to offset greenhouse gas emissions from its energy sector, especially related to the country's new oil and gas projects under development. It will rely on ARR and REDD+ projects and a pre-feasibility study has already identified 65 000 ha of degraded land for reforestation and 220 000 ha of threatened forests for protection under REDD+.
- Uganda also joined the BRICS group of nations on 1 January 2025 as a partner, paving the way for full membership in future.
- The Interim Forest Stewardship Standard for Ethiopia was launched in December 2024 by the Forestry Stewardship Council. The standard aims to strengthen Ethiopia's forestry sector by giving access to niche global markets for certified forest products.
- The International Monetary Fund's Executive Board completed reviews of an Extended Credit Facility loan arrangement and Resilience and Sustainability Facility arrangement with Tanzania in December 2024. The reviews allow for the immediate disbursement of more than USD 200 million to Tanzania.
- The military government of Gabon has taken control of the country's timber company, Société Nationale des Bois du Gabon, giving it direct access to this USD 620 million industry. The objective is to improve protection of forest resources.
- Kenya and Tanzania inaugurated cross-border electricity trade with the connection of a USD 309 million transmission line, connecting the two countries. Tanzania is now Kenya's third electricity trade partner after Ethiopia and Uganda, strengthening the functionality of the Eastern Africa Power Pool initiative. Tanzania has increased its generation capacity with the 2 115 MW Julius Nyerere Hydropower Plant, which currently supplies 940 MW to its grid. Increased electrification would indirectly benefit the commercial forestry sectors in these countries by stimulating demand for transmission poles.
- Total woodchip exports through the ports of Richards Bay and Durban in South Africa, for January to November 2024, were ~1.3 million Mt, compared to ~1.5 million Mt for the same period in 2023. Pulp exports have stayed constant at ~881 000 ADt when comparing the period January to November 2024 to the same period in 2023.

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