

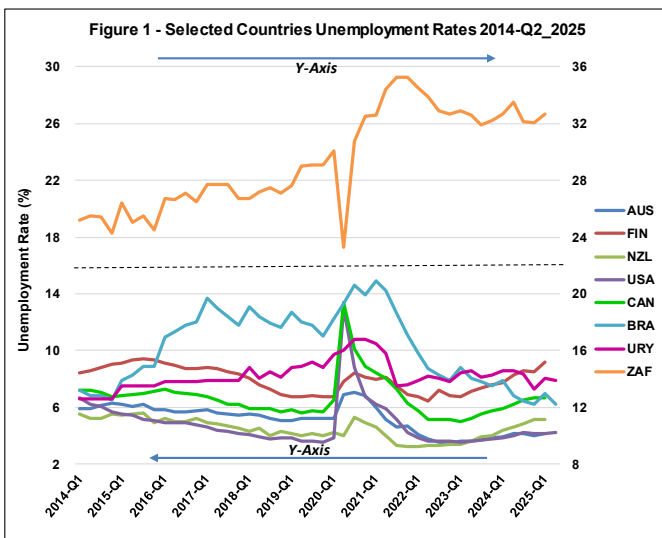
Forest Sector Outlook

Global Consulting Alliance

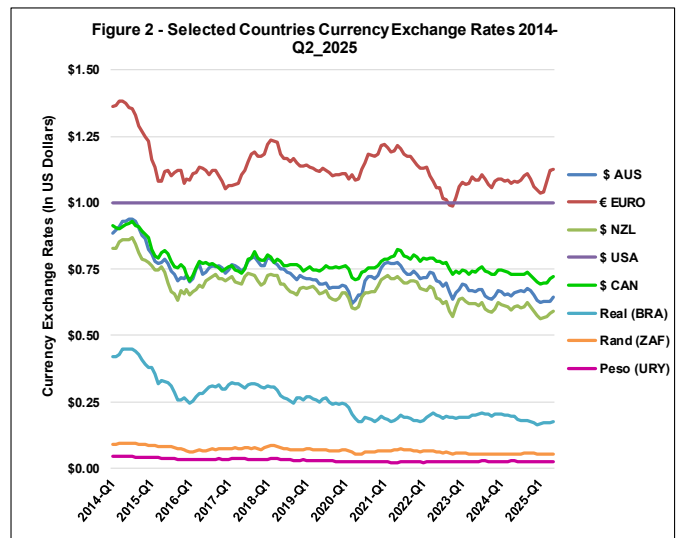
Quarterly Edition 2025-Q2

ECONOMIC DASHBOARD

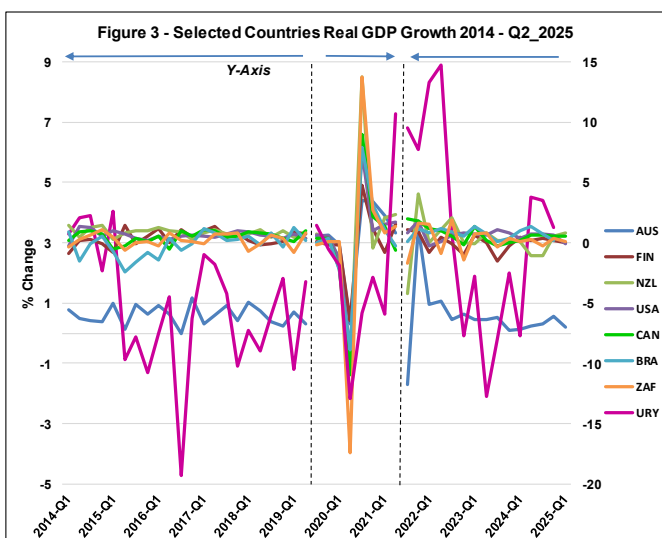
Figures 1 to 4 illustrate four key macroeconomic indicators as observed over the past decade, on a quarterly basis to Q2 2025. These can be useful particularly for monitoring the post-pandemic conditions and the market implications of the ongoing war in Ukraine and US trade arrangements. Figure 4 Interest Rates are nominal.



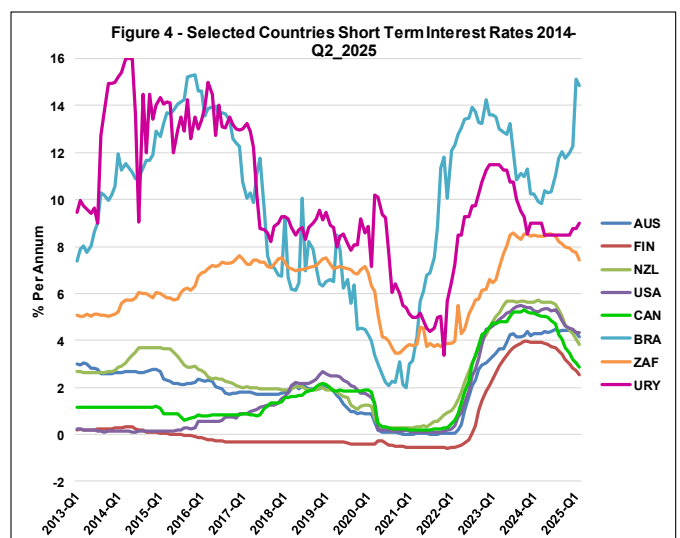
Sources: OEDC, Brazilian Institute of Geography and Statistics, macrotrends.net (World Bank), Statistics South Africa, FRED - St. Louis Fed, Uruguay National Institute of Statistics



Source: Federal Reserve, Uruguay National Institute of Statistics



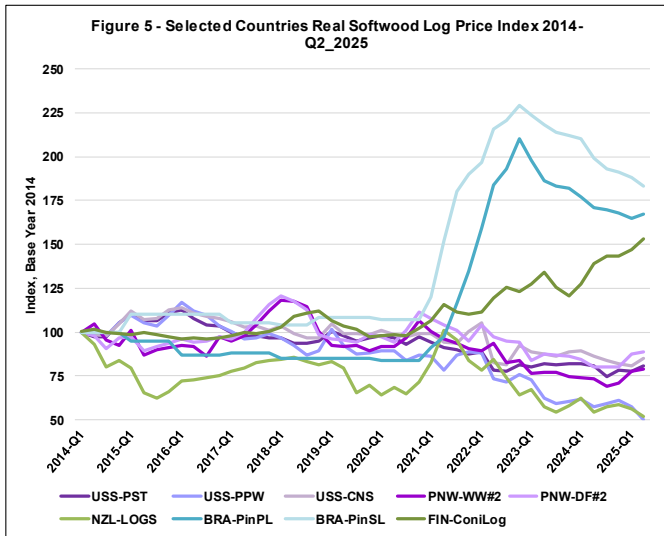
Source: OEDC, Chamber of Commerce and Services of Uruguay, Stats NZ, FRED - St. Louis Fed.



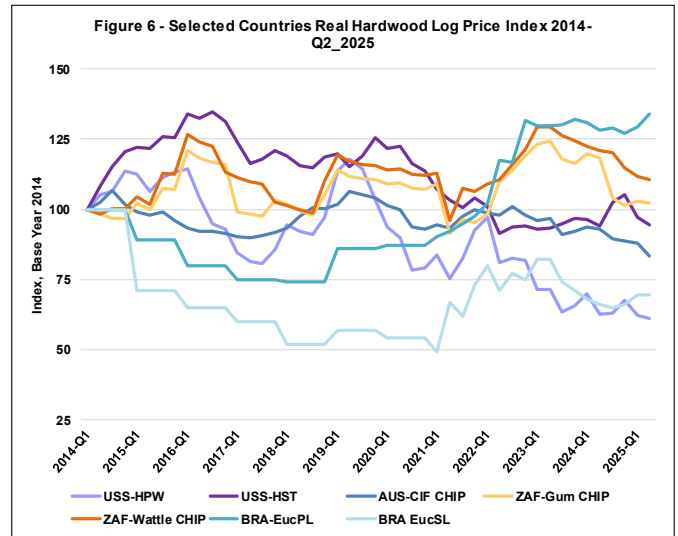
Source: OEDC, FRED - St. Louis Fed, Banco Central Del Uruguay, Reserve Bank of New Zealand

Forest Sector Outlook

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

- US Tariff Policy and Market Reactions**
 - President Trump's "Liberation Day 2.0" tariffs, initially set for July 9, have been postponed to August 1. The proposed tariffs include up to 40% on imports from countries like Japan, South Korea, and Thailand, with specific duties such as 50% on copper and 200% on pharmaceuticals.
 - Despite escalating tariff announcements, U.S. stock markets have shown resilience, with major indices reaching record highs. Investors appear to anticipate potential de-escalation or delays in tariff implementation.
- Bond Market Dynamics**
 - The bond market experienced significant volatility in early Q2 due to tariff-related uncertainties. However, as inflation data cooled and economic performance underwhelmed in June, expectations shifted towards potentially declining long-term rates.
- Global Economic Outlook**
 - The International Monetary Fund (IMF) has revised its global growth projection for 2025 downward to 2.8%, citing escalating trade tensions and policy uncertainties as primary factors
 - The World Trade Organization (WTO) forecasts a 0.2% decline in global merchandise trade volume for 2025, a significant downgrade from earlier expectations, primarily due to renewed tariff disputes and policy uncertainty.

Forest Sector Outlook

- **Sectoral Impacts**

- Sustained high bond yields may challenge timberland's positioning as a real biological asset and inflation hedge. With more liquid alternatives like bonds offering higher returns, timberland assets could face pressure to accommodate higher discount rates, potentially weighing on valuations.
- Global banks, including major U.S. lenders, are projected to see a 10% boost in trading revenue due to increased market volatility spurred by U.S. tariff policy shifts.

REGIONAL MARKET UPDATES

Asia Pacific

Australia

- The June 2025 edition of Consensus Economics forecasts GDP growth of 1.7% for CY2025, a decline of 30 bps from its Q1 projection. GDP is expected to rise to 2.2% in CY2026, slightly below the previous forecast of 2.3%.
- CPI is projected at 2.5% for CY2025, within the Reserve Bank of Australia's (RBA) target band of 2–3% per annum. The Australian Bureau of Statistics (ABS) reported a May monthly CPI indicator of 2.1%. Markets anticipate further interest rate cuts by the RBA during CY2025, following the 25-basis-point cut on 19 February 2025.
- The unemployment rate is expected to remain low, increasing modestly from 4.1% in CY2024 to 4.2% in CY2025, and 4.3% in CY2026.
- Housing approvals are projected to reach approximately 189 000 units in CY2025, up from 170 000 in CY2024 and 6 000 units higher than Q1 2025 estimates. Rental rates and house prices remain elevated, with demand continuing to outpace supply. Housing affordability remains a key political issue in Australia.
- Australian sawlog prices are expected to increase in nominal terms in line with historical trends but remain flat in real terms. Timber demand remains weak but is showing slight improvement. Current interest rate levels continue to constrain construction affordability.
- The Australian forest transactions market remains active in 2025, with OneFortyOne acquiring the Limestone Coast hardwood asset from New Forests. New Forests is also divesting the Murray River Forests softwood estate, and a large hardwood plantation asset is expected to come to market later this year.
- The spot price for generic Australian Carbon Credit Units (ACCU) remained relatively steady in Q2 2025, trading between AUD 33.50 and AUD 36.00 per ACCU, with an average of AUD 35.25 — well below the highs seen in Q4 2024. Market sentiment has been influenced by the release of Safeguard Mechanism Credit (SMC) data and the re-election of the Albanese Labor government.
- In their June 2025 pulp market review, Trade Tree Online and Brian McClay & Associates (TTO BMA) noted that market pulp imports into the USA from Brazil and Europe are now subject to tariffs, while a 10% tariff on US exports to China is affecting fluff and southern bleached softwood kraft (SBSK).
- TTO BMA further observed that uncertainty surrounding trade negotiations has created a paralysis in the market. For example, Chinese buyers appear reluctant to build inventory despite cyclically low prices. In Europe, ports are reportedly extremely congested, partly due to shippers attempting to get ahead of potential tariffs.
- TTO BMA also reported that global pulp inventories are rising for both hardwood and softwood grades. Historically, such increases in inventory are associated with low prices. In China, prices for bleached hardwood kraft pulp (BHKP) are around USD 500/ADt, which is at or near the cash cost of production.

Forest Sector Outlook

New Zealand

- The Tasman district near Nelson, at the top of New Zealand’s South Island, experienced a significant rainfall event on 10–11 July, compounding two earlier intense storms that had already caused widespread flooding and waterlogging. The horticultural sector on the Motueka and Waimea River floodplains has been severely impacted. The latest event was also accompanied by strong winds, resulting in early damage estimates to several thousand hectares of production forest.
- New legislation affecting forest eligibility for registration under the Emissions Trading Scheme (ETS) may conflict with current laws on international investment in afforestation according to some participants. Under the Overseas Investment Office (OIO)’s Special Forestry Test, investors converting farmland must commit to planting the entire property. However, from 31 October 2025, new rules will prohibit ETS registration of forests planted on land classes below Class 6 and heavily restrict class 6. Given that ETS participation is the main driver of afforestation, this change could effectively halt further international investment in new forestry projects.
- Although several major forest transactions are still in progress, investor sentiment appears to have become more cautious, particularly in areas prone to erosion following regulatory changes post-Cyclone Gabrielle.
- OIO decisions indicate that Ingka Investments (IKEA) and Kauri Forestry LP (Craigmore Sustainables), among others, continue to acquire small forest blocks and farmland for conversion to forest. Such activity is expected to cease once the new legislation takes effect.
- The Reserve Bank of New Zealand (RBNZ) held the Official Cash Rate (OCR) at 3.25% on 9 July, following five consecutive cuts since July 2024, the latest being a 25-basis point reduction on 28 May. While inflation remains within the 1%–3% target band, the RBNZ cited global trade uncertainty, driven by volatile tariff changes under U.S. President Trump, as a key concern. Further OCR reductions remain possible but are uncertain.
- New Zealand’s plantation forest area is now around 1.79 million hectares with over 200 000 hectares of new afforestation occurring in the four years up to 2024. The total area still remains below the 2001–2006 peak of 1.83 million hectares.
- According to AgriHQ, domestic structural timber surpluses persist, exacerbated by weak winter demand, economic uncertainty, and rising unemployment. Despite low interest rates, building consent activity remains subdued, and domestic log prices have held steady in recent months.
- AgriHQ reports that the China market may have bottomed out, with CFR prices dropping to USD 110/JAS m³ in June. A modest recovery is anticipated in Q3. Despite the traditional summer slowdown, Chinese demand has remained steady at 50 000–60 000 m³/day. New Zealand’s export volume dropped 10% compared to Q1, reducing wharf stocks. Low prices, a firm NZD, and rising shipping costs continue to weigh on exporters. While exports to India have increased, easing pressure on China, the Indian market faces significant economic and operational constraints.
- The Ministry for Primary Industries (MPI) released its June 2025 Situation and Outlook for Primary Industries (SOPI) report, projecting a 9% increase in forestry export revenues for 2025 compared to 2024—still 5% below 2022 levels. Key export destination breakdown presented included:
 - Total forest products: China (52%), Australia (9%), USA (7%)
 - Raw logs: China (89%), South Korea (5%), India (3%)
 - Sawn timber: USA (31%), Australia (14%), EU (8%)
 - Panels: Japan (44%), USA (15%), Philippines (7%)
 - Woodchips: Japan (99%)
 - Market pulp: More diversified, China (34%)
 - Paper & paperboard: Predominantly to Australia (44%)
- The 2025 harvest is forecast at 32.9 million m³, significantly below the official MPI wood availability forecasts prepared in 2021. This shortfall reflects market constraints rather than resource availability. Panel exports have declined 40% over the last three years, primarily due to the closure of the Gisborne LVL and Plywood facility and closure of the second line at Daiken’s Canterbury MDF plant. Some recovery is expected following the acquisition and reopening of the Gisborne operation referred to in the March 2025 FSO.

Forest Sector Outlook

China/Asia

- According to a report produced by NZ-based Agri HQ, China has likely reached the bottom of its buying cycle as demand for logs expected to pick up over the coming months. Reduced log exports from New Zealand for China's mega ports have added to challenges faced by traders struggling to sell into a market hurt by a long and protracted trade war between China and the United States:
- However, analysis by Goldman Sachs suggest:
 - China's demand for new homes in cities is expected to stay 75% below its 2017 peak in the coming years due to a shrinking population and expectations of price declines.
 - China's annual urban demand for new residential properties will likely remain slightly below 5 million units over the next few years, substantially below a peak of 20 million units in 2017.
 - Annual demographic demand in urban China will roughly be halved within a decade, falling to an average of 4.1 million housing units a year in 2025-2030 from 9.4 million units a year in the 2010s.
- According to UBS, they see China's property downturn continuing in 2025, but with a smaller decline of property activities than in 2024.
- China's National Bureau of Statistics reported that new-home prices in 70 Chinese cities fell 0.22% in May, the largest decline in seven months, while used home prices dropped 0.5%, the sharpest decline in eight months. Residential sales by value declined 6.1% in May from a year earlier, and real estate investment slumped 12% on year, the steepest drop since December.
- Premier Li Qiang has pledged to take action to stabilize the real estate market, which is expected to continue declining, with UBS analysts predicting a smaller decline in property activities in 2025 than in 2024.
- More gloom: as of May, 2025, Bloomberg Economics estimates show it will take 5.24 years to absorb unsold floor space, down marginally from 5.26 years in April. This extended a gradual trend down from a peak of 5.6 years in the third quarter of 2024.
- For the first five months to May 2025, China imported 10.14 million m³ of softwood logs, down by -10.9% compared to the same period in 2024. The breakout of the top supplying countries to May 2025 (2024) are as follows (sourced from Timber-Online):

— New Zealand	7.55 million m ³	-4.9%	(75% of total imports)
— Japan	729 000 m ³	+28.6%	
— Canada	511 000 m ³	+5.1%	
— Australia	218 000 m ³	-15.6%	
— Germany	215 000 m ³	-60.7%	
— Poland	192 000 m ³	-49.6%	
— Latvia	187 000 m ³	+45.3%	
— USA	136 000 m ³	-73.6%	

 - Note that Japan has been the second largest log supplier to China since April 2024.
- US softwood log exports have dropped to zero since China banned US log exports starting on March 4, 2025. This was implemented due to concerns over quarantine pests like bark beetles and longhorn beetles found in recent shipments. However, the ban is part of a broader trend of trade tensions and retaliatory measures between the two countries.

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- Softwood lumber imports into China were lower by -15.7% (to 6.28 million m³) for the first five months of 2025 as compared to the same period in 2024. The top supplying countries were (from Timber-Online):
 - Russian Fed. 4.37 million m³ -8.4% (69.6% of total imports)
 - Belarus 471 000 m³ -10.1%
 - Canada 435 000 m³ -25.4%
 - Sweden 201 000 m³ -26.3%
 - Finland 162 000 m³ -51.0%
 - Brazil 104 000 m³ +0.0%
 - Chile 93 000 m³ -29.7%
 - New Zealand 83 000 m³ +32.6%
 - Germany 74 000 m³ -72.8%
 - USA 71 000 m³ -22.8%
 - Note that Belarus became the second largest lumber supplier to China starting in April 2025.

Europe

- According to recent data from EUWID, Fordaq and Global Wood Markets, the European wood industry is currently experiencing modest growth across various sectors. The European Panel Federation (EPF) reported a modest growth in production of 1.9% in 2024 and is expecting further growth in 2025. According to Bioenergy Europe, wood pellet production is also expected to grow by 6.5% in 2025 (ENplus certified pellets). It is also reported that exports of sawnwood and production are on an ascending trend. Current challenging market conditions, including rising raw material costs, weakened demand, surplus capacity and rising concerns over EU regulations, could cloud this forecast.
- Early July 2025, 18 of the EU's 27 countries (including Austria, Italy, Poland) sent a letter to the European Commission urging simplifications to the EU Deforestation Regulation (EUDR).¹ They argue that its rigorous due diligence, including traceability for timber, unfairly burdens low-risk suppliers and could push producers out of the EU. They request carve-outs for low-risk nations and a further delay to maintain competitiveness. At the time of writing the Commission has yet to respond.²
- The European Parliament has also recently objected to the benchmarking system of the EUDR, which was published in May 2025.³ Developed by the European Commission, it categorises countries by deforestation risk to guide due diligence requirements. Critics, led by the European People's Party (EPP), advocate adding a new "no-risk" category, arguing the current model inaccurately reflects real-world land-use dynamics, placing unfair burdens on countries with stable or expanding forests.
- The European Commission officially imposed a provisional anti-dumping duty of 62.4% on imports of Chinese hardwood plywood since 10 June 2025.⁴
- The European Commission also announced an investigation into Brazilian softwood plywood following a complaint from the Softwood Plywood Consortium (SPC)⁵. EUWID since reported that the EU Commission

¹ The official letter is hosted on EUNews:

https://www.eunews.it/wp-content/uploads/2025/07/Letter-EUDR_07-07-2025.pdf

² The official letter is hosted on the Confederation of European Forest Owners (CEPF) website :

https://www.cepf-eu.org/sites/default/files/2025-07/20250708_Joint%20statement_Urgent%20need%20to%20include%20EUDR%20in%20the%20simplification%20proposals_0.pdf

³ https://green-forum.ec.europa.eu/nature-and-biodiversity/deforestation-regulation-implementation/eudr-cooperation-and-partnerships_en

⁴ https://eur-lex.europa.eu/eli/reg_impl/2025/1139/oj/eng

⁵ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C_202501490

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started to monitor pine plywood imports since May this year and began visiting mills of Brazilian plywood producers in June, with a pre-disclosure expected by October 2025.

- In May 2025, the European Forest Institute (EFI) announced a science-business collaboration involving Inter IKEA Group, Ingka Group and Preferred by Nature. The partnership will test enhanced forest management methods on 16 000 ha of IKEA-owned forests in Latvia, integrating biodiversity-friendly stand structures and resilience to climate stress. The project leverages scientific insights and traditional practices to scale resilient forestry solutions across Europe.
- A recent modelling study by the International Institute for Applied Systems Analysis (IIASA) found that even under strict protection, EU-wide wood harvests may grow by up to 20 per cent by 2030. A scenario distributing protected areas evenly across member states could enable a 24 per cent harvest increase and boost exports, with careful planning to avoid displacing logging abroad.⁶
- A recent EFI report⁷ highlighted the need for better policy coherence, cross-sectoral coordination, targeted financial innovation support, and an integrated policy approach aligned with broader EU bioeconomy and circular economy objectives. The report states that the wood-based sector is increasingly recognized by policymakers due to its sustainability advantages, such as renewability, carbon sequestration, and its potential to replace fossil-based materials. However, managing its industrial use alongside environmental priorities, including forest conservation and biodiversity protection, presents complex policy challenges. The EU policy environment for wood-based industries remains fragmented, involving multiple frameworks and conflicting goals.

Finland

- Finnish roundwood prices are still at a high level. The price level for coniferous sawlogs on stump was approximately EUR 82/m³ a year ago, and has ticked up all the way to EUR 85/m³ territory. Pulpwood was approximately EUR 34/m³ a year ago, while current prices are close to EUR 37/m³.
- Wood price increases are not fully reflected on forestland prices, which presents a compelling case to sell timber on newly acquired properties, or alternatively, to secure cash flows with current high pricing environment.
- Forestland property market is still characterized by an increased supply of properties with an absence of institutional buyers.
- LUKE, the Finnish National Resource Institute, predicts the pulp and cartonboard exports to pick up modestly this year. Sawnwood exports are estimated to grow 2 % against previous year. Competition is tough for Finnish sawmills especially in Asia due to Russian exports, and potentially increasing Canadian exports.
- The past winter was mild in Finland and has resulted in many district heating plants having extraordinary high levels of inventory – the demand for energywood next year is expected to be lower than usual.
- Stora Enso had a busy quarter in which it concluded the acquisition of Junnikkala sawmill to strengthen its integration in Oulu site. In addition Stora Enso is studying to build a new sawmill in Imatra.
- UPM announced temporary furloughs at Joensuu and Savonlinna sites, and will reduce personnel at Pellos plywood mill.
- Koskisen Oyj, a non-integrate sawmill and panel producer, completed the acquisition of Iisveden Metsä Oy sawmills in central Finland.
- Spinnova, a textiles start-up listed in Helsinki exchange announced discontinuation of its partnership with Suzano, and is seeking to purchase a majority stake of its yarn producing pilot plant from Suzano.

⁶ *Impact of the EU biodiversity strategy for 2030 on the EU wood-based bioeconomy* (Jul. 2025) Global Environmental Change. Available at: <https://doi.org/10.1016/j.gloenvcha.2025.102986>

⁷ *Taking a bird's eye view of EU wood-based policy* (Apr. 2025) European Forest Institute. Available at: <https://doi.org/10.36333/k2a07>

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- Finnish researchers have hit back at LULUCF, citing that CO₂ calculations should be made on the basis of standing stock only, as there is too much uncertainty in accounting for the CO₂ in soils.

Sweden

- Stora Enso concluded the sales of its Swedish forest asset portfolio of 175 000 hectares for approximately EUR 900 million. The buyers were MEAG and Wallenius Family. Consequently Stora Enso announced it will evaluate a possible spinoff of the remaining Swedish forest assets to a listed forest vehicle.
- Swedish roundwood demand has induced increased exports from Norway, which have pulled up the Norwegian prices to record levels.
- Vida AB announced it will decrease list prices for sawlogs as the sawnwood trade is less busy than usual.
- The weak Swedish krona has boosted exports, but recent rapid currency shifts (especially USD and EUR) have negatively impacted profits of forest product companies. Companies like Rottneros, Södra, and SCA are highly exposed to currency fluctuations, especially the USD.
- Similar to Finland, the mild winter in Sweden has led to high inventories of energywood, which will put downward pressure on energywood prices.
- Södra is still in the process of selling its Baltic forest assets followed by a strategic decision made earlier.
- SCA is debating if it will halt certifying its forests with FSC due to cumulative tightening of harvesting restrictions over a decade of rules change. SCA has plenty of forests in the northern part of the country with overlapping interest of native Sami people.

Baltics

- Timber prices across the Baltic countries decreased in Q2 2025 against Q1 2025, which was still a high pricing period.
- Karl Hedin AB divested its sawmilling business in Estonia together with approximately 11 000 hectares of forestland.

Russia

According to Rosstat data: The volume of production of timber products between January and April 2025 compared to the same period last year were mainly negative (courtesy of WhatWood):

- Russian timber harvest 45.0 million m³ (-1.9%)
 - Softwood logs: 29.4 million m³ (-2.1%)
 - Hardwood logs: 15.6 million m³ (-1.5%)
- Softwood & hardwood sawn timber: 9.4 million m³ (-0.3%)
- Wood pellets: 381 000 tons (-2.6%)
- Plywood: 1.21 million m³ (+6.8%)
- Fiberboard (including MDF/HDF/flooring): 230 million conventional m² (-6.9%)
- Particleboard (including OSB): 3.83 million conventional m³ (+0.0%)
- Wood pulp: 2.87 million tons (-0.8%)
- Paper and paper board: 3.59 million tons (+0.5%)
- The volume change in comparing April 2025 to March 2025 was negative for all products except plywood (+14.5%; 357,000 m³ in April).

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North America

- Privately-owned housing starts in May were at a seasonally adjusted annual rate of 1 256 000. This is 9.8% below the revised April estimate of 1 392 000 and is 4.6% below the May 2024 rate of 1 316 000. Single-family housing starts in May were at a rate of 924 000; this is 0.4% above the revised April figure of 920 000. The May rate for units in buildings with five units or more was 316 000 (US Census).
- Privately-owned housing units authorized by building permits in May were at a seasonally adjusted annual rate of 1 393 000. This is 2.0% below the revised April rate of 1 422 000 and is 1.0% below the May 2024 rate of 1 407 000. Single-family authorizations in May were at a rate of 898 000; this is 2.7% below the revised April figure of 923 000. Authorizations of units in buildings with five units or more were at a rate of 444 000 in May (US Census).
- The average rate on a 30-year fixed mortgage backed by Freddie Mac rose by 5 basis points from the previous week 6.72% as of July 10th, rebounding from its lowest since April of 6.67%. After declining for five consecutive weeks, the 30-year fixed-rate mortgage moved slightly higher following a stronger than expected jobs report. Despite ongoing affordability challenges in the housing market, home purchase and refinance applications are responding to the downward trajectory in rates, increasing by 25% and 56%, respectively, compared to the same time last year.
- The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, covering all nine U.S. census divisions, and a leading measure of U.S. home prices, reported a 3.4% annual return for March, down from a 4% annual gain in the previous month.
- US softwood lumber production for the first three months of 2025 was lower by -2.1% (to 9.05 billion BF; 14.5 million m³, net) as compared to the same three months in 2024. US West lumber production was lower by -1.5%, southern yellow pine (SYP) production was down by -2.5%, and the rest of the US was lower by -2.1%.
- US softwood lumber imports were lower by -4.9% in first five months of 2025 to 5.8 billion BF. Imports from Canada decreased by -8% to 4.8 billion BF and imports from Europe increased by 7.9%. The leading European importers were Germany, Sweden and Austria and they represented over 85% of European shipments to the US.
- Canada's lumber output for the first four months of 2025 was lower by -6.8% to 6.72 billion BF (10.8 million m³, net) as compared to the same four months in 2024 (COFI Connect). BC production was lower by -4.8% to 2.2 billion BF (3.5 million m³), while the rest of Canada was lower by -7.8%.
- Canadian softwood lumber exports in the first five months of 2025 were 5.3 billion BF, a decrease of -8.9% compared to the previous five months in 2024 (COFI Connect).
 - Canadian lumber exports to the US were 4.77 billion BF, or -7.9% lower as compared to the previous year.
 - Exports to Japan were -17.6% lower at 162 million BF and were -30.5% lower (to 178 million BF) to China.
- North American lumber prices have been high so far in 2025, partly accounting for potential 25% duties on Canadian lumber that keeps getting postponed in the US trade war development. Canadian imports as well as lumber from all countries to the US are currently under the White House 232 investigation where tariffs could be applied to any exporting country based on the findings. The investigation includes timber, lumber and their derivative products and the Secretary of Commerce has until November to submit a report, although some experts expect a report much sooner.
- Using W-SPF 2x4 #2&Better R/L (FOB mill) as the benchmark, lumber prices had risen from the start of 2025 from USD 436/MBF (USD 282/m³, net) to a high of USD 570/MBF (USD 368/m³) in early March before dropping to USD 437/MBF (USD 282/m³) in early May. Following the 90-day pause in reciprocal US tariffs on April 9, prices dipped to take out any tariffs that were previously built-in to Canadian prices. However, Canadian W-SPF prices have risen significantly since early May and have risen to USD 498/MBF in mid-July. US West lumber prices are maintaining a small premium over 2x4 W-SPF as of mid-July. Alternatively, US South (West) 2x4 (FOB) pine lumber sold at a USD 30/MBF premium to W-SPF in early May but plunged to a hefty discount to W-SPF of over USD 150/Mbf in mid-July.

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- As part of the US Department of Commerce's sixth Administrative Review, countervailing and anti-dumping duties on Canadian lumber shipments to the US will rise from the current 14.40% to a preliminary rate of 34.45%. The starting date could be staggered as the preliminary Anti-Dumping (AD) rate was announced six weeks before the Countervailing Duty (CVD), but early August is the most expected date for the new AD rate. These duties are over and above any tariffs that could be levied from the US Section 232 investigation on imports.
- US pulpwood prices vary by region and season. In the Lake States region, Q2 hardwood roundwood prices increased by USD 1 quarter-over-quarter and were flat year-over-year. Softwood roundwood prices were down USD 2 in the Lake States, and were down 2% year-over-year. In the South Central region, hardwood roundwood prices were up USD 1 over last quarter and up 3% year-over-year. Softwood roundwood prices in the South Central region went down USD 1 from last quarter, while year-over-year, softwood was down 3%. The South Atlantic region's hardwood and softwood roundwood prices went down USD 1 relative to last quarter. However, South Atlantic hardwood roundwood prices were flat year-over-year and softwood roundwood prices were down 3% year-over-year. Northeast region prices for hardwood roundwood were flat compared to last quarter and softwood roundwood prices were up USD 1 from last quarter, which was flat year-over-year for hardwood roundwood and down 2% for softwood roundwood year-over-year. Lastly, Pacific Northwest softwood roundwood prices were stable from last quarter and were up 3% year-over-year.
- Pacific Northwest Douglas-fir (DF) 2 Saw average log prices were mixed in Q2 2025 through May YTD. Prices increased in the Puget Sound Region 2.3% quarter-over-quarter through May, and slightly increased in the Willamette Valley region 0.7% quarter-over-quarter through May. Columbia River region DF 2 Saw average log prices decreased 4.3% in Q2 2025 quarter-over-quarter through May YTD. DF 3 Saw logs increased quarter-over-quarter through May across regions, with Puget Sound prices up 2.1%, Columbia River prices up 1.3% and Willamette Valley prices up the most at 5.4%. Whitewood log prices were mixed YTD through May quarter-over-quarter but had increased YTD through May year-over-year. Puget Sound average 2 Saw whitewood log prices decreased 1.5% in Q2 2025 quarter-over-quarter through May YTD, with Columbia River prices down 0.3%, and Willamette Valley prices up 5.0%.
- US Q2 2025 large timberland transactions were far less active, with only a few new packages offered, and a handful closing or pending. The rest were small pine properties previously mentioned. The 2nd half of 2025 is not expected to be much better, with weak timber markets, mill closures, and market participants uncertain about the future of tariffs.
 - Roseburg's sale of 117-thousand acres in North Carolina and Virginia to Weyerhaeuser for USD 375 million or USD 3 250 per acre is expected to close in Q3.
 - Grief (Soterra) 172.2-thousand acre project Encore was in second round bidding with offers approaching USD 400 million or mid-2 000s per acre; expected to have results in early Q3.
 - Rice University's 50-thousand acre Project Owl was in second round bidding and also expected to settle in Q3 in the mid-2 000s per acre.
 - Weyerhaeuser's sale of 57-hundred acres in North Carolina to Salm Shulenburg, the Morrison package, closed in Q2 for USD 17 million or 3 141 per acre.
- US hardwood lumber demand was low for 2025 YTD through June with prices remaining stable as some buying was spurred by impending tariffs and log supply was limited by widespread wet weather and a shortage of loggers. US hardwood lumber export volumes in 2025 YTD through May were down 9.6% and export values were down by 5.8%. The biggest gain in volume was White Oak at +18.0% and the biggest loss in volume was Yellow Poplar at -31.5%. Hardwood lumber exports for 2025 YTD through May to China (-13.7%) and Vietnam (-8.5%) have decreased ahead of tariffs actually taking effect, while others such as Japan (+38.6%) and Indonesia (+17.5%) have been increasing trade ahead of the actual increases. A total log ban was instituted by China in March, and log shipments to Vietnam increased by more than the volume of logs formerly shipped to China. Exporters believe the logs are being transhipped to China because there is not enough mill capacity in Vietnam.

South America

Brazil

- Brazil's Economic Indicators
 - According to the Focus Bulletin of the Central Bank of Brazil, published on 07/07/2025, market expectations for the Brazilian economy, compared to those of early January, worsened slightly in relation to annual inflation (5.18% against 4.99%) and the trade balance (73b against 74,2b USD). On the other hand, there was an improvement in the projections for the GDP (2.23% against 2.02%) and for the exchange rate (BRL5.70 against 6.00 BRL/USD). The expectation for the basic interest rate (Selic), projected for December 2025, remained stable at 15%.
 - If the 50% tariff on Brazilian exports announced by the US government on 07/09/2025 is implemented, a decrease in GDP between 0.5% and 1.2% is expected, due to the likely devaluation of the real and the resulting inflationary impact (0.5% to 0.7%).

Brazilian Forest Industry – Context and Trend

- Following the economic roller coaster caused by the COVID-19 pandemic (2020–2023), Brazil's forest-based industry entered 2024 expecting a return to market normalcy. However, after a brief period of calm, we are once again facing a new wave of crisis, uncertainty, and high volatility, driven by geopolitical factors, especially the U.S. tariffs on exports. This situation is further compounded by the effects of Brazil's fiscal and monetary policies.
- Although wood-based products were exempt from the 10% tariff imposed by the U.S. government in April (except for pulp), the Brazilian forest sector has been significantly affected by the high level of uncertainty about the "new normal" of global trade, as well as by the increasingly complex nature of multilateral negotiations — now likened to a modern-day Tower of Babel.
- Before proceeding with our analysis of context and trends, it's essential to highlight the strategic importance of the U.S. market for the Brazilian forest industry. In 2024, the U.S. accounted for 55% of exports of the three main Pine-based products: 43% of plywood, 99% of moldings, and 58% of lumber. In the most relevant segment for Brazilian exports — Eucalyptus pulp — the U.S. accounted for 16% of total export volume.
- Trade statistics for the first half of 2025, presented in the next section of this report, do not yet fully reflect the effect of the new tariff policy. That's because, in the first quarter, U.S. importers significantly increased strategic stockpiles to minimize the risks of supply disruptions and sudden price hikes. Several Brazilian companies also increased inventories, both domestically and internationally.
- Regarding the market pulp segment (BHKP), the CIF China price in the second quarter of 2025 dropped approximately 31% from the 2024 peak, falling from ~740 to ~510 USD per ton. It's difficult to determine the exact effect of tariffs on this decline, as other key factors also contributed. In the midterm, pulp prices are expected to remain under downward pressure, caused not only by market turbulence triggered by tariffs but also by structural factors such as the ongoing expansion of production capacity, the growing integration of pulp and paper manufacturing, and a lack of investment discipline across the industry.
- If the projects planned for the Mato Grosso do Sul cluster are completed, Brazil's total capacity for bleached eucalyptus kraft (BEK) pulp could increase by about 41% over the next 6 to 9 years, rising from the current 28.4 million to 40 million tons annually.
- For the charcoal industry, the performance of the pig iron sector serves as a trend indicator. The outlook is challenging, especially with the 50% surcharge on Brazilian exports announced by the United States in June, which accounts for approximately half of Brazil's semi-finished steel and pig iron exports.
- As for the new 50% tariff announced in July and set to take effect on August 1st, 2025, even if its implementation is postponed as is likely, the announcement alone is already impacting the Brazilian exports — with a "Tower of Babel effect" emerging through delays, contract renegotiations, and increased volatility. If the measure is fully enforced, Brazil's GDP could decline by 0,5% to 1,2% due to lower export volumes. Meanwhile, inflation may rise due to a weaker Real and higher import costs.

Forest Sector Outlook

- Even if tariff negotiations between the U.S. and affected countries move forward positively, the current geopolitical and commercial realignment will require Brazil's forest industry to adopt a strategic shift, emphasizing market diversification, product reorientation, and pursuing mergers and acquisitions (M&A) as part of its long-term plan.

Eucalyptus Industry – Exports

- In the last twelve months (LTM), exports of Eucalyptus products underperformed compared to the same period a year earlier:
 - BHK Pulp: -21% QTY and -5% in USD
 - Chips: -12% QTY and -16% USD
 - Charcoal via green pig-iron: -28% QTY and -29% USD
 - Logs: -26% QTY and -26% USD

Pine Industry – Exports

- In the last twelve months (LTM), exports of Pine products underperformed compared to the same period a year earlier:
 - Lumber: -18% QTY and -16% USD
 - Mouldings: -15% QTY and -23% USD
 - Plywood: -15% QTY and -17% USD

Reconstituted Pine and Eucalyptus Panels – Exports

- In the last twelve months (LTM), exports underperformed compared to the same period a year earlier, with a 25% drop in quantity and 21% in USD.

Producer Price Index (PPI)

- From May 2024 to May 2025, the prices of ex-mill products and services, excluding taxes and freight, for four industries in the forestry sector experienced the following variations:
 - Pulp industry: +1.4%,
 - Metallurgical industry: +10%
 - Wood industries: +5.1%
 - Furniture industry: +7.6%.

Corrugated Cardboard

- In the 12 months ending in May 2025 (LTM), the shipped volume of corrugated cardboard for packaging increased by 1.7% against the previous comparable period, rising from 4.12 to 4.19 million tons.

Forest Sector Outlook

Uruguay

- The train line connecting Paso de los Toros with the port of Montevideo is now working at full capacity. The complete fleet consists of seven locomotives and 120 railcars for pulp pulp (with a load capacity of 64 tons each), while 20 standard tank cars will be used to move inputs. In the case of cellulose, these are wagons specially designed for transporting the final product. About 30 trips will be made weekly, about five trips per day, and the train will travel at a maximum speed of 80 kilometers per hour.
- As of Q2 2025, the three pulpmills (UPM1, Montes del Plata (MdP) and UPM2) are operating at full capacity. As of Q2 2025, MdP “imported” 3.34 million m³, UPM 2.70 million m³ of logs and UPM2 3.35 million m³, totaling 9.38 million m³, a volume 19% higher than the one consumed during the same period of year 2024. It is estimated that in 2025, the three pulp mills together will consume a volume of approximately 19 million cubic meters.
- As of Q2 2025, eucalyptus woodchip exports were close to 190 000 BDMT (330.000 m³) 10% less than the volume exported during the same period of 2024. These exports showed a decrease in FOB price close to USD 2/BDMt compared with 2024, reaching FOB values between USD 158/BDMt and USD 160/BDMt. During 2025, Uruguay’s *Eucalyptus globulus* woodchips exports will increased compared to 2024, mainly because Portugal will buy a higher volume, and with China possibly buying again in the second half of 2025.
- Pine log exports continued at a slower pace during Q2 2025, with a total exported volume of 0.354 million JAS m³, representing 12 vessels (mostly to India). This volume is 20% lower than the one exported during the same period of year 2024. Average FOB price for Q2 2024 is around USD 76/JAS m³.
- Uruguay’s Q2 2025 eucalypt sawlog exports continued at a good pace and with similar volume than in the same period of 2024. The average FOB price for Q2 2025 is around USD 155/m³ for logs 30+ SED, showing values slightly lower than in the same period of 2024. Top quality eucalyptus pruned logs with diameters SED 40+ reached values in excess of USD 200-230/m³ FOB.
- Only one plywood company in Uruguay is still operational, with a two lines mill in the North Region of Uruguay. As of Q2 2025, exported volume is close to 125 000 m³, 16% lower than the volume exported during Q2 2024. Average prices for Q2 2025 are around USD 340/m³, 2% lower than during 2024.
- Lumin (BTG Pactual) is working on the construction of its third plywood manufacturing mill, a milestone not only for Lumin, but for Uruguay’s forestry industry as a whole.
 - The mill is located in the Center-east region of Uruguay, 12 km south of Melo City, along Route 8. This new facility will boost the annual production capacity to nearly 500 000 m³, making Uruguay the second-largest plywood producer in Latin America.
 - Work started in 2024 but in the last few months the machinery foundations were completed; progress has been made on the macerator and mechanical assembly and they completed the medium-voltage electrical installation.
 - By building the mill close to its own mature plantations, the company is minimizing environmental impact, optimizing logistics and reinforcing the sustainability of its entire production process.
- Carbon credits from Uruguay’s forest projects had high demand during the las 3 months. For young credits (young vintages), prices reached values ranging between USD 5/CCBvcu and USD 9/CCBvcu (CCBvcu= Climate, Community & Biodiversity Verified Carbon Unit). During the last three months, Carbosur (<https://www.linkedin.com/company/80192402/admin/dashboard/>), sold more than 400.000 vcu’s from ARR projects located in Uruguay, reaching a total volumen sold of more than 13.5 million vcu’s in the last 5 years.

Paraguay

Updated Parcel Pulp Mill Information

- Parcel consists of three companies: the Zapag Group, Heinzl Holding GmbH and Girindus Investments. In addition to the priority shareholders, Parcel has a network of shareholders in Paraguay.
- The multinational Parcel, responsible for one of Paraguay's most ambitious forestry and industrial projects, has initiated a process of massive layoffs affecting dozens of workers. As revealed by LPO, this drastic measure



Forest Sector Outlook

comes after the Inter-American Development Bank (IDB) did not approve a loan request crucial for the continuity of the megaproject under the conditions initially planned⁸.

- In response to rumours of a wave of layoffs, Paracel clarifies that it is not leaving the country⁹.
- Despite the current financial difficulties, Paracel continues with the process of planting approximately 22 000 hectares of approximately 25 million eucalyptus trees. This forest mass constitutes the basis for supplying the future pulp mill with the raw material necessary for its operation, ensuring at least this crucial component of the project.
- The company said that they are evaluating an expansion of the capacity of its pulp mill, which could modify the initial design of the project

Africa

- The African Development Bank released its 2025 African Economic Outlook report in May. It projects that Africa's economic growth will increase from 3.4% in 2024 to 3.9% in 2025 and 4.0% in 2026. The report notes that 21 countries are expected to achieve growth above 5% in 2025. Africa's projected growth will outpace the global average and exceed that of most regions, apart from emerging and developing Asia. East Africa is forecast to lead with growth of 5.9% in 2025/2026, followed by West Africa at 4.3%.
- Despite ongoing reports of improvements in transport infrastructure, intra-African trade continues to be constrained by slow and costly road transport. In West and Central Africa, the cost of moving a container inland can be 1.5 to 2.2 times higher than the cost of shipping to export destinations. For example, Nigerian exporters face charges exceeding USD 7 000 per truckload of goods valued at approximately USD 65 000 along the Lagos–Accra corridor (traversing Nigeria, Benin, Togo, and Ghana). These costs include road maintenance levies, security levies, customs, and tracking fees.
- The Port of Maputo in Mozambique will double its container terminal capacity following a USD 165 million investment by Dubai-based DP World. Container throughput is expected to rise from 255 000 TEUs to 530 000 TEUs per annum. This expansion is likely to benefit both Mozambican and South African wood product exports.
- Zimbabwe is currently facing a shortage of timber products in the domestic construction market. Contributing factors include reduced plantation output due to illegal land occupation, fire damage, overharvesting, and limited availability of tree seeds. Imports from South Africa are helping to ease the shortfall.
- The Government of Finland has pledged a EUR 20 million grant to support sustainable forestry and land use in Tanzania. The funding will contribute to the Forestry, Land Use and Value Chain Development in Tanzania (FORLAND) project.
- In Tunisia, the government, in partnership with the African Development Bank, has launched a USD 24 million initiative to restore degraded forests. The Agroforestry and Degraded Forest Landscape Restoration Project (PARFD) aims to rehabilitate 33 000 ha of forest land, lower carbon emissions, and create green jobs.
- Miro Forestry and Timber Products has secured new funding to expand its vertically integrated plantation and plywood operations in Ghana and Sierra Leone. Most of the funding is provided by Lagata, a forestry-focused investment firm specialising in sub-Saharan Africa.
- Rainforest Builder has inaugurated a new nursery near Bibiani, Ghana, with the capacity to produce 5 million indigenous seedlings annually. The nursery will supply plants for the company's forest restoration initiatives.
- In South Africa, Sappi has partnered with Agricolleges, an online education provider, to launch the country's first online forestry skills courses. These courses aim to enhance technical capacity across the sector, focusing on small-scale timber growers, contractors, forestry value-chain suppliers, and land reform beneficiaries.

⁸ Source: https://www.rdn.com.py/2025/04/28/paracel-incia-despidos-masivos-tras-rechazo-de-prestamo-del-bid/?fbclid=IwY2xjawJ8ucVleHRuA2FibQlxMQABHljfGSmCVRZRwu_0u-1nXYOg-BD9xZvr2LIMKpi5eeWfHUw4_rFHeg2bdm_aem_7IMf4T4LQhvc6c804sGKZQ&sfnsn=wa

⁹ Source: <https://elnacional.com.py/economia/ante-rumores-ola-despidos-paracel-aclara-retira-pais-n84993>

Forest Sector Outlook

- Total woodchip exports from South Africa's Richards Bay and Durban ports amounted to approximately 775 000 Mt from January to May 2025, up from around 650 000 Mt during the same period in 2024. Pulp exports for the same period were around 380 000 ADt, down from approximately 425 000 ADt in 2024.



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