

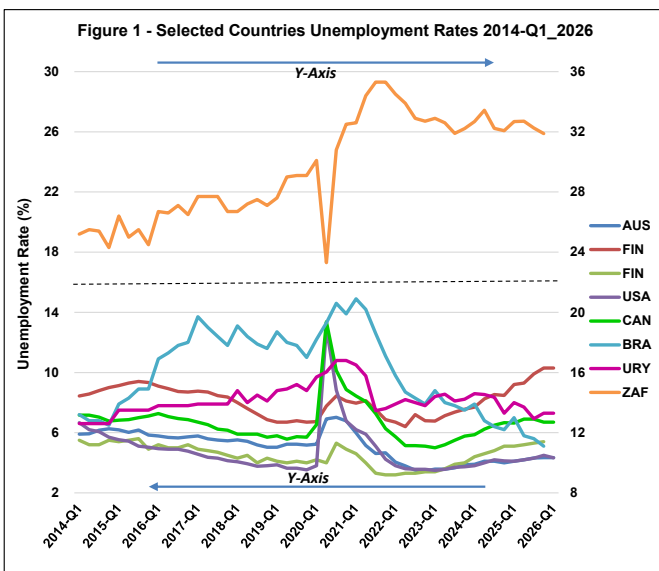
Forest Sector Outlook

Global Consulting Alliance

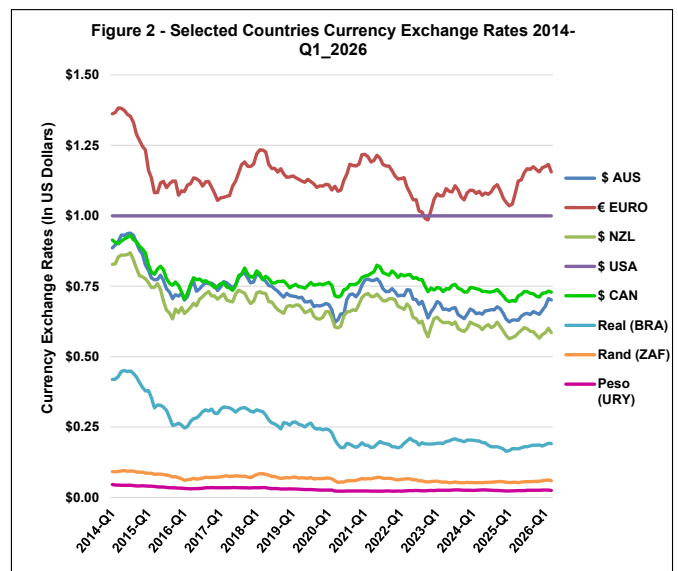
Quarterly Edition 2026-Q1

ECONOMIC DASHBOARD

Figures 1 to 4 illustrate four key macroeconomic indicators as observed over the past decade, on a quarterly basis to Q1 2026. These can be useful particularly for monitoring the post-pandemic conditions, the market implications of the ongoing wars in Ukraine and the Middle East and US trade arrangements. Figure 4 interest rates are nominal.



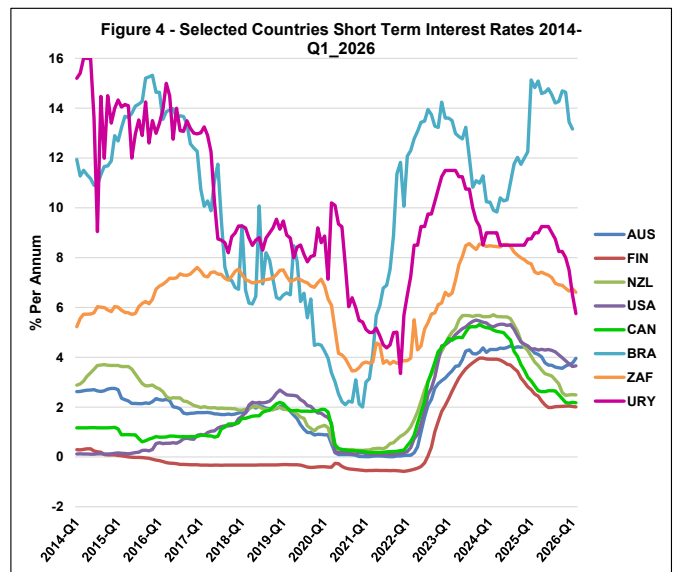
Sources: OEDC, Brazilian Institute of Geography and Statistics, macrotrends.net (World Bank), Statistics South Africa, FRED - St. Louis Fed, Uruguay National Institute of Statistics



Source: Federal Reserve, Uruguay National Institute of Statistics



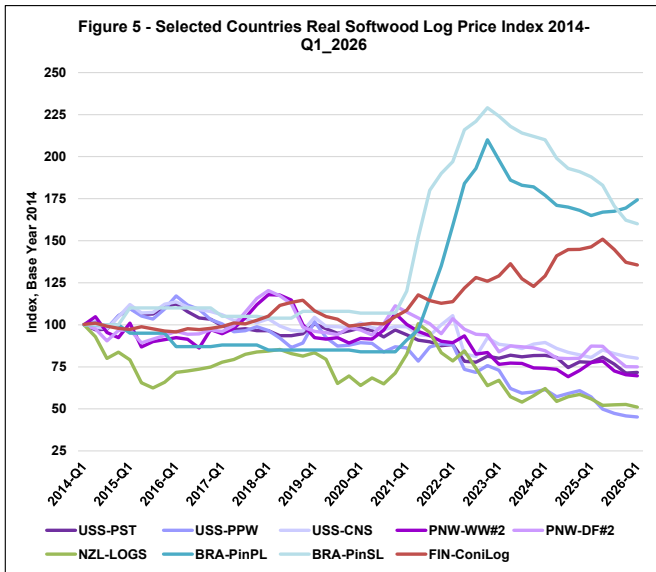
Source: OEDC, Chamber of Commerce and Services of Uruguay, Stats NZ, FRED - St. Louis Fed.



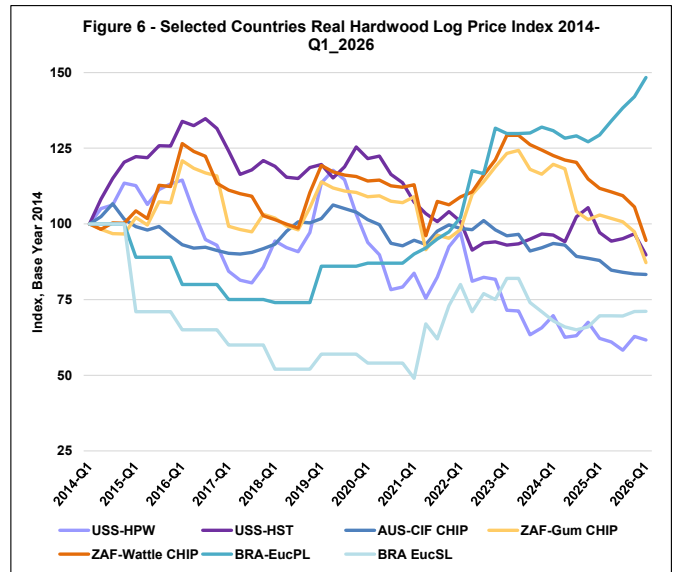
Source: OEDC, FRED - St. Louis Fed, Banco Central Del Uruguay, Reserve Bank of New Zealand

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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

Macro Conditions

- In Q1 2026, the global economy is navigating a complex landscape characterized by moderate expansion amid ongoing challenges. After a period of tightening, financial conditions have begun to stabilize, providing some relief to markets and encouraging investment.
- Easing of inflation and resilient labour markets supported activity, but tight financial conditions and geopolitical risks constrained momentum. Growth remained modest and uneven, with emerging markets continuing to outperform advanced economies, reflecting stronger industrial activity and capital inflows
- Major central banks, including the Federal Reserve and European Central Bank, maintained a cautious stance, delaying rate cuts amid persistent core inflation. This prolonged period of elevated interest rates continued to weigh on investment and credit conditions, particularly in interest-sensitive sectors
- Structural shifts in global trade have accelerated, with Southeast Asia strengthening its role in global manufacturing networks, supported by rising exports to the United States and increased investment flows linked to supply-chain diversification away from China.
- China's economy experienced an uneven recovery, with external demand offsetting ongoing weakness in domestic consumption and the property sector.
- The outbreak of the Iran War in late Q1 triggered a major global energy shock, disrupting the Strait of Hormuz (a key route for ~20% of global oil supply) and driving oil prices above USD 100 per barrel, resulting in significant volatility across oil and LNG markets and renewed inflationary pressures.

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- Rising energy prices fed through into the broader economy, increasing transport, food, and fertiliser costs, creating a global cost-of-living shock, while financial markets weakened, with falling equities and heightened volatility amid geopolitical uncertainty.
- The disruption, widely regarded as one of the most severe modern energy supply shocks, led to higher input costs for energy-intensive industries, particularly in Europe, and contributed to downgrades in global growth expectations, exacerbating an already fragile economic outlook.

Forest Sector

- The global forestry sector in Q1 2026 showed early signs of stabilization, although overall activity remained subdued due to weak construction demand in key markets such as the United States and the Eurozone.
- Timber markets remained soft, with only partial price recovery. Export conditions were mixed, reflecting fluctuating demand from China and a gradual shift in trade flows toward alternative markets.
- The pulp segment showed improvement, supported by stronger packaging demand and supply-side adjustments. In contrast, paper markets, particularly graphic grades, continued to face structural decline.
- Rising energy and input costs, combined with ongoing macroeconomic uncertainty, placed pressure on margins and contributed to a cautious sector outlook.
- According to *The Business Research Company*, the forestry and logging market is expected to maintain an upward trajectory, reaching approximately USD 1.13 trillion in 2026, driven by sustained demand for wood products and engineered timber in construction.
- One of the most significant impacts of the Iran War on forest products trade has been the increase in freight rates and war-risk insurance premiums, which has raised the cost of exporting timber products globally.

REGIONAL MARKET UPDATES

Asia Pacific

Australia

- The March 2026 edition of *Consensus Economics* predicts Australian GDP growth of 2.2% for CY2026, with growth expected to level off to 2.1% in CY2027. However, the Iran War may have upended these predictions.
- CPI for CY2026 is predicted to be ~3.4%/a, up from the Q4 forecast and now exceeding the upper bound of the Reserve Bank of Australia's (RBA) target band of 2-3%/a. The RBA increased the cash rate target in early February (+25 bps), and again in March (+25 bps), to 4.10%/a. With the Iran War, CPI is expected to increase substantially above forecasts, which will likely lead to further RBA cash rate target increases. With CPI climbing and GDP potentially faltering, the RBA has real concerns that current global circumstances will lead to a period of domestic stagflation.
- The unemployment rate is expected to remain historically low, rising modestly from ~4.1% in CY2024 to ~4.3% in CY2026, and is expected to reach ~4.4% in CY2027.
- Housing approvals are expected to reach 201 000 units in CY2026, up from 192 000 units in CY2025. It is likely that the recent increase in interest rates may result in a downward revision during the year.
- The full impact of the recent spike in diesel prices on the Australian forestry sector remains unclear but is expected to be significant, with terminal gate prices up by ~25-40% by the end of March, reaching around 230-250+ c/L. Higher oil prices will affect the entire forest product supply chain.
- The longer the oil and fuel crisis continues, the more significant its impact will be on GDP, which in turn affects end-product demand, while producers will face mounting cost pressures.
- Australian sawlog prices are expected to rise in nominal terms in line with historical trends but remain flat in real terms. Timber demand continues to show modest signs of improvement.
- The spot price for generic Australian Carbon Credit Units (ACCUs) has been range-bound in 2026 so far, with analysis expecting an AUD 30-40 price range through CY2026.

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- *Trade Tree Online (TTO) Brian McClay Associates* reports that bleached hardwood kraft pulp prices in China reached USD 592/ADt in February and remained broadly stable through March.

New Zealand

- Despite rising inflation linked to the 2026 Iran War, the Reserve Bank of New Zealand (RBNZ) held the Official Cash Rate (OCR) at 2.25% in its 8 April decision. Inflation is expected to peak at 4.2% in the June quarter, well above the Bank's 1%–3% target band. The RBNZ has adopted a cautious, wait-and-see approach, aiming to avoid undermining the early stages of economic recovery until the persistence of the disruption becomes clearer.
- Diesel is a critical input across many New Zealand industries, particularly forestry. Prices have effectively doubled following disruption in the Strait of Hormuz, rising from NZD 1.86/litre pre-conflict to NZD 3.89/litre (<https://www.gaspy.nz/stats.html>). The closure of domestic refining capacity in April 2022 has increased reliance on Asian refiners, particularly South Korea, which source most crude oil from the Middle East via the Strait. Supply constraints are also emerging, with less than 22 days of diesel available domestically and approximately 27 days in transit. Jet A-1 prices have risen similarly, reflecting tight refining capacity and product shortages.
- The increase in costs due to the fuel price increase is making some harvest operations uneconomic. Export-dependent regions with long transport distances and steep terrain, such as the east coast, are most affected. Traders are prioritising higher-margin operations, and some harvesting activity has already paused. Shipping costs to China have increased from below USD 28/JAS to above USD 40/JAS, further compressing margins. Fuel surcharges have been passed through quickly, while modest price increases in China have only partially offset these additional costs.
- AgriHQ reports that elevated fuel and freight costs have effectively halted New Zealand's log exports to India, which accounted for approximately 3.6% of exports in 2025.
- Power prices have remained relatively stable, as New Zealand generates more than 85% of its electricity from domestic renewable sources, including hydro, geothermal, wind, and solar. This share exceeded 96% in Q1 2026, limiting exposure to global energy price shocks.
- The government faces growing opposition to plans for an LNG import terminal and storage facility in Taranaki, proposed as a hedge against hydro variability in dry years. This is seen by opponents as increasing the country's energy independence and increasing exposure to international disruptions.
- Ongoing uncertainty around fuel costs, inflation, and interest rates is expected to weigh on the housing market in 2026. Economists anticipate declining house prices, reduced housing starts, and weaker wood demand, following a period of recovery (housing activity was up 15% year-on-year in January 2026, according to Stats NZ).
- New Zealand has experienced its third cyclonic storm of 2026, adding to infrastructure damage and potential forestry losses. The Nelson region continues to manage a backlog of salvage operations from 2025 storms. The latest storm, ex-tropical cyclone Vaianu shifted slightly before landfall, reducing damage in the north but still impacting the Bay of Plenty, east coast, and Hawke's Bay. The full extent of damage is yet to be assessed but initially appears much less than expected.
- Fuel cost pressures and supply risks are likely to support growth in New Zealand's bioenergy and biofuels sectors, including sustainable aviation fuel and biodiesel, in line with broader global policy trends.
- The official government sign-off of the New Zealand-India free trade agreement is facing some internal opposition, particularly from the governing coalition partner New Zealand First party which is in full electioneering mode. The National and Act Parties in the tripartite governing coalition may require opposition support to bring this to fruition.
- As reported in the last FSO, the New Zealand ETS carbon market remains depressed although an unexpected increase in prices occurred on 7 April, reaching NZD 45/NZU by 10 April. This appears to have been demand

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driven rather than supply constrained. AgriHQ reported that the government recently updated its emissions forecast with forest unit supply revised upwards by 8% for 2026, 12% for 2027 and 16% for 2028.

China/Asia

- In 2025, investment in real estate development recorded a year-on-year decrease of 17.2%, of which investment in residential buildings was down 16.3%.
- In 2025, the floor space of buildings under construction by real estate development enterprises was 6 599 million square metres, a year-on-year decrease of 10.0%.
 - Specifically, the floor space of residential buildings under construction was 4 601 million square metres, down 10.3%.
- The floor space of buildings newly started was 588 million square metres, down 20.4%.
 - Specifically, the floor space of residential buildings newly started was 430 million square metres, down 19.8%.
- The floor space of buildings completed was 603 million square metres, down 18.1%.
 - Specifically, the floor space of residential buildings completed was 428 million square metres, down 20.2%.
- China home prices were forecast to fall by 3.7% in 2025 and are expected to decline by a further 2.8% in 2026 before stabilising in 2027.
- In 2025, China imported 23.84 million m³ of softwood logs, down 8.6% compared to 2024.
- For the first two months to February 2026, China imported 3.13 million m³ of softwood logs, down 9.6% compared to the same period in 2025. The breakdown of the top supplying countries is as follows (sourced from *Timber-Online*):

— New Zealand	2.26 million m ³	-5.9% (72% of total imports)
— Japan	0.252 million m ³	+19.1%
— Canada	0.202 million m ³	-6.2%
— Latvia	0.109 million m ³	+30.0%
— Australia	0.051 million m ³	-32.5%
— Ireland	0.046 million m ³	n/a
- In 2025, China imported 14.66 million m³ of softwood lumber, down 11.9% compared to 2024. European volumes were lower by 23.8%.
- Softwood lumber imports into China declined by 19.2% (to 1.75 million m³) for the first two months of 2026 compared to the same period in 2025. The top supplying countries were (from *Timber-Online*):

— Russian Fed.	1.08 million m ³	-26.3% (62% of total imports)
— Belarus	0.166 million m ³	+27.6%
— Canada	0.162 million m ³	+15.4%
— Sweden	0.094 million m ³	- 1.3%
— Finland	0.080 million m ³	+33.8%
— New Zealand	0.033 million m ³	+19.1%

Europe

- At the *Fastmarkets Forest Products Europe Conference 2026*, industry participants highlighted growing concerns around overcapacity, regulatory pressure, and geopolitical volatility in the European forest sector. It was noted that adding new capacity in already stressed markets is increasingly unjustifiable, with recycled containerboard identified as structurally oversupplied and reliant on export markets that Asia has progressively captured. Consumer behaviour is also shifting, with 84% of European consumers preferring fibre-based packaging but no longer willing to pay a premium, placing cost at the forefront. Industry leaders warned

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of regulatory overreach and fragmentation, while geopolitical tensions were identified as a structural challenge, particularly given Europe's higher cost base relative to North America and parts of Asia .

- Following Stora Enso's November 2025 announcement to demerge its Swedish forest assets, the company presented the executive management team for the new entity in March 2026. The leadership includes Tuomas Hallenberg (CEO), Martin Ros (CFO), Johan Djurberg (Head of Forestry), and Pontus Selderman (General Counsel). The group continues to review its Central European sawmill and engineered wood operations for potential divestment .
- A study published in *Science*, with contributions from the Potsdam Institute for Climate Impact Research, projects that forest damage in Europe could increase by around 20% by 2100, even under ambitious climate scenarios. Annual disturbed forest area could rise from approximately 180 000 hectares to 216 000 hectares under a ~2°C scenario, and up to 370 000 hectares under high-emissions pathways. Southern and Western Europe are expected to face the most severe impacts, with more than 1 800 forest fires recorded in the EU in 2025, emitting around 38 million tonnes of CO₂ .
- The Horizon Europe SWIFTT project concluded in early April 2026 with the launch of a Copernicus-based forest management platform designed to monitor and mitigate forest threats. Developed by a multi-institutional consortium and supported by the EU Agency for the Space Programme, the platform integrates satellite data and machine learning to detect risks such as bark beetle outbreaks, windthrow, and wildfire. It will be commercialised by Timtrack and provides actionable alerts and mobile-based verification tools for forest managers .
- The European Forest Institute launched its EFI Strategy 2040 - Forests in a Changing World in March 2026, setting long-term priorities focused on advancing forest knowledge, supporting decision-making, and strengthening collaborative approaches. Concurrently, EFI hosted the Mediterranean Network Forum 2026 and launched the MEDFORGEN initiative focused on Mediterranean forest genetic resources .
- The European Forest Institute and the EU Sustainable Supply Chains Coalition jointly launched a Community of Practice to support implementation of the EU Regulation on Deforestation-Free Products (EUDR), ahead of its expected entry into force at the end of 2026. The initiative brings together stakeholders across supply chains and will convene regularly throughout 2026 .
- FOREST EUROPE released the State of Europe's Forests 2025 report, providing a comprehensive overview of forest conditions, management, and resource use across the region, based on harmonised data collected in collaboration with UNECE and FAO .
- According to EUWID, the EU's duty-free quota for softwood plywood imports was 64% utilised by the end of March 2026 and is expected to be exhausted by mid-May. In parallel, anti-dumping duties on birch plywood imports from Russia, Turkey, and Kazakhstan are due to expire in November 2026, with European producers preparing for a potential expiry review .
- In February, Ireland launched the EUR 55 million Reconstitution Scheme for Windblow 2026 (RSW) to support forest owners affected by Storm Darragh and Storm Éowyn during the winter of 2024/2025. According to the Department of Agriculture, Food and the Marine, just over 26 000 hectares of forest were damaged by windblow, including approximately 13 000 hectares of private forests. The grant will be paid in two instalments, with approximately 75% disbursed upon replanting and the remaining 25% after four years of successful reconstitution. Payment rates range from EUR 3 858/ha for conifer high forest (Sitka spruce) to EUR 6 744/ha for native and broadleaf forests dominated by oak and beech.

Finland

- Finnish roundwood price declines halted by January 2026, with logwood prices stabilising thereafter. Spruce logs recorded a modest uptick by end-March, reaching approximately EUR 81/m³ on stump, compared to a peak of EUR 86/m³. Pulpwood prices declined more sharply on a relative basis, falling from highs of around EUR 37/m³ to approximately EUR 25/m³ in January 2026.



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- The industry continues to lag behind previous years in cutting contracts. Additionally, the winter harvesting season ended earlier than expected due to an early onset of spring, likely delaying some harvesting activity.
- The Finnish Natural Resources Institute estimates industrial roundwood removals at approximately 60.1 million m³, a decrease of about 2.2 million m³ year-on-year. Private forest owners accounted for 79% of harvesting volumes, while company-owned and government forests contributed 21%.
- Integrated forest industry companies experienced a challenging fiscal year in 2025, with low profitability driven by weak end-product pricing and elevated raw material costs.
- Sawmillers performed relatively better, with Koskisen Oyj and Versowood reporting increased operating profits.
- The 2026 Iran War poses potential risks to exports to the MENA region, a key market particularly for sawmillers.
- Metsä Group announced plans for a commercial wood-based carbon capture (BECCS) facility at its Rauma site, designed to capture approximately 100 000 tonnes of CO₂ annually from pulp mill flue gases.
- Finland's unemployment rate has exceeded 10% and remains elevated. Economic outlooks have been revised downward following geopolitical developments, with GDP growth now projected to remain below 1.0% per annum.

Sweden

- Following the aftermath of Storm Johannes, logging notifications in Sweden have surged as operators prioritise the harvesting of storm-felled timber.
- Skogforsk analysed harvester production data from 13.7 million trees to map root rot in Norway spruce across Sweden. The study found that up to 19% of felled spruce exhibited root rot damage, with southern Sweden significantly more affected than the north.
- Södra announced sawlog list price reductions of up to SEK 100/m³ in February, followed by further cuts in March. Similar price reductions were implemented by Holmen, Vida, and SCA.
- Sweden's economic outlook points to growth of approximately 2.5% per annum, with the Riksbank expected to hold policy rates steady.
- Similar to Finland, integrated forest industry players such as Holmen, SCA, and Billerud reported declines in profitability for the fiscal year when adjusted for forest fair value changes.
- Billerud has decided to withdraw from its planned investment in a BCTMP facility in Norway.

Baltics

- Similar to Finland, Baltic pulpwood prices declined from all-time highs toward the end of 2025. Prices stabilised in January and February 2026, with a modest uptick observed. For example, Latvian delivered pulpwood prices are currently around EUR 52/m³, compared to peak levels of approximately EUR 60/m³.
- Baltic sawlog prices bottomed out in 2024 at around EUR 80/m³ (delivered) and have since recovered to approximately EUR 90/m³.
- The economies of Estonia and Lithuania are projected to grow at up to 3.0% per annum, while Latvia is expected to expand at a slightly lower rate.

Russia

- Forest lease fees are expected to increase in 2026, placing additional financial pressure on leaseholders. Companies that have already invested significantly in modernising production, constructing new facilities, and undertaking reforestation efforts may face payment increases ranging from 50% to 100%, depending on the region and harvesting volumes.



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- According to data from *Rosstat*, the production volumes of timber products for the full year 2025 were generally lower compared to 2024 (source: *WhatWood*):

– Softwood timber harvest	99.7 million m ³	-6.0%
– Hardwood timber harvest	56.7 million m ³	-6.3%
– Sawn softwood:	34.9 million m ³	-6.5%
– Sawn hardwood:	4.3 million m ³	+61.5%
– Plywood:	3.2 million m ³	-8.5%
– Particleboard:	5.5 million m ³	-3.1%
– OSB	2.0 million m ³	-3.1%
– Fibreboard (including MDF/HDF/flooring)	713 million conventional m ²	+0.1%
– MDF/HDF	3.9 million m ³	+0.8%
– Wood pulp:	8.4 million tons	-1.4%
– Paper and paper board:	10.7 million tons	+0.6%
– Wood pellets	1.3 million tons	+16.4%

North America

- Privately owned housing starts in United States reached a seasonally adjusted annual rate of 1 487 000 in January 2026, up 7.2% from December (1 387 000) and 9.5% above January 2025 (1 358 000), according to the *U.S. Census Bureau*. Single-family starts declined 2.8% since December to 935 000, while multi-family units (five units or more) totalled 524 000.
- After briefly falling below 6% in January, U.S. 30-year mortgage rates rose to above 6.4% following the Iran War, driven by higher oil prices, contributing to a slowdown in housing market activity.
- In the first month of 2026, single-family building permits declined by 15.2% year-on-year compared to January 2025, while multi-family permitting remained broadly flat, with a marginal decline of 0.5%.
- Existing home sales fell 3.6% in March to a nine-month low, as tight inventory, rising mortgage rates, and labour market concerns constrained activity. Although housing supply has improved, it remains below historical averages, sustaining upward pressure on prices.
- U.S. softwood lumber production increased by 1.2% in 2025 to 37.11 billion board feet (59.5 million m³, net) compared to 2024. Regional performance was mixed, with U.S. West output declining by 1.1%, southern yellow pine production rising by 2.6%, and other regions increasing by 1.5%.
- U.S. softwood lumber imports declined by 7.8% in 2025 to 13.86 billion board feet. Imports from Canada fell by 12.3% to 10.47 billion board feet, while imports from Europe increased by 7.7% to 2.56 billion board feet. Germany, Sweden, and Austria accounted for over 85% of European shipments to the U.S.
- Canadian lumber output declined by 5.0% in 2025 to 19.3 billion board feet (30.7 million m³, net), according to *COFI Connect*. Production in British Columbia fell by 9.7% to 6.0 billion board feet, while output in the rest of Canada declined by 2.8%.
- A White House Section 232 investigation confirmed 10% tariffs on softwood logs and lumber imports into the U.S. from all countries, effective 14 October 2025.
- Under the U.S. Department of Commerce sixth Administrative Review, combined countervailing and anti-dumping duties on Canadian lumber increased from 14.40% to 35.16% in mid-August 2025, bringing total duties and tariffs to 45.16%.
- Preliminary results from the seventh review indicate duties may decline by over 10% to 24.83% from around August 2026.
- Using W-SPF 2x4 #2 & Better R/L (FOB mill) as a benchmark, lumber prices bottomed at USD 380/Mbf in early December 2025 and rose steadily to USD 492/Mbf (+29.5%) by 10 April 2026.
- U.S. West lumber prices (FOB mill) continue to command a premium over W-SPF 2x4, widening to approximately USD 50-100/Mbf. The price gap of U.S. South (West) 2x4 (FOB) pine lumber and W-SPF 2x4 has

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narrowed significantly in 2026 due to stronger southern yellow pine (SYP) demand, with SYP now trading at a slight premium to W-SPF.

- U.S. pulpwood prices change seasonally and differ by region. A spike in diesel prices due to supply shock arising from the Iran War further suppressed weak demand in Q1 2026, especially in the South Atlantic Region where wood prices have fallen sharply in Q1. South Central and Lake States Q1 hardwood roundwood prices were flat compared to last quarter. In the Northeast, prices declined by USD 1 per green US/Short Ton, and in the South Atlantic by USD 2 per green US/Short Ton. Year-on-year, hardwood roundwood prices fell by 19% in the South Atlantic, were flat in the Northeast, and increased modestly in the Lake States (+2%) and South Central (+6%).
- Q1 2026 softwood roundwood prices ranged between -USD 3 and +USD 4 per green US/Short Ton quarter-on-quarter. Prices in the South Central and Pacific Northwest regions remained broadly flat, while the South Atlantic region recorded a decline of USD 3 and the Northeast saw an increase of USD 4 per green US/Short Ton over the same period. On a year-on-year basis, softwood roundwood prices were either flat or lower across all regions. Prices in the Northeast, Lake States, and Pacific Northwest remained stable, while the South Atlantic region experienced a significant decline of 25% and the South Central region recorded a decrease of 3%.
- Pacific Northwest Douglas-fir (DF) 2 Saw and 3 Saw average nominal log prices were mostly higher in Q1 2026, quarter-over-quarter through February. 2 Saw average nominal prices increased in the Puget Sound Region by 2.4%, in the Columbia River Region by 1.4%, and the Willamette Valley region by 4.9%, quarter-over-quarter through February. 3 Saw average prices increased in the Puget Sound Region by 1.0%, decreased in the Columbia River Region by 0.4%, and increased in the Willamette Valley region by 5.6%, quarter-over-quarter through February. Whitewood average nominal log prices were mostly higher quarter-over-quarter through February. Puget Sound average 2 Saw whitewood log prices increased 0.9% in Q1 2026 quarter-over-quarter through February, Columbia River prices were up by 0.6%, and Willamette Valley prices were down by 0.45%.
- U.S. Q1 2025 large timberland transactions were subdued compared to Q4 2025, with a handful of public and private B and C grade packages on offer, and some pending closings. Rising fuel costs, lower HBU incomes and continuing mill closures have decreased investor enthusiasm for timberland. There have been more no-sales occurring on average quality properties in the past few years, as bids fail to match up to what some TIMO managers say are inflated appraisals. Assertions that a market correction is needed have persisted. Major transactions and transfers of timberland since the last newsletter are as follows:
 - Rayonier and Potlatch Deltic announced their completed merger on April 1, where the new entity kept the name 'Rayonier', the stock ticker symbol 'RYN', and introduced a new corporate logo.
 - Domain/AFM is offering 11 300 acres of grade B and C pine plantation in the panhandle of Florida, named Lake Talquin. Bids are due in May.
 - The private sale of Slawson, about 25 000 acres of B and C grade in Alabama, is under contract for the second time in six months.
 - RMS/AFM's offering of 24 500 acres in Alabama, named the Tallapoosa package, is pending.
 - FIA/Landvest's two-part offering of 22 700 acres in Alabama and the Florida panhandle, named the Muscogee package, are pending.
 - The private offering by the Harrington family of 22 000 acres in Alabama, named the Scotch package, is pending sale to Westervelt for USD 58 million or USD 2 650 per acre.
 - Nuveen/Landvest's offering of 14 300 acres in Pennsylvania and New York, named the Three Rivers package, was pending sale to a private buyer.
 - The Molpus sale of 45 900 acres in Louisiana, Georgia and Florida, named project Blackwater, has split. The 29 700 acres in Louisiana were reported to be closing in Q1 2026 while the remaining 16 200 acres in Georgia and Florida were pending. Details not yet available on the Louisiana sale.
 - Weyerhaeuser's sale of 107 700 acres in Virginia, named project Apollo, to BTG for USD 193 million or USD 1 790 per acre closed in Q1.
 - FIA/Landvest's sale of 11 200 acres in Georgia, named project Fall Line, to Domain for USD 31.8 million or USD 2 852 per acre closed in Q1.



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- Southern Pine Plantations’ sale of 8 100 acres in Florida to The Conservation Fund for USD 12.9 million or USD 1 600 per acre closed in Q1.
- U.S. hardwood lumber demand remained historically weak in 2025, although prices were relatively stable as domestic demand held at moderate levels while export markets underperformed. Data from the *USITC* shows export volumes declined by 10.2% and export values by 7.2%.
- The only gains in export volume by species in 2025 were White Oak (+1.5%) and Beech (+14.5%) and the greatest loss in export volume by species was Yellow Poplar (-20.4%). Although losses were less severe than initially projected, supported by new and reinstated trade agreements, including China lifting its log import ban, the expected recovery in log markets did not fully materialise. This was largely due to trade diversion, with U.S. logs increasingly routed through Vietnam for processing before being shipped to China.
- Domestically, margins for hardwood logs and lumber have come under pressure from rising trucking costs, which were already increasing prior to the Iran War and have since been exacerbated by higher diesel prices. In addition, regulatory changes effective 16 March 2026 have tightened restrictions on non-U.S. citizens obtaining or renewing Commercial Driver Licenses, which is expected to reduce driver availability by approximately 5–10%, further constraining logistics capacity.

South America

Brazil

Brazilian Economy

- According to the Central Bank of Brazil’s *Focus Bulletin* (2 April 2026), market expectations for the Brazilian economy in 2026 have shifted compared to early January. Forecasts improved slightly for GDP growth (1.85% vs. 1.80%) and the trade balance (USD 70 billion vs. USD 66 billion), while expectations weakened marginally for inflation (IPCA: 4.36% vs. 4.06%) and the year-end Selic rate (12.50% vs. 12.25%).
- Exchange rate expectations also strengthened, with the Brazilian real projected to appreciate to BRL 5.40/USD by year-end, compared to earlier expectations of BRL 5.50/USD.
- These revisions have been driven largely by the ongoing Iran War, which has increased global uncertainty and influenced both commodity markets and financial conditions.

Forest Sector – Context and Trends

- The early-March decision by the Supreme Court of the United States to strike down the U.S. import tariff regime briefly revived optimism in Brazil’s forest sector. A move toward a uniform global baseline tariff was expected to reduce uncertainty and restore competitiveness for segments previously affected by tariffs of up to 40%.
- This optimism proved short-lived. The Iran War, combined with a weakening U.S. housing market, quickly reshaped the outlook. The conflict also disrupted global logistics, driving freight-rate volatility linked to Red Sea constraints, increasing insurance premiums on conflict-exposed routes, and tightening container availability—raising export costs and reducing shipment reliability.
- In addition to weak global demand and declining prices, the sector now faces further pressures from an 8.3% appreciation of the Brazilian real in 2026, which compresses export margins, and rising industrial and forestry costs linked to geopolitical instability and supply chain bottlenecks. Domestic policy uncertainty adds to the challenge: proposed tax reforms may alter cost structures and competitiveness, particularly for long-rotation forest assets, while persistently high interest rates set by the Central Bank of Brazil continue to constrain credit availability. This limits investment in forestry expansion, replanting, and industrial modernization. Collectively, these external and internal pressures have delayed recovery prospects and increased the risk of a short-term stagflationary environment.

Forest Sector Outlook

Pine Industry

- The Pine solid-wood industry (lumber, plywood, and mouldings) remains the most affected segment. In addition to the previous tariff burden, part of its export strategy depended on redirecting volumes to the Middle East, Asia, and Europe, regions now heavily disrupted by geopolitical conflict and logistics constraints.
- Within this segment, the mouldings industry, which is largely dependent on the United States, faces an even more challenging outlook. Even with tariffs reduced from 40% to 10%, weak U.S. housing demand continues to constrain consumption. The domestic market offers limited relief: there is no meaningful pent-up demand for mouldings, and local consumption is already adequately supplied, preventing the sector from offsetting external shocks through domestic sales.
- By contrast, the pine packaging and paper segment, which is more domestically oriented, has been relatively less affected by U.S. tariffs and geopolitical tensions. Despite elevated interest rates since 2022, this segment has demonstrated greater resilience, supported by a more diversified product mix and stable underlying demand. However, it continues to face higher logistics-related costs.

Eucalyptus Industry

- The Eucalyptus pulp industry is navigating an increasingly complex operating environment. Upstream, rising forestry costs, climate-related productivity risks, and a widening gap between industrial capacity expansion and forest resource growth continue to place pressure on margins.
- Downstream, challenges are both structural and operational. Global supply is expanding faster than demand, while China's growing vertical integration across forests, pulp, and paper is reducing reliance on imported pulp and weakening international price bargaining power. Additional capacity coming online in Indonesia and Latin America is intensifying competition and reinforcing long-term price compression trends.
- At the same time, export logistics disruptions, including freight-rate volatility, higher insurance premiums, and container shortages, have increased delivered-cost variability and created scheduling uncertainties for long-haul shipments to Asia and Europe, compounding downstream pressures.
- Within the Eucalyptus value chain, the charcoal-based green pig iron industry, of which approximately 88% of exports are directed to the United States, has shown relative resilience over the past twelve months. Export volumes increased by 18%, although export values rose by only 8%, indicating price pressure despite firm U.S. demand. The sector continues to face rising forestry and charcoal production costs, tighter sustainability and traceability requirements, and competition from alternative metallics in the U.S. steel market. It also remains exposed to logistics disruptions, which add further volatility to delivered costs and shipment reliability.

Composite Panel

- The reconstituted panel industry (Pine and Eucalyptus), though less exposed to external markets, remains highly sensitive to Brazil's elevated interest rates due to its dependence on the construction sector.
- The short-term outlook remains weak, though continued BRL appreciation could help contain imported inflation and ease monetary pressures.

Pine Industry - LTM Exports

- Over the past twelve months, pine-based exports have continued to reflect the impact of prior U.S. import tariffs, which remain the primary driver of the sector's decline. Lumber (subject to a 10% tariff) recorded a 2% increase in export volumes but a 4% decline in USD terms, as shipments were redirected to alternative markets, creating oversupply and exerting downward pressure on prices.
- Plywood, previously subject to tariffs of up to 40%, followed a similar trend, with export volumes declining by 11% and revenues falling by 20%.
- Mouldings were the most severely affected segment. With tariffs reaching 40% and limited access to alternative markets beyond the United States, export volumes declined by 46% and revenues by 51%. This contraction was further exacerbated by weakness in the U.S. housing market.



Forest Sector Outlook

Eucalyptus Industry - LTM Exports

- Over the past twelve months, exports of Eucalyptus-based products have shown mixed performance across segments. Bleached hardwood kraft (BHK) pulp volumes increased by 6%, although export revenues declined by 13% in USD terms, reflecting weaker international prices.
- Woodchip exports contracted sharply, with volumes down 32% and export revenues falling by 29%, consistent with reduced demand from Asian markets.
- In contrast, charcoal exports via green pig iron demonstrated resilience, with volumes increasing by 18% and export values rising by 8%, supported by sustained demand from the United States.
- Log exports continued to decline, with volumes down 19% and revenues falling by 21%, reinforcing the broader trend of weakening international demand for lower-value eucalyptus products.

Composite Panel Industry - LTM Exports

- Over the past twelve months, exports of pine-eucalyptus composite panels weakened compared to the same period a year earlier, with volumes declining by 23% and export revenues falling by 26% in USD terms.

Producer Price Index (PPI)

- From February 2025 to February 2026, the pulp, metallurgical, and wood industries operated in a disinflationary environment, with ex-mill prices declining by 4.2%, 1.7%, and 8.0%, respectively. In contrast, the furniture industry recorded a 4.1% increase over the same period.

Uruguay

- As of Q1 2026, the three pulpmills, UPM1, Montes del Plata (MdP) and UPM2, are operating at full capacity. UPM2's new pulp mill is nearing full production capacity. During Q1, MdP consumed approximately 1.46 million m³ of logs, UPM1 1.16 million m³, and UPM2 1.94 million m³, totalling 4.52 million m³, broadly in line with the same period in 2025. Total consumption for 2026 is estimated at approximately 18.5 million m³ across the three mills.
- Eucalyptus woodchip exports reached close to 290 000 m³ in Q1 2026, nearly 50% higher year-on-year. However, FOB prices declined by approximately USD 1/BDMt, averaging between USD 157 and USD 159/BDMt. It is expected that Uruguay's *Eucalyptus globulus* woodchip exports will increase compared to 2025, primarily driven by higher purchasing volumes from Portugal and the return of China as a buyer.
- Pine log exports started the year strongly, reaching 0.275 million JAS m³ (+14% year-on-year), equivalent to approximately ten shipments. All volumes were exported to India, with average FOB prices of around USD 73/JAS m³, slightly below 2025 levels.
- Uruguay's eucalyptus sawlog exports also showed positive momentum, with Q1 volumes 12% higher than the same period in 2025. Average FOB prices for logs (30+ SED) were approximately USD 154/m³, around 2% lower year-on-year. Premium pruned logs (40+ SED) achieved significantly higher prices, ranging between USD 230 and USD 260/m³ FOB.
- The plywood sector remains highly concentrated, with only one operational producer in Uruguay. Export volumes reached 64 000 m³ in Q1 2026 (+9% year-on-year), while average prices declined by 13% to approximately USD 302/m³.
- Demand for "young" carbon credits (vintages 2021 or newer) from Uruguay's forest projects remained strong in Q1 2026, although prices softened compared to ones registered during the period 2023-2025, trading in the range of USD 7-10 per VCU.
- Lumin is progressing with the development of its new plywood mill in northeastern Uruguay. Installation of core machinery is underway, alongside the construction of supporting infrastructure. Once completed, the facility is expected to increase production capacity to approximately 500 000 m³ per year, supported by advanced technology and a high-efficiency production line.

Forest Sector Outlook

Africa

- The United Nations *World Economic Situation and Prospects 2026* report, released in January, forecast that economic growth across Africa will strengthen to 4.0% in 2026 and 4.1% in 2027, compared with 3.5% in 2024 and 3.9% in 2025. This upward trend is driven by improving macroeconomic stability in several major economies, supporting both investment activity and consumer demand.
- The Iran War has, however, dampened these growth prospects. Energy price shocks are the primary transmission channel into Africa. Countries closest to the Strait of Hormuz and the Indian Ocean, including Ethiopia, Kenya, Egypt, and parts of Southern Africa, have been hardest hit, with fuel shortages already emerging. West African countries along the Atlantic coast have avoided major supply disruptions, but fuel prices have risen sharply across the continent, by 30-70% in most cases and up to 150% in Somalia.
- The conflict is also disrupting trade. The Middle East and North Africa has become a key growth market for timber exporters in recent years, with steadily increasing trade volumes. However, this trade has effectively stalled due to disruptions around the Strait of Hormuz.
- African timber exports are under pressure from weak global demand. Reduced orders from China and Europe have led to declining production and trade volumes, while rising costs, infrastructure constraints, and weather-related disruptions continue to undermine competitiveness across key producing countries.
- Ghana illustrates broader sector stress, with timber export volumes declining by 20% in 2025 and revenues falling to a six-year low.
- In contrast, the forest conservation and carbon sector is performing more strongly. The World Bank approved a USD 394.83 million Phase 1 program to transform forest economies in Central Africa. The program aims to improve forest management, strengthen value chains, and generate approximately 220 000 jobs across Cameroon, the Central African Republic, and the Republic of Congo. This forms part of a broader USD 1.02 billion initiative linking conservation with economic development.
- The Nature Conservancy (TNC) and FSC Africa have formed a strategic partnership to advance sustainable forest management and climate-focused conservation across Africa. Initial efforts focus on the Congo Basin (Cameroon, Gabon, and the Republic of Congo), working with governments and communities to strengthen oversight and scale measurable outcomes. The partnership builds on existing work in Gabon, including forest certification systems, improved carbon measurement and compliance, and expanded community forestry.
- Forestry-related carbon markets are scaling rapidly, driven by corporate demand. Microsoft has signed large long-term offtake agreements for forest-based carbon removal, including up to 1.8 million credits in Sierra Leone with Rainforest Builder (Project Buffalo) and 2 million credits in Uganda with Rubicon Carbon (Kijani Forestry's Smallholder Farmer Forestry Project).
- Rainforest Builder has also secured Series A investment from BNP Paribas for its Colobus Carbon Project in Ghana.
- Kenya is positioning itself as a leader in carbon markets through the launch of a national carbon registry. The platform aims to improve transparency, prevent double counting, and enhance credibility, addressing longstanding concerns about integrity in global offset markets.
- Climate-related shocks continue to affect multiple African countries, with flooding reported in Kenya, Tanzania, Malawi, Mozambique, and South Africa. These events reinforce the region's vulnerability to climate variability and highlight the need for more resilient forestry systems and infrastructure.
- From January to February 2026, South Africa's total woodchip exports through Richards Bay and Durban ports reached approximately 314 000 Mt, slightly up from 305 000 Mt during the same period in 2025.

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