

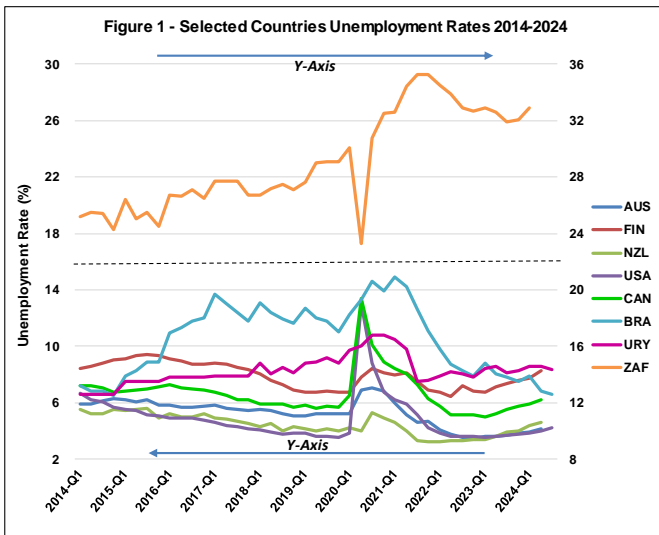
Forest Sector Outlook

Global Consulting Alliance

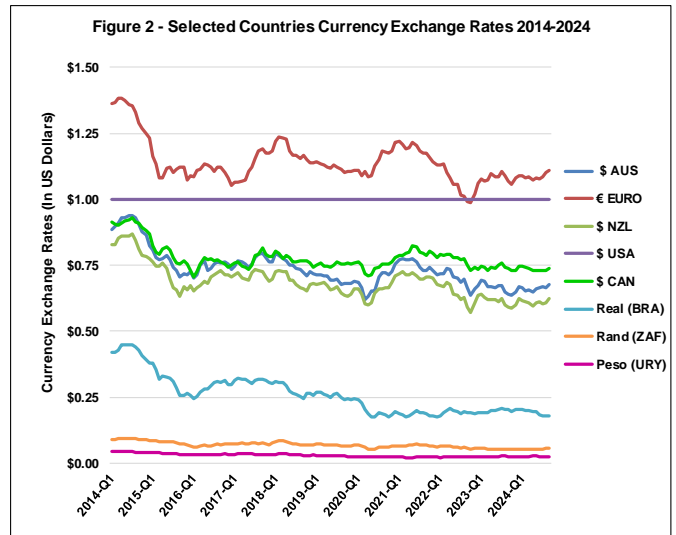
Quarterly Edition 2024-Q3

ECONOMIC DASHBOARD

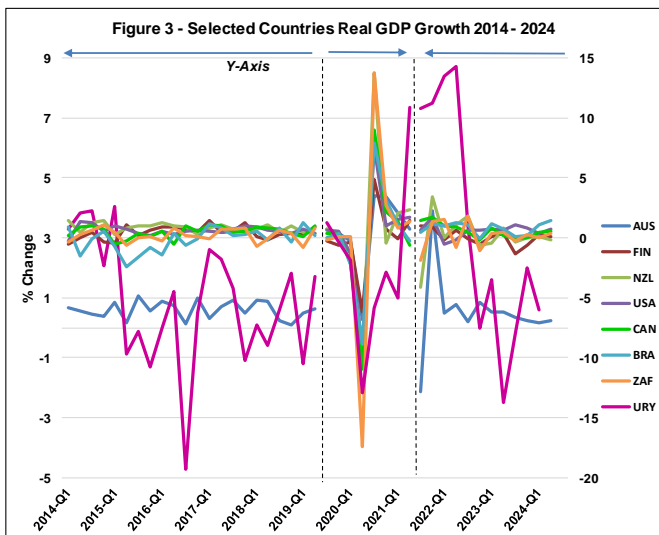
Figures 1 to 4 illustrate four key macroeconomic indicators as observed over the past decade, on a quarterly basis. These can be useful particularly for monitoring the post-pandemic conditions and the market implications of the ongoing wars in Ukraine and Gaza. Figure 4 rates are nominal.



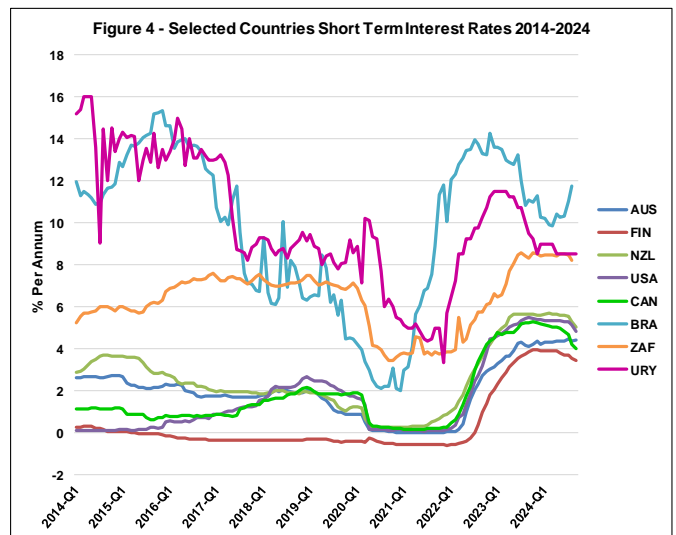
Sources: OEDC, Brazilian Institute of Geography and Statistics, macrotrends.net (World Bank), Statistics South Africa



Source: Federal Reserve, Uruguay Statistics National Institute



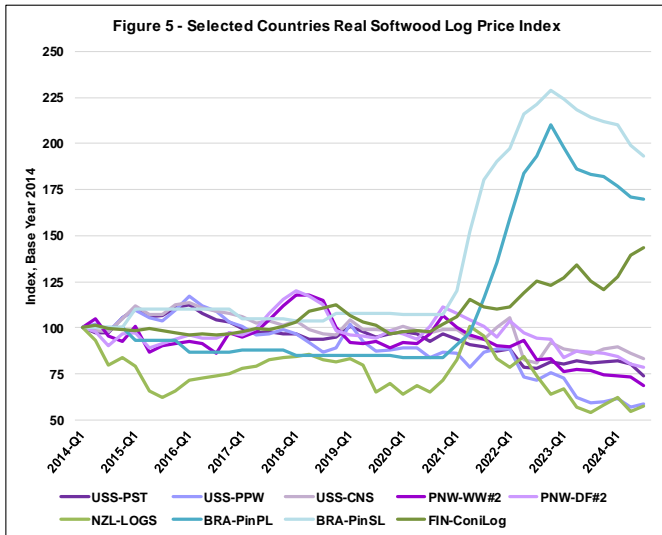
Source: OEDC, Chamber of Commerce and Services of Uruguay



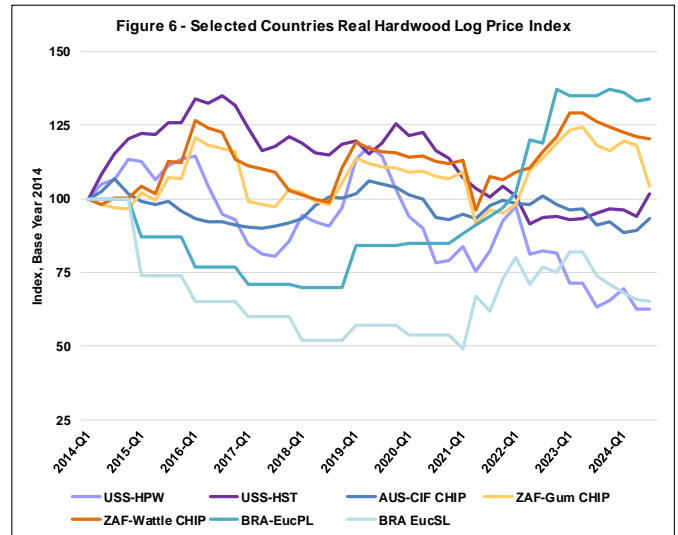
Source: OEDC, FRED - St. Louis Fed, Banco Central Del Uruguay, CEIC Data

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Figures 5 and 6 show indexed real pricing for select softwoods and hardwoods – with Q1 2014 the base quarter-year.



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



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

Legend:

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

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

ECONOMIC HIGHLIGHTS

Global

- The OECD Economic Outlook, Interim Report titled “Turning the Corner” dated September 2024 indicates that global output growth has remained resilient, and inflation has continued to moderate. It observes that growth has been relatively robust in many G20 countries including the United States, Brazil, India, Indonesia and the United Kingdom. It reports that growth in Germany has remained soft.
- The OECD report states that real wage growth is now supporting household incomes but purchasing power has yet to fully return to pre-pandemic levels.
- The OECD report further observes that goods price inflation has declined but price pressures persist in many service sectors. It expects global GDP growth to be stable at 3.2% in 2024 and 2025 with further disinflation, improving real incomes and less restrictive monetary policy in many economies helping underpin demand.
- Fitch Ratings in its Economic Outlook of September 2024 offers a different perspective, seeing global growth at 2.7%, slowing to 2.5% next year as US growth slows from 2.5% to 1.6%.
- Fitch Ratings expect China’s growth to fall next year to 4.5% from 4.8% this year as export growth slows. It expects eurozone growth to step up from 0.8% this year to 1.5% in 2025.
- Brazil – After 3/4 of the year, the financial market predicts (Central Bank Focus Bulletin – October 4) that 2024 will end with economic growth of 3.0% (GDP), inflation of 4.4% (IPCA), exchange rate of 5.4 USD/BRL (FX), basic interest rate of 11.8% (nominal Selic) and trade balance of USD 80.1 billion. The contradiction between

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significant growth, a depreciated currency against the dollar, and a high interest rate is due to the challenging context and scenario of the government's fiscal management. Compared to the forecasts at the beginning of the year, the GDP (1.6%) and trade balance (USD 70.5 billion) estimates improved, the FX (5.0 USD/BRL) and Selic (9.0%) worsened, and inflation (3.9%) was practically maintained.

REGIONAL MARKET UPDATES

Asia Pacific

Australia

- Consensus Economics' October 2024 edition decreased its earlier growth expectations for the Australian economy from 1.3%/a in June 2024 to 1.2%/a. This is a 40 bps slower growth compared to CY2023 actuals (Australian Bureau of Statistics, ABS). Expectations are for growth to tick up in CY2025 to 2.0% (June 2024 estimate was 2.3%).
- Consensus Economics estimates CPI at 3.0% for the last half of CY2024, at the top end of the Reserve Bank of Australia's (RBA) target band of 2-3%/a. The ABS August monthly CPI indicator was 2.7%. Expectations are that the RBA will look to decrease interest rates in late 2024 or early 2025 once inflation is well within the target band and to avoid placing an unnecessary dampener on growth.
- The unemployment rate is expected to remain low but with an uptick from ~3.7% in CY2023 to ~4.2% in CY2024 and 4.5% in CY2025. This represents a modest change given the slowing of economic growth.
- Consensus Economics expects housing approvals to be ~179 000 units/a in CY2024, up from its earlier forecasts for this year (~163 000 units) but down from the peak of 229 000 in CY2021. Housing approvals are expected to see a modest increase to ~183 000 units in CY2025 which remains insufficient to address Australia's ongoing housing shortfall. In 2023, Australia experienced a significant surge in construction company collapses, with over 2 200 firms going into liquidation or administration during the 2022-23 financial year. This marked an alarming rise compared to previous years. The trend has continued into 2024, with more companies struggling due to rising costs of materials, labor shortages, and the aftermath of fixed-price contracts signed during the COVID-19 pandemic, which led to negative profit margins for many builders.
- Australia's sawlog prices on a nominal basis are expected to remain flat for the remainder of CY2024, while the current real prices decline is expected to continue, given weak demand and high sawn timber inventory levels.
- The forest transaction market in Australia remains subdued, with only a single mid-scale plantation asset that entered the market this calendar year.
- The generic Australian Carbon Credit Units (ACCUs) price remained reasonably steady during the first half of CY2024, trading between AUD 31.75/ACCU and AUD 36.20/ACCU, averaging AUD 34.30/ACCU. There was an increase in trading activity in September/October and prices noticeably lifted from AUD 35.00/ACCU to AUD 37.75/ACCU. However, multiple unit valuations exist depending on the perceived value of individual project credentials, method type and associated co-benefits. Plantation forestry ACCUs were priced at ~AUD 49/ACCU in September 2024 floating between AUD 40-50/ACCU on low trading volumes.
- Trade Tree Online and Brian McClay & Associates (TTO BMA), in their September 2024 review of the pulp market indicated that overcapacity remains an issue in China although the pace of new investment has now slowed. Chinese exports are challenged by high freight rates and increasing tariffs. It remains too early to know if stimulus measures announced by China's government in late September will increase domestic consumption.
- TTO BMA indicates that paper and paperboard production has increased significantly but over-capacity places pressure on margins with downstream product price decreases through CY2024.
- TTO BMA reports that extreme weather also impacted the pulp sector with typhoon Yagi damaging the Cai Lan port in Vietnam affecting chip exports while Shanghai was also hit by two typhoons in a week.

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- The European Union recently announced a delay of 12 months to the implementation of the EU Deforestation Regulation (EUDR). These developments are of significant consequence to China given that it controls more than 30% of the global supply chain for forest products including furniture, flooring, plywood panels and paper and paperboard products.

New Zealand

- In a significant setback for the forestry industry, three major wood processing operations in New Zealand have ceased operations. Winstone Pulp International announced the closure of its chemi-thermomechanical pulpmill and sawmill in Karioi and Tangiwai, respectively, in late August, citing high spot power prices as the primary reason. On September 25, Oji followed suit by shutting down its recycled paper mill in Penrose, Auckland, again attributing the decision to a lack of cost competitiveness, particularly regarding energy.
- On July 10, Ngāi Tahu announced the sale of single rotation cutting rights for its West Coast South Island estate to Fiera Comox. Ngāi Tahu retained a 15% stake in the operation through a joint venture that encompasses over 45 000 hectares of land. The transaction received approval from the Overseas Investment Office (OIO) on August 28, though the sale price has not been disclosed.
- Rayonier's 77% interest in the 120 000-hectare Matariki Forests estate remains unsold, although reports suggest that a sale may be nearing completion. On July 18, the Viessmann Group received OIO approval for its acquisition of four forest properties from New Forest Asset Management, totaling around 14 000 planted hectares, which will be managed by Roger Dickie Group.
- Companies like Ponga Silva (MEAG), Rimu Forestland (CAM), Kauri Forestry (Craigmore Sustainables), Salm-Salm, and Ingka Investments (Ikea) are expanding their estates by aggregating smaller forest properties, typically under 2 500 hectares. This strategy does entail increased costs related to deal management, OIO processes/fees, and legal fees.
- Foresta Group has received OIO approval for a long-term lease on land in Kawerau (CNI) to establish a combined pellet and biochemical plant utilizing radiata pine wood fiber. The plant is expected to produce approximately 200 000 tonnes of torrefied wood pellets and 50 000 tonnes of rosins and terpenes annually.
- The Associate Minister of Finance plans to streamline and amend the Overseas Investment Act 2005 to attract more international investment. This initiative includes fast-tracking the assessment process while ensuring thorough scrutiny of investments when necessary.
- On October 9, the New Zealand Reserve Bank (RBNZ) made its anticipated second and more aggressive cut of 50 basis points to the Official Cash Rate (OCR), bringing it down to 4.75%. The announcement of the September 2024 year consumer price index at 2.2% on the 16 October reinforces the RBNZ's decision and market expectations are for a further 50 bps reduction in November. Interest rates are projected to reach a neutral range of 3% to 4% by late 2025. RBNZ commentary indicates that, with inflation now under control, the economic settings can be eased. This decision has reversed the strengthening trend of the exchange rate, which peaked at nearly 64 cents per USD but has since dropped by nearly 5% as of mid-October.
- The government has announced a policy to provide support funding for major housing developers. The tight economy and high interest rates have led to a significant decline in housing starts, adversely affecting sawmillers and exacerbating the housing deficit. However, decreasing interest rates are expected to positively influence housing demand, with sales volumes already showing signs of recovery.
- In a concerning development, the government is considering the establishment of one or more liquefied natural gas import terminals to address gas shortages for power generation. This response to the current power shortage, driven by drought conditions affecting hydro lakes, may hinder progress towards climate change goals. In contrast, the Bioenergy Association and other organizations have emphasized the availability of more cost-effective, less import-dependent, and environmentally friendly alternatives.
- Although the sawmilling sector remains subdued, AgriHQ reports unpruned domestic log prices (logs for structural use) have remained relatively stable since the beginning of the year. Pruned log prices, however, have seen a slight increase. The reduced domestic demand for lumber due to high interest rates has been

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offset by a diversion of log volumes to export markets, helping to maintain supply-demand balance and stabilize domestic prices. S1/S2 (S30) prices are averaging NZD 128 per tonne delivered to mill. While July housing starts increased compared to both the previous months and six months ago, they are down 27% compared to two years ago. Lumber exports have risen significantly as mills seek alternatives to the weak domestic market, with monthly exports in 2024 averaging 101 724 m³/month — up 39% from 2023's 73 372 m³/month and 2022's 60 989 m³/month.

- AgriHQ reports that the softwood log market in China remains depressed, showing only a slight improvement from the last quarter. Despite an uptick in log volumes entering China, port offtake has improved slightly, with stocks stable at 3.4 million m³. Softer shipping rates have contributed to a modest increase in wharf gate receipts for forest owners, although prices remain around USD 120/JAS for A-grade logs.

China/Asia

- China has started the construction of 235 projects for affordable housing and urban village resettlement, with an investment of more than 440 billion yuan in the first seven months of 2024.
- In late September, the Chinese government unleashed 1 trillion yuan (USD 140 billion) in liquidity causing a major, but likely temporary, jump in real estate markets. Next, there is a possible pledge of 2 trillion yuan (USD 280 billion) in fresh economic stimulus that could come early in 2025.
- China's softwood log imports for the first eight months of 2024 were lower by -7.5% at 17.4 million m³ compared to the same period one year ago. The top six suppliers compared to the same period in 2023 were (from Timber-Online):

— New Zealand	11.95 million m ³	+3.5%	(69% of total imports)
— Japan	1.0 million m ³	+14%	
— USA	814 000 m ³	-5%	
— Canada	783 000 m ³	+20%	
— Germany	748 000 m ³	-70%	
— Poland	658 000 m ³	-11%	

Of note, Australia came in as the seventh largest supplier at 361 000 m³ compared to zero volume last year.

- Softwood lumber imports into China were lower by -5.5% (to 11.7 million m³) for the first eight months of 2024 as compared to the same period in 2023. The top six supplying countries compared to the same period in 2023 were (from Timber-Online):

— Russian Fed	7.80 million m ³	-2.4%	(67% of total imports)
— Canada	875 000 m ³	-3%	
— Belarus	803 000 m ³	+30%	
— Finland	459 000 m ³	-22%	
— Germany	364 000 m ³	-32%	
— Sweden	310 000 m ³	-48%	

Europe

- The European Deforestation Regulation (EUDR) will be delayed by at least 12 months from its original target. Enforcement will now start in December 2025 and June 2026 for some small/microenterprises. Many producers will appreciate the extra time for preparation. The European Commission has also announced additional guidelines and a stronger framework for international cooperation.
- The United Nations (UN) and the International Trade Centre (ITC) announced the launch of an online platform to help small farmers in developing countries comply with the upcoming EUDR. The platform is called the Deforestation-Free Trade Gateway. It aims to streamline compliance by reducing repetitive data collection and creating a virtual meeting place for farmers, exporters, and importers. A pilot will begin in Latin America before expanding globally in November.

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- Metsä Group will wind down Suolahti plywood mill by the end of 2026. Suolahti produces 35 000 m³/a of birch plywood and 160 000 m³/a of softwood plywood. Metsä Group is constructing a modern LVL plant in the same region which offers better profitability.
- UPM Fibres is reorganizing itself and this could result in the loss of up to 110 jobs.
- Finnish forestland market development has been flat for most of 2023, albeit wood prices reached record high levels in June 2024 for both pulpwood and sawlogs. In 5 years, sawlog prices have increased by approximately +50% and pulpwood prices by +100%. The wood price increase is not fully reflected in property prices due to an absence of buyers. Declining interest rates could attract buyers back to markets to capitalize on the opportunity.
- Pfeifer Group is involved in the aftermath of its purchase of Pölkky group. There is a dispute about investment cost estimates of the CAPEX projects ongoing during the transaction.
- Stora Enso refinanced a EUR 435-million loan facility for Oulu mill with the European Investment Bank.
- Tornator Oyj, the largest private forest owner in Finland, is set to issue a EUR 300 million green bond at a 3.75% coupon, Moody's evaluation Baa3. Tornator intends to roll over existing loans.
- Stora Enso announced in late September it is looking to divest 12% of its Swedish forest assets to free up capital. This transaction would be by far the largest forestland sale in the Nordics.
- Swedish forestland prices have declined from the overheated 2023 levels toward trend levels. Compared to Finland the price decline has not been halted. Wood prices have kept increasing in Sweden to all-time high levels as well.
- Latvia reversed its decision made in 2022 to lower the diameter requirements for soft- and hardwood stands for clearfelling. In the summer of 2022, the first government of Krišjānis Kariņš (New Unity) supported changes to the rules on felling trees proposed by the Ministry of Agriculture, essentially allowing younger forests to be felled. The allowable diameter for felling trees was reduced from 39 to 30 centimeters for pine, 31 to 26 centimeters for spruce, and 31 to 25 centimeters for birch.
- Estonian sawlog prices have been volatile and declined to 2021 levels. While coniferous pulpwood prices declined in 2023, they have increased since January 2024, which highlights the tight supply/demand balance of the chemical forest industry around the Baltic Sea Basin.
- According to Bloomberg, Germany's forests have become a carbon source for the first time in decades due to drought, storms, and intensive bark beetle damage harvesting.
- Bioenergy Europe reported that Germany accounted for 26.9% of global ENplus-certified pellet output in 2023 (3.7 million tonnes). This makes Germany the world's biggest single producer of ENplus certified pellets, followed by Austria with 12.6% (1.7 million tonnes). Total global production reached 13.7 million tonnes, just 0.4% higher than 2022, falling short of the 14 million tonnes forecast. Bioenergy Europe predicts a 6.8% increase in production for 2024 (14.6 million tonnes) with Indonesia and Japan joining the certification program. ENplus currently includes 641 producers and 603 merchants worldwide.
- Container freight rates from Asia to Europe rose sharply in the first half of 2024, with a peak at USD 10 000 (according to the Freightos FBX rate). However, it recently saw a slight decline to USD 8 600 in late September. Rates from South America to Europe showed an increase for the first time in a while. In Q2 2024, 40-ft containers from Brazil were priced at USD 450-500, but by July, some rates exceeded USD 500, reaching USD 600-700 for Santa Catarina. By September, prices rose to USD 700-800 due to shipping shortages.
- According to forest owners, above-average rainfall in the first half of the year has provided some relief to the bark beetle problem in Central Europe. In Germany, forecasts for damaged softwood in 2024 have been reduced by 3.2% (~811 000 m³) to 23.9 million m³. The Federal Ministry of Food and Agriculture estimates that damaged softwood volumes for the year will be 20.5% lower than in 2023. Hardwood damage is also expected to decrease, with a revised forecast of 2.9 million m³, 2.7% lower than previous estimates and 10.3% below last year's total. Other countries, such as Austria and Switzerland also revised down their earlier forecast for damaged wood by around 2-4%.
- The German's 4th federal forest inventory (BWI4) showed that between 2012 and 2022, Germany's spruce tree stocks decreased by 15.8% (190.9 million m³) to 1.015 billion m³, largely due to biotic and abiotic damage.

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Despite an increase in other softwood species, Douglas-fir by 29.5%, fir by 12.6%, pine by 3.4%, and larch by 2.4%, total softwood stocks decreased by 5.7% to 2.114 billion m³.

- At the European Wood Based Panels symposium in Hamburg on 10 October, it was reported that the European wood-based panels market is expected to begin recovering by mid-2025, though demand is unlikely to return to pre-COVID levels soon. The Asia Pacific, particularly India and Vietnam, is expected to lead future growth in the sector.
- Recent reports are showing that the European birch plywood market continues to be impacted by illegal imports despite anti-dumping duties and sanctions on Russia and Belarus. Birch plywood sales in the EU-27 and the UK peaked at over 2.5 million m³ in 2021 but dropped to below 1.5 million m³ by 2023. Legal imports from Russia and Belarus fell sharply after the July 2022 import ban, but illegal imports surged, rising from 6% in 2022 to an estimated 19% in 2023. These illegal shipments mainly originate from countries such as Kazakhstan, Turkey, Georgia, and Uzbekistan, with suspicion that the plywood originates from Russia. Shipments from China to the EU have also increased significantly. However, in May 2024, the duties were extended to include imports from Kazakhstan and Turkey. The European Commission also launched a new anti-dumping investigation in September, into imports of hardwood plywood from China, acting on a complaint by the Greenwood Consortium, which represents the EU's hardwood plywood industry.
- A new report from the European Forest Institute (EFI) calls for long-term, sustainable forest management in Europe, emphasising the need to move beyond short-term profit-driven practices. The report, *Carbon Farming in The European Forestry Sector*, highlights how EU forests, covering 40% of the continent, can enhance their role as long-term carbon sinks, essential for meeting the EU's 2050 carbon neutrality goal. It advocates for temporal carbon credits, which provide yearly incentives to forest owners for carbon sequestration, and encourages reforestation, agroforestry, and wetland management to combat land degradation. The report also urges policymakers to align strategies to bolster forest resilience against climate threats. The full report is available at the following link: <https://efi.int/publications-bank/carbon-farming-european-forestry-sector>

Russia

- According to the federal forestry agency (Rosleskhoz), the Russian timber harvest in 2023 reached 188 million cubic meters, a 3.44% decrease year-over-year. This performance has been deteriorating for two consecutive years, with 195 million cubic meters in 2022 and 225 million cubic meters harvested in 2021. The year 2018 remains a historic high when Russian timber harvesting reached almost 240 million cubic meters of roundwood. For geographical regions, six other of the eight federal districts account for over 99% of timber harvesting in Russia.
- According to Rosstat data: The volume of production of timber products in January-July 2024 compared to the same period last year were all generally higher except for softwood logs, wood pulp and wood pellets (courtesy of WhatWood) but with slower growth as compared to January to April:
 - Softwood logs: 44.8 million m³ (-0.4%)
 - Hardwood logs: 23.4 million m³ (+1.8%)
 - Softwood & hardwood sawn timber: 16.8 million m³ (+1.5%)
 - Wood pellets: 591 000 tons (-16.8%)
 - Plywood: 2.0 million m³ (+3.7%)
 - Fiberboard (including MDF/HDF/flooring): 420 million conventional m² (+12.1%)
 - Particleboard (including OSB): 7.7 million conventional m³ (+20.0%)
 - Wood pulp: 5.0 million tons (+0.8%)
 - Paper and paper board: 6.2 million tons (+8.5%)

North America

- US housing trends increased considerably overall in August 2024 according to US Census data. US revised housing starts were 1.356 million units (Seasonally Adjusted Annual Rate, SAAR), an increase of 9.6% from 1.237 million units in July (revised). In August, single-family starts were 0.992 million units, an increase of 15.8% month-over-month, up from 0.857 million and represented 73% of total starts (vs. 72% in August 2023). However, multi-family starts fell by 6.7% from 0.357 million units in July (revised) to 0.333 million in August. September US housing starts totaled 1.354 million units with single-family homes representing 1.027 million units and multi-family 327 000 units.
- Mortgage rates reduced to around 6.5%, and housing became slightly more affordable to some buyers due to the US Fed interest rate cut. Median home prices have been on an upward trend and market evidence points toward slow existing home sales, with transaction volume dipping below 3.9 million units and new home transaction volume under 3.5 million in August. Low sales volumes will adversely impact lumber and panel markets for the rest of 2024.
- US softwood lumber production in the first seven months of 2024 was lower by 3.0% (to 21.45 billion BF; 34.4 million m³, net) as compared to the same period in 2023. US West lumber production was lower by -2.6%, southern yellow pine (SYP) production was down by -3.5%, and the rest of the US was lower by -1.0%. Very low lumber prices in the US South caused some mill closures as well as production curtailments, resulting in decreased output.
- US softwood lumber imports were lower by -0.5% in the first seven months of 2024 to 9.1 billion BF. Imports from Canada increased by 3.3% to 7.18 billion BF and imports from Europe were lower by -16% to 1.53 billion BF (2.5 million m³). The leading European importers were Germany, Sweden and Austria and they represented 87% of European shipments to the US.
- Canada's lumber output was higher by 4.4% to 12.3 billion BF (19.5 million m³, net) in the first seven months of 2024 vs. 2023. BC production was lower by 2.8% to 4.01 billion BF (6.4 million m³) (COFI Connect).
- Canadian softwood lumber exports through the first eight months of 2024 were 9.13 billion BF, an increase of 2.7% compared to the previous year (COFI Connect).
 - Canadian lumber exports to the US were 8.13 billion BF, or 2.5% higher as compared to the same eight months in 2024.
 - Exports to Japan were 27.5% higher to 300 million BF and were 11% lower (to 394 million BF) to China.
- North American lumber prices bottomed in July and have since been steadily increasing. While weak sawmilling margins are still evident in North America, the market tone is finally changing and sawmills in the US South are making good margins while mills in BC and the US Pacific Northwest are getting closer to break-even levels.
- US pulpwood prices vary by region and season. In the Lake States region, Q3 hardwood roundwood prices remained flat quarter-over-quarter and were up 7% year-over-year. Softwood roundwood prices were down USD 1 in the Lake States, and were up 5% year-over-year. In the South Central region, hardwood roundwood and softwood roundwood prices remained flat, while year-over-year, hardwood was down 6% and softwood was down 3%. South Atlantic region roundwood prices rose from last quarter, with supply and operations in flux due to two highly destructive storms. Hardwood roundwood prices were up USD 1 over last quarter and 9% year-over-year while softwood roundwood prices were up USD 2 from last quarter and 6% year-over-year. Northeast region prices for hardwood and softwood roundwood were flat compared to last quarter and were up 2% for both hardwood roundwood and softwood roundwood year-over-year. Lastly, Pacific Northwest softwood roundwood prices were stable from last quarter and were down 6% year-over-year.
- Pacific Northwest Douglas-fir (DF) average log prices declined in Q3 2024 through August. Prices were continuing to decline most in the Willamette Valley, and holding the best in the Puget Sound where nominal 2-Saw prices declined about 5.2% as of August YTD. Monthly average nominal DF 2-Saw prices across regions were down 9.1% through August YTD. Monthly average nominal Whitewood 2-Saw prices were down 7.3% August YTD across regions, down 12.4% in the Puget Sound region, down 7.2% in the Columbia River region and down 2.2% in the Willamette Valley region.

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- US Q3 2024 large timberland transactions were infrequent, with few packages closing or pending. Pending transactions left from Q2 are now closed with few exceptions.
 - Some transaction details were reported, including:
 - Nuveen sold 22 300 acres (Project Discovery) in southwest Washington to Salm Schulenburg for USD 6 950 per acre. Closed Q3.
 - Manulife and others sold 84 300 acres of pine plantation in Alabama to Weyerhaeuser for USD 2 894 per acre. Closed Q3 and Q2.
 - Manulife sold 77 500 acres in Central Alabama (Clairmont portion of Sweet Home) to Southern Pine Plantations for USD 2 300 per acre. Closed Q2.
 - Manulife sold 13 400 acres in Central Alabama (Magnolia portion of Sweet Home) to Weyerhaeuser for USD 3 500 per acre. Closed Q2.
 - Other transactions were pending or awaiting results such as:
 - The Rayonier offering of 115 200 acres on the Olympic Peninsula of Washington (Project Teal).
 - The Molpus/AFM offering of 18 200 acres in Alabama, Mississippi and North Carolina (Tristate package) was expected to close in Q2 but remains pending.
- US hardwood lumber demand was slow in Q3, and caused inventories to build up despite cuts to production. Prices were not heavily discounted, as wood products manufacturers continued to plod along. Future rate cuts from the US Fed are expected to be a catalyst for stronger demand from the housing sector. Hardwood lumber exports have been increasing modestly in 2024 and were up 5% by volume year-over-year in July. In Q3, China and Japan have been slowing, but Thailand, Indonesia and Vietnam have been increasing YTD through July. Red oak, poplar and walnut shipments to Asia have soared. Log export volumes of walnut and Poplar far outpaced lumber exports. Demand for US hardwood lumber from Europe was up 2% year-over-year in July, with 69% going to the UK.

South America

Brazil

Brazilian Forest Industry – Context and Trend

The Brazilian forest-based industry continues to suffer the consequences of supply, demand, and cost shocks resulting from COVID-19 (2020 to mid-2023), making it exceedingly difficult to plan for 2025.

- Pulp and Paper Industry: has been defending itself well from the recent falling international prices (-24%, China) via inventory management and bargaining power. The short-term scenario is one of stability. As for industrial expansion, Mato Grosso do Sul will remain in the front. By the end of this decade, it will have a pulp production capacity of around ~16.7 million t/yr if all the announced projects are consolidated (Eldorado 2, Arauco, and Bracell), an increase of 116% concerning the current capacity of 7.7 million t/yr. The total planted area is expected to reach ~2 million hectares, +100% compared to the beginning of the decade.
- Pine Industry: the recovery in demand has been consolidated, returning to its “pre-COVID normal” status. On the other hand, all segments have faced challenges concerning prices, production costs, and export logistics costs. These challenges are expected to persist in the short term, mainly due to the contexts in the US (housing), China (housing and exports), and Brazilian ports (bottleneck).
- Charcoal Industry: reflecting the international green pig iron market, the market is stable in 2024 but underperforming against 2023 in terms of prices and demand. The short-term trend is one of stability.

Eucalypts Industry – Exports

A year-over-year analysis (2024/2023) shows the following export performance:

- Pulp: +1% QTY and +28% USD



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- Chips¹: 9% QTY and -3% USD
- Charcoal via green pig iron: 0% QTY and -13% USD
- Logs: -29% QTY and -30% USD

Pine Industry – Exports

A year-over-year analysis (2024/2023) shows the following export performance:

- Lumber: -2% QTY and -6% USD
- Moulding: +13% QTY and -4% USD
- Plywood: +12% QTY and +14% USD
- Logs: -77% QTY and -56% USD

Pine-Eucalyptus Composite Panel – Exports

Year-over-year, growth was significant in quantity (+53% QTY) and revenue (+41% USD), but with prices 8% lower.

Producer Price Index (PPI)

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

- Pulp and paper: +17.2%.
- Metallurgical industry: +12.4%
- Wood: +9.5%
- Furniture +2.7%

According to the US Bureau of Labor Statistics, year-over-year, the price index of the pulp and paper industry changed +22%, lumber -0.6%, and plywood -5.0%. The US is one of the leading destinations for Brazilian forest-based exports.

Uruguay

- UPM1, UPM2 and the Montes del Plata (Mdp) pulp mills are consuming eucalyptus log from all forest regions of Uruguay. As of Q3 2024, Mdp “imported” 4.10 million m³, UPM1 3.24 million m³ of logs and UPM2 5.23 million m³. By the third quarter of 2024, the three pulp mills have already consumed nearly 13 million m³, with an average monthly volume of 1.3 million cubic meters per month. Pulplog delivered prices observed in the last three months are between 3% and 6% lower than those observed in the same quarter of last year.
- As of Q3 2024, eucalyptus woodchip exports were close to 395 000 m³ (9 vessels, 10 less than for the same period of 2023, with a decrease in volume of nearly -57%). These woodchip vessels exported during 2024 showed a decrease in FOB price of close to USD 2/BDMt compared with 2023 (2% decrease). The total volume exported during the first nine months of the year was shipped to Portugal.
- As of Q3 2024, pine log exports show a similar pace compared with 2023, with a total exported volume of 0.65 million JAS m³, representing 18 vessels (100% to India). The average FOB price for Q3 2024 is around USD 78/JAS m³, the same value as 2023.
- Uruguay’s 2024 eucalypt sawlog exports started at a faster pace than in the same period of 2023. The average FOB price for Q3 2024 is around USD 160/m³ for logs 30+ SED, showing values 10% to 12% higher than in the same period of 2023. As of Q3 2024, the total exported volume of these logs reached 142 000 m³, a volume 20% higher than the same period of 2023. The main destinations of these logs are China (37%), India (31%) and Vietnam (30%).
- It is also important to note that Uruguay is exporting eucalyptus saw logs in the holds of bulk carriers. These logs are of lower quality than the +30 diameter logs and have an FOB price between USD 80/m³ and USD 95/m³. As of Q3 2024, exports of these logs reached approximately 75 000 m³.

¹ Eucalyptus + Acacia.

Forest Sector Outlook

- Only one plywood company in Uruguay is still operational. As of Q3 2024, the exported volume has reached 207 000 m³, a volume 13% higher than that exported for the same period of 2023. Average prices as of Q3 2024 are around USD 338/m³, 3% higher than 2023.
- Carbon credits from Uruguay's forest projects have less demand than during 2023, with prices around USD 7-12/CCBvcu (CCBvcu= Climate, Community & Biodiversity Verified Carbon Unit), depending on the type of project and vintage.
- According to a study carried out by the "Centro de Estudios de la Realidad Económica y Social (Ceres)", it indicated that forestry for cellulose in Uruguay "is the sector in the country that pays the most dollars per hectare to the national government through taxes". Short rotation forestry aimed to produce pulp logs contributes USD 223.4 per hectare/year in taxes, followed by dairy with USD 213.5, forestry for sawmills USD 194.6, agricultural crops USD 147.3 and livestock USD 53.4 per hectare. It also indicates that exports of solid wood products increased eightfold between 2001 and 2024, showing exponential growth during this century.
- As part of the regional expansion of its operations, BrasPine, a Brazilian company engaged in the manufacture of pine wood products for decoration and architecture, forestry business and pellet production, presented its expansion plan in Uruguay, which involves the installation of a sawmill in Tacuarembó (northern Uruguay). This will be a modern plant, using state-of-the-art technology and complying with environmental parameters, and will create more than 500 jobs, including operational and administrative jobs, in addition to the labor force during the construction phase.

Paraguay – Parcel Pulp Mill Update

- 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 plant will produce 1.8 million tons of BHKP (Bleached Hardwood Kraft Pulp)
- The company informed that the total net planted area, as of Q3 2024 is 119 000 ha (own and third-party area), is mainly planted with different species of eucalyptus (mainly *Eucalyptus urograndis*).
- In 2023 Parcel built 3 barges and has 9 more under construction.
- Official sources estimate that it will begin operations in 2027.
- Parcel submitted an ARR Carbon project to the VCS. The status of the project as reported on Verra's website is "Registration Request Denied". As shown in public documents presented in Verra's website, Parcel submitted an extension request that was accepted by Verra.

Africa

- With the September US Federal Reserve interest rate cut seen as a potential signal for the start of a period of lower rates, eyes are on other countries to see how they will respond. Recently, several African countries have reduced their interest rates in response to easing inflation. South Africa and Ghana both cut their rates in early October 2024. The Central Bank of Kenya has also reduced its key interest rate twice this year, most recently in September, bringing it down to 12%. Based on data from Trading Economics, ten African countries, mostly in Southern Africa, have reduced rates in 2024, while three (Zimbabwe, Sierra Leone and Nigeria) increased rates. It is interesting to note that the median interest rate amongst 50 countries was 7.25% in October 2024. Most African countries have recorded stable or decreasing inflation, with only six recording a larger than 1% increase in inflation in 2024. Twenty-eight countries reported inflation below 5%, 11 between 5% and 10% and 15 above 10% in 2024.
- There is a growing trend amongst African governments to regulate the export of logs, in favor of secondary processing. Nigeria has introduced reforms to limit the export of logs and the prospect of a logging ban by CEMAC countries (Cameroon, Chad, Congo, Gabon, Equatorial Guinea and Central African Republic), that will come into effect in 2025, is driving heightened timber production in countries such as Cameroon. Mozambican

Forest Sector Outlook

log exports have decreased by nearly 75% during the past four years, in line with reduced timber harvest quotas. While the ban on log exports is seen as a way of reducing illegal logging, it is also impacting local timber processors. In Uganda where a ban on the export of timber has been in place for more than a year, plantation growers and processors are in dire straits. Recently, Cameroon's Ministry of Forests and Wildlife, has engaged with the World Bank to discuss initiatives to support sustainable forestry economies, including domestic wood processing as an alternative to log exports.

- In Kenya, there has been an increase in log processing by foreign operators. After the lifting of a six-year logging ban in 2023, the country has seen a surge in demand for eucalypt logs that are peeled and processed into veneer, plywood and blockboard. While processors are lauding the opportunities of an open market, a willing buyer and willing seller scenario, there are concerns being raised about the sustainability and national benefit of these foreign owner driven processing arrangements.
- News on forestry carbon trading has been limited lately. It is therefore good to learn that Form Ghana and Climate Impact Partners have signed an agreement for access to 371 000 high quality carbon removal credits from Form Ghana's two reforestation project sites in Ghana. Form Ghana aims to reforest 20 000 ha of degraded forest reserves and has restored more than 12 000 ha to date with teak (*Tectona grandis*) and native species.
- Total woodchip exports through the ports of Richards Bay and Durban in South Africa, for January to August 2024, were ~974 000 Mt, compared to ~1.26 million Mt for the same period in 2023. Pulp exports have increased from ~657 000 ADt to ~939 000 ADt when comparing the period January to August 2024 to the same period in 2023.



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