

Softwood log market outlook

Global supply, demand, and trade

Wood From Finland

Helsinki, 6th February 2025



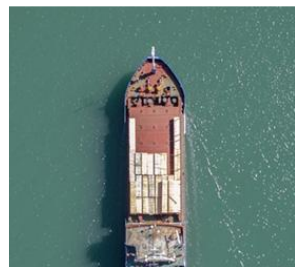
Agenda



1. Softwood supply



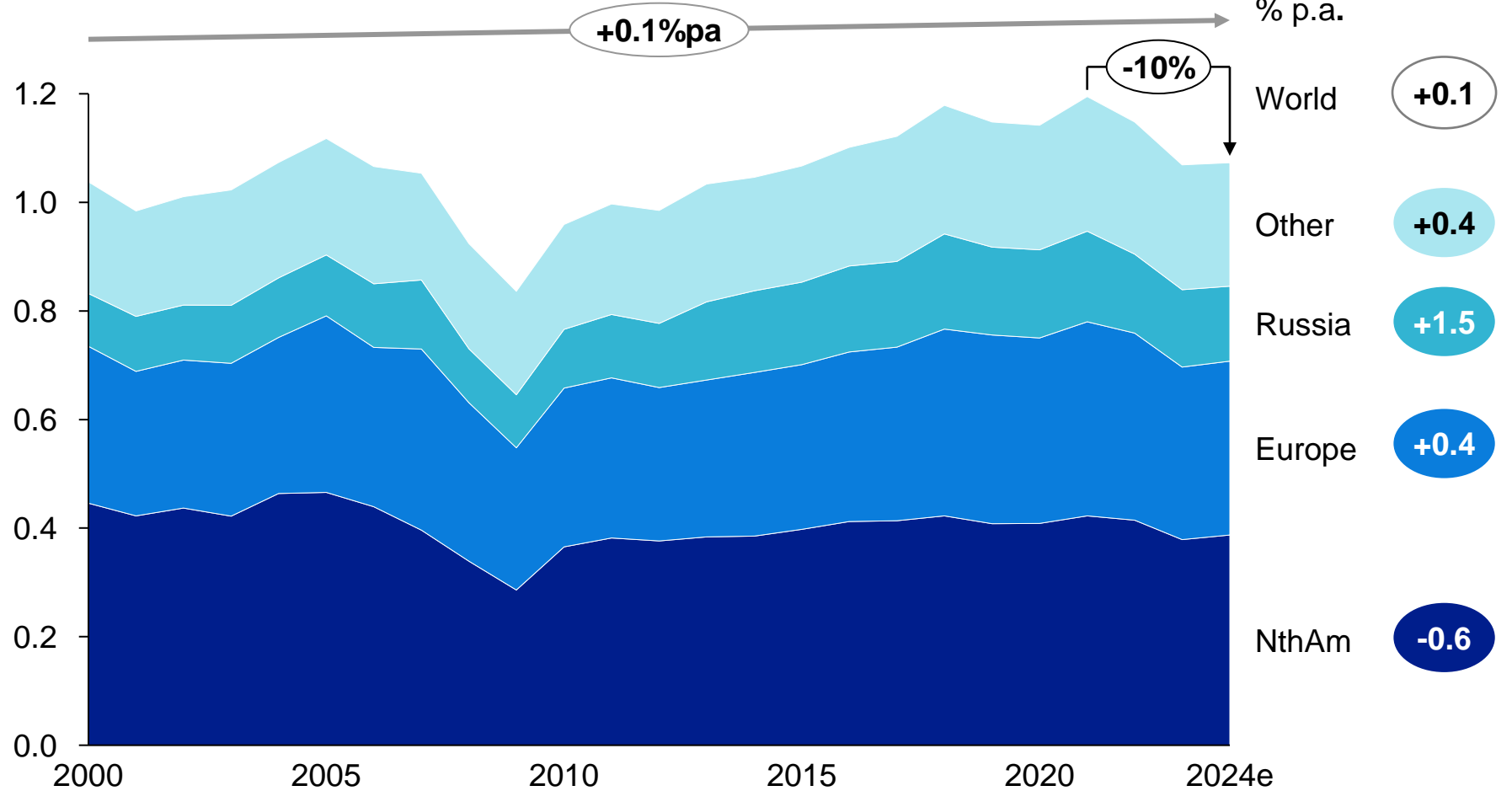
2. Softwood demand



3. International trade and pricing

Global softwood supply is barely growing, and fell in 2023-24

Global softwood roundwood supply; Billion m³

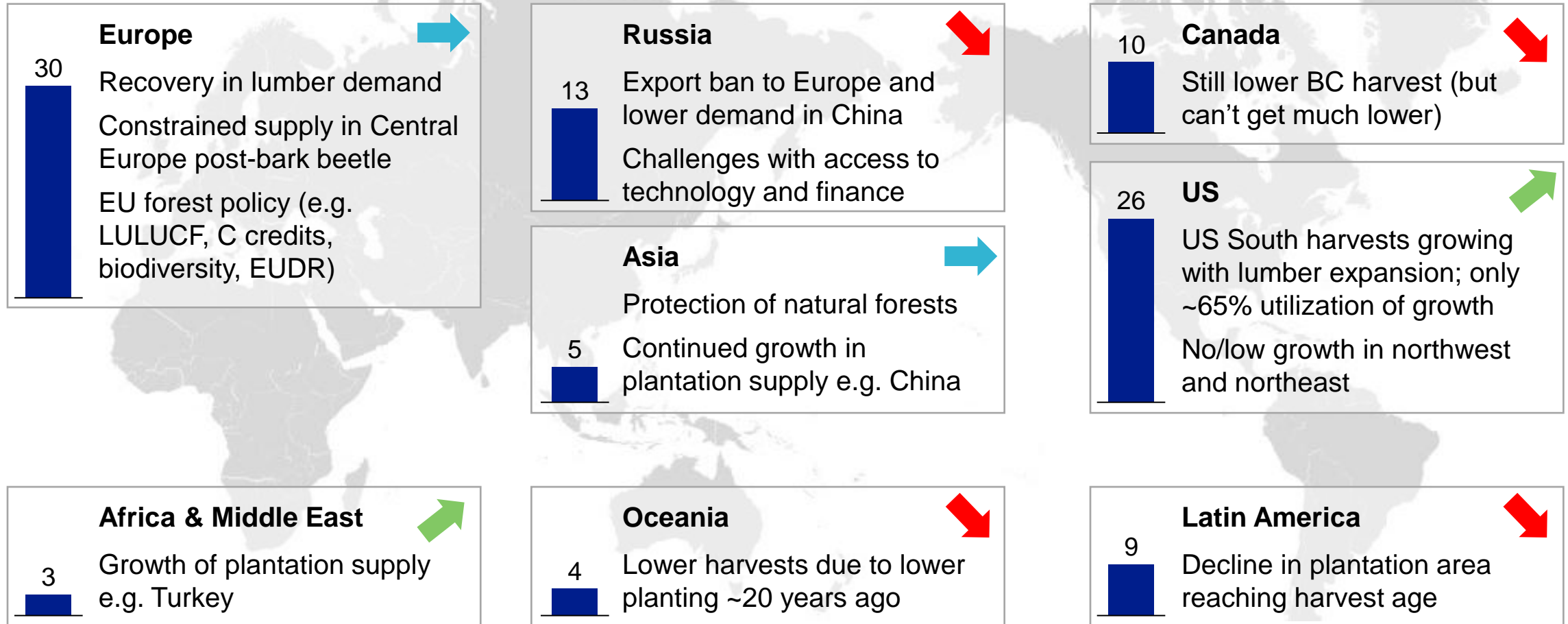


- Global supply 1.1 billion m³
- No/slow growth (0.1%p.a. 2000-24)
- North America declining, mainly Canada (BC)
- Europe had strong growth over last decade (demand + forest damage)
- Decline in 2023-24 due to demand (high interest rates) and Russia contraction.

Of the main supply regions, we expect only US South to grow

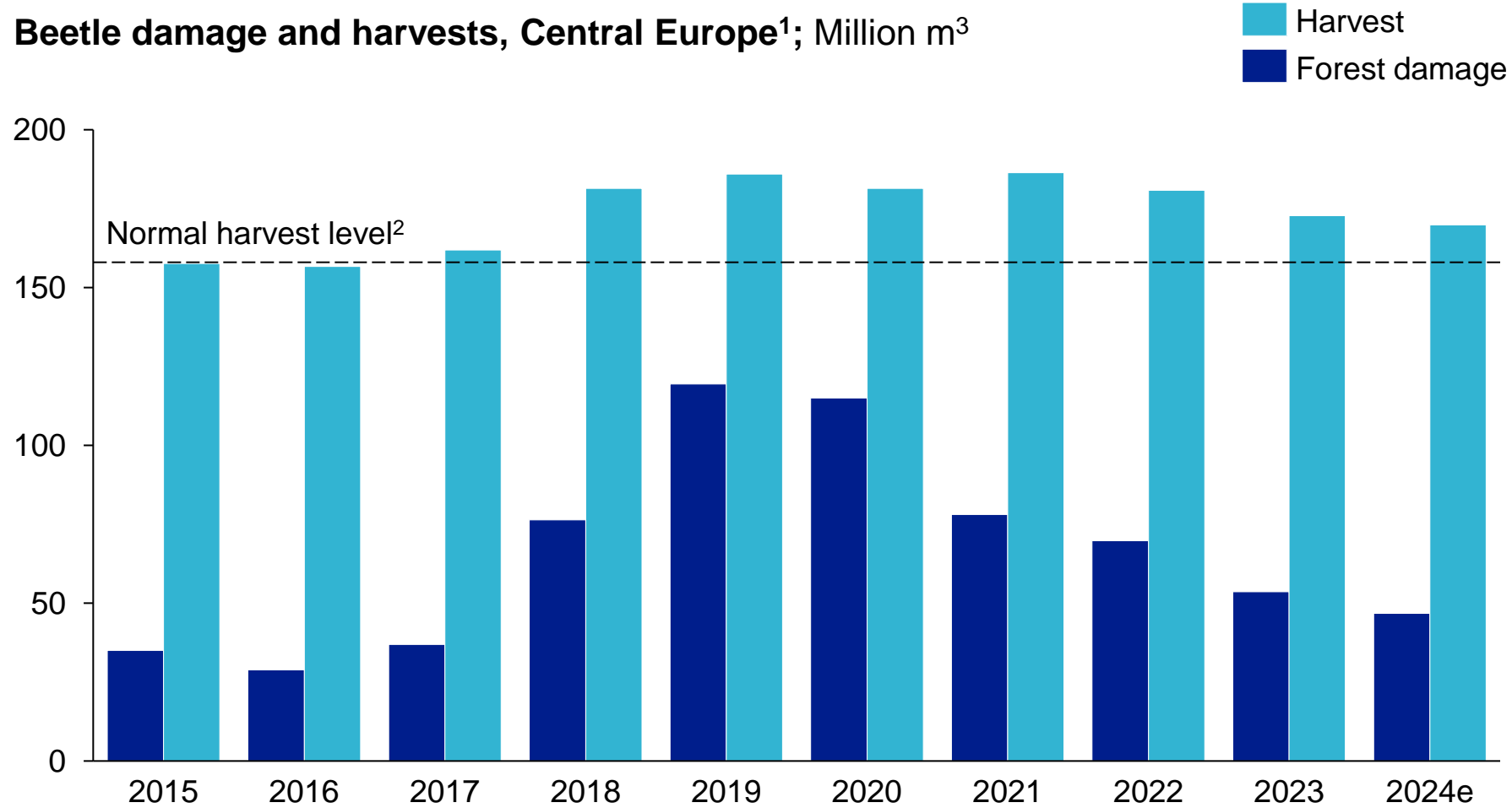
Global supply of softwood industrial roundwood, 2024e; Percent (100% = 1.1 billion m³)

➡ Outlook to 2030



Bark beetle damage in Central Europe is declining, but will have a lasting impact on wood supply

Beetle damage and harvests, Central Europe¹; Million m³



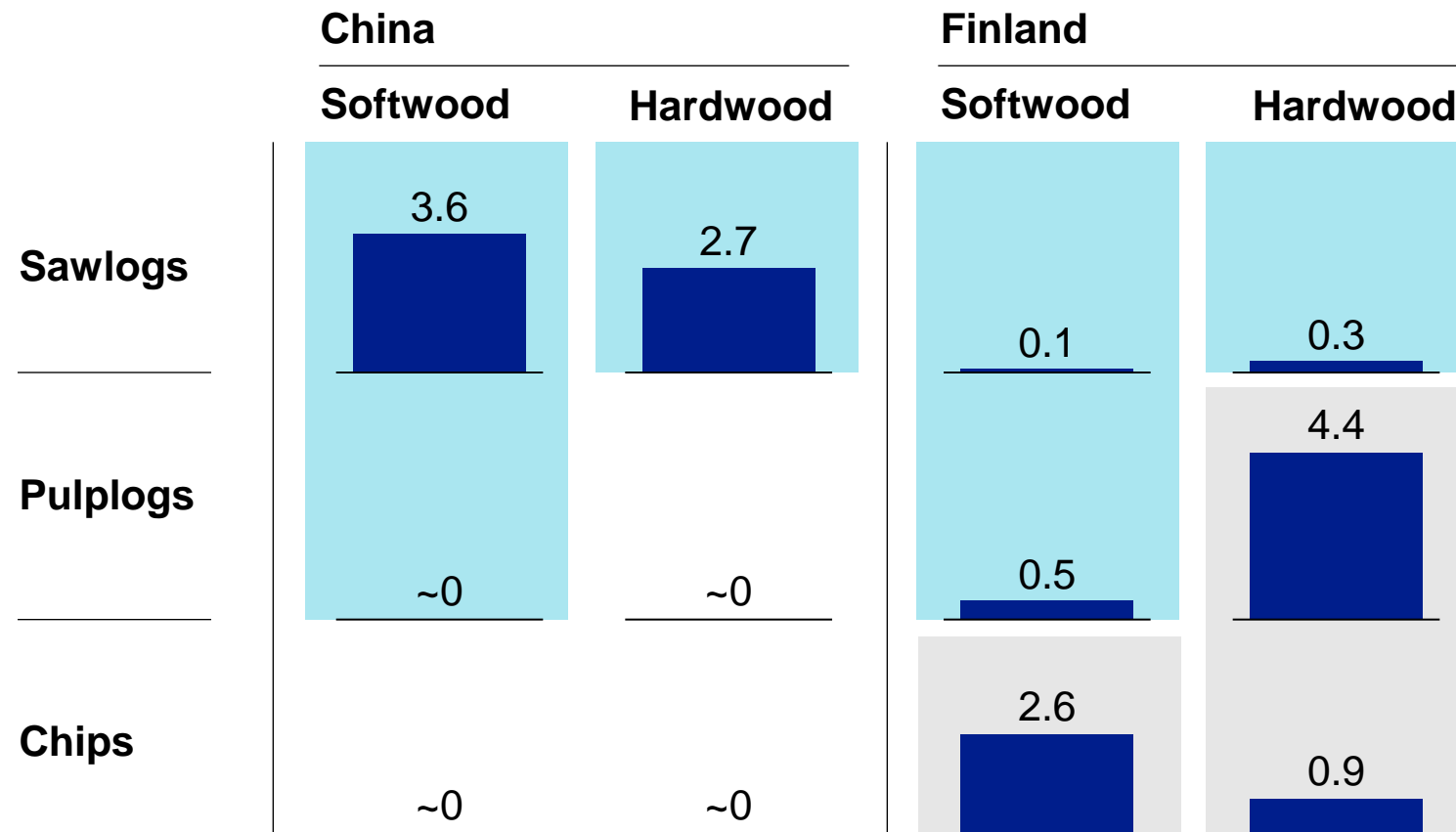
- Central European harvests rose from 158 to 183 mln m³/yr in 2010-17 vs. 2018-21.
- Increase of 25 mln m³/yr due to bark-beetle salvage and strong lumber markets.
- Beetle damage peaked in 2019/20, now falling with less susceptible forest are remaining unaffected.
- Harvest fell in 2022-24 with less salvage and weaker lumber markets.

1. Germany, Poland; Czechia, Austria, Slovakia, Switzerland
 2. Average 2010-2017

All Russian log and chip export to Europe is now restricted

Imported wood from Russia, pre-bans (2021); Million m³

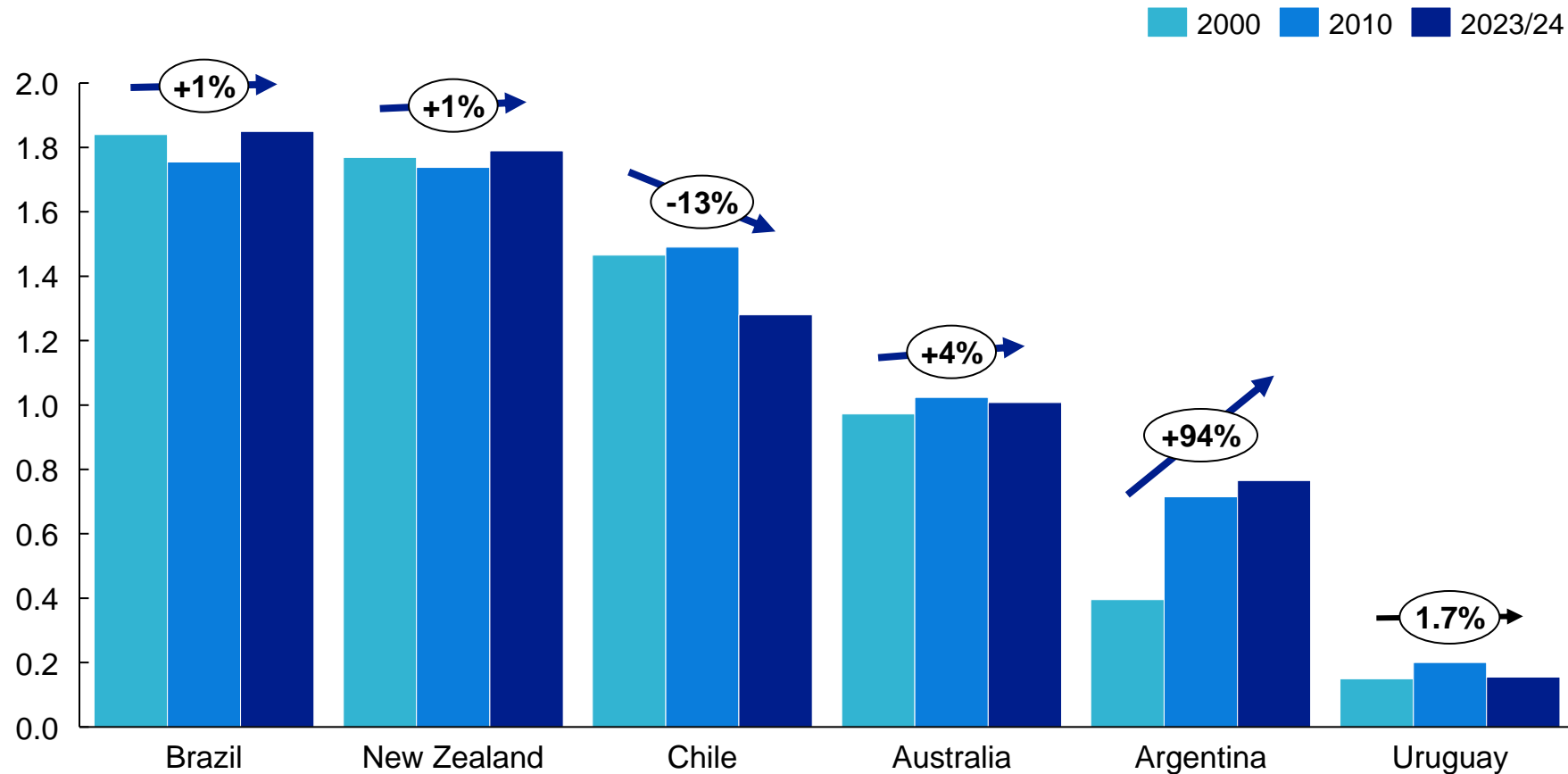
■ Covered by Russian export ban (Jan.2022) ■ Covered by EU import ban (Apr.2022)



- **Pre-bans (2021)**, Russian logs were very important for Finland and China
 - **Finland**: 85% of hardwood log import and 80% of chip import (30% and 25% respectively of Finland's total consumption).
 - **China**: 10% of softwood log import and 30% of hardwood
- **From Jan. 2022**, Russia banned export of softwood logs and high-value hardwood logs (e.g. ash, maple, oak, beech) – *mainly impacting China*.
- **From Apr. 2022**, with Russia's invasion of Ukraine, EU banned all import from Russia – *mainly impacting Finland*.

Softwood plantation area in Southern Hemisphere is not growing

Total area of softwood plantations; Million hectares

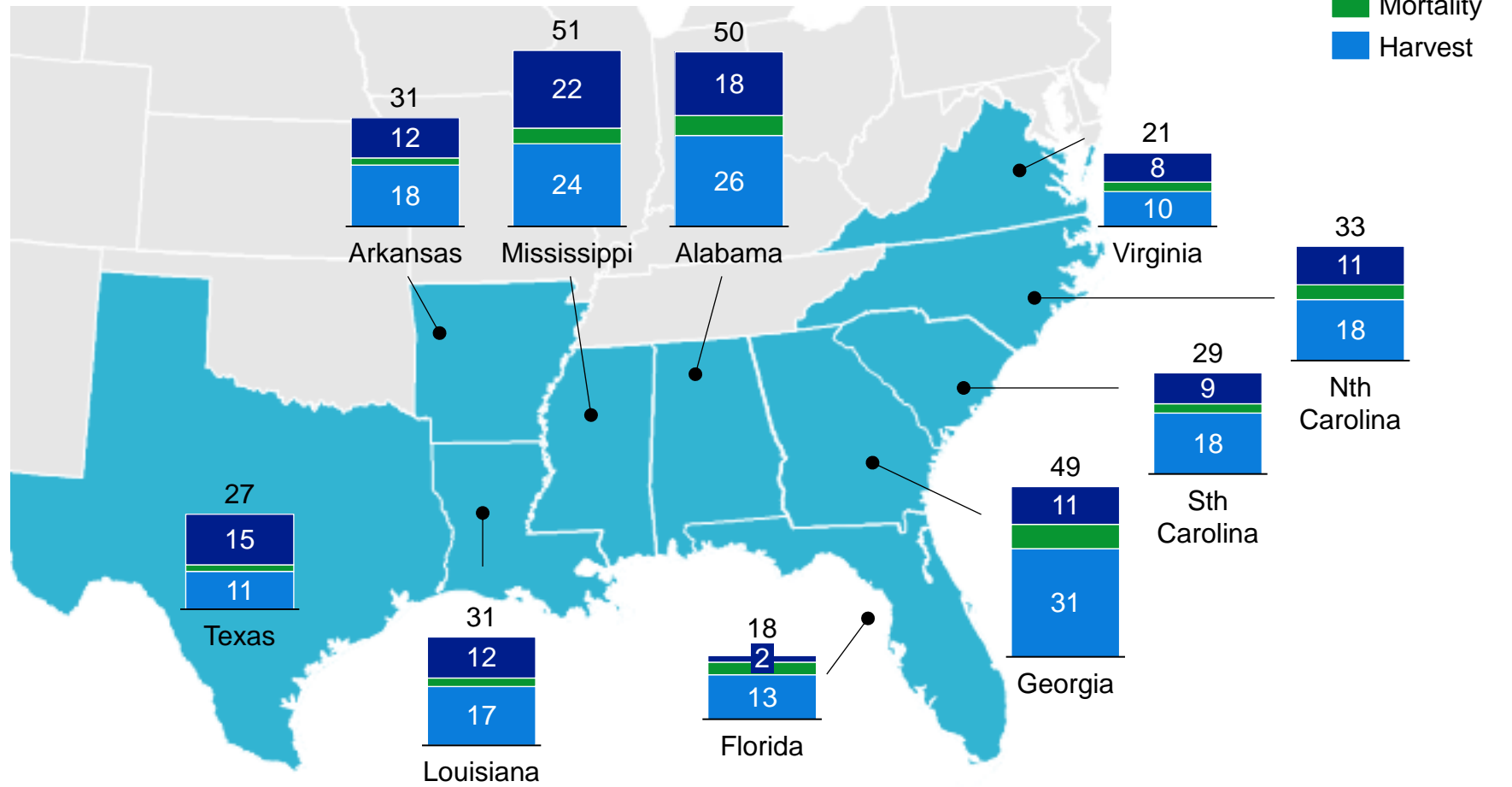


- Softwood plantation area is flat or declining throughout most of the Southern Hemisphere.
- Additional supply potential through productivity gains is gradual, taking place over decades.
- With typical rotation of 20-30 years, softwood log supply from fast-growing plantations is likely to decline over the next decade.

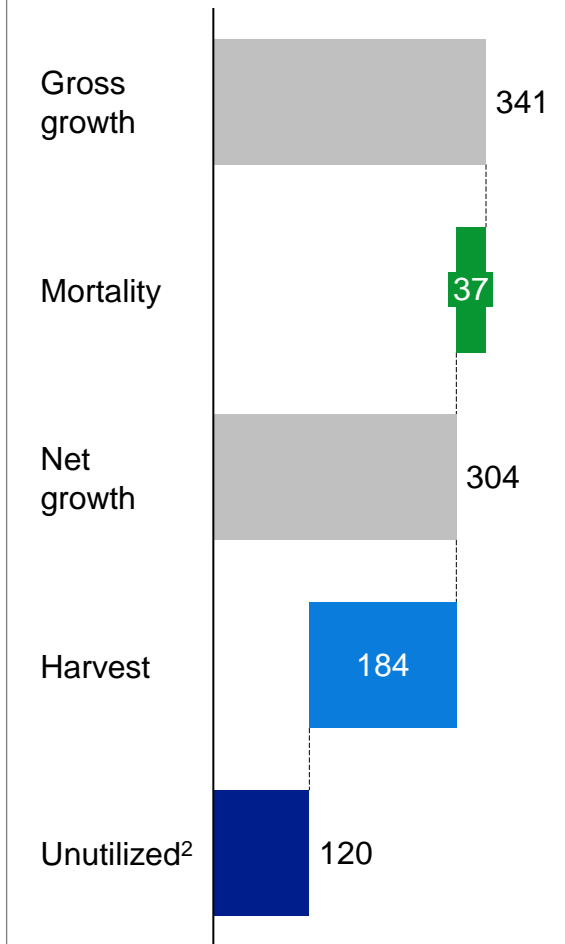
SOURCE: Iba (Brazil); NZ Forest Owners Association; ABARES (Australia); Infor (Chile); MDAGyP (Argentina); New Forests

US South has additional harvest potential, where only 2/3 of softwood growth is harvested

Annual softwood forest growth, US South timberlands, 2021-24¹; Million m³



Total across US South



1. Assessment dates vary by state, from 2021 to 2024

2. Added to forest stock. Not all volume is available due to e.g. owner objectives, steep terrain, limited local demand, poor infrastructure, environmentally sensitive, small/scattered plots

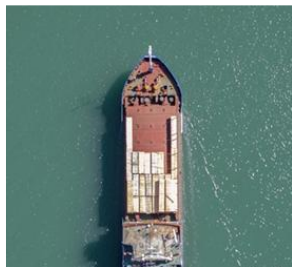
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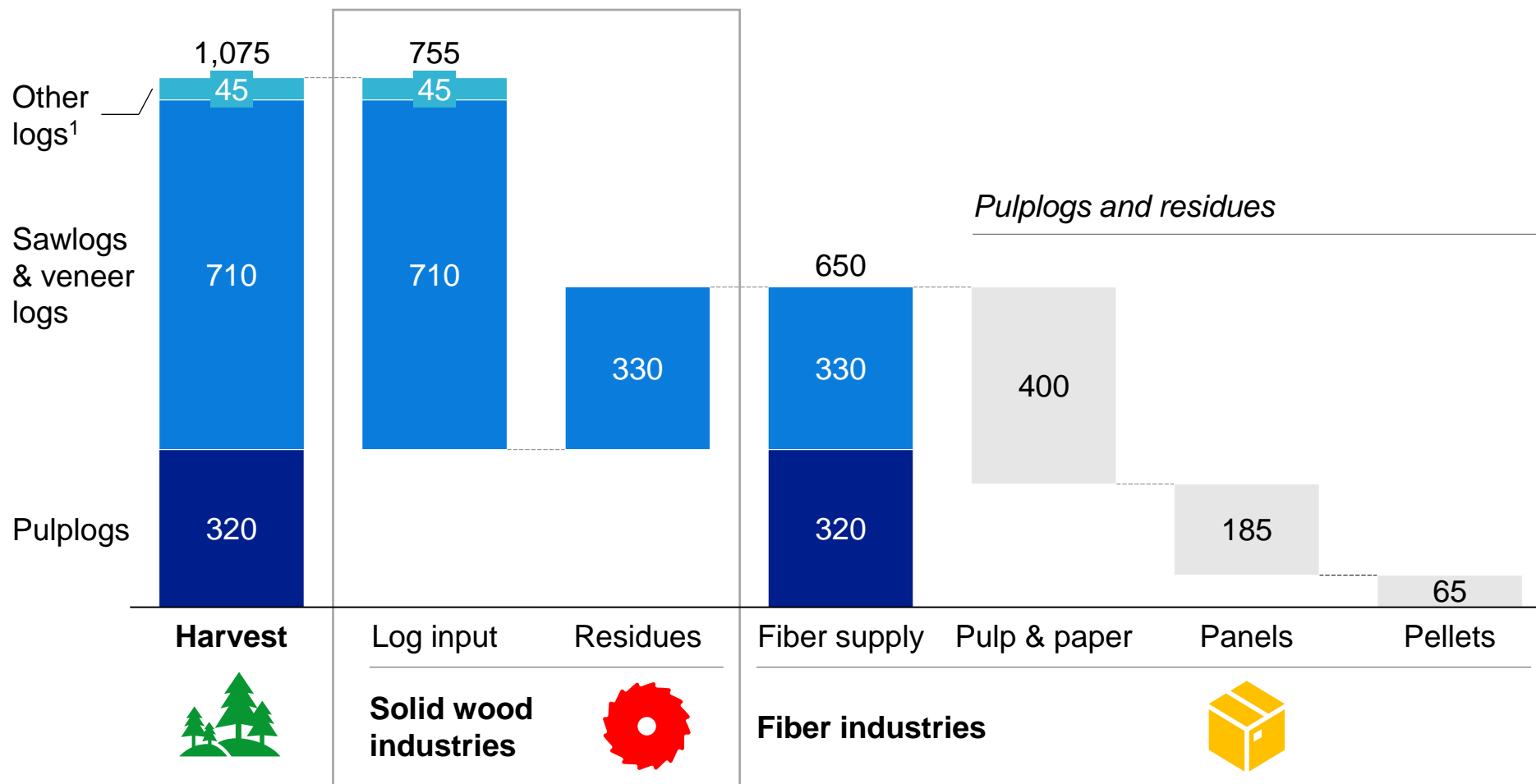
2. Softwood demand



3. International trade and pricing

Sawnwood remains the main demand driver for softwood logs

Global softwood industrial roundwood & residue supply-demand, 2023; Million m³ under bark

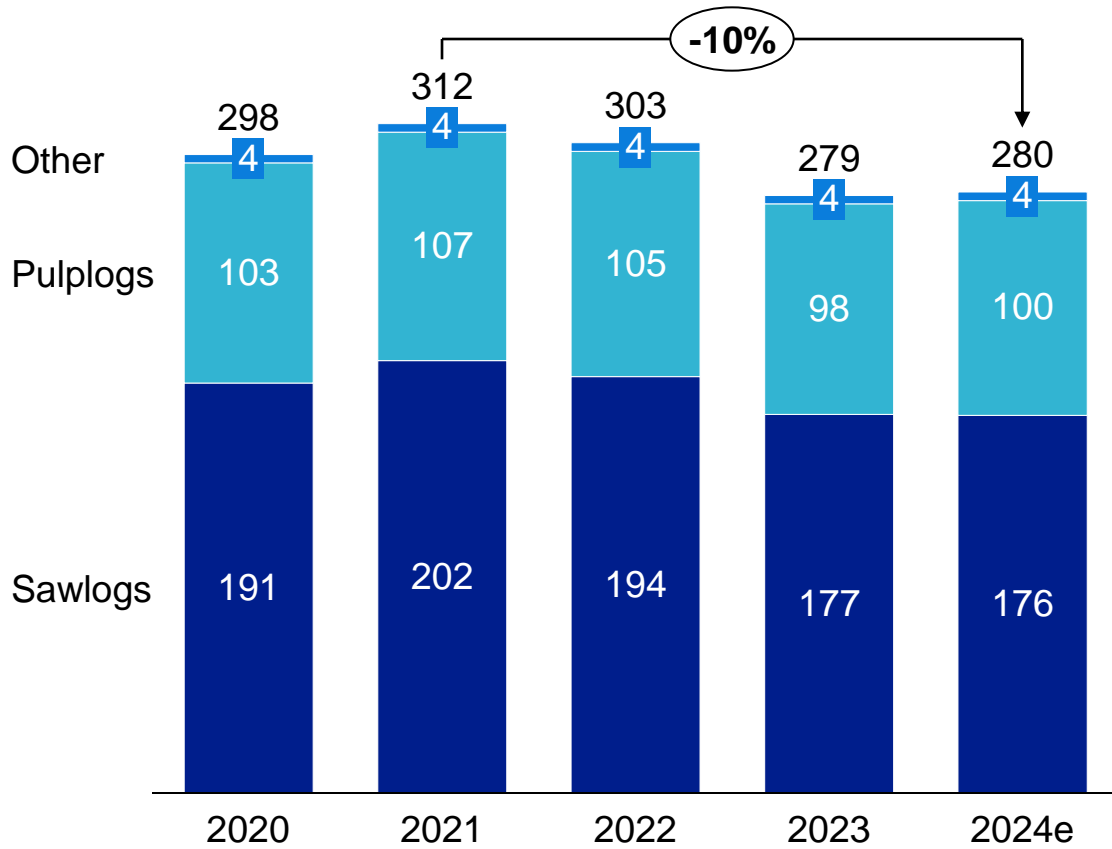


- 2/3 of harvest is saw- and veneer logs (~80% of value)
- Only 30% of harvest is pulplogs (~20% of value)
- Wood industry residues are ~50% of fiber industry raw materials
- Eventually, fiber industries use ~60% of softwood supply.

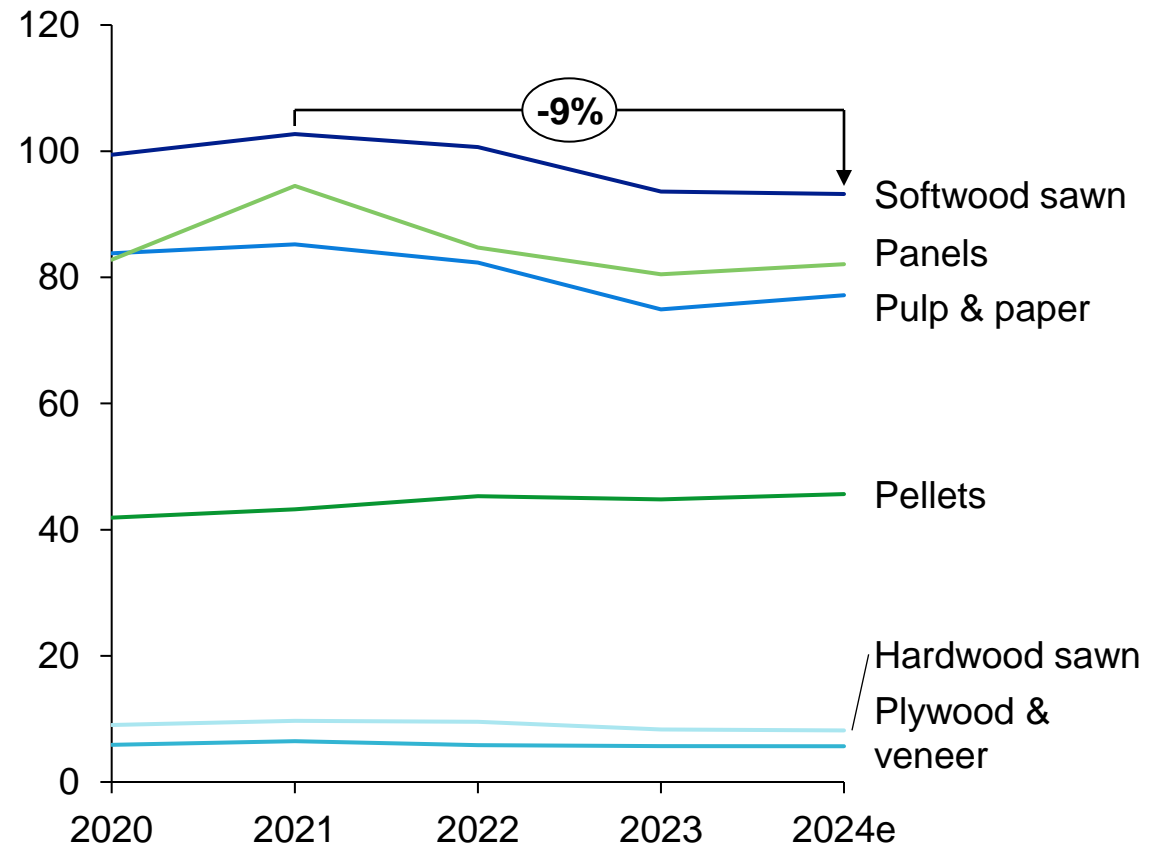
1. Posts and poles

European softwood harvest fell by 10% in 2021-24, due to weaker sawnwood demand

Softwood industrial roundwood harvest, Europe¹
Million m³ub



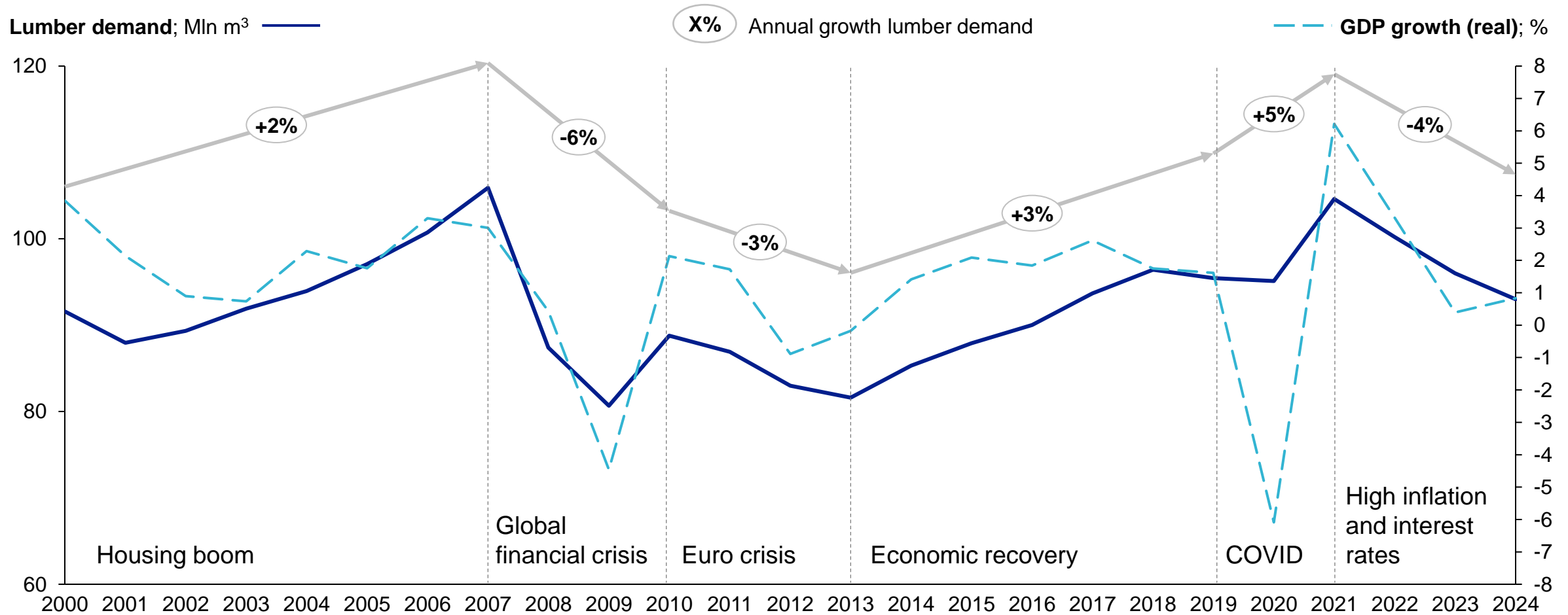
Wood in forest products produced, Europe^{1,2}
Million m³ eq²



1. EU-27; 2. Wood embedded in end products (output), including roundwood, residues and recycled wood

European sawnwood demand is in a cyclical low

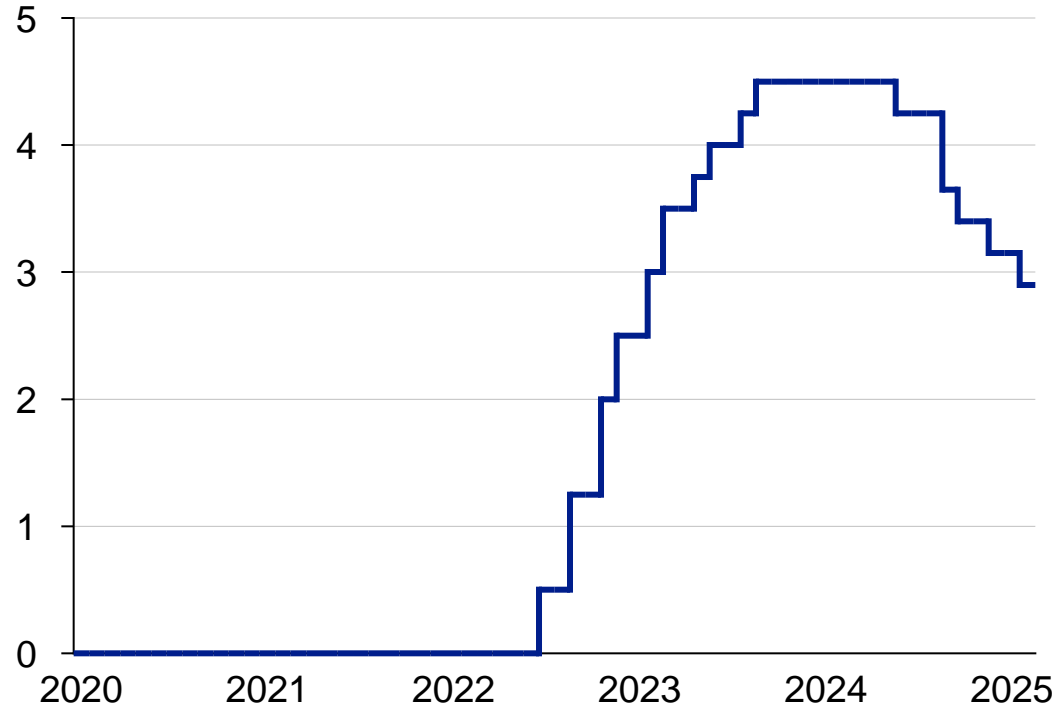
European softwood lumber demand development



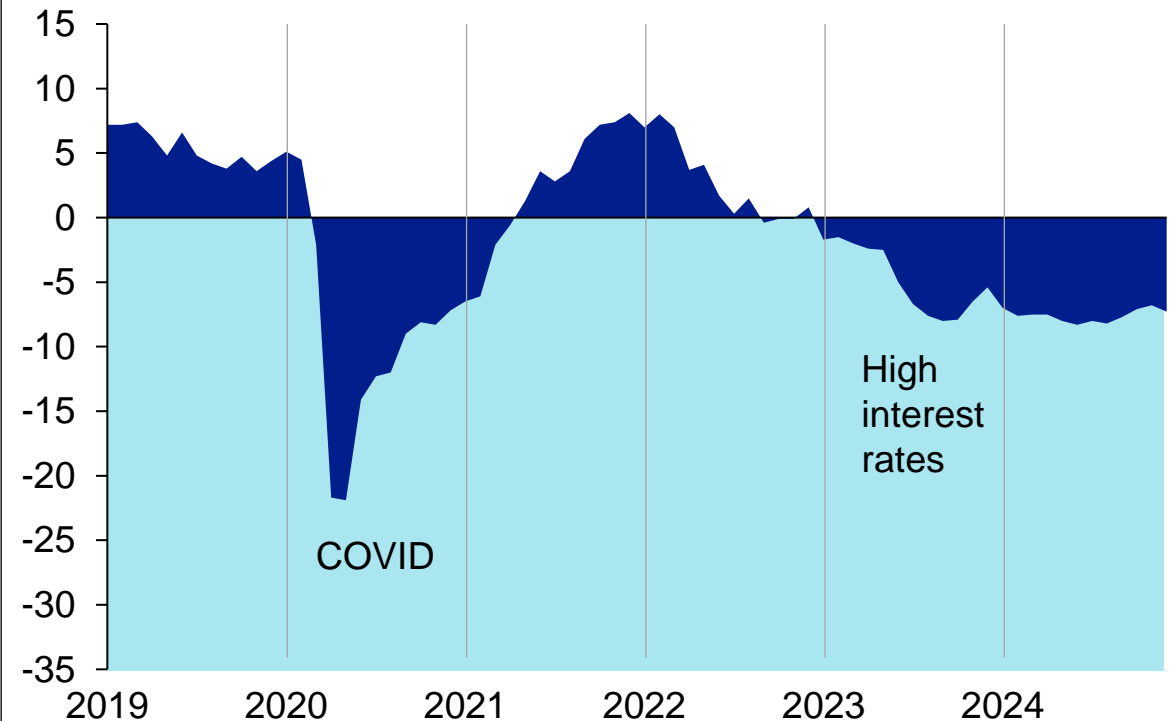
SOURCE: FAO; Customs data; IMF World Economic Outlook October 2024

With falling interest rates, confidence in the EU construction sector should start to improve

European interest rates (MRO¹); Percent



EU Construction Confidence Indicator; Index¹

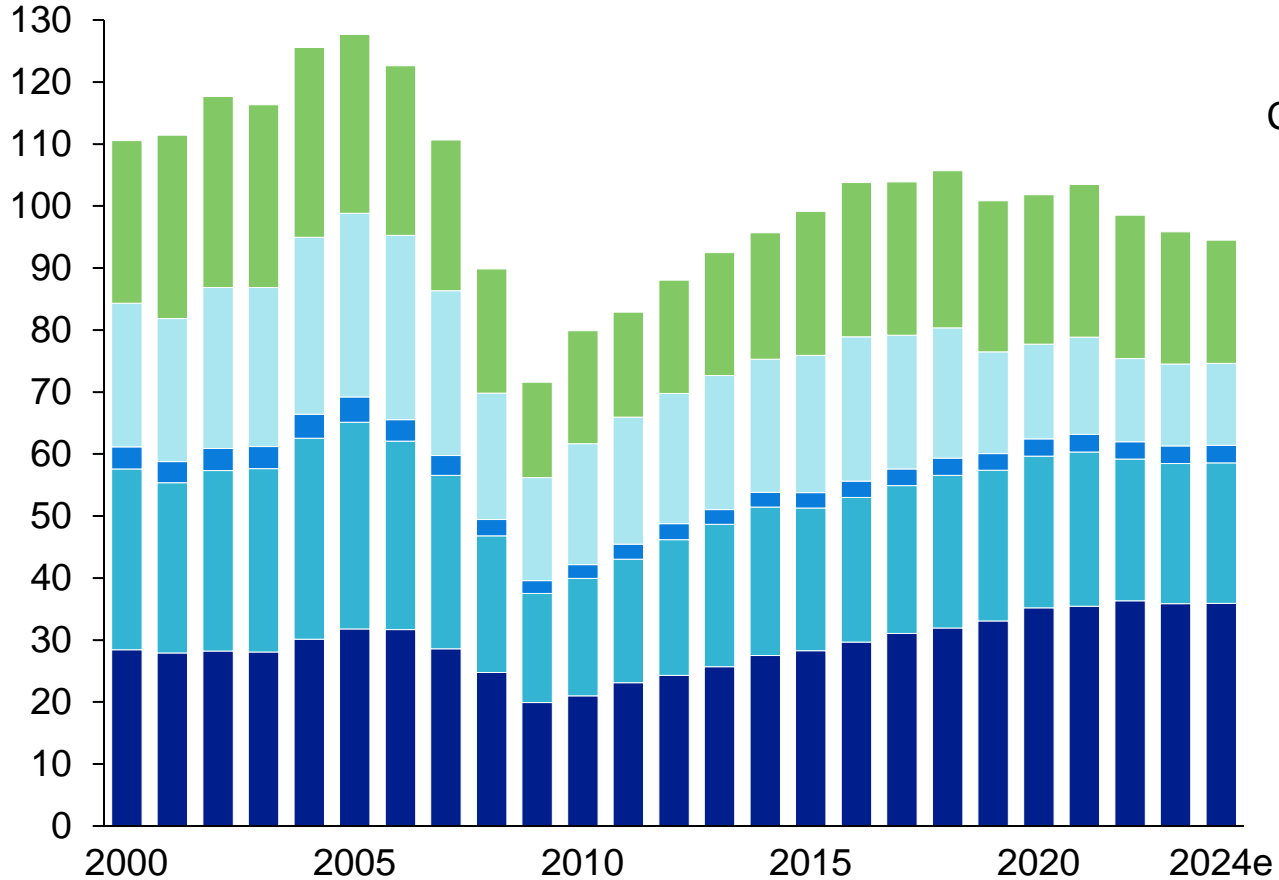


Confidence in the EU construction sector in 2023-24 was at the lowest point since during COVID in 2020-21. War led to cost inflation and higher interest rates to combat. This increased the cost of borrowing and reduced investment in construction. But in late 2024, with falling interest rates, confidence has started to improve, especially in the subsegment construction of buildings.

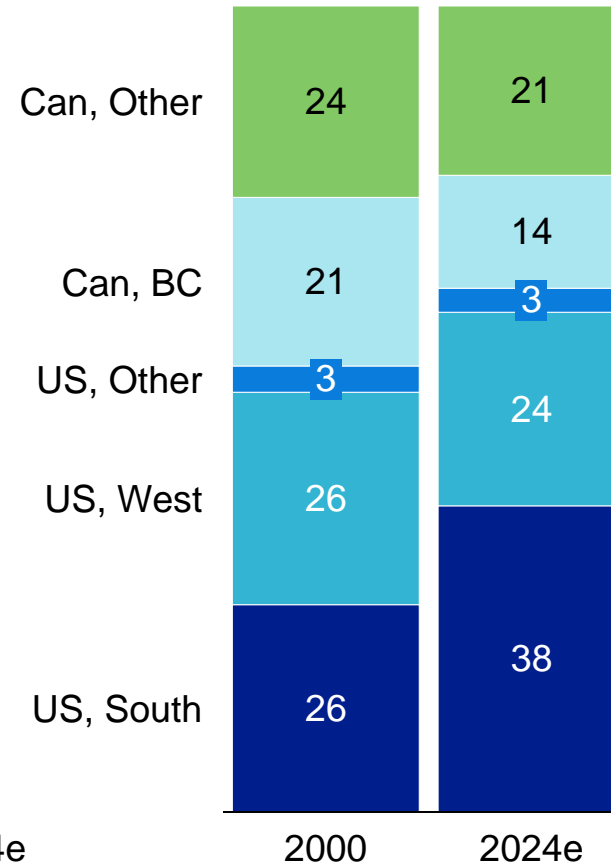
1. 0 = balanced sentiment, <0 = net negative sentiment, >0 = net positive sentiment. Aggregate of 5 questions regarding activity in last 3 months, order books, employment and price expectations in next 3 months

US Southeast lumber production is growing, but European imports will be needed when demand recovers

North American softwood lumber production; Million m³



Regional share; Percent



The US South softwood lumber industry is growing strongly, to 38% of NthAm production.

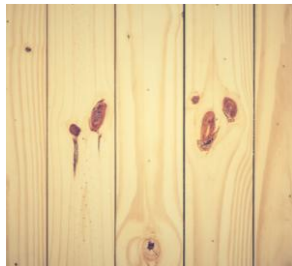
But growth is not enough to offset declines in Canada and US West.

When US demand recovers, more European imports will be needed.

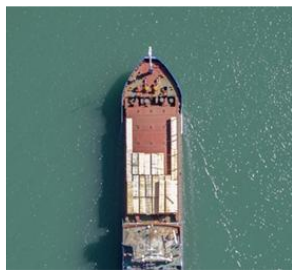
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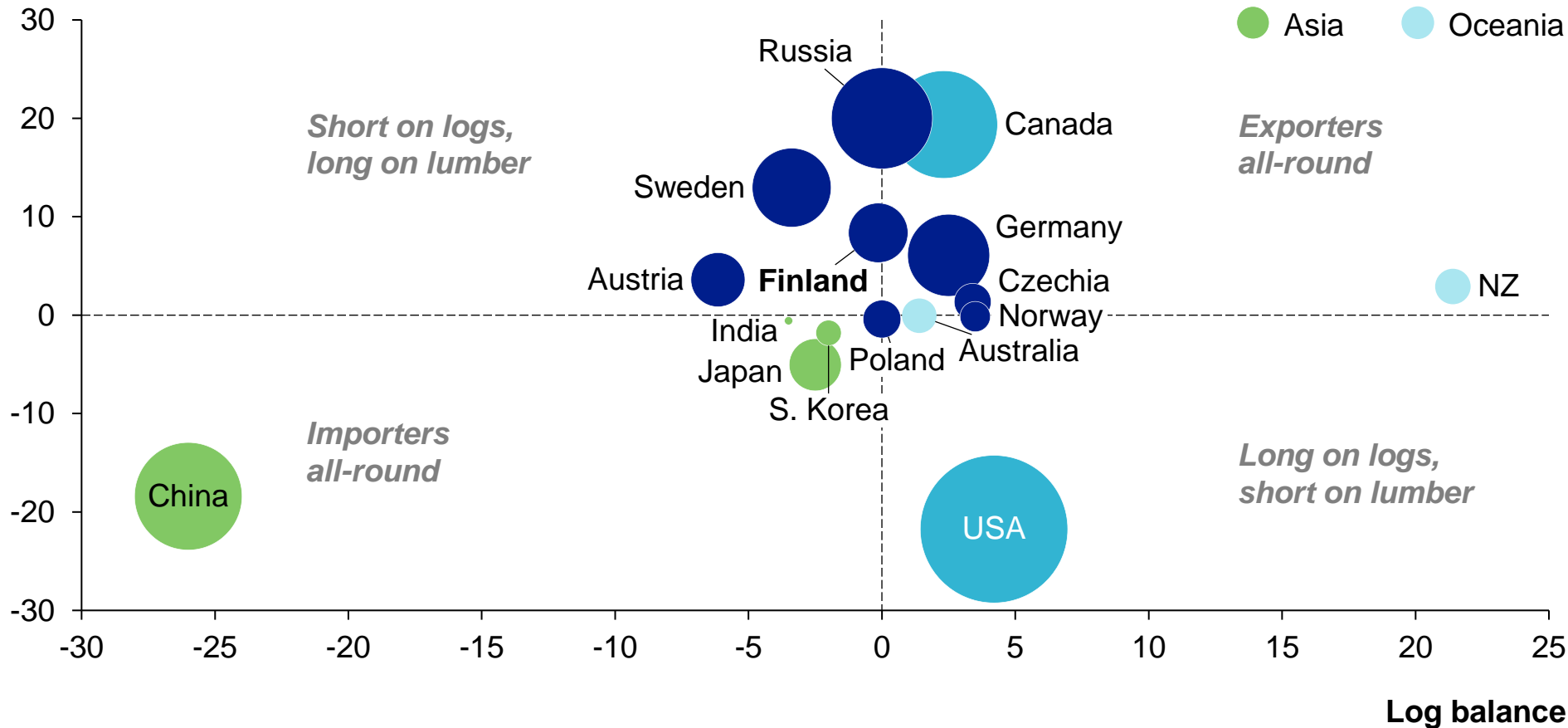


3. International trade and pricing

Finland's softwood log trade is in balance, but the country is still impacted by international log markets

Softwood log & lumber trade balance by region, 2024e; Million m³

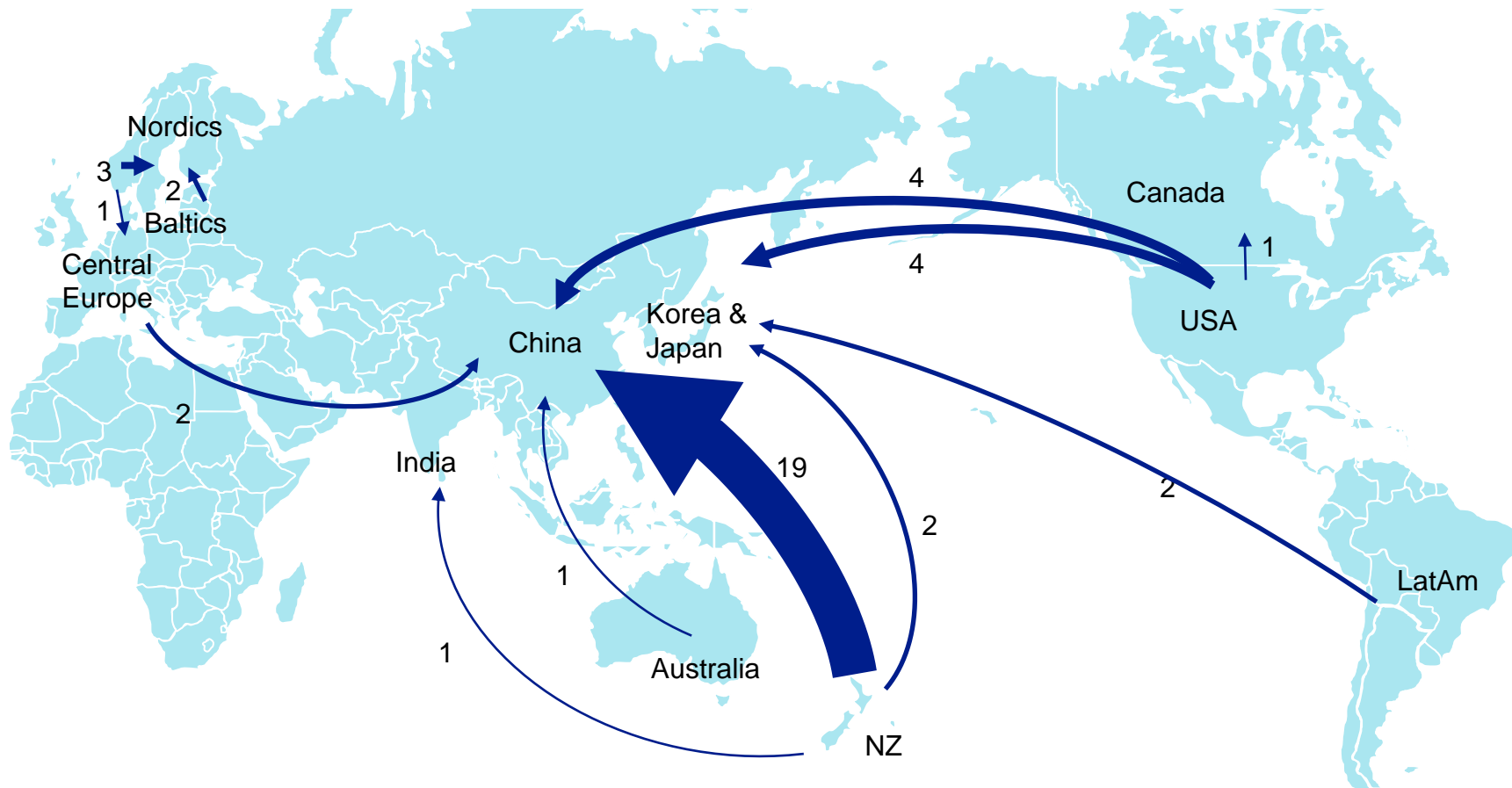
Lumber balance



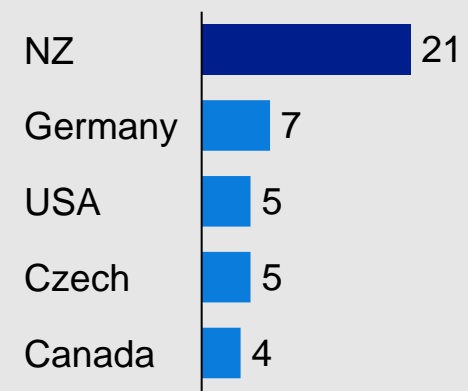
- Finland and Russia export lumber, but in balance on logs
- Sweden and Austria are long on lumber, short on logs
- China is a large importer of both logs and lumber
- USA long on logs but short on lumber
- Canada, Germany and NZ long on logs and lumber

Softwood log trade is dominated by New Zealand export to China

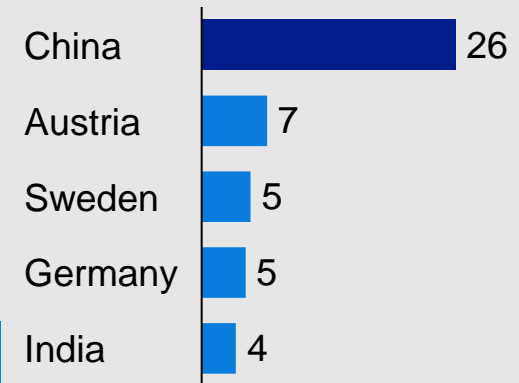
Global trade-flows 2024e – Softwood logs; Million m³



Largest exporters



Largest importers

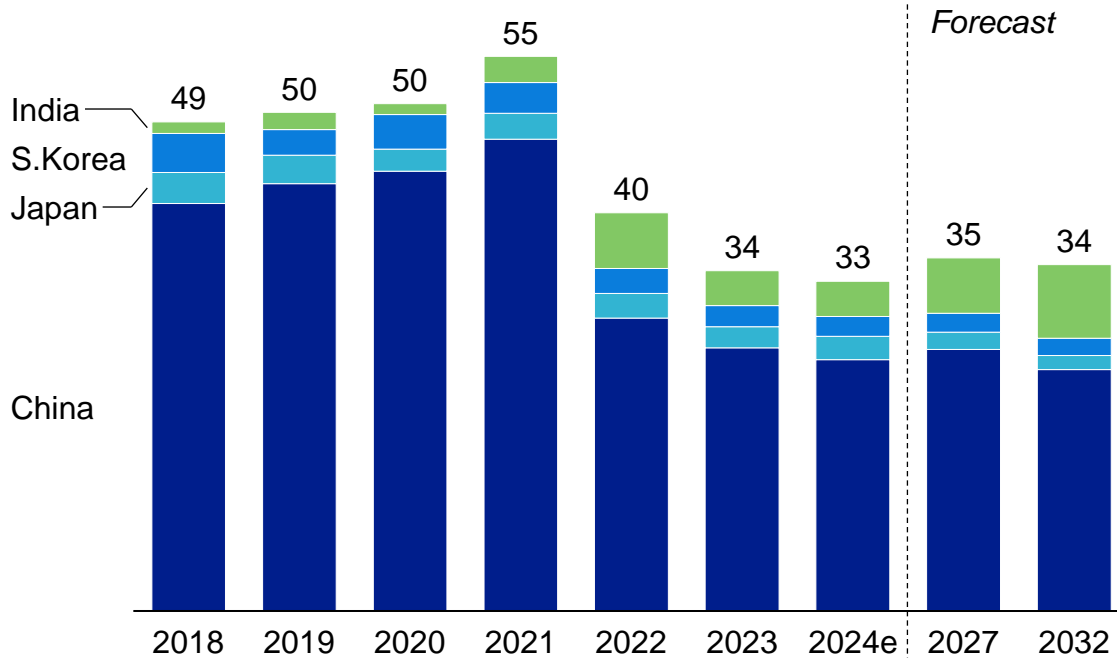


Europe's export to Asia peaked at ~12 million m³ in 2021, at height of bark beetle outbreak. Intra-European trade includes Norway to Sweden and Germany, Baltics to Nordics.

SOURCE: Customs data; O'Kelly Acumen

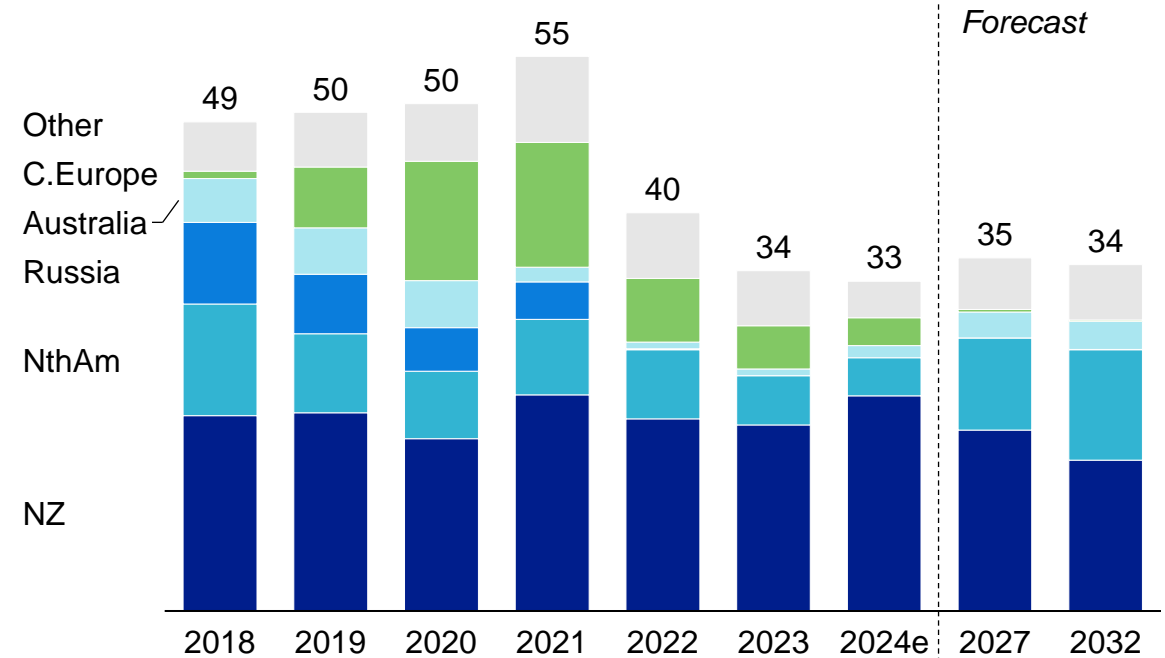
We expect lower demand in Asia, and the US filling lost NZ supply

Softwood log *imports* to major Asian markets¹



Weaker demand in China with construction crisis.
Steady structural decline in Japan and South Korea demand.
India growing but far behind China.

Softwood log *exports* to major Asian markets¹

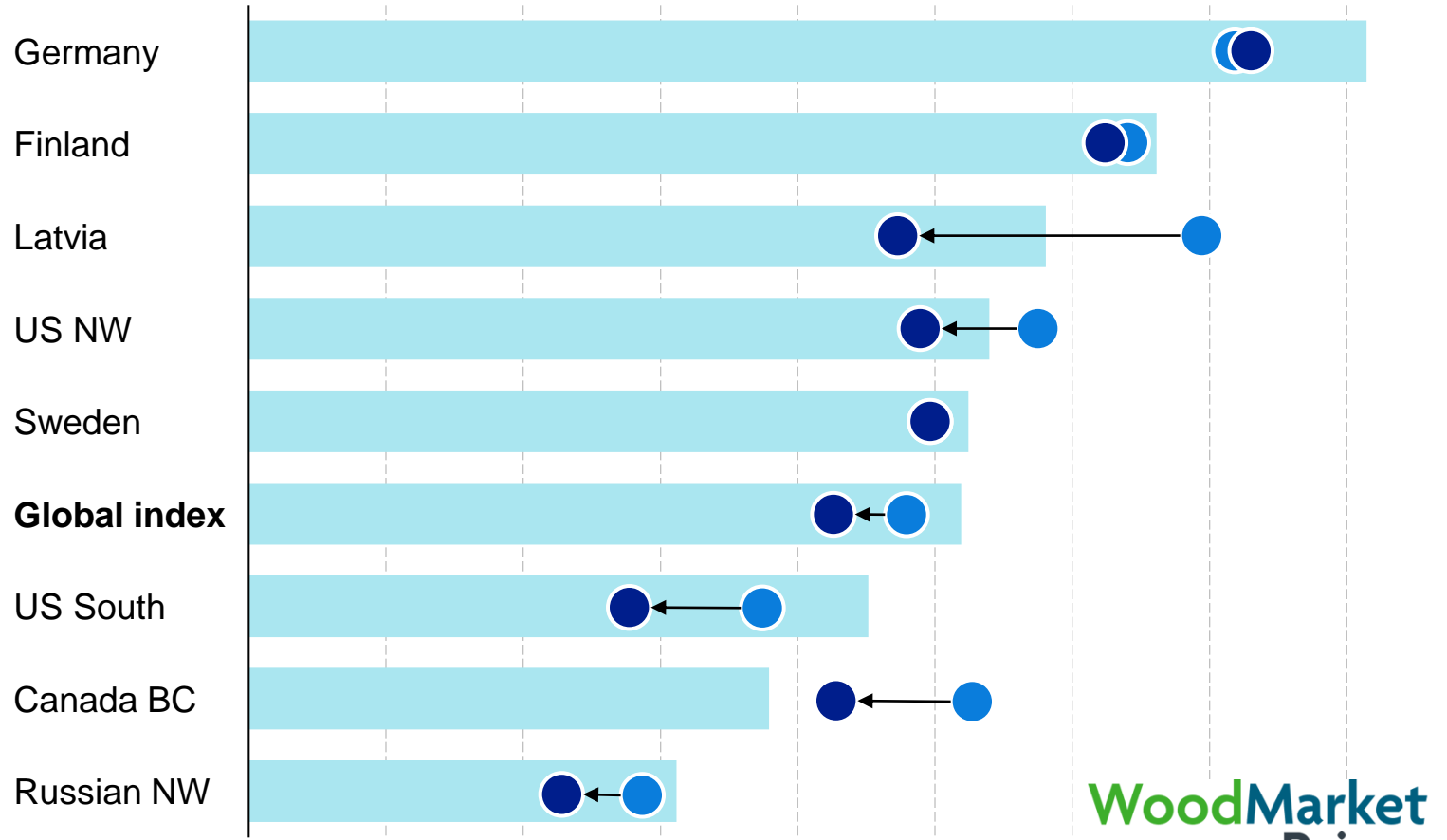


NZ export falling with harvests. Australia small growth.
Russian log export banned. European bark volumes over.
NthAm (esp. US South) main region that can export more.

1. China, India, Japan, South Korea

Downward price correction for sawlogs since 2021, but not everywhere

Softwood sawlog prices¹; USD / m³ Average 2000-24 2024 ← 2021



Downward correction since 2021 in most regions, due to weaker demand

Prices now below long-run average (real terms)

But barely any decline in Germany, Finland, Sweden

Supply constraints when demand improves:

- Bark beetle aftermath
- Russia trade restrictions
- BC harvest restrictions
- Lower plantation supply in Southern hemisphere.

WoodMarket Prices

1. Delivered mill gate, in real (2024\$) terms, i.e. accounting for inflation

We expect tighter softwood log markets ahead

■ Tight ■ Balanced ■ Soft

Global softwood roundwood market outlook (balance) 2025-30

	Europe (EU)	North America	Asia-Pacific	Oceania	Latin America
Sawlogs	<p>Eventual lumber market recovery</p> <p>Post bark beetle</p> <p>EU forest policy</p>	<p>Lumber market recovery</p> <p>Additional supply potential (US Sth)</p>	<p>Demand recovery (to lower level)</p> <p>Less supply from NZ, Europe</p>	<p>Lower harvest due age structure</p> <p>Continued surplus</p> <p>Stronger Asia export competition</p>	<p>Lower export (less supply, more local demand)</p>
Pulpwood	<p>Expansion of pulp capacity in Nordics</p> <p>Shift from HW to SW pulp</p> <p>Energy demand</p>	<p>Growth in sawmill residue supply (US Sth)</p>	<p>Pulp expansion</p> <p>Limited local supply</p> <p>Trade restrictions (Russia logs, China RCP)</p>	<p>Lower harvest</p>	<p>No major plantation or pulp expansion</p>
Things to watch for	<ul style="list-style-type: none"> • Carbon forestry • Energy prices • EUDR 	<ul style="list-style-type: none"> • Trump tariffs and deportations • Housing starts • US South expansion 	<ul style="list-style-type: none"> • Chinese housing crisis • NZ peak export 	<ul style="list-style-type: none"> • Afforestation for carbon credits 	<ul style="list-style-type: none"> • Afforestation for carbon credits

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