Presentation

Global softwood log market outlook

Global supply, demand, and trade

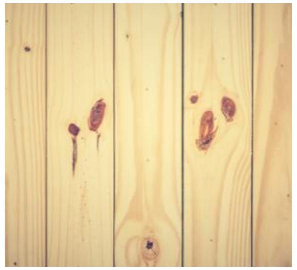
AT Viken Market Seminar 2025

Sunvolden, 8 April 2025

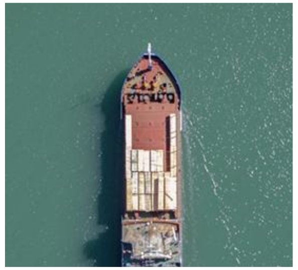
O’Kelly Acumen

Agenda

1. **Softwood supply**



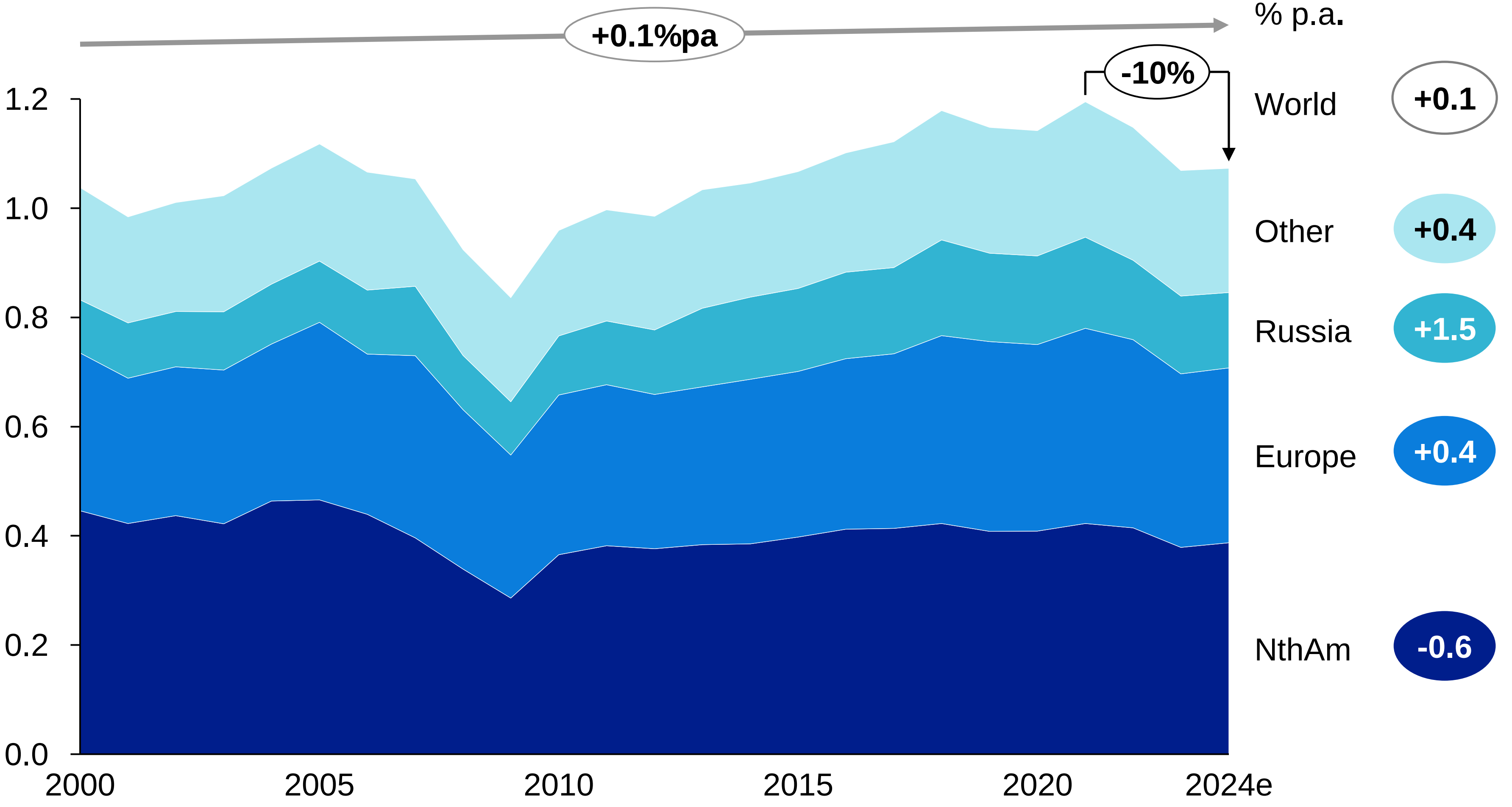
2. Softwood demand



3. International trade and pricing

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

Global softwood roundwood supply; Billion m³



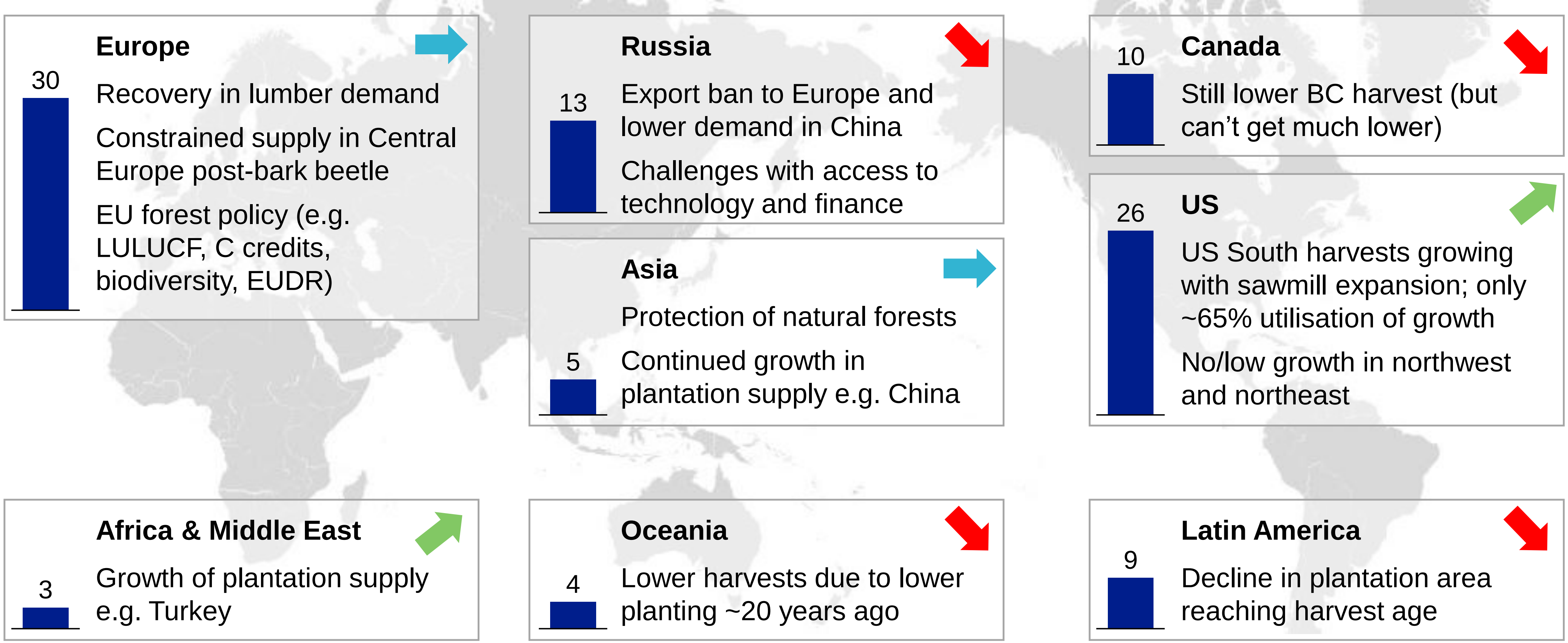
- Global supply 1.1 billion m³
- No/slow growth (0.1%p.a. 2000-24)
- North America declining, mainly Canada (BC)
- Europe had strong growth over last decade (demand + forest damage)
- Decline in 2023-24 due to demand (high interest rates) and Russia contraction.

SOURCE: FAOSTAT; UNECE; O'Kelly Acumen

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

Global supply of softwood industrial roundwood, 2024e; Percent (100% = 1.1 billion m^3)

⇨ Outlook to 2030



Europe ➡

- Recovery in lumber demand
- Constrained supply in Central Europe post-bark beetle
- EU forest policy (e.g. LULUCF, C credits, biodiversity, EUDR)

Russia ↘

- Export ban to Europe and lower demand in China
- Challenges with access to technology and finance

Canada ↘

- Still lower BC harvest (but can't get much lower)

Asia ➡

- Protection of natural forests
- Continued growth in plantation supply e.g. China

US ↗

- US South harvests growing with sawmill expansion; only ~65% utilisation of growth
- No/low growth in northwest and northeast

Africa & Middle East ↗

- Growth of plantation supply e.g. Turkey

Oceania ↘

- Lower harvests due to lower planting ~20 years ago

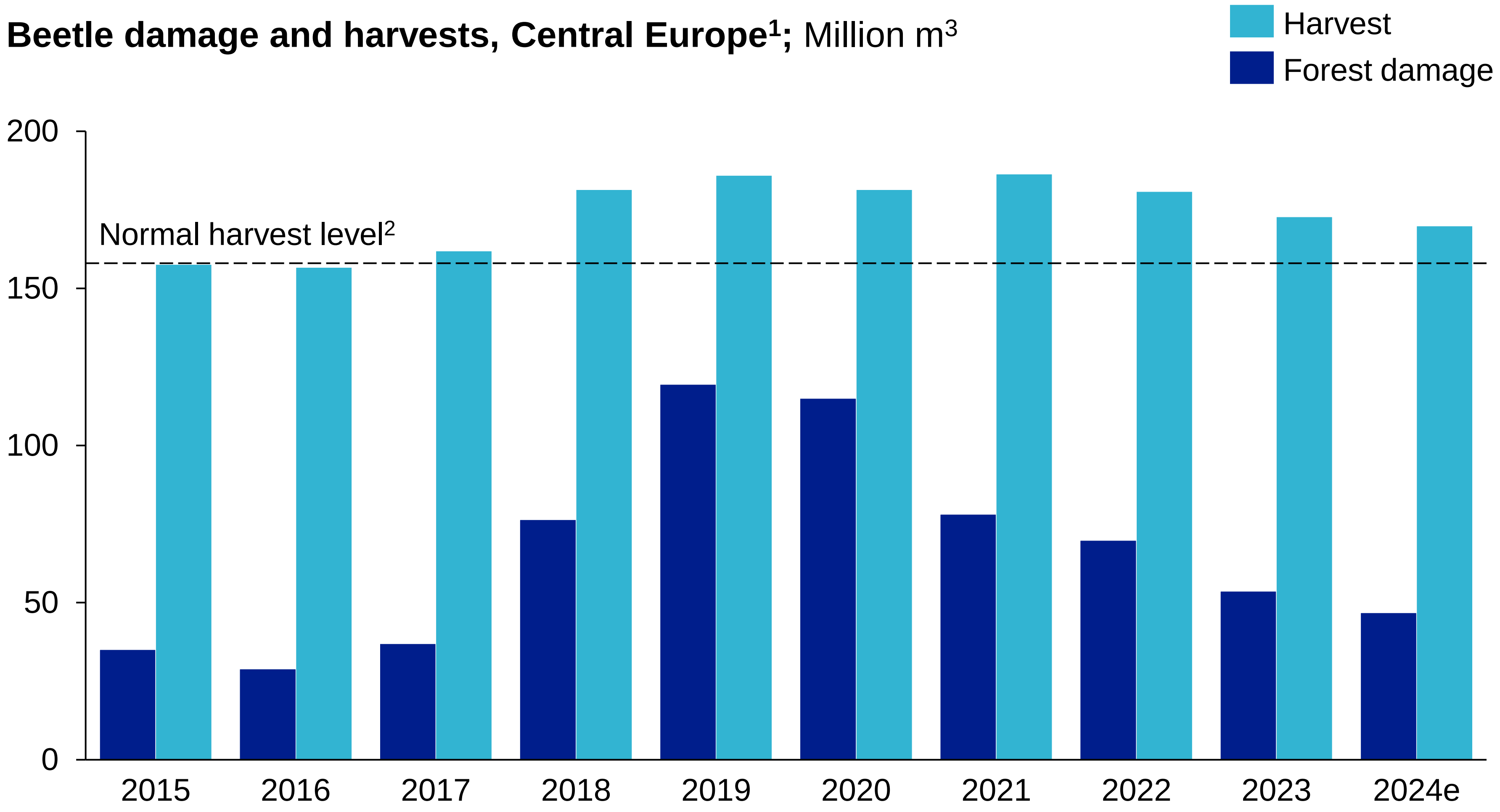
Latin America ↘

- Decline in plantation area reaching harvest age

SOURCE: FAOSTAT; UNECE; O'Kelly Acumen

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

**Beetle damage and harvests, Central Europe[1]; **Million m^3



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

Central European harvests rose from 158 to 183 mln m^3/yr in 2010-17 vs. 2018-21.

Increase of 25 mln m^3/yr due to bark-beetle salvage and strong sawn markets.

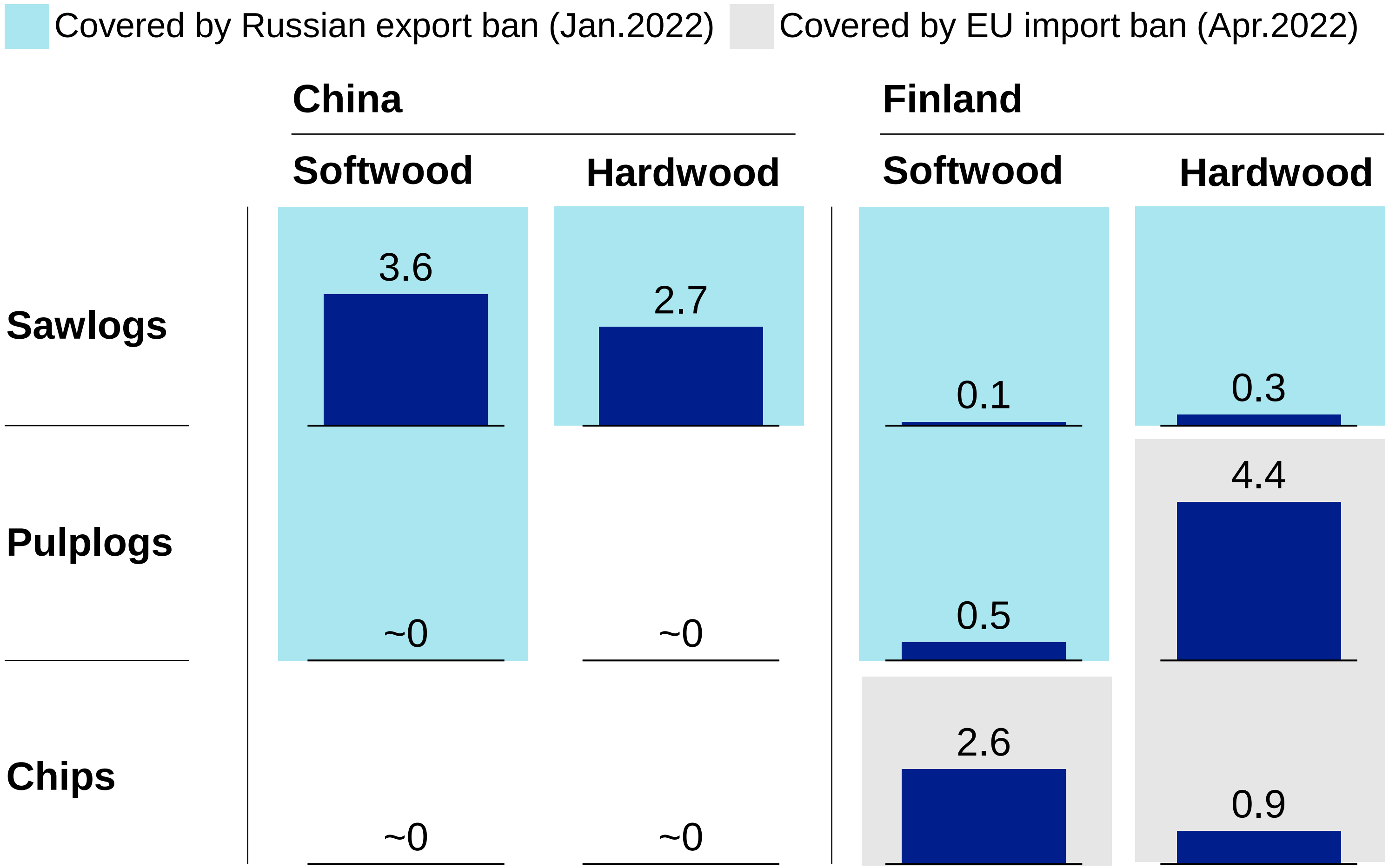
Beetle damage peaked in 2019/20, now falling, with less at-risk forests remaining.

Harvest fell in 2022-24 with less salvage and weaker lumber markets.

SOURCE: UNECE; Holzkurier; O'Kelly Acumen

All Russian log and chip export to Europe is now restricted

Imported wood from Russia, before bans (2021); Million m^3

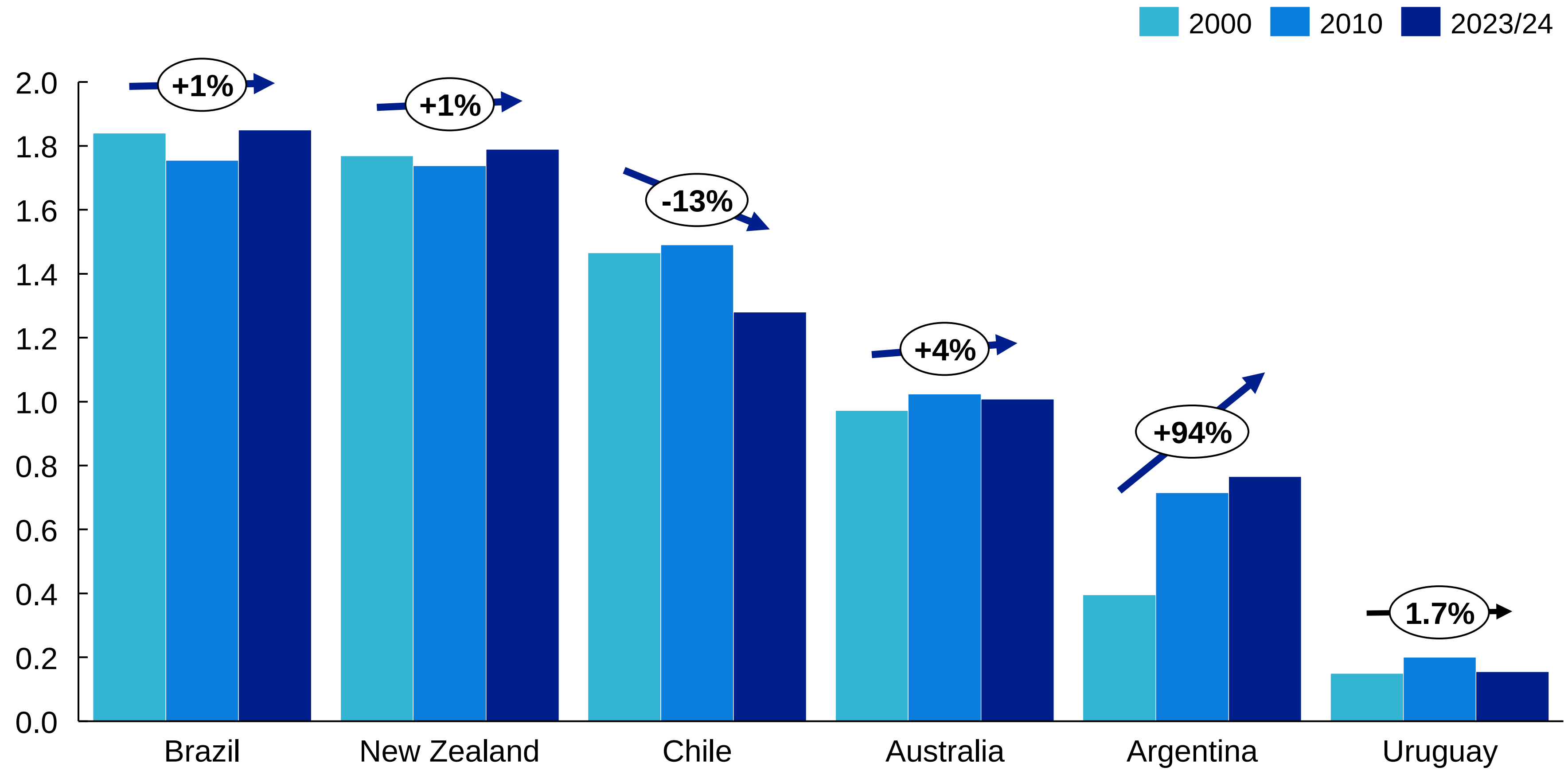


- **Pre-bans (2021)**, Russian logs were important for Finland and China
  - **Finland**: 85% of hardwood log import and 80% of chip (30% and 25% of consumption).
  - **China**: 10% of softwood log import and 30% of hardwood
- **From Jan. 2022**, Russia banned export of softwood logs and high-value hardwood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

SOURCE: Customs data; O'Kelly Acumen / ResourceWise analysis

Softwood plantation area in Southern Hemisphere is not growing

Total area of softwood plantations; Million hectares

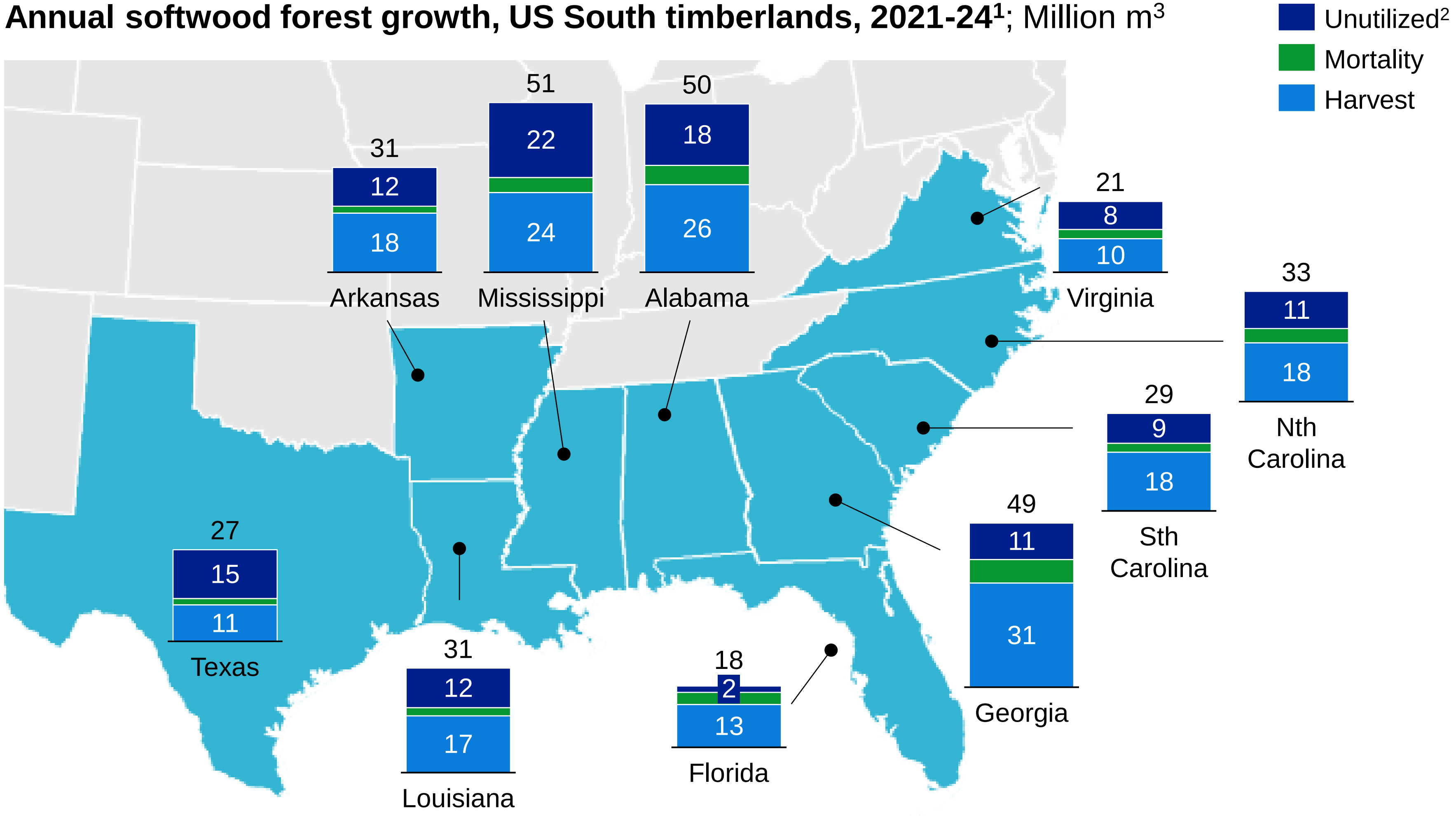


- Softwood plantation area is flat or declining throughout most of the Southern Hemisphere.
- Additional supply potential through productivity gains is gradual, taking place over decades.
- With typical rotation of 20-30 years, softwood log supply from fast-growing plantations is likely to decline over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

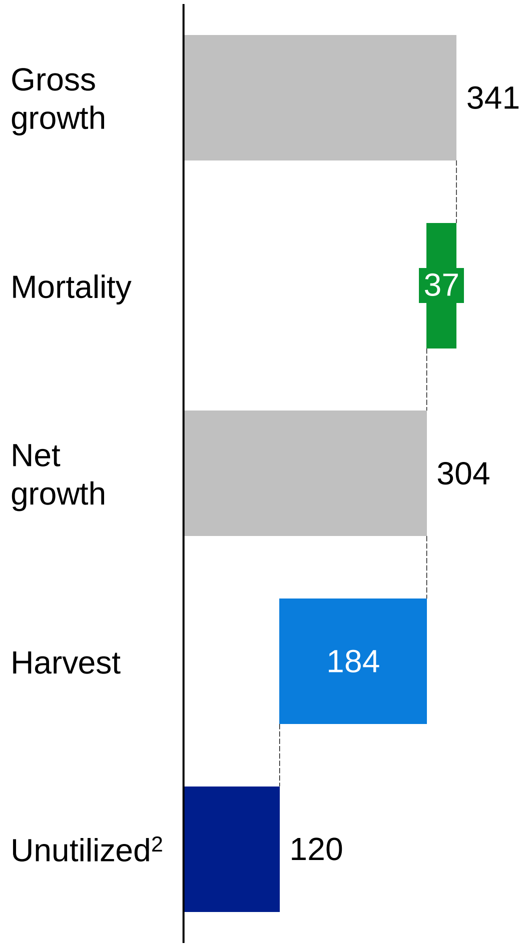
SOURCE: Iba (Brazil); NZ Forest Owners Association; ABARES (Australia); Infor (Chile); MDAGyP (Argentina); New Forests

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

Annual softwood forest growth, US South timberlands, 2021-24[1]; Million m^3



Total across US South



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[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

SOURCE: USDA Forest Service; O'Kelly Acumen

O'Kelly Acumen

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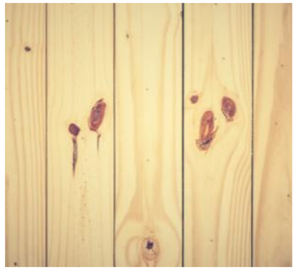
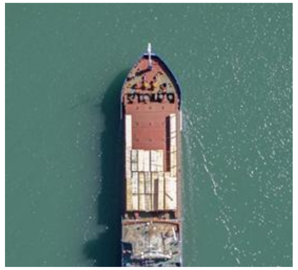
1. Softwood supply



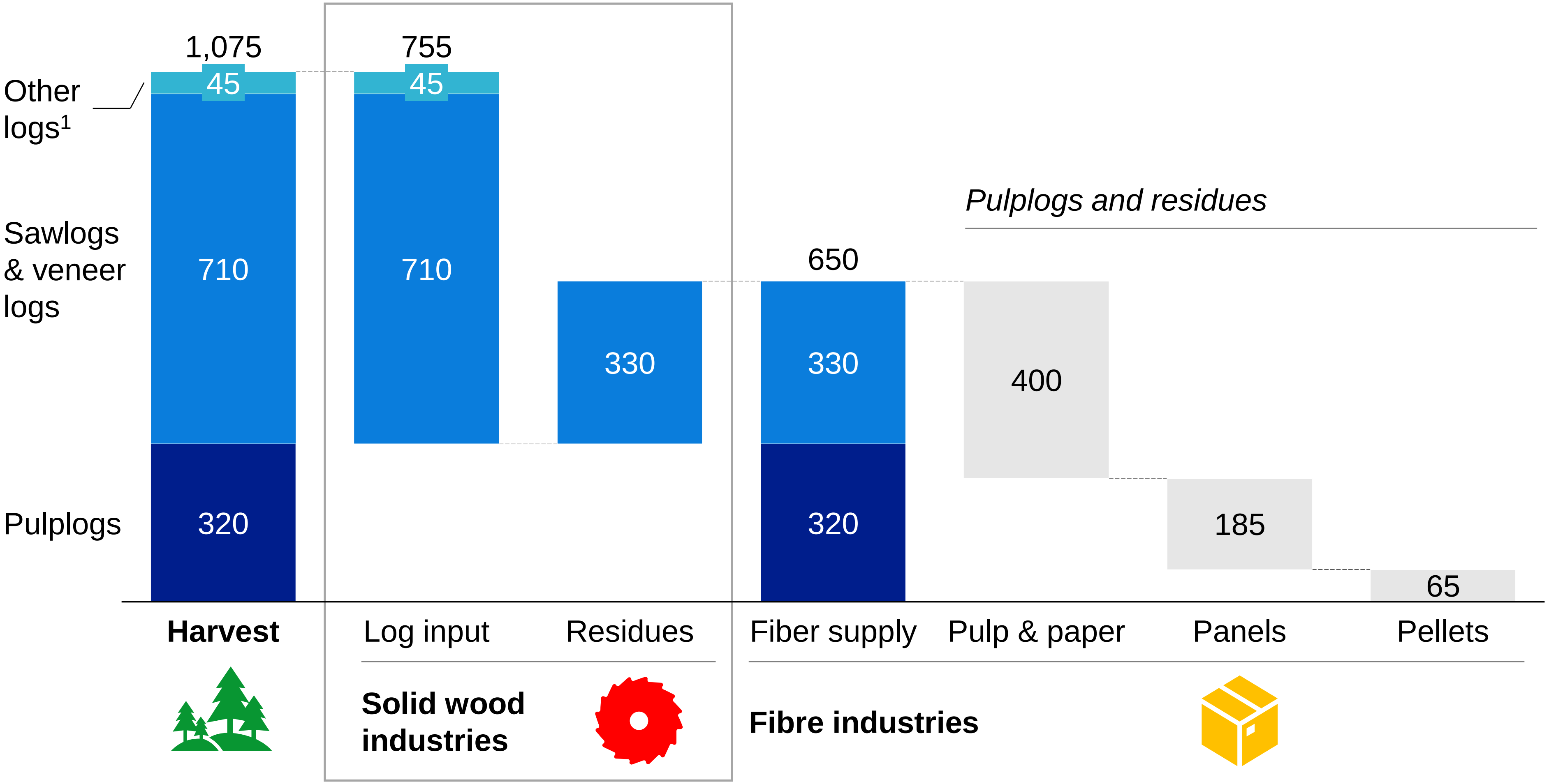
2. **Softwood demand**



3. International trade and pricing

Sawnwood remains the main demand driver for softwood logs

Global softwood industrial roundwood & residue supply-demand, 2023; Million m^3 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 fibre industry raw materials
- Eventually, fibre industries use ~60% of softwood supply.

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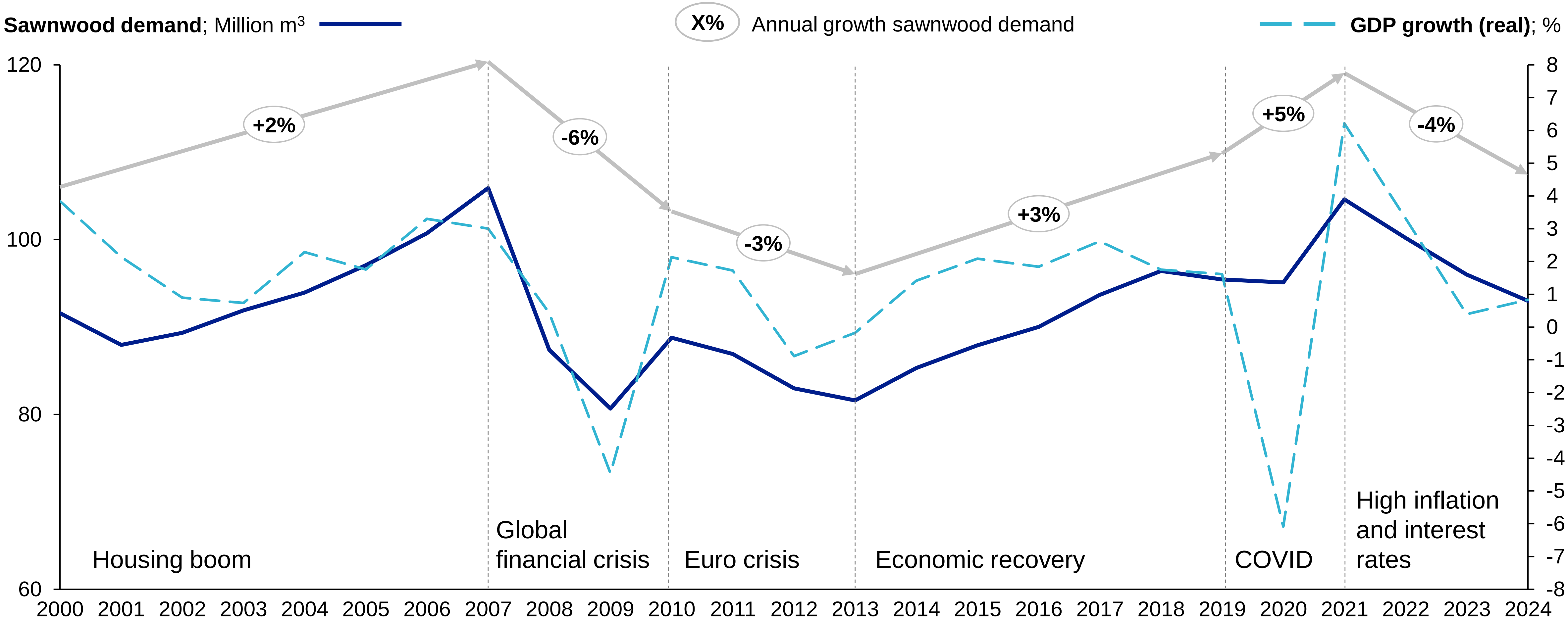
[1] Posts and poles

SOURCE: FAOSTAT; O'Kelly Acumen

European sawnwood demand is in a cyclical low

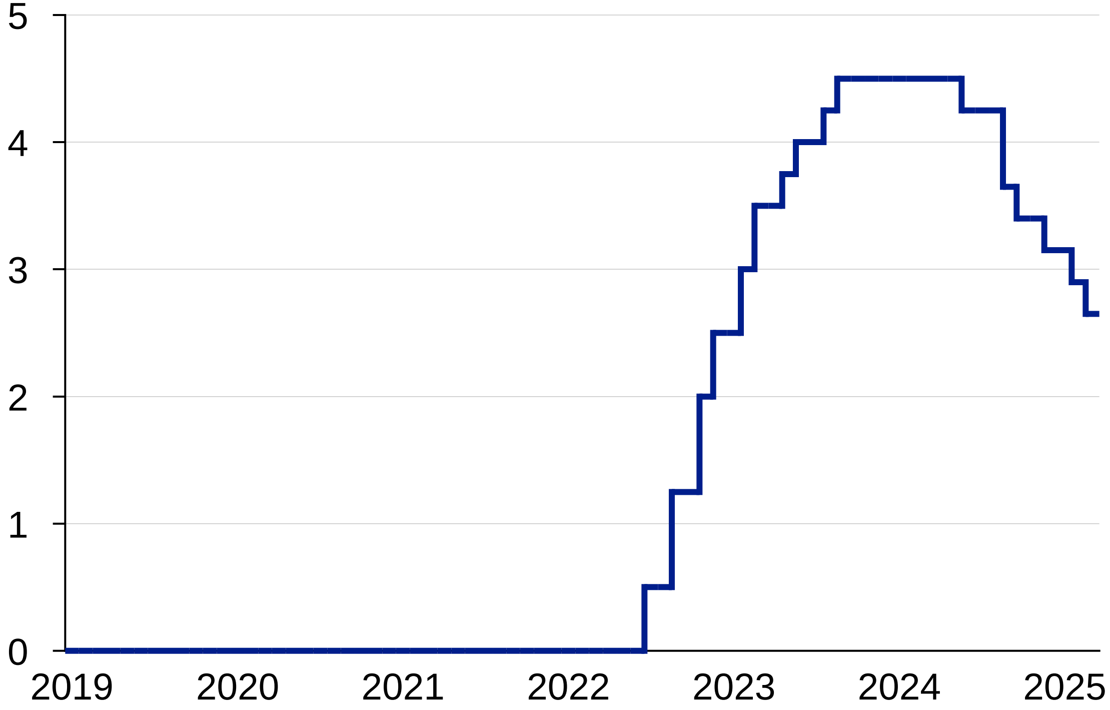
European softwood sawnwood demand development



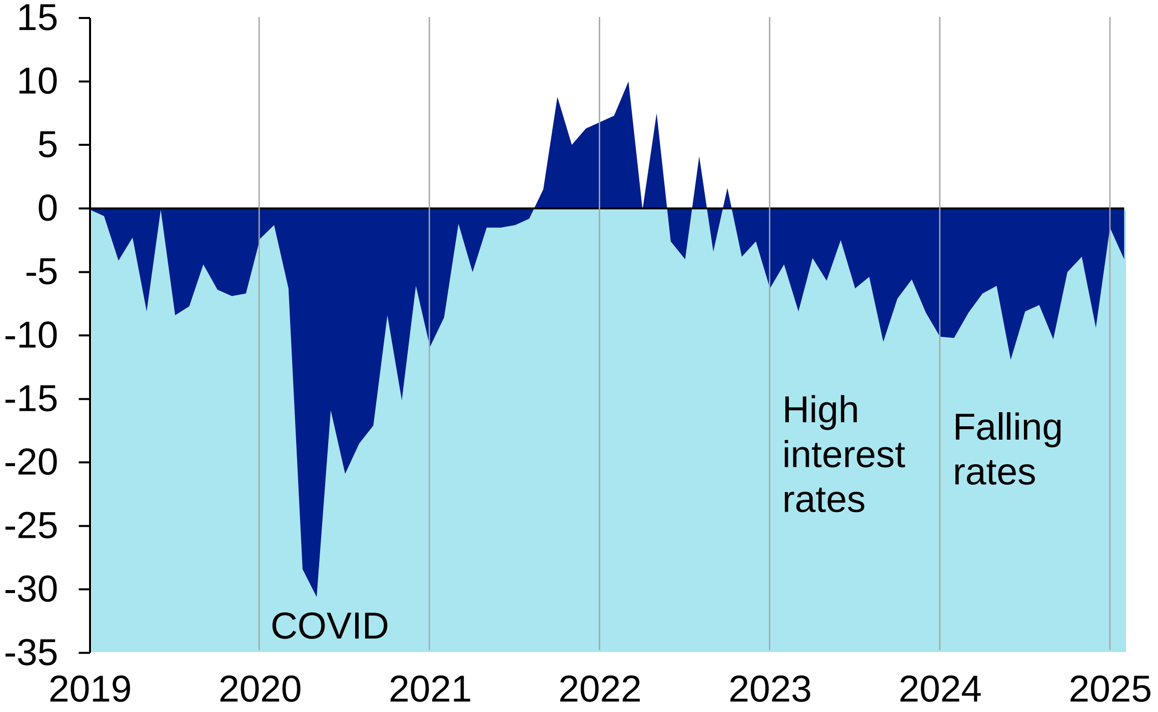
SOURCE: FAO; Customs data; IMF World Economic Outlook October 2024

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

European interest rates (MRO[1]); Percent



EU Construction of Buildings Confidence Indicator; Index[1]



Confidence in EU construction sector in 2023-24 was at its lowest level since the COVID downturn of 2020-21.

War led to inflation and higher interest rates – increased cost of borrowing and reduced investment in construction.

With falling interest rates in 2025, confidence has started to improve, especially in 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

SOURCE: European Commission business and consumer surveys (Feb 2025)

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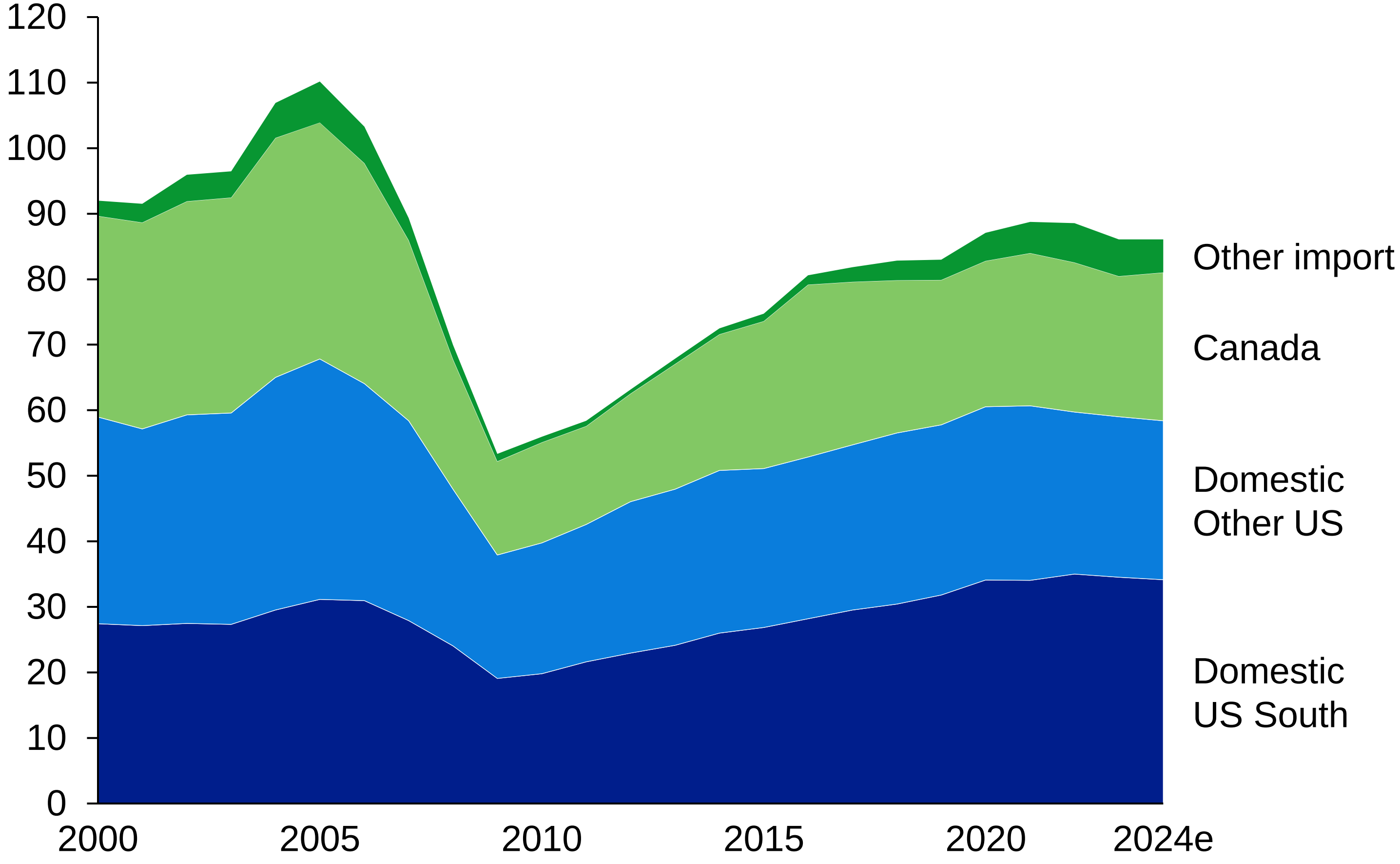
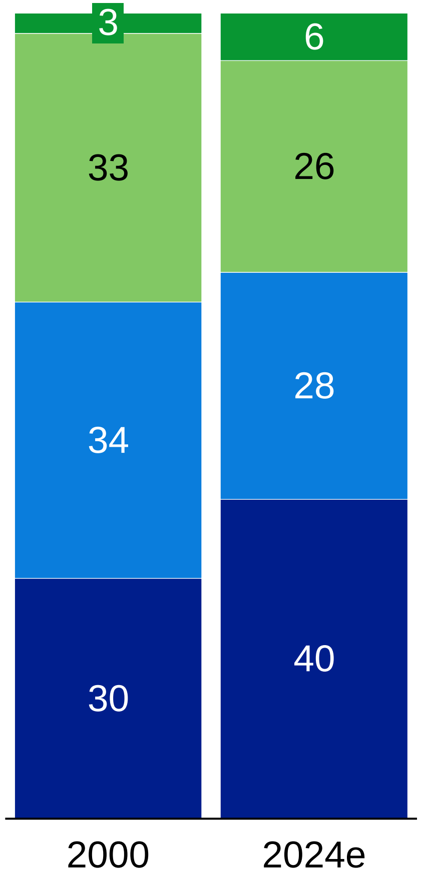
US sawnwood demand outlook uncertain – but clear that it cannot be met by domestic supply alone

United States softwood sawnwood demand by source; Million m^3



Share of supply; Percent

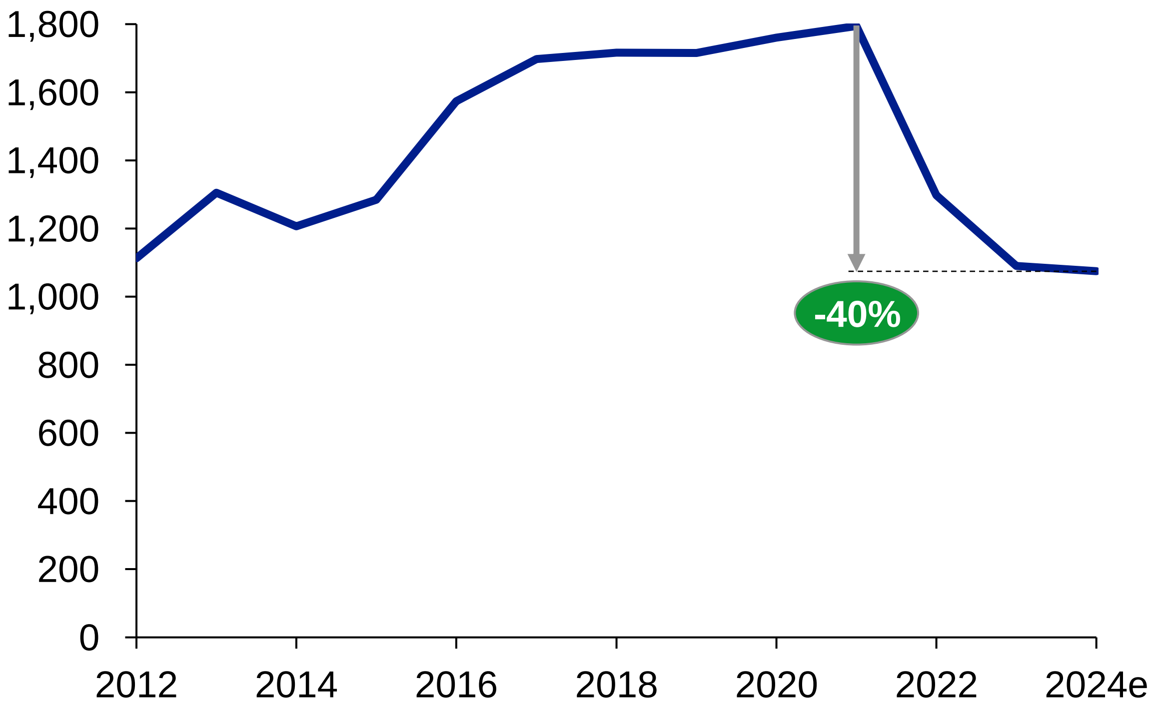


- Growth in US South production, is not enough to offset lower supply from rest of US.
- Canada imports also declining. Europe has been plugging the gap.
- When US demand recovers, more European imports will be needed.

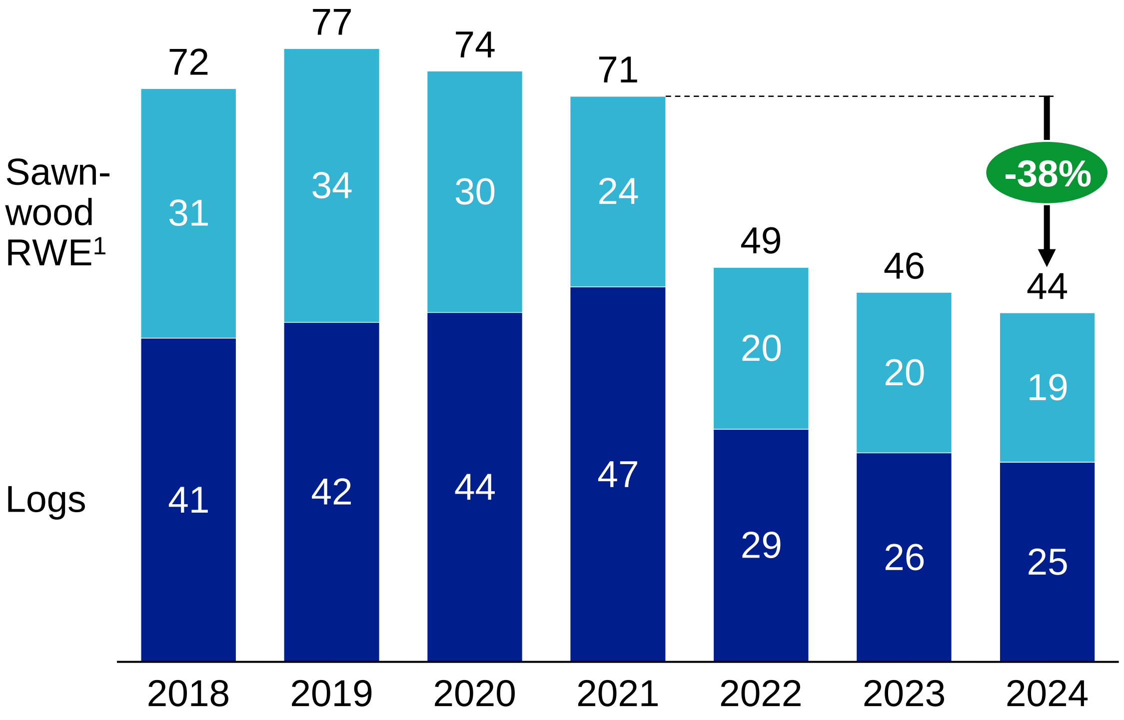
SOURCE: WWP; Russ Taylor; USDA; O'Kelly Acumen

China’s property market in crisis – log and sawnwood imports down

China property sales; Million m² floor space



China softwood log and sawnwood imports; Million m³ RWE[1]



Property sector weak due to recent overbuilding and weak demographics (slower urbanization, aging population).

Log imports have fallen sharply and are not expected to recover due to shift towards import of sawn instead of logs.

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1. Roundwood equivalent assuming 60% sawnwood yield

SOURCE: Statista; Reuters; Customs data; O'Kelly Acumen

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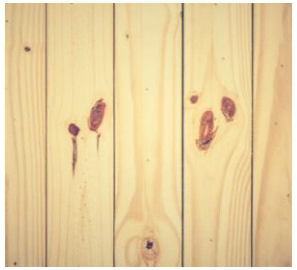

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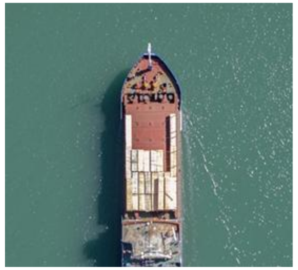
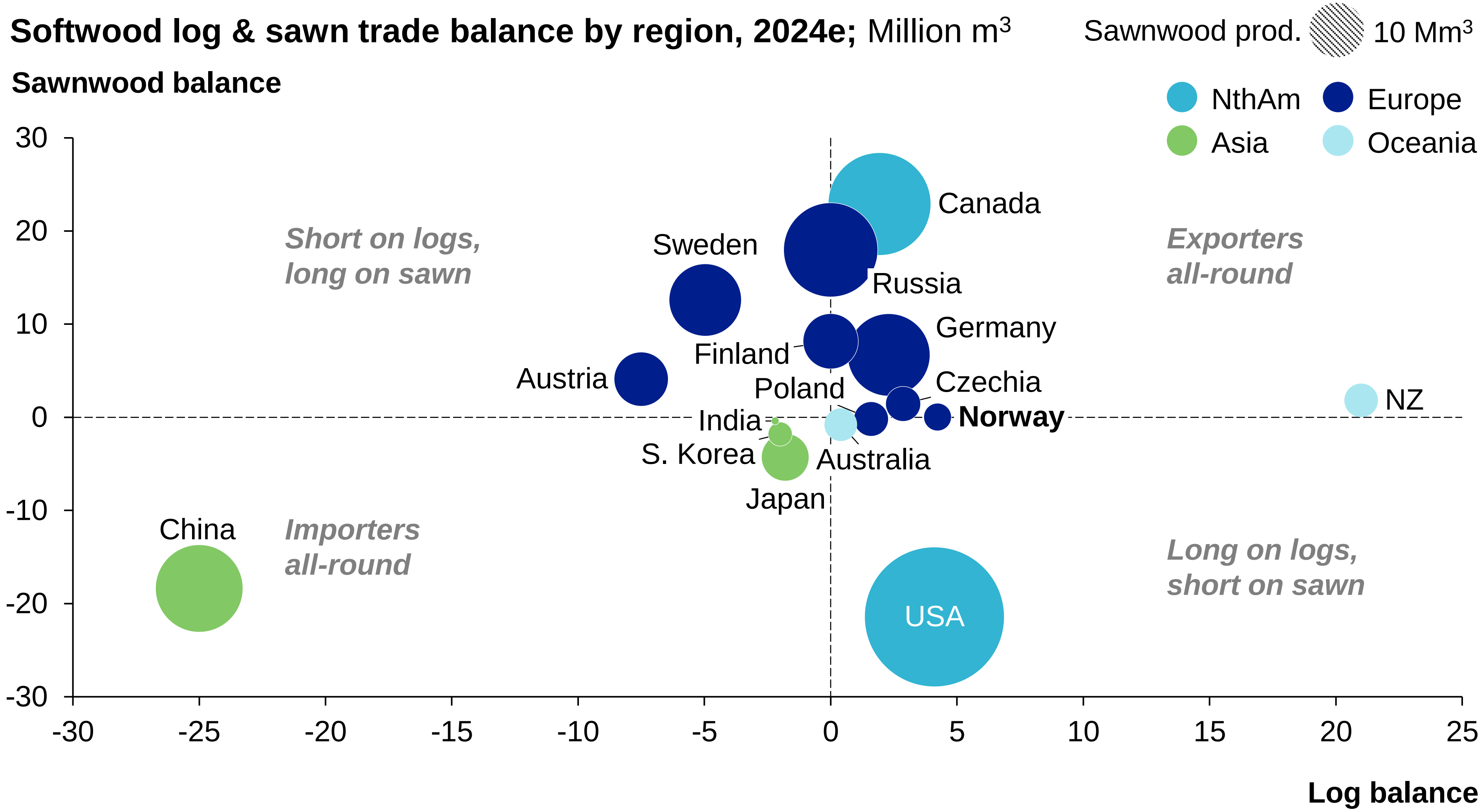


3. **International trade and pricing**

Norway is a net log exporter – Sweden imports sawlogs for an export-oriented sawmill industry

Softwood log & sawn trade balance by region, 2024e; Million m^3

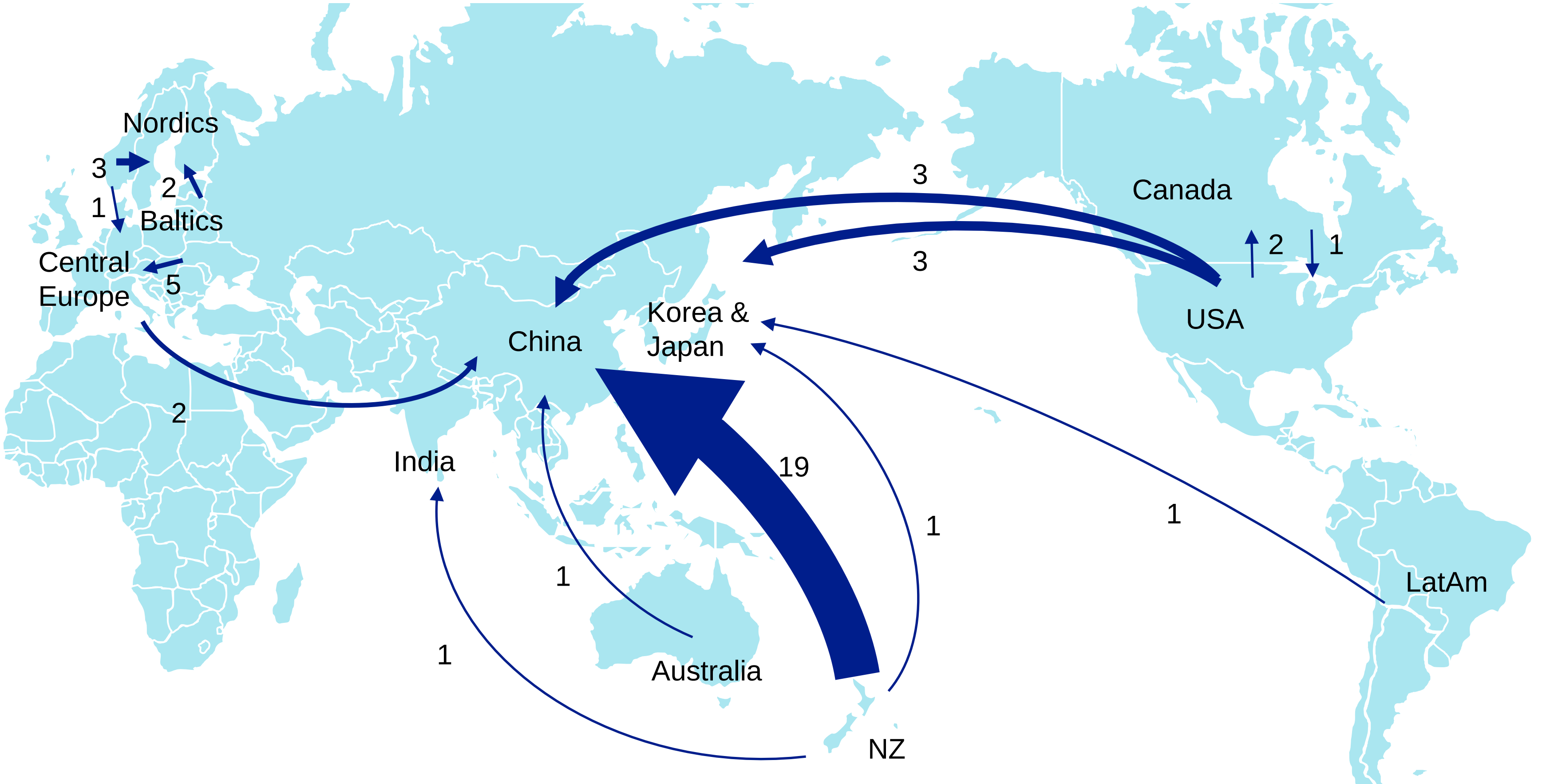


- Finland and Russia export sawnwood, but in balance on logs
- Sweden and Austria are long on sawn, short on logs
- China is a large importer of both logs and sawn
- USA long on logs but short on sawn
- Canada, Germany and NZ long on logs and sawn

SOURCE: Comtrade; UNECE; FAOSTAT; O'Kelly Acumen

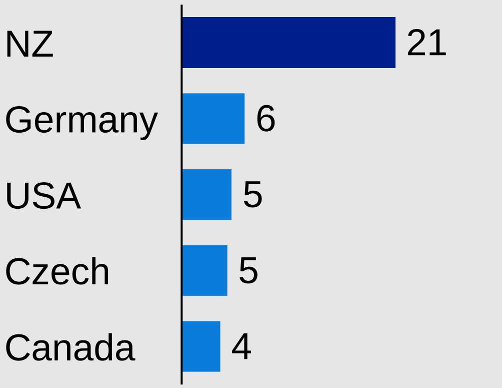
Softwood log trade is dominated by New Zealand export to China

Global trade-flows 2024e – Softwood logs; Million m^3



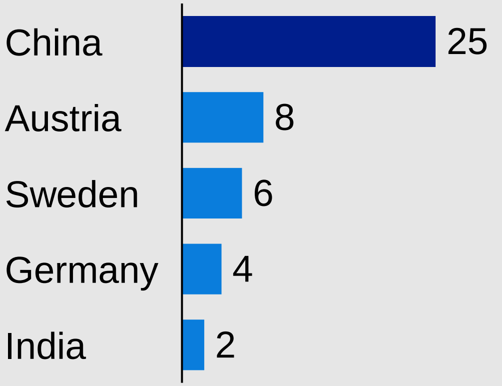
Europe's export to Asia peaked at ~12 million m³ in 2021, at height of bark beetle outbreak. Intra-European trade includes Norway to Sweden and Germany, Baltics to Nordics.

Largest exporters



NZ	21
Germany	6
USA	5
Czech	5
Canada	4

Largest importers

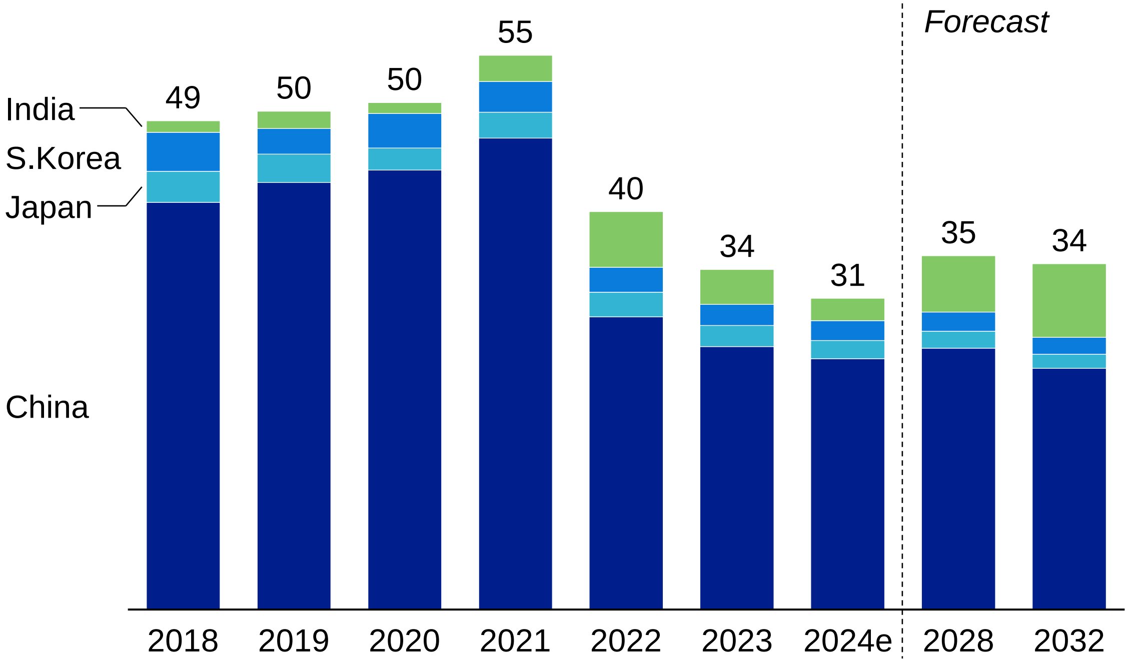


China	25
Austria	8
Sweden	6
Germany	4
India	2

SOURCE: Customs data; O'Kelly Acumen

Asia demand will recovery slowly, and the US replace lost NZ supply

Softwood log *imports* to major Asian markets[1]

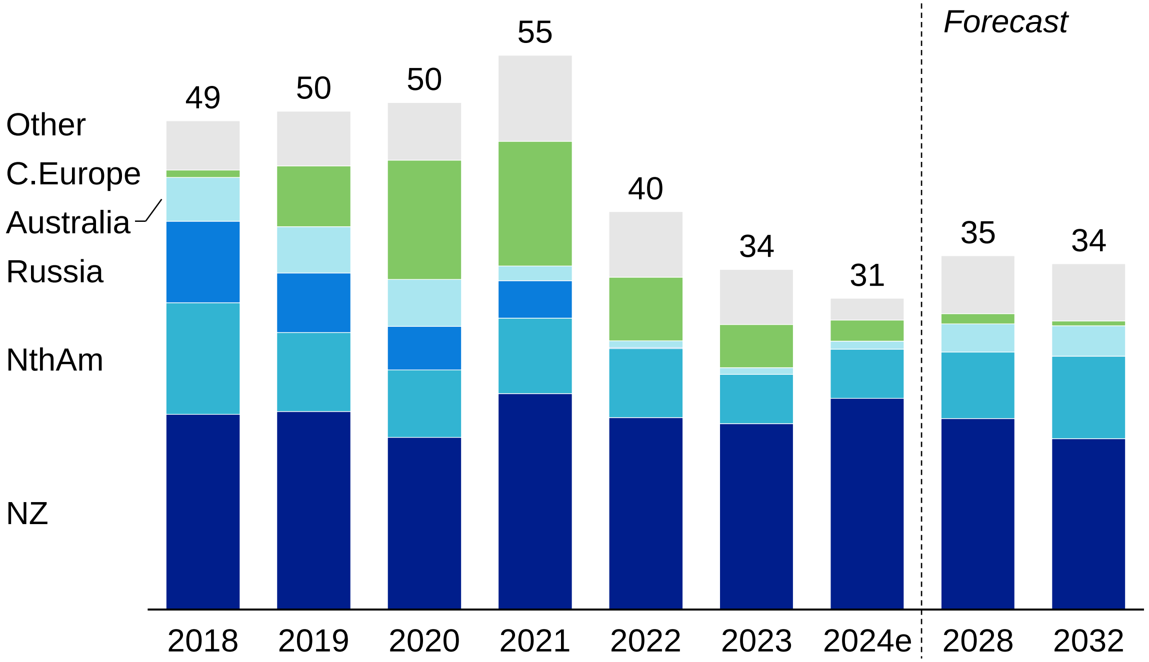


Weaker demand in China with construction crisis.

Steady structural decline in Japan and South Korea.

India growing but far behind China.

Softwood log *exports* to major Asian markets[1]



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.

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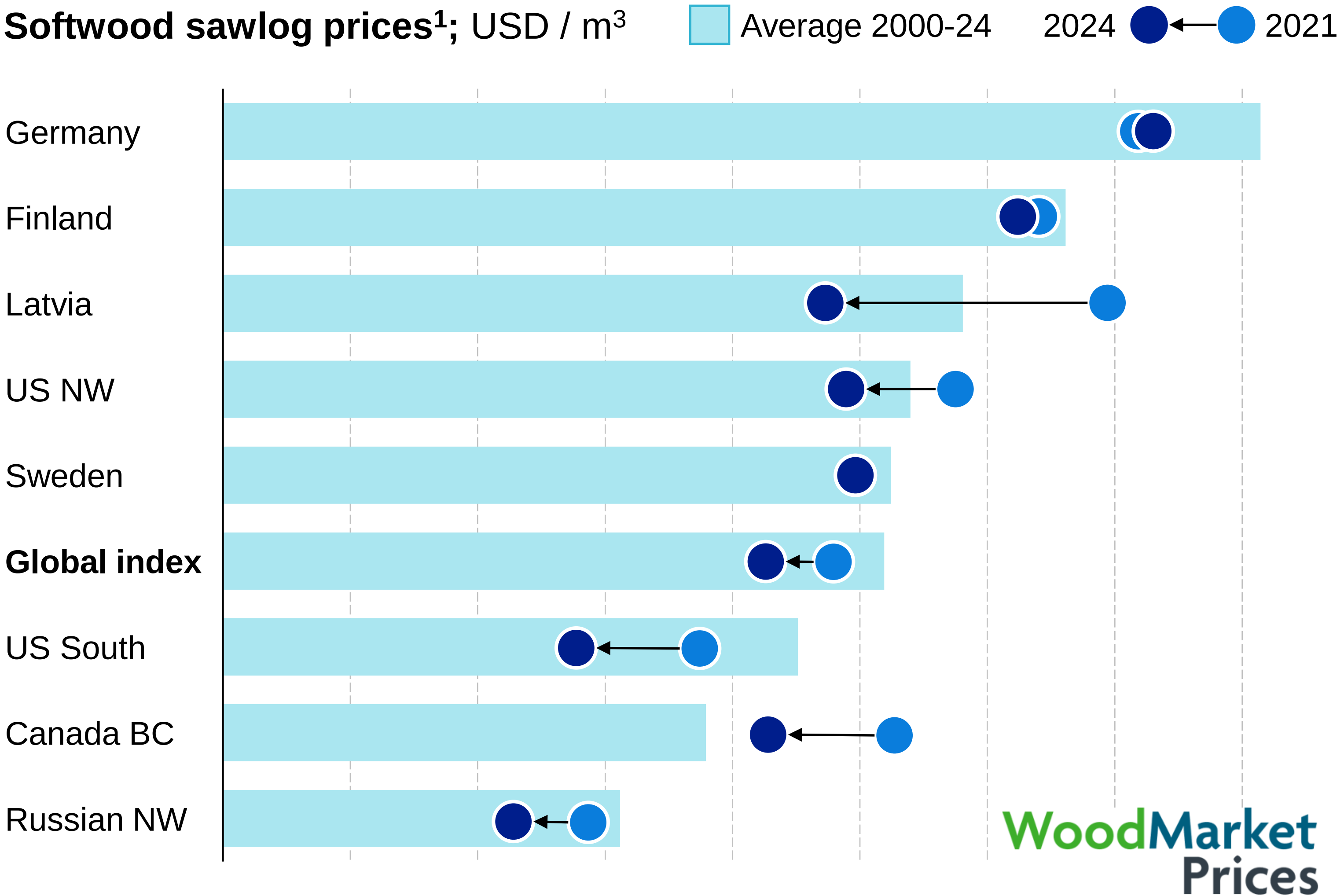
[1] China, India, Japan, South Korea

SOURCE: Customs data; Interviews; O'Kelly Acumen

Downward price correction for sawlogs since 2021 was limited by supply constraints

Softwood sawlog prices[1]**;** USD / m^3



- 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.

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

SOURCE: WoodMarket Prices (ResourceWise)

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We expect tighter European softwood log markets, but with some significant uncertainties

European softwood log market outlook (balance) 2025-30

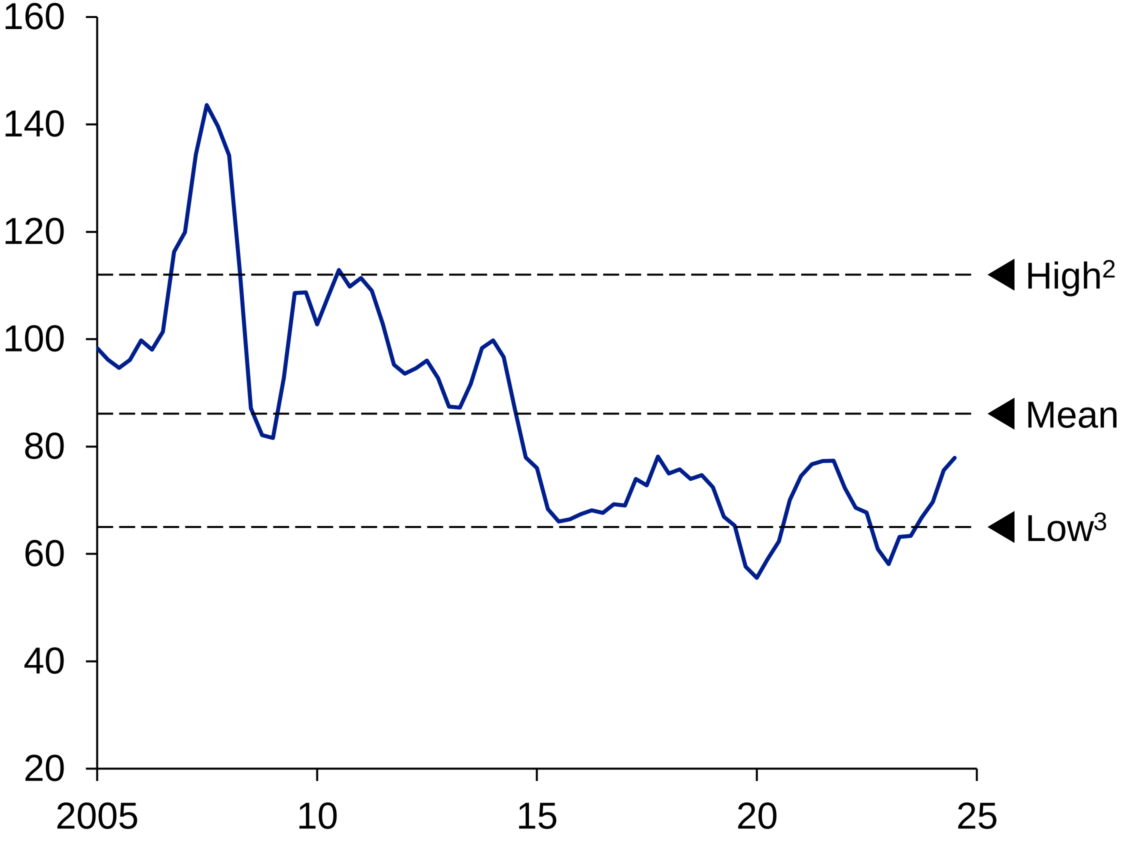
🟦 Tighter 🟩 Softer

	Ongoing dynamics	Uncertainties
Supply	🟦 Scarcity post-bark beetle (Central Europe) 🟦 EU forest policy (LULUCF etc) 🟦 Russia import ban (Nordics)	🟦 Carbon forestry ◩ Climate change
Demand	🟦 Construction recovery 🟦 Pulp mill expansion (Nordics) 🟩 Weaker export demand for logs (Asia) and sawnwood (US)	🟩 Global recession / slowdown 🟦 EUDR 🟦 EU defence spending 🟦 Ukraine rebuild

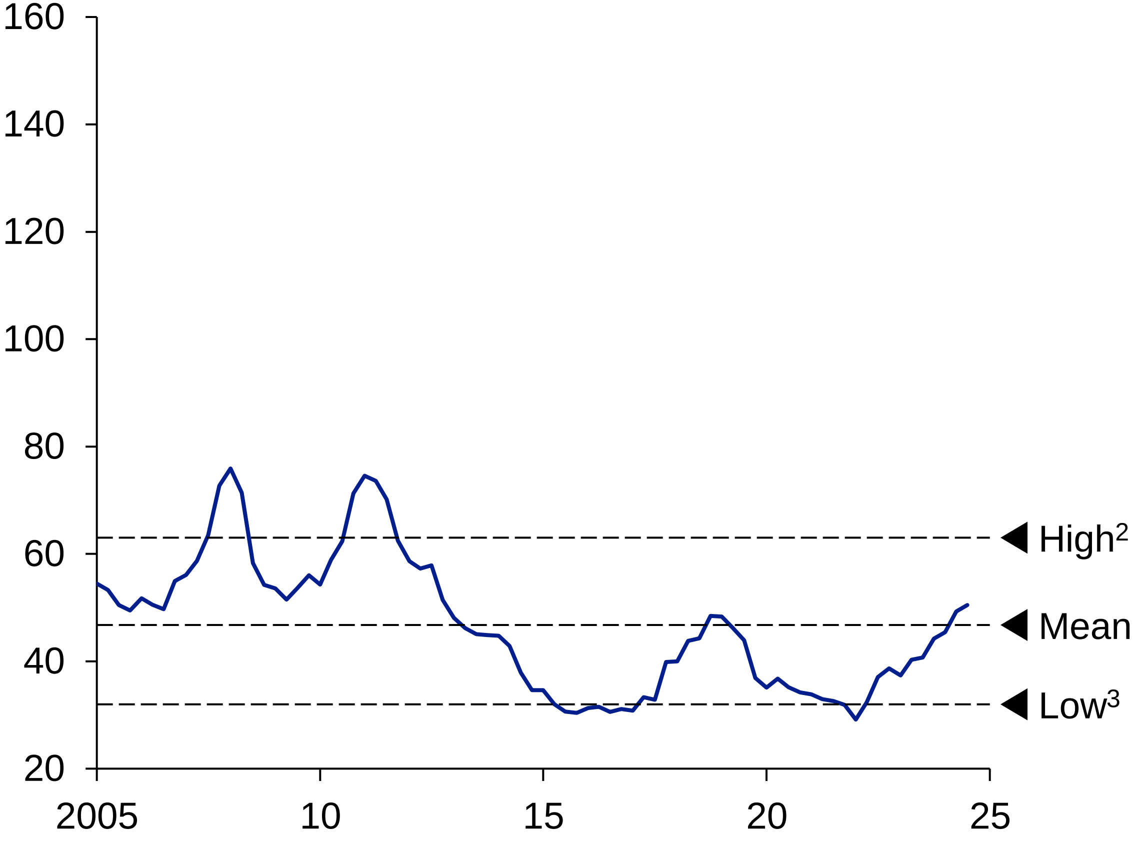
SOURCE: O'Kelly Acumen

Norway's sawlog prices are not high currently, in USD real terms

Softwood sawlog prices in Norway[1], real terms
USD (2024) / m³, forest roadside



Softwood pulplog prices in Norway[1], real terms
USD (2024) / m³, forest roadside



1. Roadside prices, national average; average of pine and spruce; 2. 90th percentile, 3. 10th percentile

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SOURCE: Statistisk sentralbyrå; O'Kelly Acumen

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