

INTERNATIONAL TIMBERLAND INVESTMENT DECISIONS IN BRAZIL: A GUIDE TO OPERATIONAL, SOCIAL AND BUSINESS CHALLENGES



FOREST2MARKET

Timberland investment has come full circle in Brazil. Modern plantation forestry can trace its roots back to the 1950s, when integrated companies invested in pulp assets and planted forests. Brazil's forest sector developed at a metered pace over the next three decades, until the 1990s brought a new wave of both domestic and international pulp and timber investment. These investments came from unlikely sources—mainly US pension funds. Pension funds seeking high returns invested first in pine plantations in southern Brazil and then later in eucalyptus plantations for pulp production.



*Eucalyptus (right)
Pine (left)*

Over the next 20 years, Brazilian timber investments could do no wrong: they consistently racked up double digit annualized returns as Brazil's economy grew at breakneck speed and land was still relatively inexpensive.

In 2014, the table turned, and Brazil's economy faltered as the *Real* lost half of its value. As a result, profit margins for those already invested in Brazil have tightened, leaving investors fighting for returns by cutting costs. Going forward, existing owners and managers will need to be nimble as never before, look to wider markets and have better control of supply chain costs.

Because of the favorable exchange rate, investments in Brazilian timberland are more attractive than ever. New timberland investors will need the discipline to understand market nuances, price volatility and sector risk, however. A clear understanding of exposure to mill manufacturing, regional and sector risk will be required for a successful timberland investment.

Forest2Market—a global supplier of timber pricing, benchmarks, analytics and supply chain expertise—and its partner Forest2Market do Brasil have the local experts and the global perspective needed to analyze Brazilian markets and identify investment risks and opportunities. Our report, *International Timberland Investment Decisions in Brazil: A Guide to Operational, Social and Business Challenges*, will allow investors to:

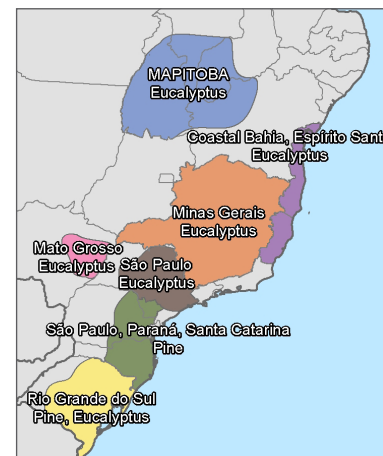
- Honestly assess risk in a post-recession Brazil
- Allow the development of a codified investment strategy
- Compare historic pricing and volatility by region to get an accurate picture of the market and market risk
- Fully understand the implications of legislation and policy that affect timberland investment
- Navigate the cultural issues that befall international investments
- Understand the true costs of operating in Brazil, including labor, social overhead, worker efficiency and salary requirements

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2. Brazil forest sector: a general view

- Planted area by state
- Last 20 years development
- Main species and markets
- Producing regions
- Economic and political trends affecting forest investments
- Legal environment for foreign investment
- Main risks



3. Local markets: an in-depth analysis

- Market: planted area by species, planted area evolution, production and producers, consumption and consumers
- Economic aspects: development, ports, logistic (roads/railroads infrastructure issues), trends, land availability, land prices, wood prices, social and labor costs
- Technical aspects: silviculture regimes (and related issues), growing rates, labor availability and topography
- Legal and institutional environment: laws related to land use and forestry analysis, government support
- Social and environmental aspects: social groups, environmental restrictions
- Culture: local restrictions against forest plantations and against new companies

Seven local markets will be analyzed:

- 3.1. Pine market in southern São Paulo, Paraná and Santa Catarina
- 3.2. Pine and eucalyptus markets in Rio Grande do Sul
- 3.3. Eucalyptus market in São Paulo
- 3.4. Eucalyptus market in Mato Grosso do Sul
- 3.5. Eucalyptus market in Minas Gerais
- 3.6. Eucalyptus market in Coastal Bahia and Espírito Santo
- 3.7. Eucalyptus market in the new frontier of MAPITOBA (Maranhão, Piauí, Tocantins and Bahia)

4. Risk analysis: a pitfall map for forest investments

A pitfall analysis ranking regions according to their attractiveness rating (a grade of 0 to 10 for each criteria): individual rankings are combined for an overall ranking of most to least suitable for investments.

5. Conclusions and Trends

Pre-order the report by October 15 and get a 15% discount.

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