

Why Invest in Eucalypt Plantations?

Part 1: Fundamental Supply and Demand Drivers

Note: This is a summary of a full report available by request under the "In-Depth Reports" section on our Research web page.

Executive Summary

The focus of this paper is on the fundamental market drivers and considerations underpinning eucalypt plantation investments. There are four major points to highlight regarding the fundamental market drivers:

1. Eucalypt wood and fiber are well-established and well-accepted in the market, having been cultivated, sold, and processed for several decades in countries such as Brazil, Uruguay, Chile, Portugal, Australia and South Africa.
2. Demand for eucalypt wood and fiber is expected to increase. Key drivers are economic growth and demographic changes.
3. Eucalypt plantation area is expected to expand.
4. Pulp and paper industries based on eucalypt plantations tend to be at the low-cost end of the industry cost curve for market pulp producers worldwide.

The most desirable location for investing in a eucalypt plantation from a market perspective is where there are multiple outlets for the wood produced, whether they be pulp, wood-based panels, bioenergy, or export buyers. A less desirable, though still potentially attractive, location would be where the seller relies on offtake by single buyer under sale arrangements that strike a market-equivalent price.

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