

The logo for STCP, featuring the lowercase letters 'stcp' in a bold, sans-serif font, with a vertical rectangular bar to the right of the 'p'.

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MANAGEMENT

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- Rural Properties
- Forest Operations





REGIONAL EXPERIENCES IN ATTRACTING INVESTMENTS FOR THE FORESTRY SECTOR



IVAN TOMASELLI
www.stcp.com.br

**ITTO MARKET DISCUSSIONS
LIMA, PERU
NOVEMBER 2017**

CONTENTS

- **PRIVATE SECTOR AND INVESTMENTS IN THE FOREST SECTOR**
- **REGIONAL EXPERIENCES ON INVESTMENTS IN THE FOREST SECTOR**
- **LESSONS LEARNED**

PRIVATE SECTOR AND INVESTMENTS IN THE FOREST SECTOR

PRIVATE SECTOR IS THE MAIN INVESTOR IN SFM

- WHY PRIVATE SECTOR INVESTS IN SFM?

TO ENSURE THE SUPPLY OF FOREST GOODS (AND SERVICES):

- TIMBER
- NON TIMBER PRODUCTS
- TOURISM??
- WATER??
- OTHERS??



TIMBER IS THE MOST VALUABLE FOREST GOOD

✓ **GLOBAL CONSUMPTION: AROUND 4 BILLION M³/ YEAR**

✓ **POTENCIAL SOURCES**

- **GLOBAL FOREST PLANTATIONS**

- 290 MILLION HA
- 1.5 – 2.3 BILLION M³/ YEAR

- **GLOBAL NATURAL PRODUCTION FORESTS**

- 4 BILLION HA
- 2.0- 2.8 BILLION M³/ YEAR



INVESTMENTS REQUIRED JUST TO MANAGE GLOBAL PRODUCTION FORESTS ARE HUGE

✓ FOREST PLANTATIONS

- US\$ 55-70 BILLION/YEAR

✓ NATURAL FORESTS

- US\$ 70-90 BILLION/YEAR



GLOBAL SOURCES OF FOREST INVESTMENTS

✓ DOMESTIC- DDI

✓ FOREIGN- FDI

MAIN INVESTORS

- FOREST INDUSTRY
- INSTITUCIONAL INVESTORS/TIMOS
- PRIVATE INVESTORS (PROFESSIONALS, LAND OWNERS, FARMERS, ETC)
- PHILANTROPIC ORGANIZATIONS
- OTHERS



INSTITUTIONAL INVESTORS/TIMOS

✓ HAVE GAINED IMPORTANCE

- EQUITY FUNDS, PENSION FUNDS, INSURANCE COMPANIES, LARGE FORTUNES, OTHERS

✓ TIMOS

- CURRENTLY MORE THAN 100 IN OPERATION
- 30 LARGEST TIMOS: MANAGE AROUND US\$ 60 BILLION ON FOREST ASSETS
- MAINLY PLANTATIONS (SOME INDUSTRIAL OPERATIONS/ FEW NATURAL FORESTS)
- REPLACED INDUSTRY (TIMBERLAND MANAGEMENT)

✓ STRATEGY

- INVESTMENT EXIT: GENERALLY 10 – 15 YEARS
- TIMBERLANDS MANAGED TO MAXIMIZE RETURNS
- IMPLICATION ON RESEARCH AND DEVELOPMENT (SUSTAINABILITY)



PRIVATE SECTOR INVESTMENTS IN TIMBERLANDS

✓ INVESTMENT DECISION

**BASED ON THE ASSESSMENT OF FACTORS THAT
ARE DIRECTLY OR INDIRECTLY AFFECTING THE
STRATEGY OF MAXIMIZING ITS ECONOMIC
VALUE**

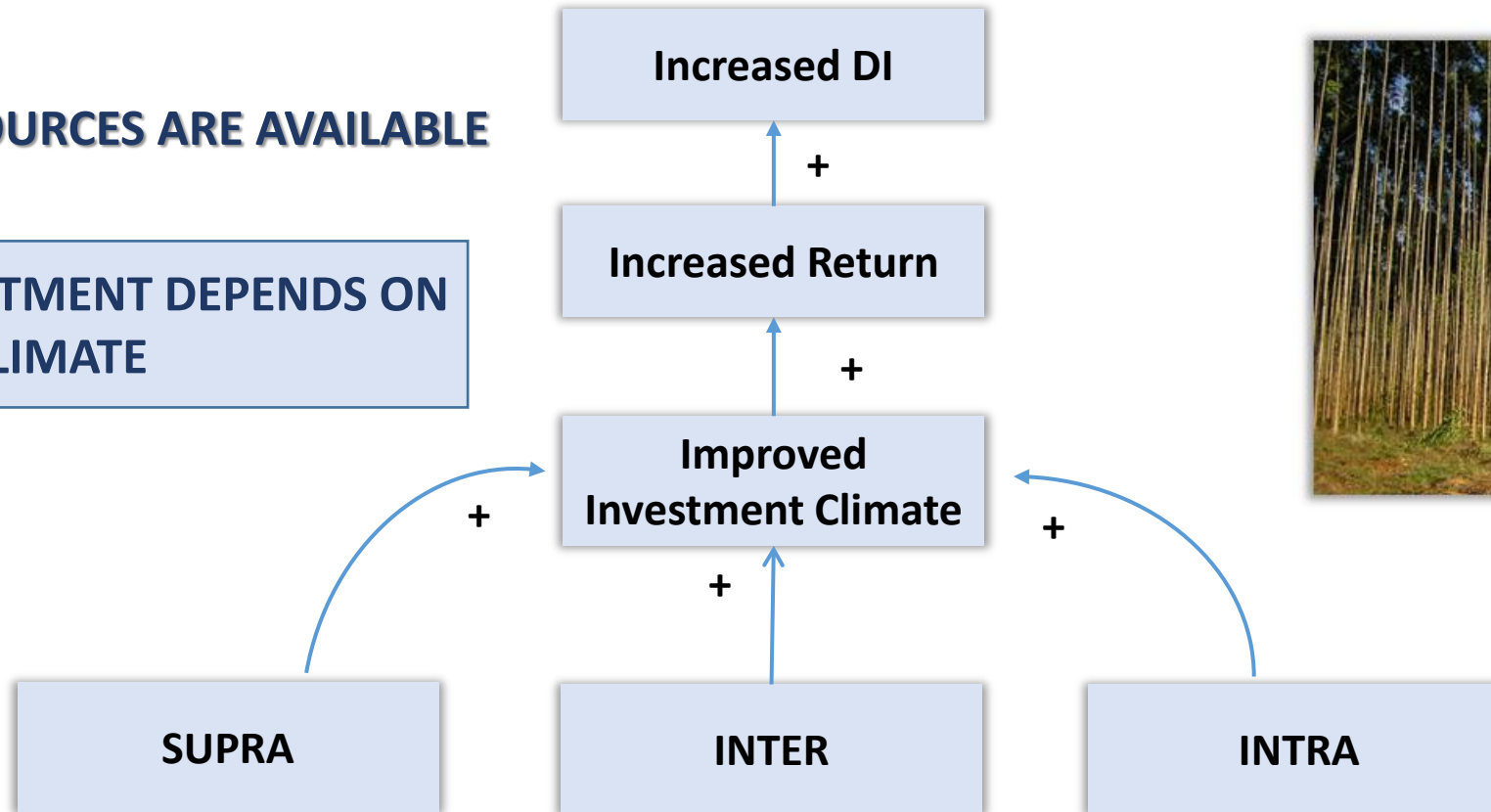


PRIVATE SECTOR INVESTMENTS IN TIMBERLANDS

✓ FINANCIAL RESOURCES ARE AVAILABLE

DECISION ON INVESTMENT DEPENDS ON THE INVESTMENT CLIMATE

FACTORS



INTRA SECTORIAL FACTORS AFFECTING INVESTMENT DECISION

✓ ARE THE MOST RELEVANT TO IMPROVE INVESTMENT CLIMATE

INCLUDE

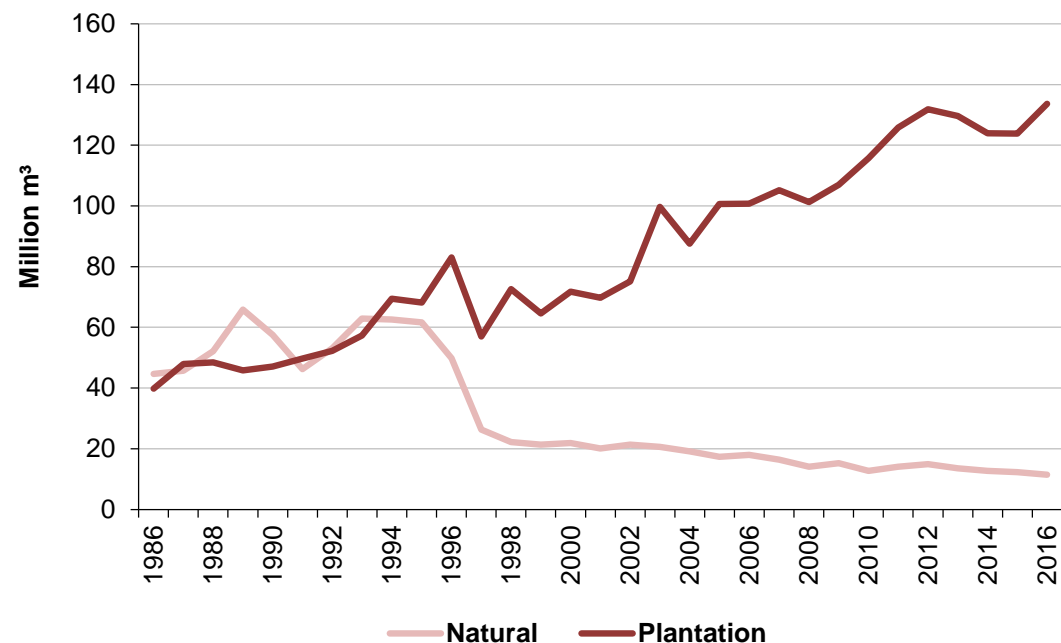
- FOREST POLICY
- AVAILABILITY OF FOREST RESOURCES AND FOREST VOCATION LANDS
- MARKETS AND MARKET ACCESS/ LOGISTICS
- INFORMATION
- TECHNOLOGY/ EXPERTISE / PRODUCTIVITY
- LIMITATIONS/ RESTRICTIONS
- TRANSACTION COSTS



REGIONAL EXPERIENCES

REGIONAL EXPERIENCE

✓ BRAZIL – INDUSTRIAL TIMBER PRODUCTION



BRAZIL FORESTS

Plantation: 7.8 million ha (1.6%)

Natural: 485.8 million ha (98.4%)

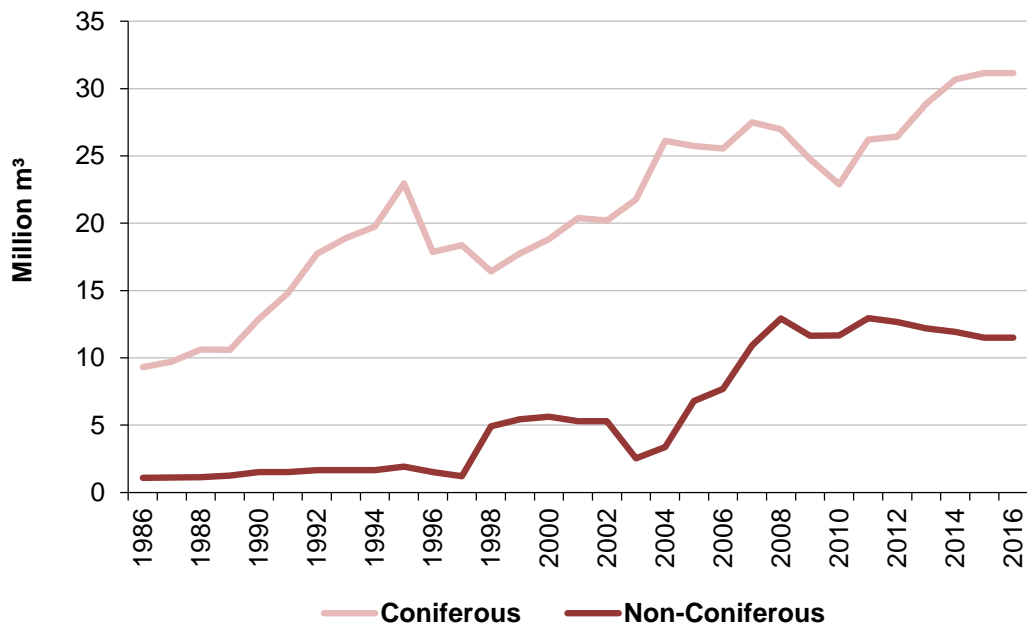
- IMPACTS

- ✓ 92% OF INDUSTRIAL TIMBER SUPPLY IS CURRENTLY FROM PLANTATIONS
- ✓ SECOND WORLD PRODUCER OF WOOD PULP - 18.7 M TON (2016)
- ✓ FIRST WORLD EXPORTER OF WOOD PULP- US\$ 5.6 BI (2016)
- ✓ DIVERSIFIED FOREST INDUSTRY (PULP, SOLID WOOD , VALUE ADDED PRODUCTS)
- ✓ 500 THOUSAND DIRECT JOBS



REGIONAL EXPERIENCE

✓ CHILE – INDUSTRIAL TIMBER PRODUCTION



- IMPACTS

- ✓ MORE THAN 95% OF INDUSTRIAL TIMBER IS FROM PLANTATIONS
- ✓ EXPORS OF FOREST PRODUCTS- US\$5.1 BI (2016)
- ✓ 120 THOUSANDS DIRECT JOBS
- ✓ INDUSTRY IS DIVERSIFYING
- ✓ FOREST SECTOR IS GLOBALIZED

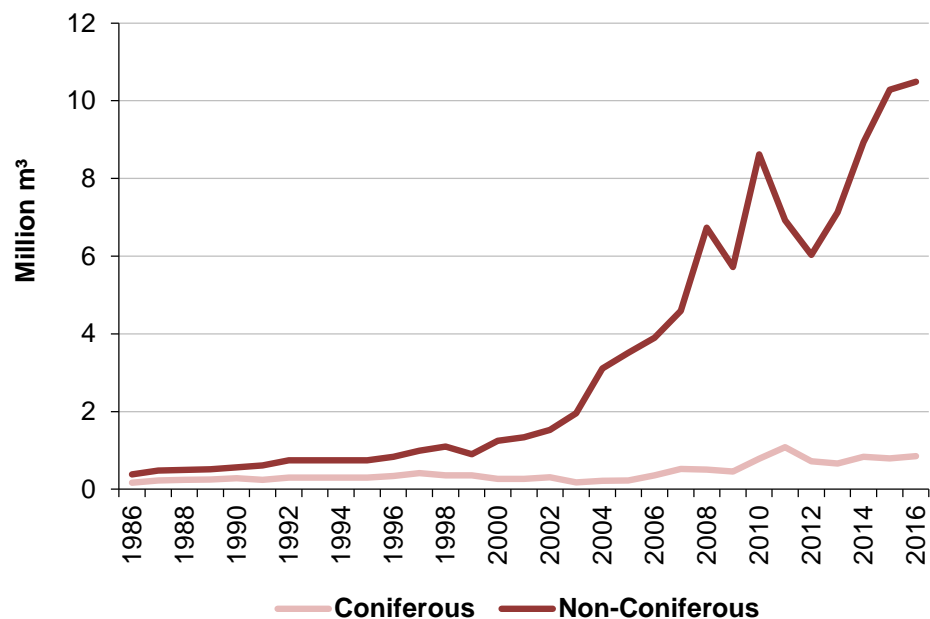


CHILE FORESTS

Plantations: 2.4 million ha (14.3%)
Natural: 14.3 million ha (85.6%)

REGIONAL EXPERIENCE

✓ URUGUAY – INDUSTRIAL TIMBER PRODUCTION



URUGUAY FORESTS

Plantations:	1.06 million ha (57.6%)
Natural:	0.78 million ha (42.4%)

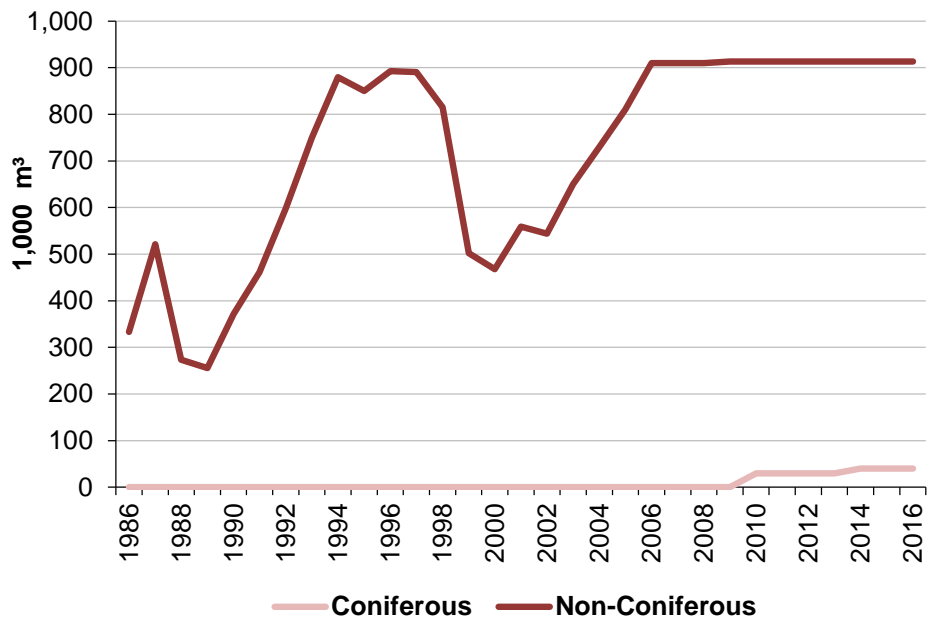
- IMPACTS

- ✓ 100% OF INDUSTRIAL TIMBER FROM PLANTATIONS
- ✓ INDUSTRIAL DEVELOPMENT BASED ON DIRECT INTERNATIONAL INVESTMENT
- ✓ THIRD LARGEST WOOD PULP PRODUCER OF LATIN AMERICA
- ✓ EXPORTED US\$ 1.5 BI OF FOREST PRODUCTS (2016)
- ✓ FOREST SECTOR: 22% OF TOTAL EXPORTS
- ✓ A FOREST CLUSTER IN DEVELOPMENT



REGIONAL EXPERIENCE

✓ BOLIVIA – INDUSTRIAL TIMBER PRODUCTION



- IMPACTS

- ✓ **TIMBER PRODUCTION HAS NOT INCREASED**
- ✓ **100% FROM NATURAL FORESTS**
- ✓ **PLANTATIONS: LIMITED TO 26 THOUSAND HA**
- ✓ **FOREST SECTOR LOSING IMPORTANCE**
- ✓ **EXPORTS OF TIMBER PRODUCTS USD 45 MILLION (0.6% OF 2016 TOTAL EXPORTS)**
- ✓ **FOREST PRODUCTS IMPORTS : USD 194 MILLION IN 2016**

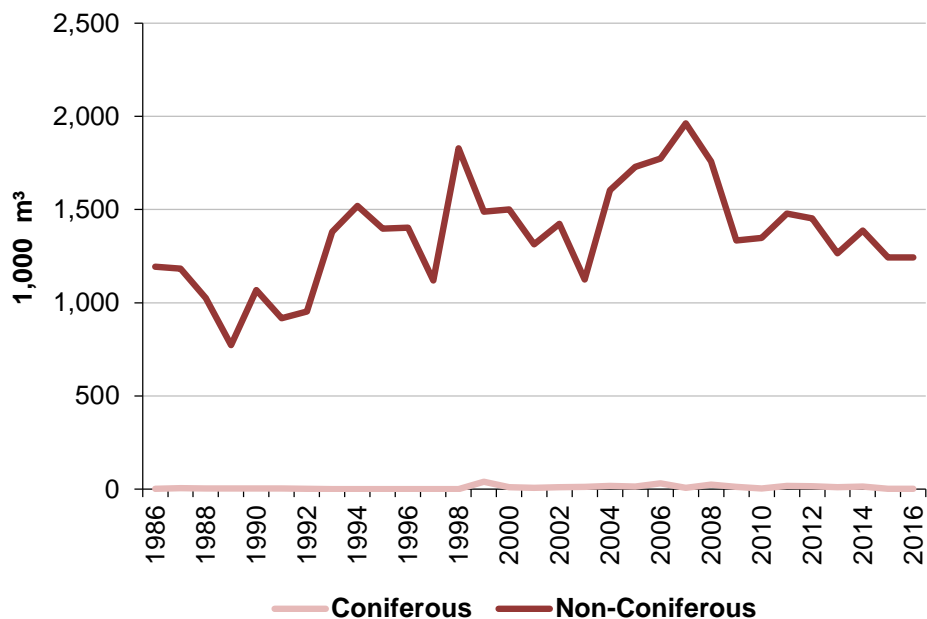


BOLIVIA FORESTS

Plantations: 26.000 ha (0.05%)
Natural: 54.7 million ha (99.95%)

REGIONAL EXPERIENCE

✓ PERU – INDUSTRIAL TIMBER PRODUCTION



- IMPACTS

- ✓ **TIMBER PRODUCTION REMAINED STABLE;**
- ✓ **BASED MOSTLY ON NATURAL FORESTS**
- ✓ **EXTENSIVE PLANTATIONS BUT NOT INTEGRATED TO INDUSTRIAL DEVELOPMENT**
- ✓ **FOREST PRODUCTS EXPORTS: USD 205 MILLION (0.6% OF 2016 TOTAL)**
- ✓ **FOREST PRODUCTS IMPORTS: USD 940 MILLION (2016)**

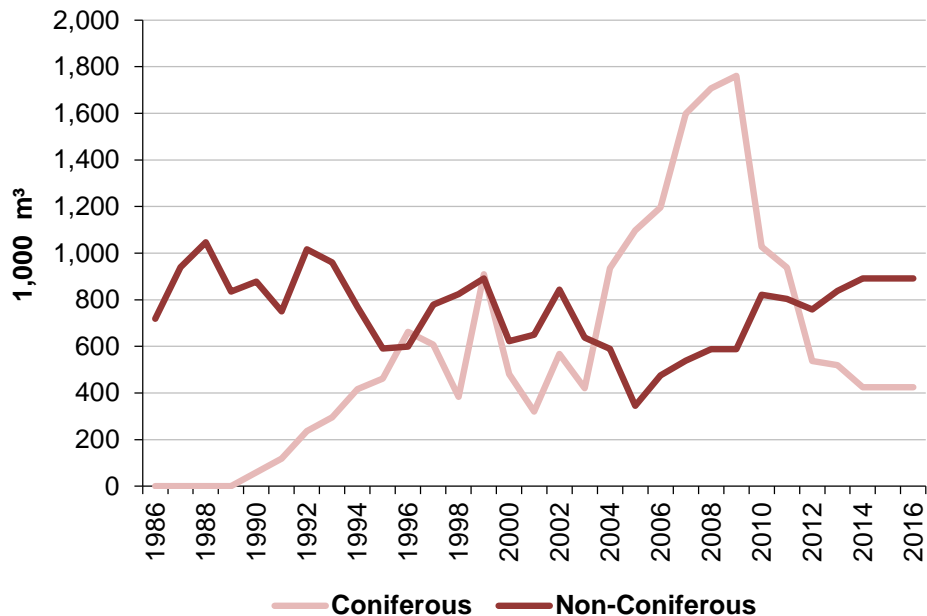


PERU FORESTS

Plantations: 1.2 million ha (1.6%)
Natural: 72.82 million ha (98.4%)

REGIONAL EXPERIENCE

✓ VENEZUELA – INDUSTRIAL TIMBER PRODUCTION



- IMPACTS

- ✓ FOREST PLANTATION ARE LIMITED BUT NA IMPORTANT SOURCE OF INDUSTRIAL TIMBER
- ✓ SUPPLY OF PLANTATION INDUSTRIAL TIMBER DECLINED IN THE LAST YEARS
- ✓ NATIVE TIMBER PRODUCTION SHARE HAS INCREASED
- ✓ FOREST PRODUCTS EXPORTS USD 28 MILLION (0.1% OF TOTAL 2016)
- ✓ FOREST PRODUCTS IMPORTS USD 186 MILLION (2016)



VENEZUELA FORESTS

Plantations: 0.56 million ha (1.2%)
Natural: 46.1 million ha (98.9%)

DIFFERENCES

✓ BRAZIL- CHILE- URUGUAY

- **TIMBER PRODUCTION**
 - GROWING STEADILY
 - BASED ON PLANTATIONS (DEVELOPMENT PROGRAM/ INCENTIVES)
- **IMPORTANT EXPORTERS PULP (AND SOLID WOOD PRODUCTS)**
- **GROWING INVESTMENTS IN PLANTATIONS AND FOREST INDUSTRIES**
- **GENERATES REVENUE AND EMPLOYMENT**



✓ BOLIVIA- PERU- VENEZUELA

- **TIMBER PRODUCTION**
 - STABLE ALONG THE LAST 30 YEARS
 - MAINLY BASED ON NATURAL FORESTS
- **NO CONSISTENT FOREST DEVELOPMENT PROGRAM**
- **INTERNATIONAL TRADE OF FOREST PRODUCTS ARE NEGATIVE**
- **CONTRIBUTION OF FOREST INDUSTRY TO NATIONAL ECONOMY IS LIMITED**



LESSONS LEARNED

LESSONS LEARNED

- ✓ **INVESTMENTS FROM THE PRIVATE SECTOR, TO ENSURE A SUSTAINABLE FOREST SECTOR DEVELOPMENT, WILL BE AVAILABLE WHEN AND WHERE:**
 - **A SOLID LONG TERM NATIONAL/ REGIONAL PROGRAM IS PROPOSED AND FULLY IMPLEMENTED**
 - **THE PROGRAM IS PART OF A NATIONAL POLICY AND CONSIDERS ACTIONS TO IMPROVE INVESTMENT CLIMATE**
 - **STRATEGY CONSIDERS AN INTEGRATED FOREST AND INDUSTRIAL DEVELOPMENT**
 - **INCENTIVES ARE AVAILABLE, ON AN INITIAL STAGE, TO MANAGE FORESTS AND, MAINLY, TO ESTABLISH FOREST PLANTATIONS**

LESSONS LEARNED

✓ AND WHEN AND WHERE:

- **FOREST PLANTATIONS CONSIDER:**
 - **A LIMITED NUMBER OF SPECIES**
 - **HIGH PRODUCTIVITY AND PRODUCE MARKET TIMBER**
 - **CONCENTRATION IN REGIONS OF GOOD INFRA STRUCTURE/ LOGISTICS**
- **A TECHNOLOGY AND HUMAN RESOURCES DEVELOPMENT PROGRAM EXISTS AND GENERATES EXPERTISE AND KNOWLEDGE**
- **A STRONG PUBLIC / PRIVATE COOPERATION IS ESTABLISHED (POSITIVE INVESTMENT CLIMATE)**
- **FOCUS ON AN INDUSTRIAL CLUSTER (PULP + SOLID WOOD + ADDED VALUE)**

THANK YOU



CONTACTS

Ivan Tomaselli
President

itomaselli@stcp.com.br

COMMERCIAL
comercial@stcp.com.br

CONTRACTS
juridico@stcp.com.br

ON THE WEB



TELEPHONES
Phone: +55 (41) 3252-5861
Fax: +55 (41) 3252-5871

ADDRESS
Rua Euzébio da Motta, 450
Juveve (80530-260)
Curitiba, PR
Brasil