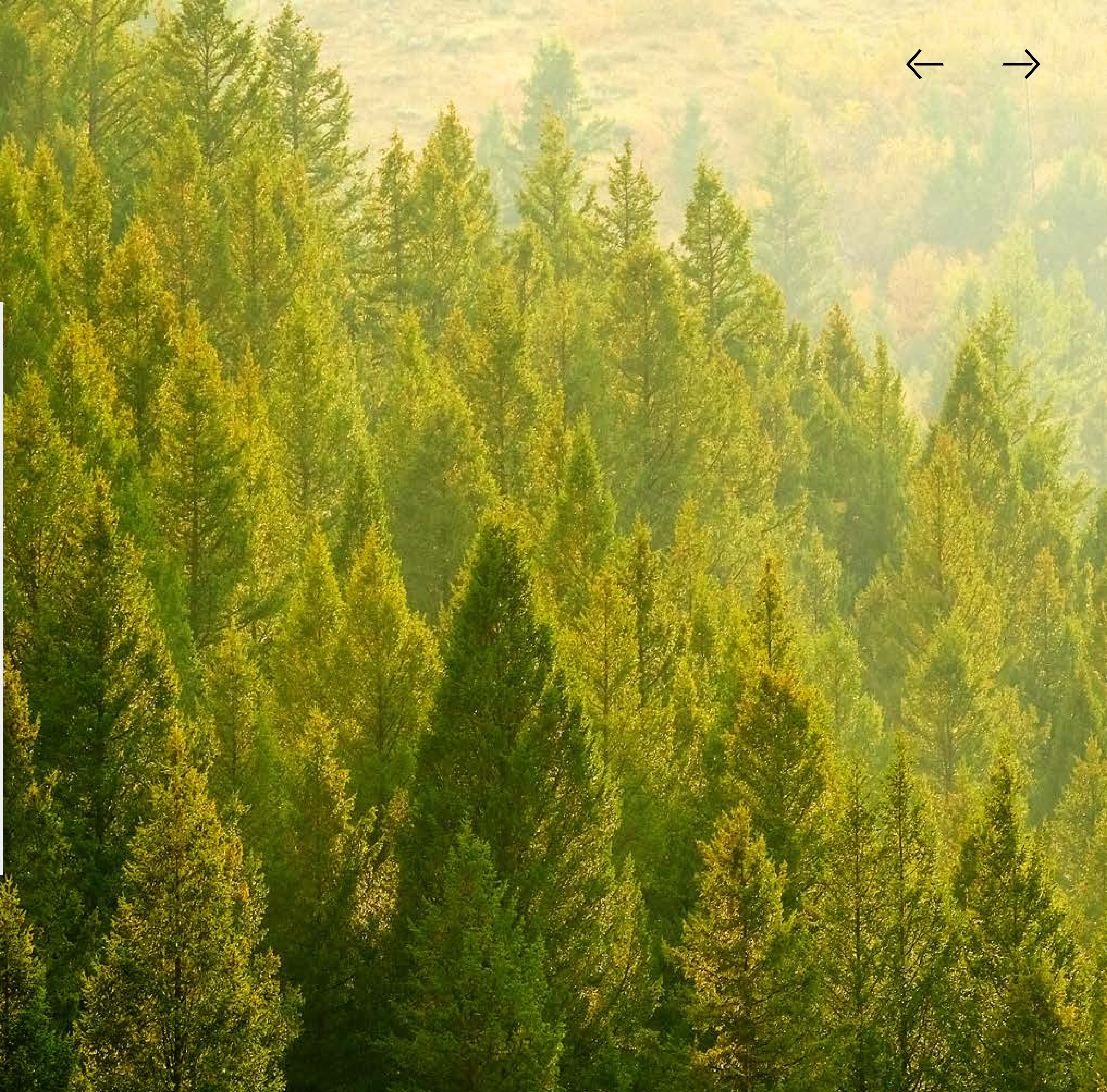
Global Insolvency: 2025 Reflections and 2026 Projections

Sector | Forestry

February 2026



Forestry

The forestry, paper, and packaging industry is navigating a period of financial strain

as climate change, resource limitations, and talent shortages reshape the landscape. Alongside these structural shifts, rising trade tensions, new tariffs, and evolving regulations, like the EU Deforestation Regulation, are driving up compliance costs and creating market uncertainty.

Companies are now prioritising restructuring and operational resilience, with sustainability at the heart of their growth strategies.

01

Oversupply and Margin Pressure

By 2025, forestry producers faced a sharp drop in prices as supply outstripped demand. This pressure on margins affected the entire sector, with many mills experiencing negative returns.

Consequently, there were widespread production cuts and several mill closures as companies worked to stay profitable in a tough market.

02

Tariffs and Trade Barriers

US tariffs, particularly on softwood lumber, have increased costs and added uncertainty for forestry exporters. These tariffs have squeezed margins, sparked ongoing trade disputes, and compelled companies to rethink their supply chains and pricing strategies.

Meanwhile, the EU Deforestation Regulation (EUDR) is raising compliance demands for exporters, requiring them to demonstrate that their products are deforestation-free and meet stringent environmental and human rights standards to enter the European market.

03

Geopolitical Uncertainty

In today's world, geopolitical fragmentation and resource nationalism are reshaping forestry supply chains.

Companies need to handle licensing changes, royalty resets, and infrastructure constraints. And they must plan for location-specific shocks that can quickly affect:

- **Supply**
- **Pricing**
- **Project timelines**

Examples of filings in 2025

Great Northern Timber Incorporated et al.

CCAA, NOI proceedings continued in February 2025.

Antler Creek Contracting Ltd.

CCAA filing, transitioned in November 2025.

Teal Jones Group

CCAA, we acted as monitor, process ongoing in 2025.

San Industries Ltd. et al.

CCAA, monitor-run SISP continued into 2025.

Northern Pulp

CCAA, asset sales process announced July 2025.

South Fork Coal Co. (White Forest Resources)

Chapter 11 filing in the U.S. Bankruptcy Court, District of Delaware – February 2025.

Strandline Resources

Voluntary administration in Australia due to financial pressures – February 2025.

Naviera Armas Group

Restructuring proceedings under Spanish insolvency framework – April 2025.

2026 Outlook (1/2)

01 Navigating Commodity Price Fluctuations

As we look ahead to the first half of 2026, forest product prices are set to remain unpredictable, mirroring the trends of 2025. Log prices, for instance, are expected to stay relatively stable overall, though some markets may see increases while others decline. This reflects the varied demand and supply conditions across different regions. Such volatility could continue through the first half of the year, posing challenges for producers and complicating short-term planning.

02 Adapting to Tariff and Trade Policy Challenges

Ongoing trade disputes and retaliatory tariffs are reshaping the environment for wood and paper producers, leading to higher import costs and logistical hurdles.

With some tariff rates potentially reaching: 45% in 2026

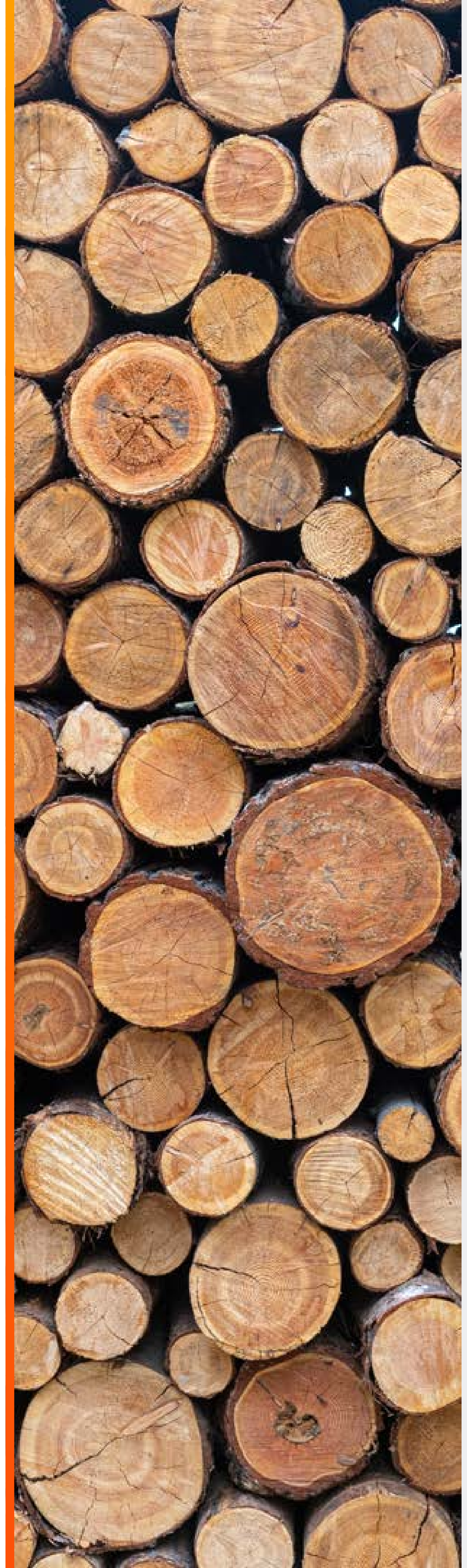
these challenges can heavily impact cash flow and profitability, prompting financially vulnerable businesses to consider restructuring or selling assets.

In response to these trade-related cost pressures, the Canadian government has rolled out emergency financing through the **Canada Enterprise Emergency Funding Corporation** (CEEFC), a branch of CDEV.

> This initiative is **targeted at major players in the forestry sector**, requiring a minimum of $300 million in annual revenue for eligibility. However, **not all large companies have been able to access or qualify for this support**. For instance, West Fraser has recently closed several sawmills, affecting local economies and communities. This highlights that, even with emergency financing for the largest firms, local economies remain at risk from mill closures.

Outside Canada, there is no equivalent emergency loan program for large forestry companies. In other countries, available financing isn't linked to tariffs or trade barriers. For example, Indonesia benefits from results-based payments and international funding for forest conservation and rehabilitation, promoting sustainable management.

2026 Outlook (2/2)



03 Geopolitical Risk

Resource nationalism is on the rise, and with it, permitting delays and changing regulations are becoming more evident in key forestry areas. These hurdles can **extend project timelines, increase compliance costs**, and **restrict capital access**, heightening insolvency risks for operators who are already vulnerable.

04 Aging Infrastructure

Sawmills, pulp mills, and other processing facilities in crucial regions are nearing the end of their operational life. They now demand significant capital for modernization. Without these upgrades, operators may face production slowdowns and mounting pressure from lenders, hastening the need for restructuring.

Australia has introduced a

$300 **million (AUD) Forestry Growth Fund** + **$150** **million (AUD) in concessional finance**

dedicated to modernizing and re-tooling mills and facilities. This initiative is a strategic move to tackle aging infrastructure, bolster regional forestry jobs, and enhance the value chain. While not linked to trade barriers, it exemplifies strong public support for sector renewal and capacity enhancement.

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Links used:

PwC Forest, Paper and Packaging
Forest, paper and packaging: Assurance, tax, consulting services: PwC

PwC's US Tariff Industry Analysis – Energy, Utilities, and Resources
PwC's US Tariff Industry Analysis – Energy, Utilities, Resources: PwC

Navigating EU Deforestation Regulation: from guidelines to best practices
Navigating EU Deforestation Regulation | PwC

For Most Forest Products The First Half Of 2026 Will Look A Lot Like 2025: ERA Forest Products Research
https://treefrogcreative.ca/for-most-forest-products-the-first-half-of-2026-will-look-a-lot-like-2025-era-forest-products-research/

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