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Forest plantations investments in southwestern Europe: a comparative trend analysis on returns, markets and policies

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Abstract

At global level there is a growing interest towards forest plantations as investment opportunities for profit generation, for building strategic assets, but also to address sustainable development challenges with the production of provisioning, regulating and cultural services.

In southwestern Europe, forest plantations represent a consolidated segment of investment for landowners. In future years, the increasing demand for timber and fibers driven by bioeconomy and bioenergy policies, might boost the interest towards forest plantations investments, with an increasingly important role played by financial investors as well as by strategic partnerships.

In this study we analyzed and compared potential investment returns at aggregate level for some of the most important forest plantation species in southwestern Europe, focusing on some regions of Italy, Spain and Portugal. In addition, we carried out a trend analysis, estimating how returns have changed in recent years as a result of the evolution of the key economic and policy drivers.

Overall, our results indicate that in southwestern Europe there are some opportunities for reasonably interesting returns for sectorial investors, i.e. landowners and forest-based industry, and in some cases also for financial investors. Nevertheless, it emerges that the regional context is characterized by structural factors - i.e. the dynamicity of the regional timber market structure, the increasing role of forest damage risk, the social demand biodiversity and landscape conservation and the small-scale fragmented forest holdings - that new investors would have to take into consideration, and which could limit the attractiveness of plantations in this region.