



Forisk News: May 26, 2015

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Subject line: Forisk News: Timber Price Forecast - Wood Pellets – Continuing Education

Timber Price Forecast

Recently, we featured a series of posts related to forecasting U.S. timber prices and U.S./Canadian forest industry markets:

- [Forisk Forecast: US Housing Starts Outlook, Q2 2015 Update](#)
- [Forisk Forecast: How Does Shifting Softwood Lumber Production to the South Affect Pine Sawtimber Prices?](#)
- [Forisk Forecast Scorecard: 2015 Projections versus Q1 YTD Actuals](#)
- [Forisk Forecast: Tracking the Top Timberland Owners in the US and Canada, 2015 Update](#)
- [Forisk Forecast: How Structural Changes in Canada’s Forest Industry Affect the Softwood Lumber Agreement with the US](#)

The Q2 2015 edition of the *Forisk Research Quarterly (FRQ)* includes industry analysis and forecasts through 2024 for timber prices, logging costs, lumber production, structural panels production, paper and paperboard production, forest supplies, and wood bioenergy. The first feature article evaluates ownership of private timberlands in the United States and Canada. The second feature article analyzes global pellet demand and the implications for pine pulpwood prices across local timber markets in the U.S. South. Select *FRQ* findings include:

- **Macro:** key measures of U.S. economic productivity remained positive in Q1 2015, while potential headwinds from inflation, unemployment and capital costs remained muted or improved. Forisk’s Score of 2.8 for the U.S. economy was the 15th consecutive quarter the Forisk Score remained above the “no growth” baseline of 2.0.
- **Softwood Lumber:** in the Base Case, the U.S. South produces 54% of total U.S. softwood lumber by 2021. At 1.13 million housing starts, we forecast 2015 softwood lumber production of 15.6 BBFT in the West, 17.4 BBFT in the South, and 1.6 BBFT in the North.
- **Structural Panels (OSB & plywood):** in the Base Case, total structural panel consumption increases from 26.1 million square feet in 2014 to 36.3 million square feet in 2018.
- **Pine Sawtimber:** prices increase 6.3% on average in 2015 in the Base Case; states such as Florida and Arkansas project stronger growth given the opening of new mills and increased investment. Overall, pine sawtimber prices benefit from shifting additional production in Forisk's projections from the Pacific Northwest to the South.
- **Pine Pulpwood:** three factors drive local price changes: new wood bioenergy projects; existing OSB capacity; and high volumes of softwood sawmill residual chips, which serve as a pulpwood substitute and mitigate price increases. South-wide prices increase less than 1% in the Base Case, while price changes vary significantly at the state level.
- **Domestic Douglas-fir and Hemlock:** average log prices for 2015 increase 2-3% across products when compared to the last 4 quarter averages; the key change in the Base Case was the additional shift of nearly 1 BBFT in softwood lumber production to the South as housing markets return to 1.5 million starts. This reduced the estimated longer-term growth.



To learn more about the Forisk Research Quarterly (FRQ), click [here](#) or contact Brooks Mendell at bmendell@forisk.com, 770.725.8447.

Global Pellet Demand and Southern Pulpwood Prices

U.S. wood pellet export capacity grew from practically 0 in 2006 to 5.04 million metric tons in 2014. Is this the first phase of an ever-increasing source of demand for U.S. wood fiber, or does this reflect the primary, singular ramp-up of a small forest industry segment that will continue to use wood at modest levels long-term? Key findings from Forisk's research include:

Based on announced power plant conversions, Forisk projects world demand for industrial wood pellets to grow from 10.6 million metric tons in 2014 to 25.0 million metric tons in the next five years. U.S. export pellet capacity increases to 10.7 million metric tons by 2019. U.S. wood pellet capacity could exceed the demand for U.S. wood pellets in the next three years, effectively “running ahead” of demand. Total peak pulpwood and chip use from pulp/paper, OSB and bio in the projection in 2019 and 2020 aligns with peak historic consumption in 1997 and 1998. Localized effects vary, with the biggest impacts in Texas/Louisiana and along the coast in South Carolina, Georgia and Florida

Project Tracking: As of April 2015, there were 424 projects in Forisk's *Wood Bioenergy US* database. All announced and operating projects could use a total of 117.6 million green tons of wood per year by 2024. The 299 projects that pass viability screens could consume 83.9 million tons of wood per year. Projected wood use from projects that pass viability screens falls below the January 2015 estimate by 1.8 million tons.

To download the free *WBUS* summary, click [here](#).

Upcoming Continuing Education Opportunities

On August 4, Forisk will teach the "**Timber Market Analysis**" class in Atlanta, Georgia. This one-day, CFE-qualifying course is ideal for anyone who wants to learn a detailed process to understand, track, and analyze the price, demand and supply of local timber markets and wood baskets. Early registration discounts end July 21. Group discounts also available [Click here to learn more and to register](#).

On October 7, Forisk will teach a new class titled "**Investing in Timberland and Timber REITs**" in Atlanta, Georgia. This one-day course details the operations, investment performance, market risks and supply chain/ management costs associated with available timberland investment vehicles. The course includes comparative analysis of typical TIMO fund structures, timber REITs and direct private investments. Key topics emphasize benchmarking investment performance, implied valuations based on public-private comparables, and sources of variance in operational costs, returns and forest management fees by region in the United States. [Click here to learn more and to register](#).



Upcoming Events & Classes:

- On **August 4**, Forisk will teach [Timber Market Analysis](#) in Atlanta, Georgia.
- On **September 16**, Brooks Mendell will present "Timberland Investment Vehicles and Performance" at "[Who Will Own the Forest?](#)" in Portland, Oregon.
- On **October 7**, Brooks Mendell will present "Factors Driving Wood Demand" at the Arkansas Forestry Association Annual Meeting in Hot Springs, Arkansas
- On **October 8**, Forisk will teach [Investing in Timberland and Timber REITs](#) in Atlanta, Georgia.
- On **October 15**, Brooks Mendell will present "Financial Assets, Ecosystem Markets, and the 'New' Forest Products Industry" for the William Main Distinguished Visitors Series at the University of California, Berkeley

Forisk provides research and educational services to executives and analysts making decisions related to timber REITs, timberlands, and wood-using energy and manufacturing facilities.