



Forisk News: May 12, 2016

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Subject line: Forisk News: Timber Price Forecast – Silviculture Survey – Timberland Investments & Ownership

Timber Price Forecast

Recently, we posted analysis related to forecasting U.S. timber prices and forest industry activities:

- [Forisk Forecast: U.S. Housing Starts Outlook, Q2 2016 Update](#)
- [Structural Panel Capacity in the U.S.: How Has the Sector Changed?](#)

The Q2 2016 *Forisk Research Quarterly (FRQ)* includes industry analysis and market forecasts through 2025 for timber prices, logging costs, softwood lumber production, structural panels production, paper and paperboard production, forest supplies, and wood bioenergy markets. The first feature article summarizes results from Forisk’s third biennial survey of forest management practices and costs in the U.S. South. The second feature article details changes in private timberland ownership in the U.S. and Canada. Select *FRQ* findings include:

- Macro: Key measures of U.S. economic productivity slowed while remaining positive in Q1 2016; frictions associated with prices, unemployment or capital costs remained muted or declined. Forisk’s Score of 2.5 for the U.S. economy, a decline from 2.9 in Q1, was the 19th consecutive quarter that the Forisk Score remained above the “no growth” baseline of 2.0.
- Softwood Lumber: At 1.23 million housing starts, we forecast softwood lumber production in 2016 of 15.7 BBFT in the West, 18.8 BBFT in the South, and 1.5 BBFT in the North. In Forisk’s Base Case, the U.S. South gains market share at the expense of the West and accounts for 54% of total U.S. softwood lumber production by 2020.
- Pulp & Paper: The sector continues to reallocate capital to household/sanitary products and packaging from printing/writing papers. The sector invested nearly \$2.0 billion in the past two years in the U.S., more than any other forest industry sector over this timeframe.
- Wood Bioenergy: Forisk’s wood bioenergy database includes 432 projects as of April 2016. These projects represent potential wood use of 118.2 million tons per year by 2025. Based on Forisk analysis, 295 projects representing potential wood use of 80.9 million tons per year pass basic viability screening.
 - To download the free *Wood Bioenergy US Summary*, click [here](#).
- Timber Prices & Logging Costs, U.S. South: Over the next five years, Pine Sawtimber stumpage increases at an average annual growth rate of 5.2% nominal, and Pulpwood stumpage increases at a similar annualized rate of 5.1% nominal. For Pine Sawtimber, states such as Arkansas, Mississippi and the Carolinas show stronger price growth in 2016 relative to other states due to production levels and capital investments. Logging and hauling out-of-pocket costs remain below 2015 levels until 2019 as diesel prices slowly increase.
- Log Prices & Logging Costs, Pacific Northwest: Regional average logging and hauling costs in the Pacific Northwest region project to grow at less than 1% per year over the next decade due to slow diesel cost increases. Average delivered log prices for 2016 are forecast to



increase 3.3-4.2% in nominal terms across products when compared to the last 4-quarter average prices.

- Hardwood Stumpage Prices, U.S. North: In the Middle Atlantic and New England regions, red oak and hard maple have 2% nominal annualized log stumpage price increases in the next five years. In the Lake States, red oak, yellow birch, and hard maple project the strongest nominal price growth in five years.

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

2016 Silviculture Survey: Forest Management Practices in the U.S. South

Forisk presents results of our third biennial survey of silviculture practices by private timberland investors and managers in the U.S. South. This includes data on the costs and revenues of these activities from 30 firms covering 58 operating units and 16.8 million acres. Key practices employed by respondents included the use of chemicals at site preparation (88% to 100% across regions) and thinnings. Most firms plant second generation seedlings with a weighted average trees per acre (TPA) of 571 and an average 87.8% survival rate. Firms with larger ownerships plant fewer TPA than smaller ownerships: firms managing over 500,000 acres in the South planted 562 TPA while managers of less than 100,000 acres planted 627 TPA.

Total costs in taxes, operational expenses, and other fees average \$14.96 per acre in the South. In total, 23 of the 30 firms participate in forest certification programs, with most acres enrolled in SFI followed by FSC. *The complete article in the FRQ includes a breakdown of costs, revenues and management activities by type and sub-region within the U.S. South.*

2016 U.S. & Canadian Timberland Investment, Owner & Manager Update

Public timber REITs reversed course, returning 8.34% as a group YTD through April, as compared to -9.33% in 2015. Potlatch (PCH), Rayonier (RYN) and Weyerhaeuser (WY) – in that order – led this performance. Public REITs purchased and divested more acres over the past year than any other type of owner, led by the Weyerhaeuser/Plum Creek merger and Potlatch’s Q2 2016 timberland divestiture in Idaho.

Forisk analysis indicates “investable” timberlands comprise ~11% of all U.S. forests. In the past twelve months, our team made 196 updates to [Forisk’s North American Timberland Owner & Manager List](#), including 139 updates associated with acres owned and managed. Of the 104.5 million timberland acres captured, 97.7 million acres (94%) are with 121 organizations that own or manage 100,000 acres or more each. In the U.S., forest managers and TIMOs represent 42% of these acres, while public timber REITs account for 21%. Industrial owners, those with manufacturing activities that don’t qualify as REITs, hold 19% of these timberland assets. From 2011 through 2015, large-acre, publicly announced deals averaged 2.2 million acres and 52 closings in the U.S. annually. The primary changes since last year center on the public REITs.

A recent blog lists the Top Timberland Owners in the U.S.:

- [Tracking the Top Timberland Owners in the U.S. and Canada](#)



2016 Forisk Continuing Education Calendar

- **October 13, 2016** – Timber Market Analysis (Mendell & Lang), Atlanta, GA
 - Registration opens in August.
- **December 8, 2016** – Investing in Timberland and Timber REITs (Mendell & Lang), Atlanta, GA

Details about these classes, as well as customized private classes, can be found on the [Education & Speaking](#) page on the Forisk website.

News & Upcoming Events:

- In March 2016, the Forest Resources Association (FRA) honored Forisk with its Second Place Technical Writing Award for 2016 for its research, *Forest Management Practices of Private Timberland Investors and Managers in the U.S. South*.
- In April 2016, Forisk promoted Heather Clark to Business Manager. Congratulations, Heather!
- On **May 16, 2016**, Amanda Lang will present “Wood Markets and Timber Supplies: A Regional and Local Look” at the Georgia SAF Meeting in Statesboro, Georgia.
- On **May 17, 2016**, Brooks Mendell will present “Factors Driving Capital Investments in the U.S. Forest Industry” in Orlando, Florida.
- On **July 24, 2016**, Forisk will lead a panel session titled “Forest Industry Outlook and the Facts on the Ground” at the Georgia Forestry Association Annual Meeting in Jekyll Island, Georgia. The session will include presentations by Brooks Mendell, Amanda Lang and Shawn Baker on (1) Macro Drivers and Capital Investment; (2) Wood Markets and Timber Supplies; and (3) Forest Operational Challenges across U.S. Regions.
- On **August 23, 2016**, Amanda Lang will present “Wood Markets in Middle Georgia” at the Ocmulgee SAF Meeting in Macon, Georgia.

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