



Forisk News: May 11, 2017

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Subject line: Forisk News: Timber Price Forecast – Western Silviculture Survey – Top Timberland Owners – Continuing Education

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 2017 Update](#)
- [What Does a Tariff on Imports of Softwood Lumber from Canada to the U.S. Change? Not Much.](#)
- [Tracking the Top Timberland Owners and Managers in the U.S. and Canada, 2017 Update](#)
- [Forisk Forecast: Six Reasons Why Timber Prices in the South Do Not Track U.S. Housing Starts Today](#)

The Q2 2017 *Forisk Research Quarterly (FRQ)* includes industry analysis and market forecasts through 2026 for timber prices, logging costs, lumber and structural panels production, paper and paperboard, forest supplies, and wood bioenergy markets. The first of two feature articles summarizes our first survey of silvicultural practices on privately-owned Western timberlands. The second feature provides our annual update on trends and transactions for North American timberland owners and managers. “Forisk Facts & Figures” – Forisk’s quarterly “story in three slides” – examines our ongoing research into drivers of pine grade demand and forest industry competitiveness across the South. Select *FRQ* findings include:

- **Macro:** Economic growth slowed. Real GDP for Q1 2017 reached a 0.7% annual rate, which is the lowest level since Q1 2014. Forisk’s Q1 2017 Score of 2.5 for the U.S. economy is the lowest score in three years, but remained above the stagnant “no growth” score of 2.0.
- **Lumber:** The Forisk Base Case projects U.S. softwood lumber consumption to increase 1.4% to 49.0 BBFT in 2017, while production increases 2.7% to 33.6 BBFT. U.S. softwood lumber capacity rose 1.4% in 2016 to 39.8 BBFT.
- **Structural Panels (OSB & plywood):** Forisk projects U.S. structural panel consumption to increase 5.8% in 2017. The production of OSB and Plywood increased in Q1 2017 relative to this period last year, rising 6.0% and 2.4%, respectively.
- **Pulp & Paper:** Year-to-date, total paper and paperboard production fell 0.7% in the U.S. compared with last year. Increases in packaging and tissue (household products) offset declines in newsprint and printing/writing papers.
- **Wood Bioenergy:** Forisk is tracking 436 operating and announced bioenergy projects across the U.S., of which 298 pass Forisk’s basic viability screening. The “viable” projects represent potential wood use of 77.6 million tons per year, up 0.2% from the January 2017 estimate.
 - To download the free *Wood Bioenergy US* Summary, click [here](#).
 - For information on the *Wood Bioenergy US* database, click [here](#).



- **Timberland Investments:** Public timber REITs returned 5% as a group in 2016 and 11.6% YTD through April. Weyerhaeuser (WY), which comprises 81% of the timber REIT sector, returned 12.6% during this period versus 9.5% for the S&P 500. Potlatch (PCH) and Pope Resources (POPE), a master limited partnership (MLP), also outperformed the S&P 500.
- **Forest Operations:** Updated diesel price forecasts from EIA suggest price increases might be picking up. Nationally, logging wages increased 5% year-over-year, but total logging employment declined 0.7%.
- **Timber Prices, U.S. South:** Over the next five years, pine sawtimber stumpage increases at an average annual growth rate of 4.7% nominal; pulpwood increases at an annualized rate of 3.1% nominal. Hardwood grade prices project an average annualized growth of 1.9% nominal. Major changes in hardwood pulpwood prices in local markets are associated with wood bioenergy demand and shifting species mixes at pulp and paper plants.
- **Log Prices & Logging Costs, Pacific Northwest:** Regional average logging and hauling costs grow at 1.0% per year over the next decade. The Northwest still leads the country in log exports. The premium paid for log exports over domestic sawlogs over the past four quarters for Douglas-fir exceeded the five-year average. Starting prices in the forecast held steady for export logs from Q1 2017 to Q2 2017 with a slight decrease of 0.8% for Douglas-fir and increase of 1.1% for hemlock
- **Hardwood Stumpage Prices, U.S. North:** At least eight grade facilities announced investments for 2016-2019, but log exports from the North declined in 2015. Wood bioenergy updates focus mainly on electrical and CHP plants, as companies navigate government regulations and challenging market conditions. Hard and soft maple log prices are expected to grow the most in the region.

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

Silvicultural Practices of Western Timberland Owners and Managers

Forisk's first survey of forest management practices and costs on western timberlands summarizes data on 4.3 million acres of land in Oregon, Washington, Idaho, and Montana. Douglas-fir was the predominant species planted west of the Cascades while a variety of species were planted east of the Cascades. Chemical site preparation was the most prevalent method (81% of planted acres), though it was less common in Western Washington than other regions. Fertilization was not a common practice (40% of respondents). Pre-commercial thinning was highly prevalent, much more so than commercial thinning. Improved silviculture was anticipated to drop rotation lengths by 7-8 years west of the Cascades and 25 years east of the Cascades. Cable logging was used to harvest half of the acres west of the Cascades and 25% of acres east of the Cascades. Compared with previous studies of management in the region, the results suggest the greatest shifts in silvicultural practice are in planting density and mid-rotation treatments such as fertilization, woody brush control and pre-commercial thinning. *The FRQ research article focuses on management practices; detailed forest management cost analysis will be distributed to survey participants and summarized in future research.*



U.S. & Canadian Timberland Owner & Manager Update: 2017 Summary Analysis

In the past twelve months, our team made 232 updates to Forisk's North American Timberland Owner & Manager List, which includes 312 private organizations in the United States and Canada that each own or manage 10,000 timberland acres or more. Of the 105 million timberland acres captured in the list, 83.1 million (79%) acres are with 114 organizations that own or manage 100,000 acres or more each in the United States. Forest managers and TIMOs represent 42% of these acres, while public timber REITs account for 21%. Industrial owners, those with manufacturing activities in and outside of the forest industry that don't qualify as REITs, hold 18% of these timberland assets. The last four quarters produced nearly 3 million acres of industrial and institutional timberland transactions, maintaining the strong post-recession pace. TIMOs participated in more transactions by count, as either buyer or seller, than those of public timber REITs and forest industry firms combined. *The Timberland Owner & Manager List is distributed to FRQ subscribers and available separately [here](#).*

Upcoming Continuing Education Opportunities

On July 13th, Forisk will teach "**Timber Market Analysis**" in **Atlanta, Georgia**. This one-day class is ideal for forestry consultants and investment analysts, wood procurement professionals and bioenergy project managers, timberland owners and investors, and anyone else who wants a step-by-step process to understand, track, and analyze the price, demand, supply, and competitive dynamics of local timber markets and wood baskets. All *FRQ* subscribers receive a 10% discount. [Click here to learn more and to register.](#)

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:

- On May 1st, [Amanda Lang](#) and her husband welcomed a healthy baby boy into their family. Congratulations, Amanda!
- On **May 16, 2017**, Brooks Mendell will present "What Do Changing Forests Imply for Timber Owners, Investment and Markets?" at the PINEMAP Conference in Athens, GA.
- On **June 21st, 2017**, Forisk will present "Implications of Forest Industry Technologies on Regional Timber Markets" at the Chattahoochee SAF Meeting in Atlanta, Georgia.
- In **September 2017**, Forisk will present "Specific Recommendations for Investors When Evaluating Investment and Manager Performance" at the Who Will Own The Forest Conference in Portland, OR.
- On **October 25, 2017**, Forisk will present at the Texas Forest Service Annual Meeting in Nacogdoches, TX.

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