



Forisk News: Timber Price Forecast - Forest Supply Projections - December 7th Event for Investors/Executives

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Archives available [here](#).

Over the past three months, members of our team visited nearly three-dozen wood-using mills, logging jobs and forest management operations in the Pacific Northwest, Lake States, New England and the US South. Our interests, bias, and DNA center on understanding how the forest industry works from the “ground up,” so continued learning and sharing with colleagues and clients across the forest industry supply chain drives our ongoing research. In addition, we attended, supported or taught events related to timberland investing, wood market analysis, CLT, forest supply modeling, and mulch and residual markets. [Our research into log truck insurance](#) continues to generate interest. Our blog, the [Forisk Blog](#), was recognized as one of the planet’s best forest-related blogs! And finally, we are preparing for our upcoming event for forest industry investors, analysts and executives:

On December 7th in Atlanta, Forisk hosts “**Wood Flows and Cash Flows: Investment Research & Strategic Analysis for the Forest Industry**,” with case examples, industry forecasts and a panel with executives from wood manufacturing and technology firms. [Click here](#) to learn more. **Early registration discount ends on November 20th**. Seating is limited.

Timber Price Forecast

Recently, we posted analysis related to forecasting North American timber prices and forest industry activities:

- [Forisk Forecast: U.S. Housing Starts Outlook, Q4 2017 Update](#)
- [Canadian Logging Industry Hopes to Avoid the Buzz saw](#)
- [Southern Pine Sawtimber Supply Forecasts and Pricing Impacts](#)
- [The Math of Timberland Returns](#)

The Q4 2017 *Forisk Research Quarterly (FRQ)* includes industry analysis and market forecasts through 2026 for timber prices, logging costs, softwood lumber production, structural panels production, paper and paperboard production, forest supplies and ownership, and wood bioenergy markets. Our feature article updates Forisk’s southern wood supply forecasts and examines price implications. This quarter we also introduce “Forisk and the Trees”, a quarterly summary of market trends detailing, in this issue, CLT markets and the Potlatch/Deltic transaction. “Forisk Facts & Figures” – Forisk’s quarterly “story in three slides” – describes our updated forecasts of the pulp and paper industry in 2017. *This issue also includes updated state-level rankings of timber markets based on wood demand, projected forest supplies, and stumpage prices.* Select FRQ findings include:

- **Macro:** Economic growth picked up during the third quarter of 2017. Real GDP reached 3.0% on an annualized basis. Quarterly unemployment declined to 4.3%. Forisk’s Q3 2017 Score of 3.9 for the U.S. economy was the highest in three years.



- **Lumber:** The Forisk Base Case projects U.S. softwood lumber consumption to increase 1.3% to 48.0 BBFT in 2017, while production increases 3.8% to 33.8 BBFT. U.S. softwood lumber capacity has risen 4.0% in 2017.
- **Wood Bioenergy:** Forisk is tracking 442 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 77.2 million tons per year, down 0.6% from the July 2017 estimate.
 - To download the free *Wood Bioenergy US* Summary, click [here](#).
 - For information on the *Wood Bioenergy US* database, click [here](#).
- **Log & Chip Exports:** U.S. softwood log exports were down 6.2% through August 2017, while U.S. hardwood log exports dropped 11.5%. Regionally, Southern softwood log exports increased 68.7% year-over-year and are on pace to surpass 1.5 million tons, the highest level in 25 years. China remains the largest importer of U.S. softwood and hardwood logs.
- **Timberland Investments:** Public timber REITs returned 18.0% YTD through the final Friday of October. Potlatch (PCH) led the sector at 24.4%, while also announcing a deal to combine with Deltic Timber. Through October 2017, approximately 1.1 million acres of industrial timberland transactions closed in the U.S.
- **Forest Operations:** U.S. logging wages were all higher to start 2017 than they were a year earlier (3.4% on average), while employment was down in most regions. Average productivity of logging operations in Western Canada have shown declining productivity since 2011, pressuring logging profitability and/or increasing logging rates.
- **Timber Prices, U.S. South:** Announced and opening greenfield sawmills and expansions affect multiple markets locally. For example, GP’s announced mill in Talladega, Alabama lifted sawtimber forecasts in the state. Klausner’s Enfield mill materially affects both sawtimber (+) and pulpwood (-) forecasts in North Carolina. Southwide, we project increases in nominal pine sawtimber and pulpwood stumpage prices over the next five years.
- **Log Prices, Pacific Northwest:** Domestic log prices for Douglas-fir and hemlock have increased, which reduced the premium paid for Douglas-fir log exports over domestic sawlogs to below the five-year average. Prices are forecast to increase slightly in the next five years. Export log prices increase more than domestic prices.
- **Hardwood Stumpage Prices, U.S. North:** At least 14 grade facilities announced investments for 2016-2019, but log exports from the North declined in 2016 and are on track to decline again in 2017. Wood bioenergy announcements feature offline electricity plants and pellet mill purchases. Hard and soft maple log prices, along with yellow birch, 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.

Local Projections and Pricing Impacts of Timber Supplies in the U.S. South

We examine similarities in long-term supply patterns across states and provide three, roughly geographic groupings of similar markets based on pine pulpwood and sawtimber projections. We also investigate the relationship between timber prices and timber supply elasticities. Compared with last year’s supply projections, pine grade inventories are 3% lower in 2026 and pine pulpwood inventories are 10% higher. Grade inventories still increase in 7 of ten states. In a scenario where supply has a greater price effect, pine sawtimber prices are \$2.29 lower than the FRQ base case over the next ten years. Variation in state and local-level supply profiles reinforces the separation of markets with appreciating versus stagnating prices. *This FRQ research article draws from Forisk’s annual update on*



Southern timber supplies by state. Special thanks to Dr. Bob Abt with N.C. State University and SOFAC for his assistance with this research.

Upcoming Continuing Education Opportunity

On December 7th, Forisk will host "**Wood Flows and Cash Flows: Investment Research & Strategic Analysis for the Forest Industry**" in Atlanta, Georgia. The investment in and management of timberland assets and wood-using mills rely on a localized understanding of factors driving forest industry costs, revenues, capital investment and technological shifts. This supports the valuation of timber portfolios and public forest industry firms, projects targeting forest industry efficiencies, and investments in forests and forest product mills. This event details research for analysis supporting investments in the forest industry. All *FRQ* subscribers receive a 10% discount. [Click here to learn more and to register.](#)

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

News & Upcoming Events

- On **January 29, 2018**, Forisk will present "Southeastern Stumpage Market Update and Trends" at the SESAF Annual Meeting in Pine Mountain, Georgia.
- On **March 6th**, Forisk will offer "Applied Forest Finance", a one-day workshop, in Atlanta, Georgia.
- On **March 21st**, Forisk will offer "Applied Forest Finance and Timber Forecasting", a workshop, in Portland, Oregon, hosted by the Western Forestry & Conservation Association.
- On **June 19th**, Forisk will offer "Timber Market Analysis" in Atlanta, 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.