



Forisk News: Timber Price Forecast – Logging Employment & Productivity – Applied Forest Finance event

Forisk News: February 9, 2018

Archives available [here](#).

On December 7th, 2017, we hosted our first “Wood Flows & Cash Flows” event, with participants traveling in from the South, Pacific Northwest, New England and Midwest. Sessions included the ranking of markets for timberland investing and locating wood using mills, analysis of forest industry supply chains and logging capacity, and the performance and application of timber industry forecasts over the past ten years. We also learned about how technology influences the forest products industry, based on lessons shared by industry executives. Thank you to everyone who helped make the event a success!

On March 6th in Atlanta, Forisk hosts “**Applied Forest Finance**,” with case examples and detailed overviews of evaluating the returns of forest management decisions and timberland investments. [Click here](#) to learn more. **Early registration discount ends on February 21st.**

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, Q1 2018 Update](#)
- [Is a Short-Term Decline in Logging Employment a Long-Term Concern?](#)
- [Financial Returns from Forest Management](#)
- [Wood Bioenergy Update: Q1 2018](#)

The Q1 2018 *Forisk Research Quarterly (FRQ)* includes industry analysis and market forecasts through 2027 for timber prices, logging costs, lumber production, structural panels production, paper and paperboard, forest supplies, and wood bioenergy markets. Our feature article updates Forisk’s Southern sawtimber price forecast model by analyzing historic supply and demand relationships. Our market summary, “Forisk and the Trees,” includes executive perspectives on forest technology and a comparison of cash yields from different timberland investment vehicles. “Forisk Facts & Figures”, Forisk’s quarterly “story in three slides,” analyzes the sensitivity of forestland values to changes in reforestation costs, timber prices and management intensity. *This issue also includes updated state-level rankings of timber markets based on wood demand, forest supplies, and stumpage prices.* Select FRQ findings include:

- **Macro:** Real GDP grew 2.3% in 2017. Quarterly unemployment declined to 4.1%. Forisk’s Score of 3.6 for the U.S. economy reflects continued topline growth but at a more subdued pace since last quarter.
- **Lumber:** The Forisk Base Case projects U.S. softwood lumber consumption to increase 3.7% to 49.8 BBFT in 2018, while production increases 5.0% to 35.6 BBFT.



- **Wood Bioenergy:** Forisk is tracking 441 operating and announced bioenergy projects across the U.S., of which 294 pass Forisk’s basic viability screening. The “viable” projects represent potential wood use of 77.8 million tons per year, up 0.7% from the October 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 5.2% year-over-year through November 2017, while U.S hardwood log exports dropped 11.5%. Regionally, Southern softwood log exports increased 64.4% year-over-year and are on pace to surpass 1.5 million tons. U.S. log exports to Canada were down 27.9% year-over-year through November, yet Canada remains the second largest importer of U.S. roundwood with 20.7% of the total volume.
- **Timberland Investments:** Public timber REITs returned 7.3% YTD through the final Friday of January. Potlatch (PCH) led the sector at 38.8%. Over the last quarter, Rayonier led the sector and outpaced the S&P 500. For 2017, approximately 1.8 million acres of industrial timberland transactions closed in the U.S. TIMOs accounted for 55% of acres sold and 69% of acres acquired in 2017.
- **Timber Markets, U.S. South:** The South has ample pine grade supplies and continues to attract capital investment across forest industry sectors. Known U.S. investments in 2017 totaled \$3.7 billion, \$3.3 billion of which were in the South. Announced sawmill capacity increases in the South total 1.6 BBFT, including re-openings and greenfield facilities. Alabama, Arkansas and Georgia have the largest increases in projected lumber production. Georgia leads the South in pine grade demand, followed by Alabama and Mississippi. Louisiana is the most exposed to the plywood sector, while South Carolina has the most upside from exports, which represents only 5% of log demand in the state.
- **Log Prices, Pacific Northwest:** Log prices increased substantially across products and states in 2017 in the Pacific Northwest, and domestic log prices are the highest since 2010. The largest increases were for domestic and export Hemlock logs (15-17%). Domestic Douglas-fir prices increased 9-14% in the region. Prices are forecast to increase modestly on average in the next five years. Export log prices increase at higher estimated annual rates than domestic prices.
- **Hardwood Markets, U.S. North:** At least 10 grade facilities announced investments for 2016-2018. Both hardwood and softwood log exports from the North are on track to decline in 2017, with softwood exports trending 34% lower. The pending sale of Rentech’s pellet mills represents nearly 15% of the Middle Atlantic’s wood use for bioenergy. Total average logging and hauling costs in the region project to grow 1% per year over the next decade, driven by diesel cost growth.

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

Logging Employment and Productivity

Forisk separates the U.S. into three regions for evaluating timber markets and forest industry activities – North, South, and West. Operationally, wide variability exists within these regions, so we consider them at the sub-regional level. U.S. logging employment declined in every region of the country in Q2 2017, the first time this has occurred since the end of the recession. Despite the national trend, a number of local wood markets have shown employment growth. The businesses that survived the recession were financially challenged but operationally well-positioned to thrive as markets recovered. In addition, a larger proportion of output is shifting to the South, a region with the highest production per logging employee in the country. Efficiency gains continue to drive the logging industry. Since the last FRQ, wages increased in all regions except the Lake States and the Northeast. Click [here](#) for additional data and a map of spatially distributed logging employment changes by county for the U.S.



Upcoming Continuing Education Opportunity

Forisk will teach variations of the “Applied Forest Finance” class in both Atlanta, Georgia and Portland, Oregon in March 2018. We hope you’ll be able to join us for one of these popular workshops! Registration for the March 6th Atlanta class will be handled by Forisk (click [here](#)); Registration for the March 21st Portland class will be handled by the [Western Forestry & Conservation Association \(WFCA\)](#).

News & Upcoming Events

- On **February 24th**, Shawn Baker will present “Logging and Trucking Industry Competitiveness” at the North Carolina Logger’s Association Annual Meeting in Wilmington, NC.
- 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 **March 21st**, Shawn Baker will present “Trucking Pay, Benefits and Insurance” at the Southeastern Forest Resources Association Spring Meeting in Newberry, SC.
- On **June 19th**, Forisk will offer “Timber Market Analysis” in Atlanta, Georgia.
- On **December 13th**, Forisk will offer “Wood Flows and Cash Flows” in Atlanta, Georgia.
- Dr. Shawn Baker was recently recognized with the Second Place Technical Writing Award from the Forest Resources Association for his Technical Release 17-R-10, WSRI Logging Pay & Benefits Survey.
- Dr. Shawn Baker has been promoted to Vice President of Research at Forisk, where he will lead Forisk’s entire research portfolio in addition to continuing his forest operations research in the U.S. and Canada. Congratulations, Shawn!
- Ms. Heather Clark, Business Manager and Director of the Forisk Continuing Education Program, recently became a Forisk shareholder. Congratulations, Heather!

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