



## Forisk News: Timber Price Forecast – North American Forest Industry Capacity – Wood Flows & Cash Flows

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Archives available [here](#).

This quarter, we published excerpts and analysis from our study of North American Forest Industry Capacity. Our research considers the implications for timberland prices, wood costs and investment strategies (see below). Thank you to everyone who supports our team and research!

On December 13th in Atlanta, Forisk hosts “**Wood Flows & Cash Flows**,” with investment research and strategic analysis for the forest products industry. [Click here](#) to learn more. **Early registration discount ends on November 30<sup>th</sup>.**

### Timber Price Forecast

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

- [Southern Lumber Producers: Past, Present and Future](#)
- [Forisk Forecast: U.S. Housing Starts Outlook, Q3 2018 Update](#)
- [Valuing Timber REITs: Net Asset Value \(NAV\) versus Dividend Yields](#)
- [OSB Investment and Capacity in the South](#)
- [Trucking Shortage Drives Industry to Higher Efficiency...and Cost](#)

The Q3 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 includes excerpts from Forisk’s study of North American forest industry capacity, historically and looking forward. Our market summary, “Forisk and the Trees” includes discussion of forest industry investment, Canadian softwood lumber tariffs and timber REIT valuations. “Forisk Facts & Figures”, Forisk’s quarterly “story in three slides,” offers a snapshot of our research into North America trade of forest products. *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:** Job growth remained strong in Q2 2018; quarterly unemployment fell to 3.9%. Inflation increased year-over-year as CPI and PPI rose, and yields on 10-year U.S. Treasuries increased to 2.91%. Forisk’s Q2 2018 Score of 3.2 remained above the stagnant “no growth” score of 2.0.
- **Lumber:** The Forisk Base Case projects U.S. softwood lumber consumption to increase 5.4% to 50.4 BBFT in 2018, while production increases 11.8% to 37.5 BBFT.
- **Wood Bioenergy:** Forisk analysis suggests wood use for viable bioenergy projects in the U.S. will be 75.9 million tons per year by 2027. Through May 2018, U.S. wood pellet export volumes increased 11% year-over-year, while Canadian wood pellet exports rose 10%. U.S. wood pellet capacity projects to reach 14.1 million metric tons by 2019.
  - 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 up 7% year-over-year through May 2018, while U.S. hardwood log exports increased 38%; both products were driven by increases in volumes from



the U.S. South. Hardwood chip exports were down 3% relative to this period last year, while softwood chips increased 16%.

- **Timberland Investments:** Public timber REITs returned 7.7% YTD through the first Friday of July. Over the past twelve months, Rayonier (RYN) led with a gain of 35.9%. RYN, CatchMark Timber Trust (CTT), and Weyerhaeuser (WY) outpaced the S&P 500 over this period. From Q3 2017 through Q3 2018, approximately 3.3 million acres of industrial timberland transactions closed in the U.S. TIMOs accounted for 65% of acres sold while public timber REITs accounted for 52% of acres acquired.
- **Forest Operations:** Challenging demographics and historically high levels of truck freight are escalating the truck driver shortage. Logging wages ballooned by over 5% year-over-year in every U.S. region except the Northeast and Pacific Northwest.
- **Timber Markets, U.S. South:** Announced softwood sawmill capacity increases in the South total 3.2 BBFT. Alabama, Georgia, and Arkansas have the largest increases in projected lumber production. In the past five years, four OSB mills resumed operations in the South and two greenfield mills were established.
- **Log Prices, Pacific Northwest:** Delivered log prices dampened slightly in Q2 for all products (-1% to -3%) except Douglas-fir in Oregon (+3%). Despite this, starting prices, as measured by the last 4Q averages, increased for all products in the Pacific Northwest forecasts.
- **Hardwood Markets, U.S. North:** Both hardwood and softwood log exports from the North are up through May 2018. The Forisk Hardwood Price Index declined 3% in Q1 2018 and is down 16% from its high in Q1 2015. Most of this decline has been driven by Lake States hard maple and red oak prices falling at a faster pace than the rest of the North region.

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

## North American Forest Industry Capacity

Forisk's comprehensive analysis (Study) of North American wood-using mills details current and historic capacity by firm and sector across North America, along with projected capacity levels by sector and region for the next two years. The Study includes ten years of historical capacity and projections through 2020 with maps and firm and market-level rankings for [softwood sawmills](#), plywood, [OSB](#), wood-consuming pulp mills, and wood pellet plants across five regions in the United States and Canada. Users of this Study can also receive the underlying data associated with the research. The Study provides **verified data and objective analysis to support strategic and operational plans** for wood-using mills or timberlands in the U.S. and Canada. Click [here](#) for additional information on the Study.

## Upcoming Continuing Education Opportunity

Forisk will offer "Wood Flows & Cash Flows" in Atlanta, Georgia on December 13<sup>th</sup>, 2018. We hope you'll be able to join us for this practical, interactive event co-taught by the entire Forisk Team, followed immediately by a networking mixer. This year, the Executive Panel will discuss "Financing Capital Investments in the Forest Products Industry." To learn more or register, click [here](#).

## News & Upcoming Events

- On August 25<sup>th</sup>, Shawn Baker will present "Major Trends in the Forest Industry of the U.S. South" at the Virginia Logger's Association Conference in Williamsburg, Virginia.



- On **August 29<sup>th</sup>**, Brooks Mendell will keynote the Louisiana Forestry Association Annual Meeting in Shreveport, Louisiana.
- In **September**, Brooks Mendell will present “What Does Forward Looking Performance for Timberland Look Like?” at Who Will Own the Forest? Conference in Portland, Oregon.
- On **October 3<sup>rd</sup>**, Brooks Mendell will present “Forest Industry Capital Investments and the Market Implications for Hardwood Logs” keynote at the National Hardwood Lumber Association Annual Meeting in Toronto, Canada.
- On **October 19<sup>th</sup>**, Amanda Lang will present “Timber Market Update” at the Ladies for their Land Workshop in Athens, Georgia.
- On **December 13<sup>th</sup>**, Forisk will offer “Wood Flows and Cash Flows” in Atlanta, Georgia.
- On **January 23<sup>rd</sup>, 2019**, Brooks Mendell will teach “Growth Rings: Professional Development and Communication Skills” in Portland, Oregon. This class will be co-sponsored and hosted by the Western Forestry and Conservation Association.
- On **January 29<sup>th</sup>, 2019**, Brooks Mendell will keynote the Southeastern Society of American Foresters Annual Meeting in Mobile, Alabama.

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