

Analyzing Southern Timber Markets¹

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Wood prices provide a key signal in understanding the economics of a given wood basket. The price marks the intersection of wood supply and demand today and historically in an easily communicated form.

Research into wood demand and consumption can also provide a valuable means for both assessing the current as well as longer-term prospects for a given timber market and for generating additional insight from available timber price data. Wood demand can take the form of wood volume by product that crosses the scales of forest industry mills. Tracking actual wood use by mills in a market helps discern price impacts resulting from relevant events such as:

- Timber supply shifts;
- Mill closures, expansions and extended downtimes; and
- Major weather events, such as hurricanes and extended rainy seasons.

For example, a recent study aggregated actual softwood demand in Central Georgia. This market, centered on Macon GA, includes 14 pine grade using mills and 4 pine pulpwood using facilities (Table 1). These mills consume nearly 5.6 million tons of pine grade and over 6 million tons of pine pulpwood annually.

Table 1: 2004 Wood Consumption in Central Georgia

Pine mill type (#)	Product Consumed	Total Consumption (tons)	Trend
Sawmill (12) Ply/veneer (2)	Pine grade	5,594,500	Increased proportion of CNS and “superpulp”
Pulp (3) Panel/OSB (1)	Pine pulpwood	6,018,000	Substitution of pine for hardwood

Analysis of the study results and conversations with mill procurement managers highlight trends in consumption patterns. Over the past four years, several mills have closed, expanded or changed ownership within the market. Total pine consumption appears steady; however, sawmills continue to accept smaller logs, with chip-n-saw and “superpulp” logs comprising a larger percentage of total grade mill purchases. This result partly reflects how mill upgrades in this region enabled optimized operations for chip-n-saw type logs, which are increasingly sorted and produced from second-thinning operations. At the same time, the availability of, and the ability to process, oversize logs (those exceeding 20-24” at the butt) continues to decline.

Price levels in Timber Mart-South Region 2 of Georgia, which includes the region of our analysis, show overall strengthening of pine grade prices (Table 2), with larger pine plylogs increasing at a lower rate. Hardwood pulpwood prices have increased, which is consistent with findings indicating the challenge of procuring sufficient volumes of

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hardwood pulpwood. As a result, pulp mills, where possible, are substituting with the cheaper and more readily available pine, although not sufficiently to absorb excess the supply of pine thinnings and support higher market prices for pine pulpwood.

Table 2: Average Timber Mart-South product prices for GA_2

	Q2 2005 (\$/ton)	2004 Average (\$/ton)	% Difference
Pine sawtimber	47.31	45.31	+4.41%
Pine chip-n-saw	27.94	26.63	+4.92%
Pine plylogs	46.63	45.01	+3.22%
Pine pulpwood	6.49	6.56	-1.07%
Hardwood pulpwood	8.63	8.23	+4.86

Tracking wood demand relative to prices in this way distinguishes between the impacts of competition between mills and supply shocks such as Hurricane Katrina in the Gulf Coast region, providing necessary information for planning mill expansions or changing procurement strategies.

Over the long term, wood demand research enables ongoing assessments of the overall health of a given timber market. This provides a means for comparing neighboring timberland regions, and for identifying trends that have implications for future timber supply and land use changes.

Combined with timber price data, this research verifies or rejects assumptions used in timber price forecasts, and distinguishes between markets with “tight” wood supplies versus those with room for growth. Ultimately, a transparent and updated picture of wood demand by mills over time can support and inform timber market specific investment decisions by loggers, wood suppliers and forest land owners.

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