

## How Healthy is Wood Demand in Your Timber Market?

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Steady cash flow in logging requires steady wood flows, and steady wood flows require stumpage to cut and markets to haul it to. On a day-to-day basis, this may include participating in timber sales and managing quotas or mill relationships. However, over the long haul, how can logging firm owners and wood suppliers gain insight into the health – the long-term prospect for wood demand – in their operating region?

Normally, we look to wood prices as a key signal. This price information comes directly from mills quoting new delivered prices, from the results of bid sales and from price reporting services such as Timber Mart-South, Forest2Market and forestry associations. Ongoing assessments of timber inventories from the U.S. Forest Service and state forestry commissions also provide needed information.

Increasingly, wood demand and consumption provide a valuable means for assessing the current – and future – prospects for logging and stumpage sales in a given market. This wood demand takes the form of the volume of wood by product that crosses the scales of forest industry mills. By tracking actual wood use by mills in a market, we look to better understand the price impacts in a timber market from:

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

For example, we recently analyzed 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). These mills consume nearly 5.6 million tons of pine grade and over 6 million tons of pine pulpwood annually. To put this into perspective, this market, over the past two years, has consumed higher volumes of wood relative to a South-wide average of comparably sized markets. In addition, we note the ability of this market to consume oversize logs continues to decrease as mills replace headrigs with chip-n-saws.

### 2004 Softwood Consumption in Central Georgia

Pine mill type (#)	Product Consumed	Total Consumption (tons)
Sawmill (12) Ply/veneer (2)	Pine grade	5,594,500
Pulp (3) Panel/OSB (1)	Pine pulpwood	6,018,000

In the past 4 years, mills have closed, expanded and changed hands in this market. The uncertainty associated with these activities impacts the prospects for adding or

reducing logging capacity or pricing stumpage sales. Our analysis has shown that the overall demand for pine sawtimber has remained constant while the ability of pulp mills to substitute and consume hardwood and juvenile wood has increased.

We also track the flows of residual and woods-direct chips. Procurement managers describe how sudden shifts in chip demand can ripple through the entire supply chain of a given sawmill. This research is being expanded to assess the roles of neighboring markets and timberland investors. 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.

*Forisk Consulting provides research and education services for the forest business and timberland investing communities. These services emphasize the analysis and understanding of timber markets, timberland investment risk and forest operations. Forisk publishes a quarterly Wood Demand Report that tracks wood use by market across the Southeast. [www.forisk.com](http://www.forisk.com)*