



## Q2 Forisk News: Timber Price Forecast – Forest Owners and Management – Timber Market Analysis

Forisk News: May 9, 2019

Archives available [here](#).

This quarter, we published our sixth Silviculture Survey of forest management practices in the U.S. – with this year focused on the Pacific Northwest – and our eighth database of North American Timberland Owners & Managers. We also [acquired the Wood Demand Research Program](#) from the University of Georgia and celebrated our 15<sup>th</sup> year in business. Thank you to everyone who supports our team and research!

On June 25th in Atlanta, Forisk hosts “**Timber Market Analysis**,” instructed by Brooks Mendell and Amanda Lang. [Click here](#) to learn more. **FRQ subscribers receive discounted registration and early registration ends June 11<sup>th</sup>.**

### Timber Price Forecast

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

- [U.S. Housing Starts Outlook, Q2 2019 Update](#)
- [Tracking the Top Timberland Owners and Managers in the U.S. and Canada, 2019 Update](#)
- [Pulp/Paper Containerboard Conversions: Implications on Wood Use and Prices](#)
- [Meeting Growing Wood Demand with Limited Trucking Capacity](#)

The Q2 2019 *Forisk Research Quarterly (FRQ)* includes industry analysis and market forecasts through 2028 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 summarizes the silvicultural practices on 9.0 million acres of western timberland. Our market summary, “Forisk and the Trees” includes notes on how to assess new markets for wood, includes context for mass timber, and lists the top timberland managers in North America. “Forisk Facts & Figures,” Forisk’s quarterly “story in three slides,” summarizes updates to North America’s top timberland owners

Select FRQ findings include:

- **Macro and Housing:** The economy remained strong in Q1 2019. Real GDP grew at a 3.2% annual rate. Unemployment remained close to a 50-year low. Inflation rose year-over-year but remained muted. Forisk projects U.S. housing starts of 1.254 million for 2019, up 0.3% over 2018 actuals. U.S. housing starts advanced 3.9% in 2018. In 2018, Canadian housing starts declined 3.1% year-over-year.
- **Lumber:** The Forisk Base Case projects U.S. softwood lumber consumption to increase 0.4% to 48.6 BBFT in 2019, while production increases 1.4% to 35.4 BBFT. North American softwood lumber capacity is projected to reach 74.3 BBFT in 2019; U.S. capacity grows to 43.3 BBFT.
- **Wood Bioenergy:** Forisk analysis suggests wood use for “viable” bioenergy projects in the U.S. will be 82.5 million tons per year by 2028. In 2018, U.S. wood pellet export volumes increased 17% year-



over-year, while Canadian wood pellet exports rose 22%. North American wood pellet capacity projects to reach 18.1 million metric tons in 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 3.8% in 2018, while U.S. hardwood log exports decreased 4.8%. Hardwood chip exports were down 35% relative to this period last year, while softwood chips increased 8.8%. In 2018, 53% of all U.S. roundwood exports were destined for China.
- **Timberland Investments:** Public timber REITs returned 24.2% YTD through the last Friday of April. Over the past twelve months, among timber investment vehicles in the *FRQ*, only direct timberlands netted positive price and value appreciation. Over the last four quarters, ~2.2 million acres of industrial timberland transactions closed in the U.S. (versus 2.5 million as of the prior *FRQ*). TIMOs accounted for 85% of acres sold; timber REITs accounted for 53% of acres acquired over this period.
- **Forest Operations:** Logging employment leveled off across North America for the first time since 2017 while wages increased substantially. Localized employment trends varied with pockets of increases and declines distributed across the U.S. Wages increased across most of the South, while localized patterns varied in other regions. Trucking freight volume increased 7% in 2018 while employment was up 5% through Q3 2018.
- **Timber Markets, U.S. South:** In general, pine sawtimber price forecasts are lower this quarter versus Q4 2018 due to lower projections for lumber production. The largest increases locally for pine sawtimber are in Alabama, Georgia, and South Carolina. Pine pulpwood stumpage prices increase the most locally in Mississippi.
- **Log Prices, Pacific Northwest:** Delivered log prices declined in Q1 2019 for most products. Declines were more pronounced in Washington and for export products (-10%), while Oregon prices were more stable. Forecasts are lower this quarter than the Q1 2019 *FRQ* due to lower starting prices and a downward revision to the lumber production forecast for the West.
- **Hardwood Markets, U.S. North:** Price changes were mixed among the four species tracked by the Forisk Hardwood Price index, though the overall index was unchanged. Total average logging and hauling costs in the region project to grow 1% per year over the next decade, driven by diesel cost growth and higher driver wages. Biomass markets for low grade wood have declined in recent years; this creates forest management challenges for landowners but also represents opportunity for pulp/paper mill conversions and reopenings.

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.

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## Forest Management Practices in the Pacific Northwest

This quarter's featured research summarizes Forisk's most recent survey of management practices on western timberlands. This covered 9.0 million acres of land in Oregon, Washington, Idaho, and Montana. Douglas-fir was the dominant species planted west of the Cascades, with a higher proportion of advanced genetic stock planted in Washington than Oregon. Western Oregon demonstrated a greater use of chemical competition control in site prep and mid-rotation. Ground-based logging systems were employed on a greater proportion of harvested acres (55%) than cable logging. The results demonstrate a commitment to targeted, intensive silvicultural practices shortening rotation lengths across the region.



## Forisk Facts & Figures: North American Timberland Ownership

Forisk's quarterly "story in three slides" provides a current snapshot of [Forisk's research into North America's largest timberland owners and managers](#). What does the timberland research cover, who are the largest timberland owners, and how has ownership changed over time? This research currently covers 336 organizations that average 291,000 acres each for a total of 98 million acres.

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## Upcoming Continuing Education Opportunity

Forisk will host "Timber Market Analysis" in Atlanta, Georgia on June 25<sup>th</sup>, 2019. This class details the step-by-step process to understand, track, and analyze the price, demand, supply, and competitive dynamics of local timber markets and wood baskets, including the impacts of new mills. This one-day course is ideal for current or future forestry consultants and analysts, timberland owners and investors, wood procurement professionals, finance and accounting professionals and attorneys. *This course qualifies for 8.0 hours of CFE credits, CLE/MTH credits, and 7.0 hours of GA Real Estate/Appraiser CE credits.*

Companies that subscribe to the *Forisk Research Quarterly (FRQ)* receive a discount. Please email Heather Clark ([hclark@forisk.com](mailto:hclark@forisk.com)) for the promo code.

To learn more or register online, click [here](#). Early registration ends June 11<sup>th</sup>.

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## News & Upcoming Events

- Since fall 2018, Forisk research and researchers were cited and interviewed in *The Wall Street Journal*, *The Financial Times*, *Capital Press* and NPR.
- Forisk acquired the Wood Demand Research Program from the University of Georgia.
- On **May 16<sup>th</sup>**, Amanda Lang will speak at the Georgia SAF meeting in Tifton, Georgia.
- On **June 19<sup>th</sup>**, Brooks Mendell will keynote the Forest Landowners National Conference in Lake Tahoe, California.
- On **June 21<sup>st</sup>**, Shawn Baker will speak at the Timber Products Inspection's Annual Meeting in Hilton Head, South Carolina.
- On **August 28<sup>th</sup>**, Brooks Mendell will keynote the Louisiana Forestry Association Meeting in Lake Charles, Louisiana.
- On **September 18<sup>th</sup>**, Amanda Lang will speak at Who Will Own the Forest? In Portland, Oregon.
- On **October 3<sup>rd</sup>**, Brooks Mendell will speak at the North Carolina Forestry Association Annual Meeting in Wilmington, North Carolina.
- **Finally, save the date for December 5<sup>th</sup>, when Forisk will host its annual conference, "Wood Flows & Cash Flows" 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.*