



Forisk News: Timber Forecasts – Forest Management and Ownership – Applied Forest Finance

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Archives available [here](#).

This quarter, we published the [Forisk Wood Fiber Review](#) with market intelligence and price data on pulpwood, wood chips, and biomass for the U.S. and Canada. In April, we published a “[Timberland 2020](#)” white paper on short and long-term expectations for timberland investments. And we recognize how forestry teaches us much, including patience and appreciation, that is relevant during uncertain times. Thank you for your friendships and continued support of the Forisk team and our research!

On June 24th, Forisk hosts, as a webinar, its “Applied Forest Finance” class on financial analysis of timber investments and forest management decisions. [Click here](#) to learn more. **Forisk subscribers receive discounted registration; registration ends June 12th.**

Timber Price Forecast

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

- [U.S. Housing Starts Outlook, Q2 2020 Update: COVID-19](#)
- [Forisk Q1 2020 Update of Forest Industry Capital Investments and Timberland Transactions](#)
- [Timberland 2020: Analysis of Coronavirus and Recessions on Timberland Investments](#)
- [Forisk’s 2020 Survey of Private Forest Management in the U.S. South](#)
- [Wood Bioenergy Update and North American Wood Pellet Exports: Q2 2020](#)

The Q2 2020 *Forisk Research Quarterly (FRQ)* includes industry analysis and market forecasts through 2029 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 our fifth biennial survey of forest management practices among private timberland managers and investors in the U.S. South. Our market summary, “Forisk and the Trees” includes notes on impacts from the coronavirus on forest industry production and timberland investors. “Forisk Facts & Figures”, Forisk’s quarterly “story in three slides,” provides a current snapshot of Forisk’s research into North America’s largest timberland owners and managers.

Select FRQ findings include:

- **Macro and Housing:** Real GDP declined at a 4.8% annual rate, the sharpest drop since 2008. From March 15 through April 25, 30.3 million people filed unemployment claims. Forisk projects U.S. housing starts of 1.113 million for 2020, down 14% from 2019 actuals. Canadian housing starts declined 7.0% month-over-month in March.
- **Lumber:** Forisk’s Base Case projects U.S. softwood lumber production drops 6% in 2020. Forisk’s Slow Case tests a more severe hit to housing and the economy, resulting in a 12% production drop in 2020 and a return to 2019 levels in three years.
- **Structural Panels:** Forisk projects Base Case U.S. OSB and plywood consumption to decline 6.8% to 28.9 billion square feet (BSF) in 2020. North American structural panel capacity was 40.2 BSF in 2019,



with 29.8 BSF in the U.S. and 10.3 BSF in Canada. Since COVID-19, over 5.9 BSF of North American structural panel capacity has curtailed.

- **Pulp & Paper:** Total pulp/paper production increased 2.5% year-over-year in Q1 2020, driven by strong quarters for tissue (+6.7%) and packaging (5.0%) as reported by AF&PA. North American pulp and paper capacity declined 5% due to coronavirus and raw material supply impacts YTD.
- **Wood Bioenergy:** Forisk analysis suggests wood use for “viable” bioenergy projects in the U.S. could reach 79 million tons per year by 2029. In 2019, U.S. wood pellet export volumes increased 14% year-over-year, while Canadian wood pellet exports declined 1.0%. North American wood pellet capacity projects to reach 19.5 million metric tons in 2020.
 - To download the free *Wood Bioenergy US Summary*, click [here](#).
- **Log & Chip Exports:** Through February 2020, exports of all roundwood and chips declined on a year-over-year basis. U.S. softwood log exports were down 18%, while U.S. hardwood log exports decreased 6%.
- **Timberland Investments:** Public timber REITs returned -31.4% YTD through the last Friday in April while private timberlands returned 0.1%. Among timberland investments tracked in the *FRQ*, Pope Resources led the group with a 51.1% return. Over the last four quarters, over 2.9 million acres of industrial timberland transactions closed in the U.S. (versus 1.5 million as of the prior *FRQ*).
- **Forest Operations:** Prior to coronavirus impacts, logging employment dropped over 2% year-over-year in the U.S. North, West and Western Canada through Q3 2019. British Columbia employment in January 2020 was 22% lower year-over-year. A 10% reduction in wood demand nationally in the U.S. represents the equivalent of 3,000 logging employees.
- **Timber Markets, U.S. South:** Last 4Q South-wide average prices declined for all pine and hardwood products. The regional pine forecast for 2020 projects decreases for grade (sawtimber and chip-n-saw) and pulpwood, which flows through to the state-level forecasts. Most states project stumpage price increases over five years. The 25% drop in Q1 diesel prices lowered our 2020 logging and hauling cost forecast by 6%.
- **Log Prices, Pacific Northwest:** Delivered log prices increased in Q1 2020 for most domestic and international products, except for export hemlock. Delivered log prices increased more in Oregon (+3 to 5%) than in Washington (+0.5 to 1%). Forisk’s Base Case projects a decrease in 2020 prices, and modest increases over the next 5 years.
- **Hardwood Markets, U.S. North:** The Forisk Hardwood Price Index declined 3% in Q4 2019, led by declines in red oak and hard maple. Over the next five years, hard maple and red oak prices are projected to increase across regions, after falling in 2020.

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

2020 Silviculture Survey: Private Forest Management

Our featured research this quarter summarizes the fifth biennial survey of forest management practices in the U.S. South covering 28.3 million acres managed by 35 firms. **The results affirm the continued commitment and interest in active forest management, optimizing investment returns, and the application of new technologies as they become available.** For the first time, third generation and CMP seedlings were planted on more acres than second generation loblolly seedlings. Firms planted 531 trees per acre, on average, and reported 88% survival across all acres. Large landowners and forest managers for non-industrial owners are achieving strong yields across the South through targeted management regimes employing improved genetic stock, competition control and fertilization.



Forisk Facts & Figures: North American Timberland Ownership

Forisk's quarterly "story in three slides" provides a current snapshot of North America's largest timberland owners and managers. [Forisk's North American Timberland Owner & Manager List](#) covers 336 organizations that average 287,000 acres each, for a total of 96 million acres. In 2020, TIMOs and forest managers accounted for 44% of the acres controlled by firms with more than 100,000 acres of U.S. timberland. REITs own 19% of the total, down from 22% last year. The top ten timberland owners in North America hold at least 1.1 million acres each. Weyerhaeuser continues to lead with 11.1 million acres, about the same as the next five combined (and down from 12.3 million acres last year).

Upcoming Forisk Course

Forisk hosts the "Applied Forest Finance" webinar on June 24th, 2020. This one-day class details the step-by-step financial analysis required to answer key investment and forest management questions. Learn how to identify, value, and rank timber and forestry investments. *Earn 6.0 hours of Continuing Forestry Education (CFE) credits, 6.0 hours of Georgia Real Estate/Appraisal CE credits and 6.0 hours Georgia Master Timber Harvester/Continuing Logger Education credits.*

Companies that subscribe to the *Forisk Research Quarterly (FRQ)*, the *Forisk Wood Fiber Review (FWFR)*, or the *North American Mill Capacity Database* receive a discount. Please email Heather Clark (hclark@forisk.com) for the promo code.

To learn more or register online, click [here](#). Registration closes on June 12th **to allow time for mailing the course materials to attendees.**

News & Upcoming Events

- On April 1st, Forisk published the first edition of the [Forisk Wood Fiber Review](#).
- On April 13th, Brooks Mendell published a forest industry "Coronavirus Case Study" in *The Forestry Source*.
- On August 26th, Brooks Mendell is scheduled to speak on "Forest Economics and Timber Investments" at the Florida Forestry Association Annual Meeting.
- On October 22nd, 2020, Brooks Mendell speaks on "Strategic Issues in Forest Investment" at the Pacific Northwest Timber Forum in Seattle, Washington.
- **Save the date for Forisk's 4th Annual "Wood Flows & Cash Flows" conference on December 8th!**

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