

FORISK NEWS

TIMBER & LUMBER MARKETS – TIMBERLAND OWNERSHIP – FOREST CARBON

Q2 Edition • May 11, 2021

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ABOUT FORISK

Forisk helps the forest industry make better decisions. We discover how things work through conducting applied research related to timber markets, wood bioenergy, and forest operations. Founded in 2004 and headquartered near Athens, Georgia, **Forisk conducts original, nationally cited research.** Leading media outlets – including *The Wall Street Journal*, *New York Times*, and National Public Radio – cite our analysis.

Current Forisk clients account for over 200 million tons of annual wood use and over 100 million acres of timberland ownership in North America. You can learn more about our company, our services, and our products at www.forisk.com.



Since the last Forisk News, our team communicated with over 300 forest industry professionals in the U.S., Canada and Europe on topics including mill investments (and lumber prices), timber prices (and lumber prices), and forest carbon markets. As the U.S. forest industry continues to expand in 2021, **it also reflects how the forest industry is spending a lot of time looking up and down the supply chain**, trying to better understand the linkages between deal flows and profit margins.

Congratulations on a strong start to the year and thank you for the support and feedback on our research and analysis!

On September 2nd, Forisk will host its annual [Wood Flows & Cash Flows Conference](#). The one-day virtual event includes an Executive Panel and the Forisk team who share new investment research and strategic analysis for the forest industry, sector by sector. Visit the [conference website](#) to learn more and to register!

TIMBER PRICE FORECAST AND FOREST INDUSTRY PROJECTIONS

Recently, we posted analysis related to North American timber and fiber prices, structural panel capacity, logging capacity and forest carbon markets:

- [Break-Even Analysis for Forest Carbon Contracts](#)
- [Western Canada's Logging Capacity Rebound](#)
- [U.S. Housing Starts Outlook: Feelin' Good Again](#)
- [Why are Timber Prices Low?](#)
- [Wood Fiber Review: Spotlight on U.S. Northwest Chip Market](#)
- [Top 10 North American Structural Panel Producers](#)

The Q2 2021 *Forisk Research Quarterly (FRQ)* includes industry analysis and market forecasts through 2030 for timber prices, logging costs, softwood lumber production, structural panels production, paper and paperboard production, forest supplies and ownership, and wood bioenergy markets.

SELECT FINDINGS FROM THE Q2 2021 FORISK RESEARCH QUARTERLY (FRQ) INCLUDE:

- **Macro and Housing:** Real GDP grew at a 6.4% annual rate. The labor market continued to improve: 1.62 million jobs were added, and unemployment decreased to 6.2%. Yields on 10-year U.S. Treasuries increased to 1.61%. Forisk projects U.S. housing starts of 1.514 million for 2021.
- **Lumber:** Forisk's Base Case projects U.S. softwood lumber production increases 7% in 2021. Softwood lumber price increases continued through Q1 2021, with prices up 92% year-over-year. Lumber producers continue to expand and search for new sites. North America's lumber sector invested \$2.9 billion from 2018-2020.
- **Structural Panels:** Forisk projects Base Case U.S. structural panel consumption to increase 7.5% in 2021. North American structural panel capacity was 40.6 BSF in Q1 2021, with 30.0 BSF in the U.S. and 10.6 BSF in Canada.
- **Pulp & Paper:** Total pulp/paper production fell 2.1% in Q1 2021, down 3.4% year-over-year. Quarterly production fell for all four major sectors, with only packaging production registering higher year-over-year output (1.0%). Forisk expects U.S. pulp and paper production to increase 4.1% over the next five years, led by growth in packaging and sanitary production.
- **Wood Bioenergy:** Forisk analysis suggests wood use for viable bioenergy projects in the U.S. could reach 83 million tons per year by 2030. In 2020, U.S. wood pellet export volumes increased 4.9% while Canadian wood pellet exports rose 11%. North American wood pellet capacity is expected to increase 15% in 2021.
- **Timberland Investments:** Public timber REITs returned 15.9% YTD through the fourth Friday in April after returning 12.2% for all of 2020. Over the past twelve months, all four public timber REITs outperformed the S&P 500. Over the last four quarters, over 1.4 million acres of industrial timberland transactions closed in the United States (versus 1.4 million as of the prior FRQ).
- **Forest Operations:** Through Q3 2020, logging employment remained lower across North America. The North and U.S. West saw the greatest declines. Canadian average employment levels were down year-over-year for 2020, but Western Canada employment came back in Q4 to end the year higher.
- **Timber Markets, U.S. South:** Starting prices in our forecasts, as measured by the last 4Q average, increased for pine products and declined for hardwood. Strong housing and lumber production forecasts fuel increases in 2021 pine sawtimber prices in the Base Case. The largest increases locally for pine sawtimber are in Mississippi and South Carolina.
- **Log Prices, Pacific Northwest:** Forisk's Base Case projects increases in Douglas-fir prices for 2021, reflective of the strong housing growth forecast. The Slow Case projects prices to decrease over the next 5 years for most products.
- **Hardwood Markets, U.S. North:** The Forisk Hardwood Price Index fell 1% in Q4 2020. Many species remain at or near five-year lows. White oak prices grew again to become the highest priced Middle Atlantic species we track. Our Base Case forecast suggests 2021 prices will recover across species and regions.

Q2 FEATURED RESEARCH: FOREST CARBON CONTRACTS AND HARVEST ANALYSIS

Our featured research article in the Q2 2021 FRQ offers context for the opportunities and uncertainties associated with forest carbon markets in the U.S. This includes addressing implications and challenges related to impacts on forest cash flows and valuations through the use of a framework and an example to help answer the questions, "how should forest owners and investors think about carbon markets?" and "what is the break-even math associated with deferring my harvest one year?"

TIMBERLAND OWNERS AND MANAGERS

Forisk's quarterly "story in three slides" provides a current snapshot of [Forisk's research into North America's largest timberland owners and managers](#). Forisk covers 322 organizations that average 298,000 acres each for a total of 96 million acres. Each organization accounts for at least 10,000 acres. The list counts six new owners since last year. New additions include a handful of small private owners as well as Northern Pulp, which has a large freehold area in Nova Scotia.

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

UPCOMING EVENTS & PRESENTATIONS

- ▶ **May 21** – Amanda Lang is speaking at the National Woman's Landowner Symposium.
- ▶ **July 22** – Brooks Mendell is giving a virtual lecture for the Forest History Society.
- ▶ **August 25** – Brooks Mendell is speaking at the Louisiana Forestry Association Annual Convention.
- ▶ **September 2** – [Forisk's 5th Annual "Wood Flows & Cash Flows" Conference](#) (held virtually)
- ▶ **December 9** – [Forisk's Timber Market Analysis Class](#) (held virtually)

WE'RE HIRING

Forisk is seeking a Forest Industry Analyst to join our team in Athens, Georgia.

This person will support Forisk's research and clients by maintaining and updating Forisk datasets, analyzing forest industry drivers such as wood demand and capital investments, creating client and research deliverable products with the Forisk team, and supporting Forisk consulting projects. [Please click here for the full job description.](#)

Email your application to Heather Clark (hclark@forisk.com) by Friday, May 28th.



Forisk Consulting

www.forisk.com

Phone: (+1) 770.725.8447

P.O. Box 5070, Athens, GA 30604

FORISK'S UPCOMING ANNUAL CONFERENCE: WOOD FLOWS & CASH FLOWS

Make plans to attend Forisk's 5th Annual Conference, which will be held virtually on September 2nd!

Enjoy on-point investment research summaries and strategic analysis of the forest industry from the experts at Forisk. This year, the Executive Panel will discuss wood fiber markets. No need to travel! You can participate from the comfort of your own (home) office. *This conference qualifies for 5.0 hours of CFE (Forestry) credits.*

Can't make it on September 2nd? No problem: all sessions will be recorded! Learn more and register online at www.woodflowscashflows.com

DISCOUNTS AVAILABLE

- **Sign up by August 20th to save \$100 with the early registration discount!**
- Companies that subscribe to the *Forisk Research Quarterly (FRQ)*, *Forisk Market Bulletin*, *Forisk Wood Fiber Review*, or the *Forisk Mill Capacity Database* receive an additional discount. **Please email Heather Clark (hclark@forisk.com) for the promo code.**

FORISK IN THE NEWS

- In the last two months, Forisk has been interviewed by several news organizations regarding the record-high lumber prices, including: [The Atlanta Journal Constitution](#), [Bloomberg News](#), [Vox](#), and [CNBC](#).
- **On April 7th**, Forisk issued a [Press Release: Wood Fiber Pricing Highlighted Forest Industry Sentiment and Struggles in Early 2021](#).
- **In April, Tyler Reeves** was accepted to serve on the Young Alumni Committee for the Warnell School of Forestry and Natural Resources (University of Georgia).
- **In April, Forisk welcomed Ms. Pamela Smith to the team** as an Administrative and Marketing Assistant. Welcome, Pamela!

Forisk News archives available [here](#).

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