

# FORISK NEWS

## TIMBER FORECASTS – FOREST SUPPLIES IN THE WEST – MILL “ABILITY-TO-PAY” FOR WOOD

Q4 Edition • November 9, 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 250 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](http://www.forisk.com).



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Since the last Forisk News, our team communicated with over 320 forest industry professionals in the U.S., Canada, and Europe on topics including sawmill expansions, forest carbon and wood fiber markets. However, as timber sellers and wood raw material buyers grapple with disruptive weather and supply chain realities, conversations converged on one theme: **where do we find the people we need in the woods, in the mills and behind the wheel?**

We welcome your questions and wish you and your teams a successful finish in 2021. Thank you for your continued support of the Forisk team and our research!

**The 2021 Timber Market Analysis Class will be held virtually via live Zoom webinar on December 8<sup>th</sup> – 9<sup>th</sup>.**

This class walks through the process to understand, track, and analyze the price, demand, supply, and competitive dynamics of local timber markets and wood baskets through the use of interactive case studies. [Visit Forisk’s website to learn more about this class, view the agenda, and register online.](#)

**The Early Registration Discount ends on November 24<sup>th</sup>!**

### TIMBER PRICE FORECAST AND FOREST INDUSTRY PROJECTIONS

Recently, we posted analysis related to western timber supply, softwood lumber capacity, supply chain limitations, and forest carbon markets:

- [Sawmill Expansions in the U.S. South](#)
- [Resources for Analyzing Timber Markets and Wood Baskets](#)
- [Forest Carbon is a Forest Product](#)
- [U.S. Housing Starts Outlook, Q4 2021 Update](#)
- [Forest Inventories and Wildfires in the Pacific Northwest](#)
- [Supply Chain Discussion Go Mainstream...Unfortunately](#)

The Q4 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 Q4 2021 FORISK RESEARCH QUARTERLY (FRQ) INCLUDE:

- **Macro and Housing:** Real GDP grew at a 2.0% annual rate. The labor market added 1.8 million jobs, and the unemployment rate decreased to 5.1%. Yields on 10-year U.S. Treasuries fell to 1.37%. Forisk projects U.S. housing starts of 1.571 million for 2021, up 13.9% over 2020 actuals.
- **Lumber:** Forisk's Base Case projects U.S. softwood lumber production increases 8.5% in 2021; and projects to increase in 2022 before declining in 2023 due to lower housing starts that year. Investments in the sawmill sector continue as 5.5 BBFT of capacity increases were slated to come online between 2021 and 2024 in the U.S. South alone.
- **Structural Panels:** Forisk projects continued increases in structural panel consumption in the U.S.: OSB and plywood consumption increase 11% and 10% respectively in 2021. U.S. structural panel prices corrected sharply in Q3 from their previous record highs; OSB prices in September fell 35% year-over-year, and plywood prices fell 25%.
- **Pulp & Paper:** Total pulp/paper production increased 2.7% in Q3 2021, with strong production across the four main end markets. North American pulp/paper investment activity remains robust with over \$7 billion committed to known projects in the next five years, excluding the ~\$3 billion purchase of Domtar by Paper Excellence. Year-over-year OCC prices are up 166% through Q3 2021 while virgin fiber prices increased only 3% nationally.
- **Wood Bioenergy:** Forisk analysis suggests wood use for viable bioenergy projects in the U.S. could reach 83 million tons per year by 2030. Through August 2021, U.S. wood pellet exports increased 1.5% year-over-year while Canadian wood pellet exports rose 11%. North American wood pellet capacity is expected to increase 15% in 2021, reaching 21 million metric tons.
- **Log & Chip Exports:** Through August 2021, North American log and chip export volumes continued to recover from historic 2020 lows. Total U.S. export volumes are up at least double digits for most products, with Canadian log exports up as well.
- **Timberland Investments:** Public timber REITs returned 13.8% YTD through the fourth Friday in October after returning 12.2% for 2020. More than 2.4 million acres of industrial timberland transactions closed in the U.S. in the last four quarters (versus 1.5 million as of the prior FRQ). Forest industry firms accounted for 44% of acreage sold.
- **Forest Operations:** Four-quarter average employment levels remain low following the 2020 recession. The North (-6%) and U.S. West (-4%) saw the greatest year-over-year declines. Western Canada logging employment is up year-over-year, and wages across North America are trending higher. Trucking freight and employment levels remain well below 2019 levels.
- **Timber Markets, U.S. South:** Starting prices in our forecasts, as measured by the last 4Q average, increased for all products. Higher housing and lumber production forecasts fuel an increase in 2021 pine sawtimber prices in the Base Case. The pine pulpwood Base Case projects Southern prices to increase in 2021, as well. The largest increases locally for pine sawtimber are in Mississippi and Louisiana.
- **Log Prices, Pacific Northwest:** Forisk's Base Case projects an increase in Douglas-fir prices in Oregon for 2021, reflective of the strong lumber prices this year. Over the next five years, sawtimber supply on private timberlands become more constrained, though trends vary by state with Washington projecting increased inventory and Oregon supplies declining.
- **Hardwood Markets, U.S. North:** The Forisk Hardwood Price Index surged 9% in Q2 2021 lifted by double-digit increases in both maple species. Middle Atlantic prices were at or near five-year highs for most species. In New England and the Lake States, prices remained comparatively lower despite the strong quarter. Our Base Case forecast suggests 2021 prices will increase across species and regions.

To learn more about the Forisk Research Quarterly (FRQ), [click here](#) or contact Heather Clark at [hsclark@forisk.com](mailto:hsclark@forisk.com).

## UPCOMING FORISK EVENTS & PRESENTATIONS

- ▶ **November 11, 2021** – Shawn Baker is speaking at the South Carolina Forestry Association Annual Meeting.
- ▶ **December 17, 2021** – Shawn Baker is speaking at the Georgia Landowner Summit.
- ▶ **December 8-9, 2021** – [Forisk's Timber Market Analysis Class](#) (held virtually)
- ▶ **May 19, 2022** – [Forisk's Applied Forest Finance Class](#) (held virtually)
- ▶ **August 25, 2022** – Forisk's Wood Flows & Cash Flows Conference
- ▶ **November 16-17, 2022** – Forisk's Timber Market Analysis Class (held virtually)

## FORISK IN THE NEWS

- ▶ **On September 1<sup>st</sup>**, Forisk welcomed Mr. Stephen Wright to the team as a Forest Industry Analyst and the Associate Editor of the *Forisk Wood Fiber Review*. Welcome, Stephen!
- ▶ **On September 23<sup>rd</sup>**, Forisk issued a research press release: [Forisk Market Bulletin Captures Timberland Investment Trends and Forest Industry Risks Across Local Markets](#)
- ▶ **On October 5<sup>th</sup>**, Forisk issued a research press release: [Wet Weather and Scarce Trucking Push Southern Fiber Prices Higher](#)

## Q4 FEATURED RESEARCH: FOREST INVENTORIES AND WILDFIRES IN THE PACIFIC NORTHWEST

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In our featured research in the Q4 *FRQ*, we describe our Pacific Northwest timber supply model and incorporate data from the 2020 fire season to increase our understanding of forest inventories in the Pacific Northwest. The impact of the 2020 wildfire season in Oregon is long-term, but small at a state-level. The fires decreased the private sawtimber inventory in Oregon by 575 million board feet in 2021, or by less than 1%.

## WHAT CAN MILLS PAY FOR WOOD AND STILL BREAK EVEN?

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Forisk's quarterly "story in three slides" focuses on the economics of the forest products industry by clarifying the "ability-to-pay" for wood raw materials across key end markets. Sensitivity analysis finds that finished product prices have more impact on breakeven cash positions and increasing mill profitability than yields or manufacturing costs.

## UPCOMING CLASS: TIMBER MARKET ANALYSIS

LIVE ZOOM WEBINAR ON DECEMBER 8TH – 9TH

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Delivered in an interactive environment through Live Zoom Webinar, the [2021 Timber Market Analysis Class](#) walks through the process to understand, track, and analyze the price, demand, supply, and competitive dynamics of local timber markets and wood baskets through the use of interactive case studies.

**The 2021 class includes two half-days of course content, where Day 2 builds on concepts learned in Day 1.** *Live webinar attendance on both days is required for receiving Continuing Education credit.*

Visit the [Timber Market Analysis Class page](#) on Forisk's website to learn more about this class, view the agenda, and register online.

**Can't make it to the live Webinar? No problem: we understand that this is a busy time of year.** This class will be recorded so that you can view at your leisure afterwards! *Please register by December 7<sup>th</sup> to view the recording afterwards.*

## DISCOUNTS AVAILABLE

- **Sign up by Wednesday, November 24<sup>th</sup> to save \$100 with the early registration discount!**
- Companies that subscribe to Forisk's research and/or databases are eligible for an **additional 10% Discount**. Email Heather Clark ([hsclark@forisk.com](mailto:hsclark@forisk.com)) for the promo code prior to registering.