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Concentration of Demand is a Key Metric for Timberland Investors and Wood-Using Mills

ATHENS, GEORGIA – December 5, 2024 – According to research by Forisk, tracking the concentration of wood demand at the firm level in local timber markets supports risk management and capital allocation for timberland investors and wood-using firms. The relevance of this research increased the past few years as multiple pulp and paper firms closed mills, including International Paper (which closed its Orange, Texas containerboard mill and announced the closure of the Georgetown, South Carolina pulp mill); Georgia-Pacific (which closed the Foley, Florida mill); and Smurfit Westrock (which closed mills in Panama City, Florida and North Charleston, South Carolina).

Why is tracking wood markets at the firm level helpful? For timberland investors, owning or acquiring private timberland profitably relies on critical assumptions, including the desire for deep and increasing demand for logs in local markets populated by multiple firms, which offers competitive conditions for higher timber prices and, ultimately, better investment returns. Alternately, from the view of grade-using mills, wood baskets with stable competition, possibly concentrated in fewer firms, implies less potential upward pressure on log prices over time.

According to Brooks Mendell, Forisk’s President and CEO, “We find that timberland investors prefer and benefit from situations where no two firms combined account for 50% or more of the wood demand for grade, while grade consumers prefer situations with fewer competing mills and higher levels of firm concentration.”

Market concentration at the firm level speaks to different risks for timberland owners and wood consumers. Therefore, it helps to track the aggregate demand at the firm, versus the mill, level over time. Forisk’s recently launched [Custom Market Forecast \(CMF\)](#) includes timber forecasts for client-specific timber markets and wood baskets, as well as other strategic metrics including the top five grade and pulp consumers in the custom market area. The math of capital investments in timberland and wood-using mills requires a constant benchmarking to other opportunities and potential risks, and the concentration of demand corresponds to different levels timber pricing and stability.

For more information or to access Forisk’s [Custom Market Report \(CMR\)](#), visit www.forisk.com or contact: Nick DiLuzio, ndiluzio@forisk.com, 770.725.8447.

About Forisk Consulting: Forisk delivers forecasts and analysis of forest industry markets and timberland investments. Firms participate in Forisk’s research program by subscribing to the *Forisk Research Quarterly (FRQ)*, the *Forisk Wood Fiber Review*, or the North American Forest Industry Capacity Database; supporting benchmarking studies related to forest operations and mill capacities; and attending educational workshops. www.forisk.com.