



Forisk News: Timber Price Forecast – Forest Supply Projections – Wood Flows & Cash Flows

Forisk News: November 8, 2018

Archives available [here](#).

This quarter, we published analysis of forest supplies in the South and Pacific Northwest. Our research considers the implications for timber prices, wood costs, and sustainability (see below). Thank you to everyone who supports our team and research!

On December 13th in Atlanta, Forisk hosts “**Wood Flows & Cash Flows**,” with investment research and strategic analysis for the forest products industry. [Click here](#) to learn more. **Early registration discount ends on November 30th**.

Timber Price Forecast

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

- [Market Concentration of Structural Panels](#)
- [U.S. Housing Starts Outlook, Q4 2018 Update](#)
- [Southern Tree Planting Trends](#)
- [Halloween Hangover: Timber REIT Returns and Timberland Markets](#)
- [Regional and Local Sawtimber Supply Stories: PNW vs US South](#)

The Q4 2018 *Forisk Research Quarterly (FRQ)* includes industry analysis and market forecasts through 2027 for timber prices, logging costs, lumber production, structural panels production, paper and paperboard, forest supplies and ownership, and wood bioenergy markets. Our feature article examines softwood sawtimber supplies in the Pacific Northwest and South. Our market summary, “Forisk and the Trees” includes discussion of the cost of capital in forestry, regional log supplies, and forest industry margins. “Forisk Facts & Figures”, Forisk’s quarterly “story in three slides,” analyzes how the ability to pay for raw materials differs among a range of forest industries. *This issue also includes updated state-level rankings of timber markets based on wood demand, forest supplies, and stumpage prices.* Select FRQ findings include:

- **Macro:** Real GDP grew at a 3.5% annual rate, the strongest Q3 reading since 2014. Quarterly unemployment fell to 3.8%. Inflation increased year-over-year; CPI and PPI rose to 2.3% and 4.7%, respectively. Yields on 10-year U.S. Treasuries increased to 3.00%, up from 2.91% last quarter
- **Lumber:** The Forisk Base Case projects U.S. softwood lumber consumption to increase 5.8% to 50.3 BBFT in 2018, while production increases 11% to 37.4 BBFT. North American softwood lumber capacity reaches 72.5 BBFT in 2018; with U.S. capacity of 41.5 BBFT, and Canada at 31.0 BBFT.
- **Wood Bioenergy:** Forisk analysis suggests wood use for “viable” bioenergy projects in the U.S. will be 76.9 million tons per year by 2027. Through August 2018, U.S. wood pellet export volumes increased 14% year-over-year, while Canadian wood pellet exports rose 8.8%. North American wood pellet capacity projects to reach 16.1 million metric tons by 2019.
 - To download the free *Wood Bioenergy US* Summary, click [here](#).
 - For information on the *Wood Bioenergy US* database, click [here](#).



- **Log & Chip Exports:** On September 24, 2018, China implemented tariffs ranging from 5% to 10% on U.S. log and chip exports. These follow the 25% tariff placed on Southern Yellow Pine logs in August, which are excluded from the September levies. Through August, 85% of log exports from the South and 59% from the West went to China. Prior to the implementation of the tariffs, U.S. softwood log exports were up 8.9% year-over-year through August 2018, while U.S. hardwood log exports increased 28%.
- **Timberland Investments:** Public timber REITs returned -22.8% YTD through the last Friday of October. Among public timber firms tracked by Forisk, only Rayonier (RYN) and MLP Pope Resources (POPE) netted positive stock price appreciation over the past 12 months. From Q4 2017 through Q3 2018, ~3.0 million acres of industrial timberland transactions closed in the U.S. TIMOs accounted for 62% of acres sold while timber REITs accounted for 57% of acres acquired over this time period.
- **Forest Operations:** The Lake States, Southeast and Western regions started 2018 with logging employment growth, reversing trends from 2017. Logging wages continue to increase across North America. Tight trucking capacity in all industries is forcing logging company payrolls higher as they fight to maintain and expand trucking capacity.
- **Timber Markets, U.S. South:** Announced softwood sawmill capacity increases in the South total 3.5 BBFT, including 1.8 BBFT of greenfield mills. Alabama, Georgia, Arkansas, and Louisiana have the largest increases in projected lumber production.
- **Log Prices, Pacific Northwest:** Delivered log prices declined in Q3 for most products (-2% to -5%). Despite this, starting prices for forecasts, as measured by 4Q averages, increased by 1-3% for all products except export hemlock, which was flat. Standing inventories of Douglas-fir and hemlock sawtimber increased more on private timberlands in western Oregon (+11%) than Washington (+2%) in the past 17 years.
- **Hardwood Markets, U.S. North:** Log exports slowed appreciably this quarter, with annualized softwood log exports still on pace to increase 2%, down from 7% last quarter, and hardwood logs tracking 3% above 2017 volumes, down from 8% last quarter. The Forisk Hardwood Price Index increased 4% in Q2 2018, led by strong ash prices and growing red oak and hard maple.

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

Softwood Sawtimber Supplies in the U.S. Northwest and South

This quarter's featured research examines softwood sawtimber inventories in the Northwest and South, with implications on mill supplies and timber prices. Western markets have shifted to smaller tree sizes. Private landowners carry low inventories of larger trees (30" and greater dbh), while public timberlands exhibit constant growth in larger trees with stable supplies of smaller sawtimber. Unless harvesting increases on public lands, the PNW will maintain a tight balance between stable private supplies, mill demand, and export log flows. In contrast, grade inventories continue to accumulate in the South. While the South will grow more sawtimber than mills will use in the next ten years, this sawtimber is unevenly distributed to areas in the Gulf and mid-south, and some areas in the Atlantic. The Southeastern region of Georgia, Florida, and South Carolina indicate tighter supply to demand dynamics and upward pressure on sawtimber prices.



Upcoming Continuing Education Opportunities

- **Forisk will host “Wood Flows & Cash Flows” in Atlanta, Georgia on December 13th, 2018, followed by a networking mixer.** We hope you’ll join us for this annual event co-taught by the entire Forisk Team. "Wood Flows & Cash Flows" details research and insights for analysis supporting investments in the forest industry. The [agenda](#) includes "deep dive" presentations, case examples, projections, and a panel with industry executives. This year's panel will address financing capital investments in the forest products industry. To learn more or register, click [here](#).
- **On January 23, 2019, Forisk will teach “Growth Rings: Professional Development and Communication Skills” in Portland, Oregon.** This class will be hosted by WFCA and offered ahead of the Mapping the Course Conference. Click [here](#) to learn more.
- **On February 19, 2019, Forisk will teach “Applied Forest Finance” in Atlanta, Georgia.** This 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. This one-day course is ideal for forestry consultants and investment analysts, timberland owners and investors, and anyone else who needs to understand the identification, valuation, and ranking of timber-dependent and forest-related investments. To learn more or register, click [here](#).

News & Upcoming Events

- Since last quarter, Forisk colleagues Heather Clark, Andrew Copley, and Justin Tyson all welcomed new babies into their families. Congratulations!
- On August 29th, Forisk published a comprehensive study of North American Forest Industry Capacity for 2008-2020. This [Study](#) and associated Mill Database are available to *FRQ* subscribers at a discounted price; email hclark@forisk.com for purchasing information.
- In October, Forisk VP of Client Services Amanda Lang was selected to serve on the University of Georgia Warnell School of Forestry and Natural Resources Alumni Steering Committee.
- On **December 13th**, Forisk will offer “Wood Flows and Cash Flows” in Atlanta, Georgia.
- On **January 23rd, 2019** Forisk offers “Growth Rings: Professional Development and Communication Skills” in Portland, Oregon (co-sponsored by WFCA).
- On **January 24th, 2019**, Brooks Mendell will present “Comparing the Competitiveness of North America’s Softwood Log and Lumber Operations” at the *Mapping the Course* conference in Vancouver, Washington.
- **January 29th, 2019**, Brooks Mendell keynotes the Southeastern Society of American Foresters Annual Meeting in Mobile, Alabama.
- On **February 19th, 2019**, Forisk will offer “Applied Forest Finance” 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.