



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

Forisk News: November 8, 2019

Archives available [here](#).

This quarter, we published a multi-client study, “North American Forest Market & Industry Rankings” (click [here](#) for info) and [The Wall Street Journal](#) cited our analysis of forest industry capacity. Thank you to everyone who supports our team and research!

On December 5th in Atlanta, Forisk hosts its annual “Wood Flows & Cash Flows” conference on investment research and strategic analysis for the forest industry. [Click here](#) to learn more. **FRQ subscribers receive discounted registration; email hclark@forisk.com for details.**

Register by November 21st to receive the special early-registration rate and save \$100. Registration closes on November 29th.

Timber Price Forecast

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

- [U.S. Housing Starts Outlook, Q4 2019 Update](#)
- [Technology in the Forest Industry: Observations from Pulp and Paper](#)
- [How Much Longer Will Pine Sawtimber Accumulate in the U.S. South?](#)
- [Timber REITs Bounce Back in 2019](#)
- [Hurricane Michael: Impacts on Timber Supplies](#)

The Q4 2019 *Forisk Research Quarterly (FRQ)* includes industry analysis and market forecasts through 2028 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 updates our state-by-state forest supply models for the South. Our market summary, “Forisk and the Trees” includes notes on global wood pellet demand and the role of technology in the forest products industry. “Forisk Facts & Figures”, Forisk’s quarterly “story in three slides,” examines what we can learn from comparing updated cash breakeven positions of different mill types.

Select FRQ findings include:

- **Macro and Housing:** Real GDP grew at a 1.9% annual rate, down from 2.0% last quarter. Unemployment remained close to a 50-year low. Inflation remained muted. Yields on 10-year U.S. Treasuries dropped to 1.7%. Forisk projects U.S. housing starts of 1.252 million for 2019, up 0.2% over 2018 actuals. Canadian housing starts were unchanged year-over-year.
- **Lumber:** Forisk’s Base Case projects U.S. softwood lumber consumption increases 0.5% to 48.6 BBFT in 2019, while production increases 1.4% to 35.4 BBFT. North American softwood lumber capacity projects to hold at 72.2 BBFT. Quarterly softwood lumber prices were down 15% from one year ago.
- **Pulp & Paper:** Total pulp/paper production increased 3.6% last quarter, driven by packaging (4%) and tissue (6%) as reported by AF&PA. The U.S. is a net exporter of pulp and paper products but remains



a net importer in several paper sectors. Our updated forecast of U.S. pulp and paper production declines over five years, despite moderate growth in packaging (2.8%) and household sectors (0.9%).

- **Wood Bioenergy:** Forisk analysis suggests wood use for “viable” bioenergy projects in the U.S. could reach 80.5 million tons per year by 2028. Through August 2019, U.S. wood pellet export volumes increased 20% year-over-year, while Canadian wood pellet exports declined 1.3%. North American wood pellet capacity projects to reach 18 million metric tons in 2019.
 - To download the free *Wood Bioenergy US Summary*, click [here](#).
- **Log & Chip Exports:** Through August 2019, exports of all roundwood and chips declined by over 20% on a year-over-year basis. U.S. softwood log exports were down 35%, while U.S. hardwood log exports decreased 22%. Through August 2019, 50% of all U.S. roundwood exports were destined for China.
- **Timberland Investments:** Public timber REITs returned 30.1% YTD through the last Friday of October. Over the last four quarters, approximately 1.2 million acres of industrial timberland transactions closed in the United States (versus 1.1 million as of the prior FRQ). TIMOs accounted for 77% of acres sold and for 37% of acres acquired over this time period.
- **Forest Operations:** U.S. logging employment was down through Q1 2019 while Canadian jobs grew. Canadian logging wages grew 8%; U.S. wages increased regionally 2-4%. Fears of impending labor shortages in the logging sector are valid given the age profile of the industry, but continued improvements in logging productivity remain a hedge against constrained labor pools.
- **Timber Markets, U.S. South:** Last 4Q South-wide average prices declined or remained stable for all pine products and increased for hardwood sawtimber and pulpwood. The regional pine sawtimber forecast for 2019 is slightly lower than last quarter’s estimate. The largest increases locally for pine sawtimber are in Georgia, Alabama, and South Carolina. Pine pulpwood stumpage prices increase the most locally in Mississippi.
- **Log Prices, Pacific Northwest:** Delivered log prices decreased in Q3 for Coastal Washington and Oregon; export prices declined 2-3%. Starting prices, measured as the last 4Q averages, declined this quarter as we continue to roll from peak pricing in 2018. Forecasts are down slightly from the Q3 2019 publication, due to lower starting prices and flatter lumber projections for Q4 2019.
- **Hardwood Markets, U.S. North:** Hardwood stumpage prices in New England fell for all species, led by a 6% decline in red oak and 6.5% decline in soft maple. The Forisk Hardwood Price Index declined nearly 2% for the quarter. Tariffs and export markets continue to wreak havoc on red oak prices across the North.

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

Modeling Forest Supplies in the South

Our featured research this quarter updates Forisk’s state-by-state supply models for the South to test harvest volumes and reduced housing and lumber forecasts. The revised supply forecast projects pine inventories in ten years will be 1% higher than our previous forecast from Q4 2018. Pine pulpwood inventories decline, and pine grade inventories increase in most states by 2028. Despite net increases in volume, **pine grade inventories begin to decline in the U.S. South in ten years, after peaking in 2025**. These results vary by state and local market.



Forisk Facts & Figures: Ability-to-Pay for Wood

Forisk's quarterly "story in three slides" clarifies the economics of the forest products industry by addressing the "ability-to-pay" for wood raw materials across key end markets. What can we learn from comparing updated cash breakeven positions by mill type? Wood pellets and softwood lumber have the highest wood materials cost as a percentage of total manufacturing costs, while newsprint, fluff pulp and OSB come in lower. Changes in relative pine grade-to-pulpwood prices and conversion rates – the tons of wood required per unit of finished product – are critical to this analysis.

Upcoming Forisk Conference

Forisk hosts the annual "Wood Flows & Cash Flows" conference in Atlanta, Georgia on December 5th, 2019 where the entire Forisk team shares investment research and analysis for the forest industry. The conference features a panel of industry executives and networking mixer. *Earn 6.0 hours of Continuing Forestry Education (CFE) credits and 6.0 hours of Georgia Real Estate/Appraisal CE credits.*

Companies that subscribe to the *Forisk Research Quarterly (FRQ)* receive a discount. Please email Heather Clark (hclark@forisk.com) for the promo code.

To learn more or register online, click [here](#). Sign up by November 21st to receive the early-registration rate and save \$100. Registration closes on November 29th.

News & Upcoming Events

- Forisk recently welcomed Alec Roach to the team! He joins Forisk as a Forest Industry Analyst.
- Join us in congratulating Andrew Copley on his promotion to Project Manager at Forisk.
- [The Wall Street Journal cited Forisk's research](#) on lumber capacity and markets.
- **Join us on December 5th**, when Forisk hosts its annual conference, "Wood Flows & Cash Flows" in Atlanta, Georgia.
- **On January 23rd, 2020**, Brooks Mendell speaks on "Ranking Timber Markets in the PNW for Investment" at the Mapping the Course Conference in Vancouver, Washington.
- **On February 24th, 2020**, Amanda Lang speaks on the "Impacts of Hurricane Michael on Softwood Supplies" at the Southeastern SAF Annual Meeting in Panama City, Florida.
- **On March 19th, 2020**, Forisk will teach "Applied Forest Finance" in Atlanta. Click [here](#) for details.

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