



Forisk News: Timber Forecasts – Wood Supply Chain – Wood Flows & Cash Flows

Forisk News: November 10, 2020

Archives available [here](#).

In September, Forisk launched the [Forisk Market Bulletin](#), which provides market intelligence and tracking for U.S. and Canadian forest industry capital investments and timberland transactions. [FRQ subscribers automatically receive the *Market Bulletin*.] It is published with the *FRQ* and “between issues” in Q1, Q2 and Q3 of each year.

Thank you for your notes, feedback, friendships and continued support of the Forisk team and our research!

On December 8th, Forisk hosts its 4th “[Wood Flows & Cash Flows](#)” Annual Conference. This year’s conference will be hosted virtually. The conference features a live panel of industry executives discussing supply chain solutions, and Forisk’s team will share research they have conducted in 2020, including insights about COVID-19’s impacts on the forest industry. **Register by November 20th to get the early registration discount!**

Timber Price Forecast

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

- [Pandemics, Uncertainty and the Wood Supply Chain](#)
- [Timberland Time Travel and Managing Risk Across Markets](#)
- [U.S. Housing Starts Outlook, Q4 2020 Update: What a Long, Strange Trip](#)
- [Impacts of Advanced Genetics on Timber Supply](#)
- [Timber Forecasts, Capital Budgets and Drawing a Line](#)

The Q4 2020 *Forisk Research Quarterly (FRQ)* includes industry analysis and market forecasts through 2029 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 examines logging capacity impacts from the pandemic at the regional and local levels. Our market summary, “Forisk and the Trees”, discusses capital allocation decisions during the coronavirus, the link between inventories and economic growth, and the relationship between bonds and timberland. “Forisk Facts & Figures”, Forisk’s quarterly “story in three slides,” examines the effect of genetic and silvicultural gains in southern forests on forest inventory projections.



Select FRQ findings include:

- **Macro and Housing:** Real GDP increased at a 33.1% annual rate in Q3 2020. The labor market expanded, adding 3.9 million jobs; unemployment decreased to ~8.8%. Forisk projects U.S. housing starts of 1.354 million for 2020, up 5.0% over 2019 actuals. Through Q3 2020, Canadian housing starts declined 0.9%.
- **Lumber:** Forisk's Base Case projects U.S. softwood lumber production increases 7% in 2020. Forisk's Slow Case tests slower housing and economic growth, resulting in a 4% production gain in 2020. Announced and operating CLT facilities increased by 24% over the past 18 months.
- **Structural Panels:** Forisk projects Base Case U.S. OSB and plywood consumption increasing 3.3% to 32.0 billion square feet (BSF) in 2020. North American structural panel capacity was 40.8 BSF in Q3 2020, with 30.3 BSF in the U.S. and 10.6 BSF in Canada.
- **Pulp & Paper:** Total pulp/paper production is down 2% year-to-date through Q3 2020, burdened by collapsing demand for newsprint (-49%) and printing/writing paper (-21%). Forisk's updated U.S. pulp and paper production forecasts from ERA decline 0.8% over the next five years.
- **Wood Bioenergy:** Forisk analysis suggests wood use for "viable" bioenergy projects in the U.S. could reach 81.3 million tons per year by 2029. Through August 2020, U.S. wood pellet export volumes increased 8.6% year-over-year while Canadian wood pellet exports rose 9.6%. North American wood pellet capacity is expected to increase 3.0% in 2020, reaching 18.1 million metric tons.
 - To download the free *Wood Bioenergy US Summary*, click [here](#).
- **Log & Chip Exports:** Through August 2020, North American log exports were down 26% year-over-year. U.S. softwood log exports were down 11%, while log exports from British Columbia were down 51%. U.S. hardwood log exports declined 15% year-over-year through August.
- **Timberland Investments:** Public timber REITs returned 0.13% YTD through the fourth Friday in October while private timberlands returned 0.23%. Over the past twelve months, no timber REIT outperformed the S&P 500. Over the last four quarters, over 2.4 million acres of industrial timberland transactions closed in the United States (versus 2.7 million as of the prior FRQ).
- **Forest Operations:** Canadian logging employment fell 20% year-over-year in April and May; employment rebounded but remained down 10% in mid-summer. Employment was lower in every region in North America through Q1 2020. In Q1 2020, trucking employment fell year-over-year for the first time in three years. Freight volumes held constant.
- **Timber Markets, U.S. South:** Last 4Q South-wide average prices declined for all pine and hardwood products. The regional pine forecast for 2020 projects decreases for grade (sawtimber and chip-n-saw) and pulpwood relative to 2019, which flows through to the state-level forecasts. Most states project stumpage price increases over five years. An updated localized timber supply forecast for the South indicates the region will have a more balanced supply to demand profile in 2028 (versus 2025).
- **Log Prices, Pacific Northwest:** Prices increased over the quarter for domestic and export logs. Delivered #2 sawlog prices increased more in Oregon (+19% to +24%) than in Washington (+6% to +19%). Forisk's Base Case projects an increase in prices relative to 2019. Wildfire plagued the West, with over 1.9 million acres of land in Oregon and Washington affected through October 21.
- **Hardwood Markets, U.S. North:** The Forisk Hardwood Price Index fell 8.5% in Q2 2020 to its lowest level since 2009. Prices for all four species in the Index decreased for the quarter. Our Base Case forecast suggests 2020 prices will fall for all species and regions, before recovering in 2021. Over the next five years, hard maple and red oak prices are projected to increase across regions.

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



Wood Supply Chain Impacts from the Coronavirus Pandemic

Our feature research article this quarter examines how market disruptions, such as the pandemic, affect the forestry supply chain and logging capacity. We propose a framework for evaluating logging capacity impacts and apply it to a sample market in 2020. Key findings highlight the severity, duration and geographic extent of wood demand changes as inter-related determinants of the supply chain's resilience to disruption.

Forisk Facts & Figures: Timber Supply Projections

Forisk's quarterly "story in three slides" examines the impacts of increased timber growth per acre on timber supply projections. How does accounting for increased growth from genetics and silviculture change the outlook for timber supplies in the South? Cooperative modeling with SOFAC indicates that **increased timber growth rates lift timber supply forecasts by 2% in ten years and 6% in twenty years.**

Upcoming Forisk Conference

Make plans to attend Forisk's 4th Annual "Wood Flows & Cash Flows" conference on December 8th!

This year's conference will be hosted virtually. The conference features a live panel of industry executives discussing supply chain solutions, and Forisk's team will share research they have conducted in 2020, including insights about COVID-19's impacts on the forest industry. This one-day conference includes tangible content that directly applies to strategic plans, market analyses, valuations, and competitive benchmarking. **Sessions will include live Q&A with Forisk's researchers.**

December 8, 2020

9:30am - 4:30pm Eastern Time (US)

Live Zoom Webinar

Learn more and register online: www.woodflowscashflows.com

Sign up before November 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.**

Earn 6.0 hours of Continuing Forestry Education (CFE) credits, 6.0 hours of Georgia Real Estate/Appraisal CE credits and 6.0 hours Georgia Master Timber Harvester/Continuing Logger Education credits.



News & Upcoming Events

- On September 16th, Forisk analysis of log and lumber markets was featured in the [GFA Market Minute](#).
- On September 22nd, Forisk issued a [research press release](#): “Forisk Launches Analysis of Forest Industry Capital Investment and Transactions; Highlights Timberland Deal Flow and Risk Mitigation”
- On October 6th, Forisk issued a [research press release](#): “Wood Fiber Managers Accounting for Forest Fires, Hurricanes, COVID and Lumber Prices”
- **Attend Forisk’s 4th Annual [Wood Flows & Cash Flows](#) conference on December 8th!**
- On May 21st, 2021, Amanda Lang will speak on “Timber Markets” at the National Woman’s Landowner Symposium in Athens, 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.