

FORISK NEWS

TIMBER FORECASTS – FOREST MANAGEMENT IN THE WEST – PULP INDUSTRY CAPACITY

Q3 Edition • August 10, 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 200 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.



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Since the last Forisk News, our team communicated with over 340 forest industry professionals in the U.S., Canada, Europe and Australia on topics including timberland transaction activity, pulp industry capacity and log trucking constraints. As forest industry firms and investors firm up their budgets, they also speak to the theme for this edition: **moving product and assets while puzzling through concerns about inflation.**

We welcome your questions and wish you ongoing success in 2021. Thank you for your continued support of the Forisk team and our research!

On September 2nd, Forisk will host its annual research conference, [Wood Flows & Cash Flows](#). The one-day virtual event includes an Executive Panel and the Forisk team who share their newest investment research and strategic analysis for the forest industry, sector by sector. **Visit the [conference website](#) to learn more and register online.**

The Early Registration Discount ends on Friday, August 20th!

TIMBER PRICE FORECAST AND FOREST INDUSTRY PROJECTIONS

Recently, we posted analysis related to North American fiber prices, pulp and paper capacity, log trucking and forest carbon markets:

- [Trucking Returns as an Issue of Concern](#)
- [Wood Fiber Markets and Forest Industry Investments](#)
- [Forest Carbon: Key Terms and Rules of Thumb](#)
- [U.S. Housing Starts Outlook, Q3 2021: 'Start Me Up'](#)
- [Western Wildfire Impacts](#)
- [Recent Pulp Mill Expansions and Closures](#)

The Q3 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 Q3 2021 FORISK RESEARCH QUARTERLY (FRQ) INCLUDE:

- **Macro and Housing:** Real GDP grew at a 6.5% annual rate. The labor market continued to improve: 1.7 million jobs were added, and the unemployment rate decreased to 5.9%. Yields on 10-year U.S. Treasuries fell slightly to 1.52%. Forisk projects U.S. housing starts of 1.590 million for 2021, up 15.2% over 2020.
- **Lumber:** Forisk's Base Case projects U.S. softwood lumber production increases 11% in 2021; lumber price increases continued through Q2 2021, up 136% year-over-year. A price correction began in June and accelerated into the third quarter. Investments in the sawmill sector continue as 4.8 BBFT of capacity increases were slated to come online between 2020 and 2023 in the U.S. South alone.
- **Structural Panels:** Forisk projects continued increases in structural panel consumption in the U.S.: OSB and plywood consumption each project to increase 11% in 2021. U.S. structural panel prices have more than tripled year-over-year; OSB prices in June 2021 were nearly 5 times the price one year ago, and plywood prices were 3.5 times higher. Prices moderated in July.
- **Pulp & Paper:** Total pulp/paper production increased 2% in Q2 2021. Strong packaging production lifted the sector, rising 3% for the quarter. Forisk partners with ERA to forecast paper production; we expect U.S. pulp and paper production to increase 4.6% over the next five years, led by growth in packaging and sanitary production. Pulp/paper investment activity remains robust with over \$6 billion dollars planned over the next five years.
- **Wood Bioenergy:** Forisk analysis suggests wood use for viable bioenergy projects in the U.S. could reach 82 million tons per year by 2030. Through May 2021, U.S. wood pellet exports increased 3% year-over-year while Canadian wood pellet exports rose 20%. North American wood pellet capacity is expected to increase 15% in 2021, reaching 21 million metric tons.
- **Log & Chip Exports:** Through May 2021, North American log and chip export volumes recovered markedly from the most severe recessionary impacts in 2020. All U.S. product export volumes were up by double-digit percentages year-over-year, while Canadian log volumes nearly doubled.
- **Timberland Investments:** Public timber REITs returned 7.0% YTD through the fourth Friday in July after returning 12.2% for all of 2020. More than 1.5 million acres of industrial timberland transactions closed in the U.S. in the last four quarters (versus 1.4 million as of the prior FRQ). Forest industry firms accounted for the largest portion of acreage sold with 45%.
- **Forest Operations:** Year-end 2020 logging employment remained lower across North America. In the U.S., the North (-6%), and West (-4%) saw the greatest declines. Eastern Canada four-quarter average employment levels were down 8% year-over-year for 2020. Trucking freight and employment levels remain well below 2019 levels, while trucking wages increased 10% in Q4 2020.
- **Timber Markets, U.S. South:** Starting prices in our forecasts, as measured by the last 4Q average, decreased for hardwood sawtimber and increased for all other 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 Virginia.
- **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 experienced through the first half of the year. Revised data on logging costs suggests combined cable logging and hauling costs will average above \$300/MBF for 2021.
- **Hardwood Markets, U.S. North:** The Forisk Hardwood Price Index surged 8% in Q1 2021 lifted by increases in all species. Still, four-quarter average prices remain at or near five-year lows for many Northern species. Middle Atlantic white oak and soft maple prices bucked the trend, each growing 5% this quarter to new five-year highs. In New England and the Lake States, only red oak recorded increases in starting price. Our Base Case forecast suggests 2021 prices will recover across species and regions.

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

UPCOMING FORISK EVENTS & PRESENTATIONS

- ▶ **August 17:** Amanda Lang speaking at the Greene-Morgan Forest Landowners Assn.
- ▶ **August 25:** Brooks Mendell speaking at the Louisiana Forestry Assn. Annual Convention.
- ▶ **September 2:** [Forisk's 5th Annual "Wood Flows & Cash Flows" Conference](#) (held virtually)
- ▶ **October 6:** Brooks Mendell speaking at the FRA Western Region Meeting.
- ▶ **October 13:** Shawn Baker speaking at the Who Will Own the Forest Conference.
- ▶ **December 8-9:** [Forisk's Timber Market Analysis Class](#) (held virtually in a two-day format)

FORISK IN THE NEWS

- ▶ Since the last edition of the *Forisk News*, Forisk has been interviewed and cited by leading media outlets such as [CNBC](#), [Vox](#), [Zack's Investment Research Podcast](#), [AFOA Capital Ideas](#), [The Baltimore Sun](#), and [Capital Press](#) regarding lumber markets and prices.
- ▶ In June, Shawn Baker was recognized as the regional runner-up for his [FRA Tech Release](#).
- ▶ In March, Brooks Mendell was recognized as a 2020 inductee into the Georgia Foresters Hall of Fame. Congratulations on this prestigious award, Brooks!
- ▶ In July, Amanda Lang was selected to be a Fellow in the Society of American Foresters. Congratulations on this outstanding recognition, Amanda!
- ▶ On August 1st, Forisk welcomed Mr. Pat Jolley to the team as a Forest Industry Analyst and Consultant. Welcome, Pat!

Q3 FEATURED RESEARCH: SILVICULTURE PRACTICES OF WESTERN TIMBERLANDS

Our featured research in the Q3 *FRQ* summarizes silvicultural data on 9 million acres of private lands in the Northwest. Findings from our third survey of the region highlight reductions in average planting density, average clearcut age and declining use of precommercial thinning. Wildfires in 2020 affected 6% of acres in western Oregon, with 19% of those acres impacted severely enough to require replanting. Total expenditure on silviculture dropped 10% from our previous survey as the proportion of acres receiving site prep and competition control fell in 2020.

WOOD-USING PULP CAPACITY IN NORTH AMERICA

Forisk's quarterly "story in three slides" provides a current snapshot of [pulp mill investments in North America](#). Wood-using pulping capacity in North America is poised to decrease 1% from 2020 to 2022, following more than a decade of decline. Closures and product shifts at pulp mills shifted regional market share by sector, particularly for newsprint, printing & writing, and household segments.

FORISK'S UPCOMING ANNUAL CONFERENCE: WOOD FLOWS & CASH FLOWS

Register now for Forisk's 5th annual research conference, which will be held virtually on September 2nd!

No need to travel! Forisk's 2021 event will be held virtually via live Zoom Webinar, so you can enjoy high-quality presentations from industry experts from the comfort of your own (home) office! **Learn about Forisk's newest research initiatives and strategic analysis of the forest industry straight from our lead researchers and analysts.** [Click here to view the agenda.](#) This year, the [Executive Panel](#) will discuss wood fiber markets.

Earn 5.0 hours of Continuing Education credit for CFE, CLE/MTH, and Georgia Real Estate/Appraisal.

Can't make it on September 2nd? No problem: all sessions will be recorded! Register by Sept. 1 to view the recording afterwards.

Learn more and register online at www.woodflowscashflows.com

DISCOUNTS AVAILABLE

- **Sign up by Friday, August 20th 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) for the promo code.