

FORISK NEWS

FOREST INDUSTRY PROJECTIONS – TIMBER PRICE FORECASTS – WOOD PELLET DEMAND

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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 250 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.



Forisk Consulting
www.forisk.com
Phone: (+1) 770.725.8447
P.O. Box 5070, Athens, GA 30604

Since the last Forisk News, our team communicated with over 230 forest industry professionals in the U.S., Canada, Japan, the UK and the EU on topics including logging costs, North America's top lumber producers and wood fiber markets. While significant forest industry capital continues to flow, the announced acquisition of EACOM Timber Corporation in Eastern Canada by Interfor in late 2021 and timberland transactions in the Lake States and Northeast remind us that **opportunities exist for investors in Canada and in the United States outside of the U.S. South.**

We welcome your questions and wish you and your teams a safe and profitable start to 2022. Thank you for your continued support of the Forisk team and our research!

The 2022 Applied Forest Finance Class will be held virtually via live Zoom webinar on May 19th.

This one-day class details the step-by-step financial analysis required to answer key investment and forest management questions. Attendees will learn how to identify, value, and rank timber and forestry investments.

[Visit Forisk's website](#) to learn more about this class, view the agenda, and register online.

The Early Registration Discount ends on May 5th!

TIMBER PRICE FORECAST AND FOREST INDUSTRY PROJECTIONS

Recently, we posted analysis related to softwood lumber, wood fiber markets, timber investments, and forest carbon markets:

- [Top 10 North American and U.S. Lumber Producers in 2021](#)
- [Wood Fiber Markets in Western Canada](#)
- [Discount Rates and Risk Management for Timber Investments](#)
- [Forest Carbon as a Portfolio Asset](#)
- [Timber REITs versus Timberland in 2021](#)
- [Good Bones: U.S. Housing Starts Outlook, Q1 2022 Update](#)

The Q1 2022 *Forisk Research Quarterly (FRQ)* includes industry analysis and market forecasts through 2031 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 Q1 2022 FORISK RESEARCH QUARTERLY (FRQ) INCLUDE:

- **Macro and Housing:** Real GDP grew at a 6.9% annual rate. The labor market added 1.1 million jobs, and the unemployment rate decreased to 4.2%. Yields on 10-year U.S. Treasuries rose to 1.54%. Forisk projects U.S. housing starts of 1.615 million for 2022, up 1.2% over 2021 actuals.
- **Lumber:** Forisk's Base Case projects U.S. softwood lumber production increases 9.7% in 2022 before declining in 2023 due to lower housing starts. Investments in the sawmill sector continue as 5.4 BBFT of capacity increases are slated to come online through 2024 in the U.S. South alone.
- **Structural Panels:** Forisk projects continued increases in structural panel consumption in the U.S.: OSB and plywood consumption both increase 2% in 2022. OSB prices in December decreased 9% year-over-year, and plywood prices gained 22%. Huber Engineered Woods awaits approval of an environmental assessment for a new 750 MMSF OSB mill in MN; West Fraser plans to expand capacity at its Fairfax, SC OSB plant.
- **Pulp & Paper:** Total pulp/paper production increased 2.2% in 2021, with strong production from the packaging sector in particular. North American pulp/paper investment activity remains robust with packaging leading the way as capital is increasingly oriented towards using recycled fiber. Year-over-year OCC prices are up 159% while the Forisk Pulp Fiber index, a weighted average of pulp-quality roundwood and chip delivered prices from across the U.S., increased 9%.
- **Wood Bioenergy:** Forisk analysis suggests wood use for viable bioenergy projects in the U.S. could reach 81 million tons per year by 2031. Through November 2021, U.S. wood pellet exports increased 0.8% year-over-year while Canadian wood pellet exports rose 14%. North American wood pellet capacity is expected to increase 15% in 2022 to 23 million metric tons.
- **Log & Chip Exports:** Through November 2021, North American log and chip export volumes continued to recover from historic 2020 lows. U.S. export volumes largely surpassed 2019 levels, except for hardwood chips; Canadian log exports are up more than 50% year-over-year.
- **Timberland Investments:** Public timber REITs returned -8.6% YTD through the third Friday in January after returning 25.1% for 2021. More than 2.7 million acres of industrial timberland transactions closed in the U.S. in the last four quarters (versus 2.4 million as of the prior FRQ). Forest industry firms accounted for 46% of acreage sold.
- **Forest Operations:** Year-over year logging employment rose in Q2 2021, though total employment marked the third lowest level since the 1980's. Logging wages were up over 3% in all major North American regions. Trucking freight and employment levels remain well below 2019 levels.
- **Timber Markets, U.S. South:** Starting prices in our forecasts, as measured by the last 4Q average, increased for all products for a second consecutive quarter. Higher lumber production fuels increases in 2022 pine sawtimber prices in the Base Case. The pine pulpwood Base Case projects Southern prices to increase in 2022, as well. The largest increases locally for pine sawtimber are in Mississippi and Louisiana.
- **Log Prices, Pacific Northwest:** Forisk's Base Case projects flat Douglas-fir prices in Oregon for 2022, reflective of the strong lumber prices from 2021. Over the next five years, sawtimber supply on private timberlands become more constrained, though trends vary by state with Washington projecting increased inventory and Oregon supplies declining.
- **Hardwood Markets, U.S. North:** The Forisk Hardwood Price Index rose 3% in Q3 2021 lifted by a 7% increase in red oak prices. Middle Atlantic prices were at or near five-year highs for most species. In New England and the Lake States, prices remained comparatively lower despite the strong quarter. Our Base Case forecast suggests 2022 prices will increase across species and regions.

To learn more about the Forisk Research Quarterly (FRQ), click here or contact Heather Clark at hsclark@forisk.com.

UPCOMING FORISK EVENTS & PRESENTATIONS

March 29 – Amanda Lang speaking at the Wood Bioenergy Conference & Expo in Atlanta, GA on “Timber Supply and Outlook”

April 22 – Brooks Mendell speaking virtually at the Washington State SAF meeting

May 19, 2022 – [Forisk’s Applied Forest Finance Class](#) (virtual)

August 25, 2022 – [Forisk’s Wood Flows & Cash Flows Conference](#) (virtual)

November 16-17, 2022 – [Forisk’s Timber Market Analysis Class](#) (virtual)

FORISK IN THE NEWS

At the start of the new year, Forisk welcomed Dr. Nick Bolton to the team as a Researcher and Forisk’s Publications Manager. Prior to Forisk, he was a Fiber Procurement Analyst with WestRock. Welcome, Nick!

On *FRQ* publication day, Forisk Business Manager and Marketing Coordinator Heather Clark and her husband welcomed their third daughter to the family. We’re thrilled to hear reports of a happy mother and daughter. Welcome baby Ava!

Q1 FEATURED RESEARCH: MINIMIZING UNCERTAINTY IN TIMBER PRICE FORECASTS

In our featured research in the Q1 *FRQ*, we consider key variables in timber price models and review the performance of Forisk’s 2021 price forecasts. We also examine the price impact of our revised southern supply forecasts as peak softwood volumes loom in 2025. Finally, as log exports have varying price impacts by region and product around the U.S., we introduce updated log export forecasts for the South, West, and North.

WHAT IS THE STATUS OF GLOBAL WOOD PELLET DEMAND?

Forisk’s quarterly “story in three slides” examines Forisk’s ongoing research into wood pellet markets and drivers of global industrial wood pellet demand as sources of demand for North American production. How will these markets develop over the next ten years? Based on project-by-project and sector analysis by country, growth in global demand for industrial wood pellets is expected through 2026, growing at a compound annual rate of 5% before trending down to 2031.

UPCOMING CLASS: APPLIED FOREST FINANCE

[LIVE ZOOM WEBINAR ON MAY 19TH](#)

Delivered in an interactive environment through Live Zoom Webinar, the [2022 Applied Forest Finance Class](#) details the step-by-step financial analysis required to answer key investment and forest management questions. Attendees will 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.

Visit the [Applied Forest Finance page](#) on Forisk’s website to learn more about this class, view the agenda, and register online.

Can’t make it to the live Webinar? No problem. This class will be recorded so that you can view at your leisure afterwards! *Please register by May 18th to view the recording afterwards.*

**We can only grant CE credits to those who participate in the live webinar, not the recorded version.*

DISCOUNTS AVAILABLE

- **Sign up by May 5th 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 Pamela Smith (psmith@forisk.com) for the promo code prior to registering.