

FORISK NEWS

FOREST INDUSTRY ANALYSIS – TIMBER PRICE FORECASTS – TIMBERLAND OWNERSHIP

Q2 2022 Edition • May 10, 2022

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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.



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Since the Q1 2022 *Forisk Research Quarterly* went to press, our team communicated with over 400 forest industry professionals in the U.S., Canada, China, the UK, Finland, Sweden, and Germany on topics including wood pellet capacity, pulpwood cost drivers, inflation, and mass timber. In addition to economic concerns related to inflation and housing markets, forest industry professionals returned to common themes: **timberlands are in high demand and supply chains remain under pressure.**

We welcome your questions and participation at upcoming Forisk events and wish you and your teams a safe and profitable 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 and register online.

Forisk's 6th "Wood Flows & Cash Flows" Conference will take place virtually on August 25, 2022.

Visit the [Conference website](#) to learn more about the content, view the agenda, and to register online. Early registration ends August 12th!

TIMBER PRICE FORECAST AND FOREST INDUSTRY PROJECTIONS

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

- [Pulpwood Cost Drivers in North America](#)
- [Inflation and Forest Industry Investment](#)
- [Defining Mass Timber](#)
- [Finish What You Started: U.S. Housing Starts Outlook](#)

The Q2 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 Q2 2022 FORISK RESEARCH QUARTERLY (FRQ) INCLUDE:

- **Macro and Housing:** Real GDP declined at a 1.4% annual rate. The labor market added 1.7 million jobs, and the unemployment rate decreased to 3.8%. Yields on 10-year U.S. Treasuries rose to 2.13%. Forisk projects U.S. housing starts of 1.647 million for 2022, up 2.9% over 2021 actuals.
- **Lumber:** Forisk's Base Case projects U.S. softwood lumber production increases 8.5% 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 increase 4.2% and 3.8% in 2022, respectively. Net imports for both products are down. Wawa OSB announced the reopening of an OSB mill in Wawa, Ontario, and Georgia-Pacific announced a new OSB line in Alcolu, SC.
- **Pulp & Paper:** Total pulp/paper production increased 1.7% in Q1 2022. Printing and writing production rose 2.5% and packaging production rose 1.9% year-over-year. Capital investment and closure announcements continued during the quarter as pulp and paper capacity finds balance. Quarter-over-quarter OCC prices fell 14% in Q1 while the Forisk Pulp Fiber Index, a weighted average of pulp-quality roundwood and chip delivered prices from across the U.S., increased 5% to a four-year high.
- **Wood Bioenergy:** Forisk analysis suggests wood use for viable bioenergy projects in the U.S. could reach 84 million tons per year. Through February 2022, U.S. wood pellet exports increased 11% year-over-year while Canadian wood pellet exports increased 12.5%. North American wood pellet capacity is expected to grow 10% in 2022, to 21.7 million metric tons of capacity.
- **Log & Chip Exports:** Through February 2022, North American log and chip export volumes were volatile year-over-year, with Canadian softwood log volumes up more than 30% and Southern softwood log exports down 66%. The U.S.'s top three forestry commodity trade partners, China, Canada, and Japan maintain an 87% market share of U.S. wood product exports.
- **Timberland Investments:** Public timber REITs returned 1.3% YTD through the fourth Friday in April after returning 25.1% in 2021. Over the last four quarters, more than 3.1 million acres of industrial timberland transactions closed in the U.S. (versus 2.7 million as of the prior FRQ). TIMOs accounted for the largest portion of acreage sold with 46.1% while Institutional Investors comprised 33.6% of buyers.
- **Forest Operations:** Year-over-year logging employment fell in the U.S. North and South through Q3 2021. Logging wages were up 5% or more in all major North American regions. Trucking freight levels remain below 2019 peaks while trucking employment holds relatively level. Inflation across all major logging inputs fueled increases in operating costs. Hauling rates increased substantially over the past year.
- **Timber Markets, U.S. South:** Starting prices in our forecasts, as measured by the last 4Q average, increased for all products for a third 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 increasing Douglas-fir prices in Oregon for 2022, and price corrections over the next five years for domestic logs. COVID outbreaks decreased Pacific Northwest sawmill utilization 5.5% on average during the five major waves following the initial lockdown in early 2020.
- **Hardwood Markets, U.S. North:** The Forisk Hardwood Price Index increased 1% in Q4 2021. Middle Atlantic prices were at or near five-year highs for most species. In New England and the Lake States, prices remained comparatively lower. Our Base Case forecast suggests 2022 prices will increase across species and regions. A key driver of aggregate hardwood price increases for the North was soft maple.

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

UPCOMING FORISK EVENTS & PRESENTATIONS

- ▶ **May 26** – Tyler Reeves speaking at the Chattahoochee SAF Meeting in Atlanta, GA.
- ▶ **June 21** – Brooks Mendell speaking virtually at the Oregon Society of CPAs Annual Meeting.
- ▶ **August 31** - Brooks Mendell keynoting the Louisiana Forestry Association's Annual Meeting in Lake Charles, LA.
- ▶ **September 21** - Amanda Lang speaking at the "Who Will Own the Forest?" Conference in Portland, OR.
- ▶ **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

- ▶ In February, Heather Clark and her husband welcomed their third daughter to the family.
- ▶ In April, Stephen Wright got married in Athens, Georgia. Congratulations to Stephen and Angela!
- ▶ Later this year, Forisk plans to conduct another U.S. Timber Market Rankings Multi-Client Study, similar to the [Market Rankings Study that Forisk produced in 2019](#).

Q2 FEATURED RESEARCH: NORTH AMERICAN PULPWOOD PRICE DRIVERS

In our feature article, we focus on pulpwood markets across North America. North American firms spend nearly \$10.5 billion annually to procure the "low-value" fiber needed for pellets, pulp, and OSB. Pulp-quality fiber fuels a material portion of the forest product industry, even as the market experienced dramatic changes since North American pulp and paper production peaked in the 1990's. We compare roundwood and chip prices within five regions of the U.S. and Canada, looking specifically at key supply, demand, and market drivers. The analysis highlights considerable variability in market responses geographically with rising prices in the West, falling prices in the East, and relative stability in the South.

WHO OWNS AND MANAGES PRIVATE TIMBERLANDS IN NORTH AMERICA?

Forisk's quarterly "story in three slides" provides a current snapshot of Forisk's research into North America's largest timberland owners and managers. What does the timberland research cover, who are the largest timberland owners, and how has ownership changed over time? In 2022, TIMOs and forest managers accounted for 44% of the total acres controlled by firms with more than 100,000 acres of U.S. timberland. REITs own 18% of the total, down from 20% last year.

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

- Companies that subscribe to Forisk's research and/or databases are eligible for a **10% Discount**. Email Pamela Smith (psmith@forisk.com) for the promo code prior to registering.