

FORISK NEWS

FOREST INDUSTRY ANALYSIS – TIMBER PRICE FORECASTS – WOOD FLOWS & CASH FLOWS

Q3 2022 Edition • August 9, 2022

IN THIS ISSUE

- ▶ Research Highlighted on Forisk's Blog
- ▶ Select Findings from the Q3 FRQ
- ▶ Back-Test of Forisk's 2019 Market Rankings
- ▶ Changes in US South Logging Capacity
- ▶ Upcoming 2022 Market Rankings Study
- ▶ Forisk in the News
- ▶ Upcoming Forisk Events & Presentations

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 Q2 2022 *Forisk Research Quarterly* went to press, our team has communicated with over 200 forest industry professionals in the U.S., Canada, Japan, and the EU. In addition to economic concerns related to inflation, labor markets, and supply chains, **forest industry and investment professionals highlighted an urgency with placing capital in forest industry assets.**

Thank you for your continued support of the Forisk team and our research! For a deeper look at topics highlighted in the *Forisk News*, please attend our virtual conference on August 25th!

FORISK'S ANNUAL RESEARCH CONFERENCE, WOOD FLOWS & CASH FLOWS, WILL BE HELD VIRTUALLY ON THURSDAY, AUGUST 25TH.

This one-day virtual event details, with case examples, how firms can leverage Forisk research for business and investment decisions. Sessions include live Q&A with Forisk's researchers, and the event also features a live panel of industry executives. Forisk's research and analysis on topics such as [wood pellet markets](#), [lumber markets & supplies](#), [log markets](#), [forest carbon](#), and [mill capacities](#) are frequently cited by leading industry publications and media outlets including *The Wall Street Journal*, *New York Times*, *Capital Press* and National Public Radio.

The early registration discount is available until August 12th! Firms that subscribe to Forisk's products receive an additional 10% off their registration fees. *Contact Pamela Smith for the promo code (psmith@forisk.com).*

Visit the conference website to learn more & register online:
www.woodflowscashflows.com

This event qualifies for 5.0 CFE credit hours.

RESEARCH HIGHLIGHTS FROM FORISK'S BLOG

Recently, we posted analysis related to housing activity, interest rates, sawmill expansions, and timberland transactions:

- [Sawmill Investment Update: Map of U.S. South Expansions](#)
- [Single-Family Slowdown: U.S. Housing Starts Outlook, Q3 2022 Update](#)
- [Timberland Transaction Activity: Q2 Update](#)
- [Thinking About Timberland Investment Exposure to Interest Rates and Default Risk](#)

The Q3 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 Q3 2022 FORISK RESEARCH QUARTERLY (FRQ) INCLUDE:

- **Macro and Housing:** The economy contracted again in Q2. Real GDP declined at a 0.9% annual rate, compared to a decline of 1.6% in Q1. The labor market added 1.1 million jobs while the unemployment rate decreased to 3.6%. Yields on 10-year U.S. Treasuries rose to 3.14%. Forisk projects U.S. housing starts of 1.624 million for 2022, up 1.4% over 2021 actuals.
- **Lumber:** Forisk's Base Case projects U.S. softwood lumber production increases 6.6% in 2022 before weakening in 2023 due to lower housing starts. Investments in the sawmill sector continue, as firms plan to spend \$2.6 billion dollars to add 4.9 BBFT of capacity between 2022 and 2024 in the U.S. South alone.
- **Structural Panels:** Forisk projects continued increases in structural panel consumption in the U.S.: OSB and plywood are projected to increase 2.3% and 2.4% respectively in 2022. Net imports for both products are up. Boise Cascade completed the acquisition of Coastal Plywood Company's plywood operations, and Scotch Plywood reopened the Waynesboro, MS mill.
- **Pulp & Paper:** Printing and writing paper production continues to rebound in 2022, up 3.9% year-over-year. Forisk's pulp & paper forecast expects U.S. production to increase 4.5% by 2026. Quarter-over-quarter OCC prices fell 4% in Q2 while the Forisk Pulp Fiber Index, a weighted average of pulp-quality roundwood and chip delivered prices from across the U.S., decreased 1%.
- **Wood Bioenergy:** Forisk analysis suggests wood use for viable bioenergy projects in the U.S. could reach almost 87 million green tons per year. Through May 2022, U.S. wood pellet exports increased 17% year-over-year, while Canadian wood pellet exports increased 8%. North American wood pellet capacity is expected to grow 10% in 2022, to 21.8 million metric tons of capacity.
- **Log & Chip Exports:** Through May 2022, Canadian & U.S. softwood log exports were down year-over-year. U.S. softwood chip exports through May were up 13% year-over-year. Southern softwood log exports were down 62% year-over-year. The top three U.S. forestry commodity trade partners, China, Canada, and Japan account for 84% of U.S. wood product exports.
- **Timberland Investments:** Public timber REITs returned -13.0% YTD through the fourth Friday in July after returning 25.1% for all of 2021. Over the last four quarters, nearly 3.4 million acres of industrial timberland transactions closed in the United States (versus 3.1 million as of the prior FRQ). TIMOs accounted for the largest portion of acreage sold and bought at 49.1% and 34.0%, respectively.
- **Forest Operations:** Logging employment fell 2% in the U.S. South in 2021. Employment in western Canada (+7%) and the U.S. West (+2%) increased. Logging wages rose 3% or more in all major North American regions as tight labor markets continued to press wages higher. Trucking freight levels reached a post-pandemic peak while trucking employment recovered to pre-pandemic levels.
- **Timber Markets, U.S. South:** Starting prices in our forecasts, as measured by the last 4Q average, increased for all products for a fourth consecutive quarter. Strong lumber production forecasts drive 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 in the next five years are in Louisiana and Mississippi.
- **Log Prices, Pacific Northwest:** Domestic and export log prices were a mix of increases and declines in Q2 2022 as lumber prices fell. Forisk's Base Case projects increasing Douglas-fir prices in Oregon for 2022, and price corrections over the next five years for domestic logs.
- **Hardwood Markets, U.S. North:** The Forisk Hardwood Price Index increased 2.8% in Q1 2022. In New England and the Middle Atlantic, maple and oak prices remain at or near five-year highs. Lake States log prices remain more muted. With the exception of yellow birch and ash, we forecast moderate growth of northern hardwood log prices over the next five years. State-level analysis of standing ash sawtimber highlights inventory decline 5-10 years after the emerald ash borer infestation.

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

UPCOMING EVENTS & FORISK PRESENTATIONS

- ▶ **August 25** – [Forisk's Wood Flows & Cash Flows Conference](#) (virtual)
- ▶ **August 31** – Brooks Mendell keynoting the Louisiana Forestry Association's Annual Meeting in Lake Charles, LA.
- ▶ **September 20-22** – Amanda Lang speaking at the "Who Will Own the Forest?" Conference in Portland, OR.
- ▶ **October 3** – Brooks Mendell keynoting the Railway Tie Association Annual meeting in Florida on "Forest Ownership, Forest Carbon and the Economics of the Forest Industry."
- ▶ **November 16-17, 2022** – [Forisk's Timber Market Analysis Class](#) (virtual)

FORISK IN THE NEWS

- ▶ On August 8th, Forisk's research and analysis about wood pellet markets was quoted in [The Wall Street Journal](#).
- ▶ Tyler Reeves was recently promoted to Senior Analyst and Editor of the Forisk Market Bulletin. Congratulations, Tyler!
- ▶ Heather Clark was recently promoted to Vice President of Sales & Administration. Congratulations, Heather!
- ▶ At the beginning of August, Forisk welcomed Vickie Swanton to the team as Associate Editor of the Wood Fiber Review and Western Region Representative. Vickie joins us with deep forest industry experience, following roles with the Forest Resources Association, International Paper, and Champion International. Vickie is succeeding Tim Gammell, our friend and wise colleague, who will be retiring at the end of 2022.

Q3 FEATURED RESEARCH: A REVIEW OF FORISK'S 2019 MARKET RANKING SCORES

In the Q3 *FRQ* feature article, we revisit Forisk's [2019 Market Ranking Study](#) by comparing our market scores to regional prices over the past three years. The 2019 Market Ranking study scored 37 U.S. markets for capital investments from the standpoint of timberland owners, sawtimber consumers, and pulpwood consumers. On the whole, our 2019 market scores were consistent with current sawtimber and pulpwood prices and recent price changes. Some market deviations could be attributed to increases or decreases in production capacity (mill investments) or climate/weather events that significantly adjusted fiber supply.

CHANGES IN LOGGING CAPACITY IN THE SOUTH SINCE 2018

Forisk's quarterly "story in three slides" investigates supply chain capacity over the past three years. We compared changes in wood demand to changes in logging employment at the county level to determine which markets are most susceptible to constrained capacity. Logging employment fell in counties representing 65% of the southern wood supply. Falling employment in Louisiana, Mississippi, and North Carolina highlights areas of concern where new sawmill and pellet demand is scheduled to come online in the next two years.

FORISK'S 2022 MARKET RANKINGS STUDY – COMING IN SEPTEMBER

In September 2019, Forisk published a comprehensive analysis (Study) of North American timber markets and wood-using mills that ranked timber markets for investment. **In September 2022, Forisk will publish a new Study that will revisit the findings from the 2019 Market Rankings Study and provide readers with updated analysis and market rankings for 2022.**

The 2022 Market Rankings Study will contain analysis and rankings of U.S. timber markets to assess their suitability for incremental capital investments. The Study will divide the U.S. South and Pacific Northwest into operable timber markets based on bottom-up analysis of softwood demand centers and wood flows. The research will score timber markets based on supply and demand and assess risk to timberland investors and wood consumers. Each market will receive three scores, each from a different perspective: timberland investors, sawtimber consumers, and pulpwood consumers.

Contact Heather Clark (hsclark@forisk.com) for details about the study or to pre-order.