

FORISK NEWS

FOREST INDUSTRY ANALYSIS – SILVICULTURE PRACTICES – RANKING TIMBER MARKETS

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IN THIS ISSUE

- ▶ Research Highlighted on Forisk's Blog
- ▶ Select Findings from the Q4 FRQ
- ▶ Summary Results from 10 Years of Forisk Silviculture Surveys
- ▶ A Look at Wood Fiber Prices Across North America
- ▶ 2022 Timber 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 Q3 2022 *Forisk News* went to press, our team has communicated with over 200 forest industry professionals in the U.S., Canada, Japan, the UK, France, and Germany on topics including [housing markets](#), [forest carbon](#), and [pulpwood market capacity](#). Forisk also completed the [2022 Timber Market Rankings Study](#) of the U.S. South and Northwest for timberland investors and wood-using mills, and members of our team presented market analysis at “Who Will Own the Forest” in Portland, for the Forest Resources Association in Idaho, and at the Railway Tie Association Annual Conference in Orlando.

As we approach the end of the year, we sincerely thank you for your continued support of the Forisk team and our research!

Forisk's “Timber Market Analysis” Class will be held virtually on November 16TH & 17TH.

Delivered in an interactive environment through Live Zoom Webinar, the [Timber Market Analysis Class](#) walks through the process to understand, track, and analyze the price, demand, supply, and competitive dynamics of local timber markets and wood baskets through the use of case studies.

This class is divided into two half-days of content where Day 2 builds on Day 1. Attendance on both days is required to receive Continuing Education credit. *This class qualifies for 6.0 hours of Cat-1 CFE Continuing Education credits.*

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 Forisk's website to learn more & register online.](#)

RESEARCH HIGHLIGHTS FROM FORISK'S BLOG

Recently, we posted analysis related to housing activity, forest carbon, timber markets, and forest management trends:

- [Forest Management Trends Over Time in the U.S. South](#)
- [U.S. Housing Starts Outlook, Q4 2022 Update](#)
- [Forest Carbon Benefits, Confusions, and Timber Market Implications](#)
- [Why Study Timber Markets and Wood Baskets?](#)
- [Housing Update: Under Construction](#)
- [Pulpwood Paradise](#)

SELECT FINDINGS FROM THE Q4 2022 FORISK RESEARCH QUARTERLY (FRQ)

The Q4 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 Q4 report include:

- **Macro and Housing:** The economy rebounded in Q3 2022. Real GDP increased at a 2.6% annual rate, compared to -0.6% in Q2. The labor market adds 1.1 million jobs while the unemployment rate decreased to 3.57%. Yields on 10-year U.S. Treasuries continued to climb, rising to 3.52%. Forisk projects U.S. housing starts of 1.558 million for 2022, down 2.7% over 2021 actuals.
- **Lumber:** U.S. softwood lumber production increases 4.4% in 2022 in the Forisk Base Case, prior to weakening in 2023 due to slower housing markets. The U.S. South is projected to gain lumber production market share beyond 2023. Through August, total lumber exports rose 0.7% year-over-year. Capital investments in the sawmill sector continue with nearly \$2.9 billion in announced projects reflecting almost 5.2 BBFT of increased capacity by 2025 in the U.S. South alone.
- **Structural Panels:** Forisk projects a 0.7% decrease in U.S. structural panel consumption for 2022. Consumption of OSB is projected to increase while plywood consumption declines in 2022. Through Q3 2022, OSB production decreased 1% year-over-year and plywood production decreased 3.8%. By 2024, North American OSB capacity is expected to approach 29 BSF, a rise of almost 19% from 2019 levels.
- **Pulp & Paper:** Printing and writing paper production continues to rebound in 2022, up 1.9% compared to the Forisk forecast. Downtime for the packaging sector reduced production 4.9% quarter-over-quarter, while newsprint and printing and writing paper production were relatively flat. Tissue production rose 1.7% for the quarter and remains 0.8% higher than 2021 year-to-date. Quarter-over-quarter OCC prices fell 17% in Q3 while the Forisk Pulp Fiber Index, a weighted average of pulp-quality roundwood and chip delivered prices from across the U.S., increased 6% to an all-time high over US\$40 per ton.
- **Wood Bioenergy:** Bioenergy projects that pass Forisk's viability screening are projected to consume almost 87 million green tons per year across the country. Most of the bioenergy projects are in the biomass to electricity and pellet segments, though there has been an increase in renewable hydrocarbon (liquid fuel) projects. North American wood pellet capacity is expected to grow 10% in 2022, to 21.9 million tonnes of capacity.
- **Log & Chip Exports:** Through August 2022, Canadian & U.S. softwood log exports were down. U.S. softwood chip exports for the same period were up over 11%. Southern softwood log exports were down 67% year-over-year, most likely related to the updated Chinese market requirements for import.
- **Timberland Investments:** Public timber REITs returned -24.7% YTD through the third Friday in October after returning 25.1% for all of 2021. All public timber REITs saw negative returns over the past twelve months. Over the last four quarters, nearly 3.2 million acres of industrial timberland transactions closed in the United States (versus 3.4 million as of the prior FRQ). TIMOs accounted for the largest portion of acreage sold at 56.2% while institutional investors accounted for the largest proportion of acres bought at 32.9%.
- **Forest Operations:** Logging employment fell 3% in Eastern Canada and 2.5% in the U.S. South in Q1 2022. Southern logging employment is at its lowest levels since at least World War II. Meanwhile, employment in Western Canada (+5%) increased. Logging wages rose 5% or more across the U.S. as tight labor markets and inflation pushed wages higher. Trucking freight levels recovered further while trucking employment fell slightly in Q1 2022.
- **Timber Markets, U.S. South:** Starting prices in our forecasts, as measured by the last 4Q average, increased for all products except pine pulpwood. In five years, accounting for announced mill investments, the U.S. South softwood inventory averages a balanced growth-to-drain ratio of 1.0 (growth equals removals). South Arkansas, north Mississippi, north central Georgia, and areas of North Carolina and Virginia are forecast to have more timber growth than removals, indicating opportunities for future mill investments.
- **Log Prices, Pacific Northwest:** Domestic and export log prices were a mix of increases and declines in Q3 2022 as lumber prices continued to fall and workers at Weyerhaeuser's operations in the Pacific Northwest went on strike. The Base Case projects increasing 2022 prices for Douglas-fir in Oregon followed by a 15% drop in 2023.
- **Hardwood Markets, U.S. North:** The Forisk Hardwood Price Index decreased 3.8% in Q2 2022. In New England and the Middle Atlantic, maple and oak prices remain at or near five-year highs. Except for black cherry, yellow birch, and ash, we forecast moderate growth (less than 3% per year) of northern hardwood log prices over the next five years.

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

UPCOMING EVENTS & FORISK PRESENTATIONS

- ▶ **November 16-17, 2022** – [Forisk's Timber Market Analysis Class](#) (virtual)
- ▶ **March 8, 2023** – Brooks Mendell speaking at the [UGA Timberland Investment Conference](#) on "Timberland Investments and Timber Market Outlooks."
- ▶ **May 16, 2023** – [Forisk's Applied Forest Finance Class](#) (virtual)

FORISK IN THE NEWS

- ▶ In August, Forisk's research and analysis about wood pellet markets was quoted in [The Wall Street Journal](#).

FORISK RESEARCH & DATA SUBSCRIPTIONS

- ▶ [Forisk Research Quarterly \(FRQ\)](#)
- ▶ [Forisk Market Bulletin](#)
- ▶ [Forisk Wood Fiber Review](#)
- ▶ [Forisk North American Mill Capacity Database & GIS Shapefiles](#)

SILVICULTURE SURVEYS OF THE U.S. SOUTH

In 2012, Forisk started a research program of biennial surveys of common forest management (silviculture) practices for the largest timberland owners and managers in the U.S. South. The six surveys through 2022 represent one of the largest datasets available on private forest management practices and summarize a decade of silvicultural trends from a tumultuous period in the U.S. economy and forest industry. In the Q4 FRQ feature article, we review ten-year trends in silvicultural practices recorded through the biennial Southern silviculture survey. This article summarizes timberland management decisions by survey participants related to planting, competition control, site characteristics, and other key silvicultural practices.

The article, "Forest Management Practices and Trends in the U.S. South: Summary Results from 10 Years of Forisk Silviculture Surveys," is [available here](#).

WOOD FIBER PRICES

Wood fiber prices rose again in Q3 2022 in the U.S. North, U.S. West, and Eastern and Western Canada, with some prices 50% higher year-over-year. Despite favorable weather across much of North America, high fuel costs and constrained supply chains kept fiber prices elevated. Northeast fiber prices continued their three-consecutive quarter climb to five-year highs. A number of sources highlighted limited logging and trucking capacity and increasing fuel costs as root causes. In the West, quarterly price escalation may be attributed to a softening lumber market. The U.S. South benefited from (1) favorable summer weather patterns with limited rain that supported in-woods production and (2) smooth transitions from previous quarter outages. In Western and Eastern Canada, prices were flat to increasing with large price increases reported in British Columbia and the Maritimes.

[Click here](#) to learn more about the Forisk Wood Fiber Review.

2022 TIMBER MARKET RANKINGS STUDY

Forisk's 2022 Timber Market Rankings Study contains analysis and rankings of U.S. timber markets to assess their suitability for incremental capital investments. The Study divides 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 scores timber markets based on supply and demand and assesses risk to timberland investors and wood consumers. Each market receives three scores, each from a different perspective: timberland investors, sawtimber consumers, and pulpwood consumers. These rankings clarify which markets, on a relative basis, are more viable, sustainable, and operable places for generating wood flows and cash flows. Results include back-testing of Forisk's market rankings from 2019 and provide the raw data for each score by market related to forest and wood supplies, wood demand and competition, log prices, and regional risk factors such as logging capacity, residual markets, weather/fire exposure, and exports.

[Click here to learn more](#), and view the [press release here](#). Contact Heather Clark (hsclark@forisk.com) for additional details.