

FORISK NEWS

FOREST INDUSTRY ANALYSIS – NORTH AMERICAN MILL CAPACITY – WOOD FIBER PRICES

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IN THIS ISSUE

- ▶ Upcoming “Applied Forest Finance” Workshop
- ▶ Research Highlighted on Forisk’s Blog
- ▶ Select Findings from the Q1 FRQ
- ▶ Expanded Coverage of Wood-Using Mill Capacity Across North America
- ▶ A Look at Wood Fiber Prices Across North America
- ▶ 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 Q4 2022 *Forisk News* went to press, our team has communicated with over 270 forest industry professionals in the U.S., Canada, the UK, and the EU on topics including [logging employment](#), [sawmill expansions and curtailments](#), and [timberland investment performance](#). Forisk delivered its annual “Timber Market Analysis” class to dozens of participants from seven countries, and Forisk expanded its [mill database](#) coverage to now include mass timber and engineered wood products.

We appreciate your support of Forisk’s team and research and wish you a successful 2023!

Forisk’s “Applied Forest Finance” Class will be held virtually on May 16th.

This one-day online 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. **Attendees will engage with the instructor throughout the day through polls, case studies, and Q&A.** The Applied Forest Finance class will be taught by Brooks Mendell, President & CEO at Forisk. *This class qualifies for 6.0 hours of Cat-1 CFE credits.*

Early Registration Discount is available through May 2nd!

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

Over the past few months, Forisk’s researchers posted analysis related to housing starts, sawmills, timber markets, and sawtimber and pulpwood price drivers:

- [Timber Time Travel: Lessons from the Past to Inform the Future](#)
- [U.S. Housing Starts Outlook, Q1 2023 Update](#)
- [Timberland and Timber REIT Investment Performance in 2022](#)
- [Top 10 North American and U.S. Lumber Producers, 2022](#)
- [Timberland Transactions, Q4 2022 Update](#)
- [Maximizing Value from Timberlands and Wood Baskets: What is Our Current Paradigm?](#)
- [U.S. South Sawmill Expansion Update and Curtailments in Western Canada](#)

SELECT FINDINGS FROM THE Q1 2023 FORISK RESEARCH QUARTERLY (FRQ)

The Q1 2023 *Forisk Research Quarterly (FRQ)* includes industry analysis and market forecasts through 2032 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 FRQ report include:**

- **Macro and Housing:** The economy ended 2022 on a positive note with two consecutive quarters of GDP growth. Real GDP increased at a 2.9% annual rate, compared to 3.2% in Q3. The labor market added 742 thousand jobs while the unemployment rate rose to 3.6%. In Q4 2022, U.S. housing starts decreased 14.9% year-over-year and new home sales declined 18.7% to 135 thousand single-family homes sold.
- **Lumber:** Through November, total lumber exports decreased by 3.8% year-over-year. Recent softwood lumber prices continued to drop with a quarter-over-quarter decrease of 9.5% and a year-over-year prices decline of 28.8%. Capital investments in sawmills continue with nearly \$3.5 billion in announced projects reflecting almost 5.3 BBFT of increased capacity by 2025 in the U.S. South alone.
- **Structural Panels (OSB & Plywood):** Forisk projects a 9.6% decrease in U.S. structural panel consumption for 2023. Consumption of OSB and plywood is projected to decrease 9.3% and 10.1%, respectively. Through Q4 2022, OSB production decreased 1.8% year-over-year and plywood production decreased 5.3%. Planned OSB mill expansions and existing mills in the U.S. are sufficient to satisfy the OSB forecast for the next three years.
- **Pulp & Paper:** Total pulp and paper production decreased by 2.9% in 2022. Packaging production fell 9% in Q4 as demand continued to soften in the second half of 2022. Pulp and paper five-year production forecasts by end market are led by household/sanitary paper (18%) and specialty paper (12%). Forisk's Pulp & Paper forecast expects U.S. pulp and paper production to increase 5.2% by 2027. Year-over-year OCC prices fell 79% in Q4, another indication of weakening packaging demand. The Forisk Pulp Fiber Index, a weighted average of pulp-quality roundwood and chip delivered prices from across the U.S., increased 2%.
- **Wood Bioenergy:** Bioenergy projects that pass Forisk's viability screening are projected to consume almost 88.6 million green tons per year in the U.S. . 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 7% in 2023, to 23.3 million metric tons of capacity.
- **Log & Chip Exports:** Through November 2022, Canadian & U.S. softwood log exports fell 32% and 30% respectively. U.S. softwood chip exports for the same period rose 18%. Southern softwood log exports declined 69% year-over-year, most likely related to the updated Chinese market requirements for import.
- **Timberland Investments:** Public timber REITs returned 10.4% YTD through the fourth Friday in January after returning -22.7% for all of 2022. All public timber REITs saw negative returns over the past twelve months. Over the last four quarters, more than 4.4 million acres of industrial timberland transactions closed in the United States. TIMOs accounted for the largest portion of acreage bought and sold at 54.3% and 79.1%, respectively.
- **Forest Operations:** Logging employment fell 2.5% year-over-year in the U.S. South in Q2 2022, extending the decline in southern logging employment to eleven consecutive quarters. Western Canada logging employment rose 4% and the U.S. North increased 1% year-over-year. Logging wages rose 5% or more across the U.S. and 4% or more across Canada as tight labor markets and inflation pushed wages higher. Trucking employment nationally reached record levels in Q2 2022, up 4% year-over-year.
- **Timber Markets, U.S. South:** Starting prices in our forecasts, as measured by the last 4Q average, decreased for all products. The 2023 forecast for southern pine sawtimber implies a 4% decrease in prices from 2022 levels, driven by declining lumber production. Prices recover to 2022 levels in four years. The largest increases locally for pine sawtimber are in Louisiana and Arkansas. Pine pulpwood stumpage prices increase the most locally in Mississippi, Alabama, and South Carolina.
- **Log Prices, Pacific Northwest:** Domestic and export log prices fell in Q4 2022 for all products reported in the *FRQ* except hemlock export logs, as lumber prices fell 9.5%. Prices in the Base Case average between a 1% increase per year and 2% decrease per year (nominal) over the next 5 years for domestic logs; export Douglas-fir falls 0.3% per year.
- **Hardwood Markets, U.S. North:** The Forisk Hardwood Price Index decreased 4.8% in Q3 2022. We project modest price gains (<1%) for all species in all three sub-regions over the next five years, except for ash in the Middle Atlantic and New England.

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

UPCOMING PRESENTATIONS BY FORISK

- ▶ **March 3** – Brooks Mendell speaking at the [NWPCA Annual Leadership Conference](#) in Fort Worth, Texas on “Forest Industry Economics.”
- ▶ **March 7, 2023** – Brooks Mendell speaking at the [UGA Timberland Investment Conference](#) on “Timberland Investments and Timber Market Outlooks.”
- ▶ **June 8, 2023** – Brooks Mendell keynoting the [AgWest Farm Credit Forest Products Summit](#) in Portland, Oregon on “Forest Industry Economics and Capital Investments.”

FORISK CLASSES & CONFERENCES:

- ▶ **May 16, 2023** – [Forisk’s Applied Forest Finance Class](#) (virtual)
- ▶ **August 30, 2023** – **Save the date!** Forisk’s annual research conference, [Wood Flows & Cash Flows](#), will be presented virtually via live Zoom Webinar format. Registration will open in May!
- ▶ **October 11-12, 2023** – Forisk’s [Timber Market Analysis Class](#) will take place virtually over two half-day sessions.

FORISK RESEARCH & DATA SUBSCRIPTIONS

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

Contact Heather Clark (hsclark@forisk.com) to learn more about any of these products.

EXPANDED COVERAGE AND TRACKING OF WOOD-USING MILL CAPACITY ACROSS NORTH AMERICA

In November, Forisk expanded coverage of their [North American Forest Industry Capacity Database](#) (“Mill Database”) to include engineered wood product plants (e.g. laminated veneer lumber, I-joists, etc.), mass timber facilities (e.g. crosslaminated timber, mass plywood panels, etc.) and expanded coverage of hardwood sawmills. This added over 20 million tons of wood-using capacity to the database, largely through inclusion of smaller hardwood mills. Forisk’s Mill Database now covers nearly 2,200 facilities representing almost 800 million tons of wood use at open and announced mills across North America. The Q4 2022 Mill Database projects capacity through 2024 based on announced capital investments, and we predict another 2.2 billion board feet of lumber capacity to come online over the next two years from new mills alone.

The inclusion of engineered wood products and mass timber facilities was a direct response to industry interest, according to Shawn Baker, Forisk’s Vice President of Research. “Our clients are curious about the growth of new and developing uses for wood,” Dr. Baker said. “The expansion of our database lets subscribers track the development of these industries at the mill level.” Forisk’s Mill Database now tracks 29 engineered wood products mills and 33 open or announced mass timber facilities across Canada and the U.S.

A LOOK AT WOOD FIBER PRICES ACROSS NORTH AMERICA

As reported in the latest [Forisk Wood Fiber Review \(WFR\)](#), wood fiber prices rose to record levels in the U.S. Northeast and U.S. West in Q4 2022. Labor availability factored into higher prices in both regions. A lack of logging capacity contributed to hardwood fiber scarcity in the Northeast, while a labor strike at Pacific Northwest Weyerhaeuser operations constrained softwood fiber availability there. The U.S. South remains a contrast as fiber prices largely fell. Dropping diesel prices provide some relief to logging contractors, though fuel prices remain well above 2021 levels.

Regional differences in fiber prices are as great as they have ever been with prices for roundwood and chips varying by 100% or more on some products between the highest and lowest average cost across North American regions. Maritimes fiber prices are among the lowest in North America, helping explain reports of chips being barged into Maine to ease record high fiber prices there. Southern fiber prices are also comparatively lower, which continues to support the shift in virgin fiber pulping capacity towards the U.S. South over the past decade.