

# FORISK NEWS

Q1 2024 Edition • February 13, 2024

## IN THIS ISSUE

- ▶ Research Highlighted on Forisk's Blog
- ▶ Select Findings from the Q1 *FRQ*
- ▶ Special research in the Q1 *FRQ*
- ▶ Forisk tracking of forest industry mills
- ▶ Wood fiber prices across North America
- ▶ Forisk in the News

## NEW OPTIONS FOR MILL DATA

Forisk's *North American Mill Capacity Database* is now offered as a one-time "Snapshot" in addition to the annual subscription! Forisk's Mill Data is also now available on the [Acres platform](#). Contact Heather Clark to learn more at [hsclark@forisk.com](mailto:hsclark@forisk.com).

## 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](http://www.forisk.com).

**FORISK**  
CONSULTING

[www.forisk.com](http://www.forisk.com)

Phone: (+1) 770.725.8447

P.O. Box 5070, Athens, GA 30604

## Welcome to the Q1 edition of the *Forisk News*!

Since the previous *Forisk News* went to press, our team communicated with over 180 forest industry professionals in the U.S., Canada, Japan, and the UK on topics including [forecasts of timber supplies in the South and PNW](#), [mill utilization rates](#), [wood fiber markets](#), [wood pellet markets](#), and [timberland investments](#). Forisk research was featured and used for background by outlets such as Bloomberg and *LandThink*. In December, Forisk moved its growing Athens team to a larger, renovated office (still in the Athens, GA area); please stop by and say hello!

## Next Forisk Webinar: Applied Forest Finance

March 14, 2024

Taught only once per year, this 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. The course qualifies for 6.0 CFE hours.

**Early Registration Discount is available through February 29<sup>th</sup>!**

[Visit Forisk's website to learn more.](#)

## RECENT HIGHLIGHTS FROM FORISK'S BLOG

- [Dollar-Cost Averaging and Investing in Timber](#)
- [An Introduction to Financial Statements](#)
- [Implications of New U.S. Forest Service FIA data for the South](#)
- [Timberland Investment Fundamentals and the Current Challenge to Place Capital](#)
- [North American Fiber Prices Fell for Most Regions in 2023](#)
- [Top Forisk Blog Posts from 2023: Forest Finance, Lumber Leaders, and Mass Timber](#)
- [Forest Carbon Markets: Reality Check and Pricing Trends](#)
- [Russo-Ukrainian Conflict: An Update on Russian Pellet Flows and Spot Prices](#)
- [Q4 2023 Forisk Wood Fiber Review: Chip Prices Continue to Fall as Demand Wanes in the Pacific Northwest](#)
- [Regional Forest Product Mill Utilization](#)

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## SELECT FINDINGS FROM THE Q1 2024 FORISK RESEARCH QUARTERLY (FRQ)

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The Q1 2024 [Forisk Research Quarterly \(FRQ\)](#) includes industry analysis and market forecasts through 2033 for timber prices, logging costs, softwood lumber production, structural panels production, paper and paperboard production, forest supplies, and wood bioenergy markets. **Select summary findings from the Q1 FRQ report include:**

- **Macro and Housing:** The economy grew 3.1% in 2023, with real GDP increasing 3.3% in Q4 2023. The labor market added 494 thousand jobs while unemployment hovered around 3.7%. Yields on 10-year U.S. Treasuries receded from 4.38% in Q3, their highest level since 2007, to 4.02% in Q4. In 2023, U.S. housing starts decreased 9% from 2022. Single family starts fell 6%, while multifamily fell 14% for the year. New home sales rose 9% year-over-year in Q4 2023.
- **Lumber:** Through November 2023, total North American softwood lumber exports decreased 7% year-over-year and hardwood exports fell 18%. U.S. softwood lumber production was up 14% over the five-year period ending in Q3 2023. Canada, Mexico, and China accounted for 64% of all U.S. lumber exports through November 2023. Softwood lumber prices decreased 18% year-over-year in Q4 2023. Capital investments in the sawmill sector continue with over \$2.6 billion in announced projects representing 3.8 BBFT of increased capacity by 2026 in the U.S. South alone.
- **Structural Panels (OSB & Plywood):** U.S. OSB production decreased 5% in 2023 and plywood production decreased 1%. Net imports for both products also decreased. Quarter-over-quarter OSB prices decreased 19% and plywood increased 8% in Q4 2023. Announced mill openings and investments expect to add at least 3.1 BSF to North American structural panel capacity through 2026.
- **Pulp & Paper:** Paper and paperboard production declined 6% in 2023. Packaging production rose 1.5% in Q4 2023 but dropped 5% overall in 2023. Tissue production was the lone bright spot, up 1.2%. OCC prices rose 38% in Q4, rising 146% year-over-year.
- **Wood Bioenergy:** As of January 2024, Forisk's [Wood Bioenergy Database](#) tracks 494 operating and announced projects. Based on Forisk's viability screening, 356 projects pass with potential wood use of 102.1 million tons per year. Most bioenergy projects are in the biomass to electricity, CHP, and pellet segments, though renewable hydrocarbon (liquid biofuel, biochar) projects are increasing. Through November 2023, U.S. wood pellet exports increased 5.6% year-over-year while Canadian wood pellet exports decreased 7.3%. North American wood pellet capacity is expected to grow 10% in 2024, to 23.5 million tonnes.
- **Log & Chip Exports:** Through November 2023, Canadian and U.S. softwood log exports were down 23% and 13%, respectively. U.S. softwood chip exports for the same period rose over 8%. Southern softwood log exports dipped 35% year-over-year, affected by unstable markets in Asia. The top three U.S. forestry commodity trade partners, Canada, Japan, and China, account for 83% of U.S. wood product exports.
- **Timberland Investments:** All three timber REITs are trading below where they started the year. As a sector, public timber REITs declined 4.8% over the past twelve months according to the market cap weighted [Forisk Timber REIT Index \(FTR\)](#). Nearly 1 million acres of industrial timberland transactions closed in the United States for the last four quarters. TIMOs accounted for the largest portion of acreage bought and sold at 65.9% and 62.4%, respectively.
- **Forest Operations:** Four-quarter average logging employment declined across the U.S. and West Canada. Through Q2 2023, logging wages rose more than 3% year-over-year across North America as tight labor markets and inflation pushed wages higher. Trucking employment remained elevated in Q2 2023, contrasting with falling freight demand.
- **Timber Markets, U.S. South:** Southern stumpage was flat for most products except hardwood pulpwood in Q4 2023, which rose 4% according to Timber Mart-South. The 2024 forecast for Southern pine sawtimber implies no change in prices from 2023 levels, driven by further supply accumulations and slowing housing demand. Prices recover to 2022 levels in two years. New models from the USFS to estimate tree volume reduced total merchantable pine inventory 0.2% in the South and increased the estimated merchantable hardwood inventory 5% in the South.
- **Log Prices, Pacific Northwest:** Domestic log prices fell 1-2% in Q4 2023 while export log prices increased 1-6%. Forisk's "base case" projects a drop for Douglas-fir prices in Oregon in 2023 and 2024, followed by increases in 2025. Logging and hauling costs remain relatively flat over the next decade due to a steady diesel price forecast.
- **Hardwood Markets, U.S. North:** Forisk's Hardwood Price Index fell 2% in Q3 2023, falling 13% year-over-year. Last 4Q starting prices were led by white oak in the Middle Atlantic, red oak in New England, and hard maple continued to pace the Lake States.

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

## FORISK IN THE NEWS

- ▶ [Forisk and Acres Announce Partnership to Enhance Timberland Analysis for Industry Professionals](#)
- ▶ [Forisk article “Forest Carbon Reality Check and Pricing Trends” featured in \*LandThink\*](#)
- ▶ [Forisk article “Solar Leases, Forest Supplies, and Timberland Investments” featured in \*LandThink\*](#)
- ▶ [Forisk article “Timber REIT Performance and Estimating Net Asset Values \(NAVs\)” featured in \*LandThink\*](#)

## UPDATES FROM FORISK

- ▶ In Q2, Forisk will begin devoting two blog posts per quarter to the topics of tracking Mill Announcements and Timberland Transactions. Stay tuned!
- ▶ Come visit us at our new office location! 1090 Founders Blvd, Suite A, Athens, GA

## FORISK RESEARCH & DATA SUBSCRIPTIONS

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

Contact Heather Clark to learn more about any of these products: [hsc Clark@forisk.com](mailto:hsc Clark@forisk.com)

## SPECIAL RESEARCH IN THE Q1 FRQ

### Featured Research Article: Localized Timber Price Elasticities

When forecasting timber and log prices, elasticities help us estimate price impacts of changes in forest supplies and wood demand. This research investigates 22 sub-state markets in the U.S. South to assess the impact of locally-derived elasticities on price forecasts, when compared to state-level trends. Our findings reinforce that differences across supplies, log quality, mill types, and inventories affect prices in local wood markets. Leveraging localized data allows us to better differentiate local market dynamics from broader state and regional trends.

**Market Update, Q1 2024:** In this edition of quarterly observations and summary analysis of forest industry trends, we begin by revisiting the size of Canada’s economy and forest industry. Then, we review the status of U.S. softwood log export markets. Finally, we return to forest carbon markets and key issues concerning timberland investors.

**Forisk Facts & Figures:** Forisk’s “story in 3 slides” examines the seasonality of biomass demand, historic energy production by industrial and non-industrial sources, and the geographic distribution of biomass-to-electricity facilities across the U.S.

## LUMBER MILL UTILIZATION FELL 6% FROM Q1 2019 – Q2 2023; PULP/PAPER AND OSB UTILIZATION DROPPED 9%, AND PLYWOOD DECLINED 15%.

Mill utilization trends show forest products industry responses to Covid-19 and end-product price shifts. “Utilization measures the percent of name plate capacity used to produce a product, and trends vary significantly by forest products sector,” notes Pat Jolley, Product Manager of [Forisk’s Mill Capacity Database](#). For example, lumber utilization from Q1 2019 through Q2 2023 declined 6%, while pulp/paper and OSB each dropped 9% and the plywood sector fell 15%. While mill utilization rose during end-product price increases in 2021 and into 2022, the longer-term trend declines. “We combine utilization estimates with mill capacity data from our Forest Industry Capacity Database to understand local wood use,” added Mr. Jolley. [Read the full Research Release here.](#)

## NORTH AMERICAN FIBER PRICES FELL FOR MOST REGIONS IN 2023

North American wood fiber prices decreased 8% year-over-year through Q4 2023 according to the [Forisk Wood Fiber Review \(FWFR\)](#). Continued soft demand from pulp and paper mills, decreasing foreign demand, and generally favorable logging conditions contributed to the fiber oversupply in North America.

U.S. roundwood and chip prices fell around 2% and 15% year-over-year, respectively. “After a year where weak markets and several pulp and paper mill closures reduced fiber demand throughout the country, it is not unexpected to see price decreases. The oversupply of cheap fiber, particularly in the South, will encourage consumers to consider capital projects that might increase fiber demand and provide relief for markets.” noted Stephen Wright, Product Manager for the [FWFR](#). [Read the full Research Release here.](#)