

FORISK NEWS

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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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Welcome to the Q2 edition of the *Forisk News*!

Since the previous *Forisk News* went to press, our team communicated with over 230 forest industry professionals in the U.S., Canada, New Zealand, the UK, and the EU on topics including [OSB capacity in North America](#), [wood fiber prices](#), [logging capacity](#), and [timber supply outlooks](#). In conversations over the past month, **forest industry executives and managers relayed consensus about a slowing economy and discussed their efforts to adjust.**

During the past quarter, Forisk team members delivered talks on timberland markets, forest industry economics, and wood bioenergy to audiences in Florida, Georgia, Idaho, and Texas. Forisk also taught the virtual **Applied Forest Finance Class** on May 16th. Attendees from 9 different countries participated in the webinar. In addition, Forisk analysis on forest industry investments and local timber communities was quoted in *Capital Press*.

Next Forisk Webinar: Timber Market Analysis

October 11-12, 2023

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. The class is divided into two half-days of course content where Day 2 builds on Day 1.

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

RESEARCH HIGHLIGHTS FROM FORISK'S BLOG

- [How to Baseline Prices for Timber Price Forecasts and Forest Valuations](#)
- [U.S. Housing Starts Outlook, Q2 2023 Update](#)
- [Southern Pine Timber Inventory Outlook](#)
- [Logging Capacity and the Lonesome Loggers](#)
- [Q1 2023 Forisk Wood Fiber Review: U.S. Prices Ease](#)
- [Housing Market: Now Versus Then](#)
- [OSB Mill Capacity in North America: An Expansion in the East](#)
- [Timberland Transactions: Q1 2023 Update](#)
- [Hardwood sawmill capacity in North America](#)
- [Forest Finance: Common Errors and Suggestions for Clean Analysis](#)
- [Forest Finance: Timberland Discount Rates and Forest Carbon as a Residual Land Use](#)

SELECT FINDINGS FROM THE Q2 2023 FORISK RESEARCH QUARTERLY (FRQ)

The Q2 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 Q2 FRQ report include:**

- **Macro and Housing:** The economy slowed in Q1, with real GDP increasing at a 1.1% annual rate, compared to 2.6% in Q4 2022. Yields on 10-year U.S. Treasuries rose to 3.66%. In Q1 2023, U.S. housing starts decreased 17.9% year-over-year. Single family starts fell 28.6%, while multifamily rose 5.0%. New home sales declined 13.9% year-over-year in Q1. Canadian housing starts also fell in Q1, declining 3.1% year-over-year. Single-family starts fell 22.5% while multifamily rose 4.0%.
- **Lumber:** Through February 2023, total lumber exports decreased 6.1% year-over-year led by hardwood exports (-11%). Canada, Mexico, and China accounted for 68% of all U.S. lumber exports through February. Softwood lumber prices declined 8.2% in Q1. Capital investments in the sawmill sector continue with nearly \$3.5 billion in announced projects representing 5.3 BBFT of increased capacity by 2025 in the U.S. South alone.
- **Structural Panels (OSB & Plywood):** Forisk projects U.S. structural panel consumption to decrease 11.5% in 2023. OSB consumption declines 11% and plywood consumption declines 12% in 2023. Through Q1 2023, OSB production decreased 7% year-over-year and plywood production decreased 3%. Mill openings and investments expect to add almost 3.2 BSF to North American structural panel capacity through 2025.
- **Pulp & Paper:** Paper and paperboard production dropped 8.8% year-over-year in Q1 2023. Packaging production remains 9% below year-ago levels. Pulp and paper sector five-year production forecasts by market are led by household/sanitary paper (10%) despite production lagging in early 2023. Forisk's Pulp & Paper forecast expects U.S. pulp and paper production to increase 4.5% by 2027. Year-over-year OCC prices remain down 77% in Q1 2023.
- **Wood Bioenergy:** As of April 2023, Forisk's wood bioenergy database tracks 412 operating and announced projects. Based on Forisk's viability screening process, 278 projects pass, indicating potential wood use of 89.4 million tons per year. Through February, U.S. wood pellet exports increased 23.3% year-over-year while Canadian wood pellet exports decreased 3.2%. North American wood pellet capacity is expected to grow 3.6% in 2023, to 22.1 million tonnes of capacity.
- **Log & Chip Exports:** Through February 2023, Canadian & U.S. softwood log exports were down 23% and 7%, respectively, while U.S. softwood chip exports rose over 30%. Southern softwood log exports dipped 17% year-over-year, likely related to the slowdown in economic activity in Asia. The top three U.S. forestry commodity trade partners, China, Canada, and Japan, account for 93% of U.S. wood product exports.
- **Timberland Investments:** Public timber REITs returned -2.6% YTD through the fourth Friday in April after returning -22.7% in 2022. All public timber REITs experienced negative returns over the past 12 months. Over the last four quarters, nearly 4.4 million acres of industrial timberland transactions closed in the U.S. TIMOs accounted for the largest portion of acreage bought and sold at 72.1% and 68.3%, respectively.
- **Forest Operations:** Four-quarter average logging employment declined more than 2% year-over-year in the U.S. West and South. Western Canada employment increased 2% while Eastern Canada fell <1%. 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. Logging owner-operators represented 70% of the losses in the Northeast logging industry since 1999. Trucking employment rose to record levels in Q3 2022, up 4.5% 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 5% 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 Tennessee. Pine pulpwood stumpage prices increase the most locally in Mississippi, Georgia, South Carolina, and Alabama.
- **Log Prices, Pacific Northwest:** Domestic and export log prices fell in Q1 2023 for all products reported in the FRQ. Forisk's "base case" projects a drop for Douglas-fir prices in Oregon in 2023 followed by increases in 2024 and in 2025.
- **Hardwood Markets, U.S. North:** The Forisk Hardwood Price Index decreased 9% in Q4 2022. In New England, maple and oak prices remain at or near five-year highs. We project modest price gains for all species in all three regions 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 PRESENTATIONS BY FORISK

- ▶ **June 8th** – Brooks Mendell is keynoting the AgWest Farm Credit Forest Products Summit in Portland, OR.
- ▶ **June 19th** – Brooks Mendell is keynoting the Forest Landowners Association Annual Conference in Nashville, TN.
- ▶ **June 29th** – Brooks Mendell is presenting at the Oregon Society of CPAs Forest Products Conference in Eugene, OR.

2023 FORISK WEBINARS

- ▶ **May 16** – [Forisk's Applied Forest Finance Class](#) was held virtually.
- ▶ **October 11-12** – [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 \(WFR\)](#)
- ▶ [Forisk North American Mill Capacity Database & GIS Shapefiles](#)

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

FORISK REPORTS NORTH AMERICAN HARDWOOD SAWMILL CAPACITY DECLINED 6% OVER THE PAST TWO YEARS

Hardwood sawmills in North America reduced capacity 6% from 2020 to 2022 by closing or changing species, according to data from [Forisk's North American Forest Industry Capacity Database](#) ("Mill Database"). Southern mills declined the most, as mills shifted towards softwood species and expanded pine sawtimber consumption, which was less expensive and easier to procure than hardwood. Hardwood sawmills in the Mill Database have the capacity to produce 7.0 BBFT of lumber annually. The U.S. North leads with 3.1 BBFT, followed by the U.S. South. East Canada and the U.S. West make up the balance. The average size of a hardwood sawmill is 14 MMBF (this includes facilities that also mill some softwood).

SILVICULTURAL PRACTICES OF WESTERN TIMBERLAND OWNERS AND MANAGERS, 2023

The featured research in the Q2 *FRQ* summarizes silvicultural data on 9.2 million acres of privately held lands in the Northwest. Findings from our fourth survey of the region highlight reductions in average planting density, average clearcut age, and declining use of precommercial thinning. Our coverage expands into California, detailing key differences in management relative to other western regions. Total expenditure on silviculture rose 17% from our previous survey as the proportion of acres replanted increased in Oregon, a lingering result of the 2020 wildfires.

WHO OWNS AND MANAGES PRIVATE TIMBERLANDS IN NORTH AMERICA?

The [2023 North American Timberland Owner & Manager List](#) covers 308 organizations that average 319,000 acres each for a total of 98 million acres. Each organization accounts for at least 10,000 acres. In 2023, TIMOs and forest managers accounted for 43% of the total acres controlled by firms with more than 100,000 acres of U.S. timberland, down 0.1% from 2022. REITs own 19% of the total, up from 18% in 2022. Weyerhaeuser is the largest timberland owner in North America, holding 10.6 million acres.

WOOD FIBER PRICES ACROSS NORTH AMERICA

North American wood fiber prices increased 9% year-over-year through Q1 2023 according to the [Forisk Wood Fiber Review \(WFR\)](#). Tight labor markets, slowing paper demand, and cooling lumber output contributed to price volatility in 2022 and early 2023. Canadian fiber prices led, with roundwood prices up 17% and chip prices rising 26% year-over-year. U.S. roundwood prices increased only 1% year-over-year compared to a 10% increase in chip prices.

Fiber prices stabilized in the U.S. Northeast and West in Q1 2023 following a tumultuous 2022. In the West, softwood fiber prices fell 4% for chips and 18% for pulplogs quarter-over-quarter. Prices for both remain up at least 14% year-over-year. U.S. South fiber prices fell year-over-year for all product types in the South Central and Southeast regions. Softwood chips in the Southeast were the exception, rising 3% year-over-year through Q1 2023.