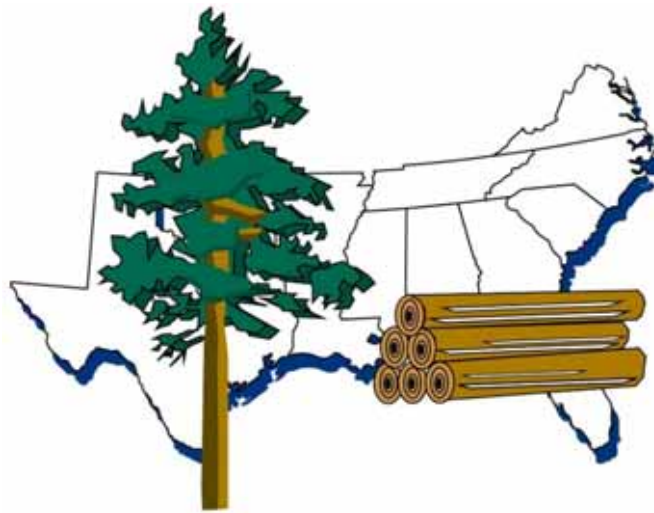


TimberMart-South

Quarterly Market Bulletin



1st Quarter 2019

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Executive Summary

South-wide Stumpage Markets

Persistent wet weather limited wood accessibility, creating supply chain issues which in part resulted in South-wide average prices increasing for all three major pine products and hardwood pulpwood this quarter. Seasonally wet conditions, which typically occur between late Fall and early Spring in the South, were kickstarted by Tropical Storm Gordon and Hurricane Florence in September and followed by Hurricane Michael in October, with above-average precipitation (even for this time of year) continuing through the end of the 2018 and into the 1st Quarter of 2019.

This upward price movement was in line with the seasonal trend that has seen pine sawtimber prices increase quarter-over-quarter (Q/Q) in the 1st Quarter in 10 of the last 15 years, and in 11 of the last 15 years for both pine chip-n-saw and pine pulpwood. However, the seasonal bump in price was larger than normal this quarter. Over the last two decades, this 1st Quarter price increase has averaged 3% for pine sawtimber, 4% for chip-n-saw, and 8% for pine pulpwood. But wetter than anticipated conditions led to higher than normal price increases in 1st Quarter 2019, including 5% for pine sawtimber, 7% for pine chip-n-saw, and 12% for pine pulpwood.

For additional details regarding south-wide stumpage markets, as well as delivered timber markets, see *Prices & Market Conditions* on page 4.

Δ From 4Q18	Δ From 1Q18	South-wide Stumpage Market, 1 st Quarter 2019	
		Pine Sawtimber:	\$25.08/ton
		Up \$1.12 from 4Q18 and up \$1.13 from 1Q18	
		Pine Chip-n-saw:	\$17.49/ton
		Up \$1.14 from 4Q18 and up \$0.25 from 1Q18	
		Pine Pulpwood:	10.12/ton
		Up \$1.12 from 4Q18 and up \$0.56 from 1Q18	
		Hardwood Sawtimber:	\$31.74/ton
		Down (\$0.19) from 4Q18 but up \$0.30 from 1Q18	
		Hardwood Pulpwood:	\$11.13/ton
		Up \$1.47 from 4Q18 and up \$1.92 from 1Q18	

Lumber, Panel, and Pulp & Paper Markets

Lumber and panel prices showed signs of recovery in the 1st Quarter. Southern yellow pine (SYP) lumber, plywood, and OSB prices all set record highs in June of 2018, but these highs were followed by a downward slide that saw prices fall 33% for SYP lumber, 28% for Southern plywood, and 60% for Southern OSB through December 2018. However, since that time, prices are up 9% for SYP lumber, 5% for Southern plywood, and 14% for Southern OSB.

Pine and hardwood pulp prices were down slightly this quarter. However, both remain near all-time highs. Recycled container (OCC) prices were also down in the 1st Quarter and the lowest in nearly 10 years (since June 2009).

- ❖ Lumber: Pine up 9% Q/Q but down 15% year-over-year (Y/Y); Hardwood down 2% Q/Q and 10% Y/Y.
- ❖ Panels: Plywood up 5% Q/Q but down 23% Y/Y; OSB up 14% Q/Q but down 46% Y/Y.
- ❖ Pulp: Softwood pulp down 8% Q/Q but up 2% Y/Y; hardwood pulp down 5% both Q/Q and Y/Y.
- ❖ Old Corrugated Containers (OCC) prices down 24% Q/Q and 32% Y/Y.
- ❖ Crude oil prices up 17% Q/Q but down 8% Y/Y; diesel prices down 1% Q/Q but up 3% Y/Y; natural gas prices down 26% Q/Q but up 11% Y/Y.

For additional details regarding these indicators and others, see *Market Indicators* on page 6.

Other Major Stories

- ❖ Georgia-Pacific shuts communication papers operation at its Port Hudson LA pulp mill.
- ❖ Hancock Timber Resource Group sells 181,000 acres to Forest Investment Associates.

For additional details and information regarding these stories and others, see *News of Note* on page 5.

Δ From 4Q18	Δ From 1Q18	Lumber, Panel, and Pulp & Paper Markets, 1 st Quarter 2019	
		Southern Pine Lumber:	\$407/mbf
		Up \$32 from 4Q18 but down (\$72) from 1Q18	
		US Hwd Lumber Index:	\$1,278/mbf
		Down (\$21) from 4Q18 and down (\$140) from 1Q18	
		Southern Pine Plywood:	\$298/msf
		Up \$13 from 4Q18 but down (\$88) from 1Q18	
		Southern OSB:	\$207/msf
		Up \$26 from 4Q18 but down (\$175) from 1Q18	
		Old Corrugated Container:	\$63/ton
		Down (\$20) from 4Q18 and down (\$30) from 1Q18	
		Crude Oil (WTI Spot Price):	\$58/barrel
		Up \$8 from 4Q18 but down (\$5) from 1Q18	
		Diesel (Gulf Coast #2):	\$2.87/gallon
		Down (\$0.04) from 4Q18 but up \$0.07 from 1Q18	

Prices & Market Conditions

South-wide Stumpage Prices

South-wide average stumpage prices were up for the three major pine products and hardwood pulpwood this quarter. Only hardwood sawtimber stumpage was down in the 1st Quarter, but only slightly. All five major products were up from a year ago.

Pine sawtimber prices increased for the third quarter in a row and averaged greater than \$25 per ton for the first time since 1st Quarter 2016. Pine and hardwood pulpwood prices both averaged greater than \$10 per ton this quarter. This was the first time both have been above this mark in three years.

Sawtimber Stumpage Prices: South-wide pine sawtimber (\$25.08 per ton) and pine chip-n-saw (\$17.49 per ton) were both up Q/Q and Y/Y; hardwood sawtimber (\$31.74 per ton) was down from last quarter but still up from a year ago. This quarter, pine sawtimber averaged highest in North Carolina (\$29.95 per ton), while pine chip-n-saw averaged highest in Florida (for the 27th consecutive quarter) at \$22.67 per ton. Hardwood sawtimber averaged highest in Mississippi, which it has done so for 13 of the last 15 quarters, at \$40.59 per ton.

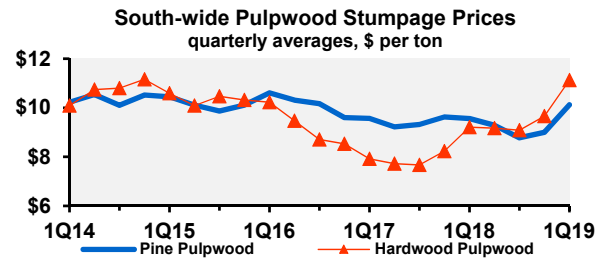
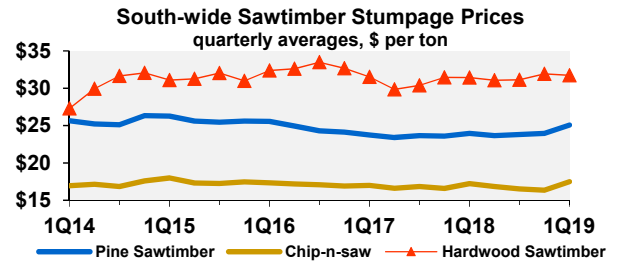
Pulpwood Stumpage Prices: South-wide pine pulpwood (\$10.12 per ton) and hardwood pulpwood (\$11.13 per ton) were both up Q/Q and Y/Y. Pine pulpwood averaged highest in Florida at \$13.44 per ton, followed closely behind by Virginia at \$13.36 per ton. In the 4th Quarter, hardwood pulpwood prices averaged highest in Alabama at \$17.62 per ton.

South-wide Delivered Prices

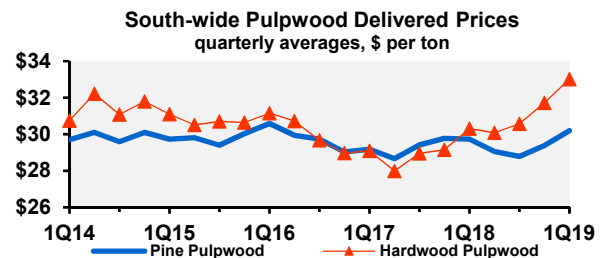
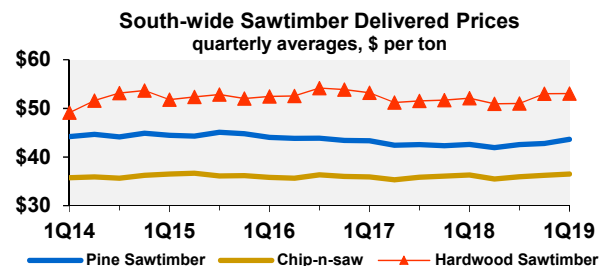
South-wide delivered prices were up Q/Q and Y/Y for all major products. Delivered hardwood pulpwood experienced the largest Q/Q gain, increasing \$1.30 per ton (+ 4%) from 4th Quarter 2018.

Sawtimber Delivered Prices: South-wide delivered pine sawtimber (\$42.79 per ton), pine chip-n-saw (\$36.22 per ton), and hardwood sawtimber (\$53.06 per ton) were all up Q/Q and Y/Y. In the 1st Quarter, delivered pine sawtimber and chip-n-saw both averaged highest in Florida at \$49.39 and \$41.10 per ton, respectively. Delivered hardwood sawtimber averaged highest in Mississippi at \$62.74 per ton.

Pulpwood Delivered Prices: South-wide delivered pine pulpwood (\$30.20 per ton) and hardwood pulpwood (\$33.02 per ton) were both up Q/Q and Y/Y. Delivered pine pulpwood averaged highest this quarter in Virginia at \$33.09 per ton, followed closely behind by Florida at \$33.08 per ton. Hardwood pulpwood averaged highest in Alabama at \$41.81 per ton.



Product	1Q19	Δ From 4Q18	Δ From 1Q18	Δ From 1Q14
Pine Sawtimber	\$25.08	\$1.12	\$1.13	(\$0.58)
Pine Chip-n-saw	\$17.49	\$1.14	\$0.25	\$0.53
Pine Pulpwood	\$10.12	\$1.12	\$0.56	(\$0.11)
Hdwd Sawtimber	\$31.74	(\$0.19)	\$0.30	\$4.44
Hdwd Pulpwood	\$11.13	\$1.47	\$1.92	\$1.04



Product	1Q19	Δ From 4Q18	Δ From 1Q18	Δ From 1Q14
Pine Sawtimber	\$43.62	\$0.83	\$1.05	(\$0.59)
Pine Chip-n-saw	\$36.51	\$0.29	\$0.22	\$0.77
Pine Pulpwood	\$30.20	\$0.82	\$0.47	\$0.50
Hdwd Sawtimber	\$53.06	\$0.06	\$0.98	\$3.94
Hdwd Pulpwood	\$33.02	\$1.30	\$2.71	\$2.27

News of Note

There were multiple stories of note this quarter. Additional details and information regarding these stories and others are available in the 1st Quarter 2019 *Market News Quarterly*.

Softwood Sawmills:

- ❖ **Georgia-Pacific** (GP) announced plans to invest \$30 million at its Rome GA (TMS GA1) sawmill. The investment will go towards new machinery and equipment, which the company says will allow it to boost its output by 20%. Separately, the company also announced the completion of a multi-million-dollar investment to install a new crane at its Diboll TX (TMS TX2) sawmill.
Separately, GP announced it has permanently closed its Sterling GA (TMS GA2) sawmill. The company stated procurement challenges and poor future market forecasts for the area triggered the decision.
- ❖ **Interfor** announced that their investment projects remain within budget and on track. Phase 1 projects include a total investment of \$65 million at their Meldrim GA (TMS GA2) and Monticello AR (TMS AR1) sawmills, with expected completion in the 2nd Quarter. Phase 2 projects are also scheduled to begin in the 2nd Quarter and will include the Thomaston GA (TMS GA2), Eatonton GA (TMS GA2), and Georgetown SC (TMS SC2) sawmills. The company expects to complete those investment projects in various stages through 2021 for a projected \$240 million.
- ❖ LaSalle Lumber in Urania LA (TMS LA1), the previously announced joint venture sawmill owned by **Hunt Forest Products** and **Tolko Industries**, started shipping lumber in March. At full operation, the company expects to produce 200 mmbf per year and employ 100 people.
- ❖ **Rex Lumber** announced construction is underway at its new sawmill in Troy AL (TMS AL2). The company expects construction to be complete and operations to commence in June 2019.
- ❖ **Canfor** has announced the decision to postpone the previously approved \$120 million greenfield sawmill project in Washington GA (TMS GA2) until the end of 2019. The company has cited challenging market conditions for the deferral of the 275 mmbf per year facility.

Pulp & Paper:

- ❖ **Georgia-Pacific** announced the shuttering of its communication paper operations at its Port Hudson LA (TMS LA2) pulp mill, as it exits this business sector completely. As a result, approximately 650 employees will be laid off. GP will continue to operate their toilet tissue and paper towel business at this facility, which will retain approximately 300 employees.
- ❖ After receiving clearance from the US Federal Trade Commission, **Grief**, a leading manufacturer of packaged materials, has completed its acquisition of Atlanta-based **Caraustar Industries**, a manufacturer of high-quality recycled materials and paper products, in an all-cash deal valued at \$1.8 billion.
- ❖ **White Birch Paper** idled the Bear Island newsprint paper mill in Ashland VA (TMS VA2) as it awaits conversion to a linerboard facility. **Cascades, Inc.** acquired the mill in July 2018, at which time White Birch Paper leased back the facility until it was ready for conversion to a recycled paper products plant.

Panels:

- ❖ **Boise Cascade** sold its hardwood plywood facility in Moncure NC (TMS NC2) to Georgia-based **Southern Veneer**.

Bioenergy:

- ❖ UK-based renewable energy company **Active Energy Group** (AEG) has completed the acquisition of an industrial site in Lumberton NC (TMS NC2) where the company plans to construct a new biomass-fueled power plant. The site, which is located near AEG's joint-venture partner Georgia Renewable Power, includes 415,000 ft² of covered factory space and 151 acres of surrounding land. Further details regarding project timeline and estimated completion date have not been disclosed at this time.

Timberland:

- ❖ **Hancock Timber Resource Group** sells 181,000 acres in Louisiana and Texas to **Forest Investment Associates** for \$290 million (\$1,605 per acre).

Market Indicators

Market conditions for wood products and pulp producers were mixed in the 1st Quarter. The following are based on the latest available data a press time.

- ❖ Pine lumber prices were up in the 1st Quarter (+ 9% Q/Q) while hardwood lumber prices were down (-2% Q/Q). Both were down from a year ago.
- ❖ Softwood and hardwood pulp prices were both down this quarter. However, both remain well above their respective five and ten-year averages.
- ❖ US building construction took some setbacks in early 2019. Housing starts were down 8% and improvement expenditures down 2% YTD-February compared to a year ago.
- ❖ Crude oil prices were up \$8 per barrel Q/Q (+ 17%) while diesel prices were down slightly (-1% Q/Q). Natural gas prices were down 26% Q/Q.
- ❖ Overall, US log and lumber exports were down early in the year. Exports totaled approximately 639,300 m³ in January, the latest available, which was down 8% compared to the same period in 2018.
- ❖ Financial markets gained strength through the 1st Quarter, with the Dow Jones Industrial Average (Dow) up 11% Q/Q.
- ❖ The US dollar weakened a bit in the 1st Quarter but still remained strong, allowing for increased imports and limiting exports.

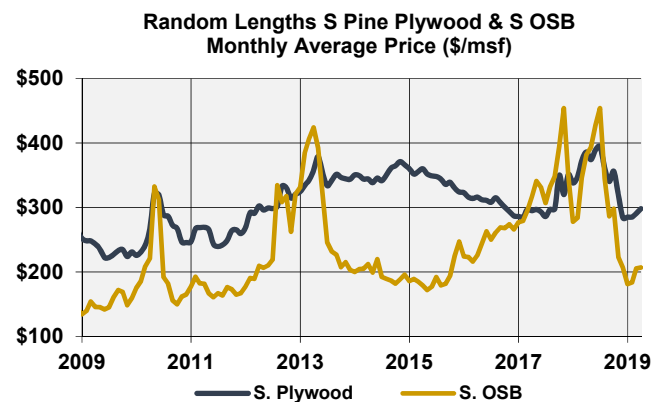
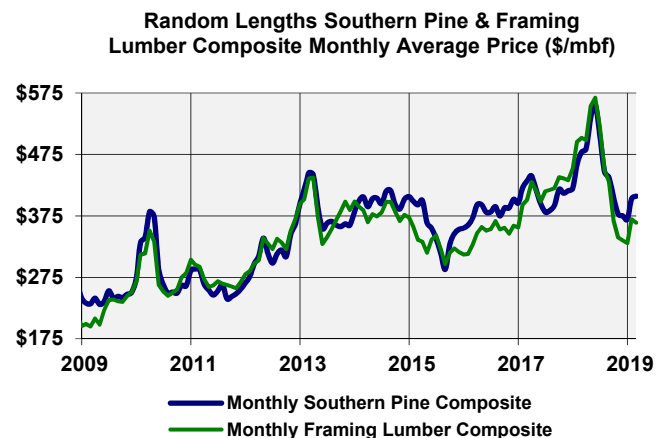
Lumber Indicators: Softwood lumber prices showed signs of recovery in the 1st Quarter after dropping more than 30% the second half of 2018. The March monthly average Random Lengths Southern Pine Composite¹ at \$407 per thousand board feet (mbf) is up \$32 Q/Q (+ 9%) but down \$72 (-15%) from a year ago.

The March Hardwood Review US Kiln Dried Hardwood Lumber Index at \$1,278 per mbf is down \$21 Q/Q (-2%) and \$140 (-10%) from a year ago.

Panel Indicators: Southern Plywood and Southern OSB prices also rebounded a bit in the 1st Quarter. Both had been on a downward slide after setting all-time highs in June, with plywood prices falling nearly 30% and OSB prices falling 60% the last half of 2018. However, since December 2018, plywood and OSB prices are up 5% and 14%, respectively.

The March monthly average Random Lengths Southern Pine Plywood price for 3/8-inch exterior sheathing at \$298 per thousand square feet (msf) is up \$13 Q/Q (+ 5%) but down \$88 Y/Y (-23%).

The March Random Lengths Southern Oriented Strand Board (OSB) price at \$207 per msf is up \$26 Q/Q (+ 14%) but down \$175 Y/Y (-46%).



¹ The Southern Pine Composite averages 35 southern framing lumber prices and the Framing Lumber Composite is a weighted average of 15 key framing lumber prices.

Pulp & Paper Indicators: Paper and paperboard production was down slightly YTD-February compared to the same period a year ago. Both softwood and hardwood pulp as well as recycled container (OCC) prices were also down in the 1st Quarter.

The American Forest and Paper Association (AF&PA) reported US paper and paperboard production at 77.9 million tons in 2018, which was down marginally (< 1%) from 2017 levels. Production YTD-February, the latest available, totaled 12.3 million tons, down 0.2 million tons (-2%) compared to the same period in 2018.

The March Northern Bleached Softwood Kraft (NBSK) pulp price index at \$1,115 per ton was down \$93 Q/Q (-8%) but up \$26 Y/Y (+ 2%).

The March Bleached Hardwood Kraft Pulp (BHKP) index at \$978 per ton was down \$56 Q/Q (-5%) and down \$51 Y/Y (-5%).

US Building Construction: US residential building construction, a principal driver of the wood products industry, was up in 2018 but took setbacks in early 2019. According to the US Census, US housing starts totaled 1.24 million units in 2018, which was up 39,500 units (+ 3%) from 2017 levels. Housing starts YTD-February totaled 166,000 units, down 15,000 units (-8%) from the same period in 2018.

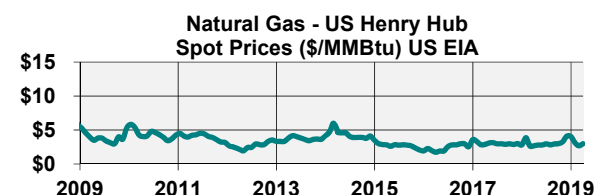
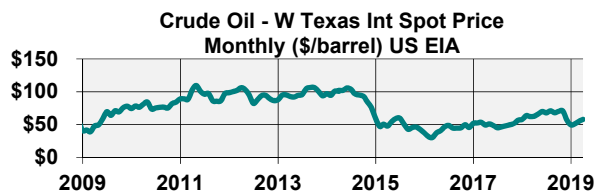
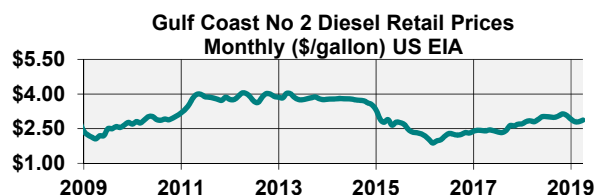
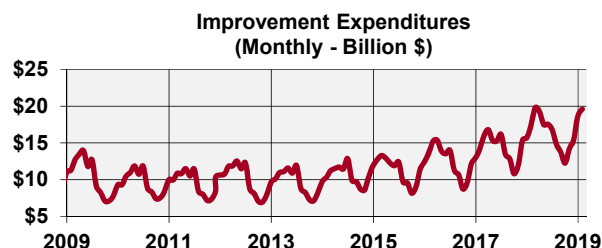
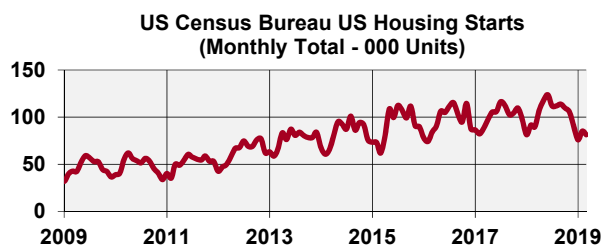
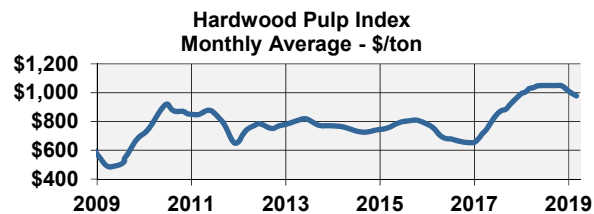
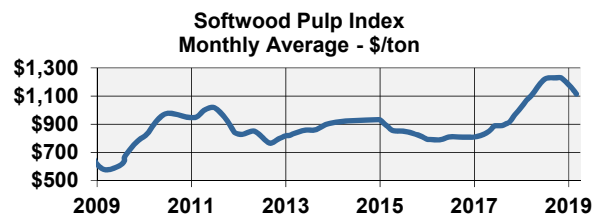
Total starts in the South generally follow a similar trend and at 627,000 units in 2018 were up 5% compared to 2017. Starts in the South totaled 100,000 units YTD-February, up 4,000 units (+ 4%) from the same period a year ago.

Residential remodeling activity was up in 2018 but down a bit in early 2019. The US Census reported remodeling and improvement expenditures at \$194.7 billion in 2018, up \$2.8 billion (+ 1.5%) from the 2017 levels. Expenditures YTD-February, the latest available, totaled \$26.0 billion, down \$0.5 billion (-2%) from the same period in 2018.

Fuel & Energy Indicators: Transportation fuel and natural gas prices were down this quarter; crude oil prices were up. The March 2018 monthly average Gulf Coast No. 2 Diesel price was \$2.87 per gallon, down \$0.04 Q/Q but up \$0.07 Y/Y.

Crude oil prices were up in the 1st Quarter. The March West Texas Intermediate crude spot price (WTI) at \$58 per barrel was up \$8 Q/Q but down \$5 Y/Y.

The March Henry Hub Natural Gas spot price at \$2.99 per million BTU (mm Btu) was down \$1.05 Q/Q (-26%) but up \$0.30 (+ 11%) from a year ago.



Log & Lumber Exports: The USDA Foreign Agricultural Service (FAS) reported total exports for the four major forest products at approximately 639,000 cubic meters (m³) in January, the latest available, which was down 9% from the same period in 2018. Exports to China, the dominant US trade partner, were down 23% for this period.

Compared to a year ago, southern yellow pine (SYP) log exports were up 11% in large part due to increased exports to China (+23%); SYP lumber exports were down 32%. Hardwood log and lumber exports were also down compared to the same period a year ago, down 16% for hardwood logs and 3% for hardwood lumber.

Financial Indicators: Financial markets held strong in the 1st Quarter. The Dow Jones Industrial Average (DJIA) closed out March at 25,929, which was up 11% Q/Q and 8% Y/Y. The quarterly low was 22,686 on January 3rd and quarterly high was 26,092 on February 25th.

The S&P 500 ended March at 2,834.

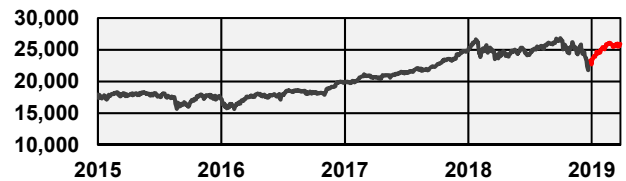
The NASDAQ Composite ended March at 7,729.

Southern Timberland Index (STI): The STI was 282 (1st Quarter 1980=100) in the 1st Quarter. This implies a value of \$2,296 per acre, which was up 2% both Q/Q and Y/Y and up 7% compared to five years ago.

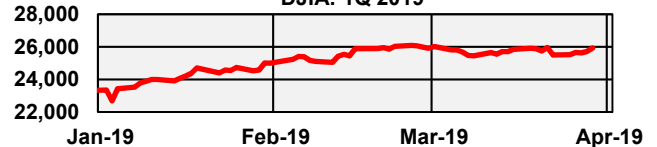
US Log and Lumber Exports (Jan. 2019)
Volume in Thousand Cubic Meters

Product	World Jan. 2019	World Jan. 2018	China Jan. 2019
SYP Softwood logs	102.3	91.9	93.7
SYP Softwood lumber	72.1	106.5	13.0
US Hardwood logs	162.6	192.5	57.3
US Hardwood lumber	302.3	312.8	129.1
Total	639.3	703.6	293.2

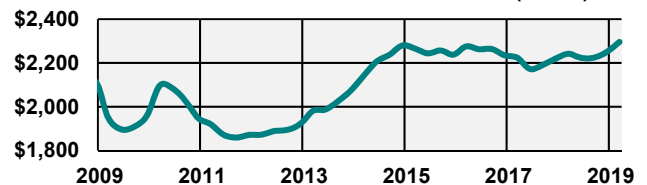
Dow Jones Industrial Average (DJIA)



DJIA: 1Q 2019



Southern Timberland Index - Base Case (\$/acre)



Weather, Etc.

General Weather: Warmer than normal temperatures persisted across most of the South this quarter. In addition, much of the region experienced above-average precipitation, with Tennessee having the wettest February on record.

One of the notable weather events this quarter were the tornadoes that tore across Alabama in early March, killing 23 people in Lee County. According to the Alabama Forestry Commission, the tornadoes caused nearly \$6 million in timber losses in Lee, Macon, and Barbour Counties.

Percent of Normal Precipitation (%)
1/1/2019 - 3/31/2019

