

FORISK NEWS

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NEW OPTION FOR MILL DATA

This month, we launch the new one-time purchase option for Forisk's [North American Mill Capacity Database!](#) Until now, this dataset has only been available as a subscription service with quarterly data updates. Contact Heather Clark to learn more at 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.

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Welcome to the Q3 edition of the *Forisk News*!

Since the previous *Forisk News* went to press, our team communicated with forest industry professionals in the U.S., Canada, Chile, the UK, and the EU on topics including [wood fiber prices](#), [forest industry forecasting](#), [mass timber](#), and [housing markets](#). Since June, Forisk team members delivered presentations on timber markets, the pulp and paper sector, and capital investments in the forest industry to audiences in Georgia, Oregon, and Tennessee.

In July, Forisk welcomed Matt Camp to the team as a Project Manager and Consultant (welcome Matt!).

Finally, Forisk is hiring! For those interested in roles in forest economics or business development, please visit [here](#) for more information.

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 interactive 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

- [Revisiting the Role of Forest Carbon](#)
- [Worrying Signs from Logging Employment Trends](#)
- [Kick-Start: U.S. Q3 2023 Housing Starts Outlook](#)
- [Mass Timber Production in North America](#)
- [Are We Forecasting or Explaining?](#)
- [Paper and Packaging's Slowdown Is Starting to Impact U.S. Wood Prices](#)
- [North America's Top Timberland Owners and Managers, 2023](#)
- [Forest Products and the Economics of Timber Markets, Part I](#)
- [Forest Products and the Economics of Timber Markets, Part II](#)
- [Western Silviculture Survey 2023 Results: 2020 Wildfires Still Burn Landowners](#)
- [Pulpmill Slowdown: What is Going On?](#)

SELECT FINDINGS FROM THE Q3 2023 FORISK RESEARCH QUARTERLY (FRQ)

The Q3 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 wood bioenergy markets. **Select summary findings from the Q3 FRQ report include:**

- **Macro and Housing:** Real GDP increased at a 2.4% annual rate in Q2, up from 2.0% in Q1. Yields on 10-year U.S. Treasuries rose to 3.75%. In Q2 2023, U.S. housing starts decreased 11.3% year-over-year. Single family starts fell 13.8% over the period, while multifamily fell 6.1%. New home sales rose 14.8% year-over-year. Canadian housing declined 11.4% year-over-year. Single-family starts fell 27.8% while multifamily fell 4.9%.
- **Lumber:** Through May 2023, total lumber exports decreased 10% year-over-year led by hardwood (-21%). Softwood exports increased 4% for the period. Canada, Mexico, and China accounted for 66% of all U.S. lumber exports through February. Softwood lumber prices declined 1% in Q2 2023. Capital investments in sawmills continue with nearly \$2.5 billion in announced projects representing 3.8 BBFT of increased capacity by 2026 in the U.S. South alone.
- **Structural Panels (OSB & Plywood):** Through Q2 2023, OSB production decreased 3.7% year-over-year and plywood production decreased 1.6%. Net imports for both also decreased: OSB declined 14.4%; plywood fell 35.4%, through Q2. Quarter-over-quarter prices for OSB increased 23% and plywood declined 2%. Announced mill openings and investments expect to add at least 3.2 BSF to North American structural panel capacity through 2026.
- **Pulp & Paper:** Paper and paperboard production through Q2 2023 dropped 10% year-over-year. Packaging production dipped 0.4% for the quarter and remains 10% below Q2 2022 levels. Tissue production recovered in Q2, the only sector with growth quarter-over-quarter. Forisk's Pulp & Paper forecast expects U.S. pulp and paper production to increase 4.5% by 2027. OCC prices rose 52% in Q2 but remain 63% lower year-over-year.
- **Wood Bioenergy:** As of July 2023, Forisk's wood bioenergy database tracks 413 operating and announced projects. Based on Forisk's viability screening process, 282 projects pass, indicating potential wood use of 90.8 million tons per year. Through May 2023, U.S. wood pellet exports increased 1.6% year-over-year while Canadian wood pellet exports decreased 5.6%. North American wood pellet capacity is expected to grow 3.7% in 2023, to 22.3 million tonnes.
- **Log & Chip Exports:** Through February 2023, Canadian & U.S. softwood log exports were down 5% and 14%, respectively, while U.S. softwood chip exports rose over 13%. Southern softwood log exports dipped 13% year-over-year with the slowdown in economic activity in Asia. The top three U.S. forestry commodity trade partners, China, Canada, and Japan, account for 84% of U.S. wood product exports.
- **Timberland Investments:** Public timber REITs returned 10.5% YTD through July 21st after returning -22.7% in 2022. Of the three public timber REITs, only PotlatchDeltic generated positive returns the past 12 months. The last four quarters, over 3.4 million acres of industrial timberland transactions closed in the U.S. TIMOs accounted for the largest portion of acreage bought and sold at 74.1% and 68.5%, respectively.
- **Forest Operations:** Four-quarter average logging employment declined 3% year-over-year in the U.S. West and South. Canadian employment increased less than 1%. Logging wages rose 6% or more across most of North America as tight labor markets and inflation pushed wages higher. Over the last four years, nine states lost over 10% of their loggers, led by Montana and Louisiana. Trucking employment held near record levels in Q4 2022, but falling freight demand in early 2023 suggests easing trucking capacity constraints.
- **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 3% decrease in prices from 2022 levels, driven by declining lumber production. Prices recover to 2022 levels in three years. The largest increases locally for pine sawtimber are in Louisiana and Arkansas. Pine pulpwood stumpage prices increase the most locally in Mississippi and Alabama.
- **Log Prices, Pacific Northwest:** Domestic and export log prices continued to correct through Q2 2023 following record high prices in 2022. 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 3.1% in Q1 2023. We project modest price decreases (less than 1% per year) for most species in the Middle Atlantic, while prices increase for most species in the Lake States and New England 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

- ▶ **August 22nd** – Brooks Mendell presenting “Timberland Investments, Timber Markets, and the Forest Industry” at the National Land Realty Alabama State Summit in Millbrook, AL.
- ▶ **August 23rd** – Brooks Mendell presenting “Timber Market Outlooks” for the Georgia SAF/ACF Conference in Macon, GA.
- ▶ **September 27th** – Amanda Lang presenting “Wood Bioenergy Markets: Where are We Now?” at the Who Will Own the Forest? Conference in Portland, OR.
- ▶ **October 19th** – Brooks Mendell speaking at the Texas Forestry Association Meeting on “Forest Industry Investments and Market Outlook.”

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.

SPECIAL RESEARCH IN THE Q3 FRQ

Featured Research Article: Rethinking Forest Industry

Scenarios when Forecasting Timber Prices: This quarter, our featured research considers the role of scenarios in price forecasting for answering specific questions. We investigate a scenario in which a new sawmill is added to a state’s wood demand in 2024. What impact does a new sawmill have on sawtimber prices? How much does the impact change from state to state? A “New Mill” scenario can answer the question “what happens if the next major greenfield sawmill comes to my state?”.

Forisk and the Trees, Q3 2023: In this edition of quarterly observations and summary analysis of forest industry trends, we revisit forest carbon markets, look at the outlook for global demand of forest products, and review basic financial literacy.

Forisk Facts & Figures: Forisk’s quarterly “story in three slides” examines logging costs and inflation. What drives logging costs higher, how does productivity impact the sector, and what is the best way to track costs relative to market rates?

FORISK REPORTS REDUCED DEMAND FOR PACKAGING IMPACTS MARKETS; PACKAGING IS 73% OF NORTH AMERICAN PULP MILL CAPACITY

Reduced packaging demand and production ripples across North America’s paper industry as packaging comprises 73% of pulp/paper mill capacity in North America, according to data from [Forisk’s North American Forest Industry Capacity Database](#) (“Mill Database”). Note that 76% of the packaging mill capacity is in the U.S. South. The slowdown in the sector impacts mills and forest owners in the South more than other declining sectors like newsprint and printing and writing papers, which are concentrated in eastern Canada and the U.S. North. The dip in packaging also hits the Pacific Northwest, as packaging accounts for 78% of mill capacity in the region. Amanda Lang, Forisk’s Vice President of Client Services, notes, “Pulp capacity for the packaging sector increased 5% year-over-year in North America. Increased supply coupled with lower demand is pinching the industry.”

WOOD FIBER PRICES ACROSS NORTH AMERICA

North American wood fiber prices increased 5% year-over-year through Q2 2023 according to the [Forisk Wood Fiber Review \(WFR\)](#). Slowing paper demand, falling lumber prices, and tight labor markets contributed to fiber price volatility throughout 2022 and into the first half of 2023.

Canadian roundwood prices increased 12% year-over-year and chip prices rose 28%. U.S. roundwood and chip prices both fell around 1% year-over-year. Softwood chip prices in the Southeast were the only exception, remaining unchanged year-over-year.

WE’RE HIRING!

Forisk is seeking (at least) two individuals to join our team! These roles are ideally based at our headquarters near Athens, GA. For those interested in roles in forest economics or business development, please visit [here](#) for more information.