

TimberMart-South

Quarterly Market Bulletin ~ 4th Quarter 2020

In This Issue

Prices & Market Conditions.....	1
News of Note	4
Market Indicators.....	7
Weather, Etc.	11

Executive Director: Jonathan Smith
 Senior Research Editor: Jacek Siry, Ph.D.
 Research Editor: Harrison Hood, Ph.D.
 News Editor: Sara Baldwin
 Staff Editor: Matt Gaw
 Administrative Coordinator: Cathy Law
 Research Assistants: Brynnan Adams, Ethan Dobberstein,
 Hudson Jordan, & Hunter Miles

For general inquiries and subscription rates:

- Phone: (706) 247-7660
- Fax: (706) 389-9196
- Email: tmart@timbermart-south.com
- Web address: www.TimberMart-South.com
- Mailing address: TimberMart-South
 1860 Barnett Shoals Rd, PMB 103-598
 Athens, GA 30605

TimberMart-South Copyright © 2020, 2021

This publication is copyrighted under the statutes of the United States. The compilation of facts and information herein contained are the subject of private property rights of the publisher.

- **Reproduction and/or redistribution**, either manually or electronically, in whole or in part, without express permission of the owner or other unauthorized use, is not permitted.
- **Reproduction and/or redistribution** of this publication, in whole or in part, violates US copyright law and is punishable by statutory damages of up to \$150,000, plus attorney's fees. without express permission violates US copyright law and is not permitted. punishable by statutory damages of up to \$150,000, plus attorney's fees is not permitted.
- For permission requests, email detailed request to tmart@timbermart-south.com with "Permission Request" in subject line.

Publisher provides the information herein as a convenience to its readers. Publisher does not represent or endorse the truth, accuracy, reliability or completeness of any of the information contained in this publication. Publisher provides the information in this newsletter on an 'as is' and 'as available' basis, with no warranties whatsoever. Those who use prices published herein for a specific purpose, sale or contract do so at their own risk. Under no circumstance will publisher have any liability for any loss or damage whatever caused by any reader's reliance on information obtained through this newsletter.

ISSN 0194-5955

Prices & Market Conditions

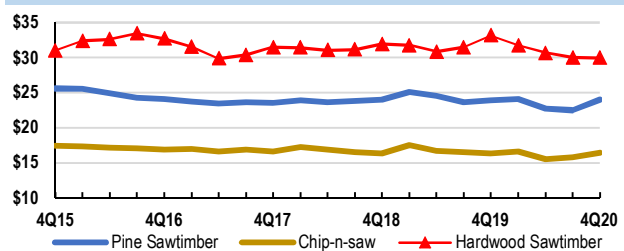
Overall, timber prices increased in the 4th Quarter amid the continued recovery of the US economy from the onset of COVID-19 pandemic. Wood products and paper products industries both experienced growth this quarter. Winter logging conditions constrained supply and together with steady demand drove prices upward.

South-wide Stumpage Markets

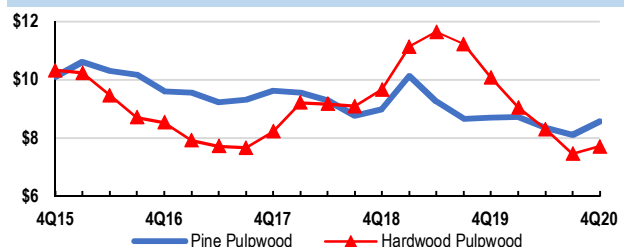
South-wide average stumpage prices increased for four of the five major products this quarter, which was in line with the common, seasonal trend of prices increasing in the 4th Quarter. In particular, the South-wide average pine sawtimber price increased more than \$1.50 per ton this quarter – representing the largest Q/Q increase in more than a decade. However, also worth noting is that hardwood sawtimber continued its downward slide, with the South-wide average price falling each of the last four quarters and below \$30 per ton for the first time since 2nd Quarter 2017.

Δ	Δ	South-wide Stumpage, 4 th Quarter 2020	
3Q20	4Q19		
▲	▲	Pine Sawtimber:	\$24.03/ton
		Up \$1.53 Q/Q and up \$0.08 Y/Y	
▲	▲	Pine Chip-n-saw:	\$16.45/ton
		Up \$0.63 Q/Q and up \$0.08 Y/Y	
▲	▼	Pine Pulpwood:	\$8.58/ton
		Up \$0.47 Q/Q but down (\$0.12) Y/Y	
▼	▼	Hardwood Sawtimber:	\$29.95/ton
		Down (\$0.08) Q/Q and down (\$3.19) Y/Y	
▲	▼	Hardwood Pulpwood:	\$7.71/ton
		Up \$0.25 Q/Q but down (\$2.37) Y/Y	

South-wide Sawtimber Stumpage Prices (\$/Ton)



South-wide Pulpwood Stumpage Prices (\$/Ton)





WE FINANCE TEXAS TIMBER

We're in your neck of the woods.

Why Texas Farm Credit?

- Experts in rural lending with over 100 years of service
- Long and short term fixed rates with 20 year option
- Borrower owned co-op with patronage benefits
- Custom tailored terms and payment structure
- Strong partnership with industry leaders to ensure smooth closing process

Forest Products Lending Experts:

- Over 50 years of combined experience
- Equipment and forestry products
- Sawmills and processing facilities
- Timber tracts
- Long term, fixed rate financing
- Insurance programs

CONTACT OUR TOP NOTCH TEAM

Angela Shannon
936-645-6091

Chad McClung
936-205-8847



TexasFarmCredit.com

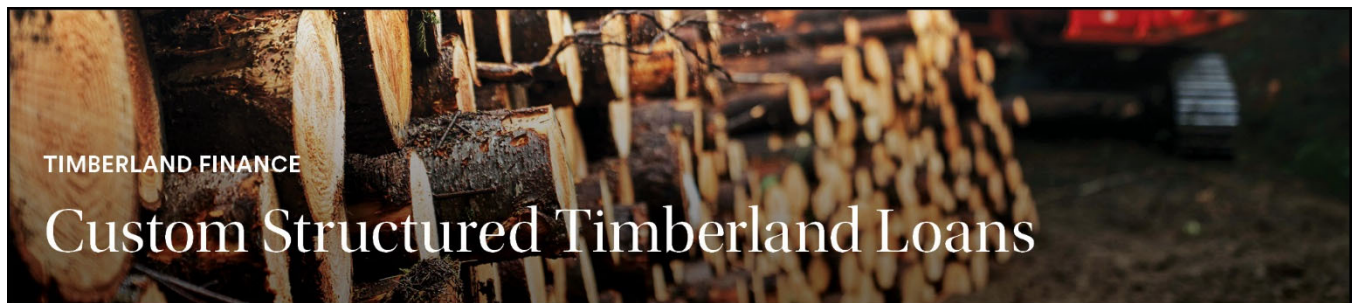
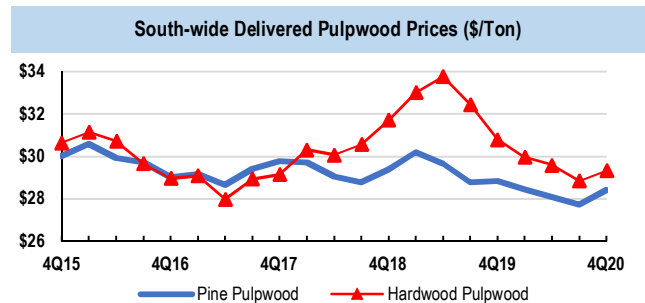
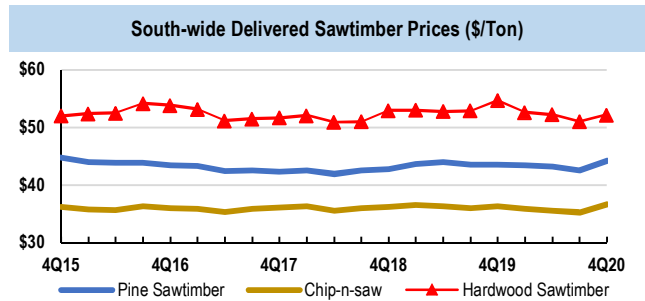
South-wide Delivered Prices

Increased manufacturing activity along with constrained wood supply brought about by seasonally wet conditions resulted in delivered prices increasing for all five major products in the 4th Quarter.

South-wide delivered pine sawtimber and pine chip-n-saw prices both reached their highest levels since 2015, increasing \$1.71 and \$1.40 per ton, respectively, this quarter and representing the largest Q/Q increase for each respective product in more than a decade. Delivered hardwood sawtimber prices also surged in the 4th Quarter, with the South-wide average increasing \$1.17 per ton and remaining above \$50 per ton since the 2nd Quarter of 2014.

Delivered pine and hardwood pulpwood prices also increased in the 4th Quarter, halting the downward slide both had been on since mid-2018. The price gap between these two products also continued to narrow this quarter, as delivered pine pulpwood increased to within \$1 per ton of delivered hardwood pulpwood – the closest the two have been since 1st Quarter 2018.

Δ	Δ	South-wide Delivered, 4 th Quarter 2020	
3Q20	4Q19		
▲	▲	Pine Sawtimber:	\$44.20/ton
		Up \$1.71 Q/Q and up \$0.60 Y/Y	
▲	▲	Pine Chip-n-saw:	\$36.65/ton
		Up \$1.40 Q/Q and up \$0.35 Y/Y	
▲	▼	Pine Pulpwood:	\$28.41/ton
		Up \$0.67 Q/Q but down (\$0.45) Y/Y	
▲	▼	Hardwood Sawtimber:	\$52.20/ton
		Up \$1.17 Q/Q but down (\$2.55) Y/Y	
▲	▼	Hardwood Pulpwood:	\$29.34/ton
		Up \$0.49 Q/Q but down (\$1.46) Y/Y	



TIMBERLAND FINANCE

Custom Structured Timberland Loans

Whether you're looking to expand your commercial timberland investments or facilities, refinance an existing mortgage or recapitalize your balance sheet, we can tailor a loan to fit your needs.

- 100+ years of agricultural and timberland lending experience
- Fixed and adjustable rate mortgage financing
- Competitive interest rates
- Tailored solutions to unique structures

CONTACT US TODAY

Jason Denton
Eastern Seaboard &
Southeast
706-286-5667
jdenton@metlife.com

Hugh Lentile
Mid-South
901-309-3310
hlentile@metlife.com

Andrew Carey
Pacific Northwest
901-309-3337
andrew.carey@metlife.com

Brandon Hatchett
Lake States & Forest Products
901-309-3339
walter.b.hatchett@metlife.com

Kirk Purvis
National Director
901-309-3334
kpurvis@metlife.com

Solely for informational purposes; not an advertisement of any investment advisory services, securities or investments.



www.metlife.com/ag

© 2021 MetLife Services and Solutions

News of Note

There were multiple stories of note this quarter, some of which have been highlighted below. Full details and additional information regarding these stories and others are available in the 4th Quarter 2020 *Market News Quarterly*.

Softwood Sawmills:

- ❖ Charles Ingram Lumber Company and Willowcreek Lumber have announced new expansion projects at their sawmills in Effingham SC. Modernization projects include both a \$10 million investment at the Charles Ingram facility to rebuild its log merchandizer and a \$10 million investment at the Willowcreek facility to rebuild its entire saw line. The companies are located on adjacent sites and both manufacture lumber products.
- ❖ Hankins Lumber Company announced plans to locate a new sawmill, Hankins Timbers, at the former Louisiana-Pacific site near their current sawmill in Elliott MS.
- ❖ Idaho Forest Group announced plans to build a new southern pine sawmill in Lumberton MS. The company plans to invest \$120 million, with construction to begin in 2021 and startup by 2022.
- ❖ Jasper Lumber and Tolko Industries announced a new 50-50 joint venture, Jasper Forest Products, to include an expansion of the existing sawmill in Jasper AL.
- ❖ Lincoln Lumber of Conroe, Texas, plans to locate a new sawmill in Crockett TX.
- ❖ Resolute Forest Products is preparing to restart their idle sawmill in El Dorado AR.

Pulp & Paper:

- ❖ Cascades plans to proceed with the conversion of their idle Bear Island newsprint mill in Ashland VA to lightweight recycled linerboard and medium.
- ❖ Domtar provided an update on plans to convert its idle Kingsport TN paper mill to produce recycled containerboard. The company expects startup in 2022, a year earlier than its previous estimate.
- ❖ International Paper (IP) began ramping up bleached white top linerboard and containerboard at their Riverdale mill in Selma AL in mid-October. The startup completes the company's conversion of one of the two UFS machines at the facility. Separately, in December, IP announced plans to spin-off of their Printing Papers segment into a standalone, publicly traded company (to be temporarily called "SpinCo").

PGIM AGRICULTURAL INVESTMENTS

Our Timberland Capital Group can construct financing options to fit the unique requirements of every timberland owner.

Contact us today

Seth Palmer, RPF
(901) 473-7821
seth.palmer@pgim.com

Doug Moore
(478) 357-0213
doug.moore@pgim.com



© 2020 PGIM is the primary asset management business of Prudential Financial, Inc. Prudential, PGIM, their respective logos as well as the Rock symbol are service marks of PFI and its related entities, registered in many jurisdictions worldwide. PFI of the United States is not affiliated with Prudential plc, a company headquartered in the United Kingdom.



HARVEST THE REWARDS

Loans That Pay You

NMLS
#619788 

FINANCING OPTIONS:

Timberland Purchases
Equipment + Leases
Reforestation
Land Improvement
Lines of Credit

FINANCE TIMBERLAND THE COOPERATIVE WAY

As a member-borrower of AgSouth, you share in our profits. We average a 28% profit distribution to you in the form of patronage. That means for every dollar earned in interest on your loan you get 28 cents back!



803.582.8114
AgSouthFC.com

Patronage is subject to board approval and is not guaranteed or implied.

LOANS FOR LAND, FARMS AND HOMES

News of Note (cont.)

Pulp & Paper (cont.):

- ❖ New-Indy Containerboard nears completion of the project at their mill in Catawba SC to convert the No. 3 lightweight coated (LWC) paper machine to “ultra” lightweight, virgin unbleached kraft linerboard production.
- ❖ Packaging Corporation of America restarted uncoated freesheet paper production at their mill in Jackson AL on October 6th after keeping the mill down all through the 3rd Quarter due to poor market conditions. In November, the company began running linerboard on one machine on a trial basis.

OSB, Engineered Wood, & Panels:

- ❖ Louisiana-Pacific completed the initial stage of converting its Roaring River NC siding complex to a pre-finishing operation.
- ❖ Weyerhaeuser announced in November plans to invest \$16.1 million to upgrade their laminated veneer lumber (LVL) plant in Natchitoches LA.
- ❖ West Fraser announced their agreement to acquire oriented strand board (OSB) manufacturer Norbord in an all-stock transaction valued at approximately \$3.1 billion.

Biofuel & Bioenergy:

- ❖ Active Energy Group (AEG) received air quality permits at the beginning of the quarter for their planned construction of a “black” pellet mill in Lumberton NC.
 - ❖ American Wood Fibers (AWF) announced plans to invest \$19.5 million to add new capacity to a wood fuel pellet manufacturing facility previously operated by Nature’s Earth Pellets in Laurinburg NC.
 - ❖ Enviva’s proposed new wood pellet mill in Sumter County AL received a \$1.7 million grant in October from the US Department of Commerce’s Economic Development Administration to improve barge access at the Port of Epes Industrial Park where the plant would be located.
- In addition, Enviva announced the commissioning of two expansion projects (Northampton NC and Southampton VA).
- ❖ Highland Pellets announced a \$135 million strategic capital partnership with Orion Energy Partners, LP to fund the expansion and upgrade of its existing wood pellet facility in Pine Bluff AR.
 - ❖ Renewable Biomass Group 1 announced plans to build a new wood pellet plant in Adel GA. Construction was set to begin in the 4th Quarter with completion in the 1st Quarter of 2022. Target annual pellet capacity is 450,000 tons.



**TIMBER SALES,
FOREST MANAGEMENT,
& CONSULTING**

Using our skills and market knowledge
to help you meet YOUR objectives

SERVING FOREST LANDOWNERS IN:

Alabama	Louisiana	New York	Tennessee
Arkansas	Maine	North Carolina	Texas
Florida	Massachusetts	Oklahoma	Vermont
Georgia	Mississippi	Pennsylvania	Virginia
Kentucky	New Hampshire	South Carolina	West Virginia

 **F&W**
SINCE 1962

Fifty Years and Growing | 229.883.0505 | www.fwforestry.net



**WHEN THE TIME COMES
TO SELL YOUR FOREST...**

Contact the land experts
to help you achieve
maximum value from
a broad marketplace.

Jody Strickland
Principal Broker
229-883-0505 ext. 143

 **Fountains
Land**
AN F&W COMPANY

www.fountainsland.com

Trusted Professionals in Timberland Brokerage for Over 30 Years

Market Indicators

Market conditions held steady for most wood products and pulp producers in the 4th Quarter, as the US economy continues its recovery after the disruption caused by the COVID-19 pandemic.

Lumber Indicators: Softwood lumber prices fell in October and November but surged upwards again in December. The December Random Lengths Southern Pine Composite¹ at \$661 per thousand board feet (mbf) was down \$222 Q/Q (-25%) but up \$326 Y/Y (+97%).

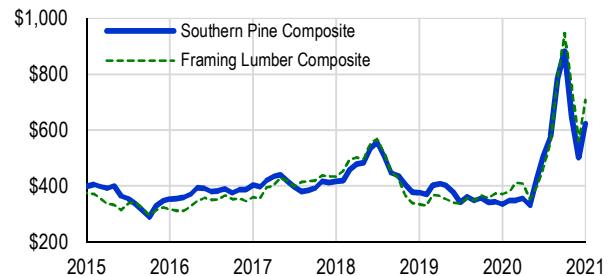
The December Hardwood Review US Kiln Dried Hardwood Lumber Index at \$1,185 per mbf was up \$117 Q/Q (+11%) and \$118 Y/Y (+11%).

Panel Indicators: Southern Plywood prices retreated a bit in the 4th Quarter but remain near record highs. Southern OSB prices continued to climb this quarter, setting record highs in October and then again in December.

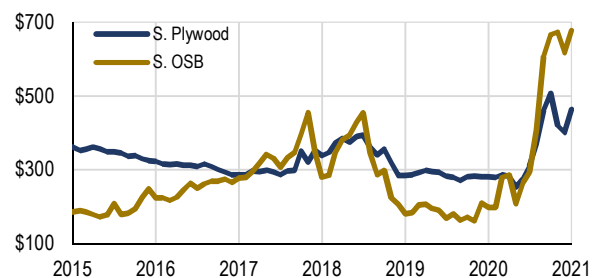
The December Random Lengths Southern Pine Plywood price for 3/8-inch exterior sheathing at \$463 per thousand square feet (msf) was down \$44 Q/Q (-9%) but up \$181 Y/Y (+64%).

The December Random Lengths Southern OSB price at \$677 per msf was up \$11 Q/Q (+2%) and \$479 Y/Y (+242%).

Random Lengths Southern Pine Composite & Hardwood Review US Kiln Dried Hardwood Lumber Index Monthly Average Price (\$/mbf)



Random Lengths Southern Pine Plywood & Southern OSB Monthly Average Price (\$/msf)



¹ The Southern Pine Composite averages 35 southern framing lumber prices.

IFCO
SEEDLINGS

Let's Grow Together

Nurseries located in:
Alabama | Georgia | Florida
Louisiana | Mississippi | North Carolina

800.633.4506
www.ifcoseedlings.com

AMERICAN FOREST
MANAGEMENT

Land Management | Real Estate Services
Wildlife Management | Recreational Licenses | Timber Sales

Charlotte, NC 704.527.6780

WE'RE IN THIS **TOGETHER**
americanforestmanagement.com

I'm prepared for **ANY** Timber Market. Are You?

“ In any market, whether you're growing for your retirement or your grandkids' tuition, ArborGen higher genetics pine seedlings grow more wood that will bring more money at harvest. ”

— **Steven Peter**,
South Paw Forest Products
St. Stephens Church, VA



ArborGen
The Reforestation Advantage

ArborGen.com
855.894.1702

Market Indicators (cont.)

Pulp & Paper Indicators: The American Forest and Paper Association (AF&PA) reported US paper and paperboard production at a combined 66.7 million tons YTD-November, the latest available, which was down 1.5 million tons (-2%) compared to the same period in 2019.

The December Northern Bleached Softwood Kraft (NBSK) pulp index price at \$875 per ton was up \$35 Q/Q (+4%) and \$55 Y/Y (+7%).

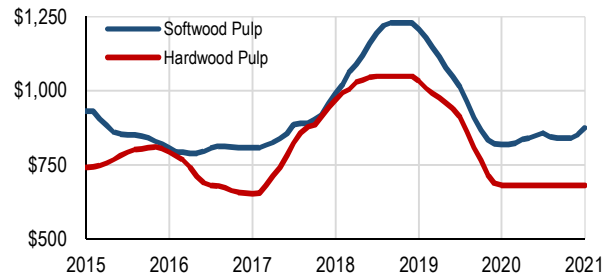
The December Bleached Hardwood Kraft Pulp (BHKP) price at \$680 per ton was unchanged both Q/Q and Y/Y.

US Building Construction: US residential building construction, a principal driver of the wood products industry, continued to hold strong in the 4th Quarter. According to the US Census, US housing starts YTD-November, the latest available, totaled 1.26 million units, which was up 83,000 units (+7%) compared to the same period in 2019.

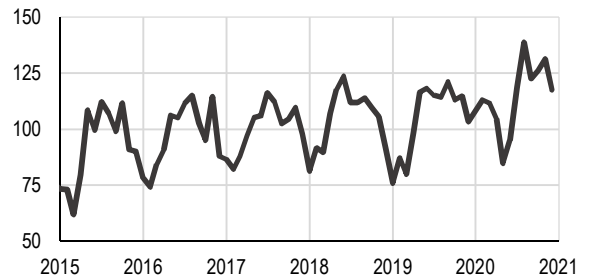
The US Census reported remodeling and improvement expenditures at \$202.6 billion YTD-November, the latest available, which was up \$31.4 billion (+18%) from the same period in 2019.

Southern Timberland Index: In the 4th Quarter, the base case Southern Timberland Index (STI) averaged \$2,221 per acre, which was up 2% Q/Q but down 4% Y/Y.

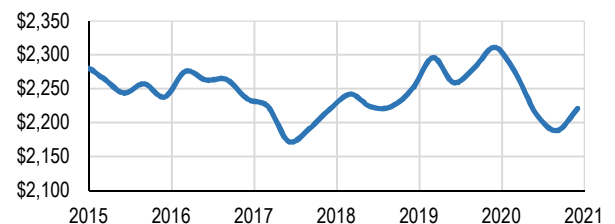
Pulp Index Price
Monthly Average Price (\$/ton)



US Census Bureau – US Housing Starts
(Monthly Total – 000 Units)



Southern Timberland Index
Base Case (\$/acre)



Introducing Silvics 2.0

- Silvics Forest & Harvest Management Solutions
- Silvics Accounting & Budget Solutions
- Silvics Inventory Solutions
- Silvics Tax Solutions
- Silvics Administrative Solutions

Silvics Solutions For more information:
Silvics.com 877-401-7110

Your Ad Could Be Here

Reach your target market:

- ❖ Consulting foresters
- ❖ Timber companies
- ❖ Timberland owners
- ❖ Pulp and paper companies
- ❖ Bio-energy companies
- ❖ Investment managers
- ❖ Financial institutions
- ❖ State foresters & more

Contact us:

tmart@timbermart-south.com

or phone 706-247-7660



Your Local Lender for Timber

A trusted lender for timberland, AgGeorgia provides financing for purchases, refinances and lines of credit. We tailor solutions for your operation which also includes financing for machinery, equipment and vehicles.



Up to 80% financing




Flexible repayment options with no prepayment penalties



Local service with expedited timber releases

AARON HEMMER
ahemmer@aggeorgia.com

800.768.FARM
www.aggeorgia.com

 NMLS# 627367



**AGGEORGIA
FARM CREDIT**

Helping Georgia Grow for Generations®

Market Indicators (cont.)

Fuel & Energy Indicators: Diesel, crude oil, and natural gas prices were all up in the 4th Quarter. The December 2020 monthly average Gulf Coast #2 Diesel price at \$2.34 per gallon was up \$0.17 Q/Q but down \$0.43 Y/Y.

The December West Texas Intermediate (WTI) crude spot price at \$47 per barrel was up \$10 Q/Q but down \$13 Y/Y.

The December Henry Hub Natural Gas spot price at \$2.64 per million BTU was up \$0.72 Q/Q and \$0.42 Y/Y.

Log & Lumber Exports: The USDA Foreign Agricultural Service (FAS) reported total exports for the four major forest products at just under 5.7 million cubic meters (m³) YTD-October, the latest available, which was down 9% from the same period in 2019. Exports to China, the dominant US trade partner, were down <1% for this period.

Compared to a year ago, southern yellow pine (SYP) log exports and SYP lumber exports were down 2% and 13%, respectively. Hardwood log exports and hardwood lumber exports were down 13% and 9%, respectively, from the same period a year ago.

Financial Indicators: Financial markets made steady gains in the 4th Quarter, with the Dow Jones Industrial Average (DJIA) increasing 10% Q/Q and closing out December at 30,606, the high for the year. Overall, the DJIA was up 8% in 2020.

The S&P 500 ended December at 3,756 (+12% Q/Q).

The NASDAQ ended December at 12,888 (+15% Q/Q).

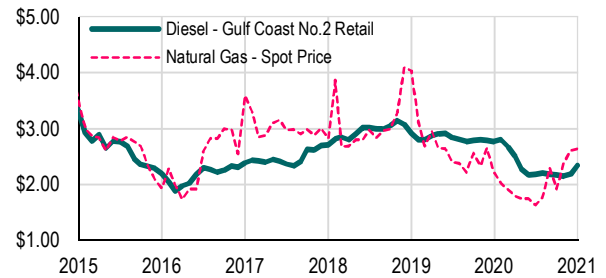
Weather, Etc.

General Weather: Tropical storm activity continued at a record pace, with three major storms impacting the South this quarter. Hurricanes Delta and Zeta hit the Gulf Coast in October, while Eta threatened Florida in November but came ashore as a Tropical Storm. Sequential winter storm systems crossed the South at intervals this quarter. Nearly all passed through North Carolina and Virginia, leaving heavy precipitation and sometimes affecting transportation.

Drought: Dry periods alternated with stormy weather this quarter. Drought conditions emerged in western regions including Texas, Arkansas, and western Tennessee. Parts of South Georgia were also unusually dry.

Fire: Wildfire burned 10.3 million acres in 2020, the most over the past 10 years, edging out the previous high of 10.0 million acres set in 2017. Most of these fires were in the West. Roughly 543,000 acres burned in the South, slightly above last year's low level and well below 10-year averages.

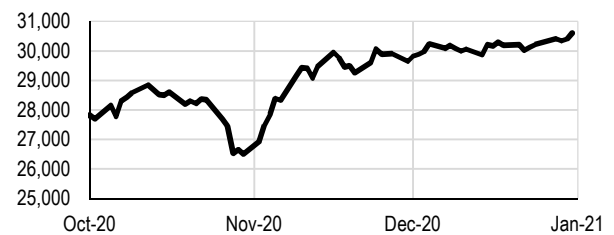
Gulf Coast No. 2 Diesel Retail Price (\$/gallon) & Henry Hub Natural Gas Spot Price Monthly Average (\$/mmBTU)



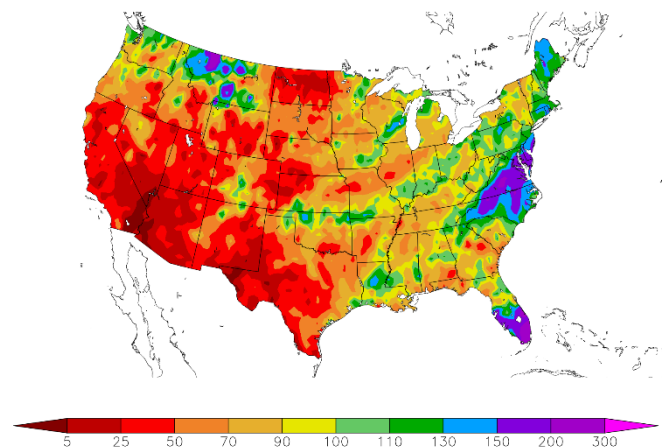
US Log & Lumber Exports (YTD-October 2020)
Volume in Thousand Cubic Meters

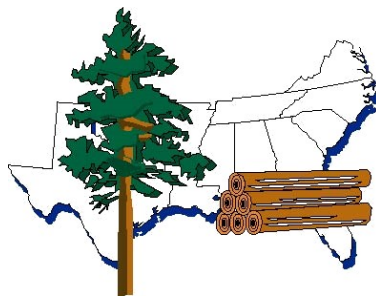
Product	World YTD 2020	World YTD 2019	China YTD 2020
SYP Softwood logs	1,171	1,190	987
SYP Softwood lumber	587	678	124
US Hardwood logs	1,358	1,566	645
US Hardwood lumber	2,572	2,829	1,055
Total	5,687	6,263	2,811

Dow Jones Industrial Average
4th Quarter 2020



Percent of Normal Precipitation (%)
10/1/2020 - 12/31/2020





TimberMart-South

1860 Barnett Shoals Road, PMB 103-598

Athens, GA 30605

(706)247-7660

www.TimberMart-South.com