

TimberMart-South

Quarterly Market Bulletin ~ 1st Quarter 2021

In This Issue

Prices & Market Conditions	1
News of Note	4
Market Indicators	7
Weather, Etc.	13

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Prices & Market Conditions

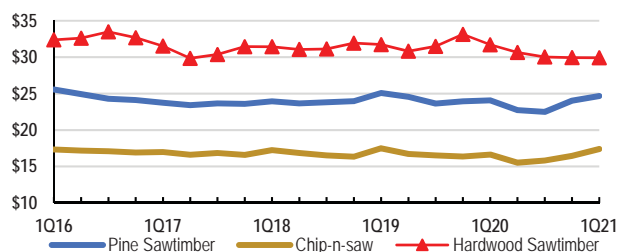
Overall, timber prices increased in the 1st Quarter, as steady demand together with constrained supply due to wet conditions drove prices upward. The wood products and paper products industries both experienced growth this quarter, with lumber and structural panel prices setting new record highs and pulp prices the highest in nearly two years.

South-wide Stumpage Markets

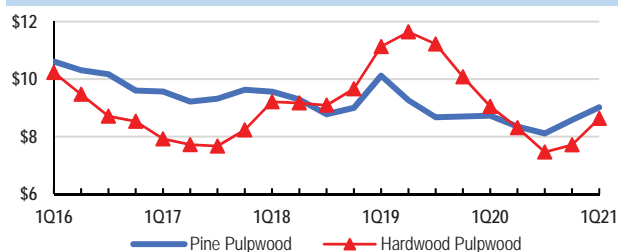
South-wide average stumpage prices increased for four of the five major products this quarter, which was in line with the seasonal trend of prices increasing in the 1st Quarter. Specifically, South-wide average pine sawtimber and pine chip-n-saw prices are up about \$2.20 and \$1.60 per ton, respectively, from 3rd Quarter 2020 – representing the largest 6-month increase in price for both of these products in more than a decade.

Δ 4Q20	Δ 1Q21	South-wide Stumpage, 1 st Quarter 2021	
▲	▲	Pine Sawtimber: Up \$0.64 Q/Q and up \$0.60 Y/Y	\$24.67/ton
▲	▲	Pine Chip-n-saw: Up \$0.96 Q/Q and up \$0.78 Y/Y	\$17.41/ton
▲	▲	Pine Pulpwood: Up \$0.44 Q/Q and up \$0.29 Y/Y	\$9.02/ton
▼	▼	Hardwood Sawtimber: Down (\$0.03) Q/Q and down (\$1.80) Y/Y	\$29.92/ton
▲	▼	Hardwood Pulpwood: Up \$0.92 Q/Q but down (\$0.42) Y/Y	\$8.63/ton

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



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





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South-wide Delivered Prices

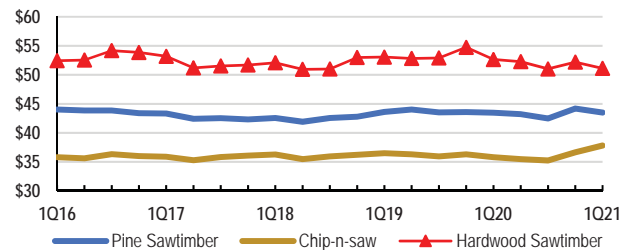
Delivered prices increased for three of the five major products in the 1st Quarter due to increased manufacturing activity along with constrained wood supply brought about by seasonally wet conditions.

Delivered pine chip-n-saw prices were up this quarter in spite of declines in both delivered pine and hardwood sawtimber price. Specifically, the South-wide average price of delivered pine chip-n-saw increased for the second consecutive quarter to its highest level since 3rd Quarter 2006.

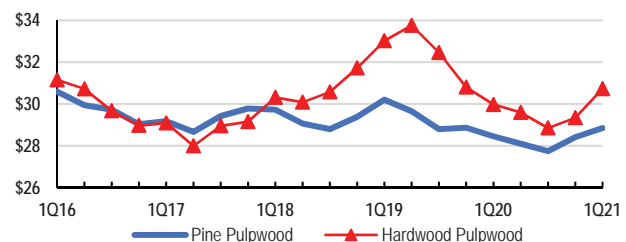
Delivered pine and hardwood pulpwood prices were also up for the second quarter in a row. Both had been on a downward slide from early 2019 through the end of 2020. However, since 4th Quarter 2020, South-wide average prices have increased more than \$1.10 per ton for delivered pine pulpwood and nearly \$1.90 per ton for delivered hardwood pulpwood.

Δ 4Q20	Δ 1Q21	South-wide Delivered, 1 st Quarter 2021	
▼	▲	Pine Sawtimber: Down (\$0.70) Q/Q but up \$0.02 Y/Y	\$43.50/ton
▲	▲	Pine Chip-n-saw: Up \$1.17 Q/Q and up \$2.00 Y/Y	\$37.82/ton
▲	▲	Pine Pulpwood: Up \$0.44 Q/Q and up \$0.40 Y/Y	\$28.85/ton
▼	▼	Hardwood Sawtimber: Down (\$1.08) Q/Q and down (\$1.53) Y/Y	\$51.12/ton
▲	▲	Hardwood Pulpwood: Up \$1.39 Q/Q and up \$0.76 Y/Y	\$30.73/ton

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



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



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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 1st Quarter 2021 TMS *Market News Quarterly*.

Softwood Sawmills:

- ❖ Biewer Lumber announced plans to invest \$130 million to build a new softwood sawmill in Winona MS. Construction is scheduled to begin in early 2021, with startup scheduled in December 2021.
- ❖ Idaho Forest Group has begun site preparation for its proposed new southern pine sawmill in Lumberton MS. Expected annual capacity at the new facility will be about 300 mmbf, with startup planned in 2022.
- ❖ Interfor announced its agreement to acquire WestRock's sawmill located in Summerville SC for \$59 million.
- ❖ Vicksburg Forest Products plans to expand capacity at its southern pine sawmill in Vicksburg MS. Project completion is scheduled for the summer of 2021.
- ❖ Westervelt announced on March 5th the first shipment of lumber from its newly constructed 250 mmbf softwood sawmill in Thomasville AL.
- ❖ West Fraser announced its new lumber manufacturing complex in Dudley GA remains on track to begin full operation by the end of the 2nd Quarter 2021. Once completed, annual production capacity at the site will increase by 170 mmbf.
- ❖ Weyerhaeuser announced a multiyear project to modernize its softwood sawmill in Holden LA. The improvements will add approximately 100 mmbf annual capacity, with startup scheduled for 2023.

Pulp & Paper:

- ❖ Graphic Packaging announced plans to invest \$100 million in its mill in Texarkana TX to add coated unbleached kraft paperboard capacity to an existing solid bleached board machine.
- ❖ International Paper announced plans to invest \$52 million in its Bogalusa LA mill to modernize the facility.
- ❖ Packaging Corporation of America ceased production of uncoated freesheet paper on the No. 3 machine at its mill in Jackson AL in February and began preparations to convert the machine to linerboard production.



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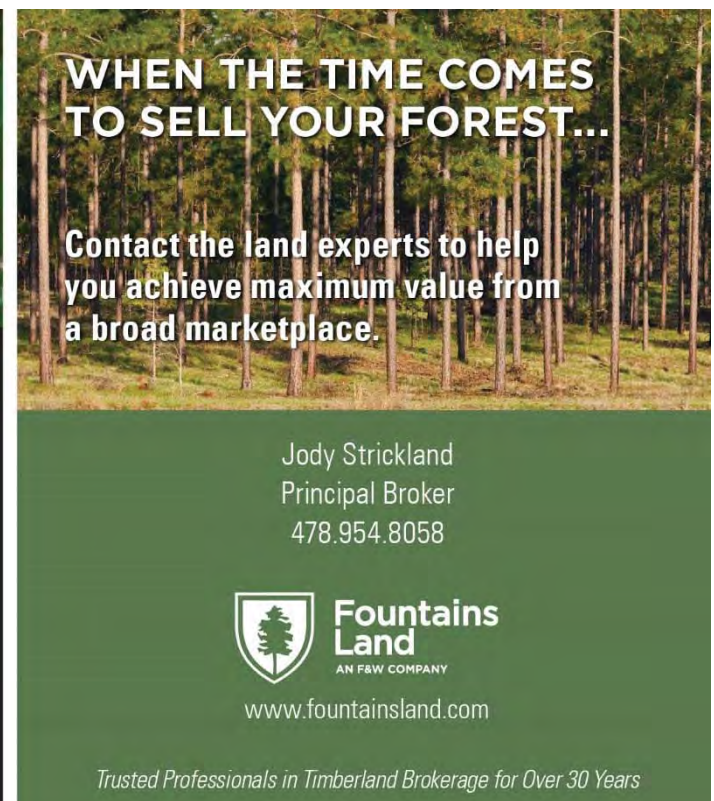
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News of Note (cont.)

Pulp & Paper (cont.):

- ❖ In mid-January, WestRock converted one of the three paper machines at its mill in Evadale TX to produce unbleached kraft linerboard on a trial basis. In addition, the company was hit with a ransomware attack in January that affected its operational and information technology systems and ultimately its 1st Quarter production and shipping volumes.

OSB, Engineered Wood, & Panels:

- ❖ Scotch Plywood experienced a major fire at its southern pine plywood plant in Waynesboro MS on January 6th. The company plans to rebuild the plant, with a tentative restart in January 2022.
- ❖ West Fraser announced the completion of its acquisition of oriented strand board (OSB) manufacturer Norbord in an all-stock transaction valued at approximately \$3.1 billion.

Biofuel & Bioenergy:

- ❖ Dansons USA, based in Phoenix AZ, announced plans to open a barbecue wood pellet plant at the former Georgia-Pacific particleboard site in Hope AR. A schedule for startup was not disclosed.
- ❖ Drax announced expansion plans at both its Amite BioEnergy mill in Gloster MS and LaSalle BioEnergy mill in Urania LA. The company also announced plans to invest \$40 million in three satellite pellet plants in the US Gulf region.
- ❖ Enviva completed the expansion projects at its Northampton NC and Southampton VA facilities and also announced plans to invest \$50 million in new expansion projects at its Sampson NC, Hamlet NC, and Cottondale FL facilities. The company also completed the purchase of the project site and commenced certain pre-construction activities for its proposed new wood pellet plant in Epes AL.

Timberland Transactions:

- ❖ In February, Weyerhaeuser agreed to acquire 69,200 acres of Alabama timberland from Soterra, the timberland management subsidiary of Greif Inc., for \$149 million (roughly \$2,155 per acre).



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Market Indicators

Market conditions held strong for most wood products and pulp producers in the 1st Quarter, as the US economy continues its recovery after the disruption caused by the COVID-19 pandemic.

Lumber Indicators: Softwood lumber prices surged in the 1st Quarter, surpassing previous record highs set in the 3rd Quarter of 2020. The March Random Lengths Southern Pine Composite¹ at \$931 per thousand board feet (mbf) was up \$270 Q/Q (+41%) and \$575 Y/Y (+162%).

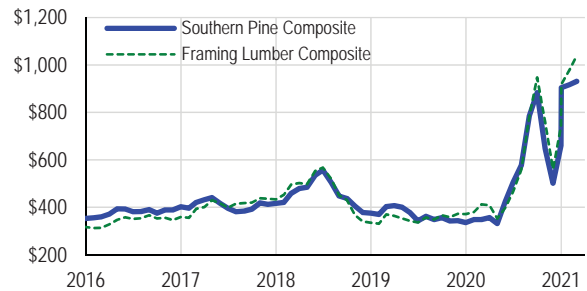
The March Hardwood Review US Kiln Dried Hardwood Lumber Index at \$1,414 per mbf was up \$229 Q/Q (+19%) and \$355 Y/Y (+34%).

Panel Indicators: Southern Plywood and Southern OSB prices continued to climb this quarter, with both setting record highs in January, February, and then again in March. In particular, Southern Plywood prices have nearly tripled and Southern OSB prices have more than quadrupled since April 2020.

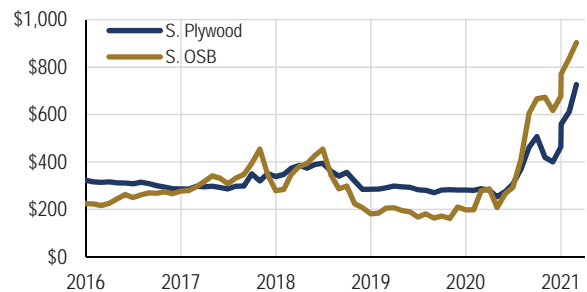
The March Random Lengths Southern Pine Plywood price for 3/8-inch exterior sheathing at \$726 per thousand square feet (msf) was up \$263 Q/Q (+57%) and \$446 Y/Y (+159%).

The March Random Lengths Southern OSB price at \$903 per msf was up \$226 Q/Q (+33%) and \$617 Y/Y (+215%).

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.

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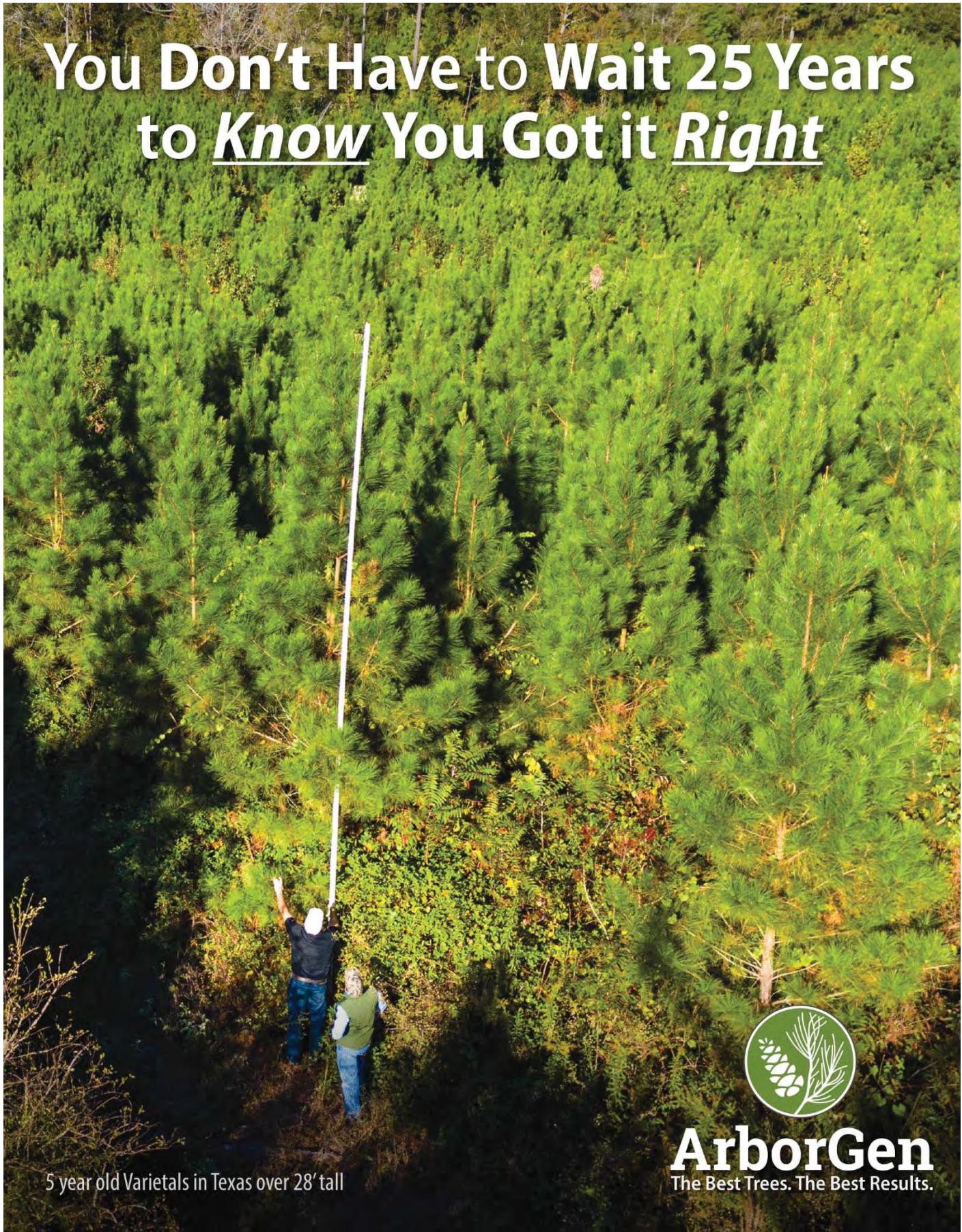
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Market Indicators (cont.)

Pulp & Paper Indicators: The American Forest and Paper Association (AF&PA) reported US paper and paperboard production at a combined 73.0 million tons in 2020, the latest available, which was down 1.6 million tons (-2%) compared to the 2019 levels.

The March Northern Bleached Softwood Kraft (NBSK) pulp index price at \$1,018 per ton was up \$143 Q/Q (+16%) and \$182 Y/Y (+22%).

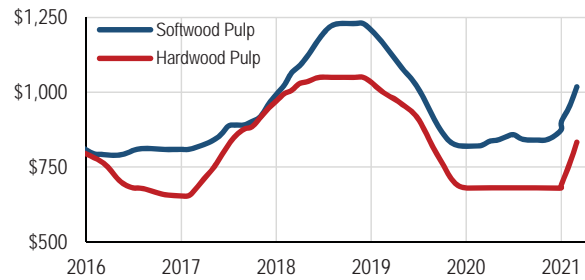
The March Bleached Hardwood Kraft Pulp (BHKP) price at \$833 per ton was up \$153 (+23%) both Q/Q and Y/Y.

US Building Construction: US residential building construction, a principal driver of the wood products industry, continued to hold strong overall in early-2021 following a 2020 surge. Improvements and remodeling activity was the highest on record in 2020 and annual housing starts reached its highest level since 2006.

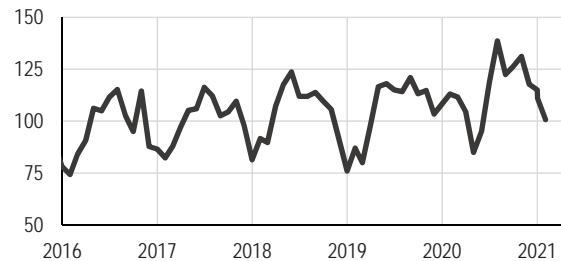
According to the US Census, US housing starts totaled 1.38 million units in 2020, up 90,000 units (+7%) from 2019 levels. Total starts YTD-February, the latest available, declined from last year's pace, totaling 212,000 units, down 13,000 units (-6%) compared to the same period in 2020.

The US Census reported remodeling and improvement expenditures at \$221.9 billion in 2020, up \$37.5 billion (+20%) from 2019 levels. Expenditures YTD-February, the latest available, totaled \$33.2 billion, up \$5.7 billion (+21%) from the same period in 2020.

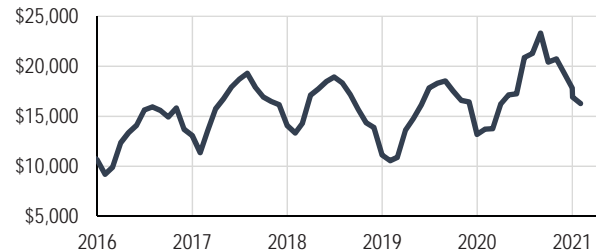
Pulp Index Price
Monthly Average Price (\$/ton)



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



US Census Bureau - Improvement Expenditures
(Monthly Total - Million USD)





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Market Indicators (cont.)

Fuel & Energy Indicators: Diesel, crude oil, and natural gas prices were all up in the 1st Quarter. The March 2020 monthly average Gulf Coast #2 Diesel price at \$2.94 per gallon was up \$0.60 Q/Q and \$0.44 Y/Y.

The March West Texas Intermediate (WTI) crude spot price at \$63 per barrel was up \$16 Q/Q and \$33 Y/Y.

The March Henry Hub Natural Gas spot price at \$2.63 per million BTU was up \$0.04 Q/Q and \$0.84 Y/Y. However, note that natural gas prices spiked at \$5.35 per million BTU in February due to the deep freeze. For more details regarding the February freeze, see **Weather** on page 13.

Log & Lumber Exports: The USDA Foreign Agricultural Service (FAS) reported total exports for the four major forest products at 6.8 million cubic meters (m³) in 2020, which was down 5% from 2019 levels. Exports to China, the dominant US trade partner, were up 6% in 2020.

Compared to the previous year, southern yellow pine (SYP) log exports were up 8% while SYP lumber exports were down 11% in 2020. Hardwood log exports and hardwood lumber exports were down 12% and 5%, respectively, from 2019 levels.

In January 2021, the latest available, exports for the four major products totaled more than 626,000 m³, up 8% from the same period a year ago.

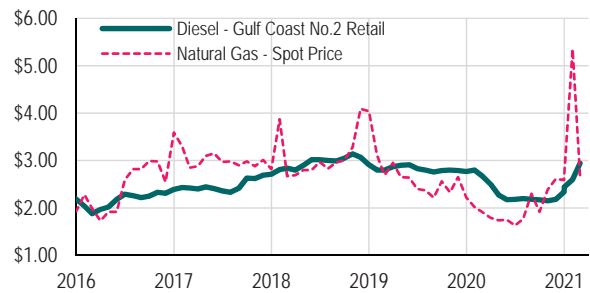
Financial Indicators: Financial markets made steady gains in the 1st Quarter of 2021, with the Dow Jones Industrial Average (DJIA) increasing 8% Q/Q and closing out March at 32,982. The quarterly high was 33,171 on March 29th and quarterly low was 29,983 on January 29th.

The S&P 500 ended December at 3,973 (+6% Q/Q).

The NASDAQ ended December at 13,247 (+3% Q/Q).

Southern Timberland Index: The Southern Timberland Index (STI) was developed to provide an indication of how the value of an average acre in the South has changed over time. In the 1st Quarter, the base case STI averaged \$2,252 per acre, which was up 1% Q/Q but down 1% Y/Y.

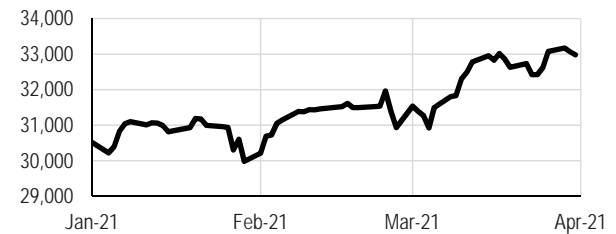
Gulf Coast No. 2 Diesel Retail Price (\$/gallon) & Henry Hub Natural Gas Spot Price Monthly Average (\$/mmBTU)



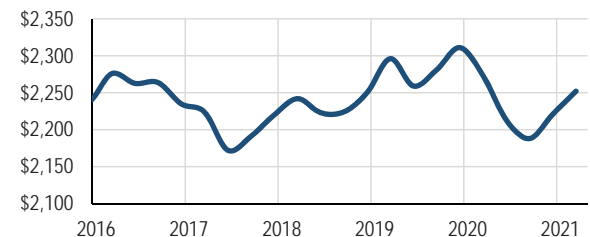
US Log & Lumber Exports (2020)
Volume in Thousand Cubic Meters

Product	World 2020	World 2019	China 2020
SYP Softwood logs	1,440	1,334	1,213
SYP Softwood lumber	712	797	136
US Hardwood logs	1,595	1,818	749
US Hardwood lumber	3,071	3,245	1,251
Total	6,818	7,194	3,349

Dow Jones Industrial Average
1st Quarter 2021



Southern Timberland Index
Base Case (\$/acre)



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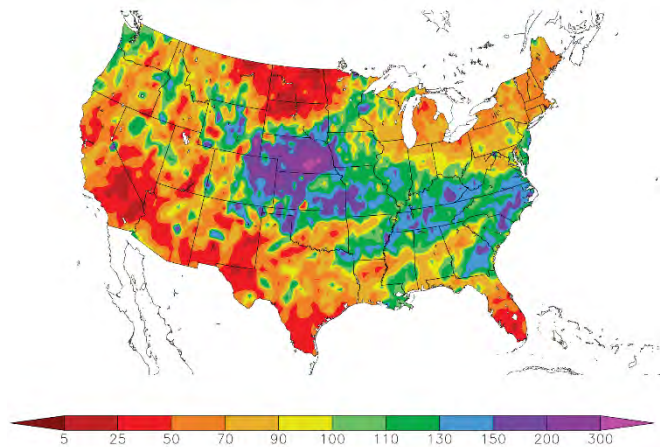
Weather, Etc.

General Weather: After a relatively mild January, a deep freeze in mid-February disrupted timber markets from Texas and Arkansas eastward into parts of Alabama. Mills and highways closed under a heavy snowfall. Power systems and natural gas supplies failed to adjust to the sustained low temperatures. Heavy rainfall and tornado activity in February and March affected the Central South and Atlantic Coast areas.

Drought: Most of the South remained drought-free this quarter with moderate drought conditions continuing in western regions including Texas and part of Louisiana.

Fire: Wildfire burned 309,000 acres across the US in the 1st Quarter of 2021, of which roughly 152,000 acres were in the South. Both were below their respective 10-year averages but above the springtime level in each of the last two years.

Percent of Normal Precipitation (%)
1/1/2021 – 3/31/2021



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