

TimberMart-South

Quarterly Market Bulletin



4th Quarter 2019

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Executive Summary

South-wide Stumpage Markets

South-wide average prices increased for both pine and hardwood sawtimber as well as for pine pulpwood in the 4th Quarter; pine chip-n-saw and hardwood pulpwood prices both decreased. Prices for the three major pine products changed very little this quarter; each respective pine product's average price increased/decreased 1% or less quarter-over-quarter (Q/Q).

South-wide average prices for the major hardwood products, however, experienced more substantial swings. Specifically, hardwood sawtimber price increased 5% Q/Q and to within \$0.35 of its record high set in 3rd Quarter 2016. This upward price movement was in line with seasonal, wintertime trends that have seen hardwood sawtimber prices increase Q/Q in the 4th Quarter in 18 of the last 25 years.

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

Δ From 3Q19	Δ From 4Q18	South-wide Stumpage Market, 4 th Quarter 2019	
		Pine Sawtimber:	\$23.95/ton
		Up \$0.31 from 3Q19 but down (\$0.01) from 4Q18	
		Pine Chip-n-saw:	\$16.37/ton
		Down (\$0.15) from 3Q19 but up \$0.01 from 4Q18	
		Pine Pulpwood:	\$8.70/ton
		Up \$0.03 from 3Q19 but down (\$0.30) from 4Q18	
		Hardwood Sawtimber:	\$33.14/ton
		Up \$1.65 from 3Q19 and up \$1.21 from 4Q18	
		Hardwood Pulpwood:	\$10.08/ton
		Down (\$1.14) from 3Q19 but up \$0.42 from 4Q18	

Lumber, Panel, and Pulp & Paper Markets

Southern yellow pine (SYP) lumber prices fell a bit further in the 4th Quarter and are down 40% since setting record highs in June of 2018. Southern plywood prices held steady, increasing marginally Q/Q while Southern OSB prices increased 16% from last quarter.

Pulp prices continued to fall this quarter. Both pine and hardwood pulp prices were at record highs in November 2018. However, since that time, prices have dropped 33% for pine pulp and 35% for hardwood pulp. Recycled container (OCC) prices were unchanged from last quarter and remain at 10-year lows.

- ❖ Lumber: Pine prices down 6% Q/Q and 11% year-over-year (Y/Y); Hardwood prices down 7% Q/Q and 18% Y/Y.
- ❖ Panels: Plywood prices up marginally (<1%) Q/Q but down slightly (-1%) Y/Y; OSB prices up 16% Q/Q and 9% Y/Y.
- ❖ Pulp: Softwood pulp prices down 5% Q/Q and 32% Y/Y; hardwood pulp prices down 11% Q/Q and 34% Y/Y.
- ❖ Old Corrugated Containers (OCC) prices unchanged Q/Q but down 61% Y/Y.
- ❖ Crude oil prices up 5% Q/Q and 21% Y/Y; diesel prices down 1% Q/Q and 5% Y/Y; natural gas prices down 13% Q/Q and 45% Y/Y.

Δ From 3Q19	Δ From 4Q18	Lumber, Panel, and Pulp & Paper Markets, 4 th Quarter 2019	
		Southern Pine Lumber:	\$335/mbf
		Down (\$21) from 3Q19 and down (\$40) from 4Q18	
		US Hdwd Lumber Index:	\$1,067/mbf
		Down (\$75) from 3Q19 and down (\$232) from 4Q18	
		Southern Pine Plywood:	\$282/msf
		Up \$1 from 3Q19 but down (\$3) from 4Q18	
		Southern OSB:	\$198/msf
		Up \$27 from 3Q19 and up \$17 from 4Q18	
		Old Corrugated Container:	\$33/ton
		Unchanged from 3Q19 but down (\$50) from 4Q18	
		Crude Oil (WTI Spot Price):	\$60/barrel
		Up \$3 from 3Q19 and up \$10 from 4Q18	
		Diesel (Gulf Coast #2):	\$2.77/gallon
		Down (\$0.02) from 3Q19 and down (\$0.14) from 4Q18	

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

Other Major Stories

- ❖ Conifex ceased lumber production at its El Dorado AR sawmill, also announced agreement to sell El Dorado and other two Southern sawmills to Resolute Forest Products.
- ❖ Weyerhaeuser announces agreement to sell 630,000 acres of timberland in Montana.

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

Prices & Market Conditions

South-wide Stumpage Prices

South-wide average prices increased for both pine and hardwood sawtimber this quarter. Prices have increased Q/Q in the 4th Quarter in eight of the last 11 years for pine sawtimber and 18 of the last 25 years for hardwood sawtimber.

However, despite increasing in the 4th Quarter, pine sawtimber prices continue to show little sign of major improvement. The South-wide average pine sawtimber price has remained below \$24 per ton for 10 of the last 12 quarters and between \$22 and \$26 per ton for the last nine years.

Sawtimber Stumpage Prices: South-wide pine sawtimber (\$23.95 per ton) and hardwood sawtimber (\$33.14 per ton) were both up Q/Q while pine chip-n-saw (\$16.37 per ton) was down. Hardwood sawtimber was also up from a year ago; both pine products were nearly unchanged Y/Y. This quarter, pine sawtimber averaged highest in Texas (\$27.76 per ton), while pine chip-n-saw averaged highest in Florida (for the 30th consecutive quarter) at \$21.11 per ton. Hardwood sawtimber averaged highest in Arkansas at \$46.80 per ton.

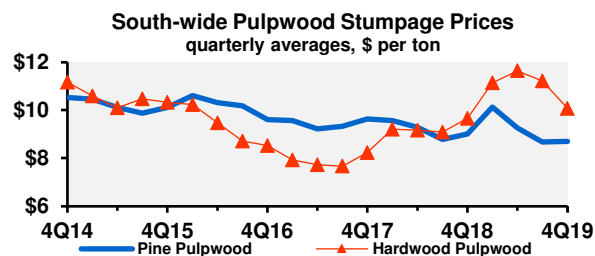
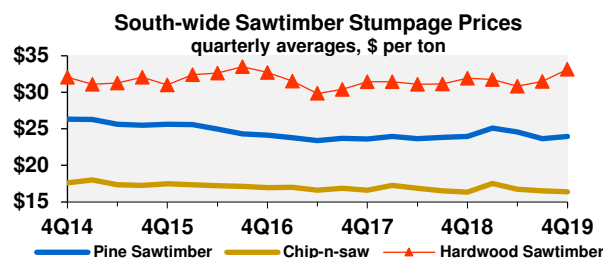
Pulpwood Stumpage Prices: South-wide pine pulpwood at \$8.70 per ton was up Q/Q but down Y/Y. South-wide hardwood pulpwood at \$10.08 per ton was also down Q/Q but up Y/Y. In the 4th Quarter, pine pulpwood averaged highest in Virginia at \$12.42 per ton; hardwood pulpwood prices averaged highest in Texas at \$15.37 per ton.

South-wide Delivered Prices

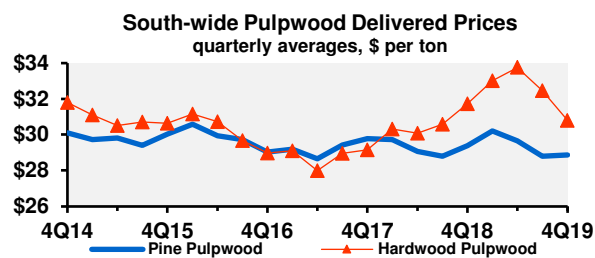
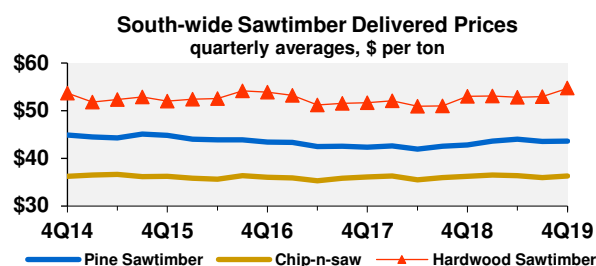
South-wide delivered prices increased for four of the five major products in the 4th Quarter; only delivered hardwood pulpwood was down this quarter. Delivered pine sawtimber, chip-n-saw, and hardwood sawtimber prices were also up Y/Y.

Sawtimber Delivered Prices: South-wide delivered pine sawtimber (\$43.60 per ton), pine chip-n-saw (\$36.30 per ton), and hardwood sawtimber (\$54.75 per ton) were all up both Q/Q and Y/Y. In the 4th Quarter, delivered pine sawtimber averaged highest in Texas at \$47.13 per ton, while delivered pine chip-n-saw averaged highest in Virginia at \$42.98 per ton. Delivered hardwood sawtimber averaged highest in Arkansas at \$66.19 per ton.

Pulpwood Delivered Prices: South-wide delivered pine pulpwood at \$28.86 per ton was up marginally Q/Q but down Y/Y. Delivered hardwood pulpwood at \$30.80 per ton was down both Q/Q and Y/Y. In the 4th Quarter, delivered pine pulpwood averaged highest in Virginia at \$33.44 per ton. Delivered hardwood pulpwood averaged highest in Texas at \$34.97 per ton.



Product	4Q19	Δ From 3Q19	Δ From 4Q18	Δ From 4Q14
Pine Sawtimber	\$23.95	\$0.31	(\$0.01)	(\$2.39)
Pine Chip-n-saw	\$16.37	(\$0.15)	\$0.01	(\$1.22)
Pine Pulpwood	\$8.70	\$0.02	(\$0.30)	(\$1.82)
Hdwd Sawtimber	\$33.14	\$1.65	\$1.21	\$1.08
Hdwd Pulpwood	\$10.08	(\$1.14)	\$0.42	(\$1.08)



Product	4Q19	Δ From 3Q19	Δ From 4Q18	Δ From 4Q14
Pine Sawtimber	\$43.60	\$0.07	\$0.81	(\$1.30)
Pine Chip-n-saw	\$36.30	\$0.35	\$0.09	\$0.08
Pine Pulpwood	\$28.86	\$0.07	(\$0.52)	(\$1.24)
Hdwd Sawtimber	\$54.75	\$1.84	\$1.75	\$1.07
Hdwd Pulpwood	\$30.80	(\$1.66)	(\$0.92)	(\$1.00)

News of Note

There were multiple stories of note this quarter. Additional details and information regarding these stories and others are available in the 4th Quarter 2019 *Market News Quarterly*.

Softwood Sawmills:

- ❖ **Active Energy Group** announced the startup of its Lumberton NC sawmill.
- ❖ **Conifex Timber** completed the shutdown of its El Dorado AR sawmill; the company separately announced its agreement to sell the El Dorado and two other US South sawmills to **Resolute Forest Products**.
- ❖ **Georgia-Pacific** announced the startup of its new Warrenton GA sawmill; the company also announced plans to idle its McCormick SC sawmill.
- ❖ **Sunbelt Forest Ventures** announced the startup of its new southern yellow pine pallet timber sawmill in Selma AL.

Pulp & Paper:

- ❖ **Domtar** shuts down paper machine, plans to increase pulp production at Ashdown AR mill.
- ❖ **Georgia-Pacific** shuts down bleached board production at its Crossett AR mill.
- ❖ **New-Indy Containerboard** announced linerboard conversion plans at its Catawba SC mill.
- ❖ **Resolute Forest Products** shut down Augusta GA newsprint mill.

OSB, Engineered Wood, & Panels:

- ❖ **Georgia-Pacific** announced plans to idle its Allendale SC OSB plant.
- ❖ **Norbord** announced further curtailment at its OSB mill in Cordele GA.
- ❖ **Kronospan** announced the startup of particleboard production at its Oxford AL manufacturing facility.
- ❖ **Roseburg Forest Products** opens its new engineered wood plant in Chester SC.
- ❖ **Roy O Martin** announced modernization plans for its Oakdale LA OSB facility and its Chopin LA plywood/solid wood products facility.

CLT/Mass Timber:

- ❖ **Sterling Lumber** opens its TerraLam Cross-Laminated Timber (CLT) mat manufacturing facility in Lufkin TX.
- ❖ **Structurlam Mass Timber Corporation** announced plans to build a state-of-the-art mass timber manufacturing plant in Conway AR.
- ❖ **Texas Cross Laminated Timber** announced plans to build a new CLT manufacturing facility in Jasper TX.

Biofuel & Bioenergy:

- ❖ **Enviva Partners LP** held groundbreakings for its new marine export terminal in Pascagoula MS and its proposed new wood pellet plant in Lucedale MS. The company also received its environmental permit for expansion of its Franklin VA pellet mill.
- ❖ **Pinnacle** announced plans for a new pellet mill in Demopolis AL.

Timberland:

- ❖ **Lyme Timber** acquired nearly 750,000 acres of timberland in multiple transactions this quarter, with 677,000 acres in Michigan and Wisconsin and the remainder in the South.
- ❖ **Weyerhaeuser** announced an agreement to sell 630,000 acres of Montana timberland to an undisclosed buyer.
- ❖ **Hancock Natural Resource Group** sold 215,000 acres of timberland spread across Michigan, East Texas, and Alabama in multiple transactions this quarter.
- ❖ **Ingka Group**, parent company of Ikea, announced its acquisition of 41,800 acres of timberland in East Texas from **BTG Pactual Timberland Investment Group**.

Market Indicators

Market conditions were challenging for wood products and pulp producers in the 4th Quarter. The following are based on the latest available data at press time.

- ❖ Southern pine lumber prices were down 6% and hardwood lumber prices down 7% Q/Q. Both were also down from a year ago.
- ❖ Softwood and hardwood pulp prices were both down this quarter, -5% and -11% Q/Q, respectively.
- ❖ US building construction gained positive momentum as domestic housing starts rebounded in the last half of the year. Year-to-date through November, the latest available, housing starts totaled 1.181 million units, which was up 0.6% compared to the same period in 2018.
- ❖ Crude oil prices were up \$3 per barrel Q/Q (+5%); however, diesel prices were down \$0.02 per gallon (-1% Q/Q). Natural gas prices were down 13% Q/Q.
- ❖ US log and lumber exports were down through the first 10 months of the year. Exports totaled approximately 6.2 million m³ YTD-October, the latest available, which was down 25% compared to the same period in 2018.
- ❖ Financial markets were up overall in the 4th Quarter and for the year, with the Dow Jones Industrial Average (DJIA) up 6% Q/Q and more than 22% in 2019.
- ❖ The US dollar remained strong in the 4th Quarter, allowing for increased imports but limiting exports.

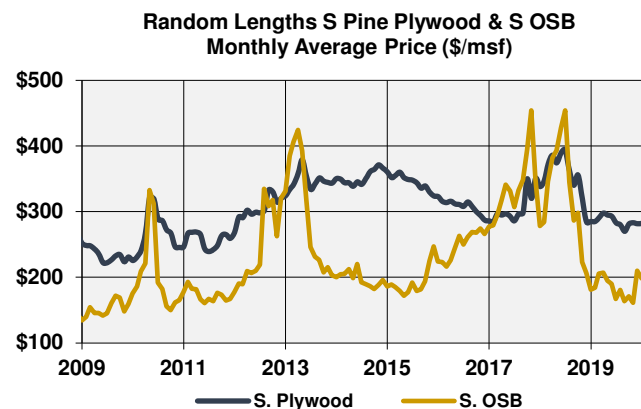
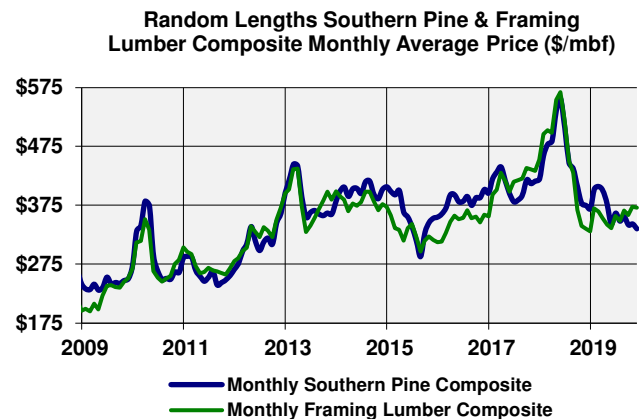
Lumber Indicators: Softwood lumber prices fell further in the 4th Quarter. The December monthly average Random Lengths Southern Pine Composite¹ at \$335 per thousand board feet (mbf) was down \$21 Q/Q (-6%) and \$40 Y/Y (-11%).

Hardwood lumber prices also fell this quarter. The December Hardwood Review US Kiln Dried Hardwood Lumber Index at \$1,067 per mbf was down \$75 Q/Q (-7%) and \$232 Y/Y (-18%).

Panel Indicators: Southern Plywood and Southern OSB prices both improved in the 4th Quarter. However, since hitting their respective record highs in June of 2018, plywood prices are still down nearly 30% and OSB prices down more than 55%.

The December monthly average Random Lengths Southern Pine Plywood price for 3/8-inch exterior sheathing at \$282 per thousand square feet (msf) was up \$1 Q/Q (<1%) but down \$3 Y/Y (-1%).

The December Random Lengths Southern Oriented Strand Board (OSB) price at \$198 per msf was up \$27 Q/Q (+16%) and \$17 Y/Y (+9%).



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 were down a combined 5% YTD-September compared to the same period a year ago. Softwood and hardwood pulp prices were also down in the 4th Quarter. Recycled container (OCC) prices were unchanged from last quarter.

The American Forest and Paper Association (AF&PA) reported US paper and paperboard production at a combined 56.0 million tons YTD-September, the latest available, which was down 2.6 million tons (-5%) compared to the same period in 2018.

The December Northern Bleached Softwood Kraft (NBSK) pulp price index at \$820 per ton was down \$46 Q/Q (-5%) and \$388 Y/Y (-32%).

The December Bleached Hardwood Kraft Pulp (BHKP) index at \$680 per ton was down \$84 Q/Q (-11%) and \$354 Y/Y (-34%).

US Building Construction: US residential building construction, a principal driver of the wood products industry, has rebounded after a slow start in 2019. According to the US Census, US housing starts YTD-November, the latest available, totaled 1.181 million units, which was up 0.6% compared to the same period in 2018.

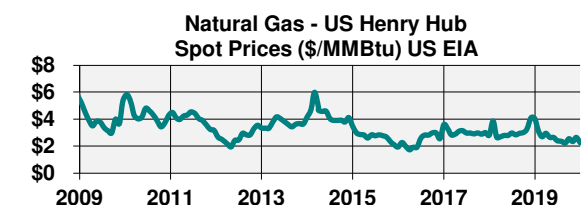
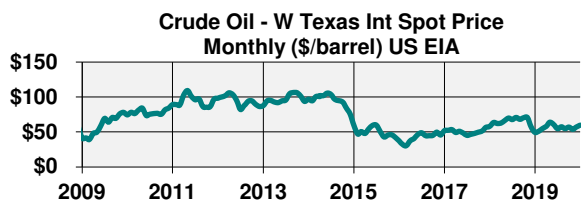
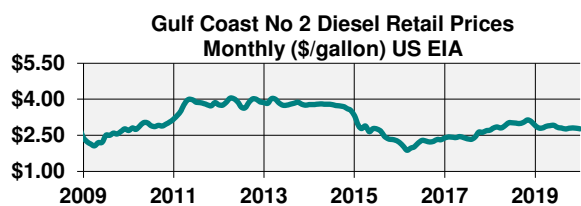
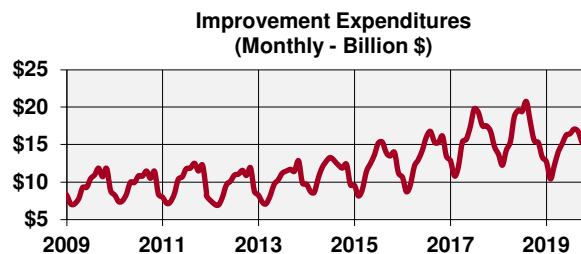
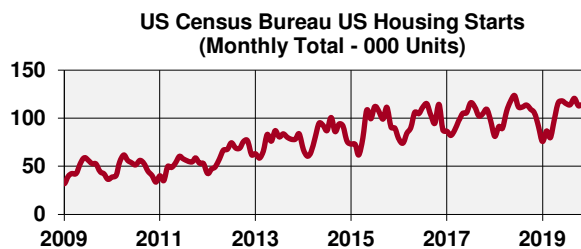
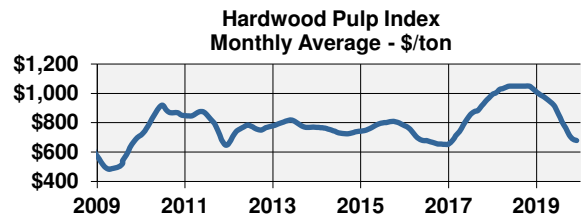
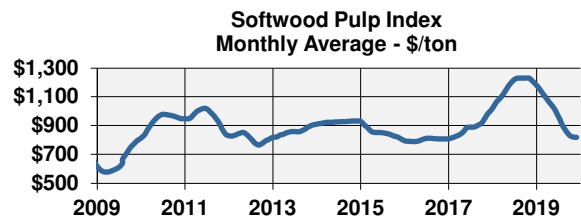
Total starts in the South typically follow a similar trend; however, at 629,000 units YTD-November, starts in the South were up 43,000 units (+7%) from the same period a year ago.

Residential remodeling activity was down the first 11 months of 2019. The US Census reported remodeling and improvement expenditures at \$178.5 billion YTD-November, which was down \$11.6 billion (-6%) 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 December 2019 monthly average Gulf Coast No. 2 Diesel price at \$2.77 per gallon was down \$0.02 Q/Q and \$0.14 Y/Y.

The December West Texas Intermediate (WTI) crude oil spot price at \$60 per barrel was up \$3 Q/Q and \$10 Y/Y.

The December Henry Hub Natural Gas spot price at \$2.24 per million BTU (mm Btu) was down \$0.32 Q/Q and down \$1.80 Y/Y.



Log & Lumber Exports: The USDA Foreign Agricultural Service (FAS) reported total exports for the four major forest products at approximately 6.2 million cubic meters (m³) YTD-October, the latest available, which was down 25% from the same period in 2018. Exports to China, the dominant US trade partner, were down 38% for this period.

Compared to a year ago, southern yellow pine (SYP) log exports were down 27% while SYP lumber exports were down 38%. Hardwood log and lumber exports were also lower compared to the same period a year ago, down 22% for hardwood logs and 21% for hardwood lumber.

Financial Indicators: Financial markets held strong through the end of 2019. The Dow Jones Industrial Average (DJIA) closed out December at 28,538, which was up 6% Q/Q and 22% Y/Y. The quarterly low was 26,079 on October 2nd and quarterly high (and new record) was 28,645 on December 27th.

The S&P 500 ended December at 3,231.

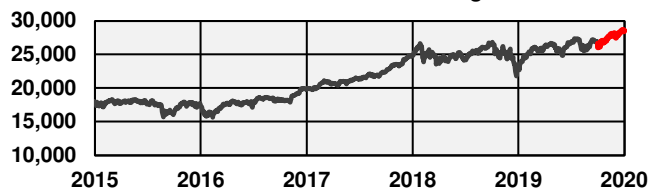
The NASDAQ Composite ended December at 8,973.

Southern Timberland Index (STI): The STI was 284 (1st Quarter 1980=100) in the 4th Quarter, which implies a value of \$2,311 per acre. This was up 1% Q/Q and 3% Y/Y.

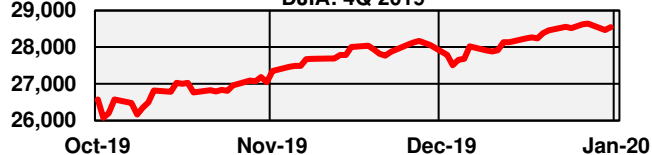
US Log and Lumber Exports (YTD-Oct 2019)
Volume in Thousand Cubic Meters

Product	World YTD 2019	World YTD 2018	China YTD 2019
SYP Softwood logs	1,190.4	1,622.2	936.1
SYP Softwood lumber	677.9	1,089.1	128.4
US Hardwood logs	1,526.7	1,959.3	644.4
US Hardwood lumber	2,827.9	3,582.5	1,107.1
Total	6,222.9	8,253.0	2,816.0

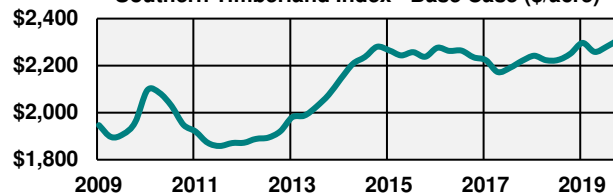
Dow Jones Industrial Average



DJIA: 4Q 2019



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



Weather, Etc.

General Weather: Moderate to heavy rainfall produced wet conditions east of the Mississippi River this quarter. Two named tropical storms made landfall in October: Nestor in Florida and Olga in Louisiana. Mississippi had the wettest October on record.

Below-average rainfall west of the Mississippi River resulted in drought conditions. Moderate drought remains in most of East Texas as well as parts of Arkansas and Louisiana.

Wildland fire activity in 2019 was the lowest in five years and well below 10-year averages. About 4.6 million acres burned nation-wide, of which roughly 416,000 acres were in the South.

Percent of Normal Precipitation (%)
10/1/2019 – 12/31/2019

