

# TimberMart-South

Quarterly Market Bulletin ~ 2<sup>nd</sup> Quarter 2022

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## Prices & Market Conditions

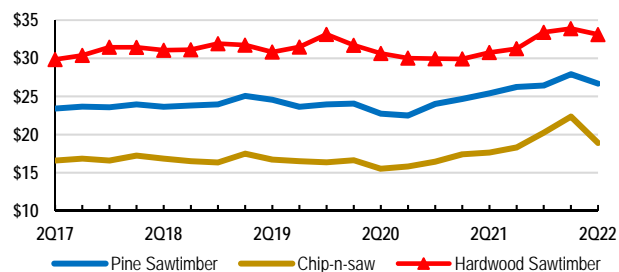
Timber prices decreased in the 2<sup>nd</sup> Quarter, as warm, dry weather alleviated some wintertime supply constraints and pushed prices downward. Additionally, markets for paper products continued to hold strong this quarter while markets for wood products weakened for most producers. Specifically, southern pine lumber prices have declined each of the last three months, falling more than 50% since last quarter.

### South-wide Stumpage Markets

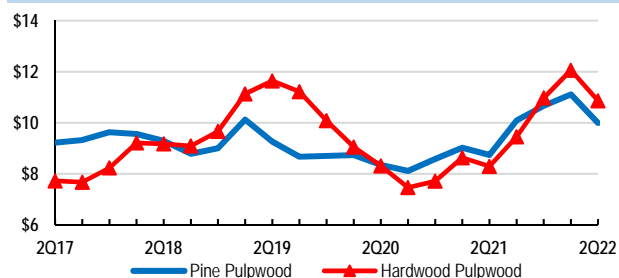
South-wide average stumpage prices decreased for all five major products in the 2<sup>nd</sup> Quarter. Notably, pine chip-n-saw and pine pulpwood prices fell 15% and 10%, respectively, from last quarter. However, this downward movement in price was in line with seasonal norms – particularly for the major pine products. Specifically, prices have decreased Q/Q in the 2<sup>nd</sup> Quarter in 17 of the last 20 years for pine sawtimber, 16 of the last 20 years for pine chip-n-saw, and 19 of the last 20 years for pine pulpwood.

Δ 1022	Δ 2021	South-wide Stumpage, 2 <sup>nd</sup> Quarter 2022	
▼	▲	<b>Pine Sawtimber:</b> Down \$1.22 Q/Q but up \$1.28 Y/Y	<b>\$26.69/ton</b>
▼	▲	<b>Pine Chip-n-saw:</b> Down \$3.45 Q/Q but up \$1.26 Y/Y	<b>\$18.91/ton</b>
▼	▲	<b>Pine Pulpwood:</b> Down \$1.12 Q/Q but up \$1.25 Y/Y	<b>\$9.99/ton</b>
▼	▲	<b>Hardwood Sawtimber:</b> Down \$0.78 Q/Q but up \$2.36 Y/Y	<b>\$33.12/ton</b>
▼	▲	<b>Hardwood Pulpwood:</b> Down \$1.20 Q/Q but up \$2.57 Y/Y	<b>\$10.86/ton</b>

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



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





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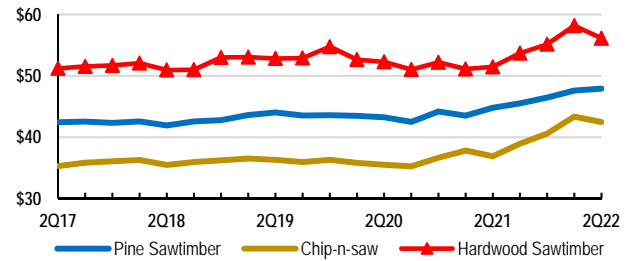
## South-wide Delivered Prices

South-wide delivered prices increased for three of the five major products in the 2<sup>nd</sup> Quarter. Delivered pine sawtimber, pine pulpwood, and hardwood pulpwood prices all increased; delivered pine chip-n-saw and hardwood sawtimber prices decreased.

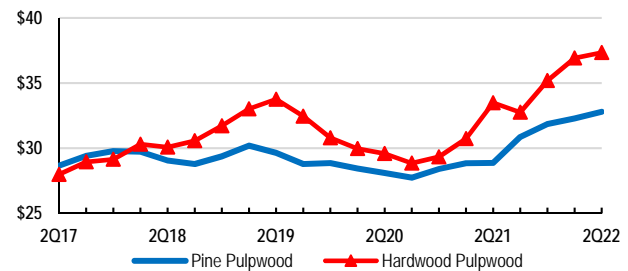
Specifically, the South-wide delivered pine sawtimber price increased for the 5<sup>th</sup> consecutive quarter and is up more than 10% (+\$4.42 per ton) since the 1<sup>st</sup> Quarter of 2021. South-wide delivered pine pulpwood price increased for the 7<sup>th</sup> straight quarter and set a new record high at \$32.80 per ton in the 2<sup>nd</sup> Quarter. Similarly, the delivered hardwood pulpwood price has increased six of the last seven quarters and also set a new record high at \$37.34 per ton this quarter.

Δ 1Q22	Δ 2Q21	South-wide Delivered, 2 <sup>nd</sup> Quarter 2022	
▲	▲	<b>Pine Sawtimber:</b> Up \$0.31 Q/Q and up \$3.14 Y/Y	<b>\$47.92/ton</b>
▼	▲	<b>Pine Chip-n-saw:</b> Down \$0.89 Q/Q but up \$5.58 Y/Y	<b>\$42.47/ton</b>
▲	▲	<b>Pine Pulpwood:</b> Up \$0.51 Q/Q and up \$3.93 Y/Y	<b>\$32.80/ton</b>
▼	▲	<b>Hardwood Sawtimber:</b> Down \$2.06 Q/Q but up \$4.67 Y/Y	<b>\$56.13/ton</b>
▲	▲	<b>Hardwood Pulpwood:</b> Up \$0.42 Q/Q but up \$3.85 Y/Y	<b>\$37.34/ton</b>

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 2<sup>nd</sup> Quarter 2022 *Market News Quarterly*.

### Softwood Sawmills:

- ❖ Biewer Lumber shipped the first lumber from their new sawmill in Winona MS in April. The facility will ramp up production to 250 mmbf per year by year-end.
- ❖ Camden Timbers, a new subsidiary of Astara Capital Partners, plans to acquire and restart Victory Lumber, an idle southern yellow pine sawmill in Camden AR. The group plans to upgrade the facility into a small-log timbers mill.
- ❖ Canfor made several announcements this quarter:
  - The company held an official groundbreaking for their new sawmill in DeRidder LA in April. The company expects to invest about \$160 million on the sawmill, their first greenfield project in the US South. The facility will have annual capacity of 250 mmbf of southern pine lumber on a two-shift basis, with startup scheduled by year-end.
  - Canfor announced plans to invest \$130 million in their sawmill in Urbana AR. The project will upgrade facilities and expand capacity from 150 mmbf to 265 mmbf per year.
  - The company also announced plans to invest \$25 million to modernize their sawmill in Estill SC. The company expects the upgrades to be complete by the end of 2022.
- ❖ CLAW Forestry Services plans to invest \$200 million to build a new greenfield sawmill in Gloster MS. Construction is to begin this summer with startup scheduled for late 2023 or early 2024. Expected annual capacity is 250 mmbf.
- ❖ Hunt Forest Products and Tolko began construction on a new softwood lumber sawmill in Bienville Parish, near Taylor LA. Target capacity is 320 mmbf, with startup expected in 2023.
- ❖ Idaho Timber plans to rebuild their sawmill in Carthage AR that was partially destroyed by fire in February. The company reported no injuries due to the fire. The sawmill has annual capacity of about 40 mmbf.
- ❖ Jasper Lumber Products and Tolko Industries received assistance for the proposed expansion of their sawmill in Jasper AL through a \$300,000 grant to rebuild the rail spur to the plant. When complete, the sawmill project will expand annual capacity from 70 mmbf to 200 mmbf. However, a construction schedule was not disclosed.



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## News of Note (cont.)

### Softwood Sawmills (cont.):

- ❖ Mission Forest Products, a subsidiary of TIMO Timberland Investment Resources, reported construction on their proposed new sawmill in Corinth MS was facing delays due to supply chain issues. The plan is to start testing in the fall and begin operations by the end of the year. At full capacity, the mill could produce 250 mmbf of southern pine lumber annually.
- ❖ PotlatchDeltic made several announcements this quarter:
  - The company announced in June plans to invest \$131 million to expand and modernize their sawmill in Waldo AR. The project will increase lumber capacity from 85 mmbf to roughly 275 mmbf. The existing mill will continue to operate during the project. Work on the site is to begin in 2023 and completion is expected by the end of 2024.
  - PotlatchDeltic continued the rebuild of the large log line at their sawmill in Ola AR. The facility was damaged by fire in June of 2021 but the small log line at the site has continued to operate at the rate of roughly 25 mmbf per year. The company expects to start up the new large log line in October. Full operations should be reached in early 2023 at roughly 150 mmbf annual capacity.
- ❖ Roseburg Forest Products broke ground in May on their Roanoke Valley Lumber sawmill in Weldon NC. Preparation work on the 200-acre site has been in progress since the new facility was announced a year ago. Target capacity is 400 mmbf, one of the largest in the South.
- ❖ Teal-Jones Group began site work this quarter on their proposed new southern pine sawmill in Bossier Parish LA. The company expects to invest \$110 million and employ roughly 125 people. Target annual capacity will be 300 mmbf. Schedules for construction and startup were not disclosed; however local reports project startup by the end of 2023.
- ❖ UFP Industries based in Grand Rapids, Michigan, announced in June that its affiliate, PalletOne, Inc., acquired a 50% equity stake in Dempsey Wood Products. Dempsey produces kiln-dried lumber, pallet lumber, and other industrial wood products from a single location in Orangeburg SC. Terms of the deal were not disclosed.
- ❖ Warren Timbers Company acquired Oasis Trading, a southern yellow pine timbers mill in Warren AR. The company also announced planned investments to upgrade the facility and expand capacity from 40 to 80 mmbf annually.

### Pulp & Paper:

- ❖ Rayonier Advanced Materials completed extensive planned maintenance outages at their fluff and dissolving pulp mill in Jesup GA in April. The project included a major recovery boiler rebuild. The company also completed an extensive maintenance outage at their softwood specialty pulp facility in Fernandina Beach FL.
- ❖ Sonoco announced the delay of the conversion project at their facility in Hartsville SC. The company moved the project to convert the No. 10 machine from corrugated medium to uncoated recycled board to the 3<sup>rd</sup> Quarter due to supply chain challenges. The project is expected to result in less downtime with this change of schedule.
- ❖ WestRock shut down their pulp and paper mill in Panama City FL on June 6<sup>th</sup>. The closure included an unbleached kraft linerboard machine and related pulp capacity as well as fluff pulp.

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### OSB, Engineered Wood, & Panels:

- ❖ Boise Cascade announced an agreement to acquire Coastal Plywood Company from Coastal Forest Resources for \$512 million. The transaction includes two manufacturing locations: one in Chapman AL and the other in Havana FL. Boise also intends to invest \$50 million into the company's Southeast operations over a three-year period to further engineered wood product production capacity.
- ❖ Egger Wood Products began an expansion project in June at their laminate floor and panel plant in Lexington NC. The \$20 million investment will add a third thermally fused laminate production line, with expected startup by year end. The new line will increase capacity by at least 50% to 150 million square feet. The company also plans a \$30 million project at the facility that will add a recycling center, expected to startup in 2023.
- ❖ Pacific Woodtech (PWT) based in Burlington WA and Louisiana-Pacific (LP) announced their agreement for PWT to acquire LP's engineered wood products business for \$210 million. The transaction includes LP's laminated veneer lumber and I-joist manufacturing facilities in Wilmington NC, Red Bluff CA, and Golden, British Columbia.

### Biofuel & Bioenergy:

- ❖ Drax Group made several announcements this quarter:
  - The company began production in early April at its wood pellet plant, formerly known as Alabama Pellets, in Demopolis AL. At full capacity the plant will produce 360,000 metric tons of pellets per year and employ 60 people.
  - Drax also announced its 40,000 metric ton per year satellite pellet mill in Russellville AR nears startup.
- ❖ Enviva made several announcements this quarter:
  - The company expected to begin construction on their new pellet plant in Epes AL by the end of June. Enviva plans to start up the facility in mid-2023, with annual capacity at full-run rate to be one million metric tons.
  - Enviva announced plans to invest about \$250 million to build a new wood pellet production facility in Bond MS. Construction is scheduled to begin in early 2023 and take about 18 months, with startup in 2024. Expected capacity is about one million metric tons.

### Timberland Transactions:

- ❖ Manulife Investment Management (formerly Hancock Natural Resource Group) sold 117,773 acres of timberland in east Texas and northwest Louisiana to Molpus Woodlands Group. Terms were not disclosed.
- ❖ PotlatchDeltic and CatchMark Timber Trust announced on May 31<sup>st</sup> their agreement to merge in an all-stock transaction valued at approximately \$919 million. Based on CatchMark holdings of roughly 353,000 acres, the price is about \$2,600 per acre. Following close of the transaction, PotlatchDeltic stockholders will own 86% of the combined company, and CatchMark stockholders will own 14%. CatchMark's holdings are located in Alabama, Georgia, and South Carolina.



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## Market Indicators

Market conditions held steady for pulp producers but weakened for most wood products producers in the 2<sup>nd</sup> Quarter of 2022.

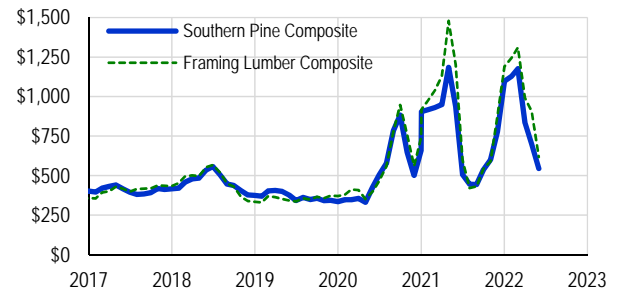
**Lumber Indicators:** Softwood lumber prices decreased substantially in the 2<sup>nd</sup> Quarter after reaching near record high levels in March. The June Random Lengths Southern Pine Composite<sup>1</sup> at \$545 per thousand board feet (mbf) was down \$632 Q/Q (-54%) and \$392 Y/Y (-42%).

The June Hardwood Review US Kiln Dried Hardwood Lumber Index at \$1,860 per mbf was up \$54 Q/Q (+3%) and \$145 Y/Y (+8%).

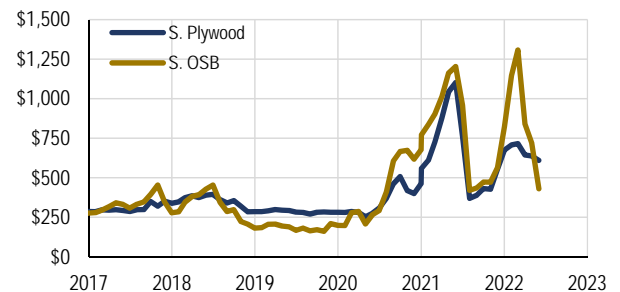
**Panel Indicators:** Southern Plywood and Southern OSB prices both declined this quarter. The June Random Lengths Southern Pine Plywood price for 3/8-inch exterior sheathing at \$609 per thousand square feet (msf) was down \$107 Q/Q (-15%) and \$493 Y/Y (-45%).

The June Random Lengths Southern OSB price at \$430 per msf was down \$878 Q/Q (-67%) and \$774 Y/Y (-64%).

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)



<sup>1</sup> The Southern Pine Composite averages 35 southern framing lumber prices.

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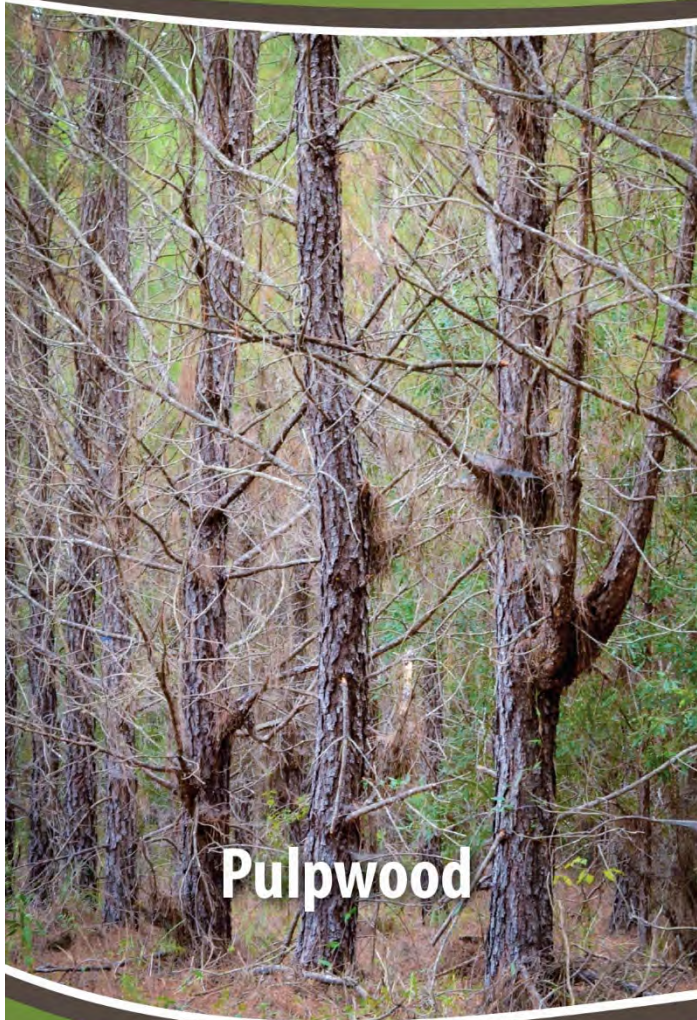
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## Market Indicators (cont.)

**Pulp & Paper Indicators:** The American Forest and Paper Association (AF&PA) reported US paper and paperboard production at a combined 18.5 million tons in the 1<sup>st</sup> Quarter of 2022, the latest available, which was up 0.3 million tons (+2%) compared to the same period in 2021.

The June Northern Bleached Softwood Kraft (NBSK) pulp index price at \$1,420 per ton was up \$91 Q/Q (+7%) and \$143 Y/Y (+11%).

The June Bleached Hardwood Kraft Pulp (BHKP) price at \$1,296 per ton was up \$128 Q/Q (+11%) and \$213 Y/Y (+20%).

**US Building Construction:** US residential building construction, a principal driver of the wood products industry, was strong in the first half of 2022, despite challenging economic conditions. Housing starts YTD-May were the highest since 2006 and improvement expenditures YTD-May were the highest on record for this period.

According to the US Census, US housing starts totaled 691,400 units YTD-May, the latest available, which was up 52,300 units (+8%) from the same period in 2021.

The US Census reported remodeling and improvement expenditures at \$135.3 billion YTD-May, the latest available, which was up \$36.3 billion (+37%) from the same period in 2021.

**Fuel & Energy Indicators:** Diesel, crude oil, and natural gas prices were all up in the 2<sup>nd</sup> Quarter. The June 2022 monthly average Gulf Coast #2 Diesel price at \$5.34 per gallon<sup>2</sup> was up \$0.40 Q/Q (+8%) and \$2.30 Y/Y (+76%).

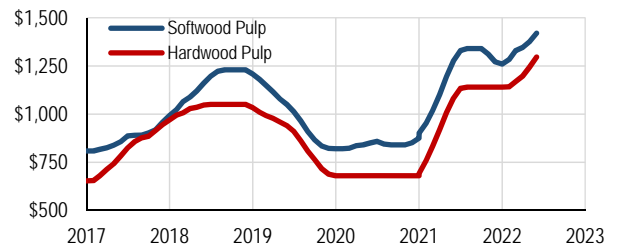
The June West Texas Intermediate (WTI) crude spot price at \$115 per barrel was up \$7 Q/Q (+6%) and \$44 Y/Y (+62%).

The June Henry Hub Natural Gas spot price at \$7.96 per million BTU was up \$3.06 Q/Q (+62%) and \$4.70 Y/Y (+144%).

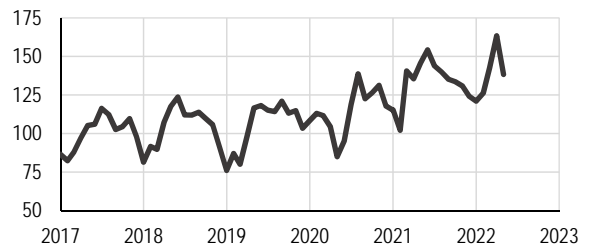
**Log & Lumber Exports:** The USDA Foreign Agricultural Service (FAS) reported total exports for the four major forest products at 2.4 million cubic meters (m<sup>3</sup>) YTD-April, the latest available, which was down 13% from the same period in 2021. Exports to China, the dominant US trade partner, were down 42% for this period.

Compared to a year ago, southern yellow pine (SYP) log and lumber exports were down 64% and 15%, respectively. Hardwood log and lumber exports were up 6% and 10%, respectively, from the same period a year ago.

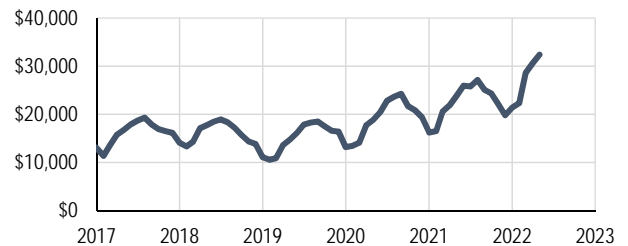
**Pulp Index Price**  
Monthly Average Price (\$/ton)



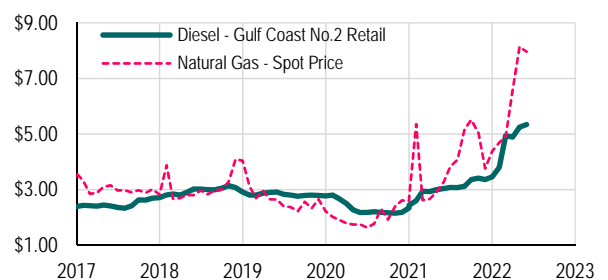
**US Census Bureau – US Housing Starts**  
(Monthly Total – 000 Units)



**US Census Bureau – Improvement Expenditures**  
(Monthly Total – Million USD)



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



**US Log & Lumber Exports (YTD-April 2022)**  
Volume in Thousand Cubic Meters

Product	World YTD-2022	World YTD-2021	China YTD-2022
SYP Softwood logs	260	725	28
SYP Softwood lumber	181	214	6
US Hardwood logs	707	667	339
US Hardwood lumber	1,234	1,117	426
<b>Total</b>	<b>2,382</b>	<b>2,723</b>	<b>799</b>

<sup>2</sup> Preliminary estimate. At press time, only price data for the first two weeks of June had been released by the EIA.

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## Market Indicators (cont.)

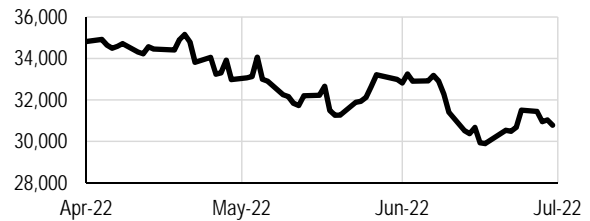
**Financial Indicators:** Financial markets continued to decline in the 2<sup>nd</sup> Quarter of 2022. Specifically, the Dow Jones Industrial Average (DJIA) decreased 11% in the 2<sup>nd</sup> Quarter and closed out June at 30,775. The quarterly high was 35,161 on April 20<sup>th</sup> and the quarterly low was 29,889 on June 17<sup>th</sup>. Year-over-year, the DJIA is down 11%.

The S&P 500 ended June at 3,785 (-16% Q/Q; -12% Y/Y).

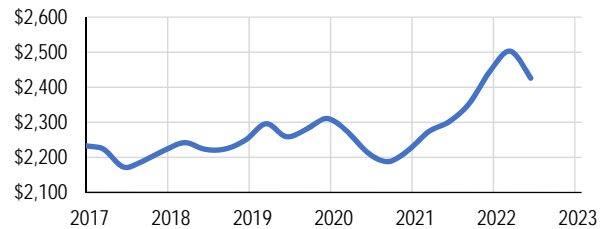
The NASDAQ ended June at 11,029 (-22% Q/Q; -24% Y/Y).

**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 2<sup>nd</sup> Quarter of 2022, the base case STI averaged \$2,426 per acre, which was down 3% Q/Q but up more than 5% Y/Y.

Dow Jones Industrial Average  
2<sup>nd</sup> Quarter 2022



Southern Timberland Index  
Base Case (\$/acre)



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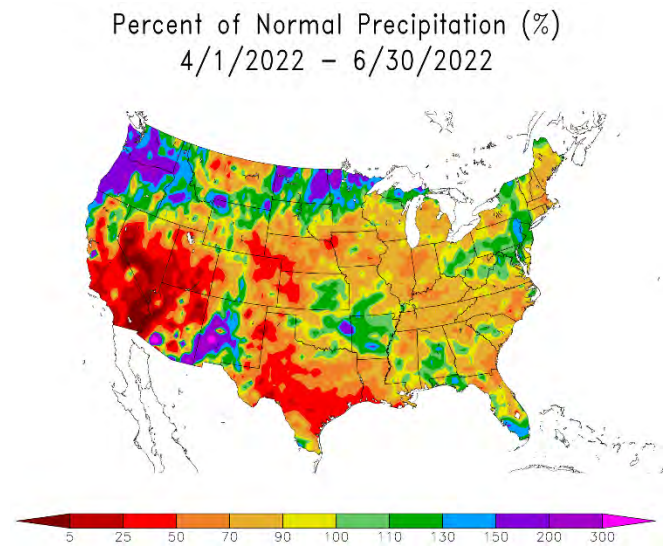
**FARM CREDIT**  
OF WESTERN ARKANSAS

## Weather, Etc.

**General Weather:** Precipitation averaged slightly below normal for most of the South this quarter. Several severe tornadoes disrupted transportation and timber production in South Georgia and South Carolina in early April. Timber damage is still being assessed. Tropical Storm Alex came ashore in the US in early June, crossing over south Florida but not affecting timber producing regions.

**Drought:** Dry conditions spread to most of the South this quarter. Periods of unusually high temperatures above 100°F also increased the drought impact.

**Fire:** Wildfire burned 3.92 million acres in the US in the first half of 2021, with roughly 751,000 acres burned in the South. Acres burned were at the highest first half level in the past five years and above the 10-year average.





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