

TimberMart-South

Quarterly Market Bulletin ~ 2nd 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: Hudson Jordan

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

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

South-wide Stumpage Markets

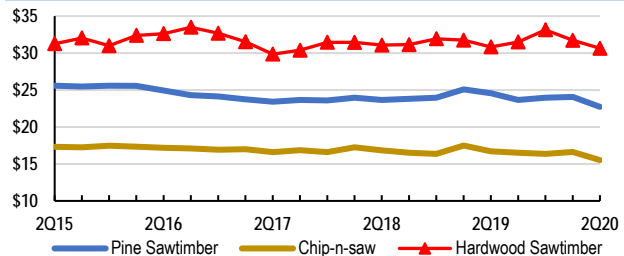
The effects of COVID-19 were felt across the South in the 2nd Quarter – the first full quarter since the pandemic-driven economic downturn began – with South-wide average stumpage prices declining for all five major products this quarter.

While the common, seasonal trend is for stumpage prices to fall in the 2nd Quarter (particularly for the major pine products), the typical quarter-over-quarter (Q/Q) drop was exacerbated by the ongoing COVID-19 pandemic. Specifically, pine sawtimber experienced its largest Q/Q decrease in over eight years and fell to within \$0.15 of its 25-year low. Also, pine chip-n-saw experienced its largest Q/Q drop in over a decade, while pine pulpwood fell to its lowest level since 2011.

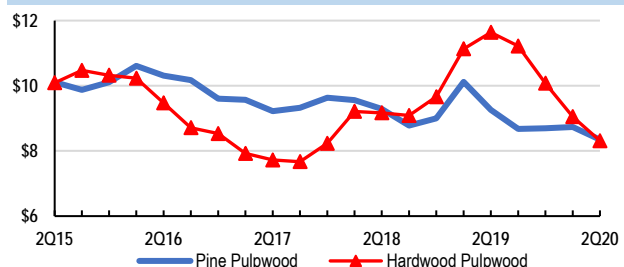
The drop in hardwood sawtimber price this quarter was more in line with seasonal, 2nd Quarter tendencies. However, hardwood pulpwood price declined for the 4th consecutive quarter and fell below that of pine pulpwood for the first time since 2nd Quarter 2018.

Δ	Δ	South-wide Stumpage, 2 nd Quarter 2020	
1Q20	2Q19		
▼	▼	Pine Sawtimber: Down (\$1.33) Q/Q and down (\$1.82) Y/Y	\$22.74/ton
▼	▼	Pine Chip-n-saw: Down (\$1.10) Q/Q and down (\$1.19) Y/Y	\$15.52/ton
▼	▼	Pine Pulpwood: Down (\$0.39) Q/Q and down (\$0.91) Y/Y	\$8.35/ton
▼	▼	Hardwood Sawtimber: Down (\$1.08) Q/Q and down (\$0.17) Y/Y	\$30.65/ton
▼	▼	Hardwood Pulpwood: Down (\$0.74) Q/Q and down (\$3.33) Y/Y	\$8.31/ton

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



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



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

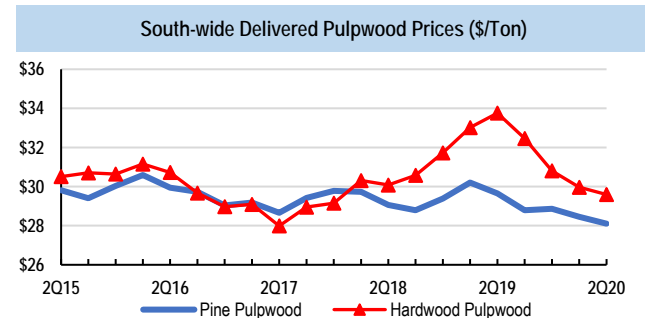
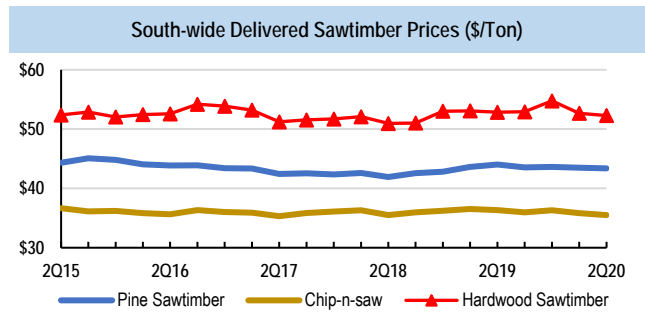
South-wide Delivered Prices

The COVID-19 outbreak continued to affect production and overall wood demand across the South in the 2nd Quarter, causing delivered prices to decrease for all five major products this quarter.

Overall, the decline in delivered pine prices this quarter remained in line with usual 2nd Quarter trends, despite the current pandemic and market conditions. South-wide delivered pine sawtimber price has remained nearly unchanged since 1st Quarter 2019, holding within a roughly \$0.75 per ton range the last six quarters. The South-wide average price for delivered pine chip-n-saw also continues to trend essentially flat and has remained within a roughly \$1 per ton range the last three years. Delivered pine pulpwood prices, however, have been on a downward trajectory the last five quarters and have fallen more than \$2 per ton since 1st Quarter 2019.

The South-wide delivered hardwood sawtimber price also continues to trend overall flat and has remained above \$50 per ton since 2nd Quarter 2014. However, similar to pine pulpwood, the South-wide average price for delivered hardwood pulpwood has been on a steep decline for the last year, falling each of the last four quarters and more than \$4 per ton (-12%) from its record high set in 2nd Quarter 2019.

Δ 1Q20	Δ 2Q19	South-wide Delivered, 2 nd Quarter 2020	
▼	▼	Pine Sawtimber: Down (\$0.24) Q/Q and down (\$0.78) Y/Y	\$43.24/ton
▼	▼	Pine Chip-n-saw: Down (\$0.33) Q/Q and down (\$0.83) Y/Y	\$35.49/ton
▼	▼	Pine Pulpwood: Down (\$0.35) Q/Q and down (\$1.55) Y/Y	\$28.10/ton
▼	▼	Hardwood Sawtimber: Down (\$0.37) Q/Q and down (\$0.55) Y/Y	\$52.28/ton
▼	▼	Hardwood Pulpwood: Down (\$0.37) Q/Q and down (\$4.17) Y/Y	\$29.59/ton



FINANCING THAT HELPS GROW THE VALUE OF YOUR TIMBERLAND.

For more than 120 years, PGIM Real Estate Finance's Timberland Finance team has delivered capital that helps owners realize the full potential of their timberlands. Today, we offer a full range of capital solutions, each designed to help timberland owners and forest product companies reach higher.

\$4.5 BILLION DEBT PORTFOLIO
LOANS FROM \$5 MILLION TO OVER \$500 MILLION

FINANCING FOR SOUTHERN PINE PLANTATIONS, PACIFIC NORTHWEST TIMBERLANDS, NORTHERN HARDWOODS, AND CALIFORNIA REDWOODS

Learn how we can help you at pgimref.com/timber



Seth Palmer
Principal – Timberland Finance
901-473-7821
seth.palmer@pgim.com



Doug Moore
Senior Associate – Timberland Finance
901-473-7823
doug.moore@pgim.com

As of 12/31/18.

© 2019 PGIM is the primary asset management business of Prudential Financial, Inc. (PFI). PGIM Real Estate Finance is PGIM's real estate finance business. 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.

News of Note

There were numerous 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 2nd Quarter 2020 *Market News Quarterly*.

Softwood Sawmills:

- ❖ Canfor Corporation completed its acquisition of Elliott Sawmilling in Estill SC for \$110 million.
- ❖ Georgia-Pacific shut down operations at its sawmill in DeQuincy LA due to the COVID-19 pandemic and current market conditions.
- ❖ Interfor announced modifications to its previously announced Phase II strategic capital plan, including the postponement of the rebuild of the sawmill operation at its Thomaston GA mill and the deferral of the sawmill portion of the rebuild at its Eatonton GA mill.
- ❖ Klausner Lumber's sawmills in Live Oak FL and Enfield NC remained closed this quarter as the company sought Chapter 11 bankruptcy protection.
- ❖ Resolute Forest Products reported that its wood products division in North America has curtailed production by 25-30%.
- ❖ West Fraser continued to curtail production at its southern sawmills by approximately 24% through April due to market conditions; however, facilities generally returned to full production in May.

Pulp & Paper:

- ❖ Domtar extended downtime at two facilities, Kingsport TN and Ashdown AR, and shut down its Hawesville KY facility.
- ❖ Georgia-Pacific restarted a tissue machine at its Crossett AR mill, idled a corrugating medium machine at its Cedar Springs GA containerboard mill, and announced plans to shut down two machines at its Foley Cellulose Mill in Perry FL.
- ❖ Graphic Packaging idled a containerboard machine at its West Monroe LA mill beginning on June 30th.
- ❖ New-Indy Containerboard took a partial shutdown at its Catawba SC mill to begin conversion of a lightweight coated (LWC) paper machine to "ultra" lightweight, virgin unbleached kraft linerboard production.
- ❖ Packaging Corporation of America (PCA) temporarily idled both paper machines and the sheet converting operation at its uncoated freesheet mill in Jackson AL in April due to poor market conditions related to the COVID-19 pandemic.
- ❖ WestRock took market-related downtime on one machine at its Covington VA containerboard mill.

Timberland Finance

Your Lender of Choice for Timberland Capital



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

- Trusted agricultural and timberland lender since 1917
- Fixed and adjustable rate mortgage financing
- Competitive interest rates
- Tailored solutions to unique structures

See how you can grow with MetLife.

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 &
Processing Facilities
901-309-3339
walter.b.hatchett@metlife.com

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



www.metlife.com/timber
© 2018 METLIFE, INC



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®

News of Note (cont.)

OSB, Engineered Wood, & Panels:

- ❖ Arauco permanently closed its medium density fiberboard (MBF) plant in Bennettsville SC on May 18th. The mill was already offline due to market conditions driven by COVID-19.
- ❖ Georgia-Pacific temporarily closed its plywood plant in Madison GA in mid-April after several employees tested positive for COVID-19. The plant resumed production May 4th.
- ❖ Huber temporarily shut down oriented strand board (OSB) production for a few weeks in May at its plants in Commerce GA and Broken Arrow OK.
- ❖ Norbord began to increase production at its OSB plant in Cordele GA this quarter after remaining curtailed since the 4th Quarter of 2019.

Biofuel & Bioenergy:

- ❖ Enviva Partners, LP announced its agreement to purchase Georgia Biomass for a reported \$175 million. Enviva also acquired 100% interest in Enviva Pellets Greenwood Holdings II, LLC which owns a wood pellet plant in Greenwood SC through its wholly owned subsidiaries.
- ❖ Pinnacle Renewable Energy announced it has begun construction of its 360,000-metric ton-per-year pellet plant in Demopolis AL, with startup expected in mid-2021.

Timberland:

- ❖ Rayonier finalized its acquisition of Pope Resources on May 8th.



**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 were volatile for most wood products and pulp producers in the 2nd Quarter. However, conditions improved in May and June as the overall US economy switched from contraction to growth.

Lumber Indicators: Softwood lumber prices were down in April but increased substantially in both May and June. The June Random Lengths Southern Pine Composite¹ at \$505 per thousand board feet (mbf) was up \$149 Q/Q (+42%) and \$162 Y/Y (+47%).

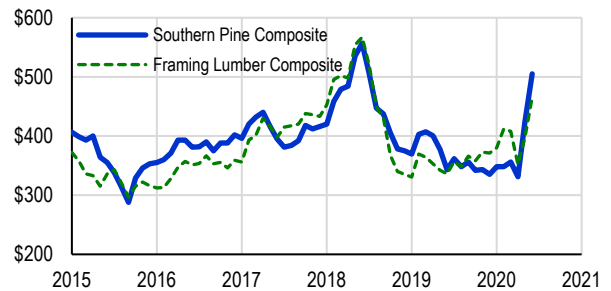
The June Hardwood Review US Kiln Dried Hardwood Lumber Index at \$1,078 per mbf was up \$19 Q/Q (+2%) but down \$155 Y/Y (-13%).

Panel Indicators: Southern Plywood and Southern OSB prices both fell in April but rebounded in May and June.

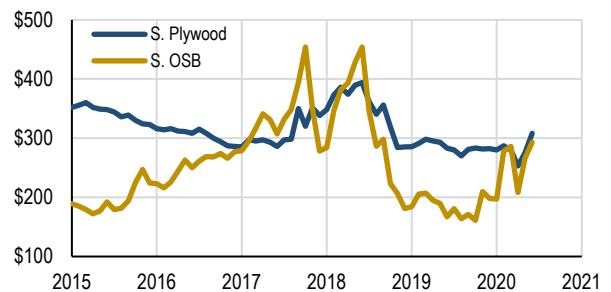
The June Random Lengths Southern Pine Plywood price for 3/8-inch exterior sheathing at \$308 per thousand square feet (msf) was up \$28 Q/Q (+10%) and \$25 Y/Y (+9%).

The June Random Lengths Southern OSB price at \$293 per msf was up \$7 Q/Q (+2%) and \$126 Y/Y (+75%).

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.



Let's Grow Together

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

800.633.4506

www.ifcoseedlings.com

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



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

Market Indicators (cont.)

Pulp & Paper Indicators: The American Forest and Paper Association (AF&PA) reported US paper and paperboard production at a combined 30.8 million tons YTD-May, the latest available, which was up marginally (<1%) compared to the same period in 2019.

The June Northern Bleached Softwood Kraft (NBSK) pulp index price at \$858 per ton was up \$22 Q/Q (+3%) but down \$155 Y/Y (-15%).

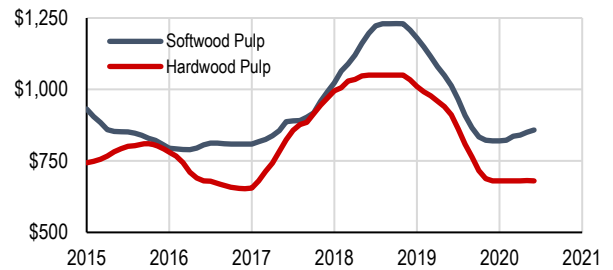
The June Bleached Hardwood Kraft Pulp (BHKP) price at \$680 per ton was unchanged Q/Q but down \$231 Y/Y (-25%).

US Building Construction: US residential building construction, a principal driver of the wood products industry, was down in April and May, but the strong start to 2020 has kept housing starts above last year's levels. According to the US Census, US housing starts YTD-May, the latest available, totaled 503,000 units, which was up slightly (<1%) compared to the same period in 2019.

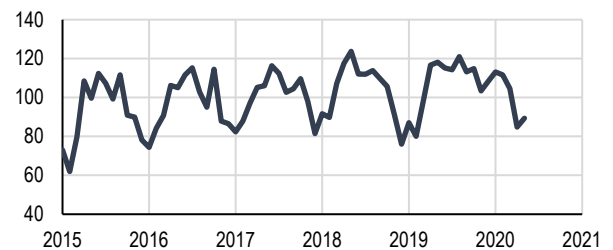
The US Census reported remodeling and improvement expenditures at \$78.2 billion YTD-May, the latest available, which was up \$12.3 billion (+19%) from the same period in 2019.

Southern Timberland Index: In the 2nd Quarter, the base case Southern Timberland Index (STI) averaged \$2,208 per acre, which was down 3% Q/Q and 4% Y/Y.

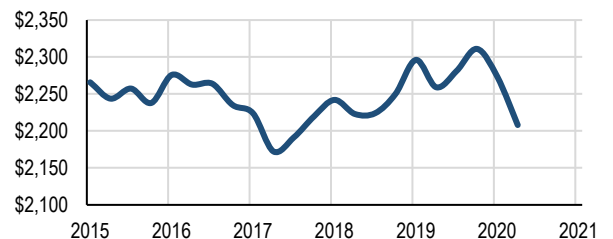
Pulp Index Price
Monthly Average Price (\$/ton)



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



Southern Timberland Index
Base Case (\$/acre)



**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

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

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

Market Indicators (cont.)

Fuel & Energy Indicators: Crude oil prices were up in the 2nd Quarter; both diesel and natural gas prices were down. The June 2020 monthly average Gulf Coast #2 Diesel price at \$2.18 per gallon was down \$0.32 Q/Q and \$0.65 Y/Y.

The June West Texas Intermediate (WTI) crude spot price at \$38 per barrel was up \$9 Q/Q but down 16 Y/Y.

The June Henry Hub Natural Gas spot price at \$1.62 per million BTU was down \$0.17 Q/Q and \$0.78 Y/Y.

Log & Lumber Exports: The USDA Foreign Agricultural Service (FAS) reported total exports for the four major forest products at over 3.4 million cubic meters (m³) YTD-May, the latest available, which was down 18% from the same period in 2019. Exports to China, the dominant US trade partner, were down 22% for this period.

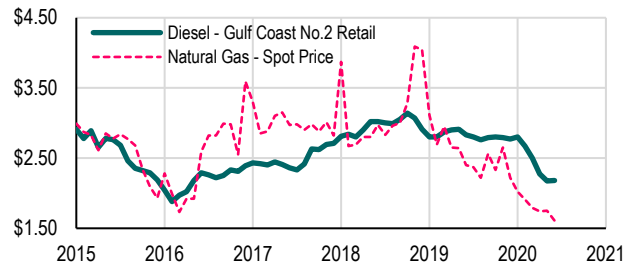
Compared to a year ago, southern yellow pine (SYP) log exports and SYP lumber exports were down 38% and 17%, respectively. Hardwood log exports and hardwood lumber exports were down 11% and 14%, respectively, from the same period a year ago.

Financial Indicators: After taking a major hit in February and March, financial markets made steady gains in the 2nd Quarter, with the Dow Jones Industrial Average (DJIA) increasing 18% Q/Q and closing out June at 25,813. The quarterly low was 20,944 on April 1st and quarterly high was 27,572 on June 8th.

The S&P 500 ended June at 3,100 (+20% Q/Q).

The NASDAQ ended March at 10,059 (+31% Q/Q).

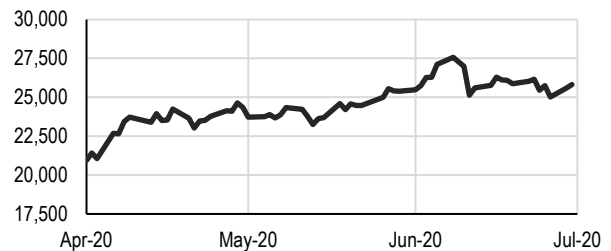
Gulf Coast No. 2 Diesel Retail Price (\$/gallon) & Henry Hub Natural Gas Spot Price Monthly Average (\$/mmBTU)



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

Product	World YTD 2020	World YTD 2019	China YTD 2020
SYP Softwood logs	422	677	338
SYP Softwood lumber	960	1,152	113
US Hardwood logs	783	880	352
US Hardwood lumber	1,266	1,475	557
Total	3,431	4,184	1,361

Dow Jones Industrial Average
2nd Quarter 2020



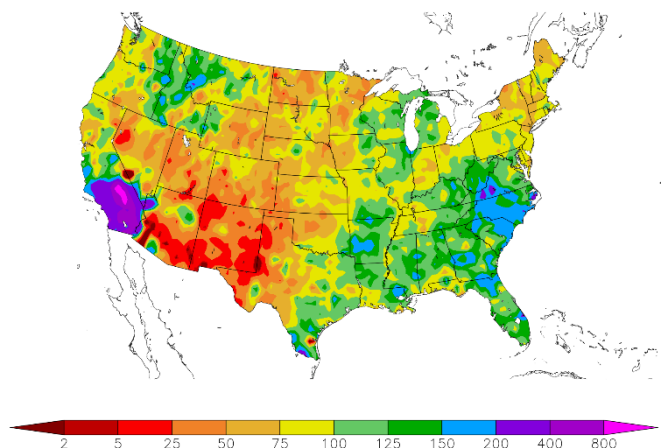
Weather, Etc.

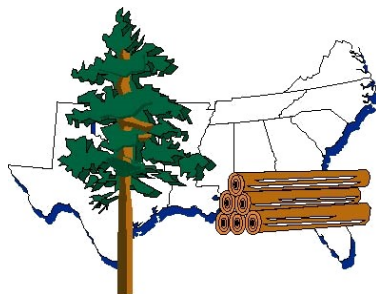
General Weather: Weather conditions averaged wetter than normal for most of the South this quarter, with violent storms affecting some areas across the region. Georgia and Virginia had close to their wettest April on record, and each of the Carolinas had nearly their wettest May.

Drought: Wet weather this quarter eliminated drought lingering in Florida last quarter. Scattered dry areas remain in Texas, Alabama, and western Tennessee.

Fire: During the quarter, 24,347 fires burned 1.43 million acres nationwide. Both were well below the 10-year average year-to-date but above last year's low levels. Roughly 225,000 acres (15% of the total) burned in the South.

Percent of Normal Precipitation (%)
4/1/2020 – 6/30/2020





TimberMart-South

1860 Barnett Shoals Road, PMB 103-598

Athens, GA 30605

(706)247-7660

www.TimberMart-South.com