

TimberMart-South

Quarterly Market Bulletin ~ 1st Quarter 2023

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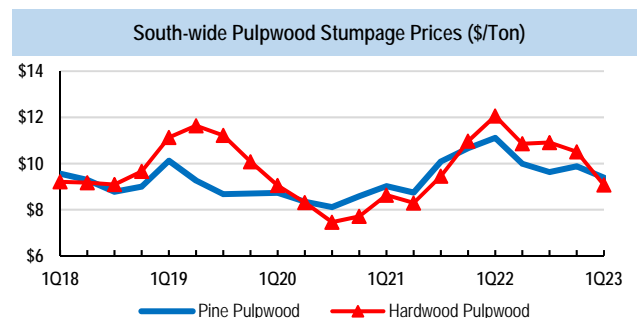
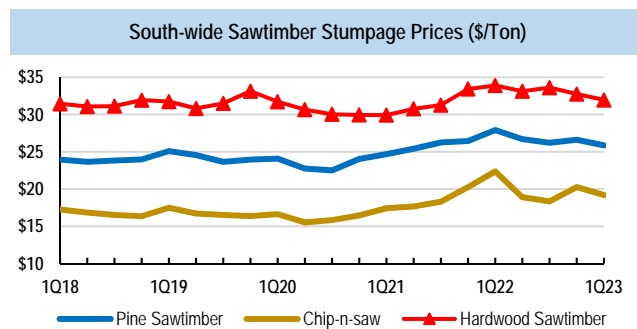
Prices & Market Conditions

Timber prices decreased in the 1st Quarter, as demand was hindered by economic conditions that negatively impacted most forest products markets. Pulp markets were weaker this quarter; however, markets for wood products strengthened a bit in February and March, with southern pine lumber prices ultimately increasing 5-10% Q/Q.

South-wide Stumpage Markets

South-wide average stumpage prices decreased for all five major timber products in the 1st Quarter. In particular, since 1st Quarter 2022, South-wide average prices are down more than \$2 per ton (-7%) for pine sawtimber and more than \$3 per ton (-14%) for pine chip-n-saw. Pulpwood prices have also experienced a notable decrease since 1st Quarter 2022, with pine pulpwood price down 15% and hardwood pulpwood price down 25% Y/Y.

Δ 4Q22	Δ 1Q22	South-wide Stumpage, 1 st Quarter 2023	
▼	▼	Pine Sawtimber:	\$25.87/ton
		Down \$0.74 Q/Q and down \$2.04 Y/Y	
▼	▼	Pine Chip-n-saw:	\$19.17/ton
		Down \$1.09 Q/Q and down \$3.19 Y/Y	
▼	▼	Pine Pulpwood:	\$9.39/ton
		Down \$0.49 Q/Q and down \$1.72 Y/Y	
▼	▼	Hardwood Sawtimber:	\$31.95/ton
		Down \$0.80 Q/Q and down \$1.95 Y/Y	
▼	▼	Hardwood Pulpwood:	\$9.07/ton
		Down \$1.44 Q/Q and down \$2.29 Y/Y	



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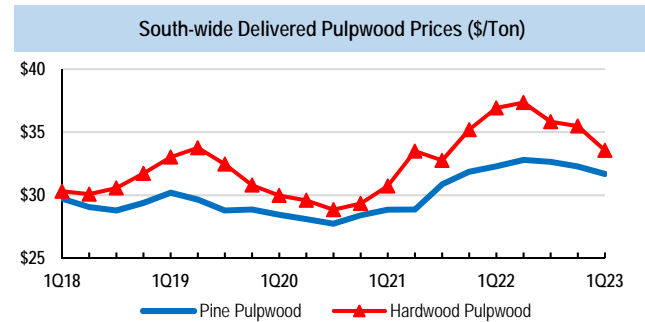
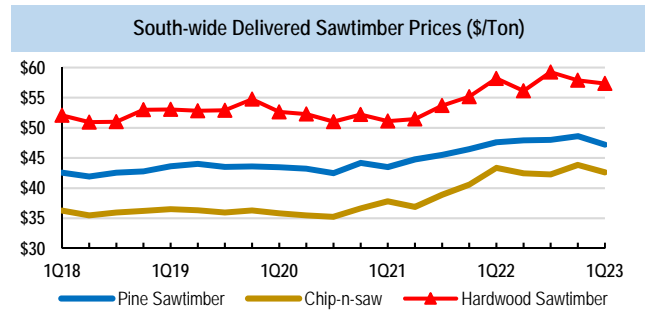
South-wide Delivered Prices

South-wide delivered prices decreased for all five major timber products in the 1st Quarter.

South-wide delivered pine sawtimber price, which had increased for seven consecutive quarters prior to this quarter, fell to \$47.20 per ton in 1st Quarter 2023. However, despite declining more than \$1.40 per ton Q/Q, delivered pine sawtimber price is still up 9% (+\$3.70 per ton) since the 1st Quarter of 2021. Similarly, South-wide delivered pine chip-n-saw price, which also fell this quarter, is up 13% (+\$4.80 per ton) since 1st Quarter 2021.

Delivered pine and hardwood pulpwood prices both declined this quarter. Average prices were down for the 3rd consecutive quarter after setting respective record highs in 2nd Quarter 2021. However, both remain well above respective 5 and 10-year average price levels.

Δ 4Q22	Δ 1Q22	South-wide Delivered, 1 st Quarter 2023	
▼	▼	Pine Sawtimber: Down \$1.42 Q/Q and down \$0.41 Y/Y	\$47.20/ton
▼	▼	Pine Chip-n-saw: Down \$1.23 Q/Q and down \$0.74 Y/Y	\$42.62/ton
▼	▼	Pine Pulpwood: Down \$0.60 Q/Q and down \$0.61 Y/Y	\$31.68/ton
▼	▼	Hardwood Sawtimber: Down \$0.52 Q/Q and down \$0.83 Y/Y	\$57.36/ton
▼	▼	Hardwood Pulpwood: Down \$1.93 Q/Q and down \$3.37 Y/Y	\$33.55/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 2023 *Market News Quarterly*.

Softwood Sawmills:

- ❖ Anthony Timberlands announced temporary closure of their southern pine sawmill in Malvern AR beginning January 6th for a month. The decision was due to intense local opposition to continued operations at the sawmill in response to an alleged release of polluted storm water from the facility.
- ❖ Camden Timbers, a subsidiary of Astara Capital Partners, reopened the former Victory Lumber southern yellow pine sawmill in Camden AR in February. The group invested about \$20 million to upgrade the facility to produce small-log timbers and dimensional lumber with 50 mmbf of annual lumber capacity.
- ❖ West Fraser indefinitely curtailed lumber production in January at their sawmill in Perry FL. The curtailment reduces the company's annual lumber production by about 100 mmbf and affects roughly 126 employees. West Fraser attributed the decision to high fiber costs and weakening lumber markets.
- ❖ Weyerhaeuser started up their upgraded sawmill in Holden LA at the end of 2022. Projects under construction for the past three years include upgrades to increase lumber kiln-drying capacity. The company plans to start up the new planer mill at the facility later this year and complete other projects such as necessary infrastructure and upgraded computer technology.

Pulp & Paper:

- ❖ Pactiv Evergreen idled paper machine No. 20 in February at their pulp and paper mill in Canton NC due to market conditions according to press reports. The company then announced in March plans to take major restructuring actions related to its Beverage Merchandising operations, which included closure of the Canton mill as well as a converting facility in Olmsted Falls OH. Operations at both facilities are to end during the 2nd Quarter of 2023. The closures affect about 1,300 employees.
- ❖ Paper Excellence (PE) of Richmond, British Columbia, announced on March 1st their wholly-owned subsidiary, Domtar Corporation, had closed the previously-announced acquisition of Resolute Forest Products. Resolute stockholders received \$20.50 per Resolute share of common stock, estimated at \$2.7 billion. The transaction includes a contingent value right (CVR) for Resolute shareholders to receive a share of any refunds on the company's \$500 million in duty deposits under the US softwood lumber import dispute with Canada. The deal makes PE the number one pulp producer in North America according to Fastmarkets RISI. Resolute operates three sawmills as well as two pulp mills in the South.

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News of Note (cont.)

OSB, Engineered Wood, & Panels:

- ❖ Egger Wood Products started up the third production line at their Lexington particleboard plant in Linwood NC. The \$21 million investment expands thermally fused laminate production by over 50% to 155 mmsf per year. The company also plans to expand the woodyard at the facility including a new truck receiving system and radial stacker to increase wood handling capacity at the facility. Completion of the woodyard improvements is expected in early 2023.
- ❖ Structurlam Mass Timber temporarily ceased production on January 18th at their plant in Conway AR. The company cited a customer contract cancellation for the suspension and added that roughly one million cubic feet (roughly 32 msf 3/8 basis) per year of glulam and cross-laminated timber (CLT) will now be available for other customers. The curtailment affects about 144 employees.

Biofuel & Bioenergy:

- ❖ Aymium and Steel Dynamics announced the selection of Columbus MS for their new SDI Biocarbon Solutions joint venture. The facility will produce roughly 160,000 metric tons per year of biocarbon as a substitute for anthracite coal in Steel Dynamics' nearby steel manufacturing plant. The companies expect the facility to startup in 2024 and employ about 40 people.
- ❖ Drax announced plans to invest \$50 million to expand their pellet mill in Aliceville AL. The 140,000 ton-per-year expansion will increase wood pellet production capacity at the facility by roughly 50% to about 380,000 metric tons per year. The expansion includes upgrades to existing systems, new truck dumps, and new pelletizer units. The company expects the additional capacity to begin commissioning in 2024.



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Biofuel & Bioenergy (cont.):

- ❖ Enviva made several announcements this quarter:
 - The company announced in February that the North Carolina Department of Environmental Quality issued their wood pellet manufacturing facility in Ahoskie NC a modified air quality permit. The permit will allow – after the installation of new air pollution controls – expansion of the current pellet capacity from 481,800 metric tons per year to 630,000 metric tons per year.
 - Enviva announced in March that the Mississippi Department of Environmental Quality issued a construction permit for their proposed wood pellet manufacturing facility in Bond MS. The plant will have annual capacity to produce 1.2 million tons of oven-dried wood pellets, with startup expected in 2024.
 - Enviva announced on March 27th that operations were suspended at their pellet mill in Amory MS due to tornado damage that occurred on March 24th. The company reported all employees and associates were safe. Evaluation of the damage is underway, and the company continues to provide assistance to local officials and first responders in damaged areas of the community.

Timberland Transactions:

- ❖ JP Morgan Global Alternatives announced in February the acquisition of 250,000 acres of timberland in the Southeast US by institutional investors advised by the company’s timber investment manager, Campbell Global. According to unconfirmed press reports the land is in Arkansas, Mississippi, and Oklahoma. The seller was not disclosed but the company valued the transaction at over \$500 million (roughly \$2,000 per acre). The properties will be managed for both carbon capture and timber production.



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Market Indicators

Market conditions improved modestly for most wood products manufacturers but weakened slightly for pulp producers in the 1st Quarter of 2023.

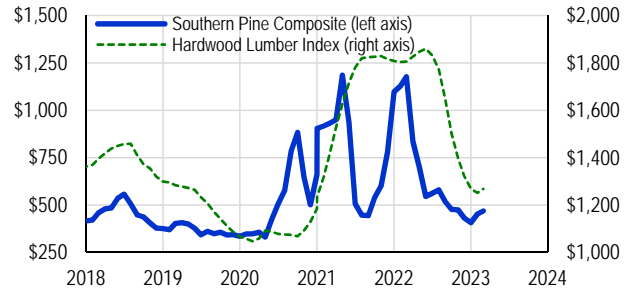
Lumber Indicators: Softwood lumber prices increased in the 1st Quarter. The March Random Lengths Southern Pine Composite¹ at \$468 per thousand board feet (mbf) was up \$37 Q/Q (+9%) but down \$709 Y/Y (-60%).

The March Hardwood Review US Kiln Dried Hardwood Lumber Index at \$1,290 per mbf was down \$31 Q/Q (-2%) and \$516 Y/Y (-29%).

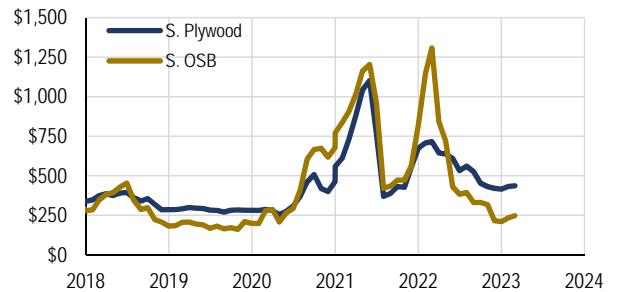
Panel Indicators: Southern Plywood and Southern OSB prices both increased this quarter. The March Random Lengths Southern Pine Plywood price for 3/8-inch exterior sheathing at \$436 per thousand square feet (msf) was up \$16 Q/Q (+4%) but down \$280 Y/Y (-39%).

The March Random Lengths Southern OSB price at \$248 per msf was up \$32 Q/Q (+15%) but down \$1,060 Y/Y (-81%).

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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Market Indicators (cont.)

Pulp & Paper Indicators: The American Forest and Paper Association (AF&PA) reported US paper and paperboard production at a combined 72.2 million tons in 2022, the latest available, which was down 2.2 million tons (-3%) compared to 2021 levels.

The March Northern Bleached Softwood Kraft (NBSK) pulp index price at \$1,376 per ton was down \$61 Q/Q (-4%) but up \$47 Y/Y (+4%).

The March Bleached Hardwood Kraft Pulp (BHKP) price at \$1,285 per ton was down \$95 Q/Q (-7%) but up \$117 Y/Y (+10%).

US Building Construction: US residential building construction, a principal driver of the wood products industry, have held steady in early-2023. Housing starts YTD-February were behind totals for the same period a year ago, but improvement expenditures YTD-February, the latest available, were the highest on record for this period.

According to the US Census, US housing starts totaled 201,700 units YTD-February, the latest available, which was down from 247,100 units for the same period in 2022.

The US Census reported remodeling and improvement expenditures at \$47.1 billion YTD-February, the latest available, which was up \$3.4 billion (+8%) from the same period in 2022.

Fuel & Energy Indicators: Diesel, crude oil, and natural gas prices were all down in the 1st Quarter. The March 2023 monthly average Gulf Coast #2 Diesel price at \$3.96 per gallon was down \$0.35 Q/Q (-8%) and \$0.98 Y/Y (-20%).

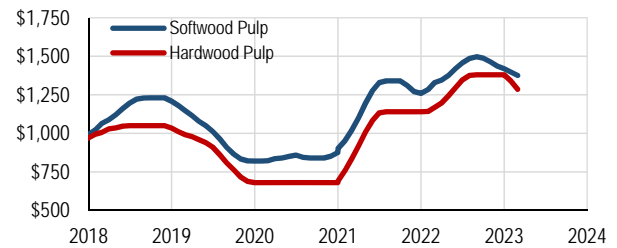
The March West Texas Intermediate (WTI) crude spot price at \$73 per barrel was down \$3 Q/Q (-4%) and \$35 Y/Y (-32%).

The March Henry Hub Natural Gas spot price at \$2.40 per million BTU was down \$3.13 Q/Q (-57%) and \$2.50 Y/Y (-51%).

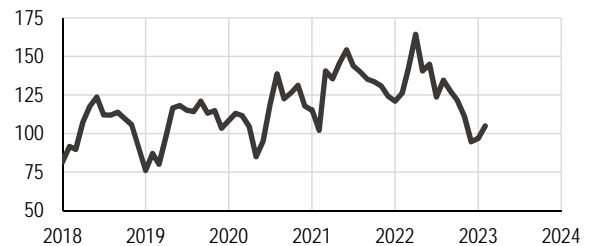
Log & Lumber Exports: The USDA Foreign Agricultural Service (FAS) reported total exports for the four major forest products at 6.7 million cubic meters (m³) in 2022, which was down 20% from 2021 levels. Exports to China, the dominant US trade partner, were down 49% for this period.

Compared to 2021 levels, southern yellow pine (SYP) log and lumber exports were down 69% and 15%, respectively. Hardwood log exports were down marginally while hardwood lumber exports were up marginally from 2021 levels.

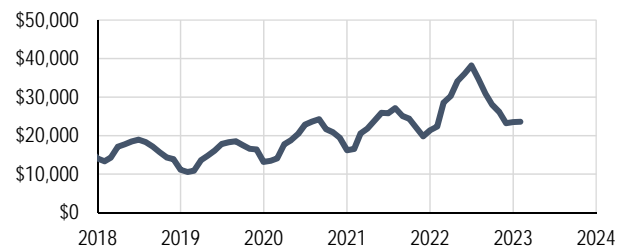
Pulp Index Price
Monthly Average Price (\$/ton)



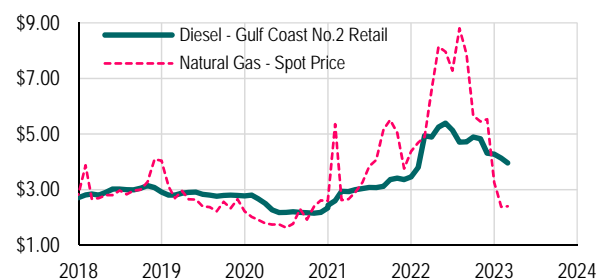
US Census Bureau – US Housing Starts
(Monthly Total – 000 Units)



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 (2022)
Volume in Thousand Cubic Meters

Product	World 2022	World 2021	China 2022
SYP Softwood logs	704	2,302	39
SYP Softwood lumber	681	799	31
US Hardwood logs	2,015	2,024	965
US Hardwood lumber	3,339	3,317	1,093
Total	6,739	8,441	1,838



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Market Indicators (cont.)

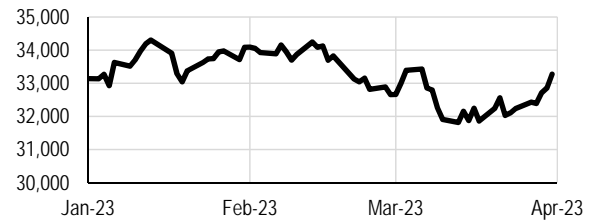
Financial Indicators: Financial markets were volatile in the 1st Quarter of 2023. Specifically, the Dow Jones Industrial Average (DJIA) was up and down in the 1st Quarter but closed out March at 33,274, up marginally (+0.4%) from the previous quarter. The quarterly high was 34,303 on January 13th and the quarterly low was 31,819 on March 13th. Year-over-year, the DJIA was down 4%.

The S&P 500 ended March at 4,109 (+7% Q/Q; -9% Y/Y).

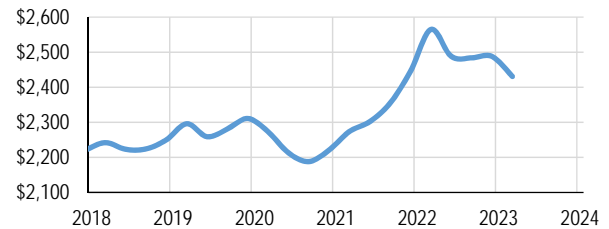
The NASDAQ ended March at 12,222 (+17% Q/Q; -14% Y/Y).

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 1st Quarter of 2023, the base case STI averaged \$2,431 per acre, which was down 2% Q/Q and 5% Y/Y.

Dow Jones Industrial Average
1st Quarter 2023



Southern Timberland Index
Base Case (\$/acre)



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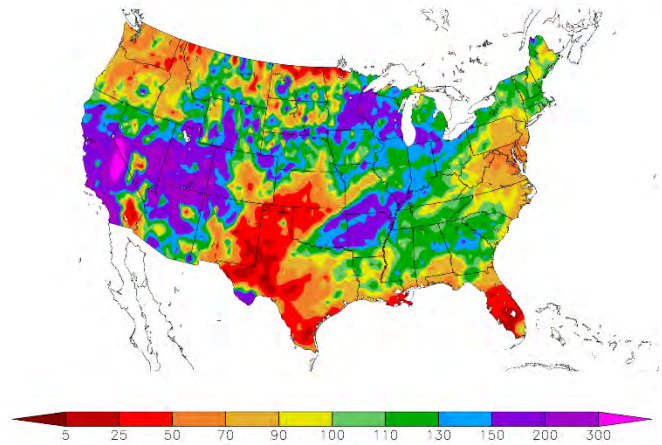
Weather, Etc.

General Weather: Most of the South experienced above normal precipitation this quarter, with Arkansas receiving near record levels. Heavy storms, ice, and tornadoes affected many areas. In January, timber damage due to severe weather including tornadoes ranged across Texas, Alabama, Georgia, and Tennessee.

Another wave of storms hit the South in early March. Rain, ice, and tornadoes left over one million without power, with Alabama, Mississippi, and Tennessee among the worst affected states. Friday, March 31st, tornadoes and severe weather hit the South again, with worst effects in Arkansas.

Fire: Wildfire burned 123,000 acres nationwide in the 1st Quarter, with roughly 87,000 acres (70%) burned in the South. Acres burned in the South were moderate and the lowest since 2020.

Percent of Normal Precipitation (%)
1/1/2023 - 3/31/2023



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