

TimberMart-South

Quarterly Market Bulletin ~ 3rd Quarter 2023

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Prices & Market Conditions

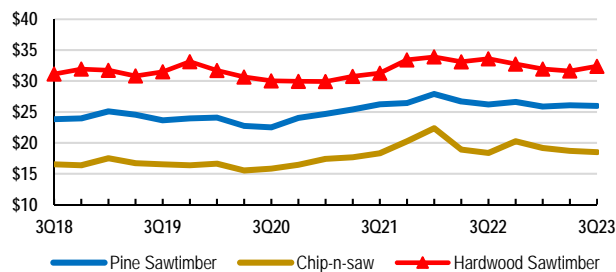
Timber prices generally decreased in the 3rd Quarter, as drier weather conditions alleviated supply constraints. Pulp markets weakened further this quarter, while wood products markets strengthened slightly – with structural panel prices increasing as much as 30% and lumber prices holding relatively steady.

South-wide Stumpage Markets

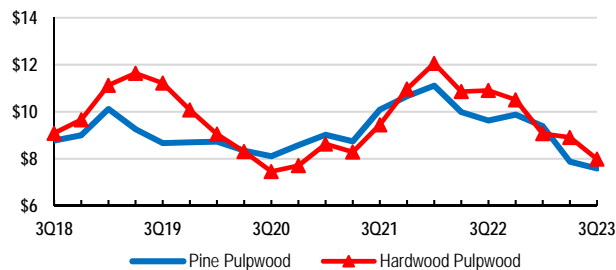
South-wide average stumpage prices decreased for four of the five major timber products in the 3rd Quarter. Only the South-wide average hardwood sawtimber price increased this quarter. This was in line with historic seasonal trends, as prices have decreased quarter-over-quarter (Q/Q) in the 3rd Quarter in seven of the last 10 years for pine sawtimber and eight of the last 10 years for pine pulpwood. Similarly, the increase in hardwood sawtimber price aligned with its seasonal norm, as prices have increased Q/Q in the 3rd Quarter in 23 of the last 25 years.

Δ 2023	Δ 3Q22	South-wide Stumpage, 3 rd Quarter 2023	
▼	▼	Pine Sawtimber: Down \$0.09 Q/Q and down \$0.22 Y/Y	\$25.98/ton
▼	▲	Pine Chip-n-saw: Down \$0.21 Q/Q but up \$0.13 Y/Y	\$18.48/ton
▼	▼	Pine Pulpwood: Down \$0.29 Q/Q and down \$2.04 Y/Y	\$7.59/ton
▲	▼	Hardwood Sawtimber: Up \$0.77 Q/Q but down \$1.22 Y/Y	\$32.39/ton
▼	▼	Hardwood Pulpwood: Down \$0.92 Q/Q and down \$2.92 Y/Y	\$7.99/ton

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



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



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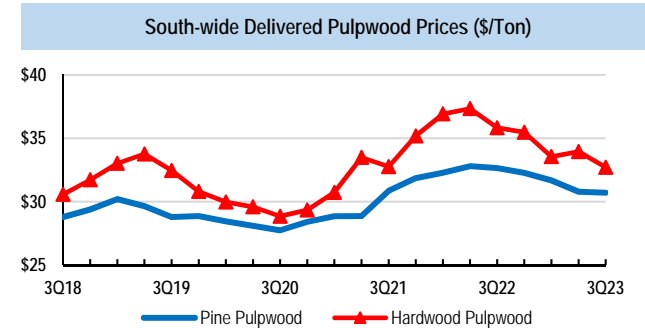
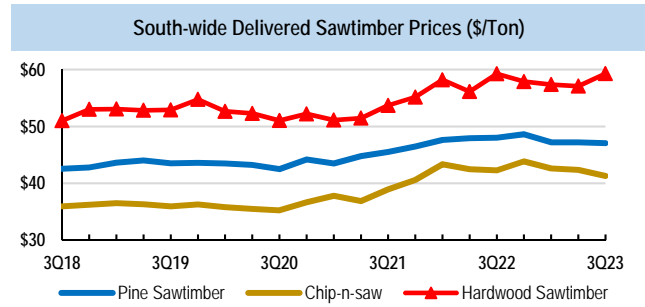
South-wide Delivered Prices

South-wide delivered prices decreased for four of the five major timber products in the 3rd Quarter. Only South-wide delivered hardwood sawtimber price increased this quarter.

South-wide delivered prices decreased for both pine sawtimber and pine chip-n-saw this quarter, albeit only marginally (<1%) for pine sawtimber. However, South-wide delivered hardwood sawtimber price increased and set a new record high in the 3rd Quarter.

The South-wide delivered pine pulpwood price decreased for the 5th consecutive quarter and is down more than \$2.00 since setting its record high of \$32.80 per ton in the 2nd Quarter of 2022. The South-wide delivered hardwood pulpwood price has decreased four of the last five quarters and is down more than \$4.50 (-12%) since setting a record high of \$37.34 per ton in 2nd Quarter 2022.

Δ 2023	Δ 3Q22	South-wide Delivered, 3 rd Quarter 2023	
▼	▼	Pine Sawtimber: Down \$0.15 Q/Q and down \$0.96 Y/Y	\$47.06/ton
▼	▼	Pine Chip-n-saw: Down \$1.06 Q/Q and down \$0.98 Y/Y	\$41.30/ton
▼	▼	Pine Pulpwood: Down \$0.07 Q/Q and down \$1.94 Y/Y	\$30.71/ton
▲	▲	Hardwood Sawtimber: Up \$2.20 Q/Q and up \$0.03 Y/Y	\$59.28/ton
▼	▼	Hardwood Pulpwood: Down \$1.24 Q/Q and down \$3.12 Y/Y	\$32.71/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 3rd Quarter 2023 *Market News Quarterly*.

Softwood Sawmills:

- ❖ Harrigan Lumber ceased operations at its sawmill in Monroeville AL in mid-September to complete a major capital improvement project. Operations are to resume in January 2024. The mill has an annual capacity of about 115 mmbf.
- ❖ Hood Industries announced in September plans to close its sawmill in Metcalfe GA. The company cited raw material and labor challenges for the decision. The company plans to reevaluate the mill operation in the future but keep the facility closed, for now. The closure affects about 100 employees.
- ❖ Jordan Forest Products sold its southern pine sawmill in Barnesville GA to Langdale Industries. The sale was completed in mid-September; terms were not disclosed. The mill has an annual lumber capacity of about 120 mmbf.

Pulp & Paper:

- ❖ Georgia-Pacific announced plans in September to permanently close its Foley Cellulose mill in Perry FL. The company noted that this was a strategic decision and was made prior to Hurricane Idalia. Production at the mill will continue for a limited time to fulfill commitments to customers. The closure affects about 525 employees.
- ❖ Hood Container announced on July 31st its acquisition of the corrugated packaging business of Sustainable Printing LLC of Dalton GA. The Dalton plant is a specialty sheet plant with digital print capabilities. Hood plans to continue operating these assets in the current facility.
- ❖ Sonoco completed its acquisition of remaining equity interest in RTS Packaging from joint venture partner, WestRock, for \$330 million. The transaction includes WestRock's mill in Chattanooga TN, which supplies RTS with uncoated recycled paperboard (URB).



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News of Note (cont.)

Pulp & Paper (cont.):

- ❖ WestRock made several announcements this quarter:
 - WestRock permanently shut down its pulp and paper mill in North Charleston SC at the end of August. The North Charleston mill had an annual capacity of 280,000 tons of containerboard as well as about 270,000 tons of uncoated kraft paper and unbleached saturating kraft paper.
 - The company also announced in July plans to implement market-related curtailments at its pulp and paper mill in Covington VA. Duration of the curtailment was not disclosed.
 - WestRock and Dublin-based Smurfit Kappa Group announced their potential merger to create a global packaging company to be named Smurfit WestRock. The combined company would merge a Smurfit Kappa subsidiary with WestRock, to be incorporated and domiciled in Ireland, with global headquarters in Dublin.

OSB, Engineered Wood, & Panels:

- ❖ West Fraser announced in July that the company had restarted its OSB plant in Allendale SC late in the 2nd Quarter 2023, with the capital investment in the modernization of the facility nearly complete.

Biofuel & Bioenergy:

- ❖ Enviva announced updates for multiple pellet mill projects:
 - The Epes wood pellet mill in Sumter County AL is under construction. With a target annual production capacity of 1.1 million metric tons of pellets, the company plans to place the mill in service on time and on budget in mid-2024.
 - The Southampton plant near Franklin VA has been operating at half of its nameplate capacity since last quarter while the company retrofits an underperforming dryer line.
 - An extended outage is underway at the Ahoskie NC plant as part of its planned capacity expansion. The project, once complete, will increase production capacity from 410,000 to 600,000 metric tons per year.
 - Enviva's Amory MS plant was offline following tornado damage suffered in March 2023. The company expected repairs to be complete and operations to resume by October 2023.
 - The company has received all the necessary permits for its plant under development in Bond MS and expects to proceed with construction. However, due to increased capacity of their existing mills, Enviva has moved planned startup until 2026, a six to twelve month delay from mid-2025 as initially planned.

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Biofuel & Bioenergy (cont.):

- ❖ Renewable Biomass Group nears completion of plans announced in 2021 to build a new pellet plant in Adel, Georgia (TMS GA2). The facility, located in an industrial park south of Adel, has an annual capacity of 590,000 metric tons.

Timberland:

- ❖ Claw Forestry sold 27,500 acres in central Alabama known as the Valley Creek package to the Rohatyn Group for \$48.8 million (\$1,777 per acre). Approximately 10,000 acres were part of the Valley Creek Land & Timber estate managed by Claw, with the remainder from other holdings.
- ❖ Conservation Resource Partners sold most of its Project Verde timberland to Manulife Investment Management, totaling about 70,230 acres in four states for a total of \$123.7 million (averaging \$1,761 per acre).
- ❖ Conservation Resource Partners sold the remaining 23,000-acre Red Hill package in Alabama to The Conservation Fund (TCF) for \$60.1 million (\$2,615 per acre).
- ❖ Forest Investment Associates (FIA) sold 22,000 acres of timberland in Mississippi, known as Coles Creek Timberlands, to Weyerhaeuser for \$60 million (about \$2,730 per acre). The acquisition is primarily southern pine plantations in sale units spanning from Oxford in the north to Brookhaven in the south. Weyerhaeuser expects the properties to deliver immediate synergies with existing company operations.

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Market Indicators

Market conditions remained stable or improved for most wood products manufacturers but weakened for most pulp producers in the 3rd Quarter of 2023.

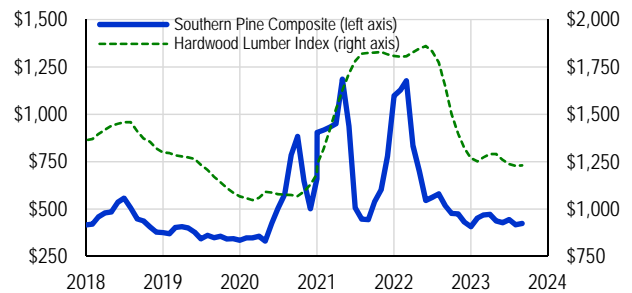
Lumber Indicators: Softwood lumber prices decreased slightly in the 3rd Quarter. The September Random Lengths Southern Pine Composite¹ at \$424 per thousand board feet (mbf) was down \$4 Q/Q (-1%) and \$93 Y/Y (-18%).

The September Hardwood Review US Kiln Dried Hardwood Lumber Index at \$1,230 per mbf was down \$29 Q/Q (-2%) and \$417 Y/Y (-25%).

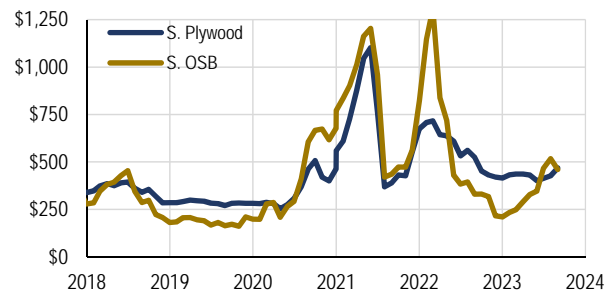
Panel Indicators: Prices were up for both Southern Plywood and Southern OSB this quarter. The September Random Lengths Southern Pine Plywood price for 3/8-inch exterior sheathing at \$468 per thousand square feet (msf) was up \$67 Q/Q (+17%) but down \$57 Y/Y (-11%).

The September Random Lengths Southern OSB price at \$460 per msf was up \$114 Q/Q (+33%) and \$130 Y/Y (+39%).

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 33.5 million tons YTD-June, the latest available, which was down 3.8 million tons (-10%) compared to the same period in 2022.

The September Northern Bleached Softwood Kraft (NBSK) pulp index price at \$1,149 per ton was down \$109 Q/Q (-9%) and \$348 Y/Y (-23%).

The September Bleached Hardwood Kraft Pulp (BHKP) price at \$805 per ton was down \$179 Q/Q (-18) and \$575 Y/Y (-42%).

US Building Construction: US residential building construction, a principal driver of the wood products industry, is down compared to 2022 levels. Housing starts YTD-August, the latest available, were behind totals for the same period a year ago and improvement expenditures YTD-August were down slightly from the same period in 2022.

According to the US Census, US housing starts totaled 960,000 units YTD-August, the latest available, which was down 13% from 1,097,700 units for the same period in 2022.

The US Census reported remodeling and improvement expenditures at \$238.0 billion YTD-August, the latest available, which was down \$7.6 billion (-3%) from the same period in 2022.

Fuel & Energy Indicators: Diesel, crude oil, and natural gas prices were all up in the 3rd Quarter. The September 2023 monthly average Gulf Coast #2 Diesel price at \$4.25 per gallon was up \$0.75 Q/Q (+21%) but down \$0.47 Y/Y (-10%).

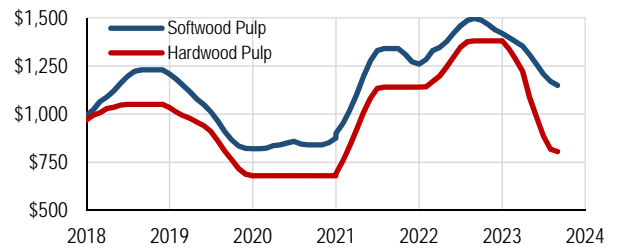
The September West Texas Intermediate (WTI) crude spot price at \$87 per barrel was up \$17 Q/Q (+24%) and \$3 Y/Y (+4%).

The September Henry Hub Natural Gas spot price at \$2.61 per million BTU was up \$0.43 Q/Q (+20%) but down \$5.27 Y/Y (-67%).

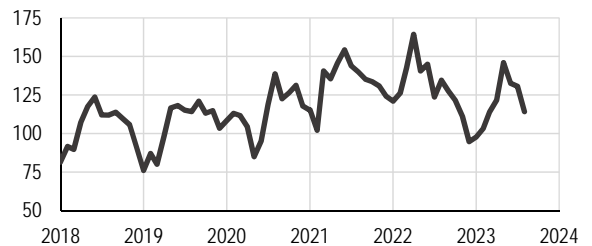
Log & Lumber Exports: The USDA Foreign Agricultural Service (FAS) reported total exports for the four major forest products at 3.5 million cubic meters (m³) YTD-July, the latest available, which was down 19% from the same period in 2022. Exports to China, the dominant US trade partner, were down 10% for this period.

Compared to 2022 levels for this period, southern yellow pine (SYP) log exports were down 38% while SYP lumber exports were up 18%. Hardwood log and lumber exports were down 15% and 23%, respectively, from the same period in 2022.

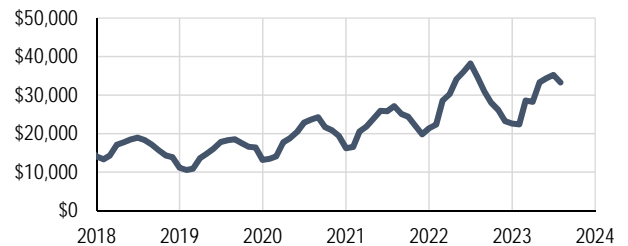
Pulp Index Price
Monthly Average Price (\$/ton)



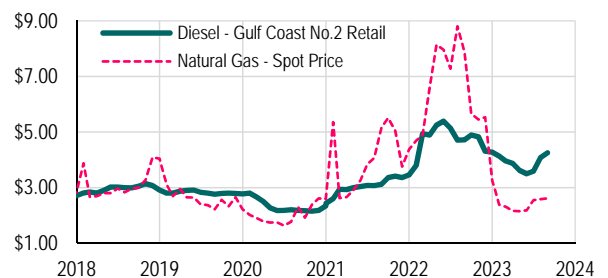
US Census Bureau – US Housing Starts
(Monthly Total – 000 Units)



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-July 2023)
Volume in Thousand Cubic Meters

Product	World YTD 2023	World YTD 2022	China YTD 2023
SYP Softwood logs	289	470	11
SYP Softwood lumber	436	370	46
US Hardwood logs	1,086	1,282	565
US Hardwood lumber	1,649	2,140	618
Total	3,460	4,261	1,240

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Market Indicators (cont.)

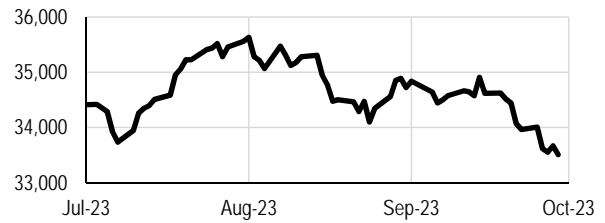
Financial Indicators: Financial markets generally weakened in the 3rd Quarter of 2023. Specifically, the Dow Jones Industrial Average (DJIA) closed out September at 33,508, down 2.6% from the previous quarter. The quarterly high was 35,631 on August 1st and the quarterly low was 33,508 on September 29th. Year-over-year, the DJIA was up 17%.

The S&P 500 ended September at 4,288 (-4% Q/Q; +20% Y/Y).

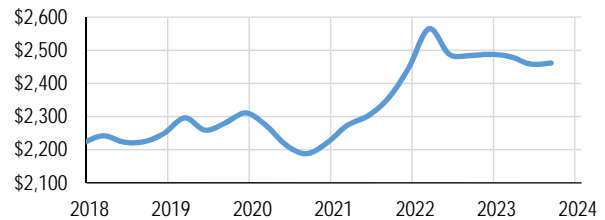
The NASDAQ ended September at 13,219 (-4% Q/Q; +25% Y/Y).

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 3rd Quarter of 2023, the base case STI averaged \$2,462 per acre, which was nearly unchanged Q/Q but down 1% Y/Y.

Dow Jones Industrial Average
3rd Quarter 2023



Southern Timberland Index
Base Case (\$/acre)

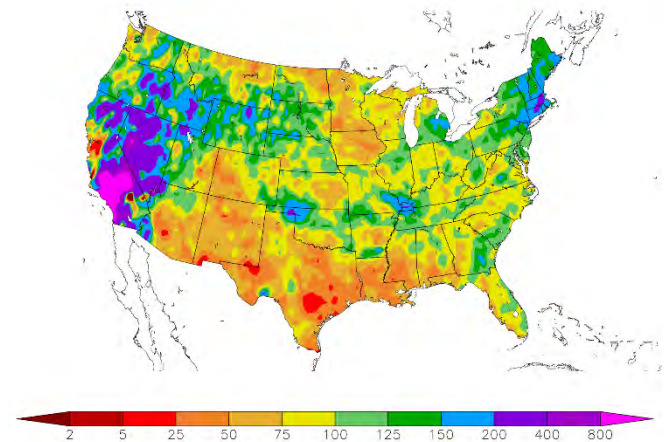


Weather, Etc.

General Weather: Precipitation varied widely across the South this quarter, with wetter than normal conditions prevailing along the Atlantic Coast after two tropical storms in late August and early September: Idalia and Ophelia. Extremely dry conditions along the Gulf Coast combined with record high temperatures to aggravate an already fierce fire season, particularly in Louisiana. Louisiana, Mississippi, and Florida set new records for highest average temperatures in August. Louisiana also had a new record driest August.

Fire: Wildfire burned 2.45 million acres nationwide year-to-date through September, with roughly 415,000 acres (17%) burned in the South. Acres burned in the South were second highest since 2019 but down considerably from the five-year high set last year: 751,000 acres burned by this time last year. US acres burned year-to-date were the lowest in five years and well below the 6.18-million-acre ten-year average.

Percent of Normal Precipitation (%)
7/1/2023 – 9/30/2023





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