

TimberMart-South

Quarterly Market Bulletin ~ 4th Quarter 2023

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Prices & Market Conditions

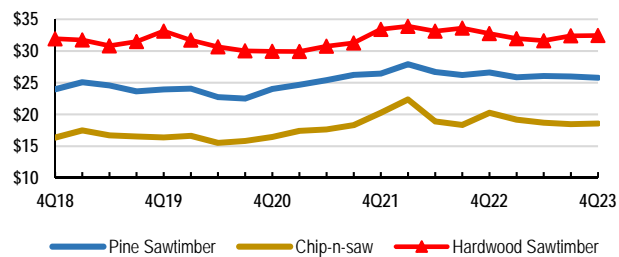
Timber prices generally increased in the 4th Quarter, despite dry weather conditions persisting in many regions throughout the South. Pulp markets improved modestly this quarter, while wood products markets generally weakened – with Southern pine lumber prices decreasing more than 10% and Southern OSB prices decreasing more than 20%.

South-wide Stumpage Markets

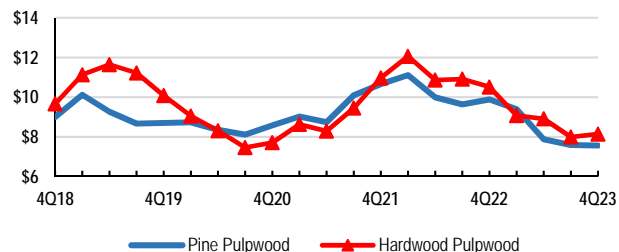
South-wide average stumpage prices increased for three of the five major timber products in the 4th Quarter. South-wide average pine sawtimber and pine pulpwood price both decreased marginally this quarter. Notably, prices of both pine sawtimber and pine chip-n-saw have experienced an upward shift post-COVID. Since the 1st Quarter of 2022, average price levels for pine sawtimber and pine chip-n-saw are up 10% and 15%, respectively, compared to average price levels from 2017-2019 prior to the onset of COVID-19.

Δ 3Q23	Δ 4Q22	South-wide Stumpage, 4 th Quarter 2023	
▼	▼	Pine Sawtimber: Down \$0.19 Q/Q and down \$0.82 Y/Y	\$25.79/ton
▲	▼	Pine Chip-n-saw: Up \$0.09 Q/Q but down \$1.69 Y/Y	\$18.57/ton
▼	▼	Pine Pulpwood: Down \$0.03 Q/Q and down \$2.32 Y/Y	\$7.56/ton
▲	▼	Hardwood Sawtimber: Up \$0.05 Q/Q but down \$0.31 Y/Y	\$32.44/ton
▲	▼	Hardwood Pulpwood: Up \$0.15 Q/Q but down \$2.37 Y/Y	\$8.14/ton

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



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



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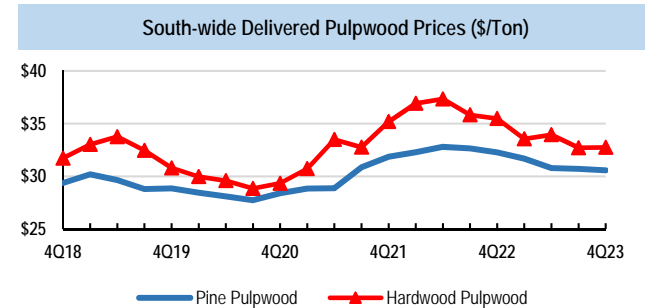
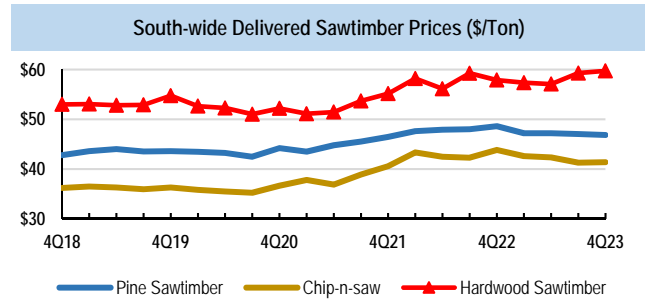
South-wide Delivered Prices

South-wide delivered prices decreased for both pine sawtimber and pine pulpwood but increased for pine chip-n-saw, hardwood sawtimber, and hardwood pulpwood in the 4th Quarter.

South-wide delivered pine sawtimber price decreased marginally this quarter. However, South-wide average prices have held relatively steady and averaged more than \$47.50 per ton since 1st Quarter 2022, which is up more than 10% from the approximately \$43 per ton averaged from 2011-2020. Similarly, South-wide average pine chip-n-saw prices have averaged roughly \$42.50 per ton since 1st Quarter 2022, up more than 20% compared to 2011-2020 average levels.

The South-wide delivered pine pulpwood price decreased for the 6th consecutive quarter and is down nearly \$2.30 (-9%) since setting its record high of \$32.80 per ton in the 2nd Quarter of 2022. The South-wide delivered hardwood pulpwood price increased marginally this quarter but is still down more than \$4.50 (-12%) since setting a record high of \$37.34 per ton in 2nd Quarter 2022.

Δ 3Q23	Δ 4Q22	South-wide Delivered, 4 th Quarter 2023	
▼	▼	Pine Sawtimber: Down \$0.21 Q/Q and down \$1.77 Y/Y	\$46.85/ton
▲	▼	Pine Chip-n-saw: Up \$0.10 Q/Q but down \$2.45 Y/Y	\$41.40/ton
▼	▼	Pine Pulpwood: Down \$0.13 Q/Q and down \$1.70 Y/Y	\$30.58/ton
▲	▲	Hardwood Sawtimber: Up \$0.45 Q/Q and up \$1.85 Y/Y	\$59.73/ton
▲	▼	Hardwood Pulpwood: Up \$0.04 Q/Q but down \$2.73 Y/Y	\$32.75/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 4th Quarter 2023 *Market News Quarterly*.

Softwood Sawmills:

- ❖ Boise Cascade announced plans to cease operations at its Chapman AL lumber mill on January 28th, 2024. The facility has an annual capacity of 70 mmbf.
- ❖ Hunt Forest Products and Tolko's new Bienville Lumber Company commenced operations at its new 320 mmbf mill in Taylor LA in October.
- ❖ Roseburg Forest Products' new Roanoke Valley Lumber facility in Weldon NC began taking logs in November. Full scale production at the 400 mmbf mill is scheduled to begin in the 1st Quarter of 2024.
- ❖ West Fraser made several announcements this quarter:
 - The company announced plans to expand production at its sawmill in Newberry County SC.
 - West Fraser announced an anticipated startup date in the 4th Quarter of 2024 for its rebuilt sawmill in Henderson TX. The rebuilt mill will have an annual capacity of 275 mmbf.
- ❖ Weyerhaeuser announced a \$96.2 million investment at its Dodson lumber mill in Winn Parish LA to modernize and decarbonize the facility.

Pulp & Paper:

- ❖ Georgia-Pacific permanently closed its Foley Cellulose mill in Perry FL on November 17th. The closure affected about 525 employees.
- ❖ International Paper (IP) permanently closed its Orange TX containerboard mill at the end of 2023. The closure affected about 600 employees. In addition, IP ceased operations on a pulp machine at both its Riegelwood NC pulp mill and its Pensacola FL pulp mill. The machine shut downs impact roughly 200 employees in Riegelwood and 100 employees in Pensacola.
The company also announced the planned expansion of its containerboard mill in Rome GA.
- ❖ Rayonier Advanced Materials announced in November plans to cease viscose dissolving pulp commodity production at its Fernandina Beach FL mill.
- ❖ Saint-Gobain completed its acquisition of the remaining equity interests and assets of Seven Hills Paperboard, LLC from WestRock, its joint venture partner, on October 2nd, 2023. Assets include a gypsum paper board liner manufacturing facility in Lynchburg VA.

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News of Note (cont.)

OSB, Engineered Wood, & Panels:

- ❖ Huber Engineered Woods broke ground in October on its new Shuqualak OSB Mill in Noxubee County MS. The company plans to commence operations at the new mill in 2026.
- ❖ Kronospan announced in November an agreement to purchase Roseburg Forest Products' particleboard facility in Simsboro LA.

Biofuel & Bioenergy:

- ❖ Drax announced a \$50 million investment to upgrade and expand production at its Aliceville AL pellet facility. Following the expansion, the plant will have a production capacity of 380,000 tons of pellets annually.
- ❖ Greater Grenada Partnership announced plans to install a new wood pellet production facility in Grenada MS. Plant production capacity and expected startup date have not been disclosed.
- ❖ Highland LLC acquired Fiber Resources' pellet mill in Pine Bluff AR in October. The company will now operate under the name Highland FR. The mill has an annual production capacity of 150,000 tons of pellets.

Timberland:

- ❖ Forest Investment Associates (FIA) sold 60,700 acres of timberland in North Carolina, South Carolina, and Mississippi to Weyerhaeuser for \$163 million (approx. \$2,685 per acre).
- ❖ Jamestown sold 24,000 acres of timberland in South Carolina and Georgia to Resource Management Service (RMS) and other undisclosed buyers. Terms were not disclosed.
- ❖ Weyerhaeuser sold 69,600 acres of timberland in South Carolina to Forest Investment Associates (FIA) for \$170 million (approx. \$2,440 per acre).



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Market Indicators

Market conditions were mixed for wood products manufacturers and pulp producers in the 4th Quarter of 2023.

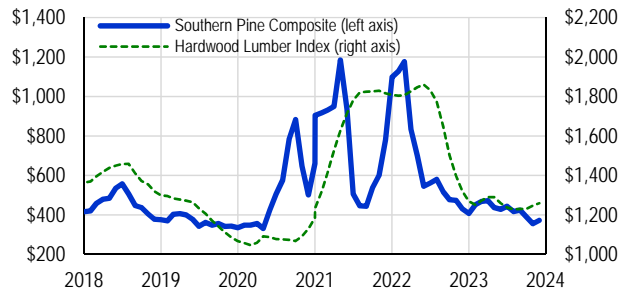
Lumber Indicators: Softwood lumber prices declined in the 4th Quarter. The December Random Lengths Southern Pine Composite¹ at \$372 per thousand board feet (mbf) was down \$52 Q/Q (-12%) and \$59 Y/Y (-14%).

The December Hardwood Review US Kiln Dried Hardwood Lumber Index at \$1,259 per mbf was up \$29 Q/Q (+2%) but down \$62 Y/Y (-5%).

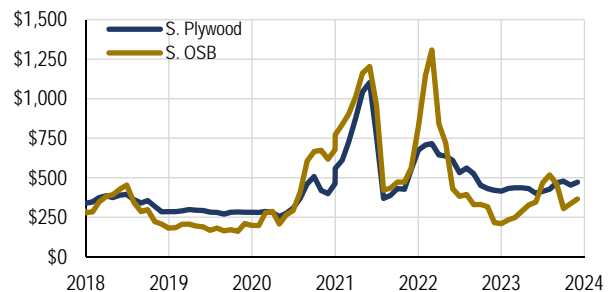
Panel Indicators: Prices were up slightly for Southern Plywood but down for Southern OSB this quarter. The December Random Lengths Southern Pine Plywood price for 3/8-inch exterior sheathing at \$472 per thousand square feet (msf) was up \$4 Q/Q (+1%) and \$52 Y/Y (+12%).

The December Random Lengths Southern OSB price at \$365 per msf was down \$95 Q/Q (-21%) but up \$149 Y/Y (+69%).

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 50.4 million tons YTD-September, the latest available, which was down 4.9 million tons (-9%) compared to the same period in 2022.

The December Northern Bleached Softwood Kraft (NBSK) pulp index price at \$1,233 per ton was up \$84 Q/Q (+7%) but down \$204 Y/Y (-14%).

The December Bleached Hardwood Kraft Pulp (BHKP) price at \$983 per ton was up \$178 Q/Q (+22%) but down \$397 Y/Y (-29%).

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

According to the US Census, US housing starts totaled 1,313,600 units YTD-November, the latest available, which was down 10% from 1,457,900 units for the same period in 2022.

The US Census reported remodeling and improvement expenditures at \$317.1 billion YTD-November, the latest available, which was down \$13.4 billion (-4%) from the same period in 2022.

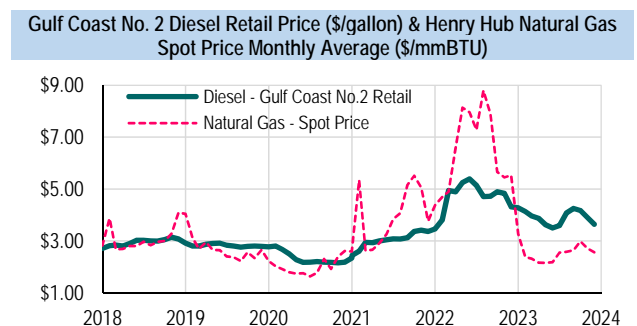
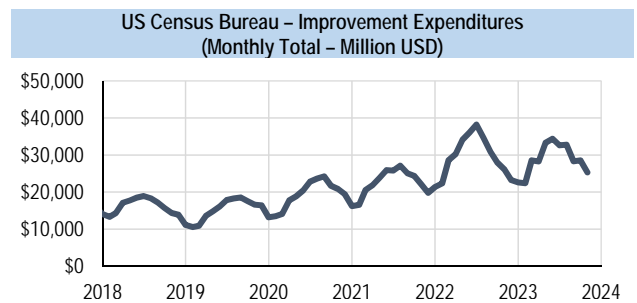
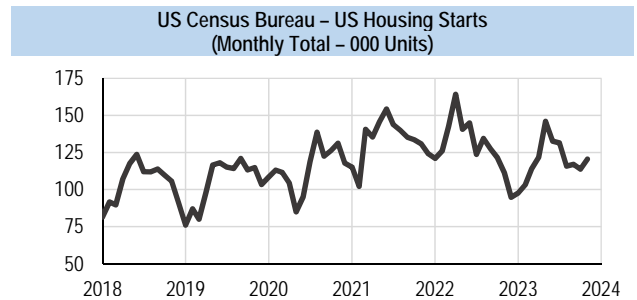
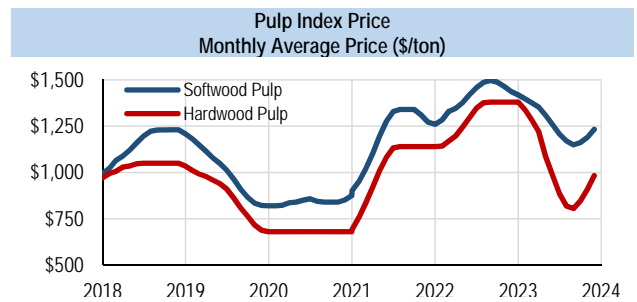
Fuel & Energy Indicators: Diesel, crude oil, and natural gas prices were all down in the 4th Quarter. The December 2023 monthly average Gulf Coast #2 Diesel price at \$3.64 per gallon was down \$0.61 Q/Q (-14%) and \$0.67 Y/Y (-16%).

The December West Texas Intermediate (WTI) crude spot price at \$72 per barrel was down \$17 Q/Q (-19%) and \$4 Y/Y (-5%).

The December Henry Hub Natural Gas spot price at \$2.56 per million BTU was down \$0.08 Q/Q (-3%) and \$2.97 Y/Y (-67%).

Log & Lumber Exports: The USDA Foreign Agricultural Service (FAS) reported total exports for the four major forest products at 4.7 million cubic meters (m³) YTD-October, 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 41% while SYP lumber exports were up 13%. Hardwood log and lumber exports were both down 20% from the same period in 2022.



US Log & Lumber Exports (YTD-October 2023)
Volume in Thousand Cubic Meters

Product	World YTD 2023	World YTD 2022	China YTD 2023
SYP Softwood logs	367	621	11
SYP Softwood lumber	627	553	58
US Hardwood logs	1,419	1,773	721
US Hardwood lumber	2,330	2,912	852
Total	4,743	5,859	1,641

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This unique conference will be a valuable experience for timberland investors as well as those who are intrigued but need more insight from experts before entering the market. Timberland managers, appraisers, and market participants interested in timberland investment trends and expectations will also benefit. Are you hungry for informative discussions on timberland markets and networking opportunities with industry leaders? This is where you want to be May 1–2, 2024.

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Market Indicators (cont.)

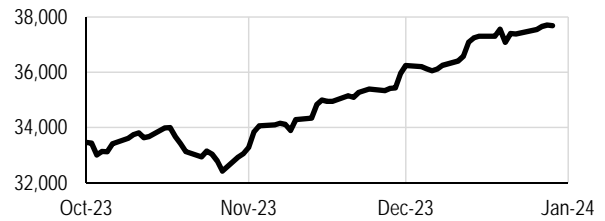
Financial Indicators: Financial markets improved in the 4th Quarter of 2023. Specifically, the Dow Jones Industrial Average (DJIA) hit seven record high closes in December and closed out the year at 37,690, up 12.5% from the previous quarter. The quarterly high was 37,710 on December 28th and the quarterly low was 32,418 on October 27th. Year-over-year, the DJIA was up 13.7%.

The S&P 500 ended December at 4,770 (+11% Q/Q; +24% Y/Y).

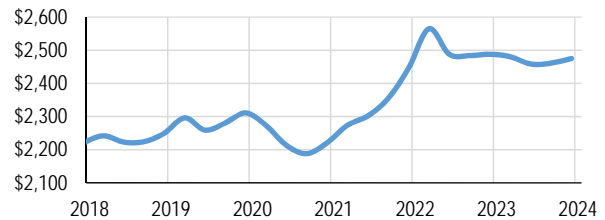
The NASDAQ ended December at 15,011 (+14% Q/Q; +43% Y/Y).

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 4th Quarter of 2023, the base case STI averaged \$2,475 per acre, which was up 0.5% Q/Q but down 0.5% Y/Y.

Dow Jones Industrial Average
4th Quarter 2023



Southern Timberland Index
Base Case (\$/acre)



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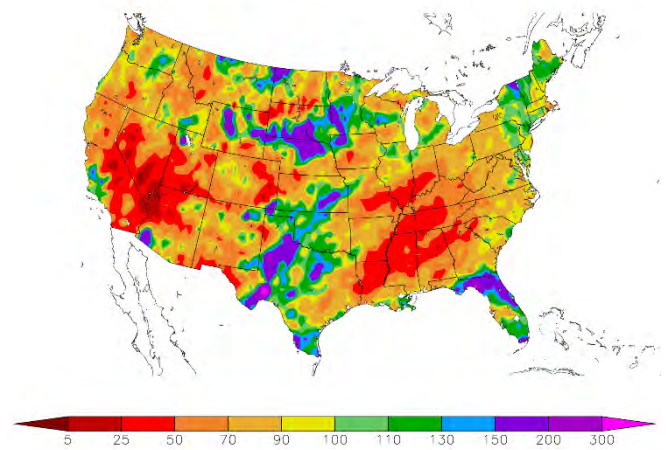
Weather, Etc.

General Weather: On average, mild temperatures and relatively normal rainfall prevailed in the South this quarter. Rainfall was heavy in East Texas in October and the Atlantic Coast had record levels of rainfall in some areas. Wildfire concerns, prevalent early in the quarter, had mostly dissipated by year end.

Drought: Precipitation relieved drought conditions in most of Texas and Arkansas this quarter. The Atlantic and Florida coastal regions remained drought free while the central South continued to experience dry weather, with extreme drought in northern Mississippi and most of Louisiana.

Fire: Wildfire burned 2.69 million acres nationwide in 2023, with roughly 521,000 acres (19%) burned in the South. Acres burned in the South were second highest since 2019 but down considerably from the five-year high of 1.04 million acres burned in 2022.

Percent of Normal Precipitation (%)
10/1/2023 – 12/31/2023



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