

STUMPAGE SPEAK

<http://www.lsuagcenter.com/topics/environment/forestry>

<http://www.lsuagcenter.com/portals/blogs/stumpagespeak>

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Louisiana Timber Market Report¹
First Quarter (Jan-Mar) 2018
LSU AgCenter

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| Louisiana Stumpage Prices (\$/ton) | 1st Quarter 2019 | Change from Prior Quarter |
|---|------------------------------------|----------------------------------|
| Product Class | Price per ton | % Change |
| Pine Sawtimber | 25 | 5.38 |
| Pine Chip-n-Saw | 18 | 7.72 |
| Pine Pulpwood | 10 | 15.63 |
| Oak Hardwood | 43 | -0.51 |
| Hardwood Sawtimber – Mixed Grade | 36 | -5.03 |
| Hardwood Pulpwood | 10 | 13.34 |

¹ The following document is intended for use by forest stakeholders in Louisiana. **The source of these prices is proprietary in nature and rounded per agreements to disseminate to the public. Therefore, I add percentages so the reader will know if prices are up/down/flat.** The prices I report are also state averages. I recommend using this document and those produced by Louisiana Department of Ag and Forestry to aid. Decisions about purchases, sales, and determining harvesting schedules. As always,

communicate with a **consultant forester** on prices before executing contracted agreements with wood buyers.

Price Conversions:

- Pine Sawtimber/ MBF= Tons * 8
- Hardwood Sawtimber/ MBF = Tons * 9.5
- CNS and Pine Pulpwood Cords = Tons * 2.7
- Hardwood Pulpwood Cords = Tons * 2.85

Content changes afoot

The forestry extension and wildlife team will be assuming newsletter (Timber Tales) duties from Ricky Kilpatrick. This will allow me to focus more on prices, harvest levels, housing starts, and so forth and how these will affect Louisiana markets. This was originally my plan with Stumpage Speak but I saw a great need for basic forest management advice so I filled that void. Now with the entire team on board we will be able to address those types of questions in Timber Tales going forward.

The first issue is due in the next several weeks and we will continue a quarterly role out for that document, similar to what I do hear. The content for the upcoming issue already shows the diversity of content the extension team will bring to the table. These topics will range from updates on the GP closure in Port Hudson, Forestland as an investment, a write-up on the Teachers Tour program and an article on Silvopasture as an alternative management strategy for landowners in depressed markets. In addition, our new Wildlife extension specialist will provide an article on the role of animals in animation. Explaining how cartoons have affected perceptions and raised awareness of these organisms. Stay tuned for more. In addition, you can keep up with us at our Facebook account.

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News on Markets

In the housing markets, we have seen slight revisions downward in terms of projections for 2019. What does this mean for you as a timber owner? Probably not much Right now what is driving your stumpage prices are mill capacity and timber supply. Wood mills (particularly lumber mills) have extremely high profit margins (see Figure 1). This has enticed more capacity either to be announced or to have already broken ground across the southeast (see Table 1). Now once that capacity comes online, I expect several things to happen: Profit margins at the mills will drop, harvesting will increase, and prices will not do much at all. Likely if housing starts stay sluggish, you will see smaller sawmills close as the big ones open.

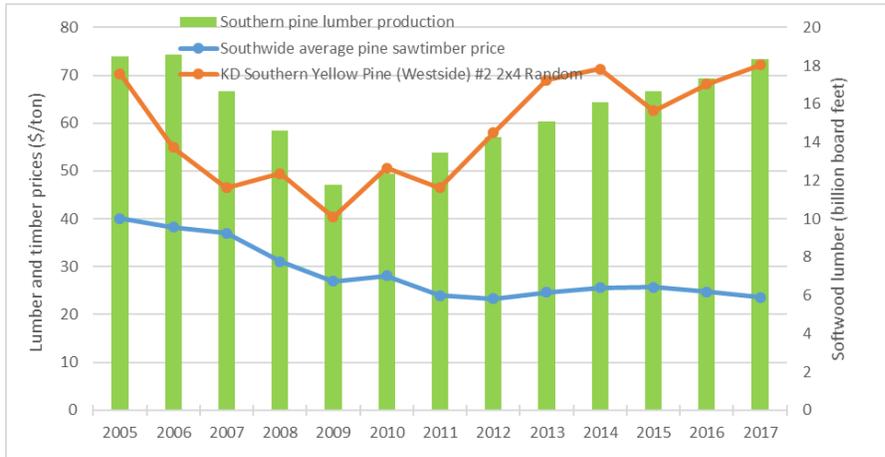
According to FORISK's blog posting (<http://forisk.com/blog/2018/08/08/scale-leverages-technology-sawmills-lumber-manufacturers-continue-get-bigger/>), the average size of lumber mills has increased. In their words, "Between 2008 and 2018, while the number of sawmills decreased by 15% (from 761 to 647), the average softwood sawmill size increased 16% (from 96 to 112 MMBF)." If housing starts continue with strong growth, say 8 to 10% then these decisions will not need to be made for a longer period. The truth is though these mills are getting larger and more automated as time passes and there is no reason to think that trend will not continue. Nonetheless prices for stumpage in the south has a tremendous oversupply, even with increased mill consumption driven by high profit margins, it will be years, perhaps decades before we can rebalance growth and removals. Next time I will look more closely at what that supply looks like in Louisiana.

Other News

- LaSalle Lumber in Urania, Louisiana shipped their first load in March. Once at full operation, the company expects to consume roughly 850,000 green tons per year and employ 100 people.
- Biomass Power Louisiana will begin construction of phase one of their Natchitoches, Louisiana biocoal plant on July 1st 2019. Phase one announced in the 2nd Quarter of 2018, with initial target capacity of 240,000 tons per year. However, this marks the second time they have announced their intent to build on this site, previously in 2014. So let us keep our fingers crossed! <http://www.biomassmagazine.com/articles/10897/biomass-power-louisiana-signs-engagement-letter-for-pellet-plant>

Sources: FORISK, Facebook, Biomass Magazine, and TimberMart-South

Figure 1. Lumber Markets in the U.S. South



Source: *Random Lengths Yearbook and TimberMart-South*

Table 1. New Sawmill Openings

| Company | Location | Capacity (MMBF) |
|--------------------------|-----------------|-----------------|
| Klausner 1 | Live Oak, FL | 350 |
| Brewer Lumber | Newton, MS | 200 |
| Two Rivers Lumber | Demopolis, AL | 200 |
| Klausner 2 | Enfield, NC | 350 |
| Georgia-Pacific | Talladega, AL | 230 |
| Georgia-Pacific | Warrenton, GA | 350 |
| LaSalle Lumber Company | Urania, LA | 200 |
| Rex Lumber | Pike County, AL | 240 |
| Westervelt | Southern, AL | 350 |
| Canfor | Washington, GA | 275 |
| Interfor | US South | 200 |
| Angelina Forest Products | Lufkin, TX | 220 |
| Georgia-Pacific | Albany, Georgia | 300 |

Source: *Forest Economic Advisors (FEA) 2018*