



STUMPAGE SPEAK

Louisiana Timber Market Report¹

3rd Quarter (Jul-Sep.) 2014

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Louisiana Stumpage Prices (\$/ton)	3 rd Quarter 2014
Timber Class	Price per ton
Pine sawtimber	\$25.50
Pine chip-n-saw	\$16.00
Pine pulpwood	\$10.50
Hardwood sawtimber –Mixed grade	\$38.00
Hardwood pulpwood	\$14.00

¹ *If you would like more region specific pricing please visit the following link from Louisiana Department of Agriculture and Forestry (LDAF).*

The following document is intended for use by owners of forested land in Louisiana. **The source of these prices is proprietary in nature and are therefore rounded per agreements to disseminate to the general public.** The prices I report are also state averages and the LDAF numbers are by specific regions. I recommend using both to aid in decisions about purchases, sales, and determining harvesting schedules.

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

INTRODUCTION

More of the same story over the last quarter that we've seen for the past year, up one month, the next one down. Fortunately, it appears to be trending positively (on most metrics) for the overall economy as well as the forestry sector year-to-date for 2013¹.

The behavior in our housing starts is fitful, which is also echoed in lumber prices. Housing starts in September topped a million for the third time this year (April and July the other months), not surprisingly softwood lumber prices at the end of August were at a yearly high and by the next month had dropped \$24 dollars (%6). With housing expected to drop some in October, it appears that is driving the prices for lumber several weeks in advance. Hardwood lumber was down approximately 4%, over the last two months.²

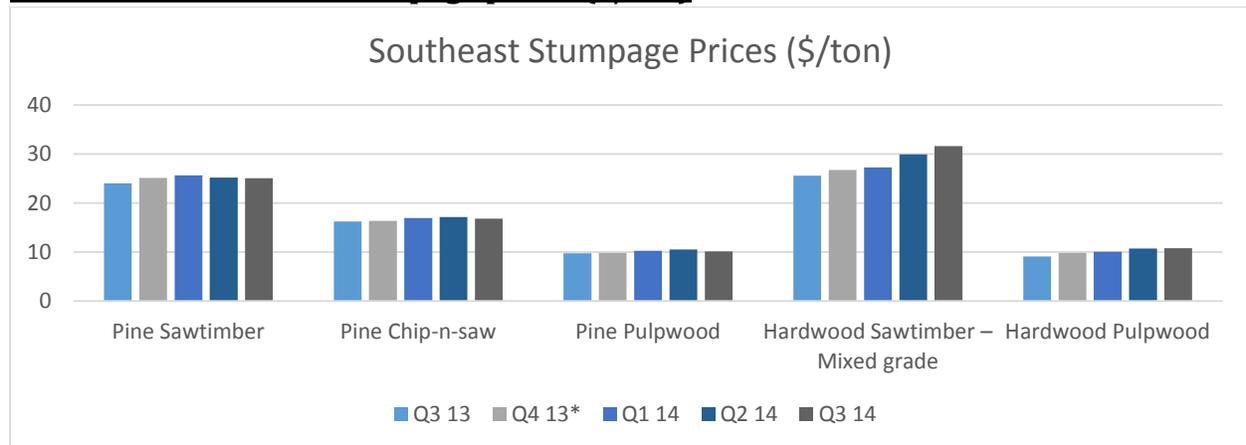
Inventories continue to be tight and have drifted down slightly, another indicator of a down month in October for housing. Softwood lumber and structural panel inventory are both down for the last month (September) with the southeast and south central regions leading all other regions with lowest inventories.

While, the rains have subsided a bit, we are still having an unseasonably high level of rain in the southeast and over the last month southern Arkansas and northern Mississippi and parts of east Texas have been hit hardest. As a result, the western gulf region has commanded higher prices for all hardwood classes, although hardwood prices across the southeast are up from the previous quarter.

SOUTHWIDE STUMPAGE PRICES

Pine sawtimber and chip-n-saw remained relatively flat, reflecting continued sporadic growth in residential housing starts. Pine pulpwood, while dropping slightly, was similarly uneventful. The rise in hardwood stumpage prices was driven by multiple factors: wet weather, export markets, industrial wood use, and seasonal harvest constraints.

Table 1. Southeastern stumpage prices (\$/ton)



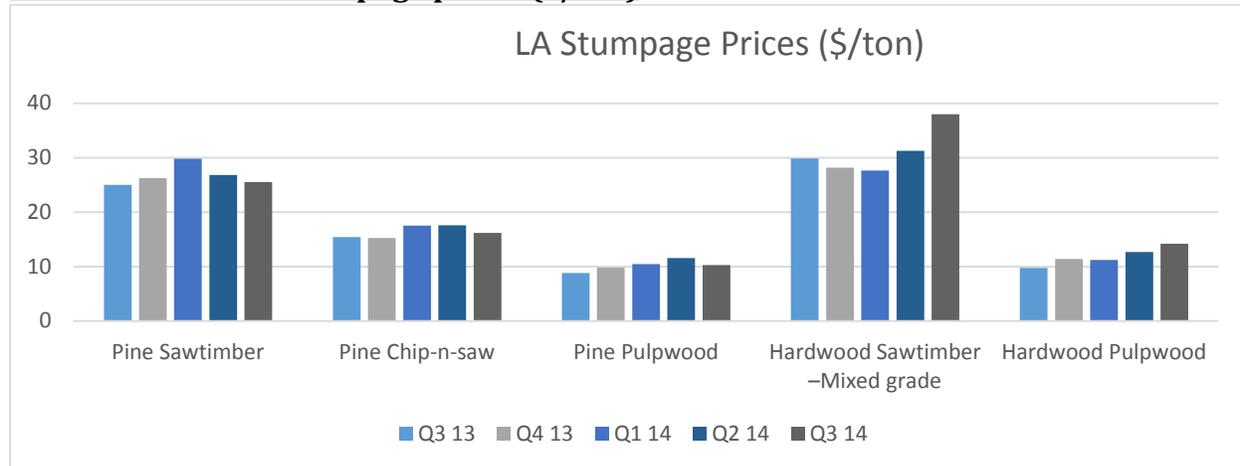
¹ As well, year to date the exports for lumber, plywood, and logs are up relative to 2013.

² (July through September)

LOUISIANA STUMPAGE PRICES

Pine saw-timber prices stagnated for the most part. Prices and trends continue to mirror those of the entire southeast region. As a result I'd say the same conditions are causing the price point and local conditions relative to the supply of wood is such that we aren't witnessing any out of the ordinary local conditions relative to the other south eastern states.

Table 2. Louisiana stumpage prices (\$/ton)



Mixed hardwood saw-timber stumpage continued an astonishing trend moving from \$31 dollars to \$38, up \$10 from the first quarter of this year. Hardwood pulpwood in the state was up by more than a dollar over the \$14 dollar mark. This represents more than a \$3.50 premium per ton compared to south-wide averages. Considering July and August (particularly August) were such wet months relative to historical trends in the state for those months it's likely got a lot to do with that unique price point for hardwood classes³. September was much drier so those premiums should drop considerably over the next quarter.

GENERAL ECONOMY

Housing starts continue to be volatile (see Table 3), this trend has persisted over the past six months despite projections of the return of a stronger housing market this year. Again, the projections have been revised downward with respect to when housing starts will approach the "1.5 million starts" number not expected until 2016.

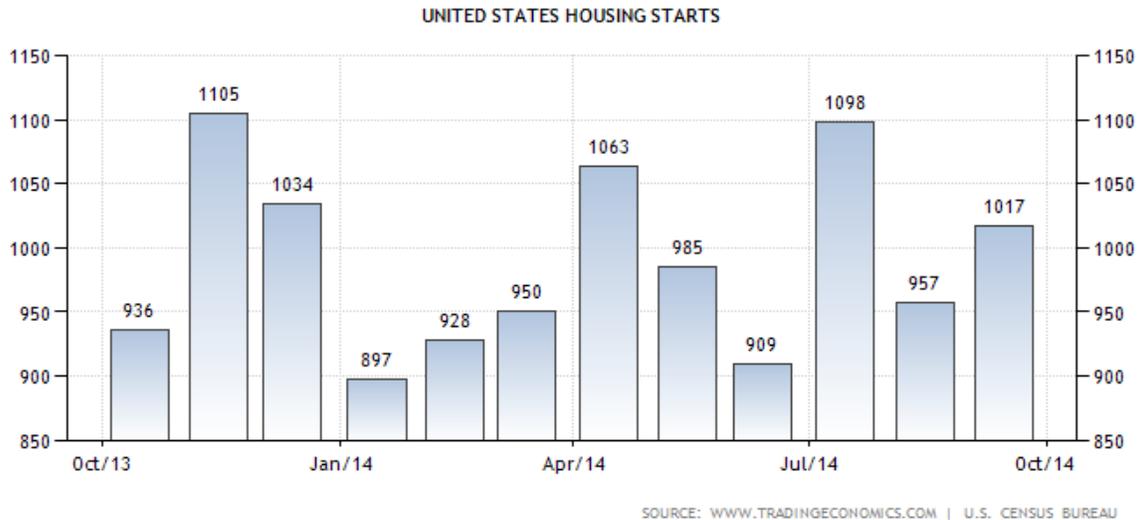
While that is possible, I think that may be too soon without major legislative action on corporate profits taxes. My question remains what is going to happen structurally in the

³ You can track precipitation conditions at the website listed below. Gives 30, 60, and 90 day priors as well as forecasts.

<http://water.weather.gov/precip/>

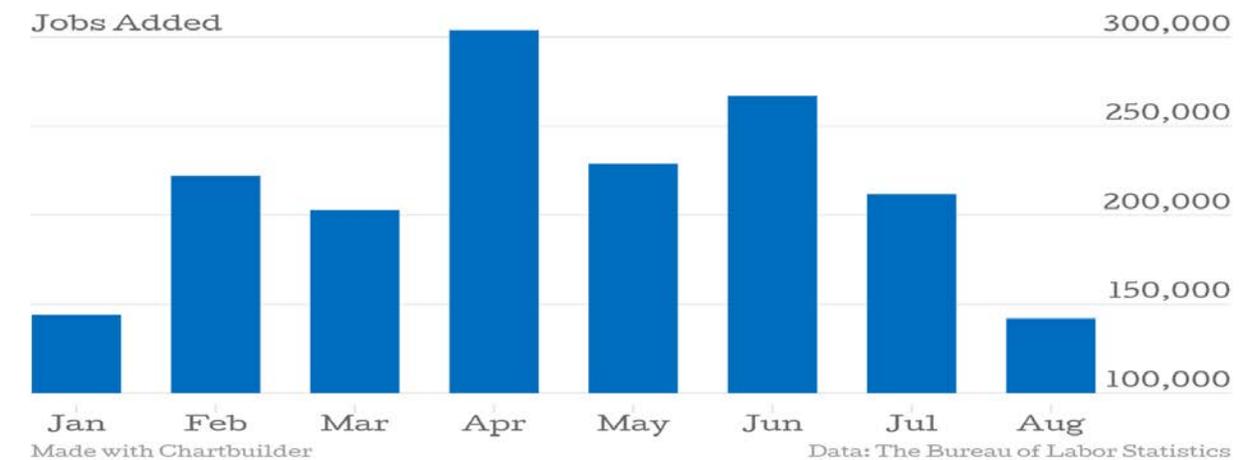
economy to change the conditions that would lead to a true breakout in housing or any part of the economy for that matter?

Table 3. Housing starts in the U.S. over the last twelve months.



As indicated in Table 4, some positive news on the employment front. Employers added 248,000 jobs last month (September), beating the 215,000 economists were predicting. The unemployment rate, which is drawn from a different survey of households, dropped from 6.1% to 5.9% crossing below 6% for the first time since before the recession. The jobs added trends track almost identically to that of housing starts on the year. A bumpy but improving ride.

Table 4. Jobs added monthly, year to date.



Real GDP increased 4.6 percent in the second quarter, after contracting 2.1 percent in the first. This upturn in the percent change in real GDP primarily reflected upturns in exports and in private inventory investment. The U.S economy will expand at an annualized rate

of 3.0 percent in the July-August quarter of 2014, down modestly from the 3.1 percent pace forecast in June. **The U.S. Bureau of Economic Analysis will release its advance estimate of Q3 GDP on Oct. 30.** That's an important one to keep track of if you are interested in what housing and jobs will do for the remainder of the year.

In last quarters' edition, I had mentioned doing a discussion of regional differences in the housing market and the composition of housing starts and the influence on stumpage. I like to keep this report to four pages if possible, so I will write up a separate document examining these issues. As always, I will post it to our blog site. If you are subscribed to the blog site (stumpage speak) on the AgCenter's website, you will receive this document and all my quarterly price documents without having to hunt for them.

Contact me at stanger@agcenter.lsu.edu if you need help subscribing to the blog site or have questions about the above material.