



STUMPAGE SPEAK

Louisiana Timber Market Report¹ 2nd Quarter (Apr.-Jun.) 2014 *Dr. Shaun M. Tanger,*
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Louisiana Stumpage Prices (\$/ton)	2nd Quarter 2014
Timber Class	Price per ton
Pine Sawtimber	\$27.00
Pine Chip-n-saw	\$18.00
Pine Pulpwood	\$12.00
Hardwood Sawtimber –Mixed grade	\$31.00
Hardwood Pulpwood	\$13.00

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

<http://www.ldaf.state.la.us/portal/Offices/Forestry/ForestryReports/QuarterlyReportofForestProducts/Ori ginalReports/tabid/452/Default.aspx>

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

Wet weather conditions continued their trend from the cold and rainy winter and early spring months and have continued into the summer. This is true both in Louisiana and the rest of the southeast. While problems with ice storms have not persisted in more easterly states, inventories have been drawn down at mills as loggers simply can't get to available operable inventory that would normally be in play.

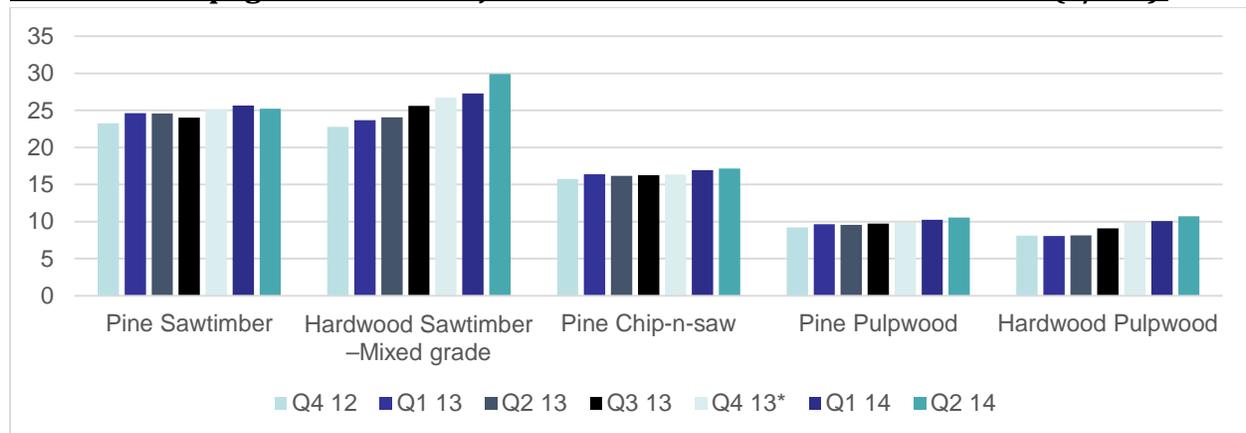
The driving factor of price right now seems to be mostly a short-run supply based restrictions at this point, specifically rain is not allowing the wood to get to the mills. Long term, as demand increases, this will put pressure on retailers to seek alternatives for housing products. Luckily for landowners (again thinking long term) while supply is tight, demand is still sluggish due to projected housing being far under expectations. A healthy marketplace needs supply to be steady.

SOUTHWIDE STUMPAGE PRICES

Stumpage prices for the five major timber classes remained relatively flat, the exception being hardwood classes, especially sawtimber. Pine sawtimber and chip-n-saw stumpage prices stagnated, reflecting continued slow growth in residential housing starts. Pine pulpwood, while gaining slightly, was similarly uneventful.

Hardwood lumber prices moved upward into record territory, suggesting that conservative production levels did not quite match increased demand. Evidence of this is in the large increase mills were paying for delivered wood for these two classes relative to the previous quarter quarter.

Table 1. Stumpage Prices for major timber classes across the Southeast (\$/ton).



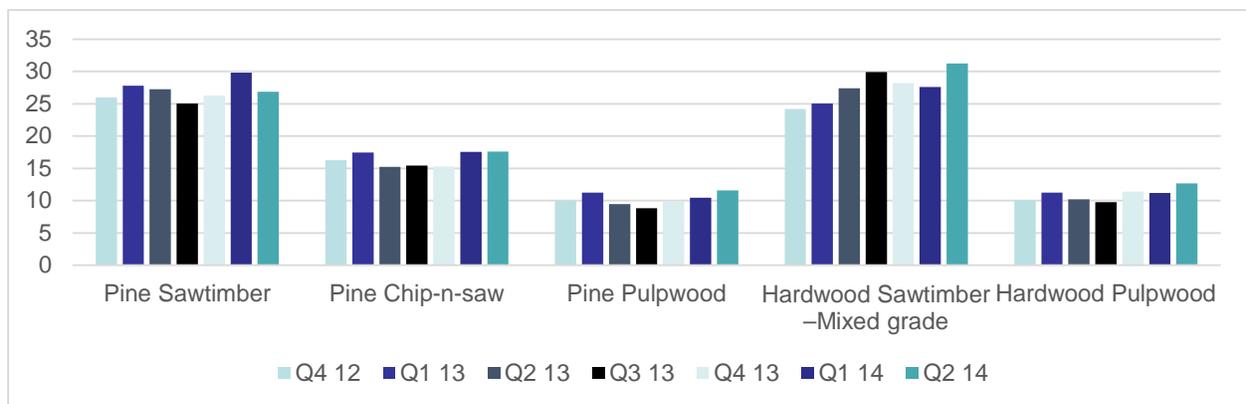
LOUISIANA STUMPAGE PRICES

Stumpage prices in Louisiana for the five major timber classes were mixed with pine not performing as well as hardwood classes. Pine saw-timber prices came back to reality as ice storms in the east drew down prices that affected demand for wood from our forests. This caused our prices to converge with those of the entire southeast region.

Mixed hardwood saw-timber stumpage shot up \$4 to sell over the \$31 a ton mark for the second straight quarter. Hardwood pulpwood in the state was up by more than a dollar closing in on the \$13 dollar mark. This represents more than a two dollar premium per ton compared to south-wide averages.

This seems to be driven by demand for Oak and other hardwood species in Chinese markets. Domestically demand for some Oak species has been up over the last six months for flooring and cabinetry. Relatedly, residential remodeling activity increased year to date in 2014. The **US Census** reported remodeling and improvement expenditures were \$46.7 billion through May, up nearly one billion from the same period in 2013 and \$5.2 billion from 2009.

Table 2. Stumpage Prices for major timber classes in Louisiana (\$/ton).



HOUSING

Housing starts continue to be volatile (see Table 4), this trend has persisted over the past six months despite projections of the return of a stronger housing market this year (myself included). GDP projections are close to 30% off last year’s forecasts for 2014 (~2.7%) with the first quarter of this year actually retracting 1.3% (see table 3).

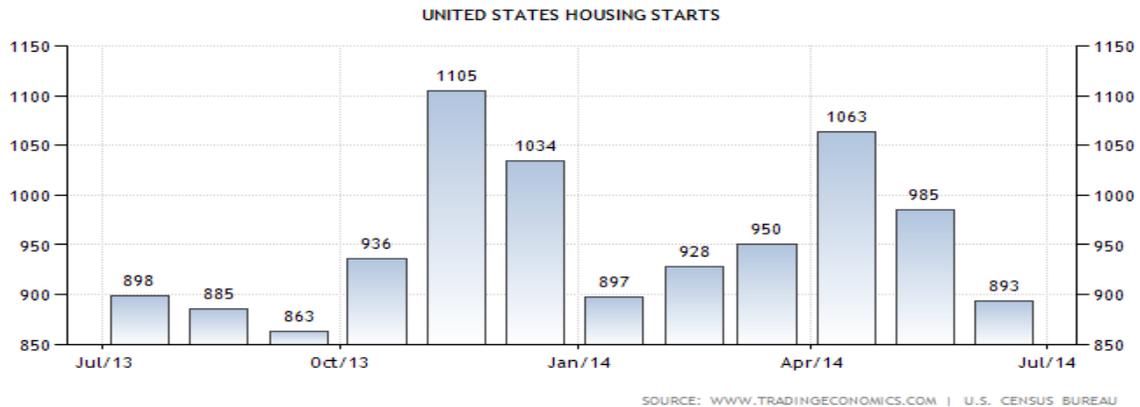
Table 3. Economic and Housing Outlook. National Association of Realtors (July 2014).

YEAR	2014	2015
GDP	1.9%	2.7%
Starts(000)	1064	1404
Single (SF)	691	990
Multi (MF)	373	414

One thought to keep in mind, recent RISI estimates that to get a South-wide stumpage price of \$36-\$37 for pine sawtimber, 1.6 million housing starts are needed. We are at roughly two thirds of that right now. Louisiana pine saw timber is selling for roughly \$27 currently.

If rainfall subsides over the next few months and demand in the housing market says soft it's like to retreat backward². So I wouldn't expect prices north of \$30 until next year.

Table 4. Housing Starts in the U.S. for the last 12 months.



DISCUSSION

While demand conditions tend to get the most focus from economists like myself, they typically are the hardest for an individual to change. Changes in federal policies or currency decisions require large collective action and therefore typically take much longer to execute changes.

This is not as true for supply and production disruptions that have had a negative impact on the supply chain in this state and across the southeast. While weather cannot be changed and will subside, many have expressed concern about manmade supply chain concerns. Better roadways, working with police commissions and parishes to insure access for logging crews, and landowners working to make clearing their land easier would reduce a lot of the problems our supply chain faces.

It's easy to think that higher prices are good despite the reasons but this is not the case over the long run. If prices are high because of restrictions on supply it can lead some capital investment to look elsewhere long-term to make profits. It can also cause traditional products to be replaced with the use of substitutes as acquiring those products becomes more difficult and more expensive.

***Next issue of Stumpage Speak: Discussion of regional differences in the housing market and the composition of housing starts and the influence on stumpage.**

²You 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/>