

STUMPAGE SPEAK

<http://www.lsuagcenter.com/topics/environment/forestry>
<http://www.lsuagcenter.com/portals/blogs/stumpagespeak>
<https://www.facebook.com/LSUFWExtension/>

Louisiana Timber Market Report¹
Second Quarter (Apr-Jun) 2019
LSU AgCenter

Dr. Shaun M. Tanger
Forest Economist
E-mail: stanger@agcenter.lsu.edu

Louisiana Stumpage Prices (\$/ton)	2nd Quarter 2019	Change from Prior Quarter
Product Class	Price per ton	% Change
Pine Sawtimber	25	0.26
Pine Chip-n-Saw	19	3.58
Pine Pulpwood	9	-5.72
Oak Hardwood	41	-2.99
Hardwood Sawtimber – Mixed Grade	29	-15.08
Hardwood Pulpwood	13	11.12

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

Year in Review

The projected Louisiana gross farm value of harvested forest products decreased by 7.06% percent during the 2018 calendar year, ending the year at \$868.4 million dollars in mill delivered revenue. In terms of grade stumpage products, the story was rather mixed, with both pine and hardwood sawtimber showing large swings. The pine saw-timber harvest decreased by 13% percent from the prior year and posted a total statewide harvest of approximately 860.1 million board feet during 2018. However, the hardwood saw-timber harvest increased during 2018, a 31% percent increase to 100.3 million board feet. Unlike the other two products, Pine chip-and-saw remained relatively flat. It is believed that many mills are moving to smaller diameter wood due to 2x4 prices and this may be some evidence of that behavior. Pine Chip-N-Saw harvested during 2018 totaled 964,861 cords, a decrease of approximately 1% percent from 2017 levels.

The total pulpwood harvest was 5.63 million cords, down 146,357 cords (3% percent) from the 2016 harvest. Pine pulpwood harvest decreased 3 percent, from 4.98 million cords during 2017 to 4.85 million cords in 2018. Hardwood pulpwood harvest decreased by 2% percent, from 796,451 cords in 2017 to 779,334 cords in 2018.

Stumpage prices paid for pine saw-timber during 2018 averaged \$193.00 per thousand board feet, down slightly from the prior year continuing a trend over the last two years. This average represents approximately a 1.78 percent decrease from the previous year (\$196.5 per thousand board feet). Prices paid for mixed hardwood saw-timber during 2017 averaged 280.75 per thousand, which is a 6.34 percent decrease from the previous year (299.75 per thousand). Pine Chip-N-Saw averaged 48.73 dollars per thousand in 2018, which was down \$1.34 from the previous year. Pulpwood stumpage prices averaged \$24.51 per cord per for pine, down 10.24% from the previous year, while hardwood pulpwood averaged \$29.09 per cord, up 10.21% from the previous year's average.

In general, delivered prices were mixed across all three saw-timber class products over the period reported (Pine Sawtimber down 2.43%, Oak Hardwood up 4.6%, Mixed Hardwood down 0.47% and CNS down 3%). In terms of Pulpwood products, hardwood pulpwood was up approximately 5.6% and pine pulpwood was down 3.5%.

As a caution, individual landowners should not look at Timber Mart South Prices as an indication of what they will get for timber sold on their land, but rather as a gauge to judge price trends and directions. Timber owners should contact a consulting forester who can help them best gauge the market for their timber as the prices received for individual tracts varies considerably depending on local market conditions and specifics of their individual property.

During the year, Louisiana's private forest landowners received an estimated \$384.59 million from the sale of forest timber (stumpage), down 8.79 percent from the \$421.65 million in the previous year. Timber harvesting contractors and their employees earned approximately \$483.82 million from harvesting the trees and moving wood to mills during 2018, a decrease of 5.64 percent from \$512.74 million in 2017.

Predictions for this year

As for predictions from last year I was half right and half wrong.

“the lumber restrictions from Canadian suppliers, along with the increased demand for lumber from increased demand in housing should lead to an increased level of removals of our pine timber products. However, there will likely be mostly flat prices for stumpage products in 2018.”

Prices were flat, but alarmingly, demand for Pine Sawtimber flagged. Interesting, in Louisiana since I’ve been here the typical pattern is an upward trajectory, but the trend moves in a zigzag pattern. Up one year, but down the next, only not as down as two years prior. If this pattern continues we should break the 1 billion board feet threshold next year. Fingers crossed.

We still have the problem of building inventories, across the south growth is between 6-7%, while harvest is 5% and then there are about 10 years of backlog.

Minus the spot market activity that is common in individual timber markets, which are a function of miscalculating weather, and mill inventories, most economists do not expect dramatic increases. As I said last year, *“The point being, if you are deciding to postpone harvest to get better prices, I would advise not waiting. Prices will improve but will not cover the opportunity cost of the investment (cutting and replanting or investing elsewhere), generally.”*

Nonetheless, demand will continue to ramp up for final goods in Lumber (should be up significantly), Plywood (slightly up), and OSB products (although OSB has a supply problem right now—too much for the housing starts in 2018 but this should iron out in the next 2-5 years). but landowners and loggers are not likely to see these gains (in prices) due to increased market power of the mills remaining in the state and continued slack in production capacity.

I was slightly off on the mill investments. Excerpt from last year, *“In addition, expect to see several mill investments announced that should provide optimism for the longer term.”* We did see the Lasalle Lumber mill open (Hunt Forest Products) and the Drax Pellets facilities in Morehouse and Urania are moving along. If we do not suffer a recession, I expect a mill (or two) to announce in late 2019 or early 2020. Also, several mills in the state announced expansions so the feeling in industry is that now is the time to expand capacity.

Hardwood markets are much more difficult to track, the mills are smaller and harder to locate, as well with the GP mill closing in Port Allen and the recent GP closure in Crossett, AR, and we have lost a huge consumer of hardwood pulpwood in the state of Louisiana. For now prices have been buoyed by demand out of Texas, where wood will be sent to woodyards in Louisiana on the way to Evadale, TX. How long will this demand last? Hard to say. I’m inclined to believe in the longer term that some of the slack will be taken up by other mills, but how much, remains to be seen. One benefit may come from increased U.S. oil production if tensions continue to flare in the Middle East, this would send the wood mats market up further and Louisiana is one of the larger players due to proximity to where much of that oil is going to be extracted. As for hardwood sawtimber, the prices will likely rise, due to the rainfall experienced across the south so far this year, longer term they should remain similar to the last two years.



In addition to the gross farm value of the timber industry, Christmas trees, pine straw, and forest seedlings also contribute to the total gross farm value of the forestry industry. In 2018, the gross farm values for these three smaller industries were estimated at a combined \$3.73 million. When added to that of the timber industry, the total gross farm value for the entire forestry industry is estimated at \$872.14 million in 2018.

See the latest Ag Summary for parish level breakdowns for harvest, stumpage and delivered values for the five major stumpage products.