

# Timber Market Outlook in Louisiana

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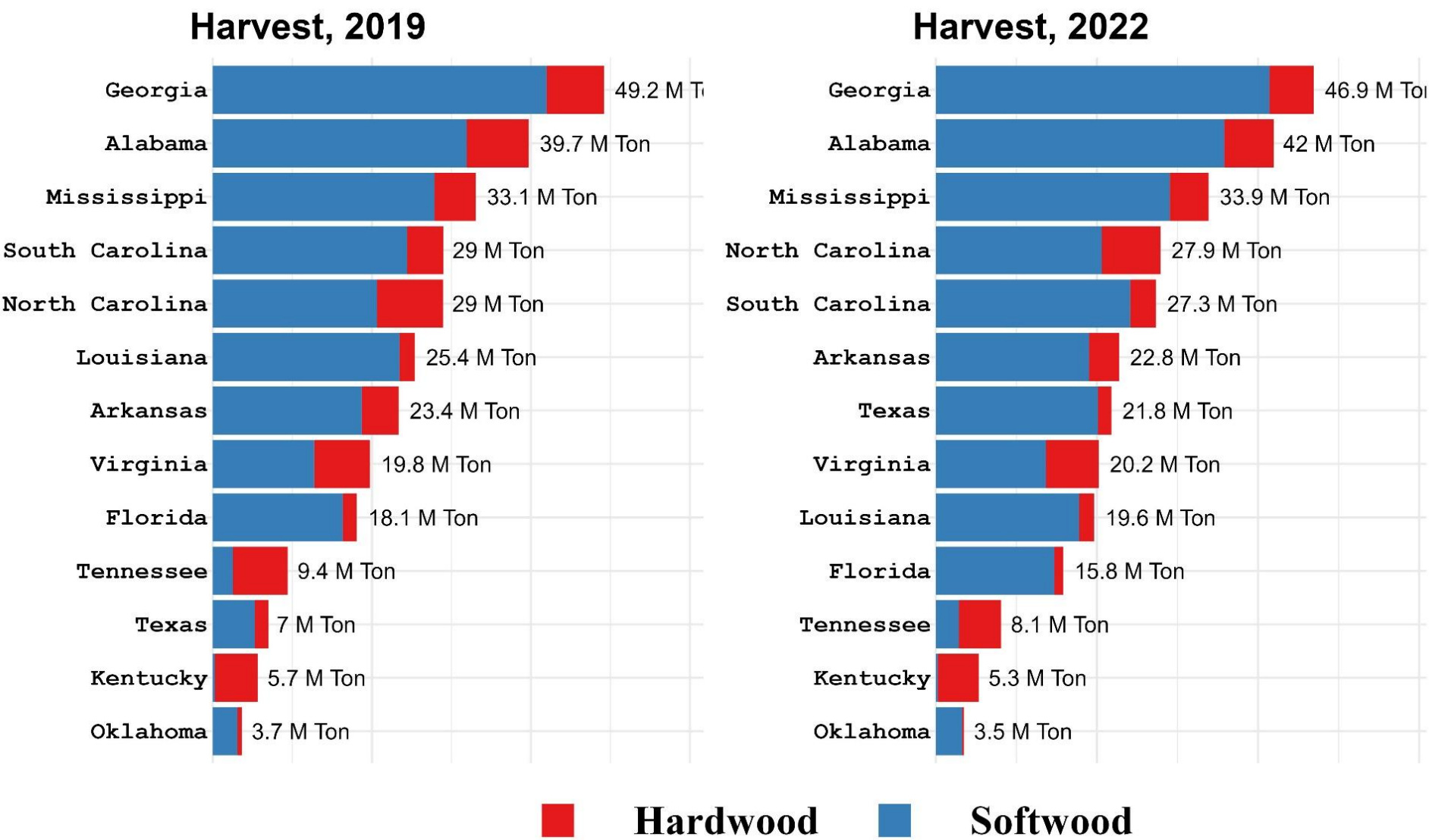


# Outline

- **Overview**
  - Southern Timber Market & Trends
  - Louisiana's Timber Industry Overview
- **Market indicators**
  - National indicators
  - Local indicators
- **Timber market for 2024**
- **Disturbances**
- **Key Takeaways**

# Wood basket

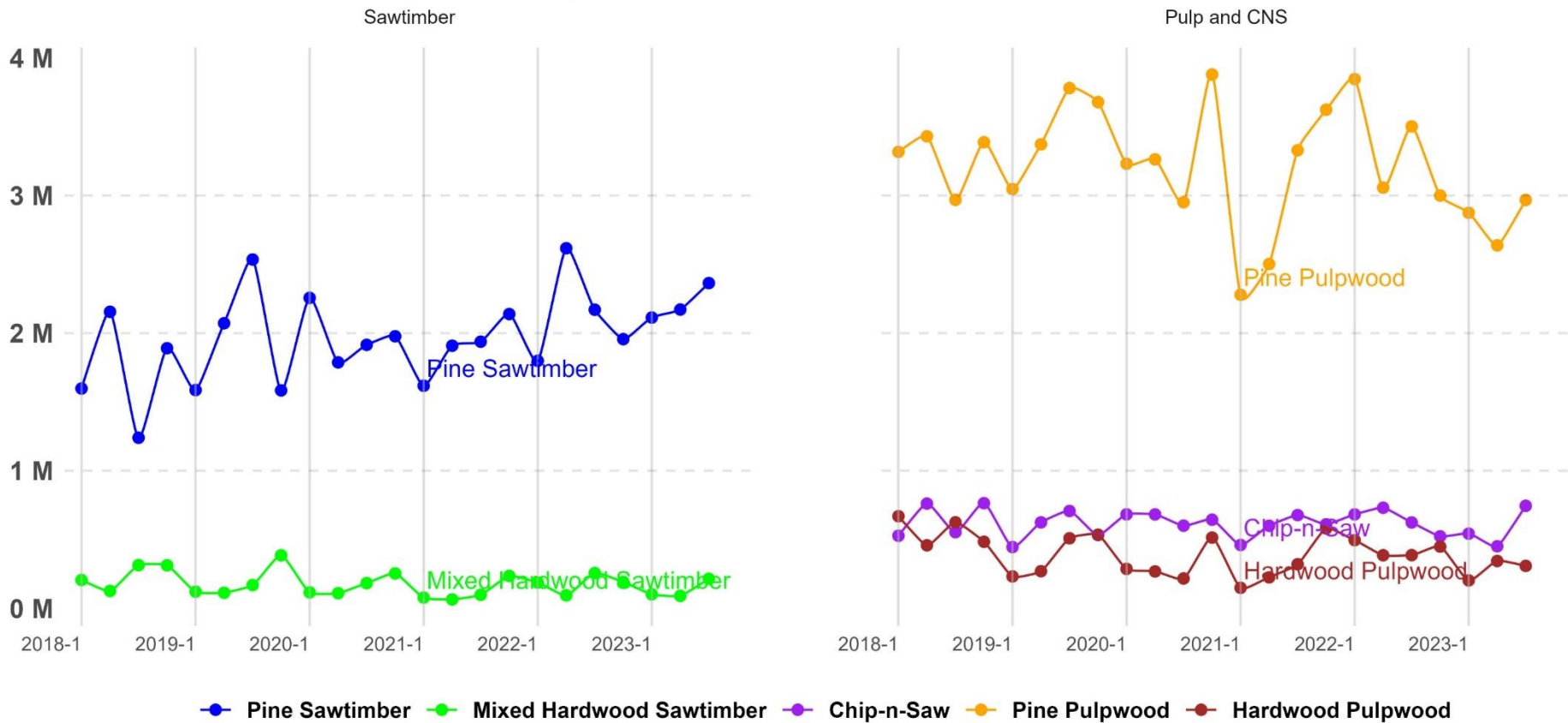
- U.S. South: Contributes 2/3 of domestic timber production.
- Georgia leads; Louisiana and Arkansas mid-tier.
- Harvests still below pre-pandemic levels;
- Softwood, especially loblolly pine, dominant



# LA Timber harvest

- Louisiana: Stable Pine sawtimber harvests until recent noticeable increase.
- Hurricanes in 2020-2021 caused \$1.5B damage to timber industry.
- Pine sawtimber levels fluctuated around 2 million tons, while pine pulpwood centered around 3 million tons.

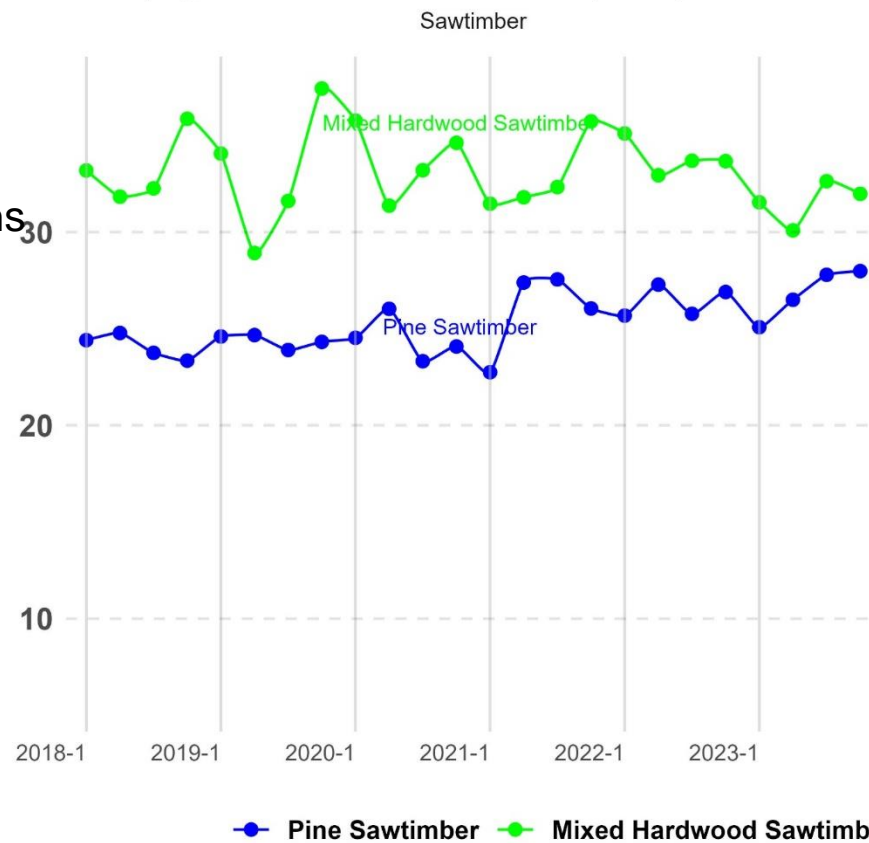
Harvest Trends Over Years (Million Tons)



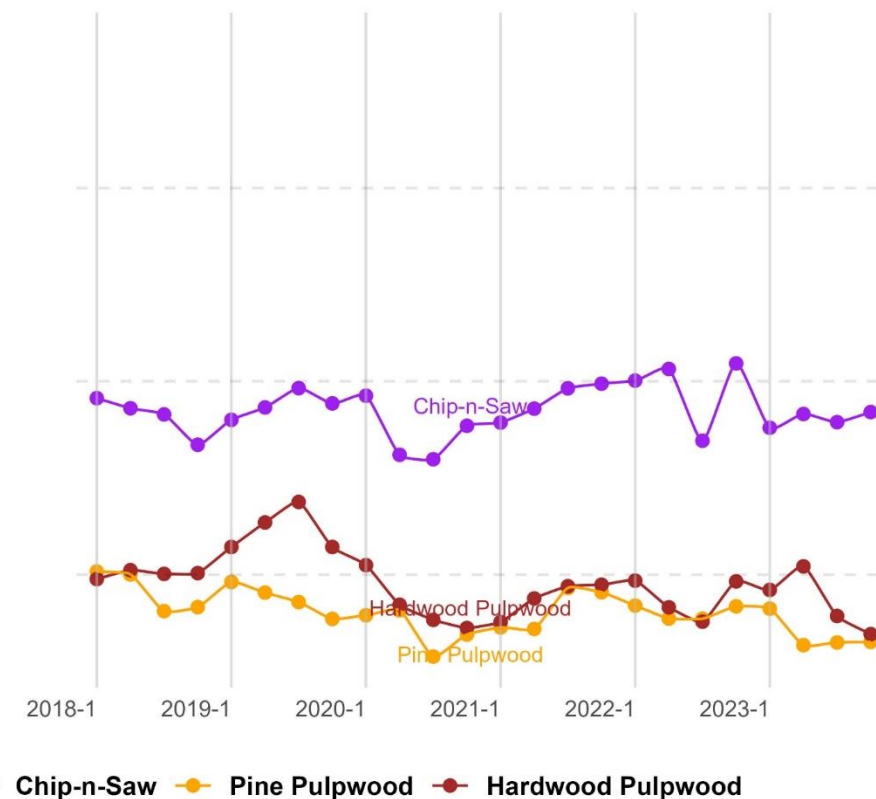
# LA Timber price

- Pine prices align with Louisiana's harvest trends, reaching new highs after Q2 2021, nearing \$30/ton.
- Pine chip-n-saw approaches \$20/ton, while pulpwood prices center around \$10/ton.
- The first quarter typically sees seasonal price spikes, as difficult winter weather restricts timber harvesting (67%-70%)

Stumpage Price Trends Over Years (\$/Ton)



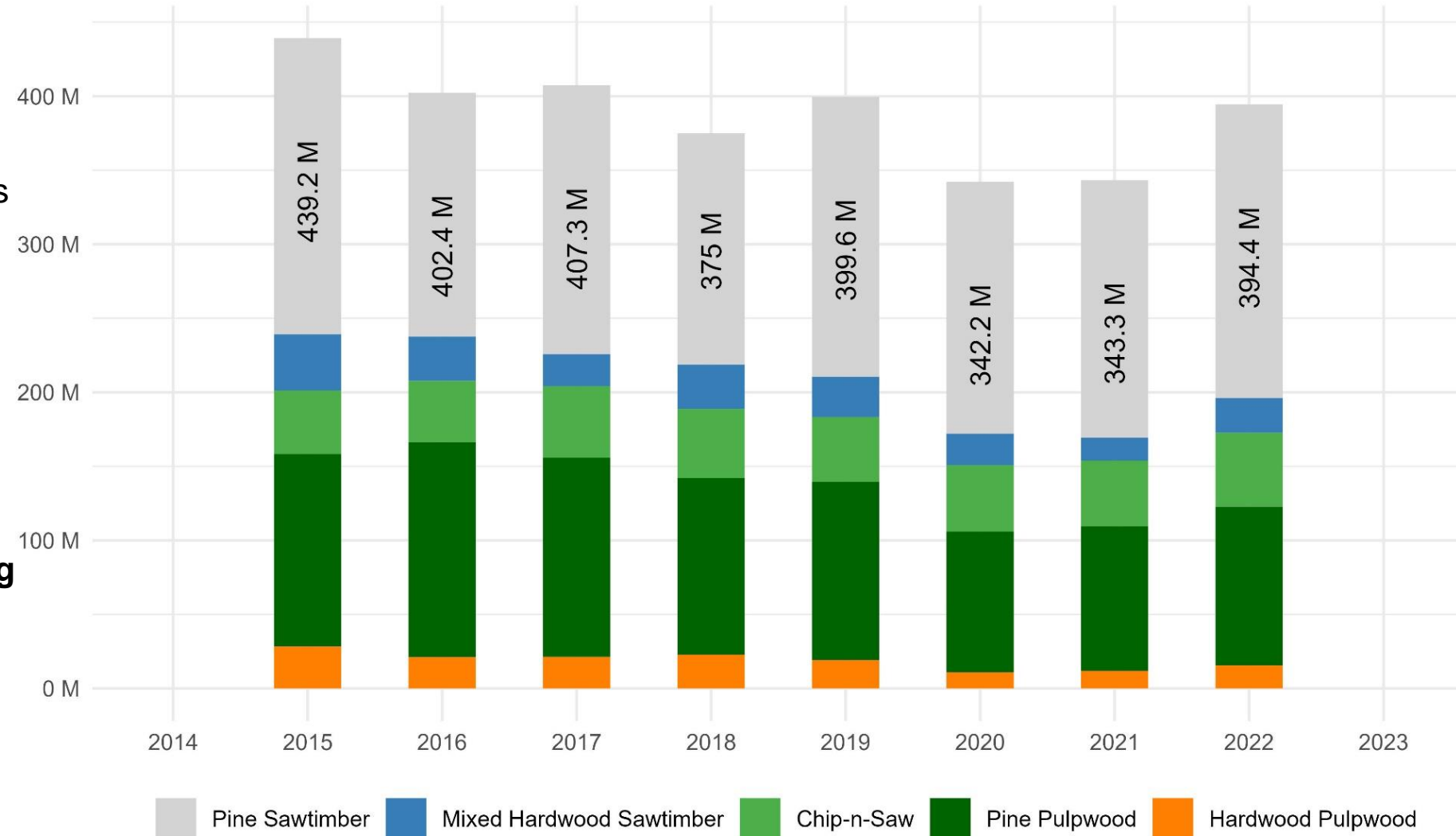
Pulp and CNS



# LA Timber revenue

Stumpage revenue Over Years

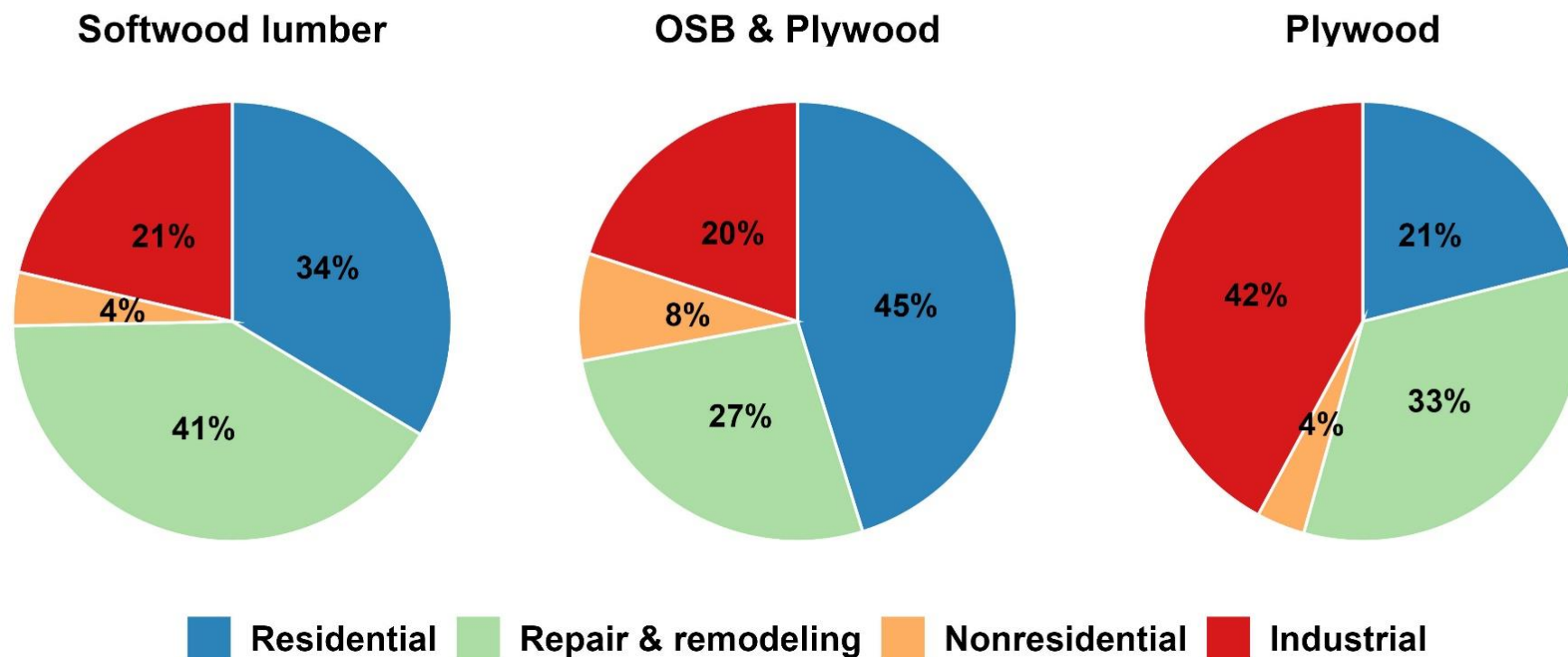
- Louisiana timber harvests remain below pre-pandemic peak, hindered by pandemic disruptions and hurricane impacts
- However, strengthening pine prices have boosted overall Louisiana stumpage revenue
- **Louisiana's timber sector is characterized by gradual yet consistent recovery after facing pandemic disruptions and hurricane impacts**



# Indicators: Housing

- Forest products industry closely linked with the housing market;
- Wood products is a housing story, about 75% of U.S. softwood lumber serves residential construction and remodeling.
- Housing starts tells us the number of new houses begun during a particular period, directly impact lumber demand,

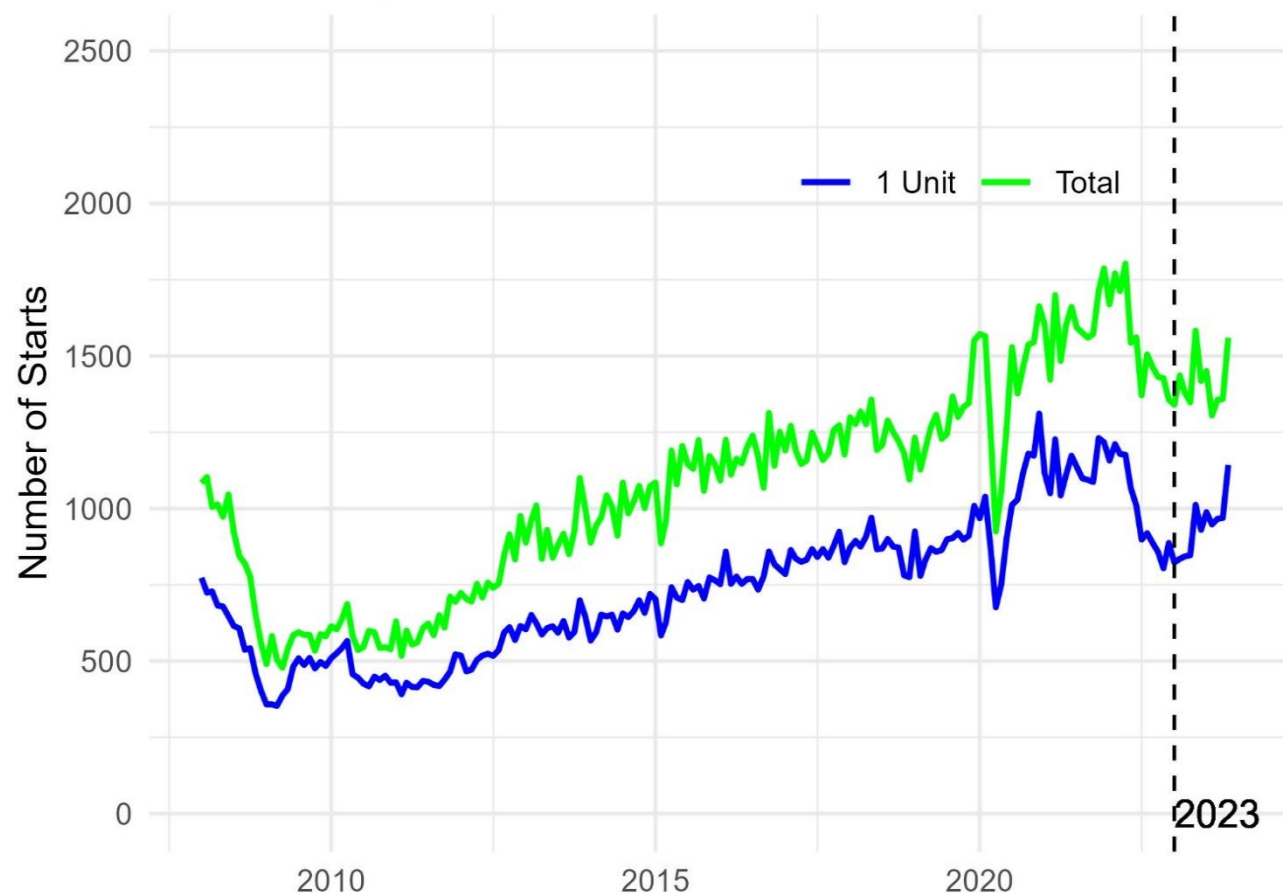
## End-use share of total product volume in 2022





# Indicators: Housing

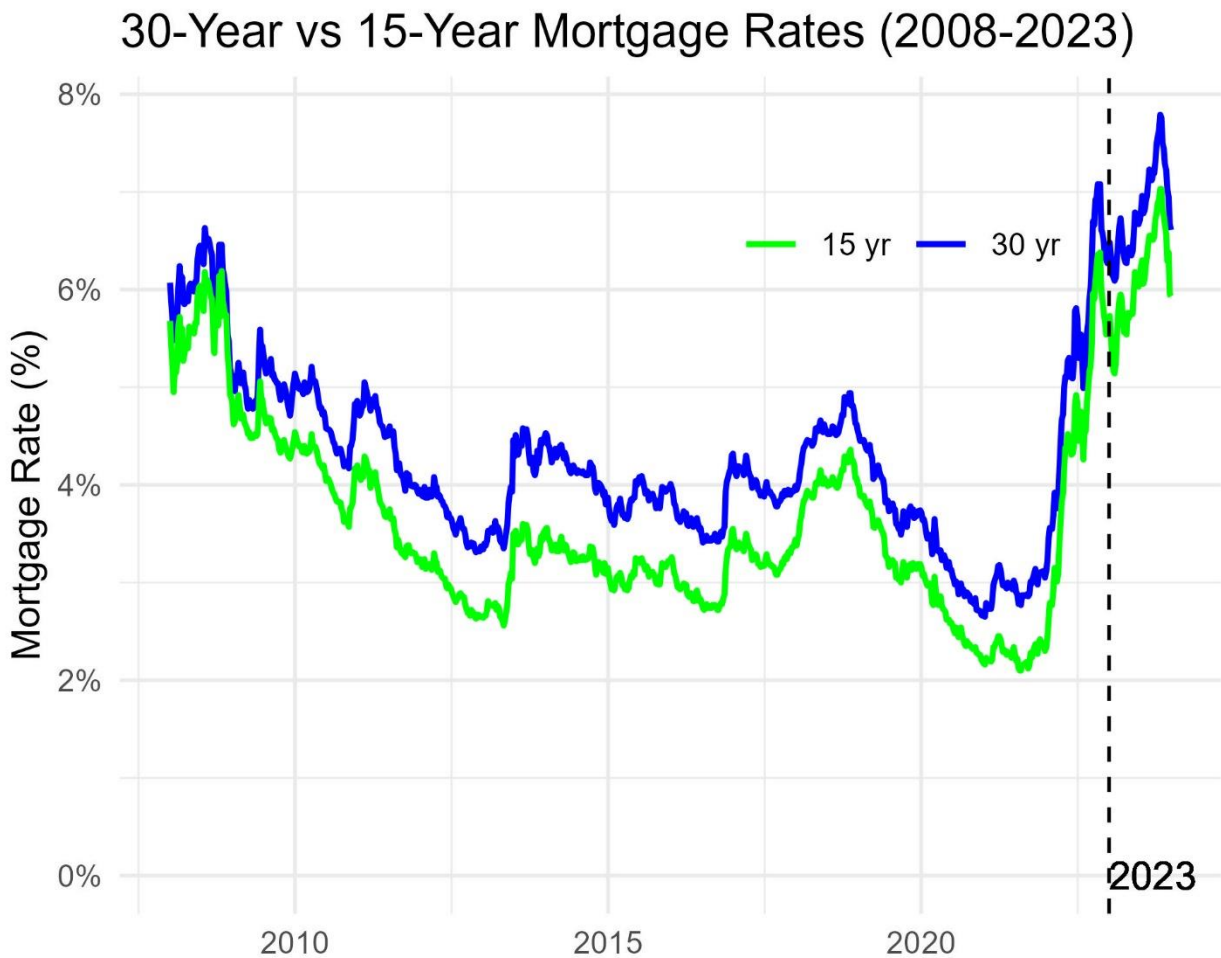
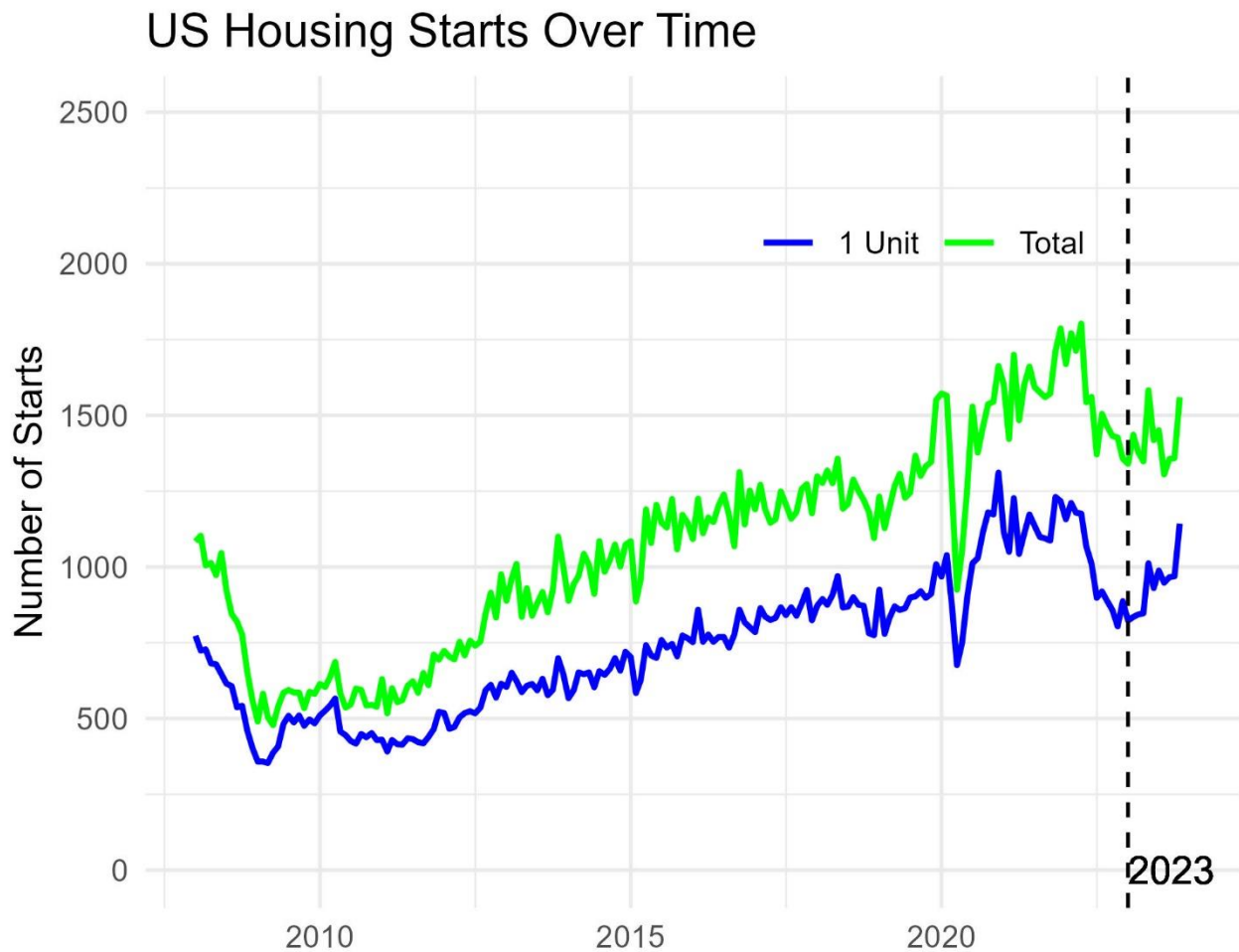
US Housing Starts Over Time



- When demand for new housing construction cools, a lot of wood sits in lumber yards. Lumber demand will also fall thus prices will soften.
- 2023 Housing Starts: Early surge, Plunge, and Recent rebound linked to declining mortgage rates (roller coaster).



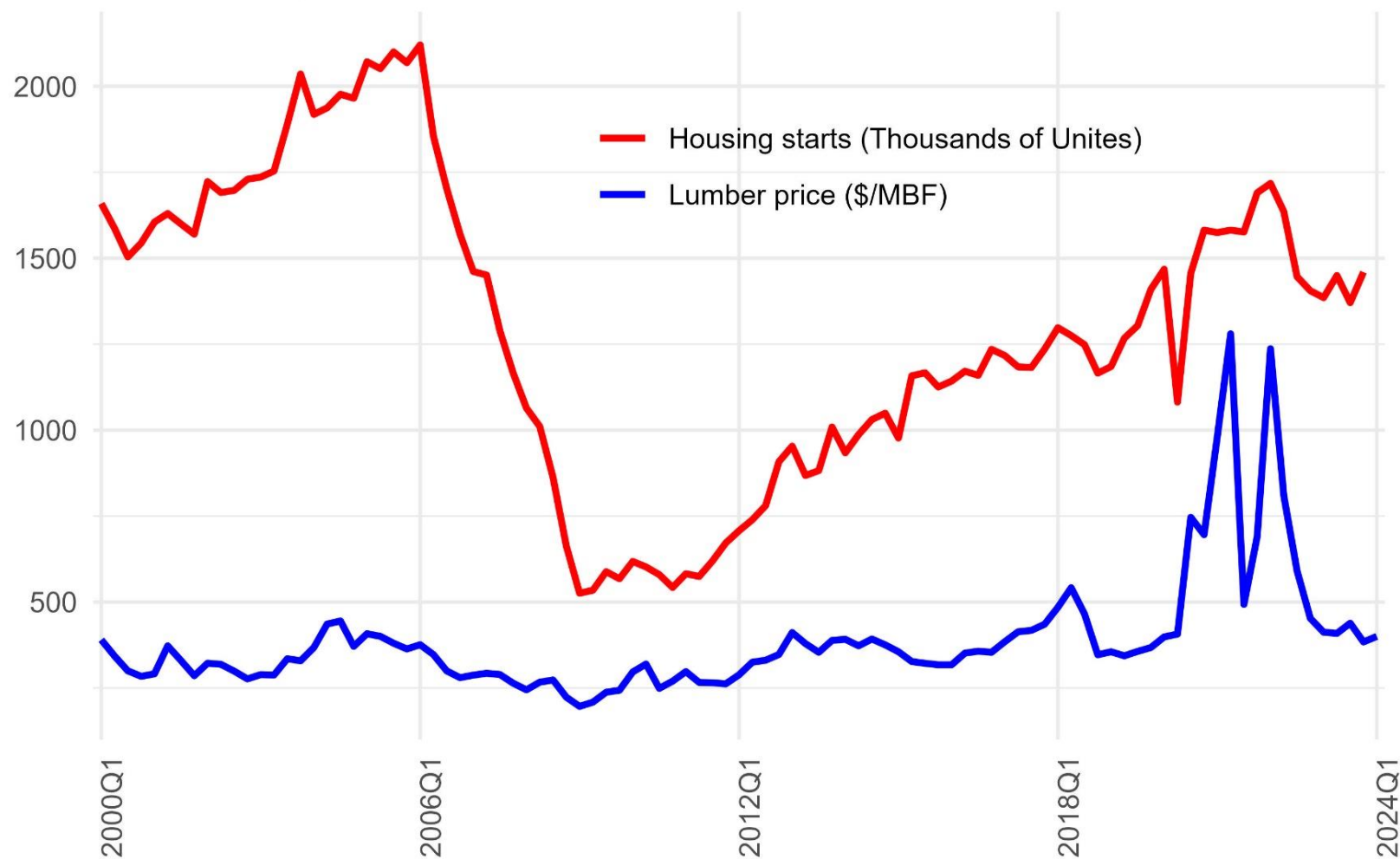
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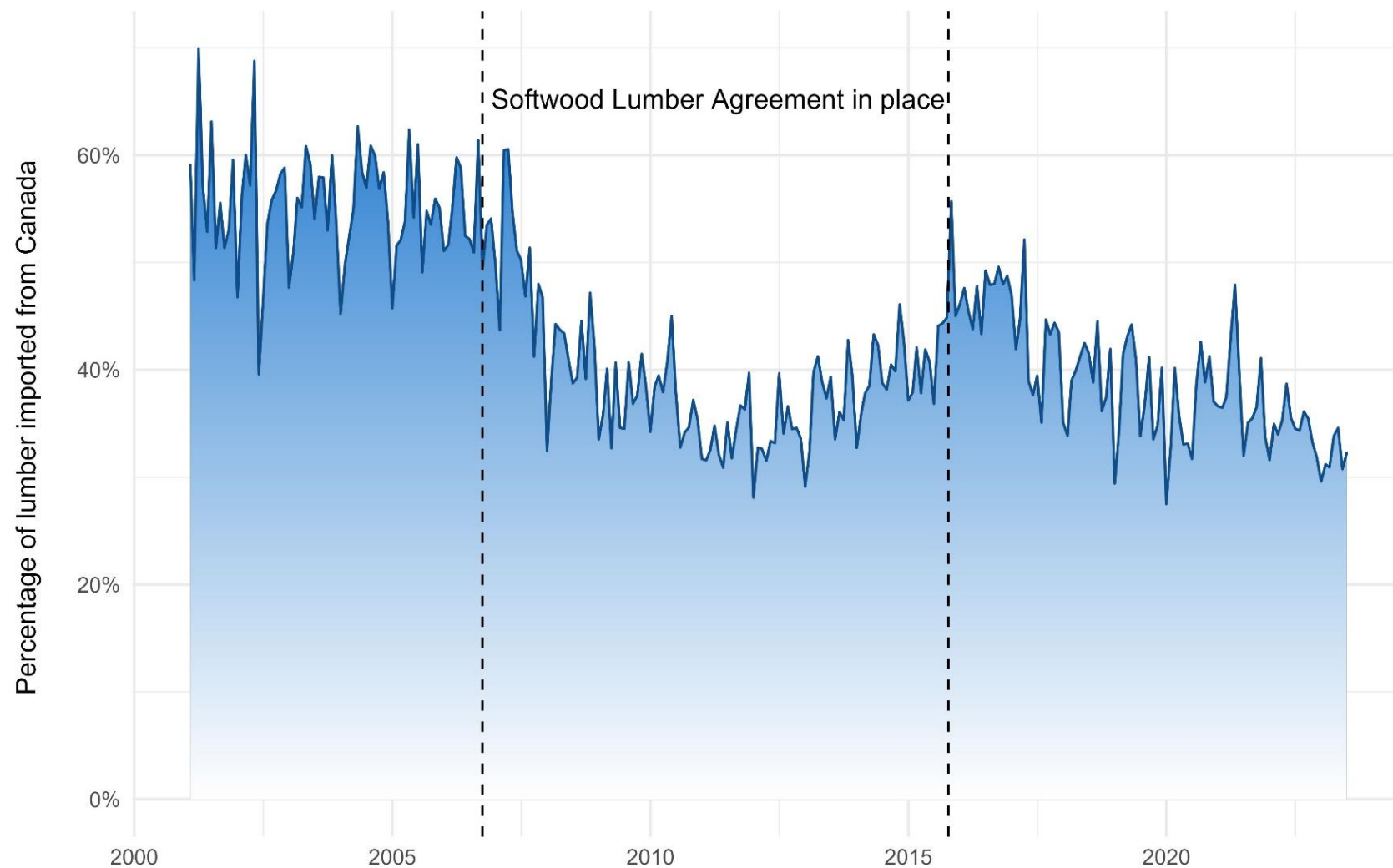
- When demand for new housing construction cools, a lot of wood sits in lumber yards. Lumber demand will also fall thus prices will soften.
- The strong housing markets translate to greater demand for lumber, which in turn enhance the need for wood fiber and timber in the market.

US Housing Market & Softwood Lumber Prices



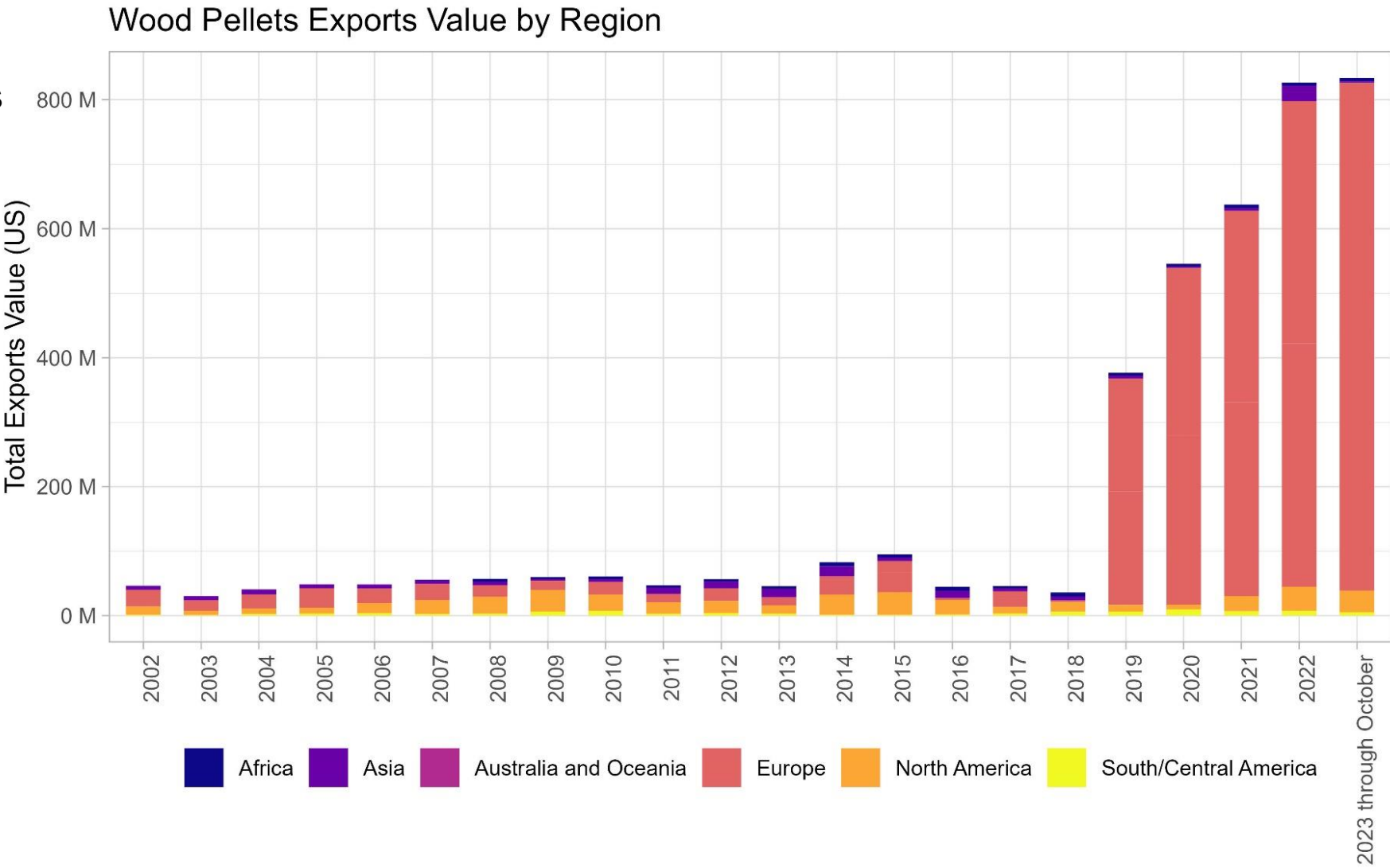
# Indicators: Trade

- Challenges in domestic harvesting due to the mountain pine beetle epidemic and wildfires in British Columbia impact Canada's timber supply reliability.
- Domestic Opportunities: With less Canadian lumber flowing in, US landowners and sawmills could see boosted demand and potentially higher prices to fill the supply gap



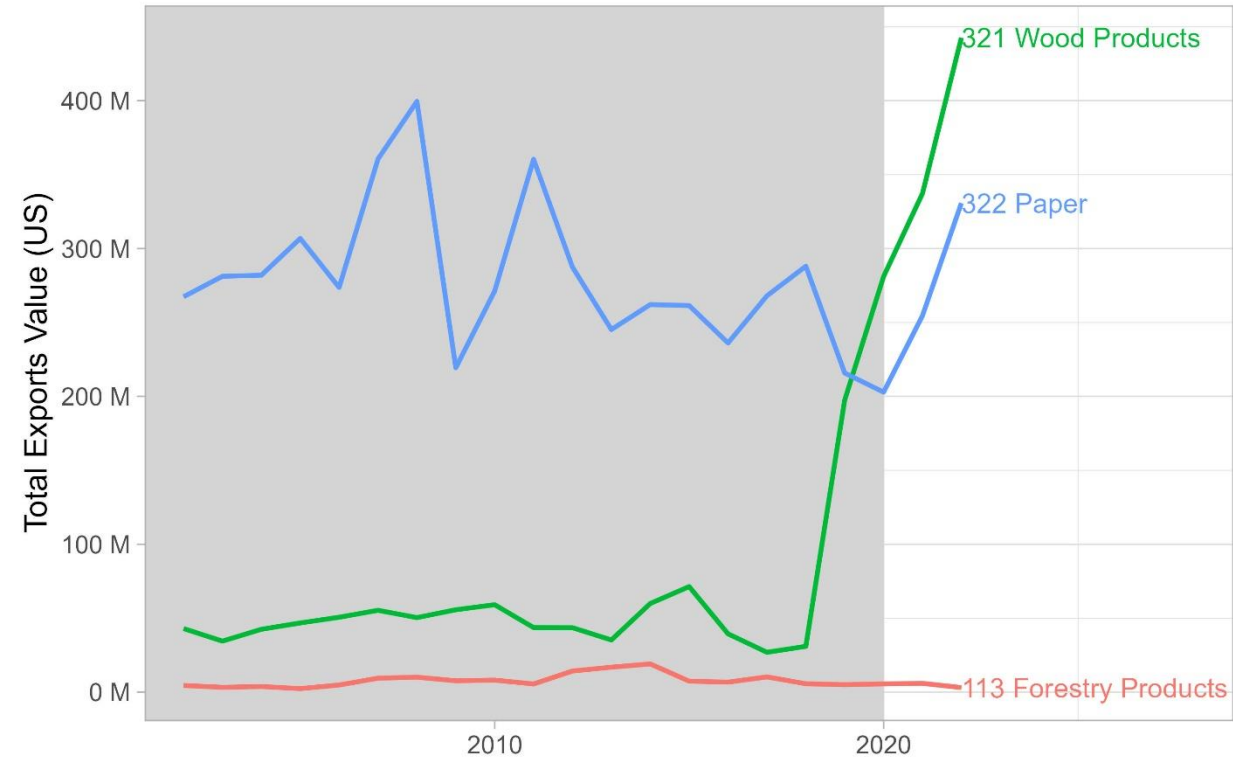
# Indicators: Trade

- Louisiana's exported wood products have surged since 2019, approaching \$800 million in 2022
- Louisiana's wood pellets export is expanding to meet the EU's renewable energy goals.
- Strong global pellet markets positively impact local demand for pulpwood and chip production in mills.

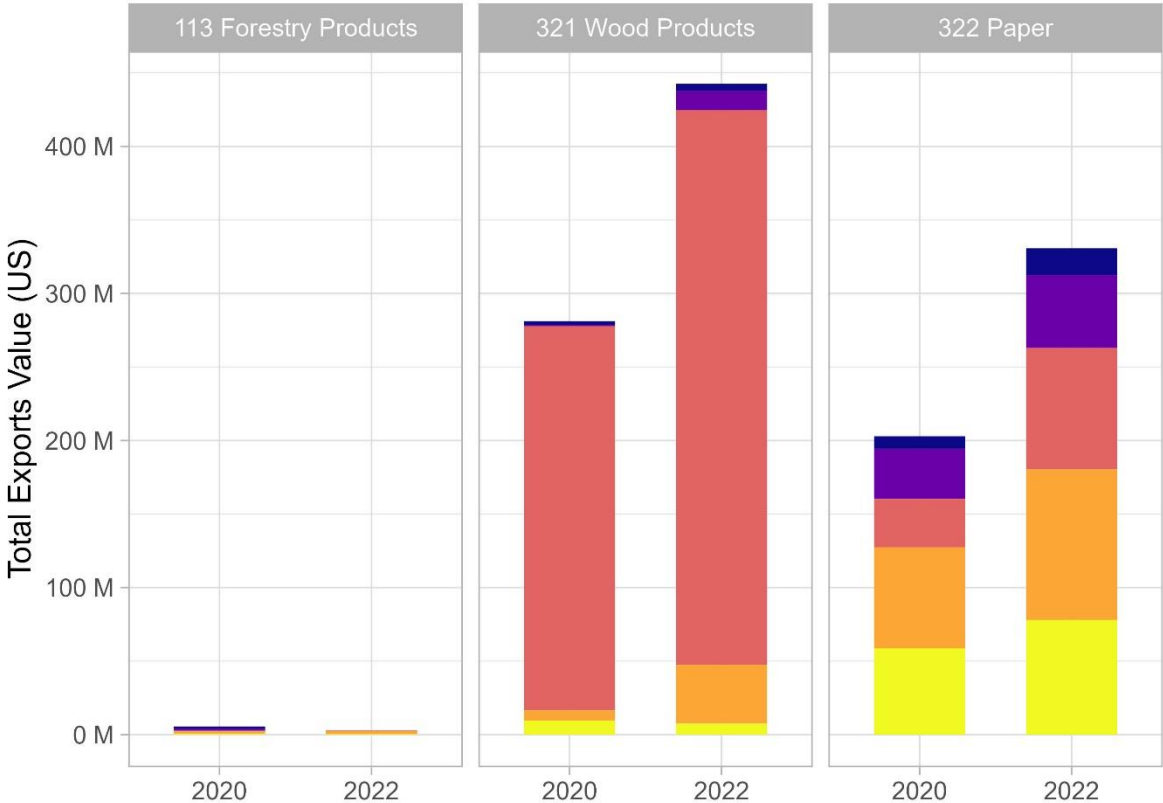


# Indicators: Trade

Total Exports Value by Commodity



Total Exports Value by Commodity by Region



Africa Asia Australia and Oceania Europe North America South/Central America

# Indicators: New investment

- Teal Jones broke ground on a \$110-million Southern yellow pine mill in Plain Dealing, Louisiana in July 2022 and expected to be complete by Q3 2023.
- Hunt Forest Products and Tolko’s new Bienville Lumber Company commenced operations at its new 320 mmbf mill in Taylor LA in October 2023.
- Weyerhaeuser announced a \$96.2 million investment at its Dodson lumber mill in Winn Parish LA to modernize and decarbonize the facility in December 2023.

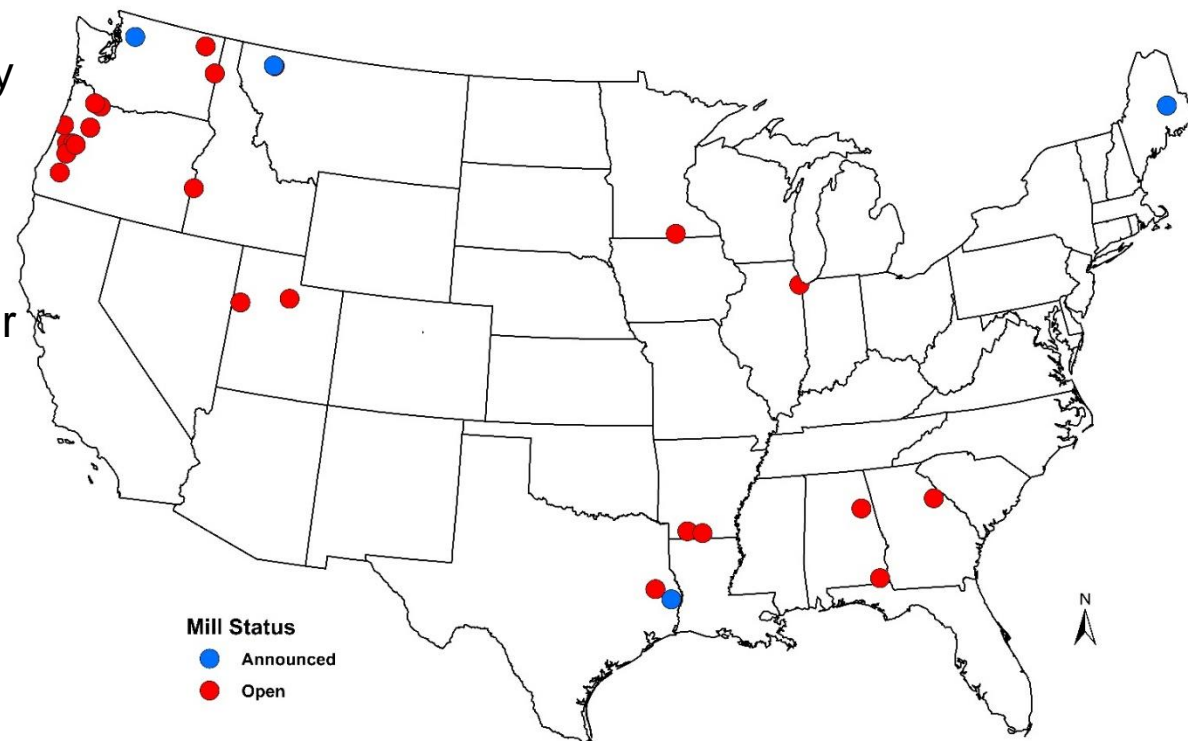
Mill Name	Parish/City	Mill Type	Mill Change	Capacity Change
Weyerhaeuser	Holden	lumber	Capacity Increase	100 MMBF
Hunt-Tolko Partnership	Hunt Taylor	lumber	New Facility	320 MMBF
Canfor	DeRidder	lumber	New Facility	250 MMBF
Interfor	DeQuincy	lumber	Reopening	200 MMBF
Teal-Jones Group	Bossier	lumber	New Facility	300 MMBF





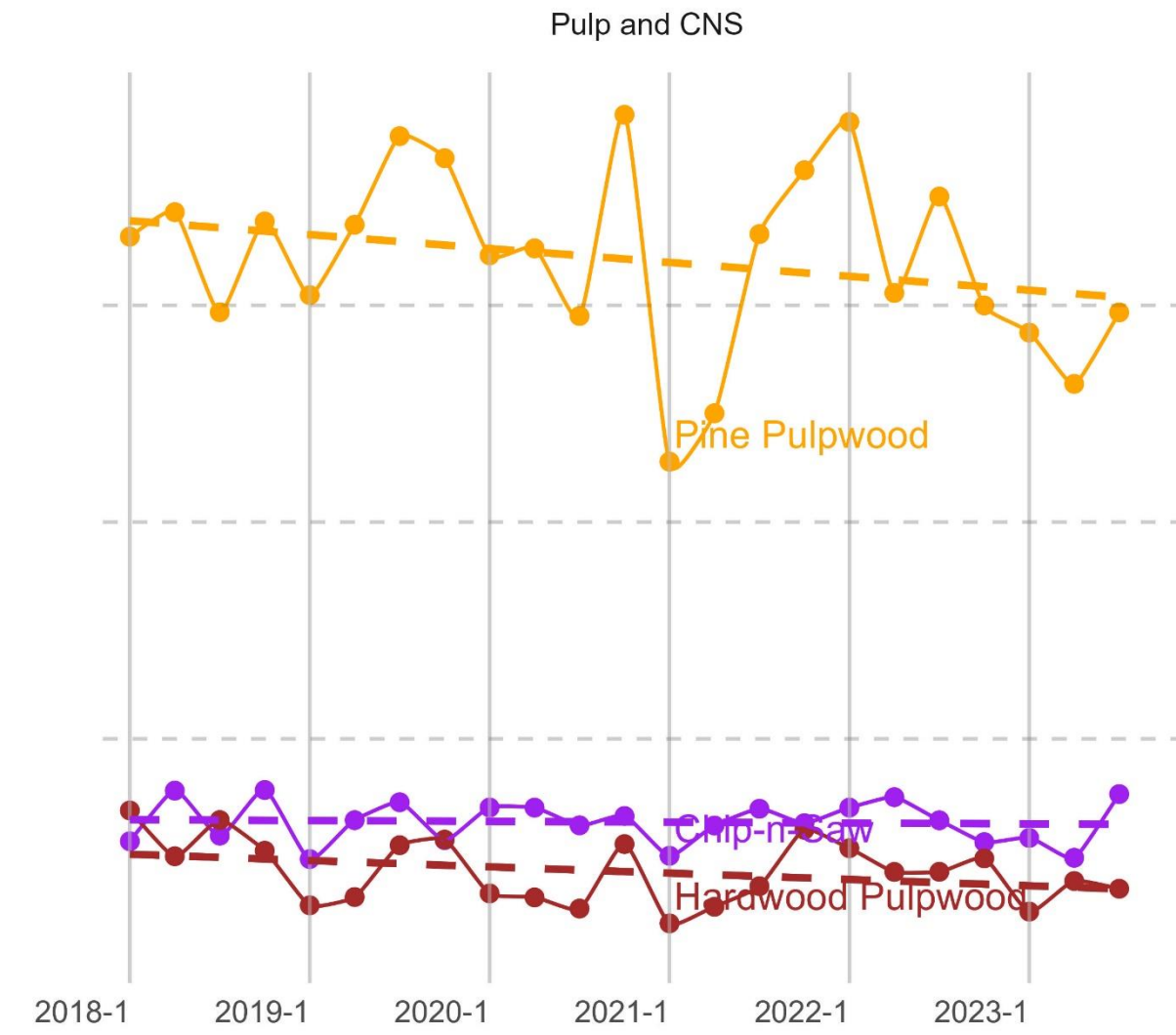
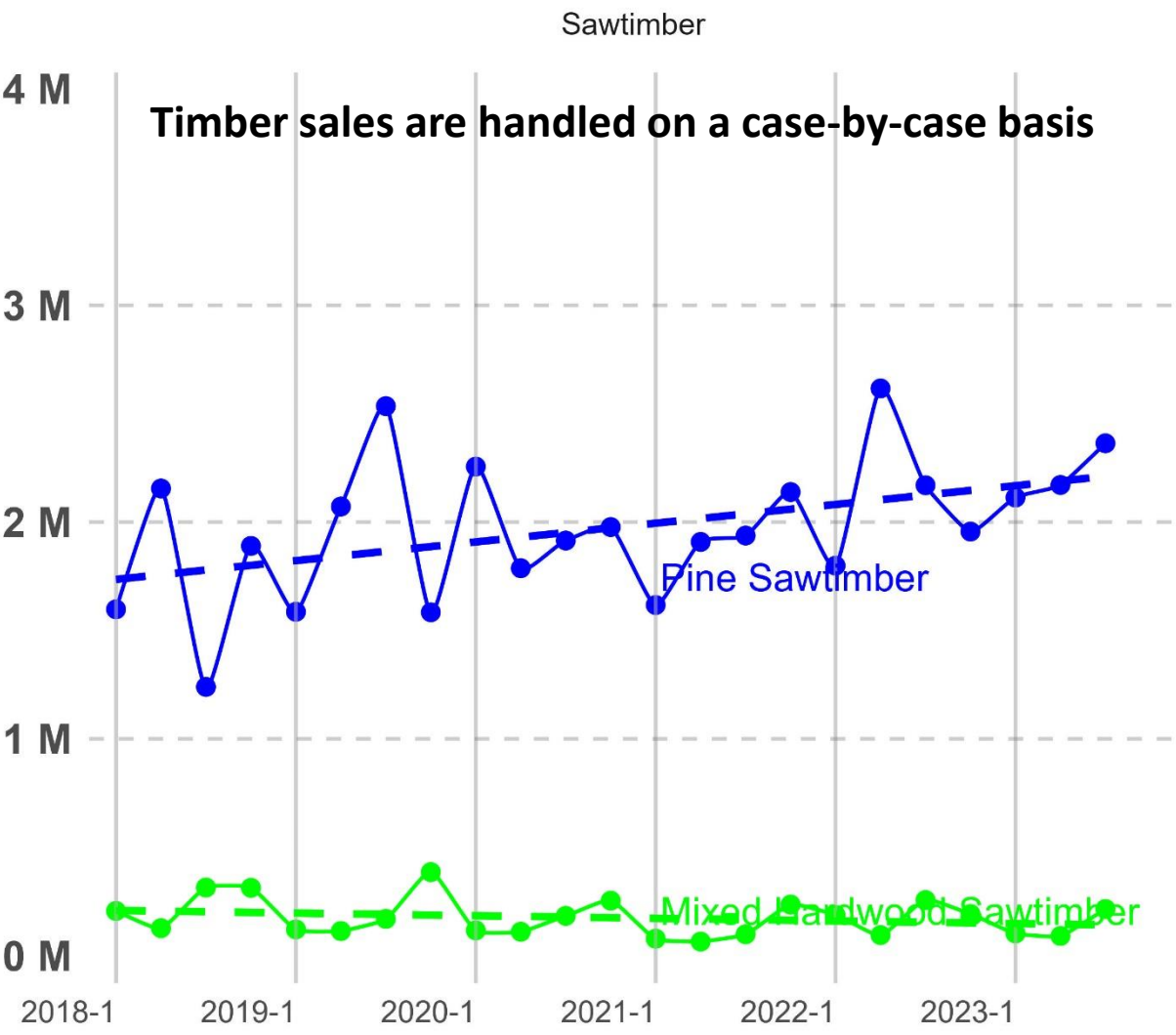
# Indicators: Emerging markets

- Increased Demand: Mass timber construction uses significantly more wood than traditional building methods, potentially boosting overall timber demand and prices.
- If carbon credits incentivize excessive land preservation, timber supply could decrease, leading to higher prices and potential shortages for traditional wood products. Most forecasters view carbon programs as supplementary income for owners without markedly disrupting market fundamentals.



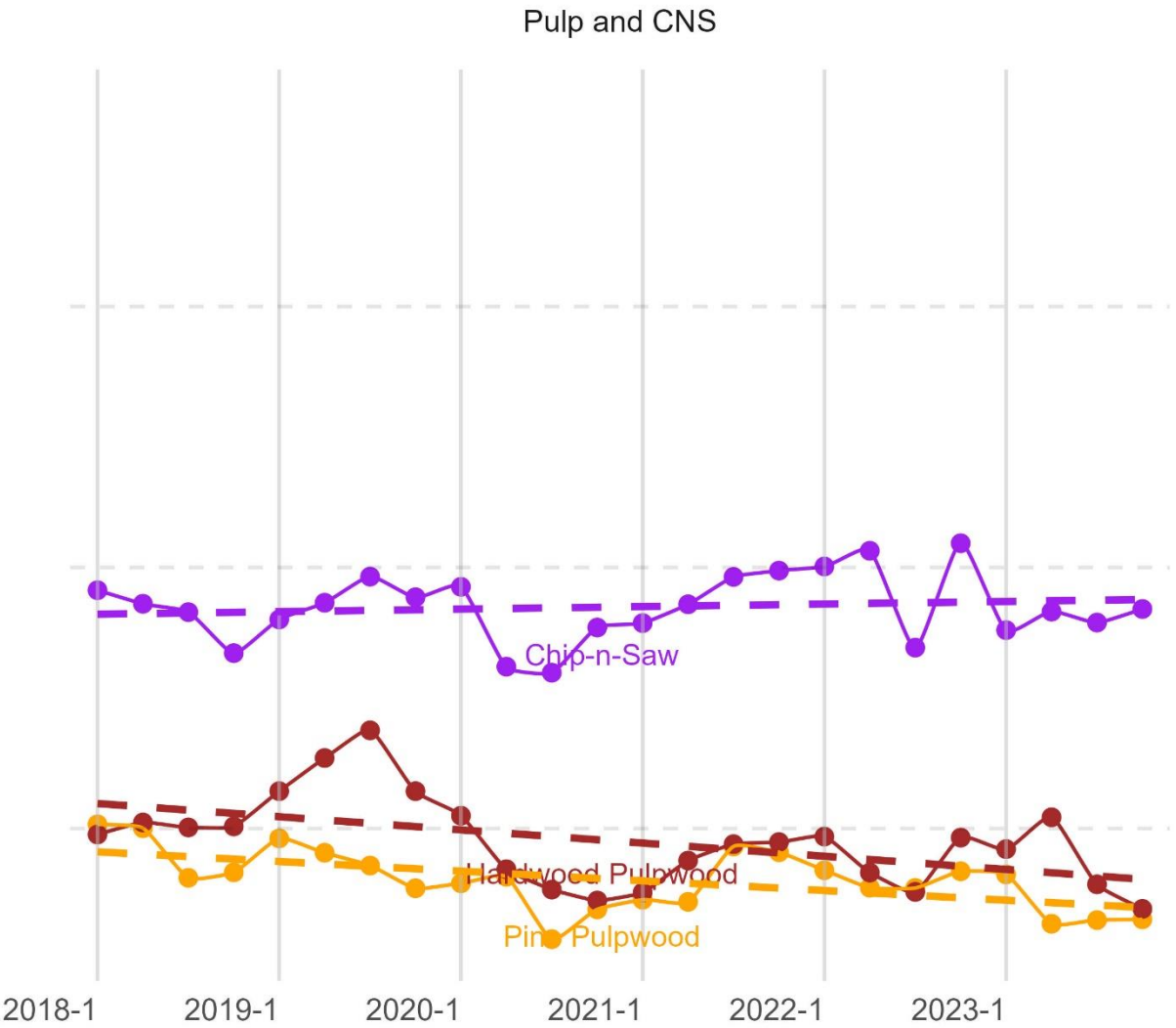
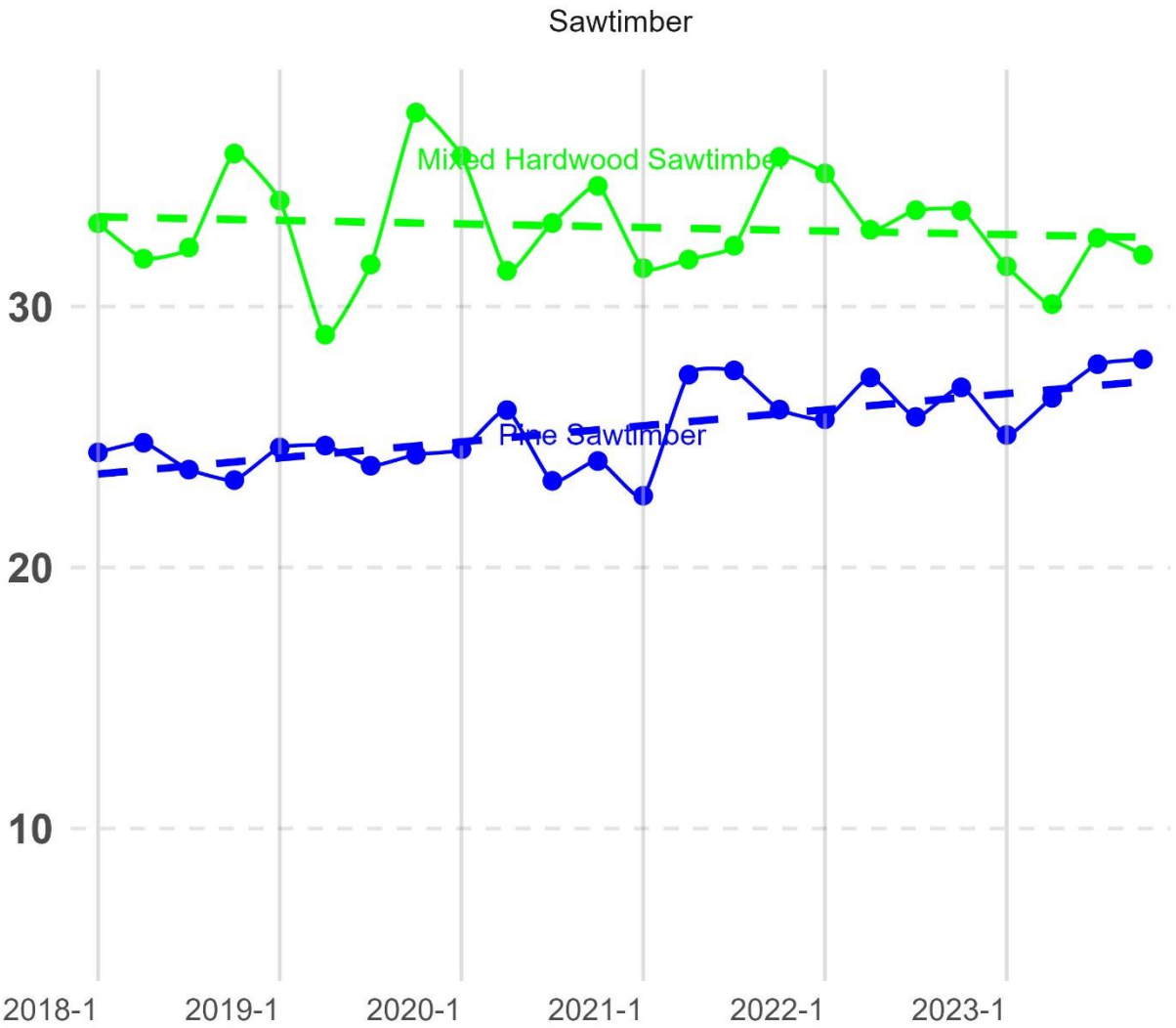


# Harvest Trends Over Years (Million Tons)



● Pine Sawtimber ● Mixed Hardwood Sawtimber ● Chip-n-Saw ● Pine Pulpwood ● Hardwood Pulpwood

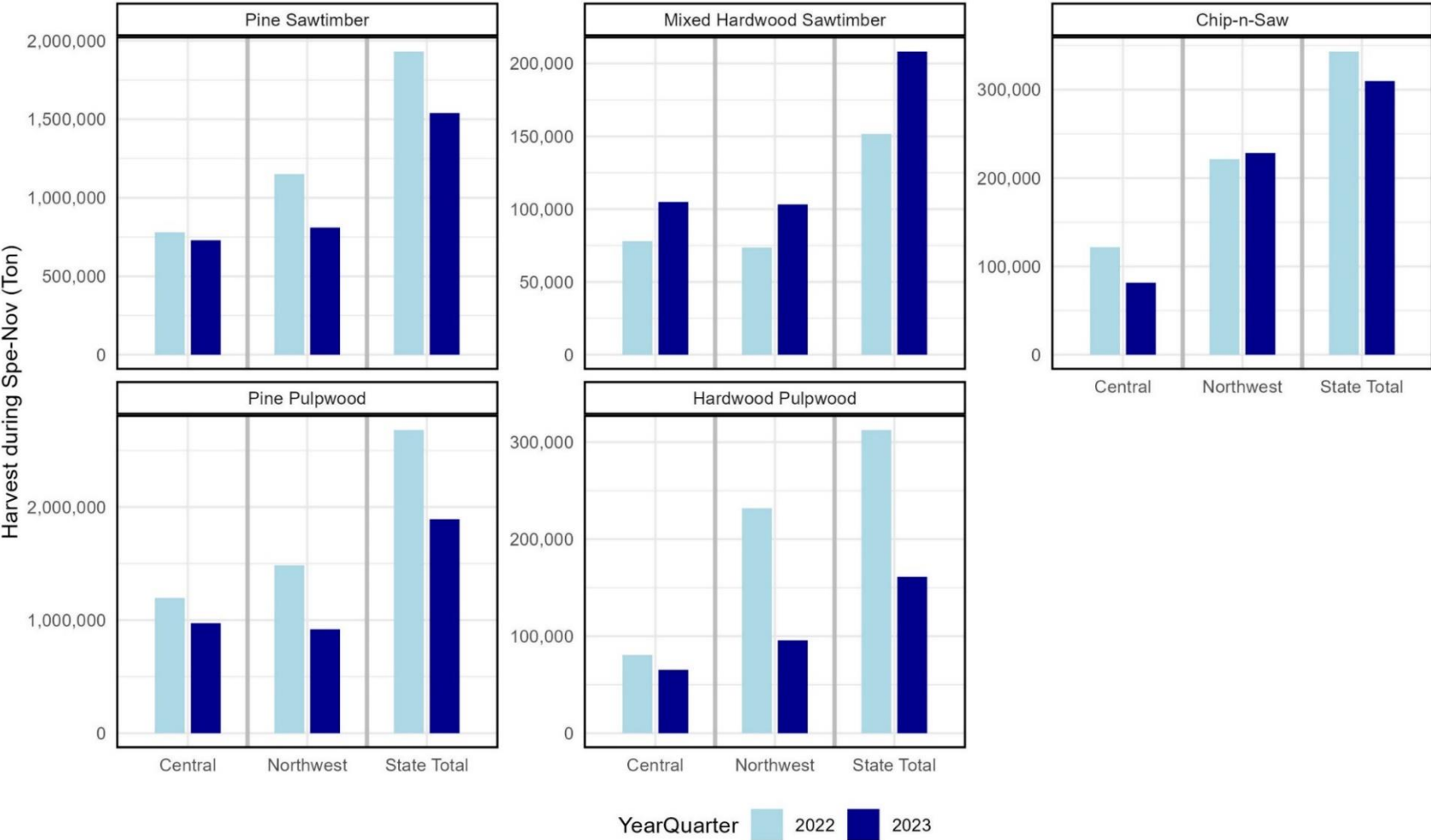
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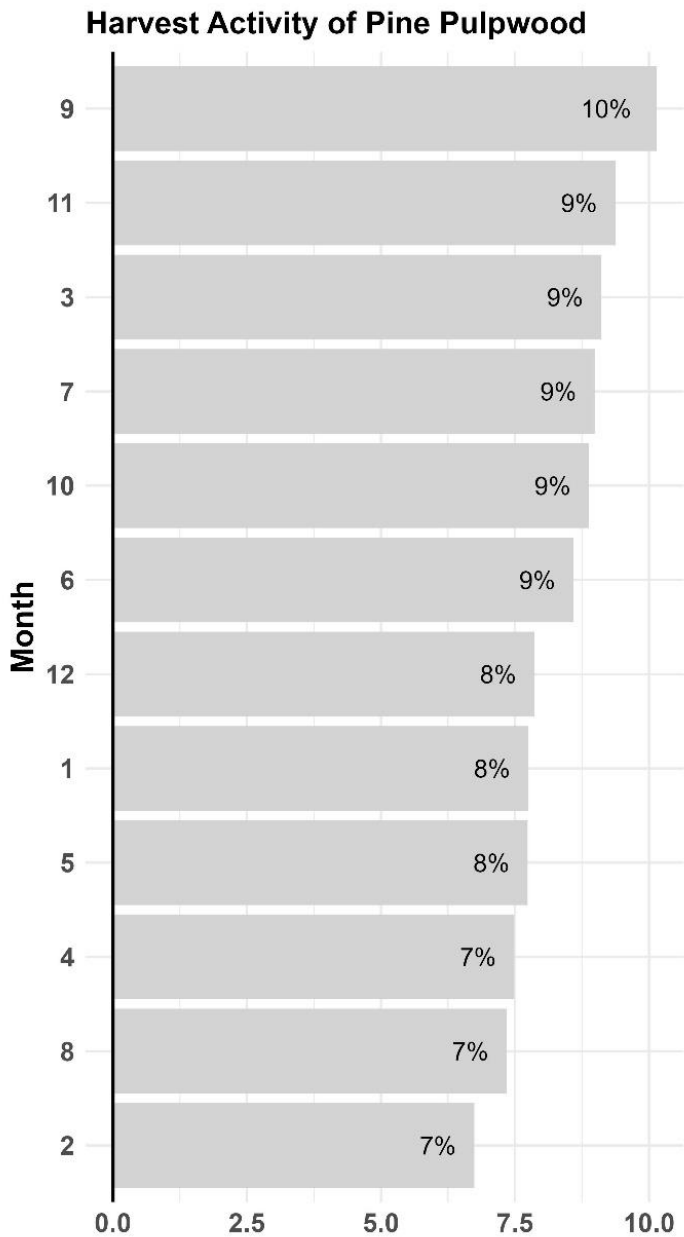
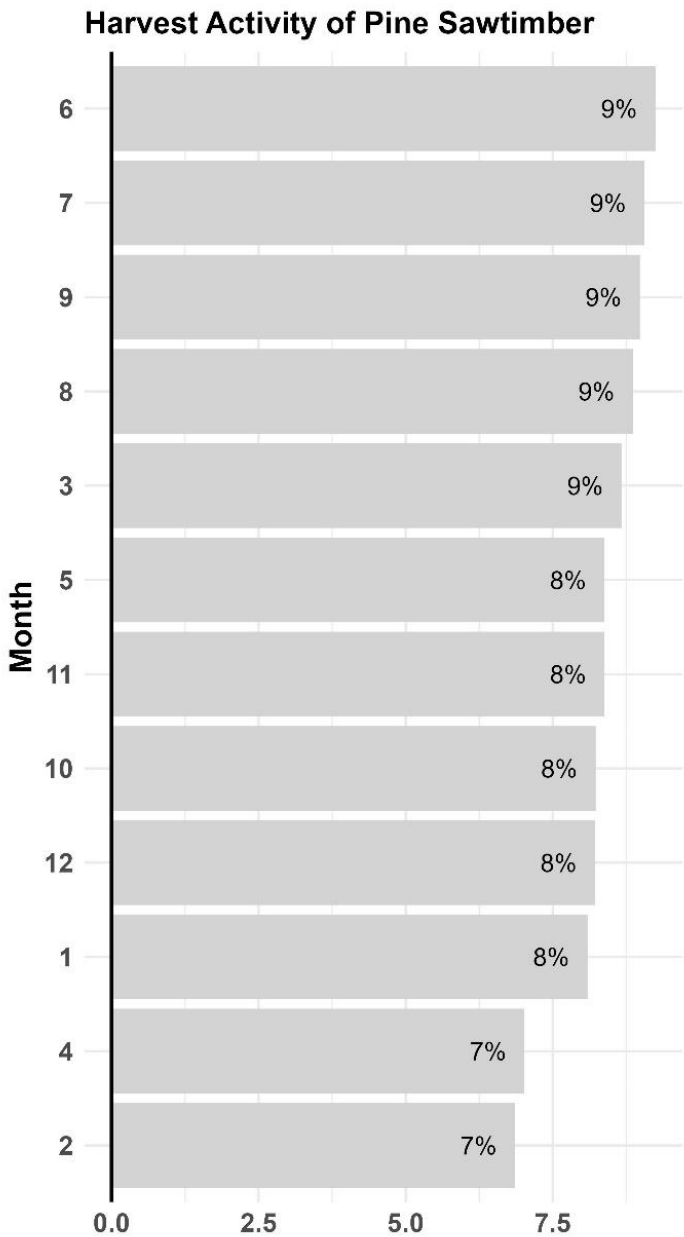
# Disturbances

- Sep – Nov 2023 witnessed a huge double-digit decline in pine sawtimber, and pulpwood production compared to the same months in 2022 in north and central Louisiana.
- Isolating the effects of drought from other influences remains challenging, yet the evident decline in timber production suggests the forestry sector in the state has been adversely affected by extreme dryness.
- Substantial decreases in pine sawtimber and pulpwood production in 2023, relative to the same months in 2022, highlight the impact of severe dryness on Louisiana's forestry industry.



# Disturbances

- Our analysis indicates the third quarter as the period with the highest harvesting volumes historically.
- Yet, this quarter coincides with elevated risks of hurricanes and droughts, posing potential threats to the forests.
- Improved forest management strategies focused on bolstering resilience can effectively reduce the impact of severe damages caused by these natural phenomena.
- Enhancing forest resilience through proactive management approaches is crucial to minimizing the adverse effects of hurricanes and droughts during peak harvesting periods.



# Take-home message

- The State is recovering from recent challenges.
- Mortgage rates have come down from their peak but are still high
- If rates were to drop further in 2024, that would spur the market for Lumber market (and timber)
- Emerging Markets present potential avenues for increasing timber demand in the long run
- New mill investments will add capacity and competition
- Historical evidence suggests an upward trend in prices for timber in Q1 of 2024
- Louisiana remains well-positioned as a focal point for US timber production

# Thank you for your attention!

Any questions?

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