



F&W
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Stumpage Prices Up And Down, But Good News On The Demand Side



By Marshall Thomas, President of F&W Forestry Services, Inc.

A look at our regional timber price graphs (pages 2-3) shows that timber prices continue to go up and down, varying by region, with no real upward or downward trends. Unfortunately, that is the same timber price news we have been reporting for a while. That's not good news, but at least we aren't talking about downward trends.

But there is some good news on the horizon on the demand side—and it isn't fake!

There have been announcements of at least four new sawmills planned for the South, and other sawmillers have announced significant increases

in capacity (see page 5). And two CLT plants have been announced for Maine (see page 7). Increased demand is ultimately the answer to our problem of oversupply on the sawtimber side, so these announcements are positive news for tree growers. Unfortunately, these capacity increases will take a while to impact demand and therefore prices, but it is a move in the right direction.

More subtle, but equally good news on the pulpwood or small wood side, is the announcement by the Environmental Protection Agency (EPA) that they will recognize biomass from forests as carbon neutral and a source of renewable energy (see page 4). For the last seven to eight years, the EPA has struggled with this issue, and the uncertainty has discouraged U.S.-based investment in forest-based biomass energy. This was a crazy situation because the European Union has long recognized biomass from forests as carbon neutral and a source of renewable energy, which led to the construction of pellet mills up and down the Eastern seaboard—with all of the pellets going to Europe. Now maybe we can develop a market for domestic energy production from forest products.

Another interesting fact is that the U.S. Forest Service reported a decline in tree planting during the 2015/16 planting season, which is the most recent data available (see page 6). While we have discussed in previous newsletters that production per acre is increasing, we are still at some of the lowest levels of reforestation in recent history. This reflects low sawtimber prices and demand and the decision by many landowners, especially small privates (who own two-thirds of the forest area in the South and half elsewhere) to hold their timber in reserve. At some point, this long trend of low reforestation acres will have an impact on supply.

Well, I have to admit that while there is a lot of good news, most of it involves long-term impacts. But maybe that isn't so bad—any business that can anticipate a long trend of slowly rising prices is in pretty good shape. 🌲

Southern Timber Prices

2018 FIRST QUARTER PINE & HARDWOOD STUMPAGE PRICE RANGE* (TONS)

	PINE PULPWOOD	PINE SMALL SAWTIMBER	PINE LARGE SAWTIMBER	HARDWOOD PULPWOOD	HARDWOOD SAWTIMBER
SOUTHEAST					
LAFAYETTE, AL	\$8–14	\$15–20	\$23–34	\$8–14	\$25–40
GAINESVILLE, FL	\$15–21	\$22–27	\$28–35	\$1–9	\$16–27
MARIANNA, FL	\$9–14	\$18–22	\$25–31	\$6–9	\$16–30
ALBANY, GA	\$11–14	\$18–24	\$28–35	\$5–10	\$15–30
MACON, GA	\$8–14	\$16–23	\$25–33	\$6–9	\$19–37
STATESBORO, GA	\$17–22	\$21–24	\$28–34	\$9–14	\$25–50
FOUNTAIN INN, SC	\$8–10	\$14–19	\$23–27	\$6–10	\$18–38
CENTRAL REGION					
CLINTON, TN	\$4–6	NA	NA	\$3–7	\$35–60
PARIS, TN	\$4–7	\$7–12	\$12–13	\$1–3	\$32–58
WEST GULF					
EL DORADO, AR	\$5–8	\$9–14	\$19–31	\$6–12	\$25–50
CORINTH, MS	\$3–11	\$9–13	\$18–21	\$10–14	\$34–47
HUNTSVILLE, TX	\$3–10	\$9–11	\$22–25	\$6–8	\$28–34
TEXARKANA, TX	\$8–13	\$11–16	\$25–30	\$5–12	\$25–40
MID-ATLANTIC					
CHARLOTTESVILLE, VA	\$9–12	\$14–16	\$18–22	\$2–4	\$18–50

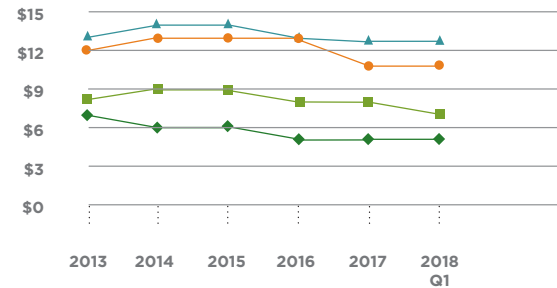
*All prices based on sales handled by or reported to F&W offices. If no sales occurred, prior quarter's sales and other data are used to compile price range. Price ranges are due to different locations, timber quality, logging conditions, type of harvest, and local market conditions.

Southern Timber Prices

TIMBER STUMPAGE PRICE AVERAGES ACROSS F&W'S SOUTHERN REGION

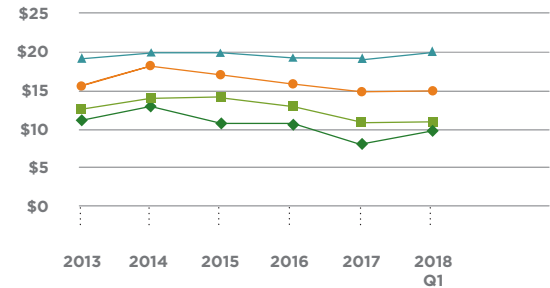
PINE PULPWOOD AVERAGE (TONS)

▲ SOUTHEAST / ◆ CENTRAL REGION / ■ WEST GULF / ● MID ATLANTIC



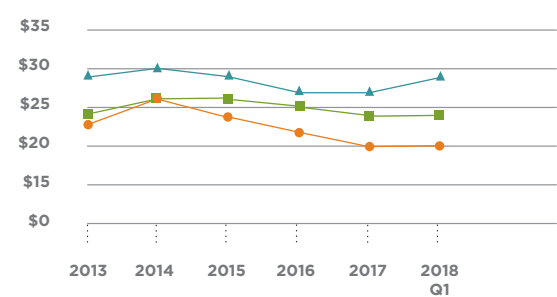
PINE SMALL SAWTIMBER AVERAGE (TONS)

▲ SOUTHEAST / ◆ CENTRAL REGION / ■ WEST GULF / ● MID ATLANTIC



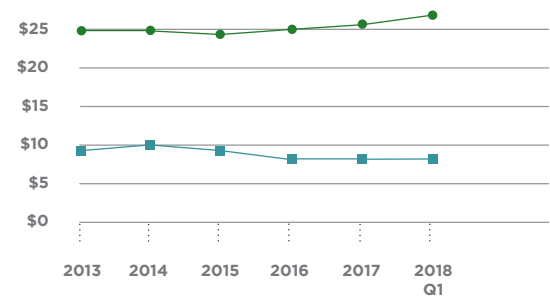
PINE LARGE SAWTIMBER AVERAGE (TONS)

▲ SOUTHEAST / ■ WEST GULF / ● MID ATLANTIC



SOUTHEAST HARDWOOD PRICES (TONS)

■ HARDWOOD PULPWOOD / ● HARDWOOD SAWTIMBER



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Northern Timber Prices

2018 FIRST QUARTER STUMPAGE PRICE RANGE*

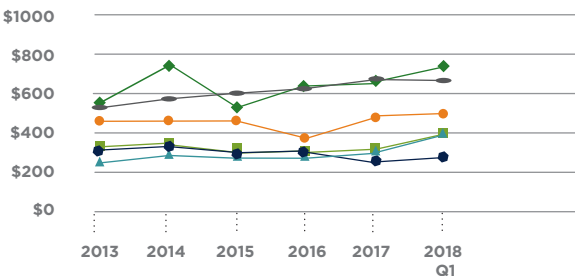
	RED OAK (MBF)	BLACK CHERRY (MBF)	HARD MAPLE (MBF)	SOFTWOOD SAWTIMBER (MBF)	HARDWOOD PULPWOOD (TONS)	SOFTWOOD PULPWOOD (TONS)
RUMFORD, ME	\$275-425	NA	\$240-425	\$40-180	\$3-10	\$2-6
MONTPELIER, VT	\$300-425	NA	\$275-425	\$45-170	\$3-8	\$1-3
GLENS FALLS, NY	\$400-700	\$400-725	\$350-650	\$45-200	\$3-8	\$3-7
HERKIMER, NY	\$500-900	\$550-850	\$550-700	\$40-145	\$2-6	\$2-3
TUPPER LAKE, NY	NA	\$300-475	\$300-450	\$90-125	\$4-6	\$3-5
CLARION, PA	\$695-825	\$975-1,250	\$570-670	NA	\$1-3	\$0-1
BLUEFIELD, WV	\$250-300	\$270-350	\$250-275	NA	\$1-3	\$0-2

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TIMBER STUMPAGE PRICE AVERAGES ACROSS F&W'S NORTHEAST REGION

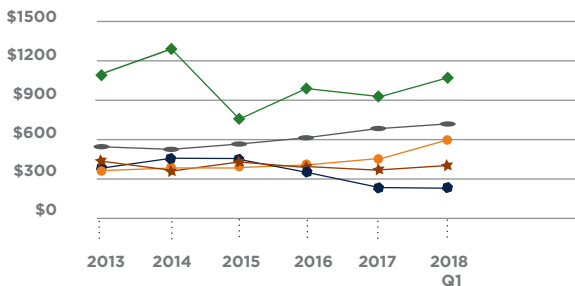
RED OAK AVERAGE (MBF)

▲ RUMFORD, ME / ● GLENS FALLS, NY / ● HERKIMER, NY / ◆ CLARION, PA
■ MONTPELIER, VT / ● BLUEFIELD, WV



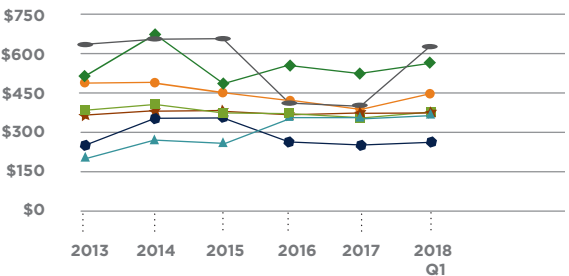
BLACK CHERRY AVERAGE (MBF)

● GLENS FALLS, NY / ● HERKIMER, NY / ★ TUPPER LAKE, NY / ◆ CLARION, PA
● BLUEFIELD, WV



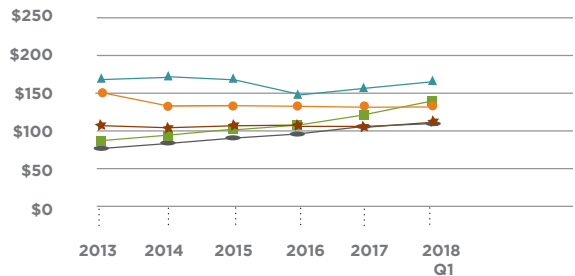
HARD MAPLE AVERAGE (MBF)

▲ RUMFORD, ME / ● GLENS FALLS, NY / ● HERKIMER, NY / ◆ CLARION, PA
■ MONTPELIER, VT / ● BLUEFIELD, WV / ★ TUPPER LAKE, NY



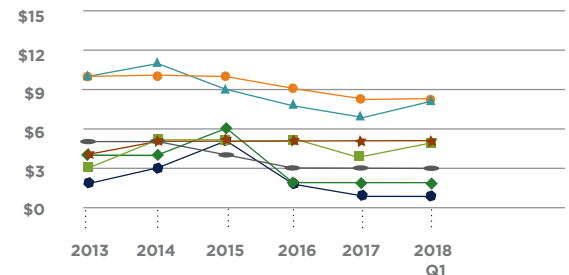
SOFTWOOD SAWTIMBER AVERAGE (MBF)

▲ RUMFORD, ME / ● GLENS FALLS, NY / ● HERKIMER, NY
■ MONTPELIER, VT / ★ TUPPER LAKE, NY



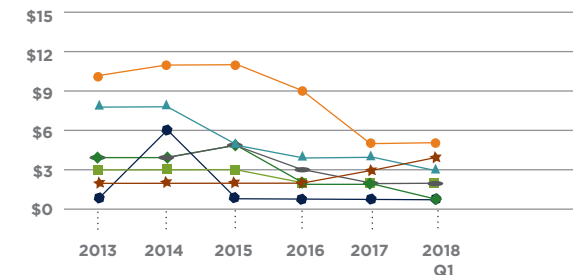
HARDWOOD PULPWOOD AVERAGE (TONS)

▲ RUMFORD, ME / ● GLENS FALLS, NY / ● HERKIMER, NY / ◆ CLARION, PA
■ MONTPELIER, VT / ● BLUEFIELD, WV / ★ TUPPER LAKE, NY



SOFTWOOD PULPWOOD AVERAGE (TONS)

▲ RUMFORD, ME / ● GLENS FALLS, NY / ● HERKIMER, NY / ◆ CLARION, PA
■ MONTPELIER, VT / ● BLUEFIELD, WV / ★ TUPPER LAKE, NY



EPA's Pruitt Commits To Carbon Neutral Policy For Forest Biomass

Environmental Protection Agency (EPA) Administrator Scott Pruitt recently set the stage for a new policy regarding forestry and the treatment of forest biomass as an energy resource that's positive news for forest landowners and the forest products industry.

For the past seven years, as the Obama administration sought to implement regulations to promote renewable energy and reduce carbon emissions and U.S. dependence on fossil fuels, the EPA was unable to reach a consensus on whether woody biomass was an acceptable, carbon neutral source of energy within its framework.

In February, Pruitt moved to put that issue to rest. In a letter to New Hampshire Governor Chris Sununu—a heavily forested state that produces much of its energy needs from woody biomass—he laid out EPA plans for treating biomass and the forest products industry going forward.

"Understanding the importance of the forest products industry to New Hampshire, and recognizing the environmental, economic, and social benefits our nation as a whole derives from its vast resources, I write to highlight the work the Environmental

Protection Agency has undertaken and is continuing to undertake to advance and promote the responsible use of those forest resources," Pruitt wrote.

He said a public review of EPA regulations produced concerns from the forest community that the agency failed to properly account for the "reality that energy derived from biomass may in appropriate circumstances be recognized as carbon neutral."

Pruitt noted that last year Congress passed an omnibus spending bill with language directing EPA and the departments of Agriculture and Energy to recognize biomass as being both carbon neutral and a source of renewable energy. Those agencies are now working towards developing a process for cooperating and ensuring consistent policies on the use of "biomass, including forest-derived biomass, for energy."

As for EPA's part, Pruitt said the agency has made a concerted effort to develop a range of options that are "consistent with a carbon-neutral policy for biomass from forests and other lands and sectors" in improving Clean Air Act permitting programs.

He also addressed the prior administration's federal procurement

policies, which only recognized a single forest certification standard.

"This had the unfortunate, and wholly unwarranted, effect of making a large majority of responsibly managed forests, including those certified by the Sustainable Forestry Initiative and the American Tree Farm System, ineligible to participate," Pruitt said. "Today, EPA recognizes there is a much broader reach of responsibly managed forests and so is working to guarantee that any procurement recommendations are consistent with this broader understanding."

"Continuing to be responsible stewards of our nation's forests and lands while utilizing all domestic forms of biomass to meet our energy needs are mutually compatible goals," Pruitt wrote. "By further incorporating these concerns into an 'all of the above' energy portfolio, the Agency will expand the economic potential of our nation's forests, while at the same time ensuring states...are able to determine the best energy sources to meet their local economic and environmental needs." 🌲

Partisanship Derails Reauthorization Of The Farm Bill

Beliefs that the 2018 Farm Bill may be one of the last pieces of bipartisan legislation to pass Congress this year are starting to dim.

The bill, spanning commodity, conservation, energy, and food assistance programs, has historically required bipartisan alliances to pass, but those alliances are now showing signs of fracture in a mid-term election year.

The House and Senate Agriculture committees have each been working on their own version of the bill, although neither has publicly released

their language. The House had been planning to begin marking up its version in March followed by the Senate in April. But by late March the process ground to a halt as House Committee Democrats expressed opposition to the "extreme partisan" policies that Republicans were proposing for the food stamp program, known as the Supplemental Nutrition Assistance Program (SNAP).

Farm Bill conservation programs are the largest single source of federal funding available to private forest landowners and include

the Conservation Reserve (CRP), Environmental Quality Incentives (EQIP), Conservation Stewardship (CSP) and Forest Stewardship (FSP) programs. These voluntary programs provide cost-share and technical assistance for a wide range of forestry and conservation practices such as tree planting, forest stand improvement, hazardous fuel reduction, and fire breaks.

If a new bill does not pass by September, the existing 2014 Farm Bill is expected to be extended into 2019. 🌲

Surge In Greenfield Sawmills In The South Expected To Increase Lumber Production, Wood Demand

With pine sawtimber prices continuing to lag, tree growers may gain some optimism for the future based on several recent announcements of plans for greenfield mills to expand lumber production in the South.

During the first quarter, there were four separate announcements of plans to invest in new sawmills in Alabama, Louisiana, and Georgia. Combined, the companies plan to invest \$480 million in sawmills that when fully operational are expected to produce more than one billion board feet of lumber annually.

Here's a rundown of the announcements:

- **Georgia-Pacific (GP)** announced plans for a new softwood lumber production facility at Warrenton, Ga., near Augusta, on property adjacent to its existing lumber mill. The mill has been in operation since the early 1970s and GP said the new sawmill will be capable of producing more than three times the output of the current facility because it will be equipped with the latest in lumber manufacturing technology. Once in production, the company said the facility will receive approximately 185 truckloads of pine logs a day and produce around 350 million board feet (MMBF) of lumber annually. Construction of the \$135 million technologically-advanced plant is scheduled to begin this summer, with startup anticipated for spring 2019. GP said the existing plant will continue full operations until the new facility comes online. As reported in the fall newsletter, GP is also constructing a new \$100 million lumber facility near Talladega, Ala., that is expected to startup later this year. Once in operation, the company said the Alabama mill will produce approximately 230 MMBF of lumber annually, with plans to expand capacity to 300 MMBF in the future.

- Capitalizing on the abundant wood fiber resources of the Southern U.S., Vancouver-based **Canfor** said it will construct a new, state-of-the-art sawmill in Washington, Ga., in the same general geographic region as the newly announced GP mill. The facility is expected to cost \$120 million and have an annual lumber production capacity of 275 MMBF. Initially, the company said construction would begin during the second quarter of 2018, with startup projected for late 2019. However, the company later said the construction schedule may be delayed due to a previous commitment of the contractor selected to build the mill. Canfor, the second largest lumber producer in North America, currently operates 24 sawmills—13 in Canada and 11 in the U.S.—with an annual total lumber production capacity of 5.5 billion board feet.

- Florida-based **Rex Lumber Co.** said it plans to build a state-of-the-art lumber manufacturing facility near Troy in Pike County in Southeast Alabama. Annual production capacity is projected to be 240 MMBF annually and the company estimates the capital costs of the new mill to be \$110 million. Rex currently operates three sawmills, two at Graceville and Bristol in the Florida Panhandle, and one at Brookhaven, Miss., with a combined capacity of 575 MMBF annually. Construction was expected to begin in March with startup set for 2020.

- **Tolko Industries**, a family-owned company based in British Columbia, is making its first venture into the U.S. and is partnering with Louisiana-based **Hunt Forest Products** to build a state-of-the-art sawmill near Urania, La., to be named the LaSalle Lumber Company. The companies said they will invest \$115 million to build the new mill, which is expected to consume 850,000 tons of timber annually and produce 200 MMBF of lumber. Wood chips, sawdust, and other mill residuals will be contracted

to Drax Biomass, which operates a wood pellet facility adjacent to the sawmill.

Another greenfield mill announcement is expected this summer from Canadian lumber giant Interfor. The company said it continues to assess the feasibility of a new sawmill in the U.S. South, with a decision on the project expected by mid-2018. The facility under consideration would produce in excess of 200 MMBF of lumber annually and would cost approximately \$115 million, the company said.

The new sawmill announcements come on top of major capital investments companies are making to upgrade their existing facilities to increase annual lumber production capacity.

Last year, Canfor announced it will spend \$160 million to upgrade its Southern sawmill operations to increase annual production capacity by approximately 350 MMBF by the end of 2019.

Interfor is spending \$65 million on its mills at Monticello, Ark., and Meldrim, Ga., to increase production by 150 MMBF annually. The company is also advancing plans for other capital projects to enhance operations at existing facilities.

Charles Ingram Lumber Co., a family-owned sawmill based in Effingham, S.C., plans to invest \$33 million to add a new dry kiln, which will enable them to dry an estimated 70 MMBF. The company currently produces 120 MMBF of lumber annually.

And in January, Conifex Timber Inc. began operating its El Dorado, Ark., mill after investing \$71 million to upgrade and modernize the idled mill formerly owned by GP. The mill is expected to have an annual lumber capacity of 180 MMBF. 🌲

Latest U.S. Forest Service Data Shows Decline In Reforestation; F&W Managers Report Mixed Activity In Recent Planting Season

The latest data from the U.S. Forest Service on tree planting for the 2015/16 planting season shows that overall reforestation activity was down by 4 percent from the 2014/15 planting season.

According to Forest Service statistics, tree nurseries produced 1.26 billion seedlings which were used to reforest approximately 2.4 million acres across the U.S., down from 2.5 million acres from the previous planting season. The tree-planting acreage data is based primarily on shipments of seedlings from tree nurseries and on the estimated average number of trees planted per acre in new stands by state.

The South continues to be the national leader in reforestation, with 1.9 million acres—or 78 percent—of all tree planting occurring in 13 Southern states. A review of the data showed that Southern tree planting remained about the same as the previous year and is up approximately 10 percent from the 2011/12 planting season when the Forest Service resumed publishing tree planting estimates.

The Northeast, which relies mostly on natural regeneration rather than planting, comprises approximately 2 percent of all U.S. tree planting. In the 2015/16 planting season, approximately 44,220 acres were planted, about the same as the previous planting season but more than double the 2011/12 planting estimate.

Looking to the 2017/18 tree planting season just finished, a survey of F&W managers across the Southern region finds mixed reports of increases, decreases, and stable reforestation activity.

A common theme among several managers is that improving timber markets have bumped up reforestation activity, yet others say the lack of markets is affecting tree planting by private landowners.

Randy Jarzyniecki, manager of the

Texarkana, Texas, office, said tree planting was up significantly in his area compared to last year.

"We experienced stable to slightly higher timber prices and that was the driving factor with landowners cutting more timber," he said.

Brent Williamson of the El Dorado office said reforestation activity was about the same as the prior season.

"Landowners seem to be resigned to current pricing, therefore more final harvests are occurring than four to eight years ago," Williamson said.

But Jerry Beck in the Corinth, Miss., office said that while planting was up on TIMO lands, it's down among private landowners in Northeast Mississippi and Northwest Alabama due to a lack of markets.

"New markets are needed for softwood chip-n-saw and sawtimber to spur any new vigor in reforestation," Beck said.

The Statesboro office reported a decline in reforestation during the 2017/18 season, with weather and delayed harvest completion cited as the primary reasons for the decrease.

"Timber markets are good and reforestation typically follows harvests, with the exception being tracts that transition into development, which has increased in our area," said Wade McDonald, manager of the Southeast Georgia office.

Steve Morgan, manager of the Dover, Tenn., office, said overall tree planting in his region stayed about the same as the prior season but was down among private landowners due to poor pine pulpwood markets and reduced funding for cost-share programs.

"TIMO's continue to replant and planting costs and seedlings are still reasonable," Morgan said. "There are several new wood markets on the horizon, which is encouraging."

The Gainesville, Fla., office reported that reforestation was down in North

Central Florida during the recent planting season. Manager Bryan Croft said many landowners had plans for reforestation, particularly those impacted by the 2017 wildfires, but above average rainfall delayed chemical and mechanical site prep throughout the region, leading to a postponement of planting.

"If there is 'normal' rainfall in 2018, I suspect planting acres will increase as salvage acres are reforested and green sales are marketed and sold early in 2018," Croft said.

Another common theme was that planting densities are down in many areas from five years ago as landowners invest in genetically-advanced seedlings to improve forest productivity.

"We are planting an average density of 557 trees per acre and have also increased usage of containerized seedlings, which we expect to have better first-year survival rates compared to bare root seedlings," said T.R. Clark, manager of F&W's LaFayette, Ala., office. "We are also using genetically-advanced seedlings, which should gain full utilization of the site with fewer trees and promote greater diameter growth."

"Landowners are pursuing gains by planting better genetics and increasing survival rates by using containerized seedlings," according to Nathan McClure, manager of the Fountain Inn, S.C., office. "The small trade-off is planting fewer trees saves on the entire reforestation project," he added.

Nathan Fountain, manager of the middle Georgia office at Eatonton, said: "We have decreased the number of trees per acre due to good survival rates while giving trees less competition for water and resources." Forest Service data reports that tree nurseries grew 323 million container seedlings in 2015/16—19 percent more than they produced five years ago in the 2011/12 planting season. 🌲

Two CLT Manufacturers Aim For Maine

Two manufacturers of cross-laminated timber (CLT)—a relatively new but rapidly growing wood construction product in the U.S.—have selected Maine for the location of their newest facilities, the first in the Northeast.

Charlotte, N.C.-based LignaTerra Global, LLC, announced plans to build a \$30 million CLT production plant in Millinocket on the site of the former Great Northern Paper Company, which closed in 2008.

If production goes as expected, the plant will generate 10 million board feet of CLT during its first year of operation and 50 million by the fifth year, the company said. Spruce and other low-grade softwoods will be used to make the composite. The facility would act primarily as an assembly area for wood

cut at local sawmills. The company said it plans to break ground on the plant this summer, with production slated to begin in 12 months.

SmartLam, LLC of Montana, the nation's first manufacturer of CLT, also plans to set up shop in Maine. While the company is still looking for a location, it said it plans to invest \$22 million to build a mill within the next 18 months. The company has narrowed its search to two sites and plans to make a decision within the next two months.

Founded in 2012, SmartLam produces more than 12 million board feet of engineered wood products annually at its Flathead Valley, Mont., facility.

"We are seeing considerable demand for CLT on the East Coast as architects, builders and developers seek durable, sustainable building materials,"

said Casey Malmquist, SmartLam's president.

CLT is an engineered wood product that rivals more conventional materials such as steel, concrete and masonry in strength and resistance to fire. The panels are made from layers of lumber boards stacked crosswise. It has been widely used in Europe for decades and is gaining popularity in the U.S. CLT products are the basis of the new global mass timber trend, which includes high-rises constructed from wood. 🌲

IKEA Invests In U.S. Forestry

Global furniture and home goods giant IKEA is branching out into forestry in the U.S. and has acquired a 25,000-acre forest in central Alabama in Lowndes County.

IKEA Group said the investment is its first U.S. forest property and is part of a broader strategy to invest in the sustainable production of resources that the company consumes.

"As a responsible forest owner, we are interested in identifying and applying sustainable management methods that will allow us to preserve and even increase the quality of the forest over time," said Krister Mattsson, head of financial asset management for IKEA Group. "Entering the U.S. market is a milestone for our investments in forests, and we believe we will learn a lot here while implementing our long-term approach to forest management and applying for the Forest Stewardship Council (FSC) certification."

For its forest management in the U.S., IKEA is partnering with Campbell Global to oversee and operate the property.

The Swedish-founded Dutch-based IKEA owns and operates 355 stores in 29 countries, including 47 in the U.S. The company also owns more than 250,000 acres of forestland in Europe, located in Romania and the Baltic States. 🌲

ArborGen Takes Over S.C. Tree Nursery

ArborGen, a global leader in advanced genetic tree seedlings, has entered into a partnership with the South Carolina Forestry Commission to operate the state's Taylor Nursery at Trenton in Edgefield County.

Under the terms of the 10-year agreement, ArborGen will modernize and operate the nursery, increasing annual production to 30 million seedlings. The contract began in April and the first crop of seedlings will be available for the 2018/2019 planting season.

The Forestry Commission will work with ArborGen to determine seedling production goals and up to five million seedlings will be available to South Carolina landowners, who will be eligible to receive discounts on orders of up to 100,000 seedlings.

"We are excited to make our entire portfolio of seedling genetics even more accessible to landowners in this area and look forward to providing our industry expertise and customer service to South Carolina and

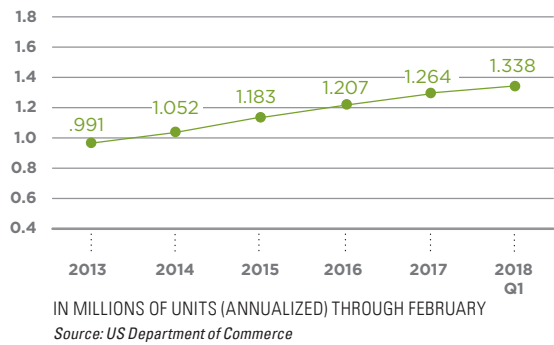
surrounding states," said ArborGen President and CEO Andrew Baum.

"In addition to expanding seedling production through capital improvements, this partnership will also strengthen service delivery and long-term viability of the Forestry Commission's nursery and tree improvement program," said Tim Adams, director of resource development at the Commission.

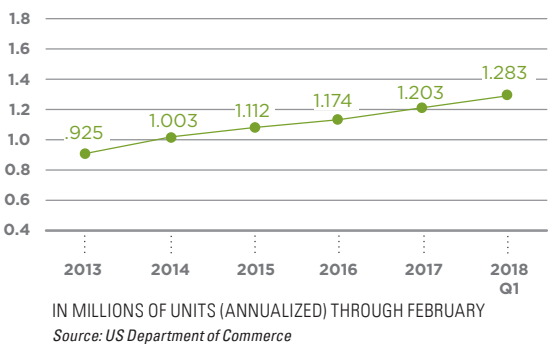
ArborGen, which is headquartered in Ridgeville, S.C., was originally created in 2000 as a partnership for forestry research by International Paper, MeadWestvaco, and New Zealand-based Rubicon Limited. In 2007, the company converted from a research and development entity into a major commercial seedling supplier through the absorption of the tree orchards and nurseries of the founding owners. ArborGen operates six nurseries, six orchards, and additional facilities to distribute seedlings throughout the Southeastern U.S. 🌲

TIMBER MARKET INDICATORS

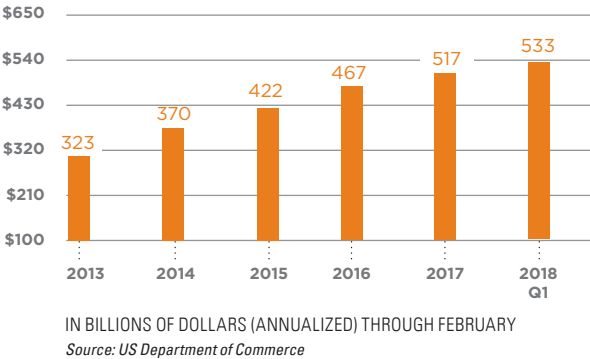
HOUSING PERMITS



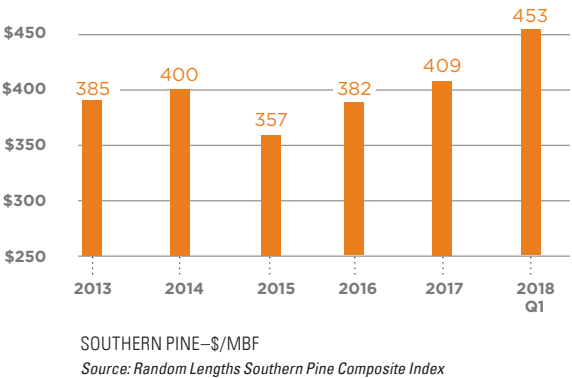
HOUSING STARTS



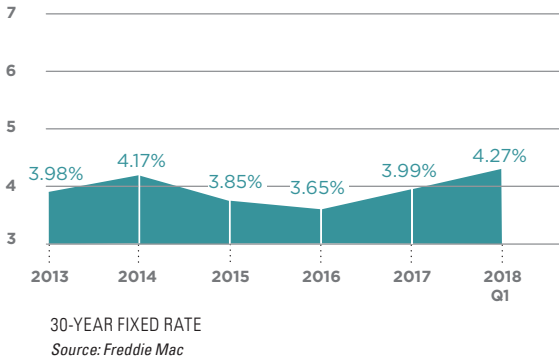
RESIDENTIAL CONSTRUCTION



LUMBER PRICES



MORTGAGE RATES



US DOLLAR

