

Forestry Report

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Timber Prices Up: Market Adjustment Or Weather? Time Will Tell



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

Southern timber prices waffled over the winter, but almost all are up significantly from one year ago. Northern prices are following a similar trend on average but are more volatile in local areas and for some species.

Housing starts are looking good, but a backlog of houses permitted and not started is developing, mostly due to labor and material shortages and volatile material costs. Rising interest rates could cause a slowdown, but February housing starts were close to 1.8 million annualized, so perhaps we can weather a bit of a slowdown. With the housing backlog estimated to be 5.2 million, any downturn should be temporary.

Russia's invasion of Ukraine creates a lot of uncertainty—the cost of sanctions and trade disruptions come at a time when we are still trying to sort out the effects of the pandemic and get trade and supply chains back to normal. I'm afraid that the invasion will do nothing but make that worse. On the plus side, Russia is a major exporter of wood products, including to the U.S., and if Putin shuts down exports or the U.S. halts imports, there could be a supply-side shock that helps demand for locally-produced lumber and trees. Unfortunately, if China takes all of Russia's exports, we could lose that market. We will just have to wait and see how it plays out. To put it in perspective, the U.S. imported 3.5 billion board feet from Russia in 2020, up from 1.2 billion in 2016, compared to U.S. softwood lumber consumption in 2020 of 51.1 billion board feet.

Lumber prices went way up last year, dropped precipitously and climbed back up to new highs. However, I never noticed prices going down at the big box stores. We are seeing an increase in stumpage prices that we hope is due to the increase in demand and increased lumber prices, and not wet weather. Once again, as we enter the dry season, we will have to wait and see if prices drop back to previous levels or hold. If they hold, then we will know that we are finally having a market adjustment and not a short-term weather adjustment.

F&W managers planted more trees this year (page 4) but nursery production declined according to the Forest Service (page 5).

The USDA is spending \$1 billion on climate-smart forestry. But the money is going to public/private groups that put together programs that meet the criteria and those groups will provide technical and financial assistance to landowners (page 6).

Lastly, the Waters of the United States will finally be getting its day in court—just as the Biden administration reintroduces regulations originally proposed by the Obama administration and undone by the Trump administration (page 6). 🌲

Southern Timber Prices

2022 FIRST QUARTER PINE & HARDWOOD STUMPAGE PRICE RANGE* (TONS)

	PINE PULPWOOD	PINE SMALL SAWTIMBER	PINE LARGE SAWTIMBER	HARDWOOD PULPWOOD	HARDWOOD SAWTIMBER
SOUTHEAST					
LAFAYETTE, AL	\$8–18	\$15–24	\$22–35	\$7–22	\$28–48
GAINESVILLE, FL	\$15–28	\$28–44	\$34–45	\$1–15	\$13–32
MARIANNA, FL	\$13–18	\$33–40	\$48–58	\$10–15	\$25–35
ALBANY, GA	\$12–17	\$31–40	\$46–61	\$7–12	\$25–35
MACON, GA	\$7–15	\$18–23	\$25–32	\$8–13	\$20–46
STATESBORO, GA	\$13–27	\$22–30	\$28–42	\$8–15	\$22–45
FOUNTAIN INN, SC	\$8–11	\$18–20	\$22–27	\$8–11	\$20–36
CENTRAL REGION					
CLINTON, TN	\$5–12	NA	NA	\$3–10	\$35–80
PARIS, TN	\$8–9	\$8–9	NA	\$8–9	\$40–60
WEST GULF					
EL DORADO, AR	\$2–5	\$11–14	\$23–30	\$5–10	\$30–50
CORINTH, MS	\$5–10	\$16–22	\$20–25	\$24–29	\$40–60
HUNTSVILLE, TX	\$5–11	\$11–17	\$17–23	\$4–6	\$25–30
TEXARKANA, TX	\$8–10	\$12–16	\$25–30	\$6–10	\$30–50
MID ATLANTIC					
CHARLOTTESVILLE, VA	\$8–12	\$15–19	\$17–24	\$4–7	\$15–40

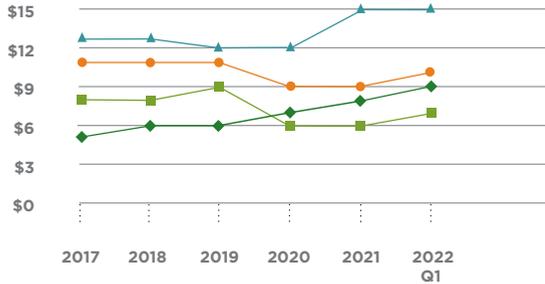
*All prices based on sales handled by or reported to F&W offices. If no sales occurred, prior quarter's sales and other data are used to compile price range. Price ranges are due to different locations, timber quality, logging conditions, type of harvest, and local market conditions.

Southern Timber Prices

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

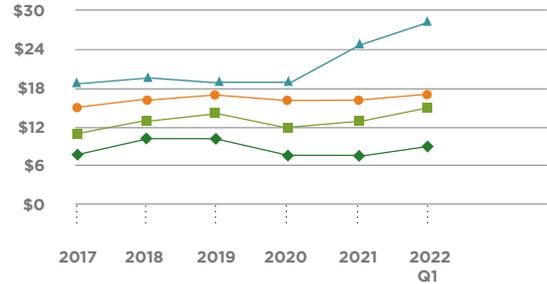
PINE PULPWOOD AVERAGE (TONS)

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



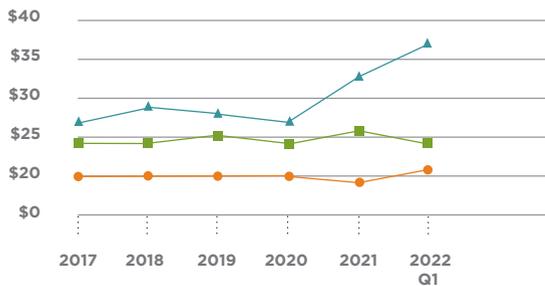
PINE SMALL SAWTIMBER AVERAGE (TONS)

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



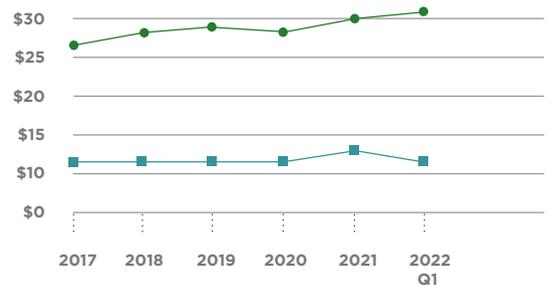
PINE LARGE SAWTIMBER AVERAGE (TONS)

▲ SOUTHEAST / ■ WEST GULF / ● MID ATLANTIC



SOUTHEAST HARDWOOD PRICES (TONS)

■ HARDWOOD PULPWOOD / ● HARDWOOD SAWTIMBER



Forestry Report

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Northern Timber Prices

2022 FIRST QUARTER STUMPAGE PRICE RANGE*

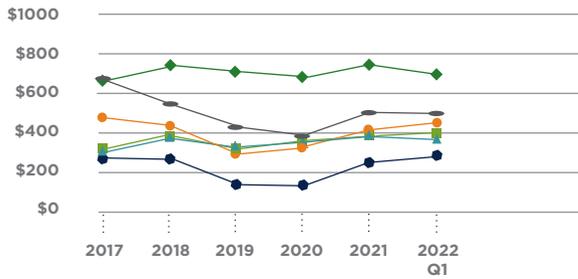
	RED OAK (MBF)	BLACK CHERRY (MBF)	HARD MAPLE (MBF)	SOFTWOOD SAWTIMBER (MBF)	HARDWOOD PULPWOOD (TONS)	SOFTWOOD PULPWOOD (TONS)
RUMFORD, ME ^I	\$300-450	NA	\$350-450	\$100-200	\$4-6	\$1-3
MONTPELIER, VT ^I	\$350-450	NA	\$350-500	\$100-165	\$3-5	\$1-3
GLENS FALLS, NY ^I	\$200-500	\$300-550	\$400-750	\$50-300	\$1-7	\$1-7
HERKIMER, NY ^I	\$350-600	\$325-650	\$425-750	\$40-300	\$3-7	\$1-10
TUPPER LAKE, NY ^I	NA	\$275-400	\$325-500	\$100-200	\$4-6	\$2-4
CLARION, PA ^D	\$500-800	\$500-900	\$500-800	NA	\$0-2	\$1-3
BLUEFIELD, WV ^D	\$200-325	\$150-250	\$275-375	NA	\$1-3	\$0-2

*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. (D) = Doyle (I) = International (S) = Scribner

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

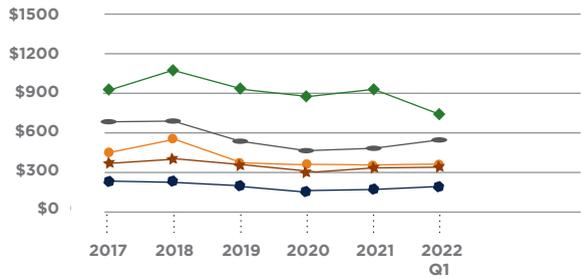
RED OAK AVERAGE (MBF)

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



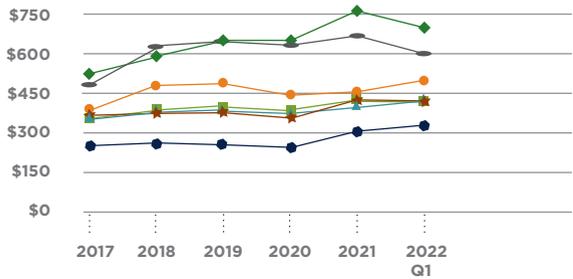
BLACK CHERRY AVERAGE (MBF)

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



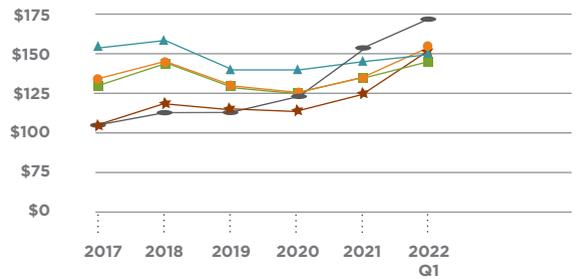
HARD MAPLE AVERAGE (MBF)

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



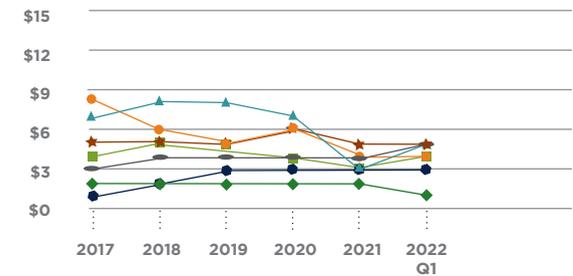
SOFTWOOD SAWTIMBER AVERAGE (MBF)

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



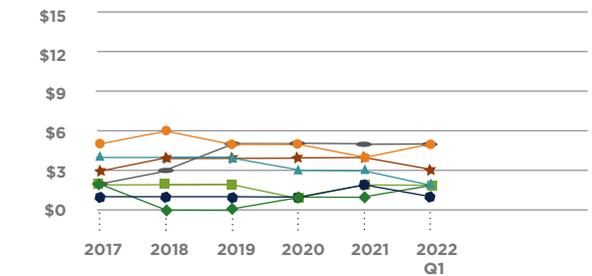
HARDWOOD PULPWOOD AVERAGE (TONS)

▲ 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



Improving Timber Markets Have Ripple Effect On Reforestation

Improving timber markets have resulted in increased clearcut harvests which in turn have bumped up reforestation activity by F&W managers during the recent planting season, according to a survey conducted by the company.

During the 2021/22 tree planting season, F&W managers planted more than 24,000 acres of trees, a 33 percent increase over the previous planting season. The survey is based on data and observations provided by managers operating across F&W's footprint.

Widespread tree planting is an established practice in the South, where fast-growing pine species dominate. Of the seedlings planted, 92 percent were loblolly pine, 6 percent were slash pine, 1 percent were longleaf pine, and 1 percent were other species. Almost 90 percent of all seedlings planted across the Southern Pine Belt were genetically advanced seedlings.

Tree planting was also up on the West Coast, where F&W's subsidiary FWS Forestry Services California manages forests in Northern California. The primary commercial species planted in this region are douglas fir, ponderosa pine, and red and white firs.

The Northeast and Central regions, which are predominately hardwood, rely mostly on natural regeneration and do not typically plant unless converting to another species, such as hardwood to pine.

MARKETS DRIVE REFORESTATION

A common theme among managers was that improving timber markets are the principal driver for the increase in tree planting, but on the West Coast, wildfire is the main driver. Only a couple of managers reported that tree planting was about the same or down compared to the prior season.

West Coast manager John Vona said the increase in acres planted in his

region is primarily due to reforesting lands burned by wildfires in 2020 and 2021.

Chad Hancock, a manager based out of F&W's headquarters in Albany in Southwest Georgia, reported that tree planting in his region is up approximately 30 percent over the previous year and estimated that it is up 50 percent from five years ago when thinning was the main harvest activity.

Bryan Croft, the manager based in North Florida, reported that reforestation activity was about the same as the previous year. He said timber prices in his area were flat until the third quarter of 2021 when the flood gates opened. He anticipates planting in the 2022/23 season will be greater than a typical year.

One manager who reported decreased reforestation activity was Chris Bartley of the East Texas office based in Huntsville. "Reforestation as a whole has gone down in my area due to land conversions to suburban neighborhoods," Bartley said.

PLANTING CHALLENGES

While improved markets led to increased planting, there were still hurdles to overcome. Managers faced a number of challenges to getting trees in the ground this planting season, including wet fall weather that limited the ability to conduct site prep burns, chemical prices and availability of product during the spraying season that caused delays, a smaller pool of tree planting contractors, and contractor availability in general. In many cases, contractor availability pushed planting later than normal.

In the Carolinas, Nathan McClure said tree planter availability resulted in a later-than-usual planting date of mid-March for one of his projects, prompting him to change seedlings on the job from bareroot to containerized because they provide a longer window for planting and reduce risk from other

weather issues.

In California, Vona said delays in the H2B migrant labor program may push his planting season out to May.

CONTAINER USE UP

Several managers report planting significantly more container seedlings this year than in the past and three managers reported that they only planted container seedlings. The reasons cited for using container seedlings over bareroot are an extension of the planting season, which helps with labor issues, higher survival rates, and increased growth in the first year.

Hancock of the Albany office said on some sites he switched from bareroot to container seedlings and lowered the planting density from 605 trees per acre (TPA) to 565 TPA. He said the adjusted planting density kept costs similar to the bareroot/v-blade planting costs.

While the use of container seedlings is growing, the cost can be a deterrent for landowners and bareroot trees remain the primary type of seedling planted.

PLANTING DENSITY

Despite these changes, most managers said planting density remained the same year over year. Southern managers report that they typically plant between 520 and 565 TPA with a handful reporting 605 to 622 TPA. In the Pacific Southwest, where everything is hand-planted, Vona said planting density remained the same at 250 to 300 TPA.

Some landowners opted for natural regeneration because of the cost of site prep and planting. In East Tennessee, Rick Sluss said most landowners rely on natural regeneration whether it is pine or hardwood. He added that future markets for planted pine are not looking good so natural regeneration will continue for the foreseeable future.

(continued on page 5)

COVID-19 Pandemic Impacts Tree Production

Despite the worldwide interest in planting trees to address climate change, tree seedling production in the U.S. dipped 2 percent in the 2019/20 planting season, according to the latest information from the U.S. Forest Service.

For the 2019/20 planting season, the most recent data available, forest nurseries produced more than 1.274 billion tree seedlings that resulted in more than 2.46 million acres of planted trees, down from 1.302 billion seedlings and 2.52 million acres planted in the 2018/19 season.

The Forest Service said seedling production in some states was impacted by the COVID-19 pandemic, which left some nurseries unable to lift and ship their stock. Additionally, the Forest Service said the year-to-year variation is attributed to inconsistent participation from nurseries during data collection and shifting planting needs following wildfires, pests, and harvests.

The annual report summarizes seedling production by forest and conservation nurseries in all 50 states, which is used to estimate the number of acres of forest planted using Forest Inventory and Analysis (FIA) estimates of tree planting densities based on historical ground-plot data. The estimate does not include direct

seedling or natural forest regeneration activities.

The U.S. South remains the national leader in reforestation, with more than 84 percent of tree seedling production and planting occurring in the 13 states comprising the Southern Pine Belt. During the 2019/20 planting season, Southern nurseries produced 1.075 billion seedlings which were used to plant an estimated 1.958 million acres of trees across the South, a decrease of 1 percent over the prior year.

For the same period, the Forest Service estimates that the 12 states comprising the Northeast region of the U.S. experienced a 66 percent drop in tree planting, with reforestation occurring on only 11,297 acres. This decrease is attributed largely to a 35 percent drop in seedling production due to the pandemic. In the spring 2020, COVID-19 restrictions coincided with lifting season and resulted in an inability of some nurseries to finish lifting seedlings.

Reforestation in the Northeast and Appalachian regions is primarily conducted through natural regeneration approaches instead of tree planting. In almost all cases, natural regeneration is the preferred approach for establishing desirable

species. The modest amount of tree planting in this region is primarily focused on either establishment of forests on abandoned lands or the conversion of hardwood forests to softwood plantations by softwood-oriented landowners.

In California, tree seedling production and planting bucked the national trend, and both were up a whopping 90 percent over the previous season. Nurseries in the Pacific Southwest produced 24.6 million seedlings, which were used to plant an estimated 54,584 acres. This trend is likely to continue in light of the devastating megafires that have plagued the West in recent years. In the last two years, wildfires have burned more than 6.9 million acres in California alone.

Approximately 73 percent of all forest nursery seedlings produced were bareroot stock, down 2 percent from the previous year. Conifers—mostly pine varieties and other tree species that produce needles—made up 97 percent of all tree seedlings grown.

The collection of tree seedling production and planting data is an important tool for predicting future production. It is also a useful tool for initiatives focused on planting trees to mitigate climate change. 🌲

Ripple Effect On Reforestation *(continued from page 4)*

PRODUCTIVE FORESTS

Looking ahead to the next planting season, T.R. Clark of the LaFayette, Ala., office, expressed concern about how inflation may impact tree planting.

“Chemical for site preparation is already in short supply and is expected to have a significant price increase. Nurseries have already expressed that their prices will rise. If prices rise ‘too’

much, there will be some landowners who choose to delay a year in hopes that prices settle and some who decide not to replant at all,” Clark said.

Hancock advises that selection of the proper tree species and genetics levels pays dividends in the value of the plantation rotation. “Final harvest is the payoff but getting a stand established properly is where it all

begins,” Hancock said.

Chris Bartley in East Texas echoed that opinion: “Proper site prep and reforestation costs are outweighed by the benefit of a healthy forest down the road. Reforestation is the most important step to growing a productive forest.” 🌲

USDA Launches Program To Encourage Climate-Smart Practices

The U.S. Department of Agriculture (USDA) plans to spend \$1 billion on climate pilot projects aimed at helping farmers and forest landowners fight climate change by voluntarily implementing management practices on working land that reduce greenhouse gas emissions.

The Partnerships for Climate-Smart Agriculture program was announced by Agriculture Secretary Tom Vilsack in February. The program will use \$1 billion from the USDA's Commodity Credit Corporation, the financing arm of the agency, to enact climate pilots across the country.

The goal of the program is to implement climate-friendly conservation practices on working farms and forests and measure, monitor, and verify the carbon and greenhouse gas benefits associated with these practices. The end goal is to develop new markets and promote the agriculture and forest products grown using these practices.

Forest owners and farmers will not apply for the program directly but may receive incentives, including technical and financial assistance, through projects awarded to partner groups.

A wide range of public and private

entities may apply for the grant funding, including businesses and non-profit organizations, trade and commodity groups, local and state governments, Native American tribal organizations, and institutions of higher education. Individuals are excluded from applying for the projects.

USDA defines a "climate-smart commodity" as an agricultural commodity that is produced using farming, ranching, or forestry practices that reduce greenhouse gas emissions or sequester carbon. Commodities broadly include traditional agriculture crops as well as timber and other forest products. Eligible practices for forestry projects include:

- Agroforestry and afforestation on working lands;
- Afforestation/reforestation and sustainable forest management;
- Planting for high carbon sequestration rate;
- Maintaining and improving forest soil quality;
- Increase on-site carbon storage through forest stand management.

Grants under the program will be available in two funding pools. The first will be for large-scale pilot

projects between \$5 million and \$100 million and applications are due May 6. The second pool of funding will be limited to particularly innovative pilot projects with an emphasis on enrollment of small and/or underserved producers and monitoring, reporting, and verification activities developed at minority-serving institutions. The funding amount from the second pool is limited to between \$250,000 and \$5 million and applications are due by June 10.

Projects in both funding pools will have to demonstrate meaningful benefits to small and/or historically underserved producers. Small producers are defined as farms having less than \$350,000 in annual gross cash farm income.

Following the announcement, the National Alliance of Forest Owners, the American Forest Foundation, Solutions from the Land (SfL), the Nature Conservancy and the American Farm Bureau Federation all expressed support for the program.

USDA said the design of this program was based on more than 400 comments it received last fall in response to a request for information. 🌱

Supreme Court Takes On WOTUS

The U.S. Supreme Court has agreed to take up a challenge to the Clean Waters Act (CWA) that is expected to have major implications on the act's scope and enforcement. Specifically, the court will examine past rulings on what constitutes waters of the U.S. (WOTUS) under the CWA.

In a 2006 case, *Rapanos v. U.S.*, the court could not arrive at a majority opinion. Four justices, led by Justice Antonin Scalia, said the provision means water on the property in question must have a connection to a

river, lake, or other waterway. A fifth justice, Anthony Kennedy, said the act covers wetlands with a "significant nexus" to those other bodies of water.

This lack of guidance in the 2006 decision has resulted in a regulatory game of ping pong with the definition of WOTUS being revised based on the presidential administration in power.

The Supreme Court's action comes as the Biden administration is working to issue a new WOTUS definition that would broaden the federal government's jurisdiction over privately-

owned lands and add administrative burdens on property owners.

In this latest challenge, *Sackett v. EPA* is seeking to have the Supreme Court give a definitive answer on which of the two competing WOTUS definitions that emerged from the *Rapanos* decision should prevail.

This latest review by the more conservative court could significantly limit attempts to broaden the WOTUS definition. The Court is not expected to take up the case until the new term begins in October. 🌱

Local Investments Bring New Markets To Maine

Two shuttered wood product mills in Maine are being repurposed to provide new markets for the forest industry in the Northeast.

In East Millinocket, Maine, the Great Northern Paper Co. mill, once one of the largest paper mills in the world, closed permanently in 2014. The town purchased the 215-acre site for redevelopment in 2020 and the first company to lease space on the redeveloped site is Standard Biocarbon, a company that turns low-grade wood—traditionally used to make paper—into “biochar,” a carbon-rich soil additive that reduces the need for irrigation and fertilizers.

According to Standard Biocarbon’s website, for every ton of biochar they manufacture and sell, “about three tons of CO₂ will be sequestered for thousands of years.” The company’s goal is to become the largest producer of biochar on the East Coast and one of the largest in the world.

The Northern Forest Center estimates that the new operation will use up to 100,000 tons of low-grade wood over five years, strengthening nearby wood markets. Since 2014, Maine has lost markets for 4.3 million tons of low-grade forest

products as paper mills and biomass power plants closed, according to *Mainebiz*.

About 90 miles away in Bingham, Maine Plywood USA is renovating the former Quimby mill. Here, a grant to the Somerset Economic Development Corp. will help purchase dryer equipment, which will then be leased to Maine Plywood, creating 100 jobs for the area.

Maine Plywood estimates it will use between 80,000 and 100,000 tons of poplar annually from northern New Hampshire and central Maine, making it the first domestic company to produce high-quality plywood from poplar and the only plywood manufacturer in New England. Its production in Maine will offset imports from Russia and Asia and increase demand for local wood.

“These facilities will provide new markets for low-grade timber, which will benefit our clients in the region,” said Tom Gilman, F&W regional manager covering the Northeast and based in upstate New York. “Low-grade markets allow landowners to practice excellent silviculture and improve utilization of their forest resource.”

Both the East Millinocket and Bingham projects were made possible by grant funding from the Future Forest Economy Initiative, a partnership between the U.S. Economic Development Administration, the U.S. Endowment for Forestry and Communities, and the Northern Forest Center. Through funds appropriated by Congress in 2018, these agencies cooperate to support the development of markets for wood products in Maine, New Hampshire, New York, and Vermont, expand innovation, create market demand for wood and wood products, and enable the conditions that allow businesses and communities to benefit from these innovations.

With these goals in mind, these two projects in Maine were awarded grants, making it “possible for two companies to begin producing new products from the wood in our region in the next few months,” says Joe Short, vice president of the Northern Forest Center. 🌲

Build Back Better Remains Under Construction

President Biden’s massive \$2 trillion spending bill, which covers healthcare, education, climate change, and taxes, remains stalled in the U.S. Senate and the path forward remains uncertain.

The measure, known as Build Back Better, earmarks \$555 billion for climate change, \$90 billion for agriculture, forestry, and rural communities, and \$28 billion for conservation programs to support climate-smart agriculture and forestry on private lands.

After passing the House last

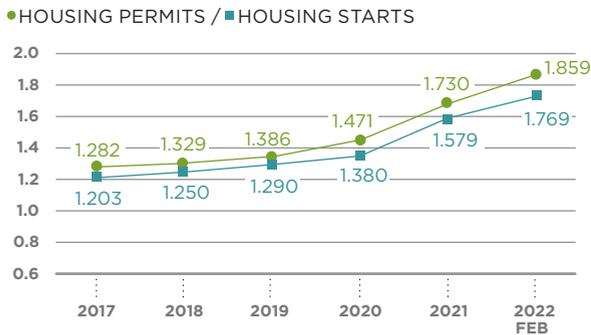
November, the bill has been stalled in the Senate due to the evenly divided chamber and a lack of support from moderate Democrats, principally Senators Joe Manchin (WV) and Kyrsten Sinema (AZ). Senator Manchin, in particular, has been critical of several provisions in the bill but he has signaled his support for some parts, including climate change and greenhouse gas mitigation.

That led President Biden to acknowledge in late January that the bill may need to be broken into pieces in order to move forward in

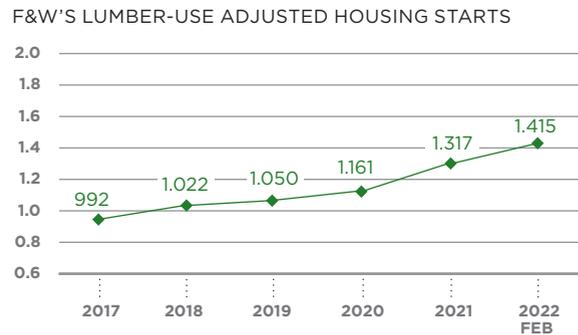
the Senate. Negotiations have been under way to forge a deal on a new, more targeted bill but it remains unclear at this point what specific provisions would be included in the legislation.

Also unknown are the funding mechanisms to pay for any new programs. The House-passed bill included a number of tax changes directly aimed at raising revenue from businesses, investors, and high-income households. The longer the negotiations continue, the less likely they are to arrive at a compromise. 🌲

TIMBER MARKET INDICATORS



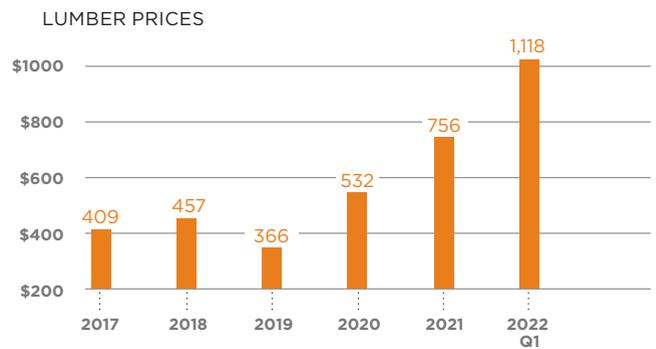
IN MILLIONS OF UNITS (ANNUALIZED)
Source: US Department of Commerce



IN MILLIONS OF UNITS; TOTAL HOUSING STARTS WITH MULTI-FAMILY STARTS REDUCED TO 40 PERCENT TO BETTER REFLECT LUMBER USAGE
Source: US Census and F&W Forestry Services



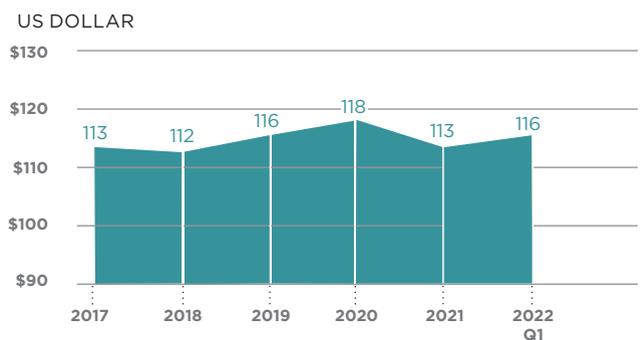
IN BILLIONS OF DOLLARS (ANNUALIZED)
Source: US Department of Commerce



SOUTHERN PINE—\$/MBF
Source: Random Lengths Southern Pine Composite Index



30-YEAR FIXED RATE
Source: Freddie Mac



US DOLLAR VALUE AGAINST 26 MAJOR TRADING PARTNERS
Source: Federal Reserve