

SHARE:

[Join Our Email List](#)

Matre Forestry Consulting, Inc.

8/21/2020

Dear Matre Forestry Newsletter Subscribers,

Everyone is talking about lumber prices. According to the Nasdaq website, lumber is now \$801.90. It started its rapid climb back in June from around \$350. So, the big question is, why isn't pine sawtimber stumpage prices way up too?

Uncertainty

Lumber also climbed from around \$350 in June of 2017 to peak of around \$600 in May of 2018, followed by a free fall back to around \$350 by October 2018. Now, we are at \$800, but where will it be next year, or next quarter for that matter?

Where does it go from here?



*Source: Nasdaq

Southern Pine Log Supply

There are two supply factors at play: 1. Stumpage already purchased/contracted by mills that have not been cut yet , with contracts that have not expired yet. 2. Over supply of southern pine logs. Prices will only go up when mills have trouble keeping enough inventory. The southern pine log over supply situation is improving, and as the over supply dwindles and if lumber prices remain strong, we will see improving pine sawtimber prices going forward. Georgia is predicted to be one of the first southern states to achieve a better balance of pine log supply and demand.

Why the oversupply of southern pine logs?

- We are growing pine timber quicker thanks to better genetics, competition control and other management practices.
- Conservation Reserve Program that began in the 1980's has encouraged many landowners to plant fields in planted pines that otherwise would be in ag production.
- TIMO's (Timber Investment Management Organizations) intensively grow and harvest planted pines, providing an abundant, predictable, and fairly cheap supply of logs to many mills. These TIMO lands used to be owned mostly by paper mills and were managed primarily to supply the mills with pulpwood. So while many small private landowners are holding/growing year after year after year waiting for "good" pine sawtimber prices, their TIMO neighbors are selling/harvesting day after day after day. Then as soon as prices tick up, those waiting start to sell, beating the price back down.

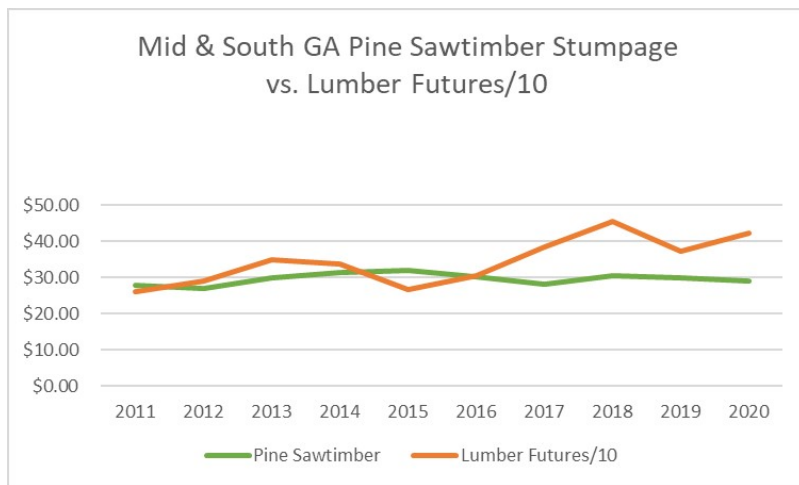
Competition/Location

How well your pine sawtimber price changes with lumber prices heavily depends on competition for your logs, which heavily depends on location. The sweet spot would be in a micro market that supplies multiple mills. If your location is far from a mill, or is only near one mill, your pine sawtimber price will lag well behind lumber price trends.

Correlation, or lack their of

In modern history, pine sawtimber stumpage prices and lumber prices do not correlate very well. I do not keep up with beef and cattle, but I hear it is the similar in that industry. Often beef may be way up at the grocery store, while cattle prices are not.

Below is a graph plotting middle and south Georgia pine sawtimber prices and lumber prices (yearly averages, year to date for 2020). I divided lumber prices by 10 to force the graphs to overlay better.



*Source: Nasdaq for lumber, RISI for stumpage prices.

Actually, pine sawtimber prices in our primary markets of south and middle Georgia correlated pretty well from 2011 to 2016, and then lumber started improving, but pine sawtimber stumpage remained flat, primarily due to oversupply of pine logs discussed above.

The Future

If lumber prices remain strong, sawtimber prices will improve. Did anyone predict the way 2020 would be? I didn't think so. Had you told me in 2019 that in 2020 our economy would be more or less shutdown over some virus and rioters would be allowed to destroy and a presidential candidate would suggest we all wear masks even while outside and lumber futures will hit \$800 - I would of probably said "okay, whatever".

We strive to provide an informative newsletter for those interested in timberland and hunting land and farmland investments, land and timber and agriculture market news and data, land management, and wildlife and habitat management, and related current events. If you were forwarded this email, we hope you will subscribe. We keep our subscriber list confidential and will not share or sell our list, and we will not bombard your inbox with frequent emails. We send our larger newsletter out occasionally throughout the year, and occasionally we send out short email blasts to inform our subscribers of available properties, available hunting leases, and share important current event news that affects the land and timber markets. You can unsubscribe at anytime. Please forward to a friend. We welcome your feedback, and guest writers. God bless.

Sincerely,

Mike Matre, ACF, ALC
 Georgia & Alabama Registered Forester & Land Broker
 Accredited Land Consultant
 Association of Consulting Foresters
 Matre Forestry Consulting, Inc.
 2549 Lafayette Plaza Drive
 Suite 204
 Albany GA 31707
 Office 229-639-4973
 Fax 229-255-2910
 Mobile 229-869-1111
mike@matreforestry.com

www.matreforestry.com

