

## Mike Matre

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**From:** Matre Forestry Consulting, Inc. <mike@matreforestry.ccsend.com> on behalf of Matre Forestry Consulting, Inc. <mike@matreforestry.com>  
**Sent:** Tuesday, October 8, 2019 4:50 PM  
**To:** Mike Matre  
**Subject:** A Graphical Analysis of the SE US Timber Market

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## Matre Forestry Consulting, Inc.

10/8/2019

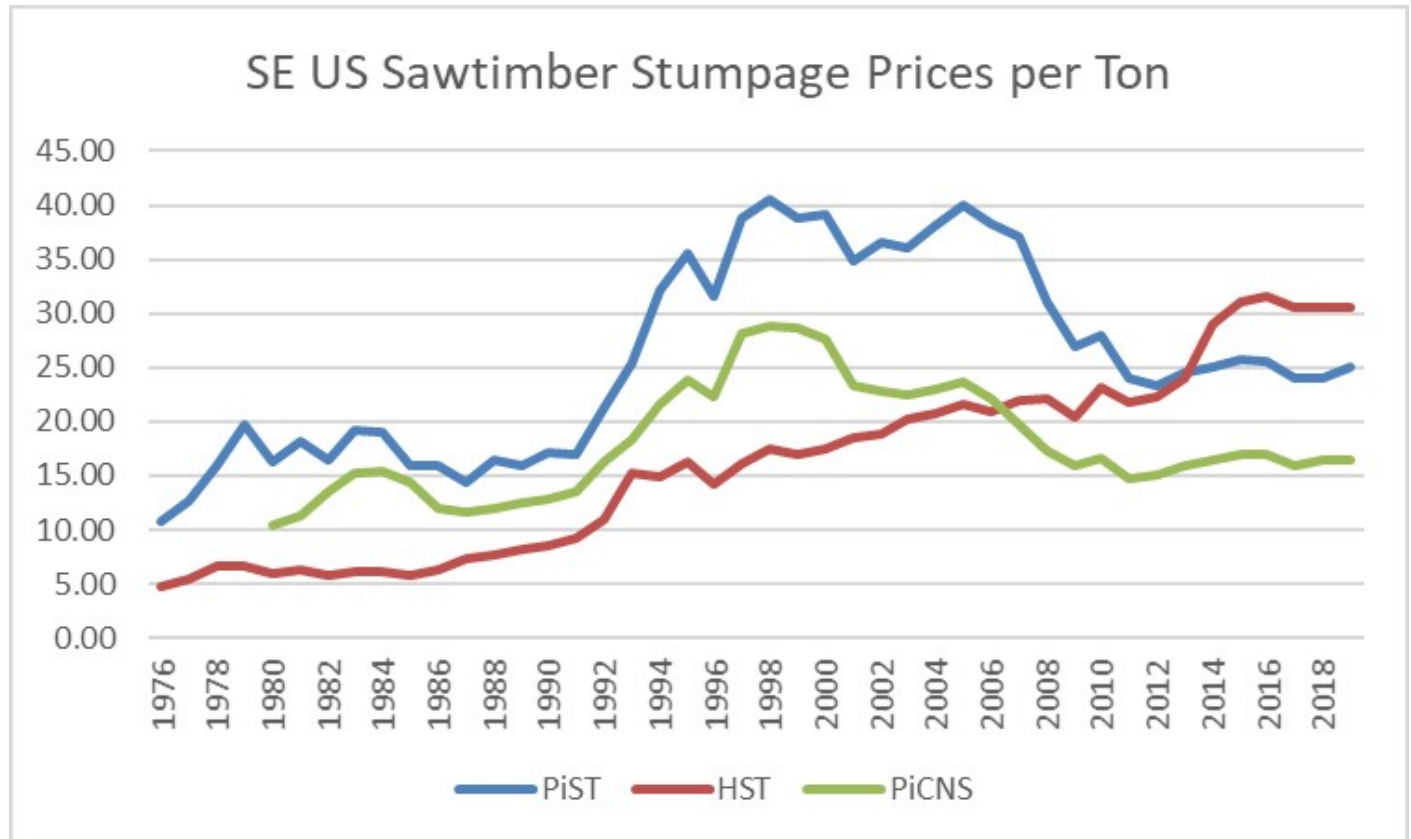
Dear Matre Forestry Newsletter Subscribers,

Well, it has been a while since I have put out an informative newsletter. In these hustle and bustle days, most of our email blasts lately have been marketing related, primarily selling land. Hey, we have to keep the lights on don't we? But, today I am changing gears and putting out some good information regarding historical timber prices in the southeastern US, mainly in graphical format, since most of us do not have time to read lengthy written newsletters. So, without further ado, let's jump into it. (I do have a shameless plug at the bottom of this article though).

First, some disclaimers and credits. None of the information below is guaranteed, and could be subject to errors. It is intended for educational purposes, not to help the reader determine or predict timber prices, which I have learned is an impossible feat anyway. My source for the data through 2012 is a data set purchased from Timber Mart-South by Matre Forestry some years ago, and 2013 through 2019 data is inferred from public information that timber mart-south puts out on their website. See <http://www.timbermart-south.com/prices.html>. If you are a landowner, timber buyer,

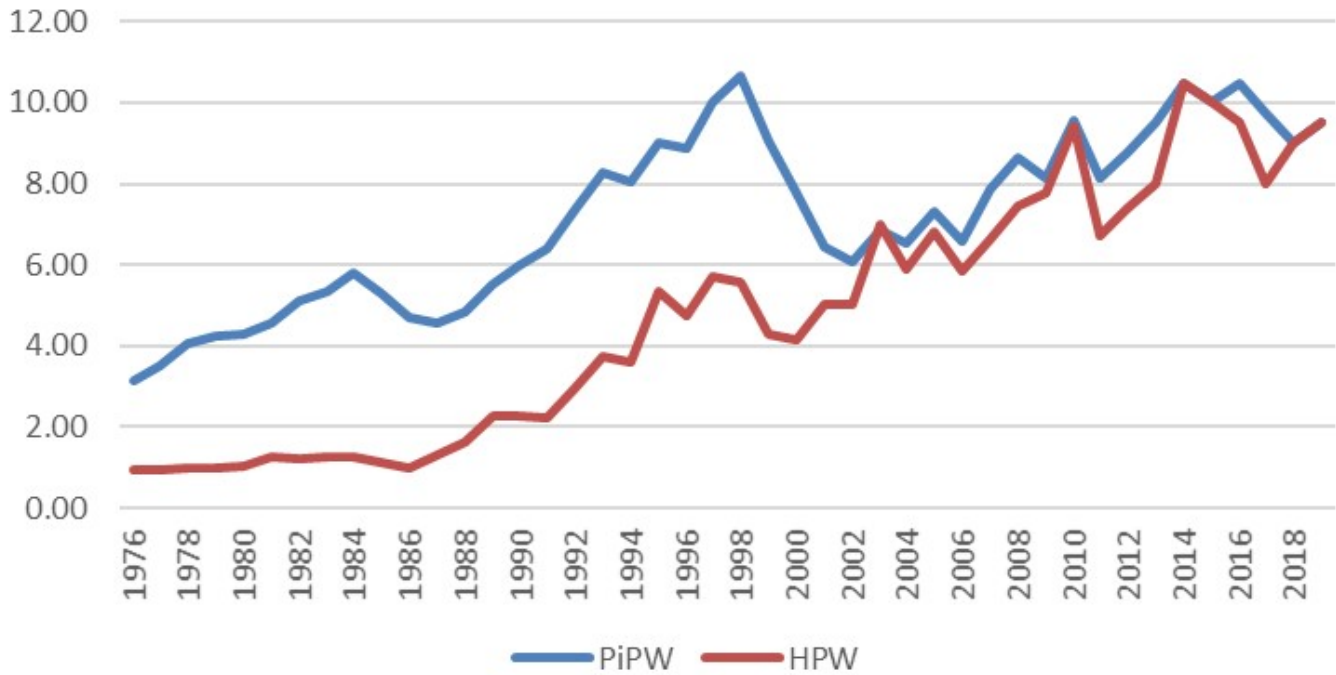
forester, timberland investor, or such, we recommend subscribing to Timber Mart-South. Also, RISI and Forest2Market are good timber market sources as well.

Following are some telling graphs I created from the data, with a little commentary thrown in:



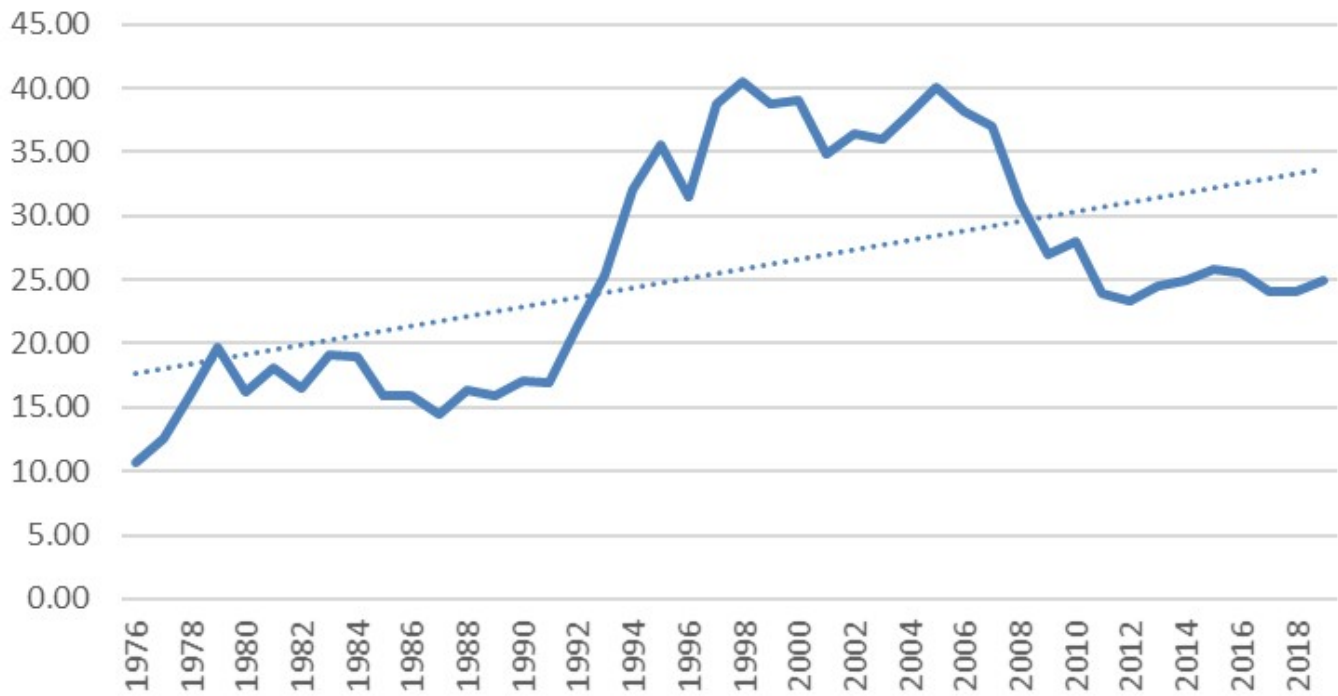
Above: PiST = Pine Sawtimber; HST = Hardwood Sawtimber; PiCNS = Pine Chip-N-Saw. Everyone loves to complain about pine sawtimber prices, but since 1976 pine sawtimber stumpage prices in the SE US have grown on average around 2.7% per year. Prices began to get crazy during the early 1990's tech boom, eventually beginning a correction around 2006 just prior to the Great Recession that began around 2007. Guess what else took place during the great recession? CRP planted pines advanced into CNS and sawtimber, which has not helped pine sawtimber prices. The CRP owners enjoyed annual CRP lease payments while regular timberland owners "paid the price", and are still paying the price. It is amazing what happens to our free market enterprises when the government gets heavily involved with markets. CRP as I understand it was for conservation purposes via taking highly erodible cropland out of row crop production. I wonder how many acres of CRP planted loblolly and longleaf are on retired crop land with 0% to 2% slopes? I am not a soil scientist, but is 0% to 2% sloped prime farmland soils really highly erodible? CRP had a devastating affect on pine pulpwood prices in the late 1990's as the first batch CRP pines had to be 1st thinned, and then the same thing happened starting around 2005 as the same stands needed 2nd thinned. Now those stands are being 3rd thinned and/or clearcut. To a lesser extent, now we have CRP longleaf online to be 1st thinned. I do not think CRP longleaf will have such a major negative affect on pulpwood prices as the older CRP loblolly stands did, but I do wander what will happen to pine straw lease rates as CRP longleaf comes out of the CRP program and becomes available for raking.

## SE US Pulpwood Stumpage Prices per Ton



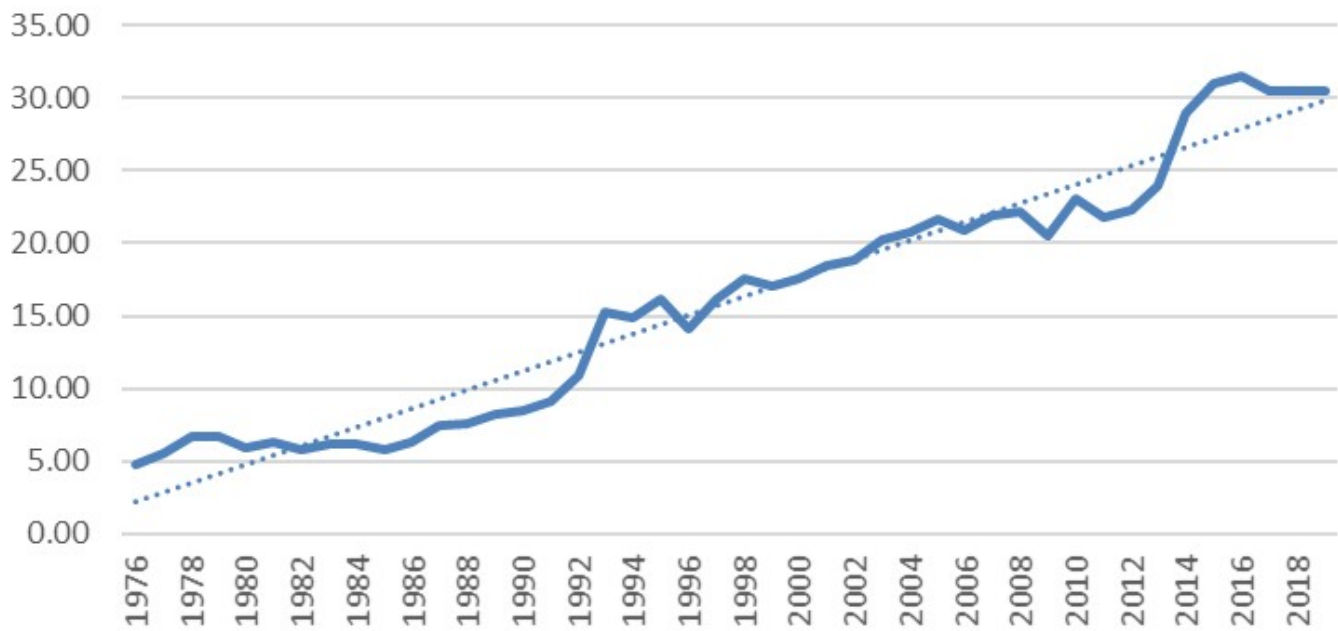
Above: PiPW = Pine Pulpwood; HPW = Hardwood Pulpwood. As mentioned above, the affect of CRP planted pines on pine pulpwood is evident in the graph above. CRP began in 1985, and those stands began being 1st thinned by CRP requirement around 1998, and look what happened. It shattered the market, and then pulpwood prices resumed normal growth rates again. I wonder where pulpwood prices would be now if they had not taken the +-40% hit they took as CRP 1st thinnings started hitting the market.

## SE US Pine Sawtimber Stumpage Prices per Ton



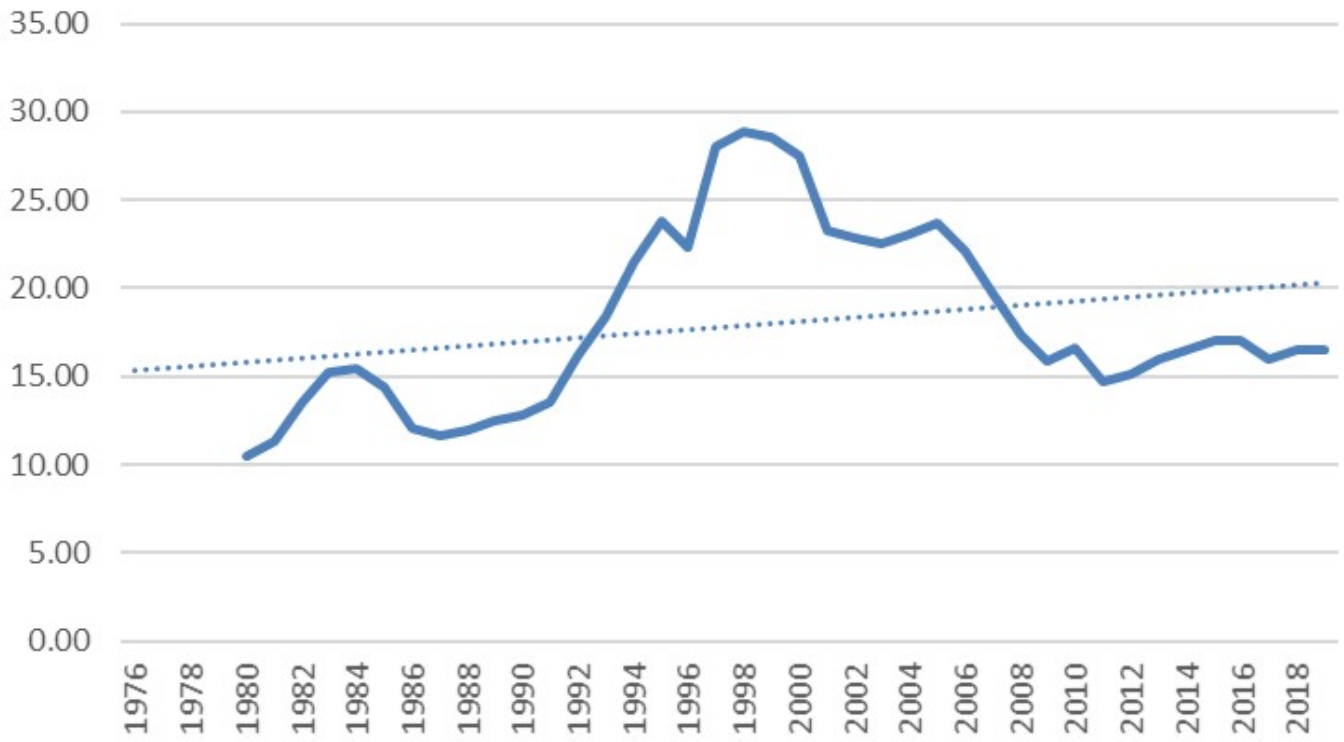
Note: People ask all of the time, when are pine sawtimber prices going to be "good" again? Take the tech boom spike of the 1990's out of the equation, and maybe things are not as bad as they could be. The trend line in the above graph represents an average average annual change in price of 2.7% per year since 1976, and that is with the CRP affect. The inflation rate since 1976 has averaged about 3.6% per year. Maybe without CRP planted pines and advancements in seedling genetics and silvicultural practices leading to an oversupply of planted pine logs, pine sawtimber growth probably would have outpaced inflation. But, back to the big question, when will pine sawtimber prices be "good" again? Pine sawmills will raise their delivered prices only when they have trouble procuring pine logs. That happens at times now, usually due to periods of excessive wet weather, but the price declines in excessive dry weather (like now). But we will only see consistent higher prices when demand for pine logs catches up or exceeds supply of pine logs. When that happens will depend heavily demand for end products and mill capacity (new mills, mill efficiency improvements, mill closures, etc.).

## SE US Hardwood Sawtimber Stumpage Prices per Ton

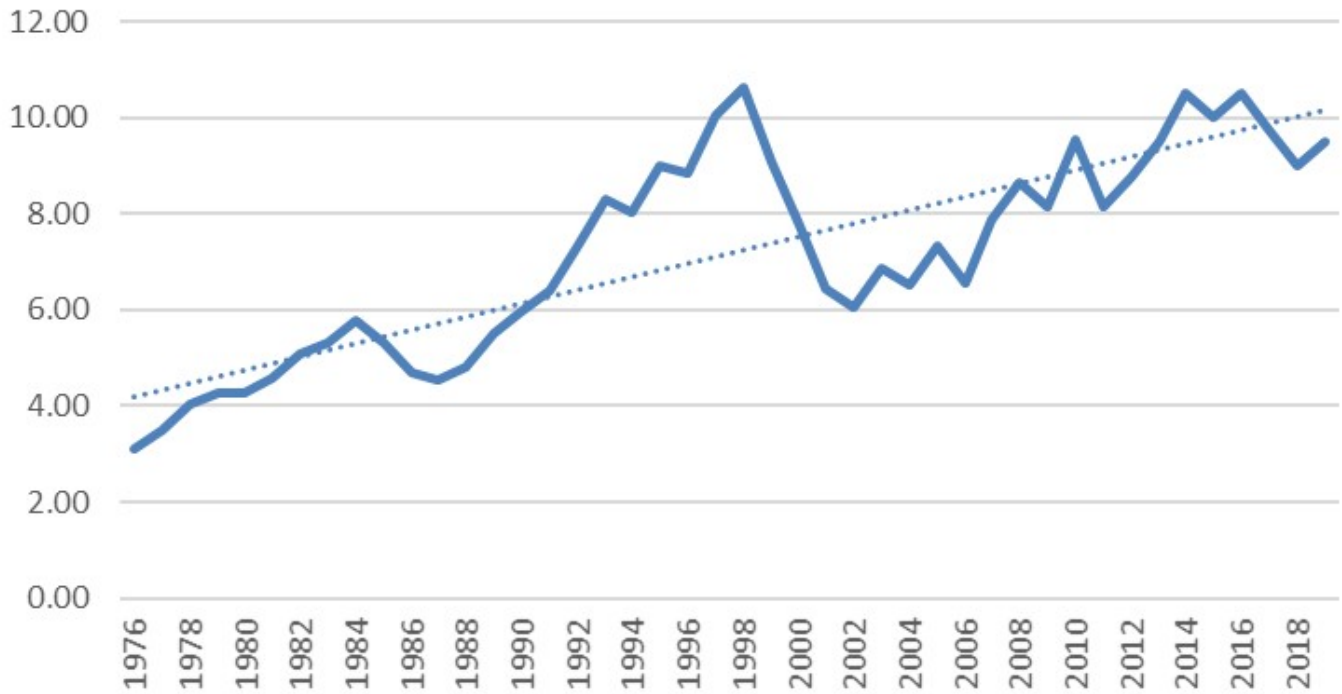


Above: Hardwood on most sites may be slower growing than pine, and more of a challenge to manage, but strong hardwood sawtimber price growth makes hardwood investments attractive. Opposite of the pine log market, hardwood log demand exceeds supply in the SE US.

### SE US Pine CNS Stumpage Prices per Ton

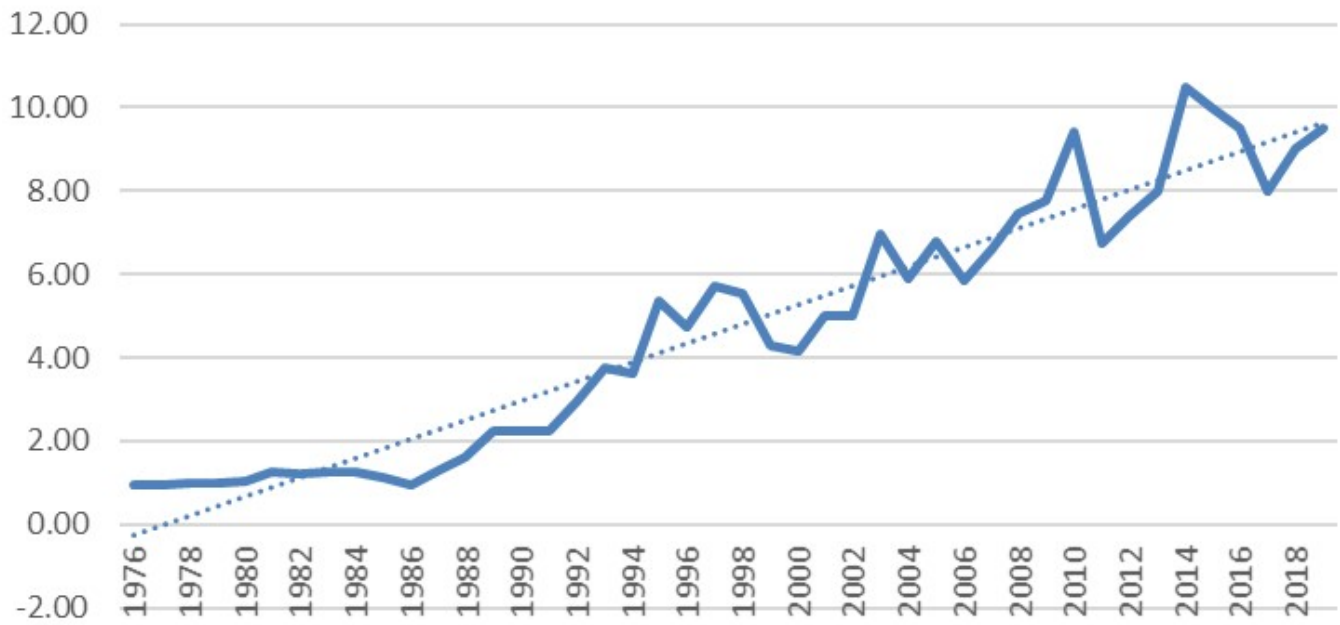


## SE US Pine Pulpwood Stumpage Prices per Ton

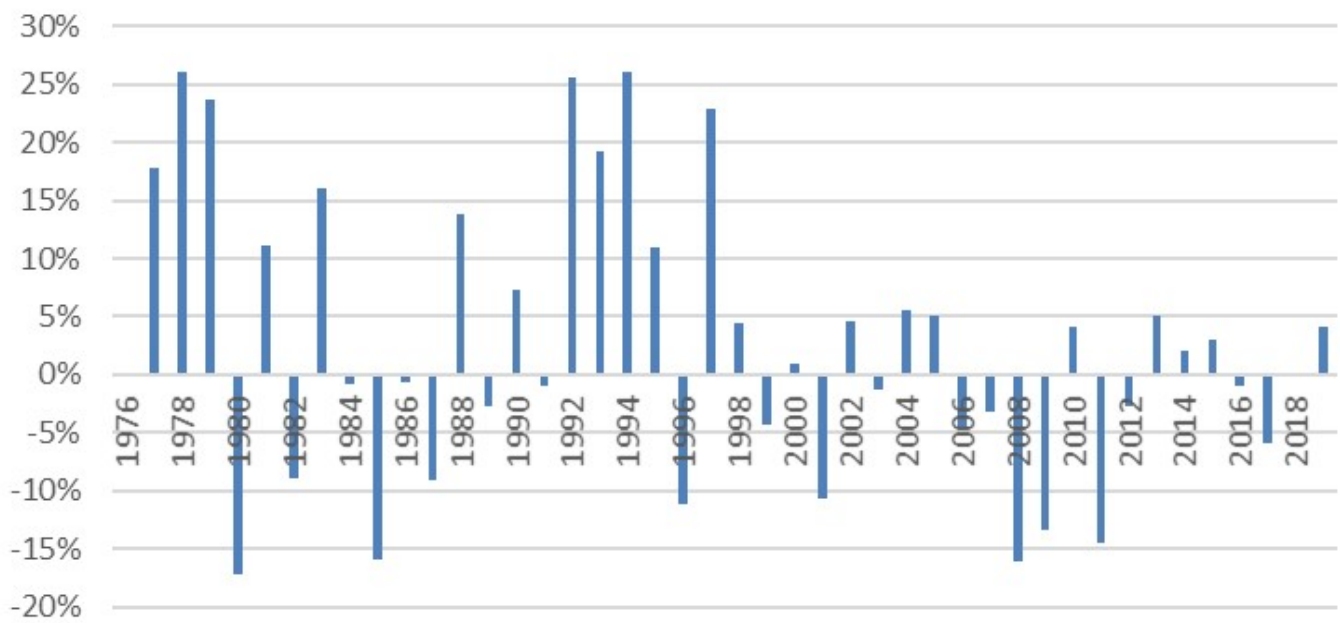


Above: As mentioned above, CRP pines began being 1st thinned around +/-1998, and the rest is history. CRP landowners got the CRP lease payments, and still complained about pulpwood prices nosediving. The ones who really got hurt were non-CRP timber growers.

### SE US Hardwood Pulpwood Stumpage Prices per Ton

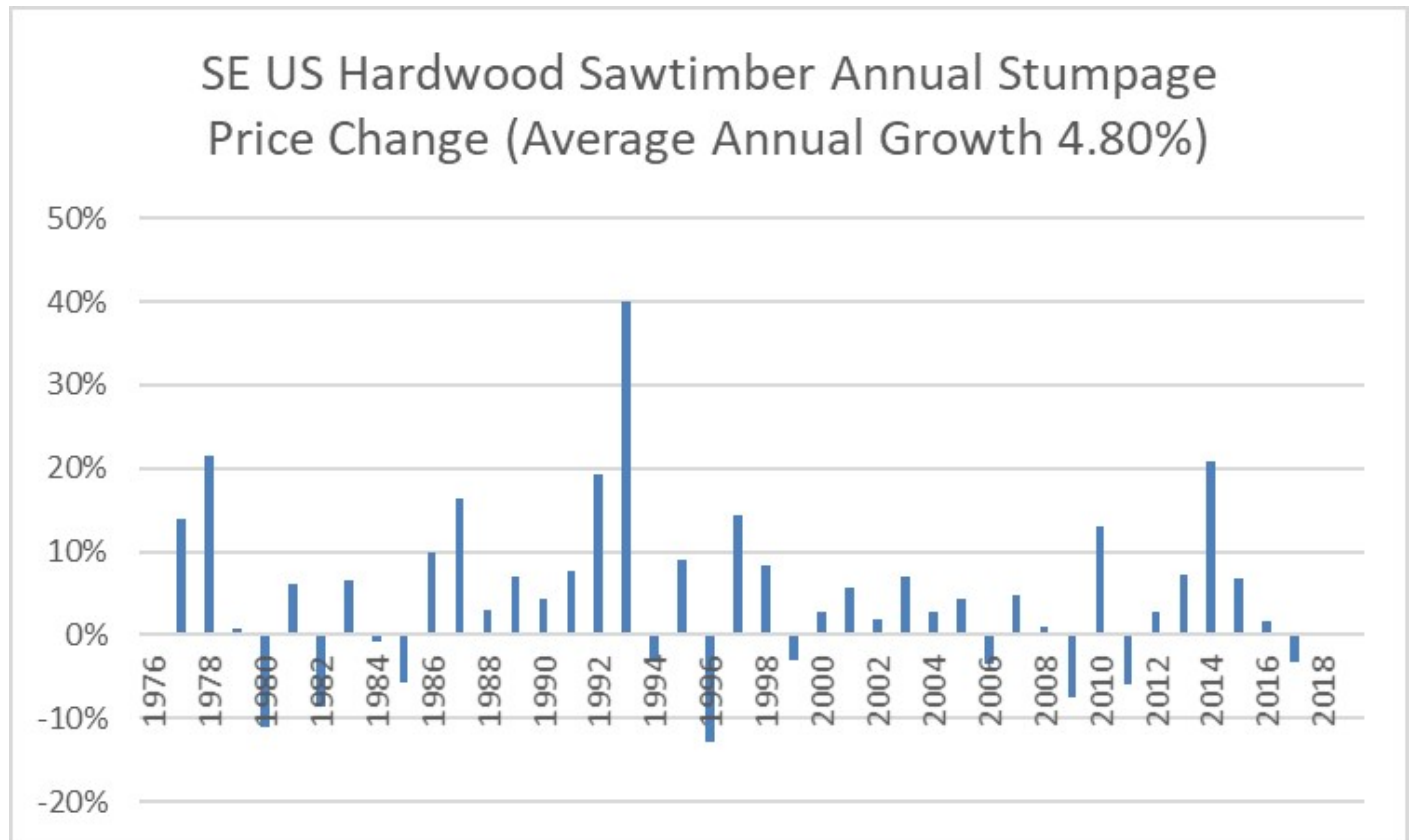


### SE US Pine Sawtimber Annual Stumpage Price Change (Average Annual Growth is 2.68%)



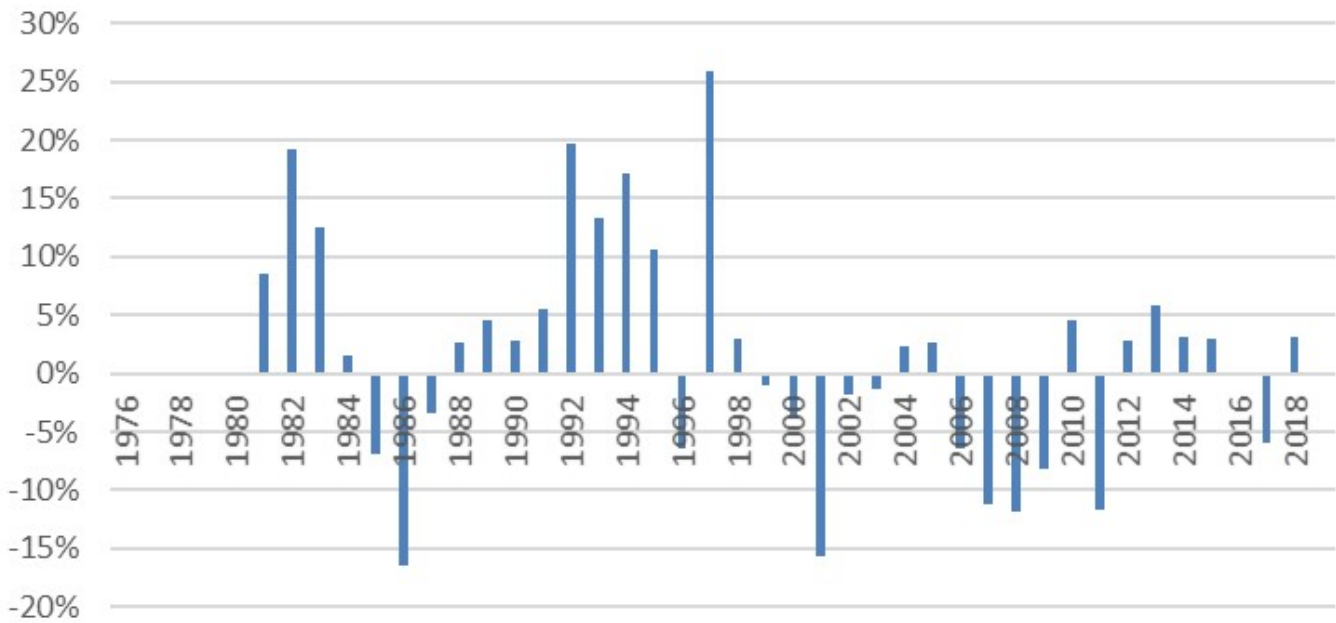


Note: Still want to try to "time the timber market"? The data above is over the entire SE US and the annual change of prices is still sporadic. Think how much more volatile your local micro markets are if the entire SE US timber price data set is this volatile. That is why we always say thin your planted pine stands when they need thinned based on biological (silvicultural) science, not based on future market expectations. Thinning a planted pine stand on biological time in a down market is more profitable long term than thinning to late or to early in an up market. For your final harvest (clear cut), offer a lengthy cutting period to allow some buyers to speculate that prices will improve. The simplest of small timber sales needs at least a good 12 months to have a competitive timber sale, with 18 or 24 months being preferable to get buyers fighting for the sale.

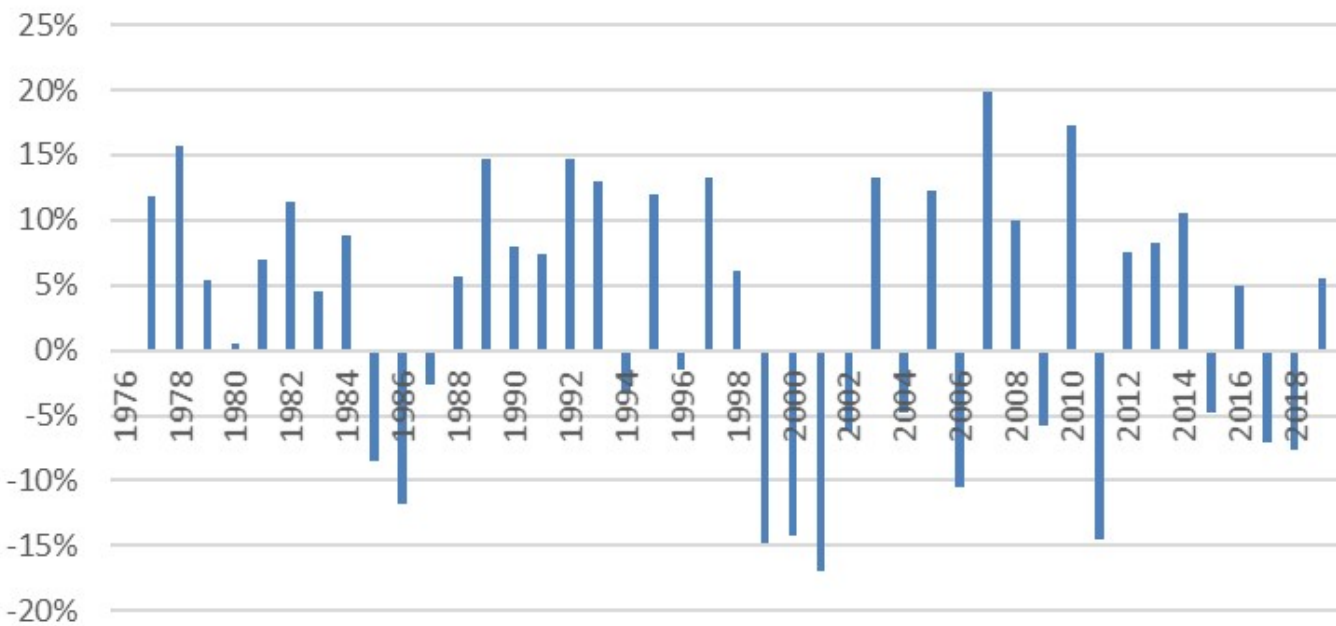


Above: How about hardwood log prices outpacing inflation by more than a percent per year?

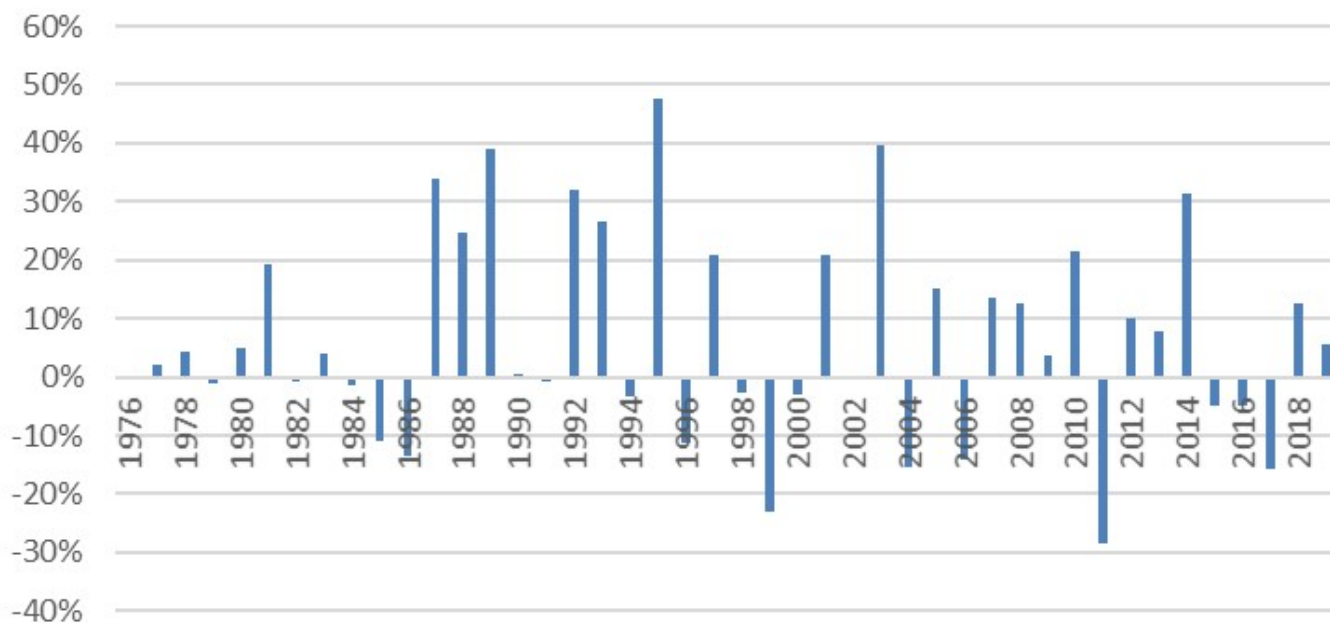
### SE US Pine CNS Annual Stumpage Price Change (Average Annual Growth is 1.61%)



### SE US Pine Pulpwood Annual Stumpage Price Change (Average Annual Growth is 3.12%)



## SE US Hardwood Pulpwood Annual Stumpage Price Change (Average Annual Growth is 6.93%)



Above: 6.93% hardwood pulpwood price growth per year shows what demand exceeding supply will do. Part of that high price growth though is a result of very low hardwood pulpwood prices in the 70's and 80s. Back then hardwood pulpwood prices were around \$1 per ton, which was about 1/4 of pine pulpwood prices at the time. Now, on average for the whole southeast, pine and hardwood pulpwood are about equal (not in all micro markets).

What does the future hold for timber prices in the SE US? I do not know, you tell me. I am confident though overtime timber price growth in the SE US should hit somewhere around the inflation rate, with plenty of ups and downs to keep it fun! As a forestry consultant and land broker who stands to benefit from strong timber prices, I pray for a healthy sustainable timber market. I promote as much as I can that our forest products are true "green" products. Forest products are natural and renewable. Forests and forest products store carbon. Forestry is also low impact on each acre long term compared to annual crops such as hemp that may compete somewhat with forest products. Think about a 30 year planted pine rotation. That stand will only see mechanical activity a few times (tree planting (much of that planting is low impact hand planting, a thinning or two, and a final harvest) and maybe only one herbicide application, compared to annual crops like hemp that will see planting and weed control and harvest all in the same year, year in and year out. Environmentalist should love forestry, and sensible and educated environmentalist do appreciate forestry. I believe even radical environmentalist warm up to forestry when educated. I know, because I have enlightened a several radical environmentalist over the years. Another thing I point out is conservation is the wise use of natural God given resources, while preservation is no use. Conservation is a good thing.

I also hope to see continued advancements in forest product engineering for both primary forest products like lumber, paper, and composite material but also all the countless products that use forest products as an

ingredient such as candles, clothing, combs, cough syrup, crayons, eyeglass frames, football helmets, gum, make-up, paint, parmesan cheese, perfume, shampoo, sponges, tires, toothpaste, and more (source: <http://www.gfc.state.ga.us/resources/publications/WhatDoWeGetFromTrees.pdf>). I also hope to see continued growth in emerging forest products such as biofuels and bioenergy. One exciting thing lately is the construction of mid-rise buildings using lumber. See a recent story on the 280' tall timber frame building just built in Norway: <https://www.architecturaldigest.com/story/worlds-tallest-timber-framed-building-finally-opens-doors>. A 1,148' tall wood framed building is proposed in Tokyo!



Above: 280' timber framed building in recently completed in Norway.

All in all, I am bullish for timberland investing and forestry. If predictable profitable returns in an environmentally responsible investment that you can actually enjoy via spending time in the great outdoors is attractive to you, buy land, especially timberland. If you want to make probably +5% to +10% per year and probably never lose your shirt, invest in timberland. If you want a shot at doubling your money in a year

or two with a fairly good chance of losing your shirt, stay clear of timberland and consider bitcoin. Actually, diversification is highly recommended, but in my opinion, go heavy in land and light in bitcoin!

### **Shameless Plug:**

Thanks to strong 2018 and 1st half of 2019 in land and timber sales, we need inventory. If you are considering selling in Georgia or Alabama, please give us a call.

To review our current exclusive land listings and sold properties, click:

<https://www.matreforestry.com/properties.html> .

Two sales with deadlines coming up is our [1,548 acre Harris County GA bid sale 11/7/19](#); and our [320 acre Harris County GA live auction 11/23/19](#). SAVE THE DATES! Both of these sales are in fast growing southern Harris County GA, making these two tracts excellent Higher and Better Use (HBU) timberland investments. The 1,548 acre bid sale is of interest to both timber buyers and land buyers, as there is an option to bid on a 174 acre clearcut of timber only, and an option to bid on all 1,548 acre of real estate and all remaining timber not include in the 174 acre clearcut. The 320 acre live auction is for land and timber in two tracts, or both tracts combined. One tract is +-121 acres, and the other is +-199 acres.

We strive to provide an informative newsletter for those interested in timberland and farmland investments, land management, and land and timber market news. 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 quarterly newsletter notice out once a quarter, 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.

Sincerely,

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