

Select Findings From The Q2 Forisk Research Quarterly (FRQ)



- **Macro and Housing:** Real GDP declined at a 1.4% annual rate. The labor market added 1.7 million jobs, and the unemployment rate decreased to 3.8%. Yields on 10-year U.S. Treasuries rose to 2.13%. Forisk projects U.S. housing starts of 1.647 million for 2022, up 2.9% over 2021 actuals.
- **Lumber:** Forisk's Base Case projects U.S. softwood lumber production increases 8.5% in 2022 before declining in 2023 due to lower housing starts. Investments in the sawmill sector continue as 5.4 BBFT of capacity increases are slated to come online through 2024 in the U.S. South alone.
- **Structural Panels:** Forisk projects continued increases in structural panel consumption in the U.S.: OSB and plywood consumption increase 4.2% and 3.8% in 2022, respectively. Net imports for both products are down. Wawa OSB announced the reopening of an OSB mill in Wawa, Ontario, and Georgia-Pacific announced a new OSB line in Alcolu, SC.
- **Pulp & Paper:** Total pulp/paper production increased 1.7% in Q1 2022. Printing and writing production rose 2.5% and packaging production rose 1.9% year-over-year. Capital investment and closure announcements continued during the quarter as pulp and paper capacity finds balance. Quarter-over-quarter OCC prices fell 14% in Q1 while the Forisk Pulp Fiber Index, a weighted average of pulp-quality roundwood and chip delivered prices from across the U.S., increased 5% to a four-year high.
- **Wood Bioenergy:** Forisk analysis suggests wood use for viable bioenergy projects in the U.S. could reach 84 million tons per year. Through February 2022, U.S. wood pellet exports increased 11% year-over-year while Canadian wood pellet exports increased 12.5%. North American wood pellet capacity is expected to grow 10% in 2022, to 21.7 million metric tons of capacity.
- **Log & Chip Exports:** Through February 2022, North American log and chip export volumes were volatile year-over-year, with Canadian softwood log volumes up more than 30% and Southern softwood log exports down 66%. The U.S.'s top three forestry commodity trade partners, China, Canada, and Japan maintain an 87% market share of U.S. wood product exports.
- **Timberland Investments:** Public timber REITs returned 1.3% YTD through the fourth Friday in April after returning 25.1% in 2021. Over the last four quarters, more than 3.1 million acres of industrial timberland transactions closed in the U.S. (versus 2.7 million as of the prior *FRQ*). TIMOs accounted for the largest portion of acreage sold with 46.1% while Institutional Investors comprised 33.6% of buyers.



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- **Forest Operations:** Year-over-year logging employment fell in the U.S. North and South through Q3 2021. Logging wages were up 5% or more in all major North American regions. Trucking freight levels remain below 2019 peaks while trucking employment holds relatively level. Inflation across all major logging inputs fueled increases in operating costs. Hauling rates increased substantially over the past year.
- **Timber Markets, U.S. South:** Starting prices in our forecasts, as measured by the last 4Q average, increased for all products for a third consecutive quarter. Higher lumber production fuels increases in 2022 pine sawtimber prices in the Base Case. The pine pulpwood Base Case projects Southern prices to increase in 2022, as well. The largest increases locally for pine sawtimber are in Mississippi and Louisiana.
- **Log Prices, Pacific Northwest:** Forisk’s Base Case projects increasing Douglas-fir prices in Oregon for 2022, and price corrections over the next five years for domestic logs. COVID outbreaks decreased Pacific Northwest sawmill utilization 5.5% on average during the five major waves following the initial lockdown in early 2020.
- **Hardwood Markets, U.S. North:** The Forisk Hardwood Price Index increased 1% in Q4 2021. Middle Atlantic prices were at or near five-year highs for most species. In New England and the Lake States, prices remained comparatively lower. Our Base Case forecast suggests 2022 prices will increase across species and regions. A key driver of aggregate hardwood price increases for the North was soft maple.

To learn more about the Forisk Research Quarterly (FRQ), [click here](#) or contact Heather Clark (hsclark@forisk.com).

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