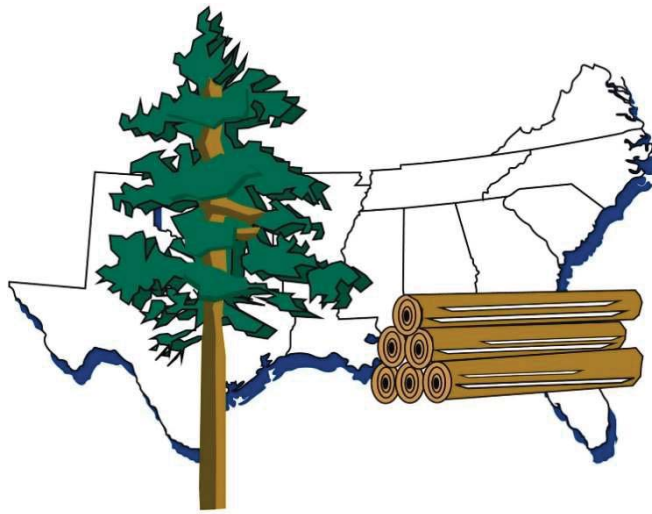


# **Timber Mart- South**

## **Quarterly Market Report**



# **Alabama**

**4<sup>th</sup> Quarter 2015**

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# Prices & Market Conditions

## Alabama Stumpage Prices

State-wide, sawtimber stumpage prices declined in the 4<sup>th</sup> Quarter of 2015. However, both pine and hardwood pulpwood prices improved. Stumpage prices in Alabama for the major pine products were similar to or below the South-wide average this quarter. However, the two major hardwood products averaged significantly higher than the regional Southern average – more than \$4 per ton higher for hardwood sawtimber and \$3 per ton higher for hardwood pulpwood.

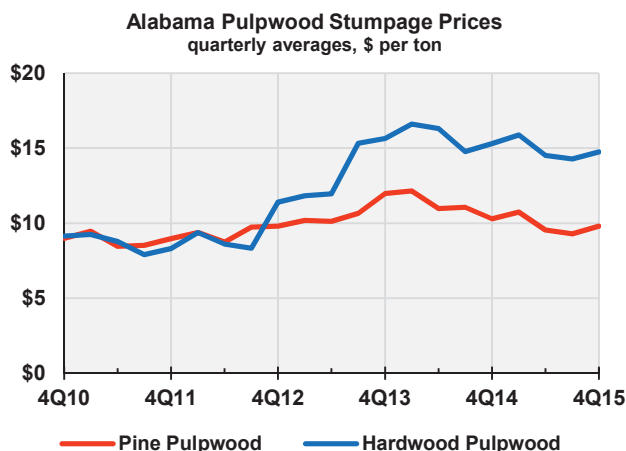
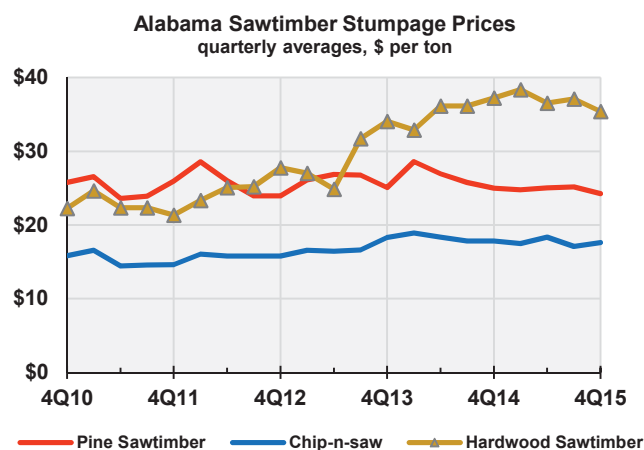
**Sawtimber Stumpage Prices:** State-wide, both pine and hardwood sawtimber prices were down from last quarter. Chip-n-saw, at \$17.61 per ton, was up a little more than \$0.50 per ton from the 3<sup>rd</sup> Quarter. All three sawtimber products were down from a year ago. However, hardwood sawtimber is up more than \$13 per ton from the same period five years ago.

Stumpage prices vary across the state, and over the past five years, both pine sawtimber and chip-n-saw prices have been stronger in the South Alabama (TMS AL2). Over the past five years, stumpage prices for both of these products have averaged more than \$2 per ton higher in TMS AL2, compared to prices in North Alabama (TMS AL1).

However, stumpage markets for hardwood sawtimber have remained stronger in the northern region of Alabama since the 4<sup>th</sup> Quarter of 2013. Compared to prices in AL2, those in AL1 have averaged more than \$2.60 per ton higher over this 2-year period.

**Pulpwood Stumpage Prices:** State-wide, both pine and hardwood pulpwood prices increased over the previous quarter. Pine pulpwood prices were down from the same period a year ago, but up \$0.79 per ton from the same period in 2010. Similarly, hardwood pulpwood prices were down from last quarter, but up more than \$5.60 per ton from the same period five years ago.

Over the past five years, pine pulpwood markets have been stronger in AL2. Since the 4<sup>th</sup> Quarter of 2010, pine pulpwood stumpage has averaged about \$2.70 per ton higher compared to those in AL2. From 4<sup>th</sup> Quarter 2010 through 4<sup>th</sup> Quarter 2012, hardwood pulpwood prices also averaged higher in AL2. But markets in AL1 started to strengthen in 2013, and over the past two years, AL1 prices have averaged higher than those in AL2.



Alabama: State-wide Average (\$ per ton)

Product (stumpage)	4Q15	Δ From 3Q15	Δ From 4Q14	Δ From 4Q10
Pine Sawtimber	\$24.25	(\$0.91)	(\$0.73)	(\$1.52)
Pine Chip-n-saw	\$17.61	\$0.53	(\$0.21)	\$1.77
Pine Pulpwood	\$9.79	\$0.50	(\$0.51)	\$0.79
Hardwood Sawtimber	\$35.43	(\$1.67)	(\$1.82)	\$13.17
Hardwood Pulpwood	\$14.75	\$0.47	(\$0.55)	\$5.62

## Alabama Delivered Prices

This quarter, delivered pine and hardwood sawtimber prices declined in both regions of the state, but pulpwood prices increased. Wet weather added another layer of difficulty to logging, as well as increased the overall expenses associated with harvest activities, so the spread between stumpage and delivered prices increased a bit in the 4<sup>th</sup> Quarter.

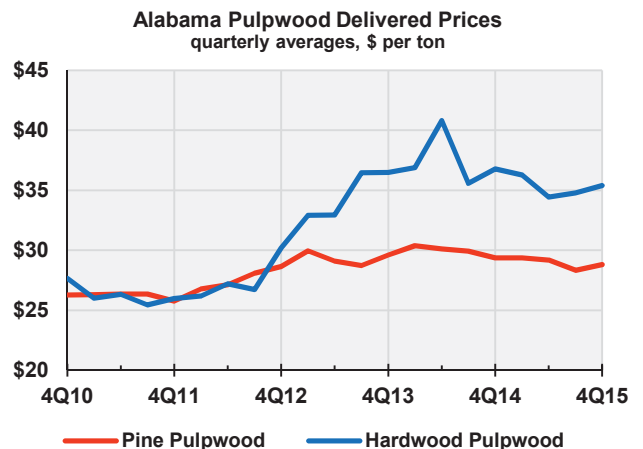
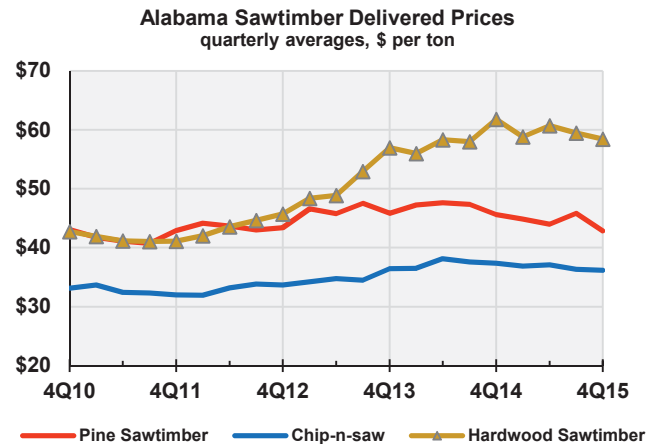
**Sawtimber Delivered Prices:** State-wide, delivered prices of all three major sawtimber products declined from the previous quarter. Prices for all three products were also down from the same period a year ago, and pine sawtimber from five years ago. Like stumpage prices, delivered hardwood sawtimber is up from the same period in 2010 – more than \$15 per ton.

Unlike stumpage prices, delivered sawtimber prices have remained similar in both regions of Alabama over the past five years. Between AL1 and AL2 in the 4<sup>th</sup> Quarter, the average delivered pine sawtimber price varied \$0.12 per ton. The spread was much greater for hardwood sawtimber, with prices in AL1 averaging \$4.76 per ton higher than those in AL2.

**Pulpwood Delivered Prices:** State-wide, both delivered pine and hardwood pulpwood prices were up in the 4<sup>th</sup> Quarter, but down from the same period in 2014. Delivered pine pulpwood at \$28.80 per ton this quarter was below the South-wide average; however, hardwood pulpwood at \$35.40 per ton was nearly \$5 per ton above the South-wide regional average.

Over the past ten years, markets for delivered pine and hardwood pulpwood have followed each other closely, but in 2013, prices started to diverge. The price gap stabilized in 2014, and since then hardwood pulpwood prices have averaged about \$7 per ton higher than those of delivered pine pulpwood.

Regionally in Alabama, delivered pine pulpwood has remained higher in AL2 since 2010. Just the opposite is true of delivered hardwood pulpwood, which has averaged higher in AL1 over the past five years.



Alabama: State-wide Average (\$ per ton)

Product (delivered)	4Q15	Δ From 3Q15	Δ From 4Q14	Δ From 4Q10
Pine Sawtimber	\$42.85	(\$2.96)	(\$2.76)	(\$0.21)
Pine Chip-n-saw	\$36.17	(\$0.16)	(\$1.19)	\$3.05
Pine Pulpwood	\$28.80	\$0.47	(\$0.57)	\$2.53
Hardwood Sawtimber	\$58.40	(\$1.07)	(\$3.36)	\$15.68
Hardwood Pulpwood	\$35.40	\$0.62	(\$1.39)	\$7.73

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# Openings, Closings, & Restructuring

One of the biggest announcements of the year was the merger of Rock-Tenn and MeadWestvaco in the 2<sup>nd</sup> Quarter of 2015. The resulting entity, which goes by WestRock, currently operates three pulp mills in Alabama. One of the three mills is located in TMS AL1 (Stevenson AL), and the other two are located in TMS AL2 (Cottonton and Demopolis AL). Other notable announcements that were made in 2015 regarding mill operations in Alabama. Most news related to either mill upgrades or maintenance downtime; however one sawmill in North Alabama reported production cuts, citing poor market conditions.

## Wood Products:

- ❖ In the 3<sup>rd</sup> Quarter, Southern Parallel Forest Products reduced production by 30% at its Albertville (TMS AL1) sawmill due to poor market conditions.
- ❖ Also in the 3<sup>rd</sup> Quarter, Louisiana-Pacific announced plans to add another line to its OSB plant in Thomasville AL (TMS AL2).

## Pulp & Paper:

- ❖ In the 1<sup>st</sup> Quarter, Georgia-Pacific announced plans to upgrade the recovery boiler system at its Brewton AL (TMS AL2) linerboard and cartonboard mill.
- ❖ In the 2<sup>nd</sup> Quarter, Rock-Tenn announced plans to upgrade its Stevenson (TMS AL1) corrugating medium plant.
- ❖ Also in the 2<sup>nd</sup> Quarter, PCA reported about two weeks of unexpected maintenance downtime at its Boise mill in Jackson AL (TMS AL2).
- ❖ In the 3<sup>rd</sup> Quarter, Zilkha Biomass reported that its plant in Selma AL (TMS AL2) dispatched its first shipment of pellets to France.
- ❖ Georgia-Pacific reported in the 4<sup>th</sup> Quarter plans for equipment upgrades at its Perdue Hill (TMS AL1) cellulose mill.
- ❖ Also in the 4<sup>th</sup> Quarter, PCA reported three weeks of maintenance downtime at its paper mill in Jackson (TMS AL2).