

TimberMart-South

Quarterly Market Bulletin ~ 2nd Quarter 2020

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Prices & Market Conditions

South-wide Stumpage Markets

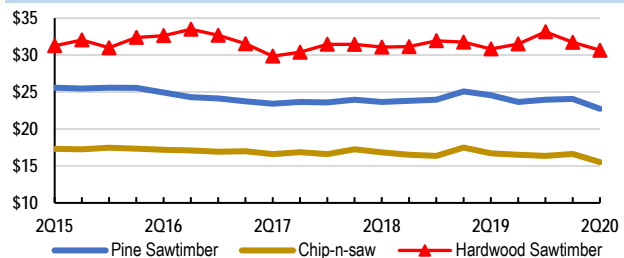
The effects of COVID-19 were felt across the South in the 2nd Quarter – the first full quarter since the pandemic-driven economic downturn began – with South-wide average stumpage prices declining for all five major products this quarter.

While the common, seasonal trend is for stumpage prices to fall in the 2nd Quarter (particularly for the major pine products), the typical quarter-over-quarter (Q/Q) drop was exacerbated by the ongoing COVID-19 pandemic. Specifically, pine sawtimber experienced its largest Q/Q decrease in over eight years and fell to within \$0.15 of its 25-year low. Also, pine chip-n-saw experienced its largest Q/Q drop in over a decade, while pine pulpwood fell to its lowest level since 2011.

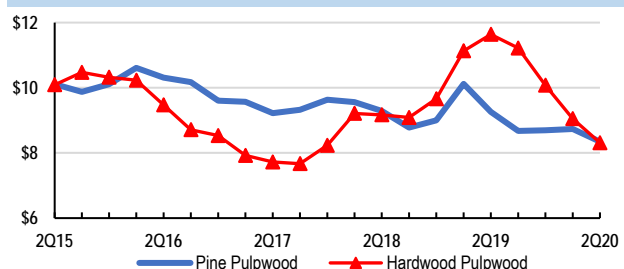
The drop in hardwood sawtimber price this quarter was more in line with seasonal, 2nd Quarter tendencies. However, hardwood pulpwood price declined for the 4th consecutive quarter and fell below that of pine pulpwood for the first time since 2nd Quarter 2018.

Δ	Δ	South-wide Stumpage, 2 nd Quarter 2020	
1Q20	2Q19		
▼	▼	Pine Sawtimber: Down (\$1.33) Q/Q and down (\$1.82) Y/Y	\$22.74/ton
▼	▼	Pine Chip-n-saw: Down (\$1.10) Q/Q and down (\$1.19) Y/Y	\$15.52/ton
▼	▼	Pine Pulpwood: Down (\$0.39) Q/Q and down (\$0.91) Y/Y	\$8.35/ton
▼	▼	Hardwood Sawtimber: Down (\$1.08) Q/Q and down (\$0.17) Y/Y	\$30.65/ton
▼	▼	Hardwood Pulpwood: Down (\$0.74) Q/Q and down (\$3.33) Y/Y	\$8.31/ton

South-wide Sawtimber Stumpage Prices (\$/Ton)



South-wide Pulpwood Stumpage Prices (\$/Ton)



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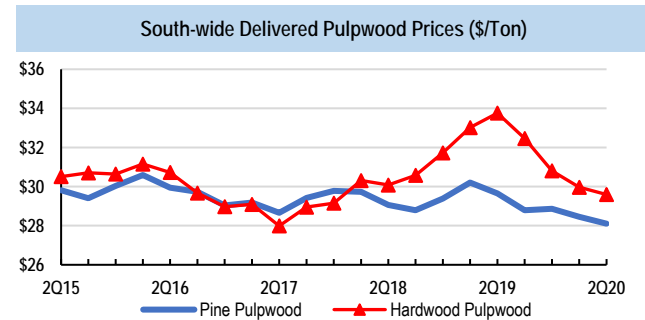
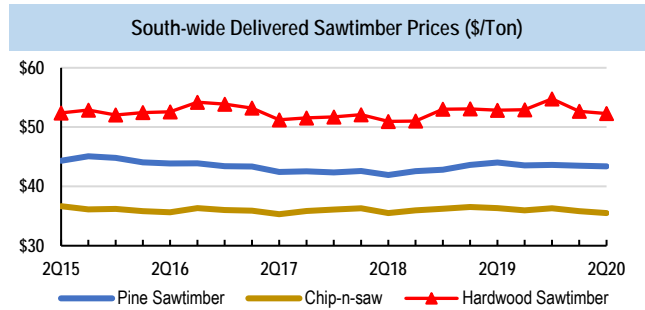
South-wide Delivered Prices

The COVID-19 outbreak continued to affect production and overall wood demand across the South in the 2nd Quarter, causing delivered prices to decrease for all five major products this quarter.

Overall, the decline in delivered pine prices this quarter remained in line with usual 2nd Quarter trends, despite the current pandemic and market conditions. South-wide delivered pine sawtimber price has remained nearly unchanged since 1st Quarter 2019, holding within a roughly \$0.75 per ton range the last six quarters. The South-wide average price for delivered pine chip-n-saw also continues to trend essentially flat and has remained within a roughly \$1 per ton range the last three years. Delivered pine pulpwood prices, however, have been on a downward trajectory the last five quarters and have fallen more than \$2 per ton since 1st Quarter 2019.

The South-wide delivered hardwood sawtimber price also continues to trend overall flat and has remained above \$50 per ton since 2nd Quarter 2014. However, similar to pine pulpwood, the South-wide average price for delivered hardwood pulpwood has been on a steep decline for the last year, falling each of the last four quarters and more than \$4 per ton (-12%) from its record high set in 2nd Quarter 2019.

Δ 1Q20	Δ 2Q19	South-wide Delivered, 2 nd Quarter 2020	
▼	▼	Pine Sawtimber: Down (\$0.24) Q/Q and down (\$0.78) Y/Y	\$43.24/ton
▼	▼	Pine Chip-n-saw: Down (\$0.33) Q/Q and down (\$0.83) Y/Y	\$35.49/ton
▼	▼	Pine Pulpwood: Down (\$0.35) Q/Q and down (\$1.55) Y/Y	\$28.10/ton
▼	▼	Hardwood Sawtimber: Down (\$0.37) Q/Q and down (\$0.55) Y/Y	\$52.28/ton
▼	▼	Hardwood Pulpwood: Down (\$0.37) Q/Q and down (\$4.17) Y/Y	\$29.59/ton



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News of Note

There were numerous stories of note this quarter, some of which have been highlighted below. Full details and additional information regarding these stories and others are available in the 2nd Quarter 2020 *Market News Quarterly*.

Softwood Sawmills:

- ❖ Canfor Corporation completed its acquisition of Elliott Sawmilling in Estill SC for \$110 million.
- ❖ Georgia-Pacific shut down operations at its sawmill in DeQuincy LA due to the COVID-19 pandemic and current market conditions.
- ❖ Interfor announced modifications to its previously announced Phase II strategic capital plan, including the postponement of the rebuild of the sawmill operation at its Thomaston GA mill and the deferral of the sawmill portion of the rebuild at its Eatonton GA mill.
- ❖ Klausner Lumber's sawmills in Live Oak FL and Enfield NC remained closed this quarter as the company sought Chapter 11 bankruptcy protection.
- ❖ Resolute Forest Products reported that its wood products division in North America has curtailed production by 25-30%.
- ❖ West Fraser continued to curtail production at its southern sawmills by approximately 24% through April due to market conditions; however, facilities generally returned to full production in May.

Pulp & Paper:

- ❖ Domtar extended downtime at two facilities, Kingsport TN and Ashdown AR, and shut down its Hawesville KY facility.
- ❖ Georgia-Pacific restarted a tissue machine at its Crossett AR mill, idled a corrugating medium machine at its Cedar Springs GA containerboard mill, and announced plans to shut down two machines at its Foley Cellulose Mill in Perry FL.
- ❖ Graphic Packaging idled a containerboard machine at its West Monroe LA mill beginning on June 30th.
- ❖ New-Indy Containerboard took a partial shutdown at its Catawba SC mill to begin conversion of a lightweight coated (LWC) paper machine to "ultra" lightweight, virgin unbleached kraft linerboard production.
- ❖ Packaging Corporation of America (PCA) temporarily idled both paper machines and the sheet converting operation at its uncoated freesheet mill in Jackson AL in April due to poor market conditions related to the COVID-19 pandemic.
- ❖ WestRock took market-related downtime on one machine at its Covington VA containerboard mill.

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News of Note (cont.)

OSB, Engineered Wood, & Panels:

- ❖ Arauco permanently closed its medium density fiberboard (MBF) plant in Bennettsville SC on May 18th. The mill was already offline due to market conditions driven by COVID-19.
- ❖ Georgia-Pacific temporarily closed its plywood plant in Madison GA in mid-April after several employees tested positive for COVID-19. The plant resumed production May 4th.
- ❖ Huber temporarily shut down oriented strand board (OSB) production for a few weeks in May at its plants in Commerce GA and Broken Arrow OK.
- ❖ Norbord continued market-related curtailment of OSB Line No. 1 at their plant in Cordele GA, begun in the 4th Quarter of 2019.

Biofuel & Bioenergy:

- ❖ Enviva Partners, LP announced its agreement to purchase Georgia Biomass for a reported \$175 million. Enviva also acquired 100% interest in Enviva Pellets Greenwood Holdings II, LLC which owns a wood pellet plant in Greenwood SC through its wholly owned subsidiaries.
- ❖ Pinnacle Renewable Energy announced it has begun construction of its 360,000-metric ton-per-year pellet plant in Demopolis AL, with startup expected in mid-2021.

Timberland:

- ❖ Rayonier finalized its acquisition of Pope Resources on May 8th.



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Market Indicators

Market conditions were volatile for most wood products and pulp producers in the 2nd Quarter. However, conditions improved in May and June as the overall US economy switched from contraction to growth.

Lumber Indicators: Softwood lumber prices were down in April but increased substantially in both May and June. The June Random Lengths Southern Pine Composite¹ at \$505 per thousand board feet (mbf) was up \$149 Q/Q (+42%) and \$162 Y/Y (+47%).

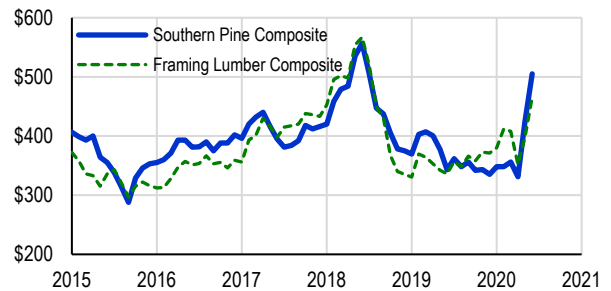
The June Hardwood Review US Kiln Dried Hardwood Lumber Index at \$1,078 per mbf was up \$19 Q/Q (+2%) but down \$155 Y/Y (-13%).

Panel Indicators: Southern Plywood and Southern OSB prices both fell in April but rebounded in May and June.

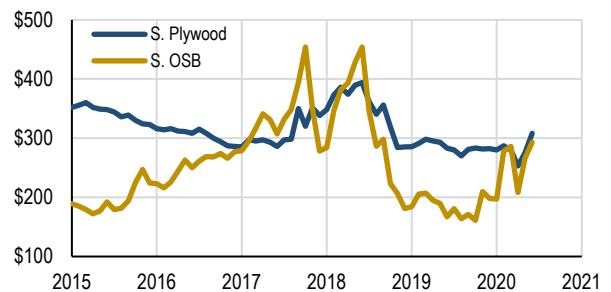
The June Random Lengths Southern Pine Plywood price for 3/8-inch exterior sheathing at \$308 per thousand square feet (msf) was up \$28 Q/Q (+10%) and \$25 Y/Y (+9%).

The June Random Lengths Southern OSB price at \$293 per msf was up \$7 Q/Q (+2%) and \$126 Y/Y (+75%).

Random Lengths Southern Pine Composite & Hardwood Review US Kiln Dried Hardwood Lumber Index Monthly Average Price (\$/mbf)



Random Lengths Southern Pine Plywood & Southern OSB Monthly Average Price (\$/msf)



¹ The Southern Pine Composite averages 35 southern framing lumber prices.



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Market Indicators (cont.)

Pulp & Paper Indicators: The American Forest and Paper Association (AF&PA) reported US paper and paperboard production at a combined 30.8 million tons YTD-May, the latest available, which was up marginally (<1%) compared to the same period in 2019.

The June Northern Bleached Softwood Kraft (NBSK) pulp index price at \$858 per ton was up \$22 Q/Q (+3%) but down \$155 Y/Y (-15%).

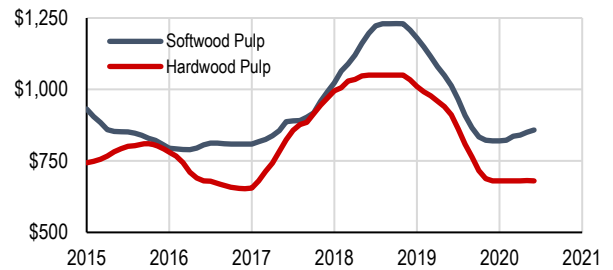
The June Bleached Hardwood Kraft Pulp (BHKP) price at \$680 per ton was unchanged Q/Q but down \$231 Y/Y (-25%).

US Building Construction: US residential building construction, a principal driver of the wood products industry, was down in April and May, but the strong start to 2020 has kept housing starts above last year's levels. According to the US Census, US housing starts YTD-May, the latest available, totaled 503,000 units, which was up slightly (<1%) compared to the same period in 2019.

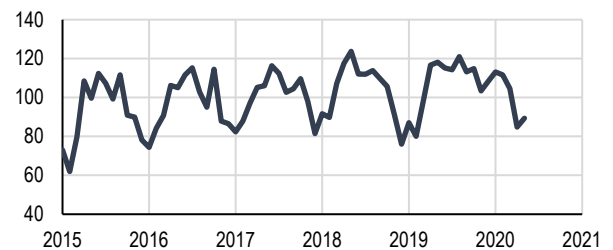
The US Census reported remodeling and improvement expenditures at \$78.2 billion YTD-May, the latest available, which was up \$12.3 billion (+19%) from the same period in 2019.

Southern Timberland Index: In the 2nd Quarter, the base case Southern Timberland Index (STI) averaged \$2,208 per acre, which was down 3% Q/Q and 4% Y/Y.

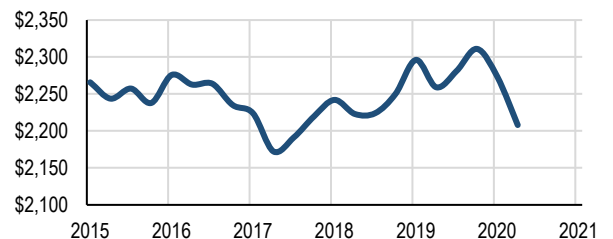
Pulp Index Price
Monthly Average Price (\$/ton)



US Census Bureau - US Housing Starts
(Monthly Total - 000 Units)



Southern Timberland Index
Base Case (\$/acre)



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Market Indicators (cont.)

Fuel & Energy Indicators: Crude oil prices were up in the 2nd Quarter; both diesel and natural gas prices were down. The June 2020 monthly average Gulf Coast #2 Diesel price at \$2.18 per gallon was down \$0.32 Q/Q and \$0.65 Y/Y.

The June West Texas Intermediate (WTI) crude spot price at \$38 per barrel was up \$9 Q/Q but down 16 Y/Y.

The June Henry Hub Natural Gas spot price at \$1.62 per million BTU was down \$0.17 Q/Q and \$0.78 Y/Y.

Log & Lumber Exports: The USDA Foreign Agricultural Service (FAS) reported total exports for the four major forest products at over 3.4 million cubic meters (m³) YTD-May, the latest available, which was down 18% from the same period in 2019. Exports to China, the dominant US trade partner, were down 22% for this period.

Compared to a year ago, southern yellow pine (SYP) log exports and SYP lumber exports were down 38% and 17%, respectively. Hardwood log exports and hardwood lumber exports were down 11% and 14%, respectively, from the same period a year ago.

Financial Indicators: After taking a major hit in February and March, financial markets made steady gains in the 2nd Quarter, with the Dow Jones Industrial Average (DJIA) increasing 18% Q/Q and closing out June at 25,813. The quarterly low was 20,944 on April 1st and quarterly high was 27,572 on June 8th.

The S&P 500 ended June at 3,100 (+20% Q/Q).

The NASDAQ ended March at 10,059 (+31% Q/Q).

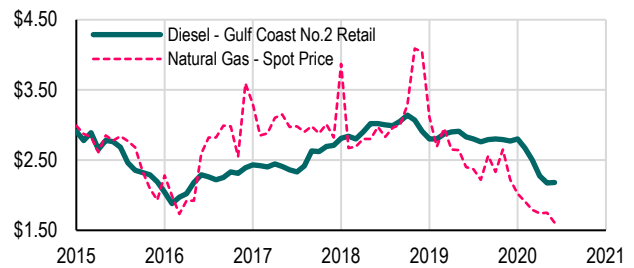
Weather, Etc.

General Weather: Weather conditions averaged wetter than normal for most of the South this quarter, with violent storms affecting some areas across the region. Georgia and Virginia had close to their wettest April on record, and each of the Carolinas had nearly their wettest May.

Drought: Wet weather this quarter eliminated drought lingering in Florida last quarter. Scattered dry areas remain in Texas, Alabama, and western Tennessee.

Fire: During the quarter, 24,347 fires burned 1.43 million acres nationwide. Both were well below the 10-year average year-to-date but above last year's low levels. Roughly 225,000 acres (15% of the total) burned in the South.

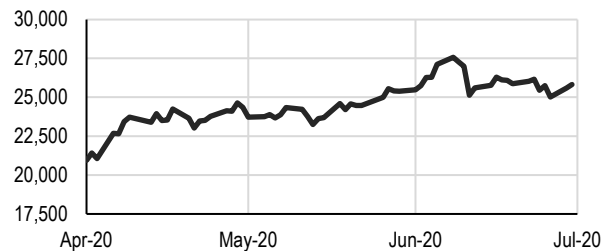
Gulf Coast No. 2 Diesel Retail Price (\$/gallon) & Henry Hub Natural Gas Spot Price Monthly Average (\$/mmBTU)



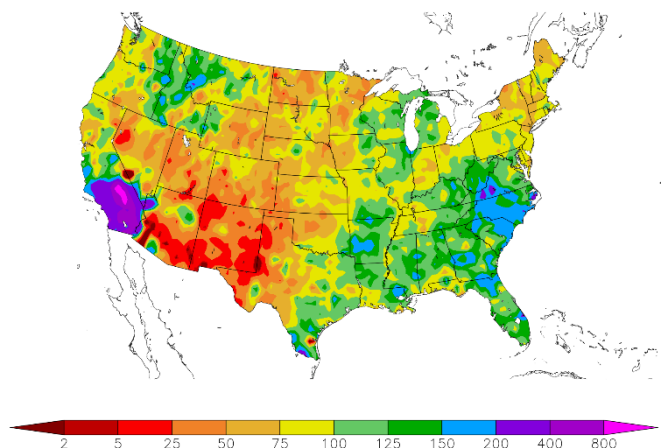
US Log & Lumber Exports (YTD-May 2020)
Volume in Thousand Cubic Meters

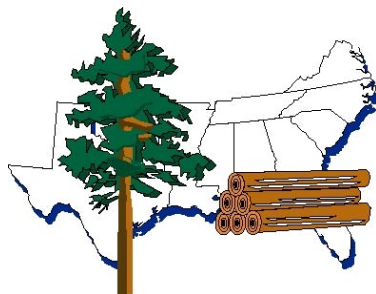
Product	World YTD 2020	World YTD 2019	China YTD 2020
SYP Softwood logs	422	677	338
SYP Softwood lumber	960	1,152	113
US Hardwood logs	783	880	352
US Hardwood lumber	1,266	1,475	557
Total	3,431	4,184	1,361

Dow Jones Industrial Average
2nd Quarter 2020



Percent of Normal Precipitation (%)
4/1/2020 – 6/30/2020





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