



Southern Pine Sawtimber Price Trends--Update

It has been a few years since we wrote about southern pine sawtimber: see *Historic Lows in Southern Pine Timber Prices(?)* (Vol 9 No 3). In that issue, we said it might be possible to see prices near \$60/ton in 10-15 years. But we are 7 years into that prediction and sawtimber stumpage prices have not improved significantly since then.

Figure 1 shows quarterly southwide sawtimber and chip-n-saw prices published by Timber Mart-South (TMS) since 1976. Sawtimber prices rose from their 2011 low through 2015, drifted back down into 2017, then have been rising a little again. Chip-n-saw prices have followed a similar pattern.

When adjusted for inflation (Figure 2), both sawtimber and chip-n-saw prices continued to decline from 2015 through 2018—but showed some improvement in the first quarter of 2019.

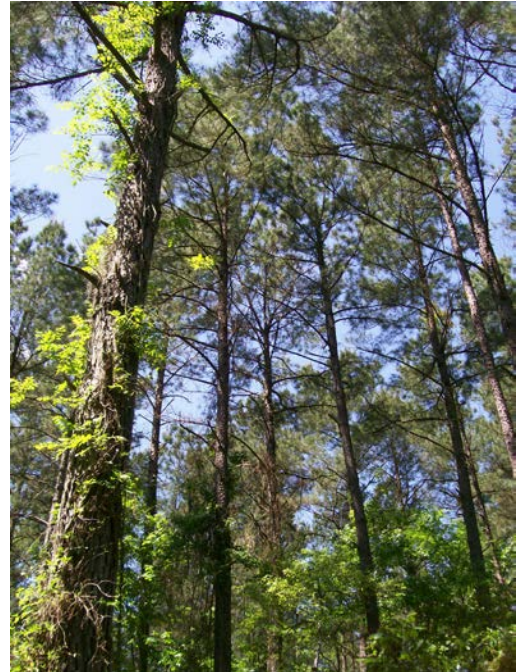
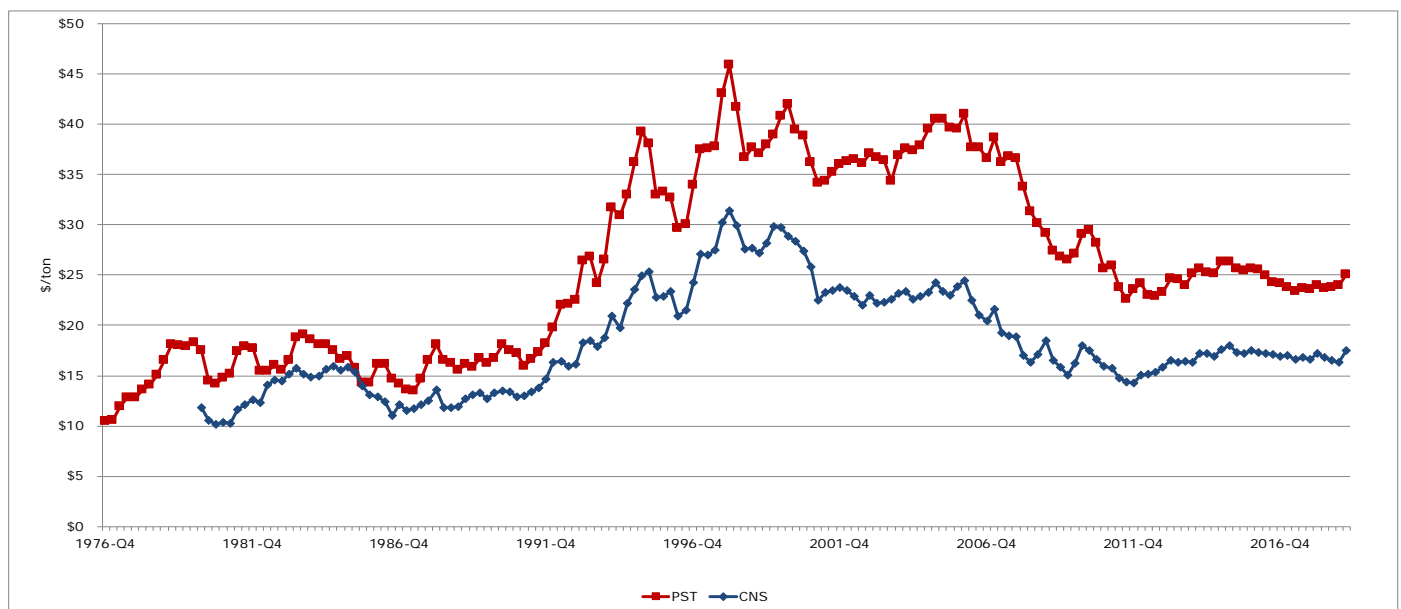
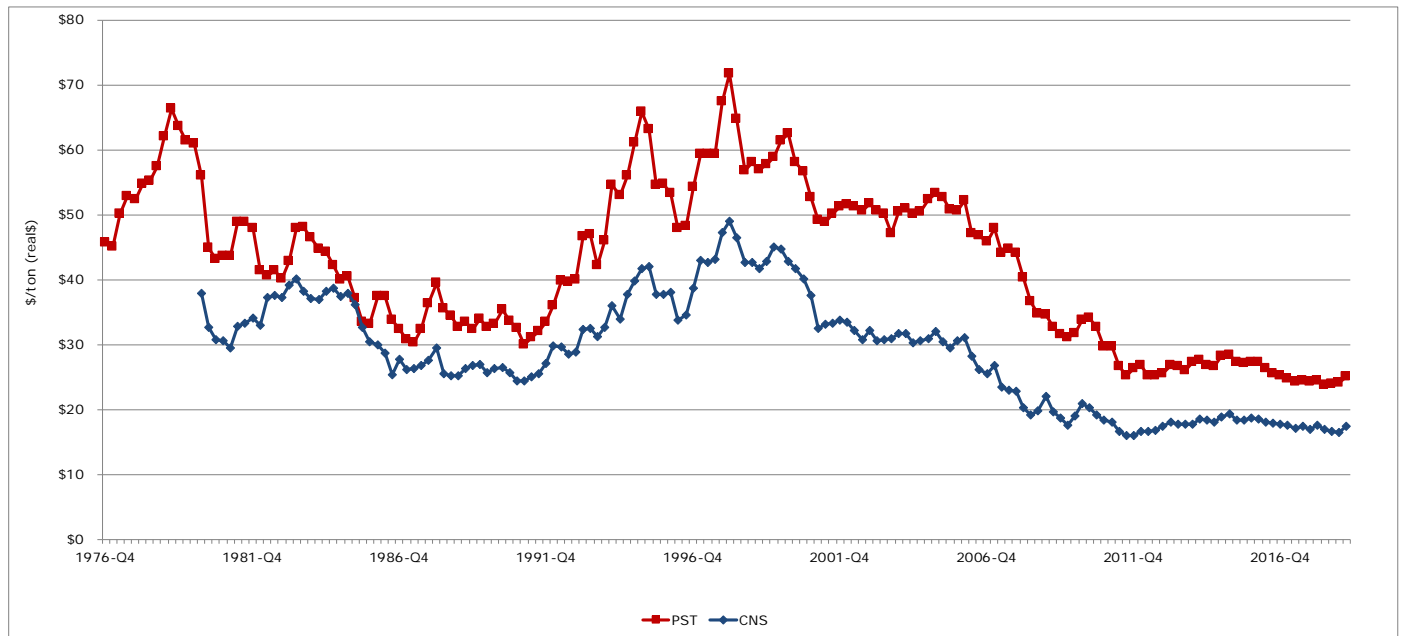


Figure 1. Southwide Sawtimber and Chip-N-Saw Stumpage Prices (nominal \$)



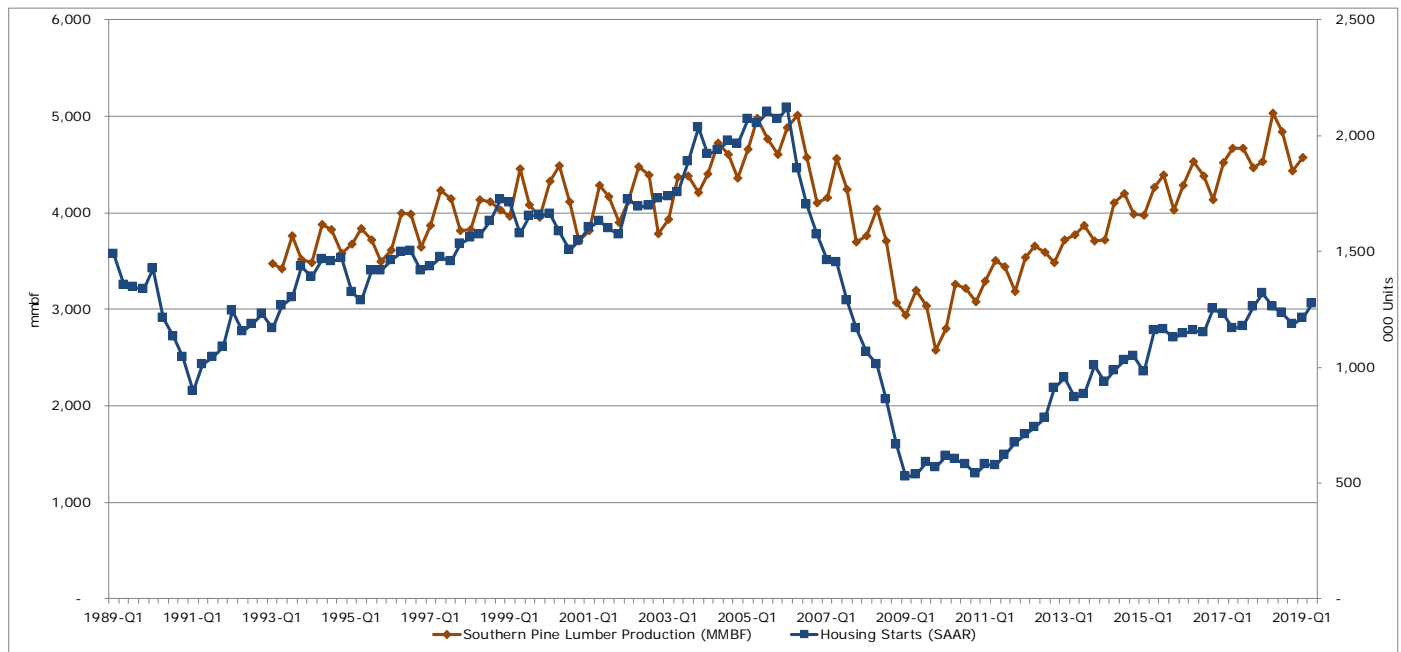
Source: Timber Mart South

Figure 2. Southwide Sawtimber Stumpage Prices (real (inflation-adjusted) \$)



Source: *Timber Mart-South*

Figure 3. Southern Pine Lumber Production and US Housing Starts



Sources: *USDA Forest Service, Southern Forest Products Association and USDC Census Bureau*

Strong Southern Pine Lumber Demand

What is keeping sawtimber prices down? Are southern pine sawtimber prices low because demand for southern pine lumber is low?

While housing starts have not yet climbed back to their long-term average level (1.5 mm units), they

have been increasing since 2009. Southern pine lumber production has increased along with housing starts (Figure 3). The two series are very strongly correlated (Table 1).

Table 1. Correlation Coefficients for Southern Pine Lumber Production and US Housing Starts

	Southern Pine Lumber Production (MMBF) and Housing Starts (SAAR)
1993-2019	0.6790
1993-2009	0.8328
2010-2019	0.9225

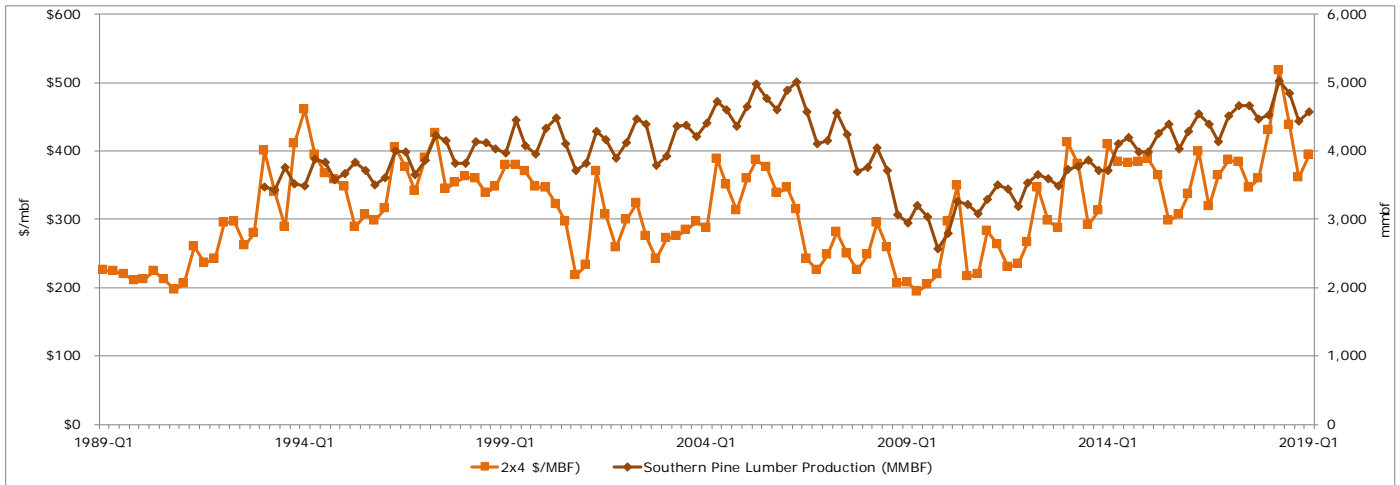
Production of southern pine lumber has been increasing. But maybe production lumber (supply) is rising faster than demand? Figure 4 compares production with a southwide price for kiln-dried southern pine 2x4s. It shows lumber prices have

been increasing along with lumber production—so lumber production is not out-pacing demand. The two series have been very strongly correlated since 2010 (Table 2).

Table 2. Correlation Coefficients for Southern Pine Lumber Production and Lumber Prices

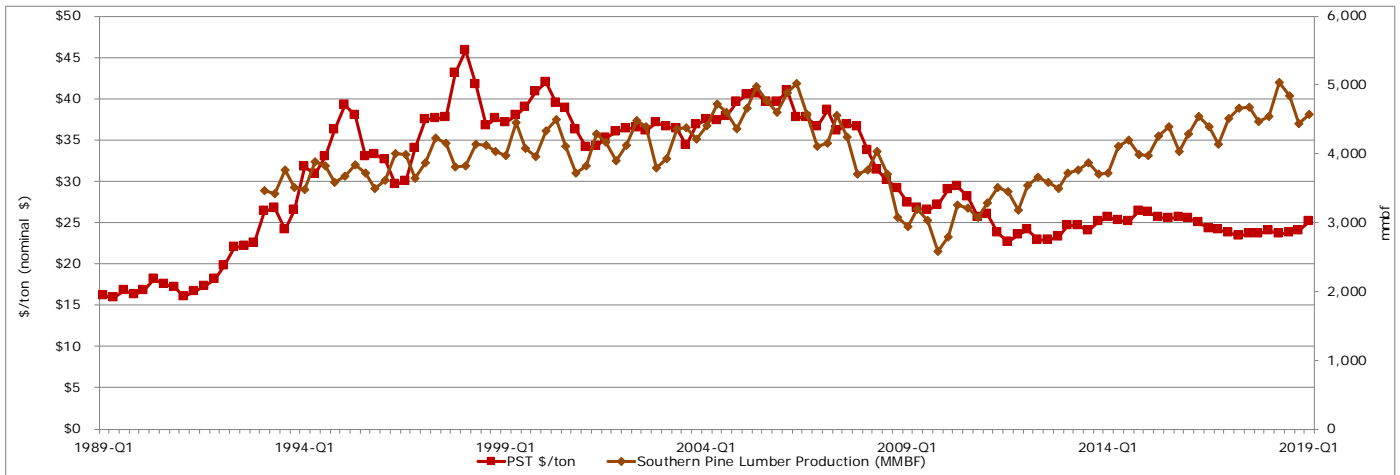
	Southern Pine Lumber Production (MMBF) and 2x4 Price (\$/MBF)
1993-2019	0.4639
1993-2009	0.3175
2010-2019	0.7265

Figure 4. Southern Pine Lumber Prices and Production



Sources: USDA Forest Service, Southern Forest Products Association and Random Lengths

Figure 5. Southern Pine Lumber Prices and Production



Sources: Timber Mart-South, USDA Forest Service, Southern Forest Products Association and Random Lengths

Higher lumber prices don't necessarily lead to higher stumpage prices. Figure 5 compares nominal southwide southern pine stumpage prices and southern pine lumber production volumes. The two series seemed to move in similar ways until 2009, then stumpage prices leveled off while lumber production rose. Table 2 shows the two were strongly correlated through 2009, then the correlation turned negative.

Table 3. Correlation Coefficients for Nominal Price and Lumber Production

	Southern Pine Lumber Production (MMBF) and PST \$/ton
1993-2019	0.2848
1993-2009	0.6532
2010-2019	-0.3989

Stronger Sawtimber Supply

If lumber production and prices are up, but stumpage prices are not, we are left to consider an over-supply of sawtimber. Sawtimber inventories have been increasing as timberland owners delay harvesting because stumpage prices are lower than they would like (see *Storing on the Stump* (Vol 12 No 4). There may be over a year's worth of this stored timber growing in the South.

Older stands will yield more volume than younger stands, and more of that volume will be sawtimber. This means fewer acres are needed to provide the same volume of logs for mills.

In addition, southern pine sawmills have been upgrading equipment over the past decade. Many of those upgrades allow them to make more lumber from a given volume of logs.

Outlook

According to Timber Mart-South, the new mills and mill expansions and upgrades announced since 2017 will increase the South's softwood lumber capacity by 25% by 2021 (TreeLines, 2019). This will put southern pine lumber production at historical highs.

This increased level of output will not necessarily out-pace demand, as softwood sawmills are beginning to close in British Columbia (largely in response to the loss of timber supply caused by the

mountain pine beetle). The Province is looking at lower annual timber harvests for several decades into the future

A positive outlook requires a continued improvement in housing starts. Export markets have not been important historically for southern pine, but continued trade wars will not help in the long run as lumber formerly exported from the West Coast will be marketed domestically.



Reference

TreeLines June 2019, *Updates on Sawmill Plans and Expansions*, ArborGen

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