



## Industry News

### ■ **Strengthening the Field: How Women are Making Strides in the Forestry Profession** (March 1<sup>st</sup>)

Although forestry has become much more inclusive of women during the past several decades, it remains, after all, a majority male profession. Today, female foresters are rising to the top of their profession in government, private industry, and nongovernmental organizations. They are recognized by peers and are taking on leadership roles. Perhaps most important, they offer models, encouragement, and mentoring to younger women.

— *Northern Woodlands*

### ■ **Robbins Lumber acquires two Pleasant River sawmills, will retain employees** (May 26<sup>th</sup>)

Robbins Lumber Inc. acquired two sawmills, expanding the company's footprint from two locations to four. The sawmills in Hancock and Sanford were previously owned by Pleasant River Lumber Co. Robbins will retain all 74 employees across the two locations. The acquisition will allow the company to build on its brand of Eastern white pine production, which the company already produces in its existing locations in Searsmont and East Baldwin.

— *MaineBiz*

### ■ **Mills cutting pulpwood orders cause 'world of hurt' for Maine loggers** (June 8<sup>th</sup>)

At least two Maine paper mills that have been major buyers of pulpwood dramatically cut orders in the past couple months, causing headaches for smaller logging contractors. It is a reversal of the booming business last year when the mills were buying as much pulpwood as they could get. The downturn is already being felt in a Maine industry that employs 5,600 loggers and wood truckers.

— *Bangor Daily News*

## Industry Overview

### Forestland Operations

It's funny how quickly things change when you're in the business of growing trees. You'd think that there aren't many surprises when your crop rotation takes 60-80 years, but I'm always amazed at how dynamic this marketplace truly is. This year, the forest products market in the northeast has undergone a swift and dramatic shift that is keeping everyone on their toes and making people rethink their plans. More on this in a bit.



*A flock of birds takes flight at dawn over an Aroostook county forest.*

One thing that was not a surprise was the challenges with the weather. The first half of the 2nd quarter saw fairly amenable weather conditions for forest management. A relatively dry spring, combined with a quick release of frost, set the stage for a productive season in the forest. The second half, however, was a totally different story - rainfall for the month of June was significantly above its normal average and any momentum that had built up was quickly lost. Although the second quarter is always a fairly quiet period in the woods, this season we were held at the starting line a bit longer than usual and that was a little frustrating for everyone.

The starting gun may have been a little muted, but our summer harvest plans are in place at this point and we are building speed. The forest has begun drinking up all the rainfall and weather is turning favorable just in time for blackfly season. As the momentum builds, the real question will be whether or not the marketplace will be able to absorb the timber waiting to be delivered.

One other marketplace shift that has occurred in the post-COVID era is a reduction in the logging force. Some have undergone significant consolidations, and a few have exited the

business altogether. Combine that with a labor crunch and you've got a situation where it's very competitive to find quality harvest contractors. Thankfully, the land we manage is healthy and well-stocked, which makes for an attractive, highly productive, and profitable work environment. But it's also more expensive -- logging rates have risen 20-25% with much of that going into the worker's pocketbook. While we haven't seen the end of these adjustments, this is good news for the longer term health of the regional logging force.

## Forest Products Markets

### Pulpwood Products

Right about the time I hit "publish" on the last quarterly newsletter and it was shipped out the door, I got a phone call letting me know the regional pulpwood marketplace was starting to take a substantial turn. Within two weeks of that phone call, our summer harvest plans were thrown out the window and entirely new ones were made. Slowdowns in industrial demand for pulp and paper following record production had created a market glut and finished goods inventories blossomed. Suddenly, the feverish pace that had prevailed for the last 18 months came to a screeching halt.

Admittedly, there were signs. Prices were at record levels and demand for pulpwood seemed insatiable -- almost the very definition of a bubble. There were many times we found ourselves scratching our heads wondering how long mills would be able to keep paying so much for wood furnish. Softness started to appear in the midwest early in the year and that seemed to cascade eastward as the first quarter rolled on, but for a period of time demand in the

northeast seemed to buck the trend. Then I got the phone call.

Pulp mills say that they were blindsided. One procurement manager told the story of how when he came back from vacation it felt like the whole world had changed - all the plans he had in place before he left had to be totally rethought. Of course, the biggest throttle lever available to a pulp mill is their wood deliveries -- and they all used it. Most mills instituted delivery quotas, and in one extreme example, the brand-new pulp mill in Old Town was temporarily idled. In turn, wood suppliers went from feast to famine in an incredibly short time and were left wondering what to do with their pulpwood.

Since that time, it's become clear the market is not quite as soft as it immediately seemed, but the change is still dramatic and the oversupply problem remains. For one thing, the poor operating conditions during June were actually a small blessing - it allowed a small amount of breathing room for a portion of the excess inventory to be absorbed by the mills. There were also a few well-timed maintenance shutdowns at pulp mills that kept the wolves at bay. The fact of the matter is there still is a lot of inventory available for pulp mills to go through and this will take some time to correct. In the meantime, most forest managers are doing their best to avoid harvesting and producing hardwood pulpwood. This is a tough condition if it persists -- the region grows a lot of it and the health of the forest, industry, and workforce are dependent on pulpwood production.

As you can imagine, regional hardwood pulpwood prices are down to the tune of 15-20% and demand is very tentative until the oversupply problem abates. Thankfully the forest we manage is diverse and our new plan involves plenty of softwood. Softwood pulpwood prices are actually slightly higher over the quarter, likely in response to changing mill preferences. Some traditional "hardwood" mills are now consuming pure softwood blends.

Not only has this market change affected which species of wood being produced and consumed, it also has had an influence on where timber flows. When deliveries are restricted at pulp facilities, the industry attempts to find other markets. One quick replacement for pulpwood is to send the same material to firewood producers, and they have been inundated. It's been an

■ **Maine can usher era of sustainable economic impact with mass timber**  
(June 23<sup>rd</sup>)

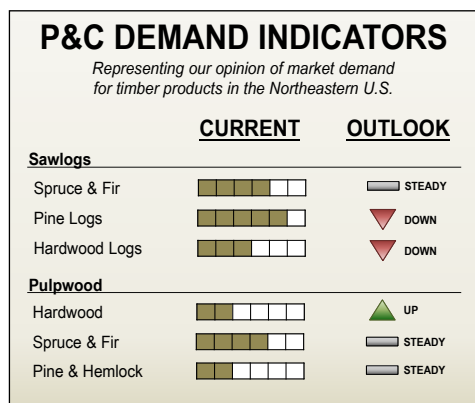
Maine is the most forested state in the country, with nearly 90% of the land covered in forests. So, the potential to revitalize and reimagine our state through this innovative industry is real. This is a rare and unique opportunity to bring rural and urban communities, companies, and governments together through clean industries that make the world better and support Maine jobs.

— Bangor Daily News

■ **Why cutting down trees may be the best way to save forests from wildfires**  
(June 20<sup>th</sup>)

As wildfires become more frequent, governments are adopting new approaches to protect forests by using new technologies to track and manage active wildfires, including a strategy experts call "fuels reduction" — ridding forests of the materials that allow fast-moving "megafires" to develop. The U.S. Forest Service announced a plan to treat more than 50 million acres of forest across the country over the next 10 years to make them less susceptible to fires.

— Yahoo News



important relief valve when it aligns with the location and timing of timber production, but they get quickly flooded.

The core reason for this sudden swing in pulp markets is likely connected to the equally dramatic monetary policy tactics being employed by the world's central banks. I do have to occasionally remind myself that economic slowdown is exactly what is supposed to happen when interest rates are managed like they have been recently. This is an attempt to slow down an overheated economy, and let's not kid ourselves –the forest products market was indeed overheated for a time. The fact that the markets turned was not a surprise; what's surprised me is the pace of it all.

## Sawn Products

### Softwood Sawstock

Softwood lumber markets – used primarily in building construction – have been relatively steady when compared to the tumultuous time in 2020 and 2021. Log inventory levels at our regional spruce & fir sawmills have been generally low, but highly dependent on location and overall purchasing strategy. Consumption is also slower lately,

with mills scaling back their operating hours to match production with lumber demand. Log prices have fallen slightly but demand has been generally consistent, perhaps the most consistent market we have for the time being.

As you can imagine, it's the housing market that we need to keep our eyes on. Short term, interest rates will be at work here too, but the fact of the matter is builders in the US have fallen behind in their quest to supply new homes, and the housing stock has been chronically underbuilt. So long term, the demand should buffer the impact of higher interest rates that builders and home buyers have to suffer.

The forest fires in Canada will do more than just produce smoky days in major U.S. cities. Once the blazes are under reasonable control, it is likely to lead to substantial salvage operations and an influx of spruce & fir sawlog material available to sawmills. The salvage in central and eastern Canada will be significant, will push additional low cost wood onto the market, and will probably have a noticeable effect on demand in the northeast. After

the salvage is complete, however, it is likely the Canadian government will reduce their harvest levels in order to let the forest rest and regrow. Hopefully these fires are a once-in-a-lifetime kind of event, because these shocks can be destabilizing.

Demand for pine lumber has fallen slightly over the quarter and mills have indicated it's becoming generally more difficult to sell. This matches the other patterns we have seen. Lumber prices remain elevated but, unlike that of spruce & fir lumber, will take some time to flex to reflect demand given the smaller size of the market and lack of intermediation. Pine log prices have been sustained, but with pine susceptible to fungus growth during the summer heat, mills have had to be careful managing their inventory.

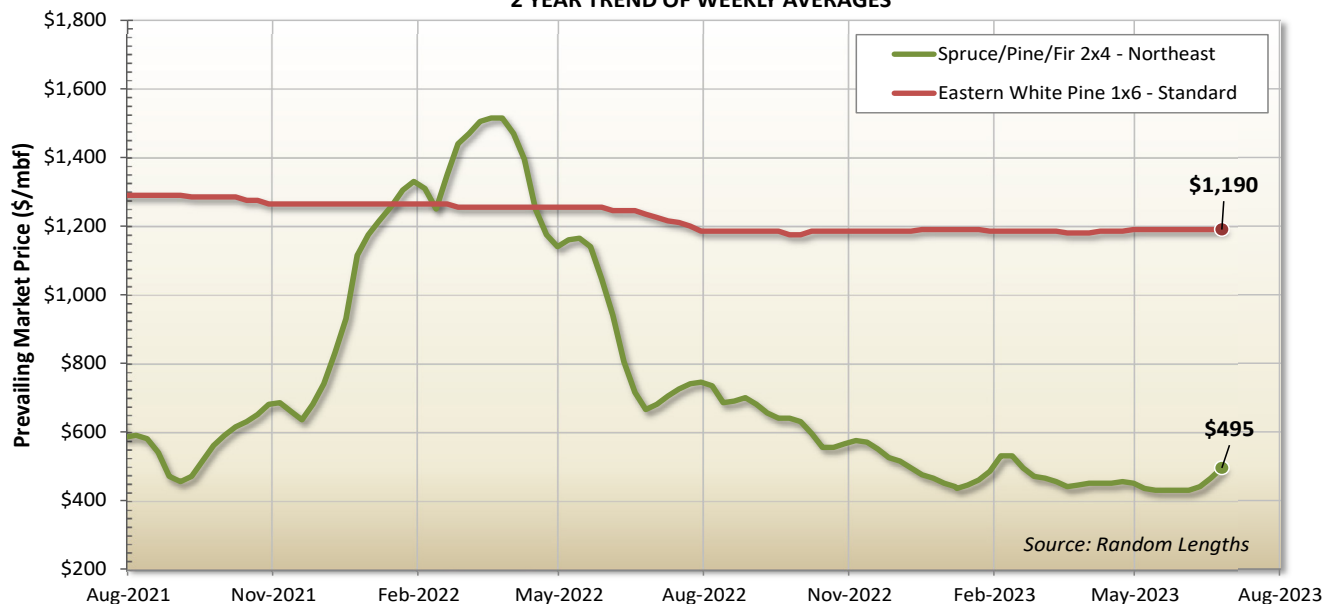
### Hardwood Logs

Hardwood sawmills have been suffering under prevailing weak demand for grade lumber, and demand for logs feels listless. The saws are still buzzing and the kilns are still hot, but mills are pulling out all the stops to try to keep profitable.

Some grade mills – those producing lumber for furniture, flooring, and



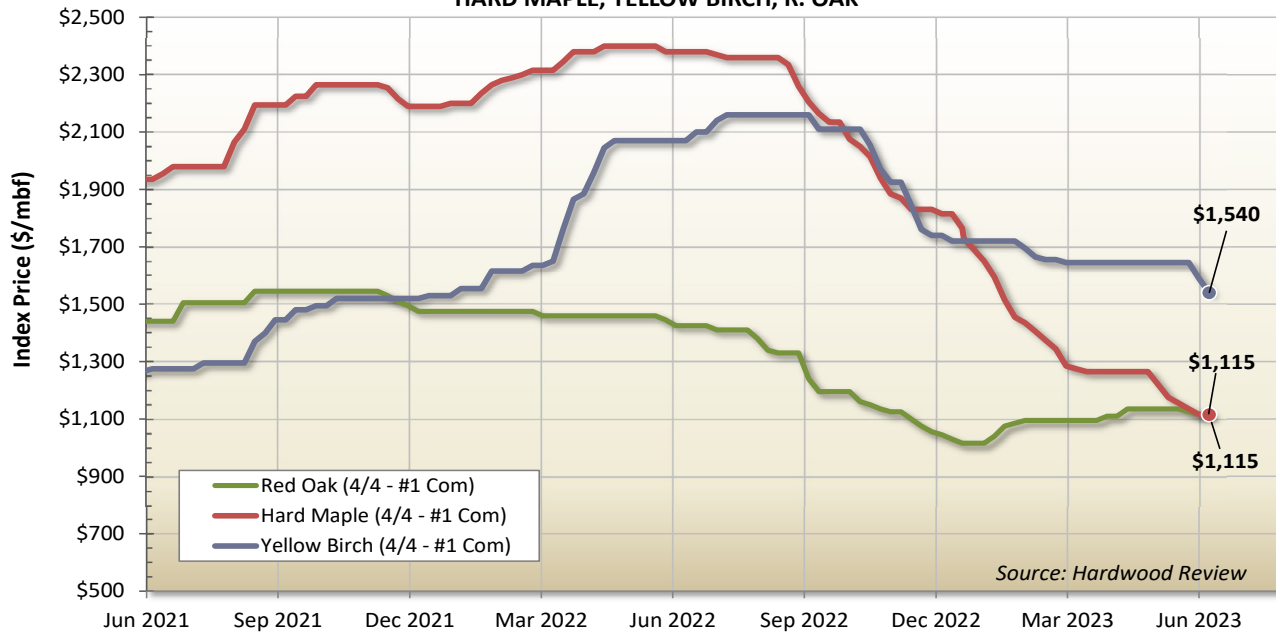
**PRICE TRENDS IN SOFTWOOD LUMBER**  
2 YEAR TREND OF WEEKLY AVERAGES





## RECENT PRICES IN HARDWOOD LUMBER - NORTHEAST

HARD MAPLE, YELLOW BIRCH, R. OAK



cabinets – have pushed their lower-grade cant material (the center portion of the sawlog) into the pallet market. This is a survival tactic and normally would make a sawmill’s head spin, but it has helped sustain cash flow during these tough times. Wood from landowners, the customary supply for pallet mills, has been preempted by this cheaper and easier to handle material. As a result, we are experiencing lower log demand from pallet mills as well.

Timber mat producers, which consume lower grade, but longer material, are still having a hard time

finding enough logs to keep up with their demand. The slow hardwood pulpwood market has exacerbated this situation as loggers have done all they can to move out of hardwood stands and produce less of it. We expect the market to explore more alternative species and modify their log specifications in order to keep up.

### Summary

While there are some market niches still with significant demand, the regional giant – hardwood pulpwood – has taken an abrupt turn for the worse amid economic tightening

policies. Heavy rainfall in late spring held back deliveries, but in the face of anemic pulpwood demand, that allowed time for foresters and loggers to shift into parts of the forest more preferable to the market. Mills are getting creative and employing unique tactics to remain productive and profitable, and to ensure that the workforce that supplies the timber can be sustained. In the midst of a changing environment, it behooves everyone to stay on their toes. 🌲

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PRESIDENT

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