



Industry News

■ **Weeks in the Maine woods are Brewer High School's answer to absenteeism** (July 15th)

Brewer High School's new Forestry Immersion Program, is a six-week summer program in which students live in the woods, learn how to use logging equipment and earn class credits through hands-on experience. The alternative education program is part of an effort to engage students who may struggle in a traditional classroom setting or are chronically absent or disengaged, a population that rose during the COVID-19 pandemic.

— *Bangor Daily News*

■ **Gem Hunters Found the Lithium America Needs. Maine Won't Let Them Dig It Up** (July 17th)

The world's richest known lithium deposit lies deep in the woods of western Maine, however, like just about everywhere in the U.S. where new mines have been proposed, there is strong opposition here. Maine has some of the strictest mining and water quality standards in the country and prohibits digging for metals in open pits larger than three acres.

— *TIME*

■ **Dover-Foxcroft log home business expands into Aroostook County** (July 18th)

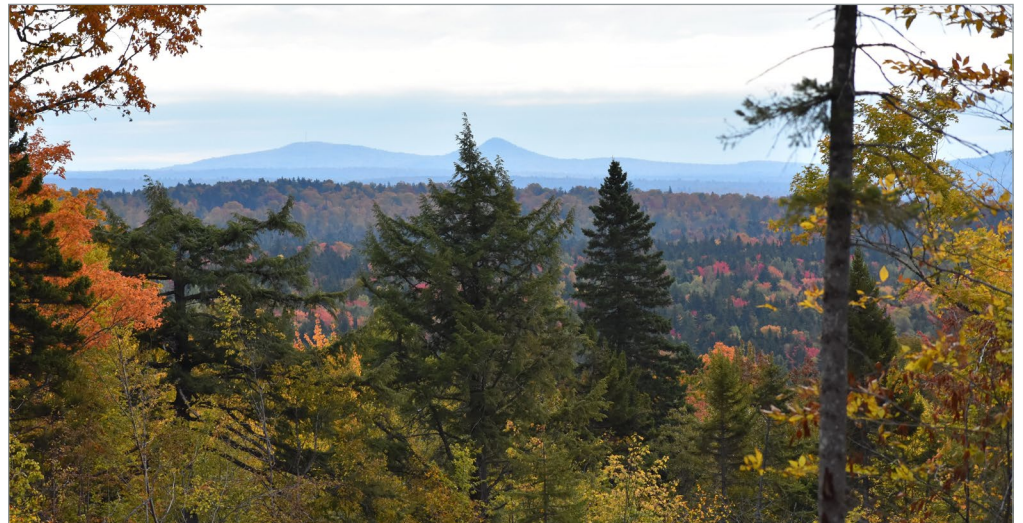
Layoffs at Katahdin Cedar Log Homes and increased consumer interest in building log homes in Aroostook County pushed Moosehead Cedar Log Homes to expand into Houlton. When Pleasant River Lumber, based in Dover-Foxcroft, bought Moosehead Cedar Log Homes two years ago, it gave the company an injection of excitement and resources that set the company on the path to start growing.

— *Bangor Daily News*

Industry Overview

Forestland Operations

There's something to be said about investing in the long term management of your forest. A property that has been maintained with steady capital investments like good roads & bridges really pays off when we have to respond to a volatile market. Appropriately maintained and more resilient infrastructure puts us in a position to adapt to sudden changes much quicker, and generates a return when others can't. When a curveball gets thrown your way, past management practices truly matter.



Summer winding up over the hills in Aroostook County, Maine.

We got thrown our share of curveballs over the last 8 months here in the Northeast. But because of the planning we do and the good management from our clients, we've been somewhat successful in being a steady supplier of forest products to the market. This quarter was no exception, although the road was bumpy.

There are two external factors that dramatically affect our work -- the markets for the products we grow, and the environmental conditions under which we produce these products. This last quarter, the latter had the most influence. Poor weather can make or break a season in the forest products business, and wet weather in particular can put molasses in the cogs of the timber supply chain. We had developed a small amount of momentum in early summer, but the months of July and August were some of the wettest on record, and we had to change plans and respond because of the difficulty with yarding & trucking timber.

Of course, Mother Nature has a method for removing water from the forest soils. During the summer growing season, water is being drawn into the trees and the high sun angle dries the surface quickly. However, this year the forest could not keep up with all the rains and

that cycle has now slowed. As such we are expecting a muddy fall. One forester noted to me that the forest floor was so close to saturation in one area that all it took was morning dew to turn it all into a soup.

The industry continues to grapple with workforce challenges in the logging sector. The immediate problem of employment turnover and contractors leaving the workforce for more lucrative pursuits seems to have eased somewhat. We have made progress on wages and we try to stay tuned into contractors' needs, which I believe has stemmed the tide for the time being. Over the long term, however, we need to solve the problem of quantity. There are simply not enough young skilled workers entering the profession. There is plenty of opportunity in the woods, but we need to get better at letting people know about it.

Forest Products Markets

The other external factor that influences our work every day is the condition of the markets where we sell our timber. While we spent the last quarter griping more about weather than markets, that is not to say the markets have fully rebounded. Last April, after several years of landowners enjoying strong demand for timber, the demand for many staple products evaporated very quickly catching almost everyone off-guard.

This quarter, however, the situation appears to have eased slightly. While it would be a stretch to say everyone is relieved, demand for timber is stronger than most predicted. We have been able to harvest and deliver most of the timber we planned on for the year. An honest assessment would say, however, this has more to do with the constrained regional supply of timber this

year than it does with an improvement in the global demand for forest products.

Pulpwood Markets

Despite the fact that the prices for regional pulpwood have declined 15-20% off their peak 10 months ago, there's been a slight uptick in demand and production seems to be accelerating. We expect pulpwood prices to recover slightly over the next quarter as mills reach out further to procure their wood and prepare for the busy winter season. Frequently, demand for hardwood pulpwood and softwood pulpwood act in opposition to each other - when one gets stronger, the other gets weaker. Recently, however, there seems to be good demand for both species groups, as mills have fine tuned their production processes to be as flexible as possible. As a result, we've been able to deliver proportionately more softwood pulpwood this quarter than in recent memory.

Raw material inventories at pulp mills shrank through the quarter and are generally lower than ideal for this time of year. Weather and contractor capacity are to blame for thinner than expected deliveries throughout the summer. Even though there were some lengthy production shutdowns this spring & summer, idled pulp mills generally continued to purchase wood to do what they could to pad their inventory. By the end of the quarter, we found we were able to meet all our delivery obligations but we know many fell short.

The Nine Dragons mill in Old Town, ME remains idled and there is broad speculation whether or not that mill will emerge from shutdown. The mill, the region's newest, is in a very favorable wood basket for the species it consumes - so while we are hopeful, we are not counting on a restart anytime soon.

Demand for pulpwood being used for engineered panels and siding has been generally weak as the construction market hedges its bets. Long term trends in housing lead me to be optimistic for this market, but in the short term, manufacturers are signaling weakness given the cost of construction and high interest rates.



■ ***Katahdin Cedar Log Homes making a comeback after near closure***
(July 19th)

In an eleventh-hour belt-tightening move, Katahdin Cedar Log Homes in Oakfield averted closing in June and the company is making log homes at a slower pace. The biggest factor was consolidating resources. The company reduced staff from 80 to 48, shut down its Ashland mill, although still uses the property as a log yard, and consolidated wood from stockpiles from Ashland to Oakfield.

— *The County*

■ ***Log cutting marks start of something really big' at Madison insulation mill***
(July 21st)

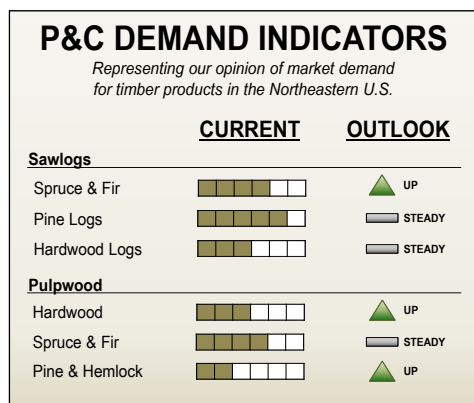
Instead of a ribbon, some of Maine's top politicians and the White House climate adviser celebrated the cutting of a log to enshrine a pioneering wood fiber insulation mill. After years of pandemic-related hurdles to acquire more than \$125 million in public and private financing, TimberHP is now the first company in North America to produce wood fiber insulation.

— *Bangor Daily News*

■ ***When a Large Timberland Owner Decides to Sell Carbon Instead of Cutting Timber***
(September)

In July of 2023, Bluesource Sustainable Forests Company announced that they would be curtailing all logging on their property in northern New Hampshire in lieu of selling carbon for the rest of the year due to the decrease in timber prices seen in most of the US this year. Bluesource would make more money selling carbon than selling timber. At least for the time being, they will not be harvesting on this property.

— *Northern Logger Magazine*



PRICE TRENDS IN SOFTWOOD LUMBER

2 YEAR TREND OF WEEKLY AVERAGES



Sawn Products

Softwood Sawstock

For much of the same reason raw material inventories at pulp mills are low, log piles at spruce & fir sawmills are a little thin. Sawmills are generally in need of more wood and the ones with the lowest inventories are doing what they need to do in order to acquire enough material to run steady during the inevitable fall rains.

It's a rare December that a spruce & fir sawmill in the Northeast has a comfortable inventory, simply because of the lower deliveries leading up to frozen ground. Suppliers try their best to put these mills in a good position prior to winter, but it's rarely enough. From the time things get frozen and logging crews mobilize, it's often not until February when there is enough momentum for everyone to notice - that's a long time to go for a sawmill with limited deliveries, and this year is one that will likely produce anxiety about steady supply.

Spruce & fir framing lumber prices appear to be stabilizing through the quarter, particularly when contrasted with the volatility & peaks seen in 2021 and 2022. It feels a little bit like a return to normalcy, but the regional dynamics around logging capacity and mill ownership are markedly different than when we entered the pandemic. Lumber prices tend to be influenced by global factors much more than regional timber that serves as mills' raw material. Regionally, spruce & fir log

prices are indicative of how badly the mills need logs, which right now is fairly high.

Pine markets have pulled back slightly since the peaks, but demand for the logs continues to be fairly high. During summer months, pine mills spray their log piles with water in order to prevent the spread of stain-inducing fungus, but the amount of logs that can be watered is limited so mills have to manage available space. Now that we are through the spoiling season, pine mills are ready to start accepting more pine. At this point, just like everything else, deliveries of pine logs are light but this will begin to turn shortly. As the market fills up, we expect the log prices soften slightly next quarter.

Cedar markets show no signs of cooling in the immediate term. The order files at cedar mills are months deep, and the inventories are minimal. Cedar grows in wetter soils, so if the winter freeze is persistent and wetter areas can be accessed with little ground disturbance, it will be a good year for suppliers of cedar.

Hardwood Sawstock

The hardwood lumber market has been difficult for some time. Exports account for a sizable portion of the hardwood demand, and the export market has faced two substantial headwinds - lackluster global growth and a strengthening US Dollar. Locally, mills are telling us that orders are slow but they are able to match their production to product sales and keep things moving. Lumber prices for our



■ **Biochar: Startups use thermal process to transform waste wood into a versatile product** (September 4th)

A new forest product sector in Maine is heating up as startup companies establish facilities to turn forest residuals into a versatile high-value product called biochar. Uses include agriculture applications such as soil amendments and animal bedding, environmental remediation, stormwater management, and as an additive to cement and asphalt. Some high-quality biochars can also be used in environmental remediation of heavy metals and PFAS.

— *Maine Biz*

■ **A new land purchase will protect nearly 29,000 acres in Maine's 100-Mile Wilderness** (September 15th)

The Appalachian Mountain Club announced the purchase -- with the Conservation Fund -- of the nearly 29,000-acre Barnard Forest, which is adjacent to more than 100,000 acres it already holds. The \$15.2 million purchase of the property will create nearly 130,000 contiguous acres of protected land and will allow for continued responsible forestry, carbon sequestration, and other uses.

— *Maine Public*

■ **King Introduces Bipartisan Legislation to Strengthen and Protect Maine Forests** (September 27th)

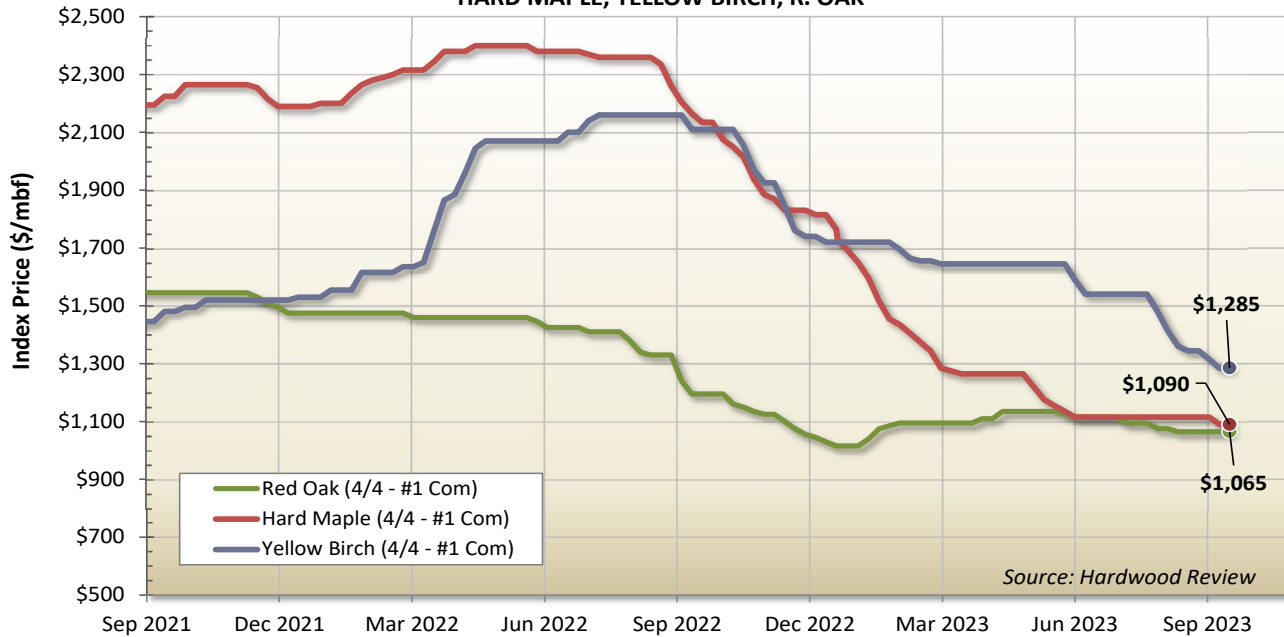
U.S. Senator Angus King, a member of the Senate Working Forests Caucus, has introduced legislation to protect and restore Maine's forests, aiming to bolster both the economic success and environmental health of the state. The bipartisan bill, America's Revegetation and Carbon Sequestration (ARCS) Act of 2023, would work to restore ecosystems, boost carbon sequestration through tree planting, improve fire risk reduction and expand forest products and wood innovation.

— *Newsroom-Press Releases*



RECENT PRICES IN HARDWOOD LUMBER - NORTHEAST

HARD MAPLE, YELLOW BIRCH, R. OAK



most prominent species appear to be leveling off after a sustained decline.

It should come as no surprise that the tough weather has also hampered hardwood log deliveries. Additionally, the difficult pulpwood markets this spring caused some concerns around availability of logs. Log buyers were concerned that suppliers would avoid hardwood areas entirely considering the inability to sell the resulting pulpwood. That did happen to some extent, but it was primarily weather that kept deliveries limited and hardwood log inventories low.

When they could be picky, hardwood sawmills preferred longer length logs this summer. Sawmills like longer logs because they can trip off the ends which can be checked or stained easier. Landowners like longer lengths because logs are sold

on volume and more material can be merchandised. The result is a win-win in a difficult market for both sawmills and suppliers.

The consistent exception to the weak hardwood lumber markets over the last few years has been the industrial grades. Several years ago there were those who called this market a flash in the pan, but our regional markets have been rock steady and are talented at what they do. The market for crane mats -- used in construction -- has been an important outlet for almost all hardwood species, and often acts as a price floor for the hardwood grade lumber market. Demand for these low-grade timbers has been strong nationally and, although they are on the lower end of the price spectrum, have been a reliable product for landowners.

Summary

The poor, rainy conditions combined with limited surge capacity in our logging force amplified the supply stress in the marketplace and mills were left undersupplied across the board. In short, mills are getting by, but are in need of wood, and their markets are lukewarm. Employee retention, wage pressure, and increasing operating costs has stressed profitability everywhere, but the pressure appears to be easing somewhat.

In an industry undergoing so much change, being able to adapt has become the imperative. There are many exogenous forces at work in our industry now, both global and regional - and those that can respond by staying flexible are finding no problem keeping the timber moving. It's by no means an easy haul.

Benjamin D. Carlisle
PRESIDENT

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