



## Industry News

### ■ **Jay mill developer says sale, details of plans in process** (October 2<sup>nd</sup>)

JGT2 Redevelopment, the Kansas company seeking to buy the Pixelle Androscoggin Paper mill and properties in Jay, plans to redevelop the mill and cogeneration facility for other industrial uses. It proposes to restart the cogeneration plant to produce power to sell to the grid while redeveloping the properties associated with the former mill.

— *Sun Journal*

### ■ **Maine's logging trade association changes name, expands outside the state** (October 4<sup>th</sup>)

The Professional Logging Contractors of Maine, a decades-old trade association, has a new name and potentially some new members. The group announced that it has rebranded as the Professional Logging Contractors of the Northeast and has opened eligibility to contractors in Vermont. It marks the biggest step for the organization since it was founded in Maine in 1995.

— *Maine Biz*

### ■ **Woodland Pulp workers to strike this weekend** (October 13<sup>th</sup>)

Union employees at the Woodland Pulp paper mill will go on strike starting tonight. The machinists will walk out just after midnight, followed by employees with the Service Employees International Union Sunday night and millwrights sometime next week. The three unions are at an impasse with Woodland Pulp over a proposal from the company to classify all employees as general workers to be trained in all job duties, eliminating classified positions such as millwright or pipefitter.

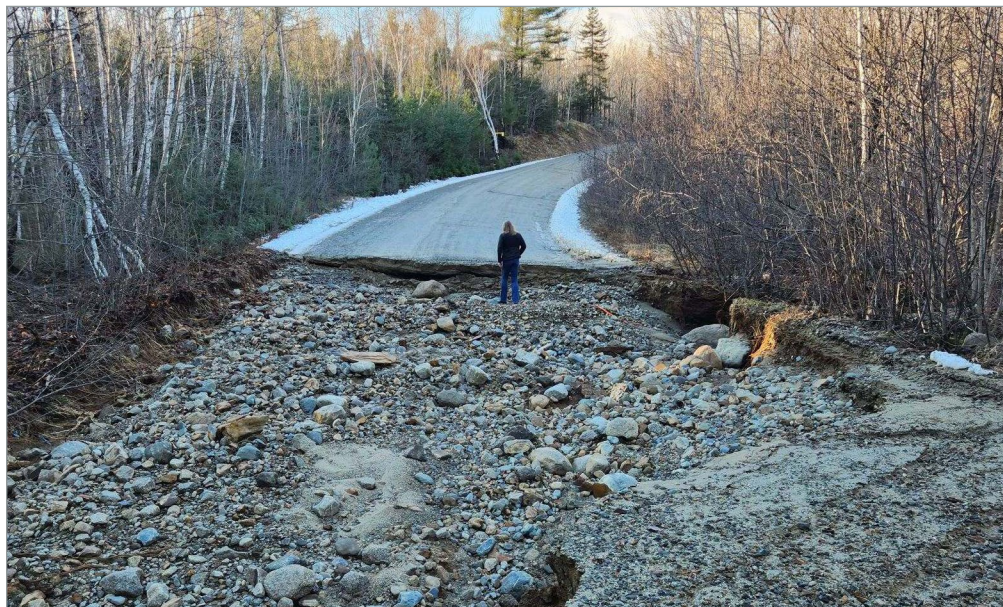
— *Bangor Daily News*

## Industry Overview

### Forestland Operations

It's a wrap!

Looking back on 2023, it is a tale of two parts. The first four months of the year we saw good operating conditions, fantastic markets, and a fairly optimistic outlook. The second half of the year was marked by wet conditions and lackluster markets. The good news is that we took advantage of it while we could during the winter operating season and, as a result, we finished the year only a little bit behind our expectations.



*Extreme washout damage to a haul road after a large storm in central Maine.*

The 2023 finish line came, as it always does, as the result of a lot of hard work from our employees and contractors. I'm always impressed how well the team comes together in uncertain times. Volatility in the marketplace and adverse weather conditions caused a lot of moving around, and some occasional frustration. Upon reflection, I'm quite pleased at how well we performed all things considered.

During the past quarter, wild weather punctuated an otherwise quiet market environment. Forest operations have been hampered by wet and warm weather that has not allowed forest roads to freeze. Most notably, in mid-December, the entire northeast region was caught off guard by a powerful wind and rain event that caused widespread flooding, washed out roads, and left over 50% of Maine without power for at least two days. Although there does not appear to be much forest damage or blowdowns, some significant haul roads were washed out and rendered impassable.

## NUMBER 2 DIESEL FUEL PRICES - NEW ENGLAND

3 YEAR HISTORICAL MONTHLY AVERAGES



Forest road blowouts are not uncommon – they occur most often when drainage systems become blocked with debris or when beavers alter the flow of water – and roadway repairs are frequently required. The difference with the most recent storm was scale. Sudden rain and the melting of snow overloaded established drainage systems, leaving a wide area that suddenly needed repairs. It was also a setback to whatever momentum we had built up; all across the northeast, people stopped what they were doing and focused on infrastructure.

2023 also saw an approximate 20% decline in the price of diesel fuel, which has helped keep operating costs in check for logging contractors. Although still well above the 3-year low, most predictions I have seen call for diesel prices to continue to fall.

## Forest Products Markets

In large part, the forest products market during the last quarter remained fairly unchanged from last quarter. This is in stark contrast to the situation of the last few years, when the volatility of the marketplace drove

almost all of what we did, and regularly caused disruption to much of our plans.

Demand for most products is stable, while few products appear to be improving slowly. Inventories are generally lower than what we'd expect – but that makes sense given the warm and wet weather we have been experiencing, which has held back deliveries.

## Pulpwood Markets

Most hardwood pulp markets are decent enough so that we can deliver pulpwood from almost everywhere without restriction. Earlier in the year, we had thought that mills might choose to restrict deliveries as the pulp prices deteriorated, but that has not happened to a large extent. Because of the poor weather and lackluster deliveries, they have needed to keep the doors open as widely as possible in order to replenish the feedstock they need.

Pricing for hardwood pulpwood is certainly down for the year, but has been stable for the past two quarters. Again, mills' efforts to keep balance between available supply and their consumption is keeping wood prices moderated.

Softwood pulpwood is a different story; demand for softwood has fallen as the pricing for hardwood has become more attractive to mills. As a result, most of the softwood consumption is happening either very local to markets (to avoid the cost of transportation) or only when required. Demand for pine & hemlock pulpwood has increased marginally, but only because the region's sole consumer has now consumed



LANDOWNER  
**update**  
4th Quarter 2023

### ■ Logging company bars hunters from driving through Katahdin Iron Works (October 13<sup>th</sup>)

Pine State Timber is closing 95 percent of its 30,000 acres to vehicle traffic because of thefts, damage to equipment and destruction of roads. It is the latest instance of a large private owner restricting access to land that has traditionally been open to public use for hunters, hikers and others for recreation. Theft at K.I.W. have ranged from fuel to wheels off parked loaders and trucks, costing tens of thousands of dollars over the years.

— Bangor Daily News

### ■ Investors show growing interest in timber for long-term investments in face of global uncertainty (October 19<sup>th</sup>)

Amidst global economic uncertainties, there has been a growing interest from existing investors looking to increase their allocations and new entrants to the space interested in meeting carbon or biodiversity minded goals. Most groups continue to seek the historically low risk and stable return profile of the asset class while also paying more attention to elements like sustainability certifications in light of new ESG requirements.

— Lesprom.com

### ■ Maine designated as federal 'tech hub' for forest products (October 23<sup>rd</sup>)

A Maine government and business consortium has been awarded the federal designation of "tech hub" for the development of the state's forest bioproducts sector. The entity recognized by the Biden-Harris administration is called Forest Bioproducts Advanced Manufacturing Tech Hub.

— Bangor Daily News

### ■ 31,000 acres of ancestral land could be returned to Penobscot Nation (November 1<sup>st</sup>)

A national land trust wants to raise \$32 million to return 31,000 acres of ancestral land to the Penobscot Nation in a deal that would increase tribal trust holdings by a third and secure public access to Katahdin Woods and Waters

Cont'd...

## P&C DEMAND INDICATORS

Representing our opinion of market demand for timber products in the Northeastern U.S.

	CURRENT	OUTLOOK
<b>Sawlogs</b>		
Spruce & Fir	<div><div></div><div></div><div></div><div></div><div></div></div>	▲ UP
Pine Logs	<div><div></div><div></div><div></div><div></div><div></div></div>	▬ STEADY
Hardwood Logs	<div><div></div><div></div><div></div><div></div><div></div></div>	▲ UP
<b>Pulpwood</b>		
Hardwood	<div><div></div><div></div><div></div><div></div><div></div></div>	▬ STEADY
Spruce & Fir	<div><div></div><div></div><div></div><div></div><div></div></div>	▬ STEADY
Pine & Hemlock	<div><div></div><div></div><div></div><div></div><div></div></div>	▬ STEADY



## PRICE TRENDS IN SOFTWOOD LUMBER

2 YEAR TREND OF WEEKLY AVERAGES



all their reserves left over from the idling of the pulp mill in Old Town, Maine.

The market for wood used in structural panels remains quiet; although these mills are still running well, they are having no problem finding the wood they need considering the slowdown in the pulp market.

## Sawn Products

### Softwood Sawstock

Like the pulp markets, the ride on softwood lumber has smoothed out substantially. Spruce & fir sawstock is a staple product in the northeast, and the lack of volatility has been a welcome relief. Sawmills have had a tough time selling their finished goods, however, and so mill inventories have swelled slightly beyond comfort. Lumber stocks at mills appear to be growing but raw material inventories remain steady, so we may see some production curtailments at mills in the short term. Demand for new housing construction is widely expected to resume its growth trajectory once inflation is wrestled in and financing costs moderate, and consequently the general long-term sentiment for lumber is quite bullish.

We've also started to see some pullback in demand for pine logs recently. This market had proven more insulated from the economic slowdown for some time, but is now catching up. Pine is used in the last stages of homebuilding/renovations - flooring, cabinetry, and finishes - so this latent downswing makes sense. We've

already seen some deterioration in pine log prices.

Demand for cedar logs remains frenetic, with prices reflecting just how hungry the market is. The prevailing issue is log supply; cedar grows in softer, wetter areas, so it's difficult to access in great quantities without the ground being frozen. It's a comparatively small market, but the current prices will entice suppliers to find pockets of operable ground to cut cedar this winter.

### Hardwood Sawstock

Although we have yet to see the market recover, the general consensus on hardwood lumber demand is that we have found the bottom, and there is some moderate recovery in our future for 2024. While it will likely remain difficult for a bit, for the first time in a while, the deteriorating market has seen signs of life over the last quarter.

This summer and fall, suppliers had a difficult time providing sawmills with an adequate supply of logs, given the weather. Additionally, the lukewarm demand for hardwood pulpwood influenced the quantity of logs being produced - pulpwood is a necessary byproduct of log production, so suppliers often choose to cut softwood when they cannot sell all the hardwood material. That left mills slightly undersupplied despite the light production.

For the time being, we do not expect much change in the demand for hardwood logs, but it is likely the only change will be an improvement. Mills appear anxious to keep



LANDOWNER  
**update**

4th Quarter 2023

National Monument from the south. The Trust for Public Land bought the land last December for \$29.5 million. Once the trust raises the money to pay off the loans it took to make the acquisition, it will turn the land over to the tribe for placement into its trust holdings.

— Portland Press Herald

### ■ Newly trained workers set to join Maine's \$582M logging industry (November 13<sup>th</sup>)

Graduates of Maine's only college training program for operators of mechanized logging and forest trucking equipment were recognized Nov. 9 in Passadumkeag, the site where they have spent recent weeks completing the final stage of the five-month program. As in the program's previous years, the majority of students have jobs waiting, since demand for both drivers and logging operators continues to exceed supply.

— Maine Biz

### ■ Maine company changes the landscape for sustainable packaging (November 15<sup>th</sup>)

One of Maine's newest manufacturing companies is looking to the past to help create a plastic-free future. Tanbark, based in Saco, makes sustainable packaging out of molder fiber, a product and process that has been around in Maine for more than a century and was actually invented here. The company's packaging products are made from wood and plant fibers and calls them an environmental solution to all the single-use products.

— WMTW

### ■ Innovation in food packaging boosts Maine's struggling forest industries (November 27<sup>th</sup>)

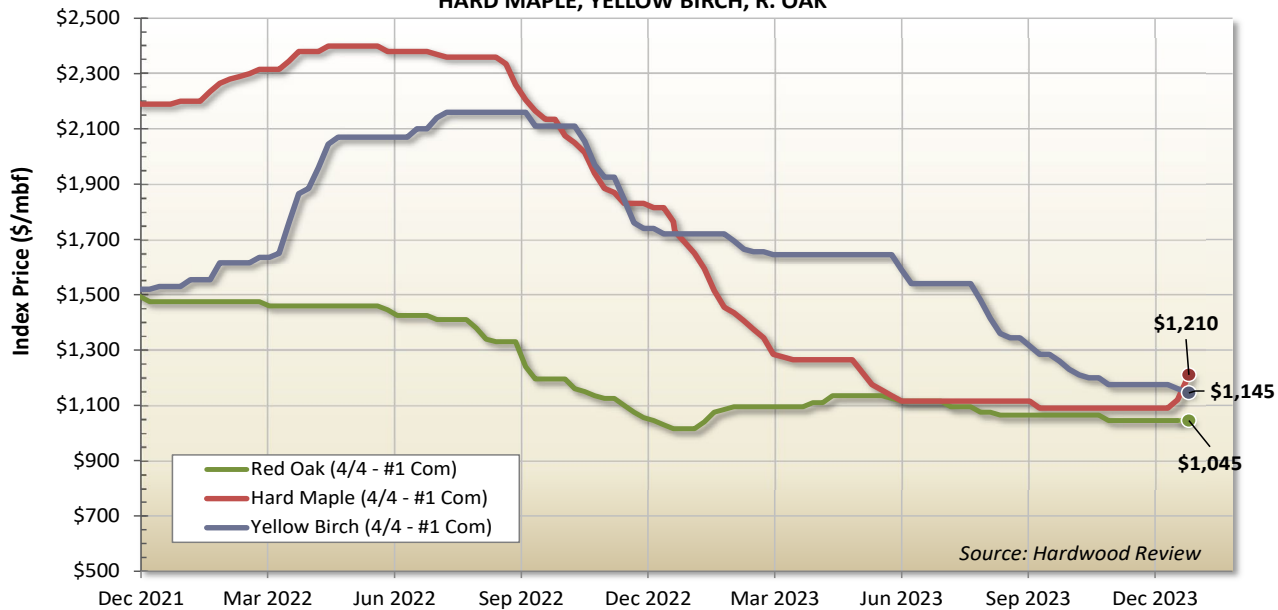
Tanbark Molded Fiber Products, in Saco is poised to replace thousands of pounds of single-use plastic foam, rigid plastic and plastic-coated containers for Luke's Lobster, Hannaford Supermarkets and other companies that hope to answer growing consumer demand for products of all kinds with little or no plastic parts or packaging. The company is already looking to expand to a second manufacturing site in one of Maine's empty mills.

— Portland Press Herald



## RECENT PRICES IN HARDWOOD LUMBER - NORTHEAST

HARD MAPLE, YELLOW BIRCH, R. OAK



their inventories turning over, and we expect this base-level demand to keep pace this winter.

### Summary

In short, not much has changed over the past quarter, but a lot has

changed over the course of 2023. We are starting 2024 in a period of lower demand than we had at this time last year, and we see no reason to think there will be significant changes in the demand of our core products in the coming months. While that

would mean no major short-term upside for landowners, sometimes predictability and the status quo is just what the doctor ordered after a tumultuous 2023. 🌲

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PRESIDENT

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