



Industry News

- **Logging industry losses from 'Grinch' storm top \$2.6M, as weather again pummels Maine** (January 10th)

A survey released by the Professional Logging Contractors of the Northeast shows the "Grinch" storm on Dec. 18 has caused ongoing trucking and harvesting disruptions in Maine as well as large financial losses.

— *Maine Biz*

- **3,000 acres on east shore of Moosehead Lake protected from development** (January 10th)

A 3,000-acre swath of forest that had been eyed for a subdivision near Moosehead Lake has been permanently conserved with the help of the Forest Society of Maine and the Friends of Wilson Ponds.

— *Maine Public*

- **Maine companies look to biochar as a climate solution, to capture carbon and improve soil health** (January 12th)

In the quest for climate solutions, the president of Clean Maine Carbon is among the Maine entrepreneurs banking on this charcoal-like substance. They say it can bind up carbon for decades and improve agricultural soils at the same time.

— *Maine Public*

- **Increase in U.S. softwood lumber duties 'entirely unwarranted,' trade minister says** (February 5th)

The federal government is lashing out at the U.S. Commerce Department over plans to raise duties on Canadian softwood lumber. Canada is "extremely disappointed" in the latest finding by the Commerce Department. At the same time, the federal government stands ready to negotiate a resolution to the dispute that has dogged the Canada-U. S. relationship for decades.

— *Canadian Press*

Industry Overview

Forestland Operations

Well, we've had worse starts to our winter season, but unfortunately the optimal conditions of cold and dry weather never really took hold this year. After all was said and done, the winter peak was short lived, and the sustained cold never had a chance to set in. Our winter harvest activities had ramped up into full swing by mid-January, but by the 3rd week in February, our crews had begun to shut down for the season to avoid the damage that comes from heavy equipment operating in the woods. It was a highly productive 4-5 weeks, whereas a typical winter season is 10-11 weeks.



A total solar eclipse sets in over a log pile near Brownville, Maine.

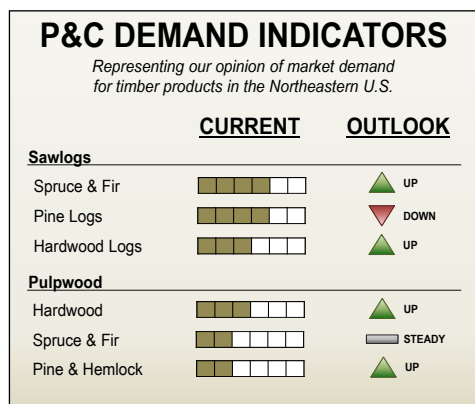
The upshot of the poor conditions during our winter production season is that the amount of timber that could be delivered fell far short of what we had planned. The real problem is the logging roads being too soft to support the transportation of timber. In most areas we could continue to harvest and prepare wood, but could not haul the timber to the mills. Therefore, our inventory of wood prepared roadside and ready for delivery is much higher than what is typical, which leaves us poised to catapult us into the second quarter.

Given the sparse snowpack this winter, the potential is there that the forest will dry out early. Soon the sun will be higher up in the sky and the winds will pick up, warming up and drying out the ground. Until things dry out and harden up, there won't be much opportunity to haul our built up inventory. As we test the roads to see if they can support trucking without damage, we'll be anxious to resume the supply of wood to market.

This is a tough situation for logging contractors, who rely on steady cash flow from a solid winter season. When the forest cannot support continued harvesting, loggers are sent home early and equipment is packed up and brought back for annual maintenance. For larger loggers, this is a well-oiled and familiar routine to absorb –but for independents this is an ideal condition for a temporary cash crunch.

Forest Products Markets

Landowners and loggers aren't the only groups in the timber supply chain that are eager for the flow of wood to recommence. Consistent deliveries of timber are also incredibly important to wood consumers, who now find themselves on pins and needles waiting for the road infrastructure to



dry out. The first quarter is the time that every market works hard to build up enough raw materials inventories to run through spring. This year, mills simply could not count on deliveries to keep inventories comfortable.

Demand remains fairly steady for most forest products, with only modest changes since last quarter. In some cases, there has been some improvement in end markets. That, combined with the weather-constrained timber supply, has lead to steady, if not slightly increased, stumpage pricing in the region.

Pulpwood Markets

Hardwood pulp mills remain wide open to accept whatever deliveries they can get. They are extending hours and trying to make it as attractive as possible for suppliers to deliver pulpwood. One regional wood yard that is usually filled to the brim by April is now almost fully exhausted of wood.

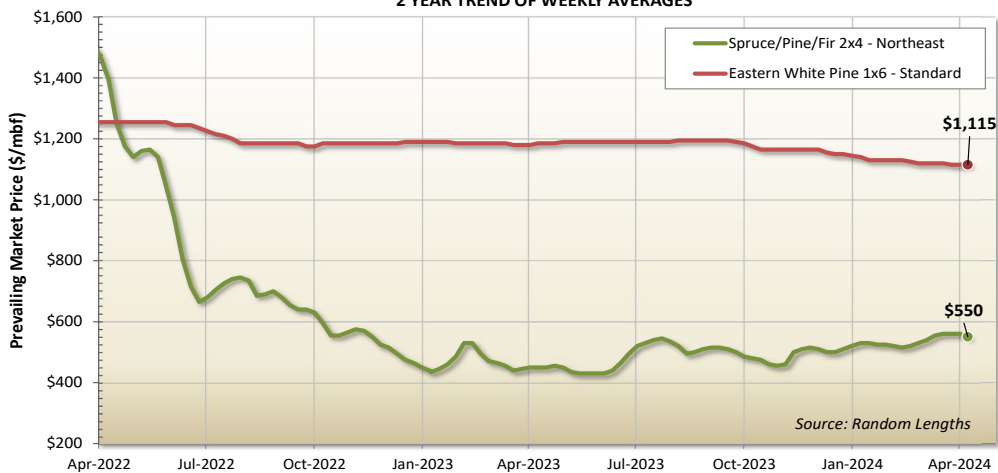
One thing that pulp mills have been reluctant to adjust is pricing. Understandably so –end markets for pulp are difficult right now, and mills need to avoid getting squeezed between high raw material costs and low end product margins. After several years of pandemic-fueled demand, the market is now awash with pulp, so mills are setting the expectation that there is little opportunity for price improvement in the short term.

Several major pulp mills in the region have maintenance outages scheduled for this spring. In all likelihood they will continue to purchase fiber during the outages, but won't be consuming wood. This will help rebuild the inventory buffer.

Regional demand for softwood pulpwood has softened during the last 8 months. A modest amount of spruce & fir pulpwood is consumed regularly, whether on its own

PRICE TRENDS IN SOFTWOOD LUMBER

2 YEAR TREND OF WEEKLY AVERAGES



Wood fiber insulation company is expanding production in Maine (February 6th)

TimberHP, the first company in North America to offer wood fiber insulation, is expanding production and staff. CEO Joshua Henry said the company will eventually hire more than 140 staff for full production. The Finance Authority of Maine and the Maine Rural Development Authority has approved a million dollars in loans for the expansion at the former Madison paper mill.

— Bangor Daily News

NH tackles loss of timber tax from shift to less logging with carbon credit programs (February 7th)

With the potential loss of hundreds of thousands of dollars in timber tax revenues for North Country communities because of a shift from logging trees to saving them for carbon credits, lawmakers are beginning to turn their attention to finding replacement revenue.

— InDepthNH.org

Spruce-pine-fir south and eastern hemlock cross laminated timber is now commercially available to builders (February 7th)

Spruce-Pine-Fir South and Eastern Hemlock cross-laminated timber was recently certified for production by Sterling Structural and added to their product line. This is an exciting step that supports the regional forest economy, can reduce climate change impacts, and provides additional options for the building community.

— EINnews.com

Plywood manufacturing coming to former Androscoggin Mill (March 8th)

Godfrey Forest Products has started the process of building an oriented strand board manufacturing facility at the Androscoggin Mill property in Jay. Oriented strand board, known as OSB, is a common type of composite plywood made from wood chips. Construction is expected to take 18 to 24 months, and the finished facility is expected to create 125 jobs, in addition to construction jobs.

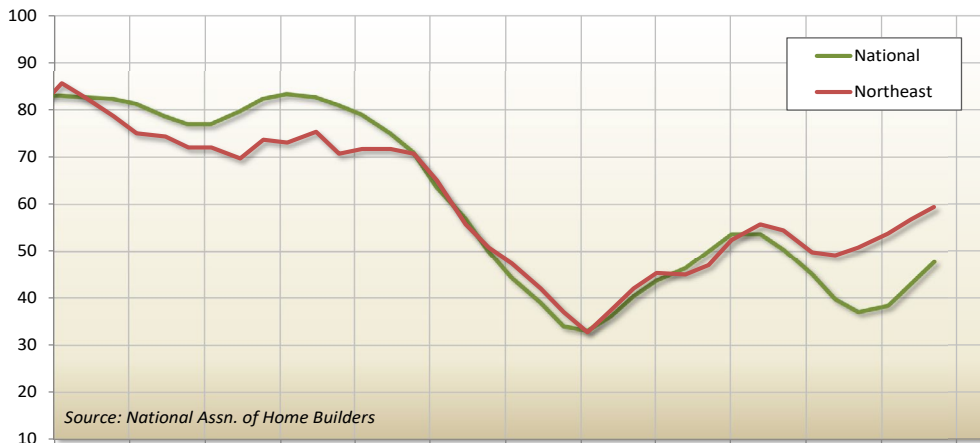
— Bangor Daily News

or mixed into a blend with hardwood. At the current time, there is only one consumer in the region for pine & hemlock pulpwood, and demand is likewise soft but steady. Accordingly, pricing for all softwood pulpwood species remains muted. We expect some modest price improvement in the summer and fall.

Log prices did not moderate to any material degree, but mills have cut back significantly on their buying. We're expecting that this sluggish demand will cause pine log prices to fall a little bit in the coming months as suppliers will need to unload the pine that is routinely produced.

HOME BUILDER CONFIDENCE

NAHB/WELLS FARGO HOUSING MARKET INDEX - 3M MOVING AVG



Sawn Products

Softwood Sawstock

Log inventories at our regional spruce & fir sawmills have been left extremely thin after winter, as deliveries have struggled to keep up with mill consumption. The general demand trend is up – most mills will take all they can get. We expect spruce & fir log prices to rise slightly in the coming quarter, following a similar trend seen in lumber markets.

Although high home prices and record mortgage rates have persisted, home builders remain optimistic for housing demand. This is good long-term news for our region's spruce & fir lumber producers, who are just now shaking off a pandemic hangover. The National Association of Home Builders (NAHB) tracks builder sentiment, which once again appears to be showing signs of life after a sleepy period.

The market for pine logs has declined compared to 12 months ago, when prices were setting records and demand was feverish. These days, regional mills have pulled back on their production and demand is thin.

The shortened winter has offered no relief to cedar mills, who have been undersupplied for months and are measuring their inventory in days. Cedar mills are desperate for logs, but rely on cold weather so that loggers can access the wetter ground where cedar tends to grow. Although cedar is a comparatively minor component in the regional forest, mills are doing what they can to encourage landowners to cut and deliver the logs. Prices will remain high for the foreseeable future.

Hardwood Sawstock

Hardwood lumber prices have seen some recovery over the quarter, but production has been lower and it is still a difficult demand environment for mills. Hard maple prices have seen the largest gains. Log inventories are extremely low across the board, with our regional sawmills running on fumes. Log prices have been rising, but not enough to create an incentive to produce more high quality hardwood grade logs when weather and trucking allows

The other problem affecting the supply to hardwood grade logs is the pricing of lower-quality industrial timbers and timber



- **St. John Valley tech center acquires new forestry equipment to train students** (March 19th)

A grant from the Northern Border Regional Commission has enabled the St. John Valley Technology Center to purchase a sophisticated logging machine for the school's forestry program. The new machine is versatile and a staple of the logging industry, which should help students learn the technology necessary to find employment.

— The County

- **King takes aim at 'impossible' new European Union rules on forest goods** (March 19th)

US. Sen. Angus King, I-Maine, is leading a push to clarify new EU rules lawmakers say will hurt U.S. producers of paper, packaging and other forest products. The European Union Deforestation-Free Regulation, set to take effect at the start of 2025, imposes due diligence requirements on exporters of pulp and paper products to the 27-nation European bloc.

— Maine Biz

- **Maine paper mill to have 'some down time,' affecting 100 workers** (March 22nd)

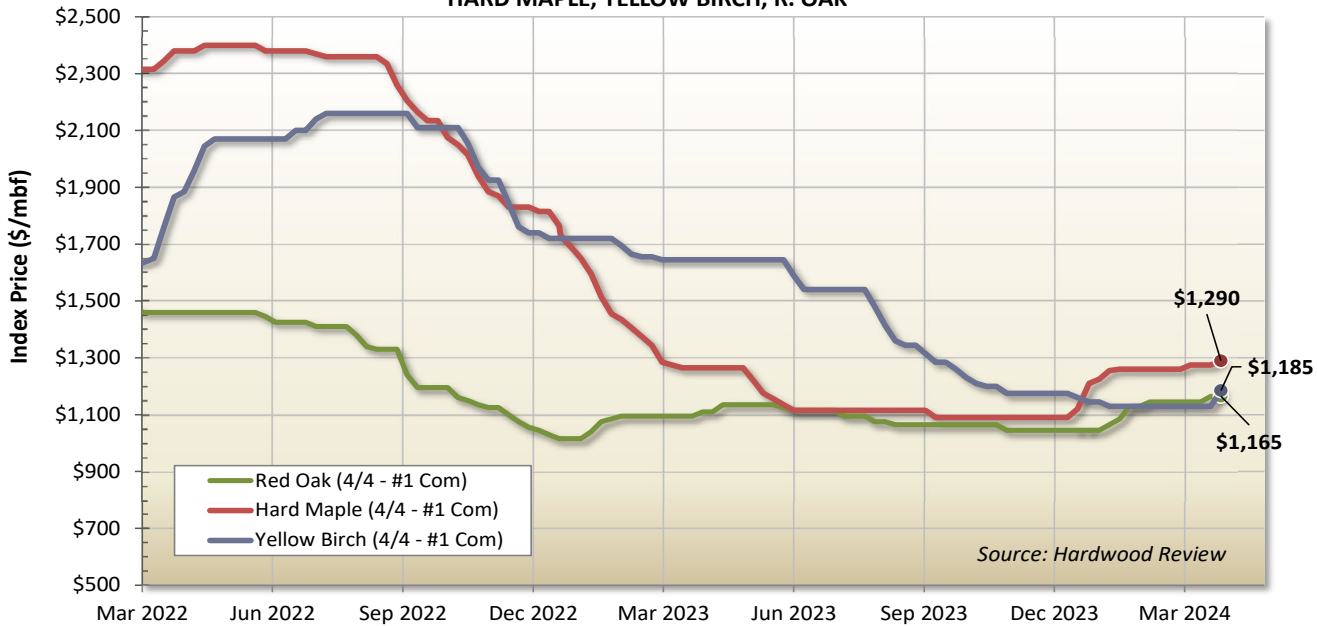
ND Paper says it is making some changes to its mill in Rumford due to "challenging market conditions". These changes will result in some downtime for one of the machines at the mill, affecting about 100 employees.

— WMTW.com



RECENT PRICES IN HARDWOOD LUMBER - NORTHEAST

HARD MAPLE, YELLOW BIRCH, R. OAK



mat. Prices for timber mat logs are encroaching on the prices of grade logs. The two markets have completely different end uses and demand drivers, but are linked in the earliest part of the supply chain – when suppliers can make more by sending a grade-quality log to a lower-quality timber mat market, the supply dries up even more at grade mills. This puts additional price pressure for grade mills to compete. While the industrial

market remains hot, and especially while the roads stay soft this spring, we are expecting the grade mills to have a tough time.

Summary

The condition of our regional markets remains fairly consistent with last quarter, however the short winter season has put a wrinkle in the planning for both landowners and wood buyers, and has put loggers under temporary stress. As we find ourselves in the middle of

a very early mud season, the question becomes how quickly we can resume supplying mills with raw material. While some of the demand improvements over the quarter are the result of broad positive economic conditions, demand for most timber products appears to be “supply-driven”, meaning that markets have grown hungrier as their supplies have waned. 🌲

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PRESIDENT

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