



Industry News

■ **EU lawmakers seek change to deforestation law and approve delay**

(November 14th)

The European Parliament sought to water down a ban on the import of commodities such as beef and soy linked to deforestation and backed a one-year delay to the new rule, in a fresh push-back against the EU's environmental agenda. The European Commission proposed a 12-month delay until December 2025 last month after complaints from a group of 20 EU countries.

— Reuters

■ **Budworms ravaged Maine's forests for years. They're starting to come back**

(November 18th)

A spruce budworm outbreak has plagued Maine's northern borders for nearly two decades, with the tree-killing moths making sporadic incursions from Quebec but never reaching numbers that suggest a repeat of the outbreak that ravaged the state a half-century ago. An aerial survey confirmed 3,000 acres of Maine's forest were damaged by spruce budworm in July. Modeling indicates 178,000 acres are at risk of defoliation from larvae that will emerge next spring.

— Press Herald

Industry Overview

Forestland Operations

It was a rough start to the year, but 2024 wrapped up with some of the best logging conditions in recent memory. During the first quarter, our winter harvest operations concluded without much warning when spring showed up early. Despite the abrupt halt, the forest dried quickly and the arid conditions in the second quarter allowed our crews to finish up any jobs which had been prematurely halted. It was one of the shortest winter seasons I can recall, and because of that, our wood deliveries lagged our budget and some cut timber was stranded in the woods until roads could dry out.



A snowy pile of recently processed spruce awaits pickup and delivery from the West Branch region of Maine.

Summer conditions were excellent, and allowed for a strong catch-up. Although poor weather was the primary reason why we were behind after the second quarter, good weather was also the reason we caught up in the second half of the year. Solid planning, and the ability to adapt are crucial when we get wildcards like this. Despite the unpredictable weather, our foresters and logging crews did an exceptional job putting the right equipment in the right place, at the right time. This is not a simple task, but as a result, our team finished the year with our wood deliveries almost exactly on plan.

At the turn of the year, winter is now setting in. Much of our planned forestry operations are dependent on colder weather - and the conditions have grown cold and, despite some transient early thawing, we are on track for our plans. Frost is slowly hardening the ground, which will permit unimpeded flow of forest products to our critical markets. Despite the fact that mother nature has a history of throwing some curveballs, the pieces are in place and the momentum is well underway.

NUMBER 2 DIESEL FUEL PRICES - NEW ENGLAND 3 YEAR HISTORICAL MONTHLY AVERAGES



Forest Products Markets

Our region has been in a period of limited forest products markets for the past 18-20 months, driven by a falloff in demand since the end of the COVID-19 pandemic surge. Better weather also spells more pressure on our forest product markets. With the recent weather conditions ensuring an unrestricted supply of available wood, mills have not had to look too far to find what they need. Suppliers are being pinched between low demand and high regional competition, and prices for wood have fallen.

Almost every major regional market finds themselves today with an unseasonably large amount of wood inventory, and is limiting deliveries in order to keep things in check. As a result suppliers are careful to keep the supply chain short, and limit harvesting to areas they are confident will produce salable products.

Pulpwood Markets

The pulp mills in the northeast are gifted with a large inventory of fiber sitting in

their wood yards, but have a tremendous challenge on their hands. From one standpoint, they are fat and happy with all the wood they need, but they also realize that sustaining a reliable wood supply network is a crucial factor in their long term success. Complicating matters in the short term is a series of temporary outages which will limit consumption in the coming quarters but will develop into future growth.

Several pulp mills in the region are approaching the crescendo of some capital improvement projects which we believe will eventually drive improved regional demand for pulpwood. Case in point, the SAPPi mill in central Maine has a planned partial shutdown in February where they will dedicate resources to the startup of a new world-class packaging paper line. While the associated downtime will result in a temporary reduction in wood consumption, the mill will emerge from this work with state-of-the-art machinery and will ultimately represent a step change in total regional pulpwood consumption once the initial kinks get worked out. Thankfully, in the interim, they are working hard to demonstrate to landowners and loggers that they remain committed to keeping the wood supply network intact. Significantly, they have continued to purchase pulpwood despite the temporary outage.

Demand for spruce & fir pulpwood has grown over the last few years, but pricing remains low. We are expecting an increase in demand during the coming months, but not much improvement in pricing in the short term –instead, mills will elect to reach



■ **What Donald Trump's plan for heavy tariffs means for Maine-Canada trade** (December 2nd)

President-elect Donald Trump fleshed out his campaign vows with an announcement of a plan to place 25 percent tariffs on goods from Canada and Mexico, affecting everything from logging to energy in Maine given Canada is its dominant trading partner. Trump wrote on social media he will issue an executive order to make the new tariffs take effect January 20, the day of his inauguration.

— *Bangor Daily News*

■ **Maine receives \$15 million for climate smart forestry** (December 12th)

Maine is set to receive about \$15 million to conserve woodlands and encourage climate friendly forestry, including money to preserve old growth forest in the north woods. Grants from the U.S. Forest Service include funding for the state's department of agriculture conservation and forestry to help management on private woodlands. A \$5 million package will incentivize about 400 landowners to adopt forest stewardship practices with an aim at storing increasing amounts of climate-warming carbon dioxide.

— *Maine Public Radio*

■ **Bill before Congress would give Maine \$14 million to fight spruce budworm** (December 18th)

A disaster relief bill pending

P&C DEMAND INDICATORS

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

CURRENT OUTLOOK

Sawlogs

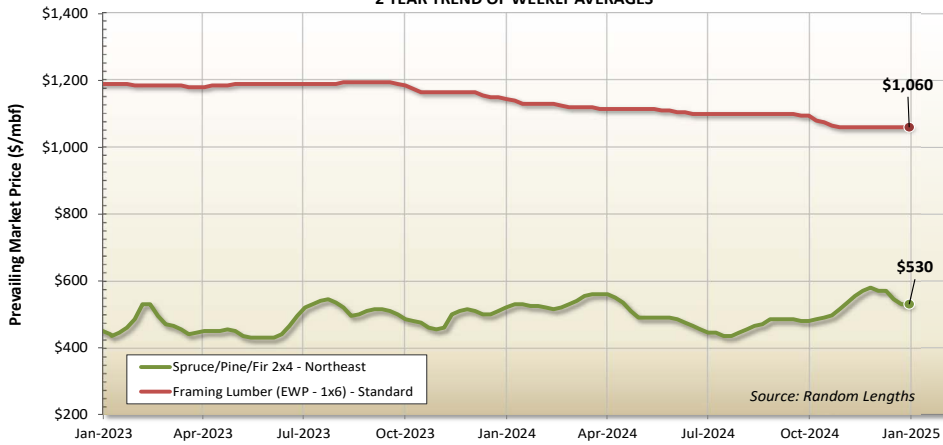
Spruce & Fir	<div style="display: inline-block; width: 20px; height: 10px; background-color: #808080; border: 1px solid black;"></div>	STEADY
Pine Logs	<div style="display: inline-block; width: 20px; height: 10px; background-color: #808080; border: 1px solid black;"></div>	DOWN
Hardwood Logs	<div style="display: inline-block; width: 20px; height: 10px; background-color: #808080; border: 1px solid black;"></div>	STEADY

Pulpwood

Hardwood	<div style="display: inline-block; width: 20px; height: 10px; background-color: #808080; border: 1px solid black;"></div>	UP
Spruce & Fir	<div style="display: inline-block; width: 20px; height: 10px; background-color: #808080; border: 1px solid black;"></div>	UP
Pine & Hemlock	<div style="display: inline-block; width: 20px; height: 10px; background-color: #808080; border: 1px solid black;"></div>	UP

PRICE TRENDS IN SOFTWOOD LUMBER

2 YEAR TREND OF WEEKLY AVERAGES



out further to get the volume they need. In contrast, there is a tremendously large inventory of pine & hemlock pulpwood available on the market, and the opportunity for landowners will remain thin until the pulp mill in Rumford irons out some kinks and ramps up its production.

Panel mills, which generally consume a “pulpwood” product have been steady through the year and consumption has been consistent. Although inventories at these mills have been grown, we expect demand to be in balance with supply. One factor that may be disruptive is the possible introduction of an OSB panel facility in Jay, Maine. While it was once quite speculative, the prospect of this brownfield mill being revived continues to improve. If so, we believe that it would fill a gap in wood supply that is complementary to existing mill demand.

Ultimately, for the coming quarter, we expect demand for pulpwood to be moderate but steady, and expect modest price improvements for suppliers. After the temporary curtailments, we believe that pulpmills will emerge hungry for wood.

Sawn Products

Softwood Sawstock

Normally at this time of year log inventories at our regional spruce and fir lumber mills are on the low end, as the fall rains limit a mill's ability to procure the material. This year, mills have been able to maintain a steady wood flow, and for the most part the wood yards show higher than normal

levels. Wood prices during the quarter have been fairly stable.

Just as winter is a high volume affair in the woods, mills seek to use the cold winter conditions to acquire a substantial amount of material so that they can sustain production during the mud season. Because of the high inventory going into the winter season, this year sawmills will have an easier time getting through when soft spring conditions return. This will temper demand in the short term.

The long term outlook for dimension lumber looks better. There is a substantial amount of pent-up housing demand due to decades of underbuilding, which should spell a significant need for lumber. More recently, construction projects have been held back by high interest rates -- once mortgages become more affordable, the growth in home construction will eventually resume.

There is a lot of speculation regarding the effect of the looming threat of tariffs on the forest products market. However, there is no question that if the incoming U.S. administration implements substantial impediments to free trade, it will alter where forest products go and affect foreign appetite for U.S. timber. For wood suppliers, the greatest effect will be felt in their critical spruce & fir log markets, which consist of many foreign players. The so-called Quebec Border Mills are a string of high production sawmills just over the border which are highly integrated in the U.S supply chain and the Maine rural economy. A protectionist stance could serve to artificially upset the



before Congress includes \$14 million to fight the spread of the spruce budworm, a species of tree-killing moths that is making a comeback in northern Maine. The federal funding would be supplemented by state and private money for spraying. The bill now awaits consideration by the Senate and the House of Representatives.

— *Portland Press Herald*

■ **Bill to improve access to the Katahdin Woods and Waters National Monument unanimously passes Senate (December 19th)**

A public lands bill that would improve access to the Katahdin Woods and Waters National Monument was unanimously passed in the Senate. The bill would allow the National Park Service to acquire almost 2,500 acres of land, either through purchase or easement, to provide southern vehicle access to the monument. The U.S. House will need to pass the bill for it to become law, only then negotiation between the Parks Service and the current landowners can begin.

— *Maine Public Radio*

■ **Wood Panel Mill Moving Forward in Jay (December 30th)**

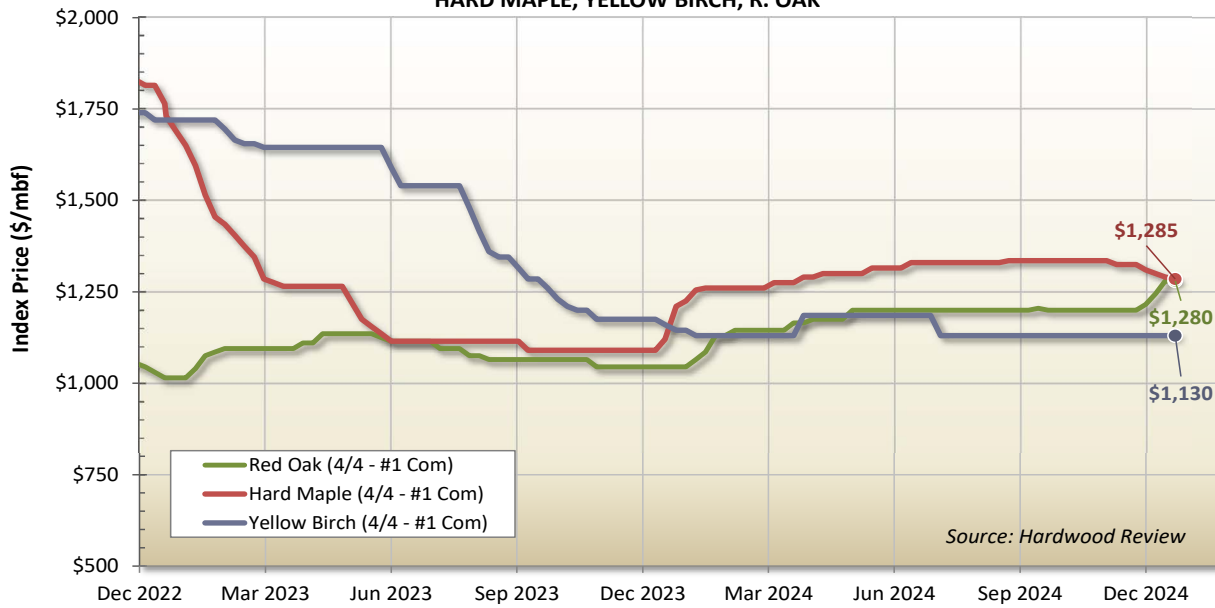
The panel mill that has been proposed for the former Androscoggin Mill site in Jay, Maine is moving closer to reality, with the hopes of going online in late 2026 or possibly early 2027 if the equipment arrives in a timely fashion.

— *The Lewiston Sun-Journal*



RECENT PRICES IN HARDWOOD LUMBER - NORTHEAST

HARD MAPLE, YELLOW BIRCH, R. OAK



established supply-demand equilibrium and limit options for wood suppliers. It also could pave the way for retaliatory tariffs, leading to increased costs all around.

Complicating matters in the spruce & fir lumber market is the arrival of a spruce budworm outbreak in northern Maine. This naturally occurring pest has been damaging forests in Canada for well over a decade, and although its name implies otherwise, balsam fir is its preferred host species. As a result of aggressive salvage harvesting, a substantial glut of fir has been built at Canadian sawmills, and it is widely available. Although I am often guilty of mixing the two species interchangeably (ex: see above), fir is far more expensive for a sawmill to process, so regional mills are becoming quite picky about the spruce-to-fir mix being delivered to their facilities. For wood suppliers, this means a little more handling and sorting, and a lower blended return on their product.

Hardwood Sawstock

The hardwood log market has been anemic for some time now, mirroring the low demand for sawn hardwood lumber. In particular, demand for lower grades of logs is facing substantial headwinds as the market puts more emphasis on higher quality. Similarly, higher grades of lumber are selling well, but lower grades of lumber often don't have a reliable home.

Without reliable markets to sell their low-grade lumber into, hardwood sawmills have been relying on selling to alternate markets. As an example, some mills have been increasing the amount of low-grade cants (the center section of a log, which is the least desirable part for finish grade lumber) being sold to resaw into wood pallets. This can be a win-win for both mills involved, but only happens when a hardwood mill doesn't have other options.

Higher grades, including veneer logs, remain desirable but the definition of "high grade" is shifting upward, and mills are more selective. Log pricing on the high end remains stable.

Summary

2024 brought unpredictable challenges for forestland owners and wood markets. Despite an early spring interrupting winter harvests, exceptional summer weather allowed crews to catch up, finishing the year on plan. However, forest product markets remain strained, with high competition and falling prices for suppliers. Pulpwood demand shows promise with upcoming mill upgrades, while sawn softwood benefits from housing demand tempered by interest rates and potential tariffs. Still, the industry's resilience and adaptability position it well for growth as conditions improve.

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PRESIDENT

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