



Industry News

■ **Opinion: Maine must remain vigilant in protecting its forests**

(January 4th)

For thousands of years, the spruce-fir forests of our region have contended with the presence of the spruce budworm. Every 30-40 years, its population explodes, causing widespread damage. An early intervention program to guard against the dreaded spruce budworm won't come cheap, but the cost of doing nothing would be much greater. If left untreated, it is estimated that the current infestation could disrupt Maine's forest economy to the tune of \$794 million annually.

— *Portland Press Herald*

■ **Mills proposes \$2 million in funding to fight impending budworm infestation**

(January 22nd)

Governor Mills is proposing \$2 million in funding to fight an impending budworm infestation in Maine's spruce and fir trees. The spruce budworm is native to Maine's spruce-fir forests, and usually isn't a problem, in normal population years. But in epidemic years, when the population explodes, the budworm becomes one of the most damaging forest insects in North America.

— *Maine Public*

■ **Maine awarded \$22 million to innovate sustainable wood-based products**

(January 22nd)

Maine was awarded \$22 million in federal funds to support the development of sustainable

Industry Overview

Forestland Operations

Timber harvest operations remained steady during the wintertime, assisted by largely supportive weather conditions. To the extent we still have typical winter seasons, this one could easily be characterized as such. During early January, solid momentum was built and most of our harvest jobs were consistent until a brief warming spell in February. The unseasonable weather lasted only a few days, after which cold set in once more until the third week in March.



A pile of logs laid up for delivery to a sawmill in northern Maine.

As consistent readers know, cold weather is crucial for harvest operations to minimize ground disturbance and access wetter soils. This season, there was no problem fulfilling our plans. At this point, we have some logging crews winding up winter operations but only in the furthest reaches into northern Maine, where the temperatures have permitted continued trucking.

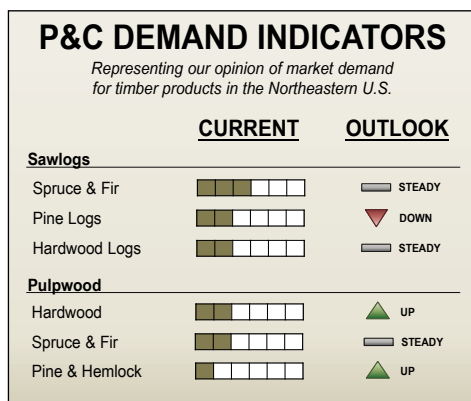
For the most part, April's mud season brings equipment and crews back to the garage for a seasonal maintenance routine. Any repairs or improvements that were deferred during the hectic winter season are attended to, and the opportunity is tanked to ready equipment for the summer operating season. In a forest product market that is oversupplied, as it is currently, that also puts some breathing room in the supply chain.

Forest Products Markets

Market volatility and uncertainty through the quarter caused some hiccups and quite a bit of shifting in our planned harvest locations. As foresters, we try to plan our activities based on the best silvicultural practices, and then adjust based on current market conditions. Decoding all the moving parts of this in real time becomes a complicated dance.

This quarter, as demand in one product filled up and mills restricted deliveries, our team quickly shifted to alternatives so that we could keep the wheels turning. This happened quite abruptly with the hardwood pulp markets, and timber which would have normally been delivered shortly after harvest backed up into log piles at the job sites. Aside from the logistics problems this creates, it means that the management of wood flow became a constant concern among loggers and landowners alike.

The biggest story today in markets, however, is not weather, nor is it the shifting of products and its corresponding supply chain effects. The concern on everyone's mind is how the current U.S. administration's aggressive trade policy stance will alter the flow and consumption of wood in an interconnected forest products marketplace. The natural flow of forest products across the US-Canadian border – in both directions – has been established for generations and took generations to build. Broad tariffs will undoubtedly shift both the direction and magnitude of the circulation of timber. Because it is a complex and interwoven system, it's far too early to tell who the winners and losers of this new order will be. However, in the immediate term, the



uncertainty of the whole thing has led to tentative demand and a wait-and-see attitude among many wood consumers.

Pulpwood Markets

Timber inventories at regional pulp mills swelled during the busy season as suppliers pushed product deliveries and weather cooperated. Aside from some occasional mechanical issues, pulp mills had no problem sourcing the fiber they needed, and as such kept a firm foot on the brake throughout the first quarter.

Because mills held back deliveries, a higher than usual amount of pulpwood was left undelivered by the time spring came. This inventory is generally piled up on good road systems and in accessible locations so it can get picked up and delivered as early as possible once the thaw is complete. Last year, as soon as mills opened again for deliveries in May, they got slammed. There's the potential for that to happen again this year. Given how much cash is currently tied up in pulpwood inventory, mills are likely to be quite cautious about committing to buy more.

The SAPPi mill in Skowhegan Maine will soon emerge from line upgrades that will improve consumption. As with any startup, the more complex the project the longer it takes to come up to speed, and this has been a big one. Either way, it is expected that by the end of this year, the mill will be consuming and producing more than it has historically, and may need to augment their supply through purchasing market pulp. That's good news for the regional forest products economy.

Tariffs won't just influence lumber markets – they will likely also have a substantial effect on the movement of wood destined for a pulp mill. Once again, forest products are an interwoven system and pulp mills have a symbiotic relationship with regional sawmills in that they rely on the residuals & byproducts for a good portion of their fiber content. In many cases, the material originates from sawmills located in Canada. Tariffs, which are just a tax on importers, may

products made from wood. The grant will help advance innovation in the state's forestry industry through the Forest Bioproducts Advanced Manufacturing Tech Hub. More than \$10 million of the funding is going toward a new program at the University of Maine, one of the hub's key partners.

— *News Center Maine*

■ **Trump tariffs may roil Maine energy prices, and lobster, lumber markets**

(January 30th)

The president said he will impose tariffs of 25% of the value of a product imported from Mexico and Canada beginning Saturday. New tariffs could complicate trade relations between the U.S. and Canada, which have been tested in disputes over lumber for decades. An additional charge slapped on products could be harmful in an industry struggling because of high interest rates that are slowing home construction, a major driver of lumber sales.

— *Portland Press Herald*

■ **Plans are underway for a bio-fuel plant to open in Millinocket**

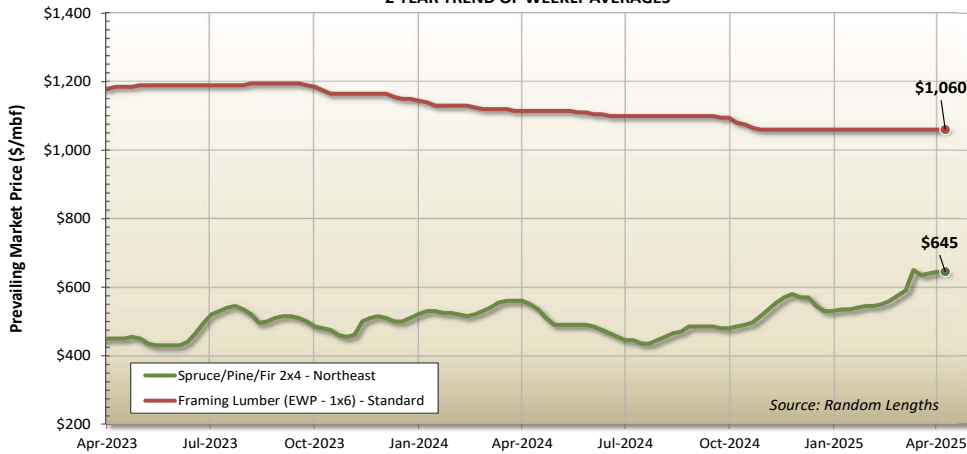
(January 31st)

Castlerock Biofuels says it plans to site a new plant at the former Great Northern Paper mill in Millinocket that will convert logging residue from local forestry operations into 20 million gallons of bio-oil per year. Bio-crude from wood produces much lower emissions than traditional heating oil. The facility is expected to be operational by 2027 and should create 150 construction jobs, and 80 full-time jobs in the area.

— *Maine Public*

PRICE TRENDS IN SOFTWOOD LUMBER

2 YEAR TREND OF WEEKLY AVERAGES



result in pulp mills having to find alternative sources and pay higher feedstock prices to get them into the mill yard.

Regional panel & engineered lumber mills filled up during winter just like the pulp mills. Inventories are full, but production has been strong and it won't take long before they will want more poplar. Both of the state's panel mills are located in close proximity to the Canadian border, so tariffs may once again complicate their sourcing strategies.

Sawn Products

Softwood Sawstock

There is hardly a mill in the region that is low on inventory right now, and spruce/fir lumber mills are no exception. We understand that dimension lumber sales have picked up slightly. Correspondingly, softwood lumber prices have been on a fairly steady upswing since December.

Demand for spruce & fir logs strengthened slightly during the winter, and mills have continued a steady search for wood. Local log pricing has been stable. Even cedar markets, who eight months ago were desperate for wood, are unusually full with raw material. That's a result of the excellent operating conditions which makes cedar stands more accessible, and the high prices that mills were offering as an incentive for suppliers to deliver it. Despite the full inventories, pricing on cedar logs does not appear to have slipped.

It is unclear how the tariffs will effect the spruce & fir lumber market. Early word is that lumber may be carved out as an exclusion to the new tariffs in some fashion, but the trade dispute on softwood lumber between the U.S. and Canada has a long history and will likely get caught up in the standoff. Just after it was apparent that tariffs were a serious concern, one Canadian sawmill instructed us to halt deliveries while they waited to see what would happen. At others, there has been a rush to buy as much wood as possible before retaliatory tariffs take effect. There is also a substantial patriotic movement within the Canadian economy to avoid purchasing products and raw materials originating from the U.S., and some mills have reported that they have felt substantial pressure to alter their wood sourcing strategy as a result.

Hardwood Sawstock

Some tentative signals of recovery have been visible through the last quarter in the hardwood log market, but not enough to change a dour mood into a confident one. In particular, hard maple demand has seen some slight improvement we are feeling a little better about moving the logs. Coming into summer, the key will be to keep a fresh product available to mills – but harvests in the northeast almost always include some degree of hard maple logs. Demand for soft maple, which almost always rides on the coattails of its hard maple peer, saw some faint heartbeats as well.



■ **The Maine lumber industry, with close business ties to Canada, braces for possible tariffs**

(February 3rd)

Lumber industry officials are concerned the Trump administration's sweeping tariffs could hurt business. Maine exports about 2 million tons of wood products annually, and imports 2.3 million tons – mostly from Canada. Wood pulp and fibers are a big part of what moves across the border to produce particle board, packaging, and other products in Maine. Mills located near the border import goods from Canada on a regular basis.

— *Maine Public*

■ **'Mills will close down': Industry experts warn against lumber trade war with Canada**

(March 10th)

Lumber and dairy tariffs on Canada could impact Maine much more than other states because of our close trade ties to our northern neighbors. Maine imports about \$200 million worth of lumber from Canada each year. Canada will likely push any new tariff costs onto U.S. customers. Right now, the threat of lumber tariffs is prompting unpredictability and fear in the construction industry.

— *WGME*

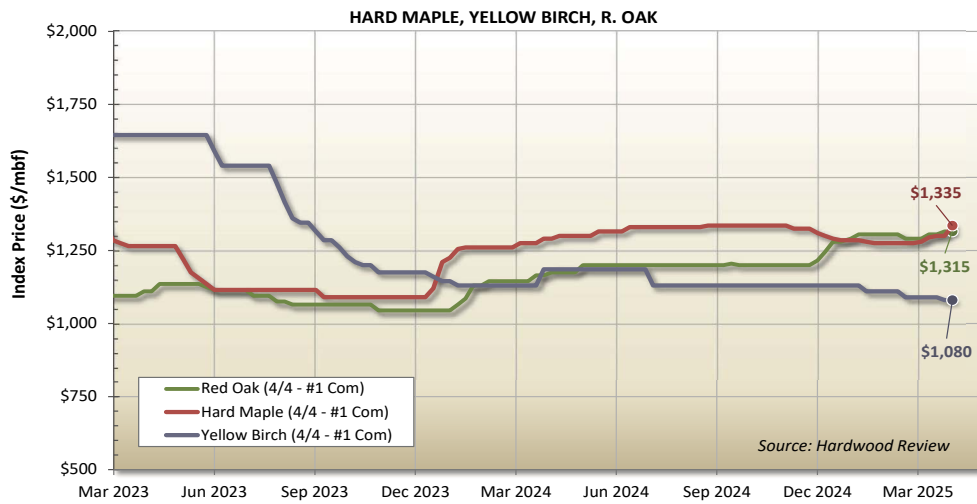
■ **Crunch time for Western Maine loggers**

(March 12th)

March is crunch time for loggers hauling heavy loads in Western Maine. Many towns will be posting their roads soon, meaning certain roads will be closed to heavy logging trucks to prevent potential damage to the thawing asphalt.

— *Portland Press Herald*

RECENT PRICES IN HARDWOOD LUMBER - NORTHEAST



In contrast, yellow birch demand has remained limited and unchanged through winter. Red oak demand is underwhelming and has been so since the Asian export markets sought out – and found – some reliable alternatives to American wood.

The industrial and timber mat market softened through winter as the infrastructure spending projects dried up and were tempered under the policies of the new U.S. administration. Industrial logs remain a viable product that is part of our delivery schedule, but demand is lower and pricing no longer puts competitive pressure on hardwood grade logs.

Summary

I have officially reached my personal limit on the degree to which I will speculate on the impact of tariffs to the northeast forest products economy. In the end, only time will tell. At a minimum, the imposition of trade restrictions will alter an interconnected and interwoven supply chain that has been fine tuned and adapted over decades. At an extreme, some businesses may face existential challenges. There may even be some businesses who see new opportunities for growth. The exact outcome is uncertain, and there are a lot of things we don't know yet. However, for an industry that tends to thrive on predictability, the general sentiment of anxiety appears to be winning out. 🌲

Benjamin D. Carlisle
PRESIDENT

■ Freeze on climate-smart forestry funding risks logging jobs in Maine

(March 25th)

Millions of federal dollars promised to Maine woodland to improve harvest practices have been stalled for months without explanation. Landowners and logging companies are increasingly anxious about the funding blockade and will have to make tough decisions if the money doesn't come through. The funding has been blocked since President Donald Trump put money promised under the Biden administration under review.

— Maine Public

■ TimberHP voluntarily files for Chapter 11 bankruptcy reorganization

(March 26th)

TimberHP has filed a voluntary Chapter 11 reorganization plan in U.S. Bankruptcy Court. According to court filings, TimberHP ran into delays and unexpected costs when retrofitting its facility at the Madison paper mill because of inflation and supply-chain issues. Company leadership said it expects to emerge from the process with stronger financials for long-term success. And in the meantime, business will "continue as usual and without interruption."

— Maine Public

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Please note: This report is intended to be an unbiased and accurate source of information on timber markets and timberland investments. However, timber market conditions and the forest products industry vary greatly within and across regions and depend on a substantial number of factors that this publication does not cover. Therefore, anyone using information published in this report for any specific purpose, sale or contract does so at his or her own risk. Information included in this report and provided by other sources is believed to be reliable and accurate. Prentiss & Carlisle assumes no responsibility for errors or omissions.