

# WOOD MARKETS UPDATE

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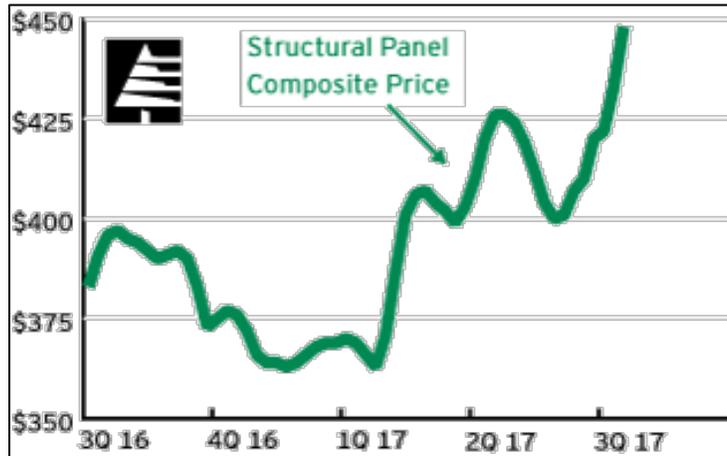
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Source: Random Lengths Panel Market Report.

## OSB prices soar

July 21, 2017 (Random Lengths)—OSB prices jumped sharply higher in spot markets with reported levels being all over the map. Benchmark North Central 7/16 sheathing traded at \$395 per Msf, up from \$306 per Msf a year ago.

*(Editor's Note)* Norbord (Nasdaq:OSB) common stock price increased to near \$35 per share in July, up about 13% from June.



Source: nasdaq.com.

## GENERAL INTEREST

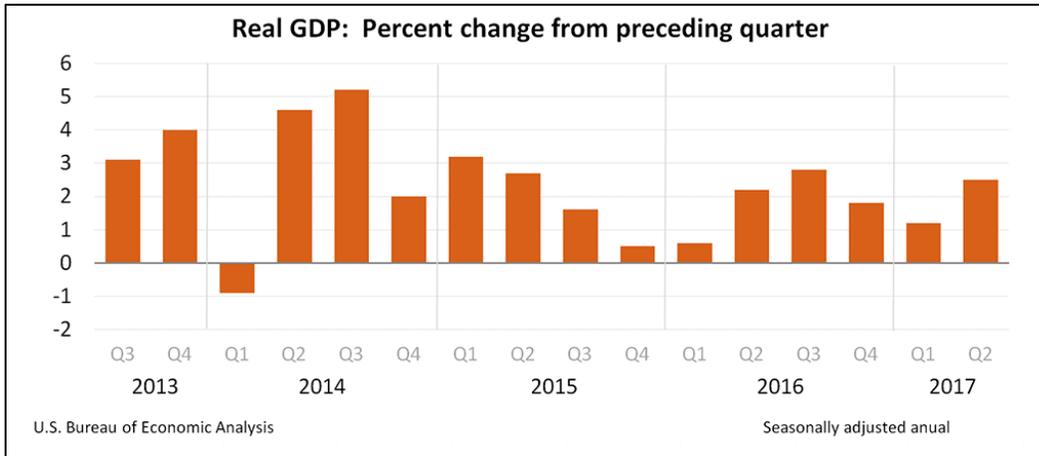
### **Stockholders Approve AgStar Merger**

April 7, 2017 (greenseam.org)—Stockholders have approved a proposal to merge three Farm Credit organizations in Illinois, Minnesota and Wisconsin. **Effective July 1, 1st Farm Credit Services, AgStar Financial Services and Badgerland Financial will become Compeer Financial.** The new organization's headquarters will be in Sun Prairie, Wis., and each organization's existing office locations will continue to provide local service. The boards of directors for 1st Farm Credit Services, AgStar Financial and Badgerland Financial began exploring a potential merger in February 2016 and unanimously recommended moving forward in August. As Compeer Financial, the new organization will operate in 144 counties through 47 offices in parts of Illinois, Minnesota and Wisconsin. Compeer Financial will have nearly 50,000 clients, and \$18.6 billion in assets.

## ECONOMY & HOUSING

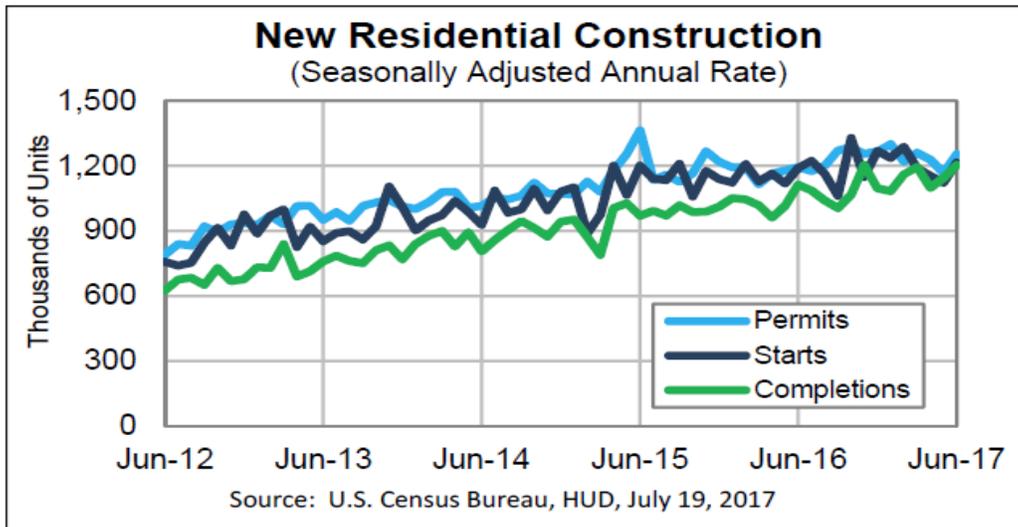
### Q2 real GDP grew 2.6% after feeble Q1

July 28, 2017 (BEA News Release)—Real gross domestic product [GDP] increased at an annual rate of 2.6 percent in the second quarter of 2017, according to the "advance" estimate released today by the Bureau of Economic Analysis [BEA]. In the first quarter, real GDP increased 1.2 percent (revised). The economy got a big boost from a rebound in consumer spending, the largest source of the nation's economic growth. Spending rose 2.8% in the second quarter as Americans bought more groceries and clothes and paid more for health care.



### 2017 housing starts up 3.9% ytd

July 19, 2017 (Census/HUD News Release)—Privately-owned housing starts in June were at a seasonally adjusted annual rate of 1,215,000. This is 2.1 percent above the June 2016 rate of 1,190,000. Not seasonally adjusted through June, 2017 year-to-date total of 594,300 starts compared to 2016 year-to-date total of 572,000 starts, a 3.9% increase year-over-year.



## FINANCE & MANAGEMENT

### Potlatch reports Q2 \$24.3 million net income

July 24, 2017 (GLOBE NEWSWIRE)—Potlatch Corporation (Nasdaq: PCH) today reported net income of \$24.3 million, or \$0.59 per diluted share, on revenues of \$163.2 million for the quarter ended June 30, 2017. Wood Products earned \$24.7 million on revenues of \$114.5 million in the second quarter, compared to operating income of \$8.7 million on revenues of \$95.6 million in the first quarter of 2017. Average lumber prices were 11% higher and shipments increased 13% in the second quarter compared to the first quarter

### Norbord secures wood allocation for 470 MMsf Quebec OSB restart

June 26, 2017 (OSB News Release)—Norbord Inc. (TSX and NYSE: OSB) today announced that the Quebec Minister of Forests, Wildlife and Parks has granted the Company a wood allocation for its curtailed Chambord, Quebec OSB plant that will take effect April 1, 2018. Norbord acquired the Chambord OSB plant in the fall of 2016 following an asset exchange with Louisiana-Pacific Corporation. The Chambord plant was built in the 1980s and has a stated capacity of 470 million square feet (3/8- inch basis). Production from the mill was indefinitely curtailed by its previous owner in 2008.

### Weyerhaeuser top timberland owner/manager in U.S. 2017

May 4, 2017 (forisk.com)—Forisk has been accumulating timberland transaction and ownership data for the past twelve years. The table below lists the 2017 top 10 U.S. timberland owners by acres. By a wide margin, Weyerhaeuser (NYSE:WY) came in at number one after taking over and merging with Plum Creek. Overall, the ranking “order” remained relatively unchanged from 2016 while the composition changed with the addition of two firms. First, Green Diamond joined the list after we reclassified the firm from asset “manager” to asset “owner.” Second, Tall Timber Trust, not on the list in 2016, comes in at number nine (9) this year after acquiring 290,000 acres in Maine in 2016. Overall, these 10 owners of U.S. timberland have 24.1 million acres; timber REITs account for 68.5% of this total. This does not include the approximately 3.0 million acres directly and indirectly controlled by the two largest non-profit conservation owners.

#### 2017 Top 10 Timberland Owners in the U.S. (Source: Forisk)

Firm/Organization	Type	U.S. Acres	2017 Rank
Weyerhaeuser	Public REIT	12,830,000	1
Rayonier	Public REIT	2,322,100	2
Sierra Pacific Industries (Emmerson Family)	Forest Industry	1,934,657	3
Potlatch	Public REIT	1,374,836	4
Green Diamond Resource Company (Reed Family)	Private	1,369,232	5
J.D. Irving	Forest Industry	1,247,880	6
John Malone (BBC Land)	Private Individual	992,460	7
Ted Turner (Turner Enterprises, Inc)	Private Individual	739,908	8
Tall Timber Trust	Private	660,697	9
Roseburg Forest Products / Roseburg Resources	Forest Industry	640,000	10

\*Does not include institutional investors.

## PRODUCTION & PRICES

### Canadian wildfires tightening U.S. lumber supply

July 23, 2017 (rapidcityjournal.com)—Lumber markets roared near a three-month high this week as wildfires threatened forests and sawmills in British Columbia. There are nearly 400 wildfires ablaze in the Canadian province, which is one of the world's largest exporters of softwood lumber. Lumber futures, traded in Chicago, neared \$395 per thousand board feet, the highest price since late April, when the market exploded on threats of a trade war between Canada and the United States. At present, the fires are expanding, resulting in evacuations of nearly 40,000 residents and closures of sawmills in the area. This new threat to framing lumber supply is coming at a bad time for U.S. builders.

### Canada gives C\$867 million to firms hit by U.S. softwood lumber tax

June 1, 2017 (woodworkingnetwork.com)—The Canadian government will give C\$867 million (US\$642.2 million) in financial support to Canadian lumber producers and exporters to help them withstand the impact of new U.S. tariffs on Canadian softwood exports. C\$500 million of the aid will be in the form of federal loans and loan guarantees for viable Canadian firms. Export Development Canada (EDC) will make commercial financing and risk management solutions to assist viable forestry companies. The Business Development Bank of Canada (BDC) will make C\$105 million in commercial financing available to help eligible forestry companies in the short and medium term. C\$262 million will go toward support efforts to expand overseas markets and promote the diversification of Canadian wood products beyond those targeted by U.S. duties on softwood lumber.

### Coated paper prices to stabilize, demand decline to continue

July 18, 2017 (RISI Press Release)—According to the Global Outlook for Coated Printing Papers, released today by RISI, changing market dynamics should allow coated paper prices to stabilize and move upward overall through 2027. The new RISI analysis also predicts that overall coated paper demand will continue to decline, along with output. Exchange rate shifts, trade patterns, and other macroeconomic factors will also affect each major market differently. “Taken together, the trends in major markets suggest upward price pressure over the next decade,” said John Maine. “Oversupply conditions should ease, as more than 1 million tonnes of capacity is being shut in 2016-2017, with more to come.

Since 2008, more than a quarter of the world market for coated paper has simply disappeared.

Electronic media has reduced consumer demand for printed magazines and catalogs even as new production capacity, especially in Asia, came on line. The resulting oversupply, aided by the strong US dollar and falling costs, has held down prices for coated paper.

North America: The strong dollar has made the USA an attractive market for coated paper imports, which has exacerbated the impact of declining demand on domestic producers. Although demand will decline further, per capita consumption will continue to be the world's highest.

## BIO-MARKETS

### **It's settled: biomass in a carbon-saving fuel**

July 11, 2017 (biomassmagazine.com)—In May, the Biomass Power Association completed and released a yearlong study of the carbon emissions of biomass power. Working with two highly respected professors, Madhu Khanna with the University of Illinois and Puneet Dwivedi with the University of Georgia, we analyzed the carbon emissions of one 50-MW facility in New Hampshire. Because natural gas is often touted as a cleaner baseload option than coal, we compared the results of biomass carbon emissions to those of a natural gas power facility. The results were decisive in proving the carbon benefits of biomass. In one year, the biomass-fueled power plant saved 115 percent of the carbon emissions of natural gas. Comparing the two fuel sources for 100 years, the carbon savings held steady at 98 percent, after taking into account the fuel needed to cut, chip and transport the fuel to a biomass facility.

### **Russian wood pellet exports expected to grow**

July 21, 2017 (biomassmagazine.com)—The Russian Federation recently filed its annual biofuels report with the USDA Foreign Agricultural Service's Global Agricultural Information Network, reporting wood pellet production and exports are expected to increase by 10 percent this year, reaching 1.45 million metric tons. The increase is expected to be driven primarily by strong demand from Europe and more interest from Asian markets, along with a soft ruble and increasing local consumption. According to the report, Russia is currently the third largest exporter of wood pellets to the EU, following the U.S. and Canada. The country accounts for approximately 6 percent of the world's pellet exports, 3 percent of global production, and ranks eighth globally for total wood pellet production. Russian wood pellet production is expected to increase by as much as 4 million metric tons by 2020 and 8 million metric tons by 2025. The country produced approximately 1.013 million metric tons of wood pellets last year, up 3.5 percent from 2015. The full report can be downloaded from the USDA FAS GAIN [website](#).