

TIMELY INFORMATION

Agriculture & Natural Resources

December 2010

Alabama's Forestry Outlook*

About two-thirds of the total land area in Alabama is in forestland, and approximately 80 percent of that land is owned by nonindustrial private forest (NIPF) landowners. Timberland has the potential to be part of non-industrial private landowners' investment portfolio with the possibility for a high rate of return and lower risk, offering a hedge against inflation, and providing asset diversification opportunities. However, timber prices in Alabama have shown an overall decline since the late 1990s. This decrease in price leaves many landowners wondering if their investment in timber is worth it.

The economic outlook for timber brightened in 2009 as average stumpage prices increased slightly over 2008 average prices. However, due to extremes in weather conditions and a slow economic recovery, average stumpage prices overall have dropped slightly in 2010 dousing hopes for a quick rebound.

The impact of weather on stumpage prices

Unusually cold, rainy weather this past winter and spring caused a slight increase in Alabama stumpage prices during the 2nd quarter of 2010 over those of the same period in 2009. This trend was especially notable in pine sawtimber, pulpwood, and pole products. The wet spring was offset by a drier than usual summer with many parts of the state in severe drought conditions during that time. Timber prices in part reflected this weather shift during the 3rd quarter as wood yards filled up influencing the drop in pine sawtimber, pulpwood, and pole prices by an average of \$1.50/ton, \$2.40/ton, and \$6.40/ton respectively. To date, annual average timber prices in Alabama have dropped by about \$1.00/ton for pine and hardwood sawtimber, while annual average pine and hardwood pulpwood prices have remained stable since 2009.

Predicting future weather, especially long-term predictions, is always difficult and varies greatly by location. The current forecast from the National Weather Service predicts a warmer and dryer winter for Alabama, with a near normal spring and summer. As was illustrated in 2010 trends, dry weather increases the number of days that timber can be harvested, often causing mill inventories to be at capacity and prices to decrease. But what will actually happen with the weather and timber markets in 2011 is still unknown.

Other impacts on stumpage prices

Another impact on stumpage prices is something that everyone seems to be talking about even more than the weather these days - the economy. Housing starts have not rebounded like many hoped and new residential home sales in August 2010 were 30 percent lower than they were a year ago. Mortgage rates were at a record low in the 3rd quarter of 2010. Yet, individuals are choosing to remodel their existing homes rather than purchase or build new ones. This reduces the amount of southern pine lumber and structural panels such as Oriented Strand Board and plywood sold. Region wide, southern pine lumber prices have remained stable for smaller sizes such as 2x4s, but dropped by almost 10% for larger dimension lumber such as 2x10s.

Regionally, paper and paperboard production were up in 2010 over the prior year, but has not recovered to 2008 levels. In Alabama, pulpwood prices have remained relatively stable over the past four years, and in 2010 are up approximately fifty cents per ton from an average low of \$7.55/ton in 2006.

So what does all this mean for private landowners? Timber prices often do influence if a landowner considers selling their timber or not. However, there is much more to consider than timber price alone. For example the condition of your timber may dictate timber harvest timing. Overly dense stands or stands that have been damaged by natural disasters or insects may need to be harvested to improve forest health regardless of timber price. You should always consult with a registered forester to determine what the best prescription is for your timberland.

Like other investments, timber prices cycle in response to market changes. As the forest products industry adjusts to changes in the economic climate, Alabama's timber industry will continue to change with it. With prudent management, Alabama's forests will grow and flourish, and the use of products they provide will persist in both traditional and emerging markets.

For more information on timber prices and marketing contact your County Extension Office, or Auburn University College of Forestry and Wildlife Sciences, 3301 Forestry and Wildlife Sciences Building, Auburn, AL 36849. Websites: www.sfws.auburn.edu/ or www.aces.edu/forestry/

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** Data sources:

Alabama Forestry Commission, 513 Madison Avenue, Montgomery, AL 36104.

Timber Mart South. 2010. Market News Quarterly. 3rd quarter 2010 – Volume 15 Number 3.