FORISK
CONSULTING

Timber Market Update

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Upcoming Events

“Timber Market Analysis” Class
October 1st and 2nd (virtual)

ABOUT FORISK

Forisk helps the forest industry make better decisions.

Founded in 2004 near Athens, Georgia

<u>NEW:</u> Custom Market Forecasts (CMF)

Forisk's Products and Services

Analysis and forecasts.

Price and industry data.

Resource studies and consulting.

Educational workshops.

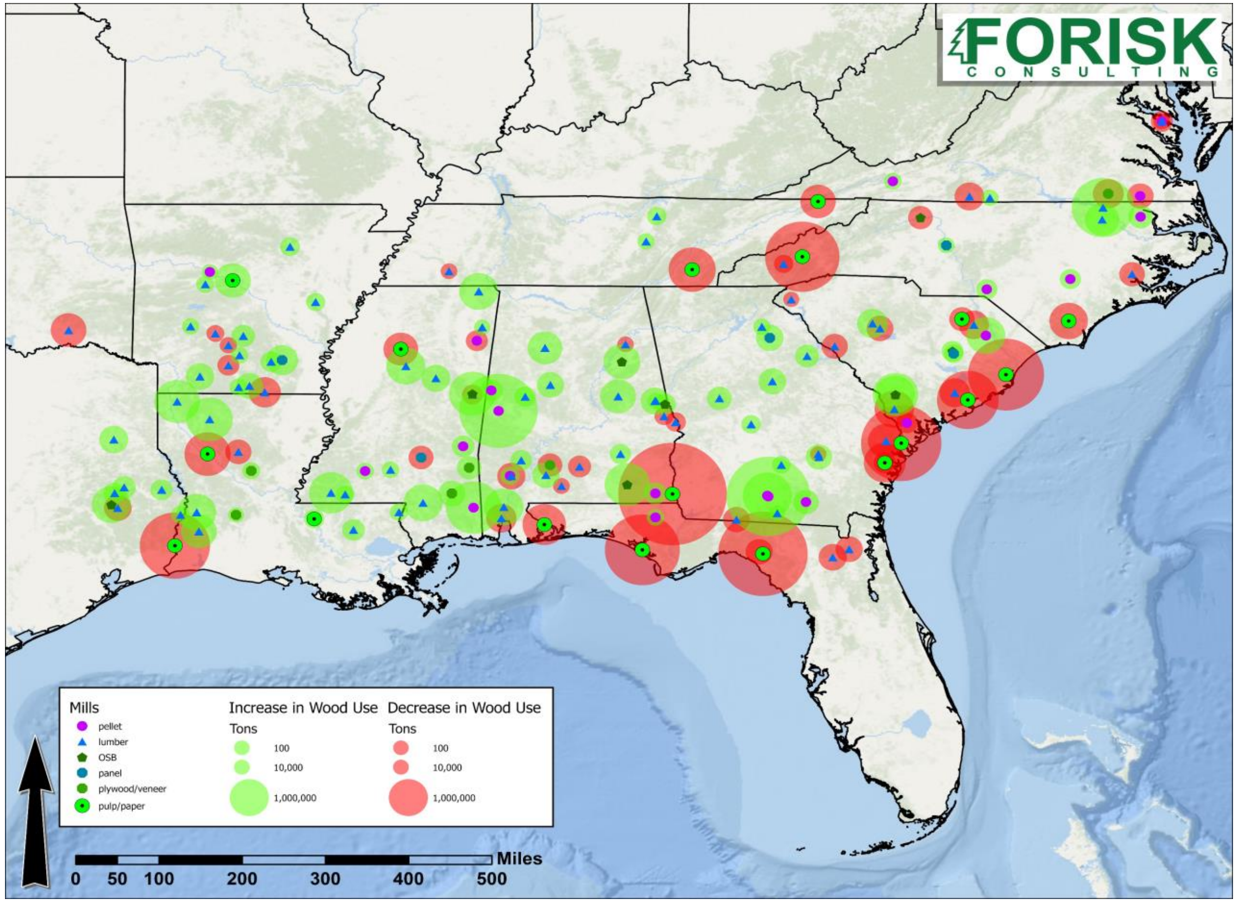
Wood-Using Mill Capacity

North America's forest industry wood-using capacity contracted by 30 million tons since the start of 2020.

Capacity expanded by 5 million tons through the end of 2021. Since Q1 2022, the industry contracted by 35 million tons.

Regionally, East Canada gained capacity while the remainder of North America contracted. Closures of pulpmills announced for Q3 2025 contracted Southern capacity.

U.S. South Wood Use Changes 2022 - 2029



Data Source: Forisk

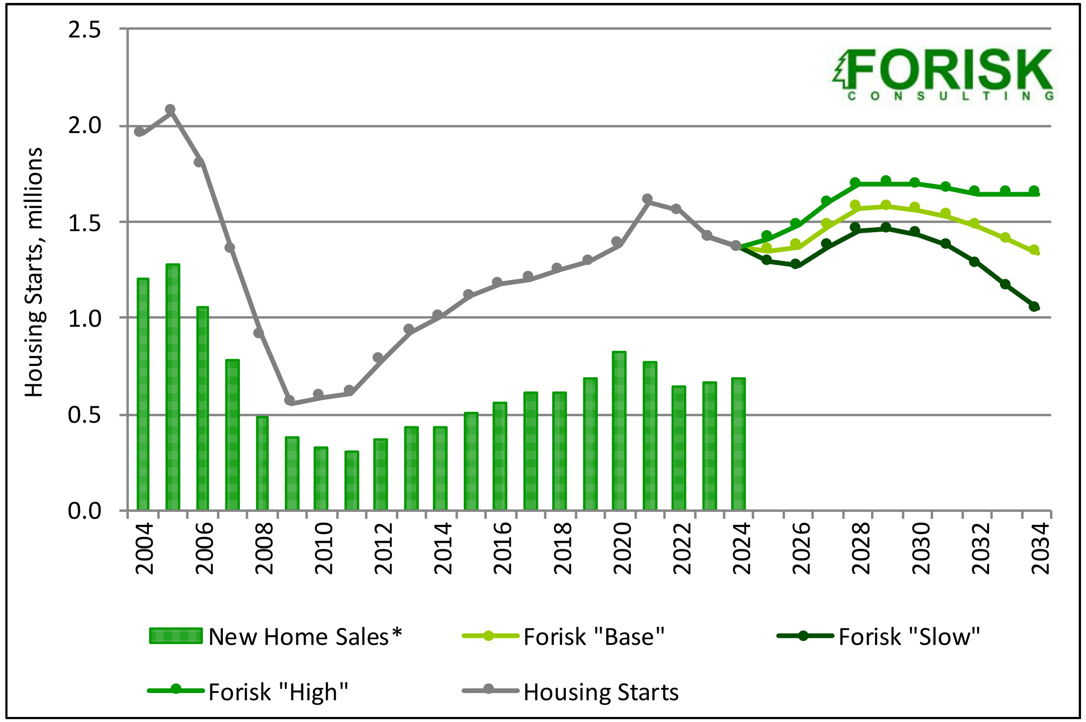
Housing Update & Scenarios

As of Q3 2025, Forisk projects U.S. housing starts of 1.35 million for 2025, down 1% from 2024 actuals.

Forisk's Base Case rises 1% in 2026 towards a peak of 1.57 million starts before an aging population, low birth rates, and lower levels of immigration lower housing demand.

R&R remains a stabilizer for forest products demand when housing starts decline.

U.S. Housing Starts Outlook



Data Sources: U.S. Census, Forisk
* Single-family homes

Lumber Update & Trends

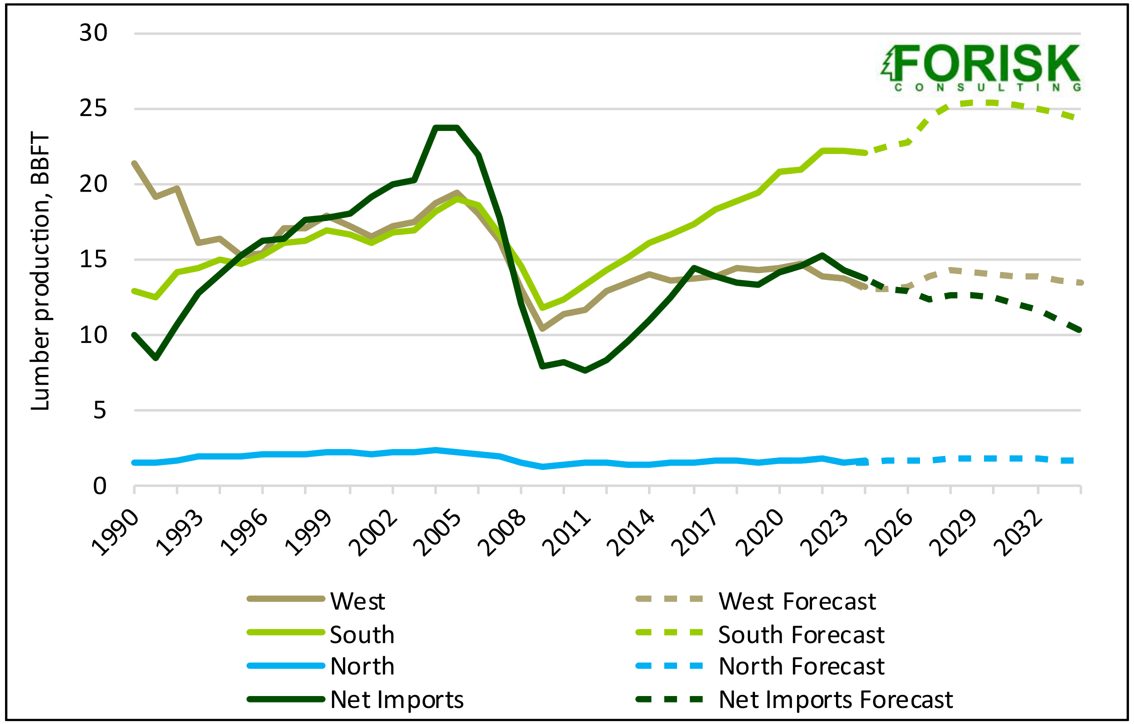
U.S. softwood lumber production increases 1% to 37 billion board feet (BBFT) in 2025 and gains 1% in 2026.

The U.S. South continues to capture market share as Canadian imports drop by 0.7 BBFT in 2025.

U.S. West lumber production in 2025 will increase <1% to 13.1 BBFT.

Key assumptions for the Base Case are housing starts, economic growth, and Canadian imports.

U.S. Softwood Lumber Production Forecast, Base Case



Data Sources: USDA, WWPA, SFPA, Forisk

Pulp/Paper Capacity Changes

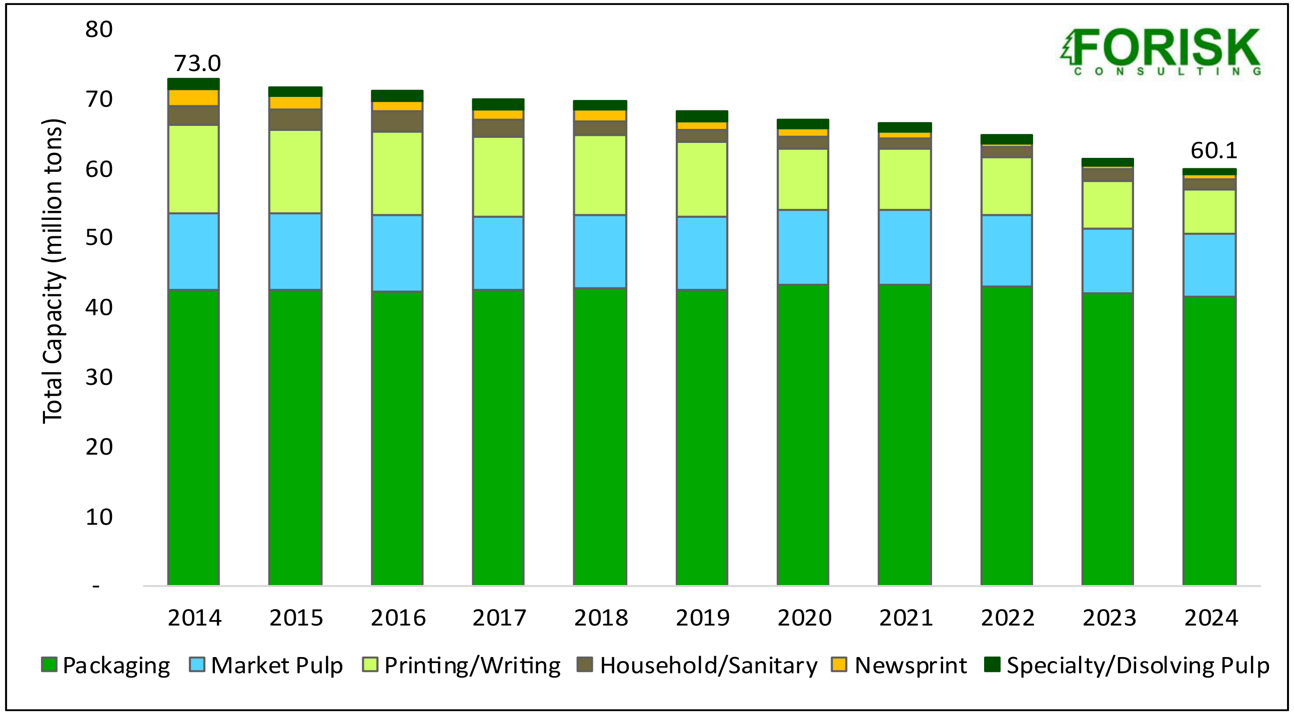
Total capacity of U.S. wood-using pulpmills declined 18% in the past ten years.

Printing/writing capacity fell 49%.

Newsprint, household/sanitary, and market pulp each lost 10–16%.

Regionally, the U.S. South accounted for most of the volume lost (64%). Western pulp/paper capacity dropped by 26%, the largest drop within a region.

U.S. Paper and Paperboard Wood-Using Capacity



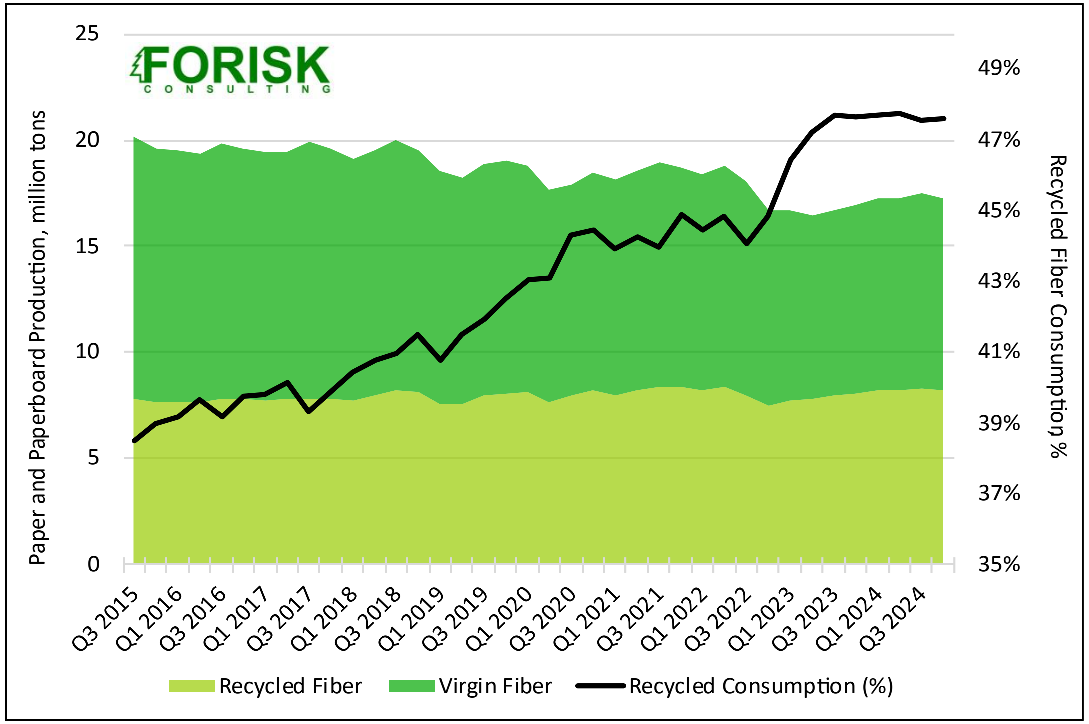
Data Sources: Forisk Mill Capacity Database
Note: Excludes mills that are 100% recycled.

Trends in the Pulp & Paper Industry

Total **capacity of U.S. wood-using pulpmills declined 18%** in the past ten years.

The paper industry increased consumption of recycled fiber from 38% in 2015 to 48% in 2024 while total production fell 14%.

U.S. Paper and Paperboard Production from Recycled and Virgin Fiber



Data Source: AF&PA

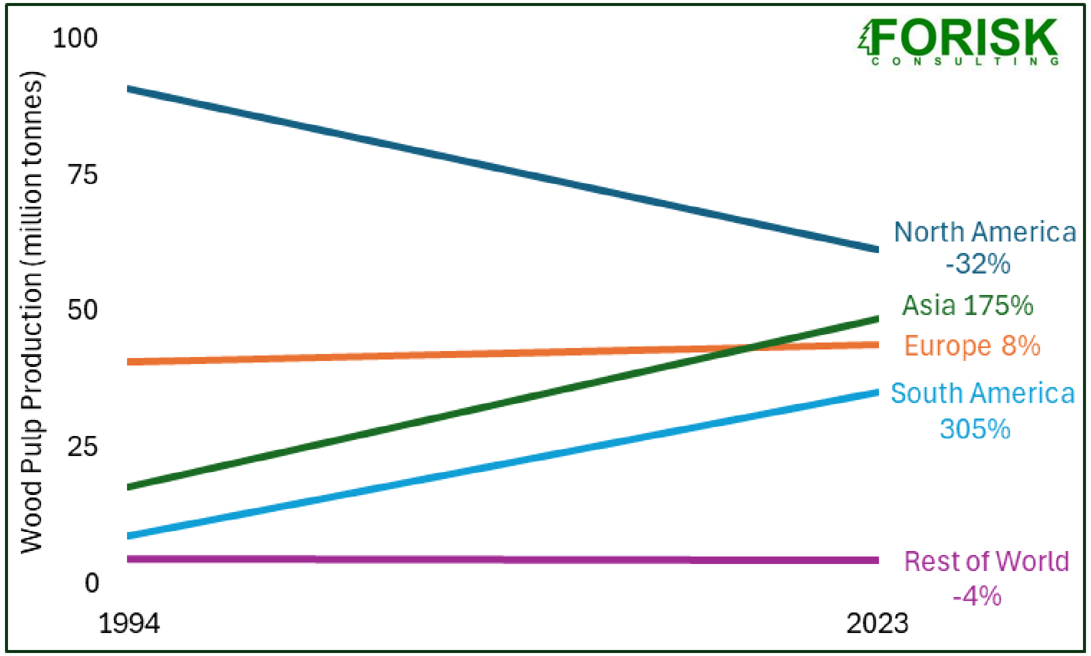
Trends in the Pulp & Paper Industry

North American wood pulp production declined 32% since 1994.

Production increased in South America (+305%) and Asia (+175%).

South America exports 77% of wood pulp production.

Wood Pulp Production by Continent



Data Source: FAO

Investments in Wood Pellets

North American wood pellet capacity to increase 7% in 2025 and 7% in 2026. Led by projects in U.S. South and PNW.

Export market continues to evolve. Drax Group, largest consumer of wood pellets, announced that post-2027 subsidy to UK BECCS in 2031 for biomass generation will be cut in half vs current levels.

North American Wood Pellet Production Capacity, million metric tons

Region FORISK CONSULTING	2022 Actual	2023 Actual	2024 Actual	2025 Forecast	2026 Forecast
U.S. West	1.1	1.1	1.2	1.3	2.2
U.S. South	13.1	13.1	13.6	15.0	15.8
U.S. North	2.5	2.4	2.3	2.3	2.3
Total U.S.	***16.6***	***16.7***	***17.1***	***18.6***	***20.3***
West Canada	3.0	2.8	2.7	2.8	2.8
East Canada	1.9	2.0	2.0	2.0	2.0
Total Canada	***4.8***	***4.8***	***4.7***	***4.8***	***4.8***
Total North America	***21.4***	***21.5***	***21.9***	***23.4***	***25.1***

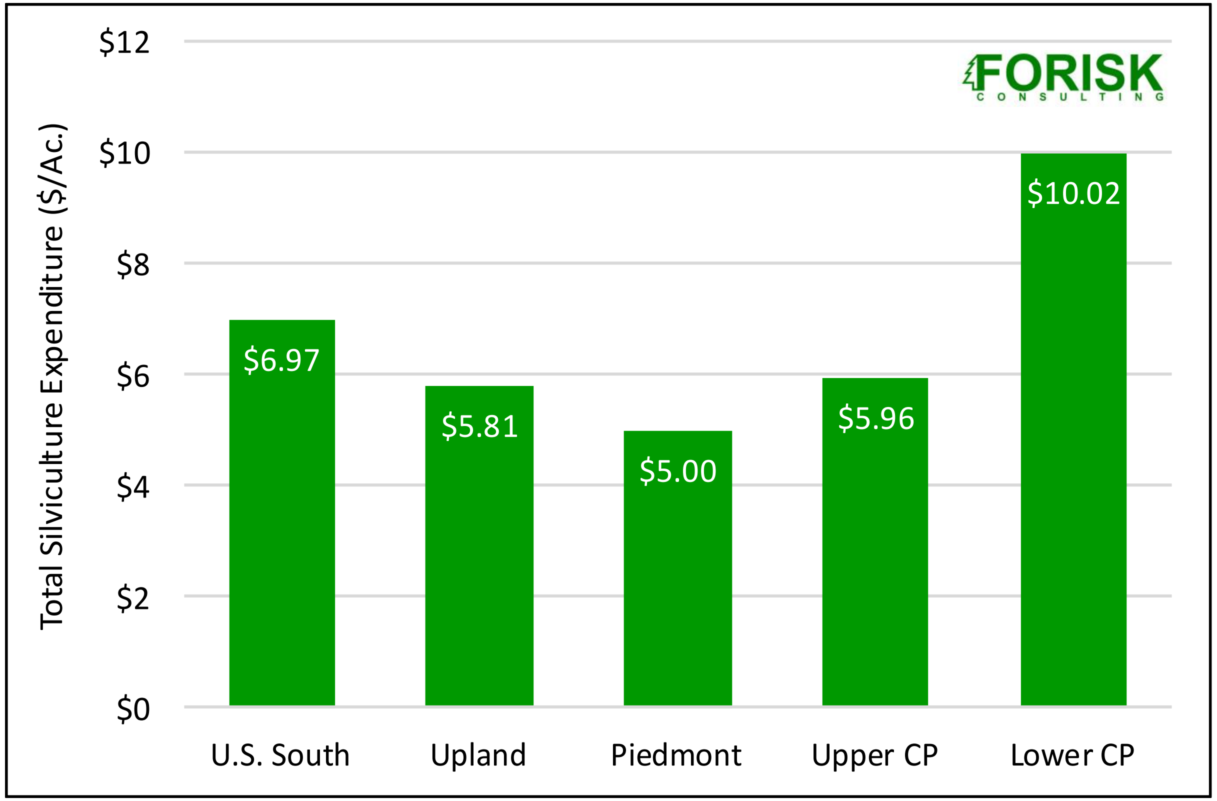
Data Source: Forisk Consulting

Forest Management Expenditures

Forisk's 7th southern silviculture survey affirms **large landowners and managers achieve strong yields** with improved genetic stock, competition control, and fertilizer.

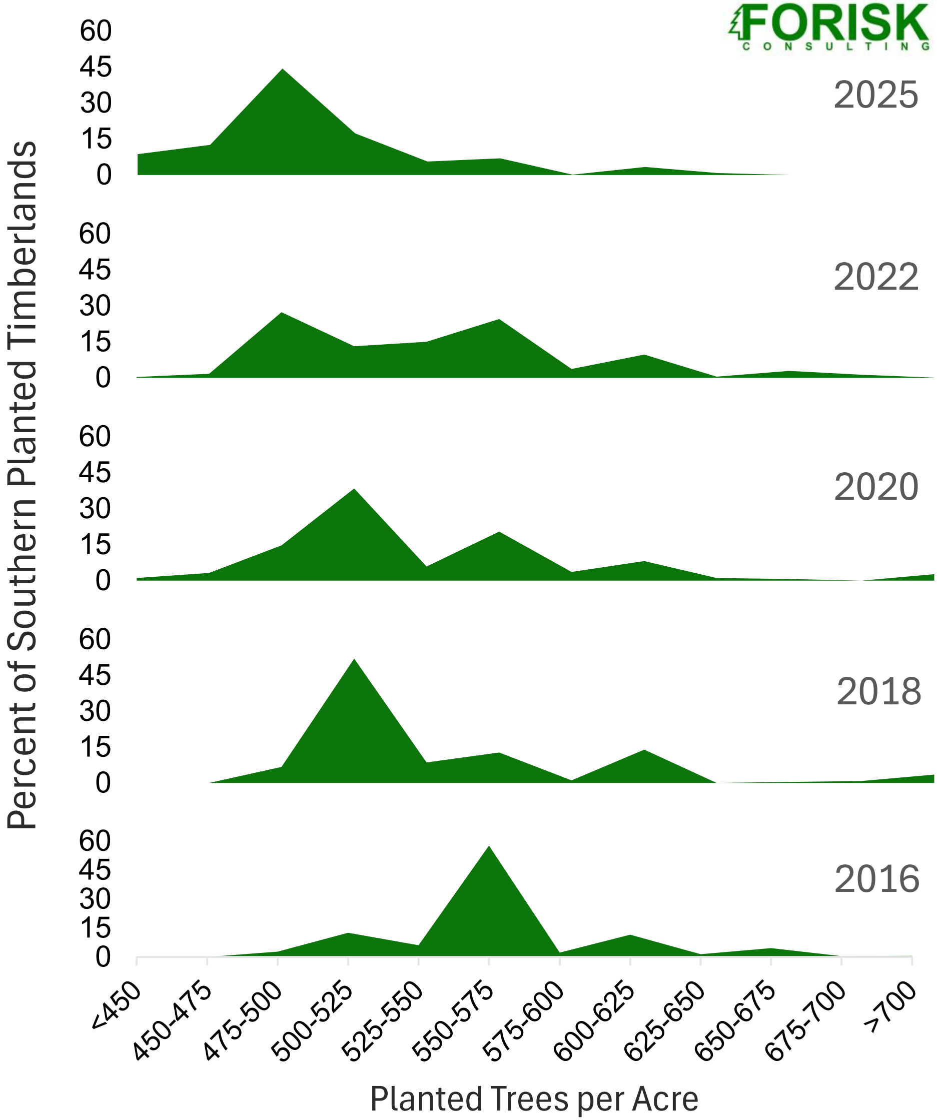
Firms spent nearly $7 per acre per year on southern silvicultural practices in 2024.

Southern Silviculture Expenditure by Region, 2024



Data Source: Forisk

Planting Densities are Declining



Data Source: Forisk

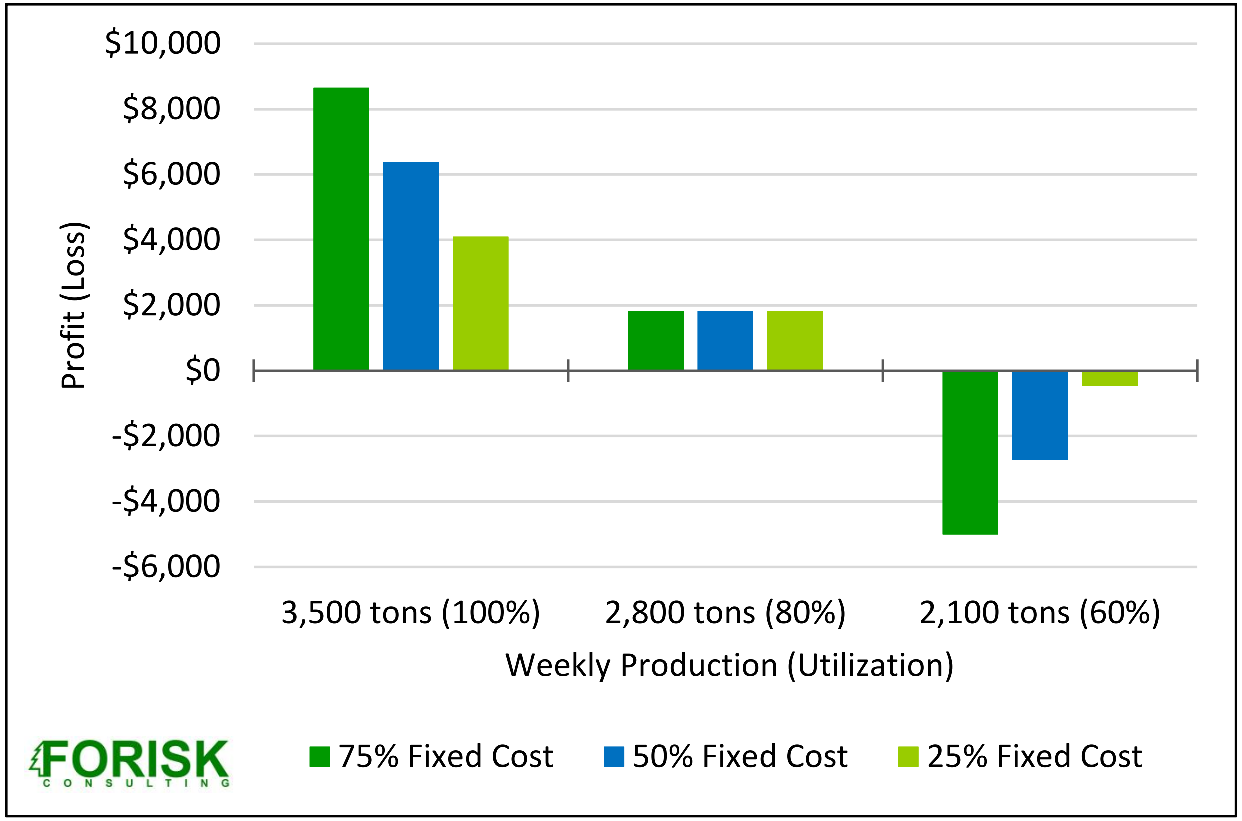
Forest Operations & Profitability

Productivity and operating rates are critical to logging profitability.

Depending on a firm's cost structure, **one week operating at 60% utilization may require 2-3 weeks of "normal" operation to offset losses**.

A recent survey of the logging industry found 45% of businesses operated under 70% utilization in 2024 and 45% reported break-even or negative profits.

Operating Rate Impacts on Logging Profitability



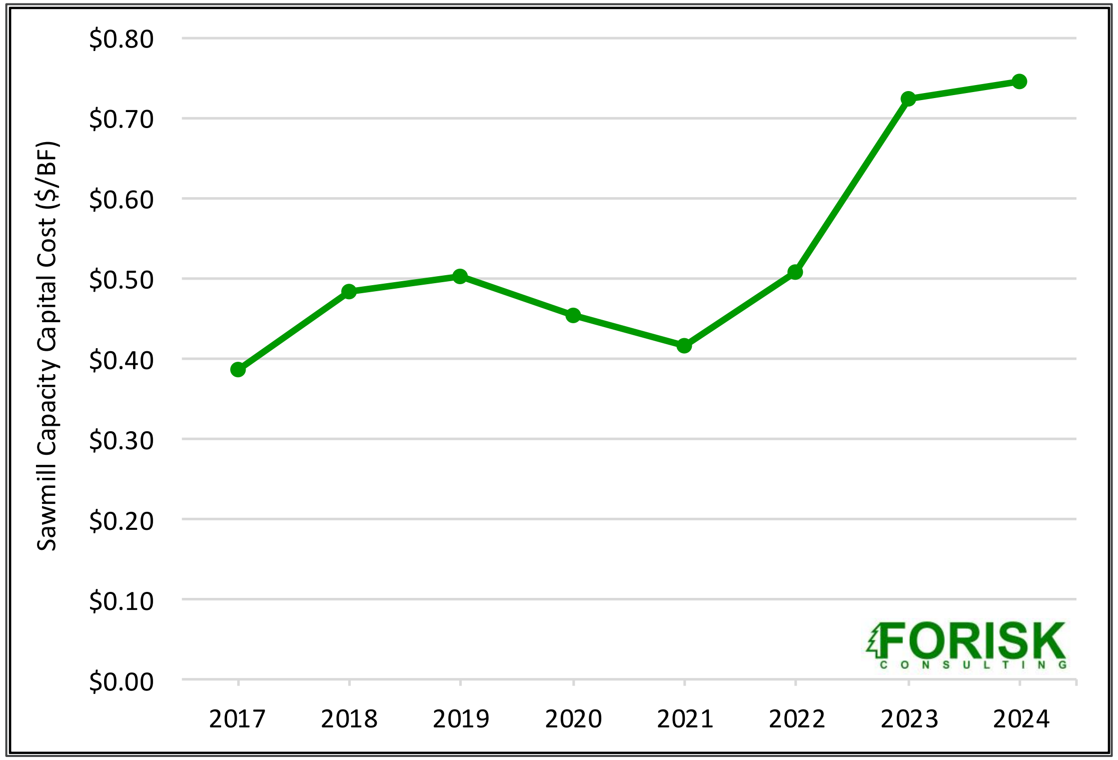
Data Source: Forisk

Lumber Capital Expenditures

Forisk analysis of 76 southern sawmill expansions and new facility constructions from 2017 to current estimated the announced cost to add lumber capacity.

From 2017 through 2022, capacity additions averaged between $400/MBF and $500/MBF. Since 2022, costs increased nearly 50%, averaging $750/MBF last year. Announcements for 2025 and beyond are trending towards $1,000/MBF.

Average Announced Capital Cost of Sawmill Capacity Additions



Data Source: Forisk North American Mill Capacity Database