

**Next Meeting: Saturday, February 16, 2019, 10 am at Pizza Inn in Pittsburg**

## Is There a Relationship between Lumber and Timber Prices?

Nana Tian and Aaron Stottlemyer, Texas A&M Forest Service

What do the record-high lumber prices in the first half of 2018 mean for the performance of timber prices? In a previous article, we discussed factors underlying record-high softwood lumber prices in June 2018. Incidentally, after an all-time high of \$582 per MBF, lumber prices dropped sharply to a low of \$436 per MBF in the third quarter making 2018's lumber market one of the most volatile in history. Nonetheless, it seems reasonable for landowners to expect higher prices for standing timber when lumber prices are high. In reality, however, there is only a loose association between lumber and timber prices over relatively short time periods, which we explore in this article.

Theoretically, lumber and timber prices should track one another. For example, if lumber demand increases, then demand for timber to meet lumber production quotas should also increase, leading to an increase in timber prices. We plotted the average annual framing lumber composite price and pine sawtimber price between 1984 and 2018 (Figure 1). The plots show that lumber and timber prices tend to track each other over the long term. However, over shorter periods, such as a quarter or even a year or more, they might diverge and even move in totally opposite directions.

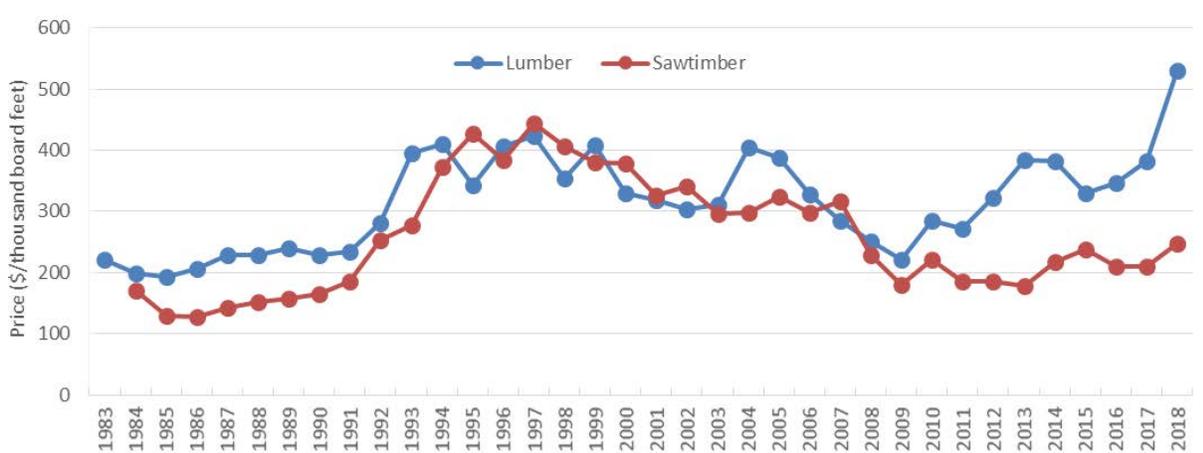


Figure 1. Average annual U.S. Framing lumber composite price<sup>2</sup> and pine sawtimber price<sup>3</sup>

Several factors contribute to the disconnect between lumber and timber prices. The price of lumber is primarily affected by the U.S. housing market, which continues to improve since the 2008 recession. Housing starts were estimated at 1.28 million units in August 2018<sup>4</sup>, 9.2% higher than in July, implying that lumber demand remains strong. In addition, lumber supply is currently tight due to reductions in Canadian imports and current U.S. lumber production capacity. The combination of high demand and tight supply led to the record-high lumber prices in early 2018. In contrast, there is an abundant supply of standing timber. Possible reasons are that some mills closed and many landowners pulled their timber off the market in the immediate aftermath of the 2008 recession, causing the total volume of logs in the U.S. South to rise unimpeded the last few years. For example, the total inventory in the South increased by 8.1% from 231.7 billion cubic feet (BCF) in 2008 to 250.4 BCF in 2014.<sup>5</sup>

Another factor which can weaken the correlation between lumber and timber prices is technological advancement in lumber production. For instance, optimized cutting and increased efficiency of downstream processing equipment results in less volume of timber needed to produce the same amount of lumber. Improved technology combined with abundant timber supplies results in lower timber prices even during periods of high lumber demand.

In summary, the combination of housing markets, lumber demand and production capacity, sawmill technology, timber supplies, and local market conditions all contribute to short-term disconnections between lumber and timber prices. It takes time for timber markets to adjust to lumber markets. However, the establishment of new mills and expansions are planned for East Texas and across the South, which could be a positive sign for timber markets.

If you have any questions or purchase timber in the East Texas market and would consider being a bi-monthly price reporter, please contact Nana Tian ([nana.tian@tfs.tamu.edu](mailto:nana.tian@tfs.tamu.edu)) at Texas A& M Forest Service.

References:

- 1.Linktoarticle:<https://goo.gl/kZ375F>.
- 2.PricesreportedbyRandomLengths.
- 3.PricesreportedbyTexasA&MForestService.
- 4.ReportedbyU.S.CensusBureau,August2018.
- 5.ReportedbyForest2Market:UnitedStatesForestInventoryandHarvestTrendsonPrivately-OwnedTimberlands.

## **2019 Texas Timber Income and Property Tax Workshop**

The annual Texas Timber Income and Property Tax Workshop is just around the corner. This one day event will take place on February 11, 2019 at the Lottie and Author Temple Civic Center in Diboll, TX from 8:00 am to 5:00 pm. The cost is \$75 per person.

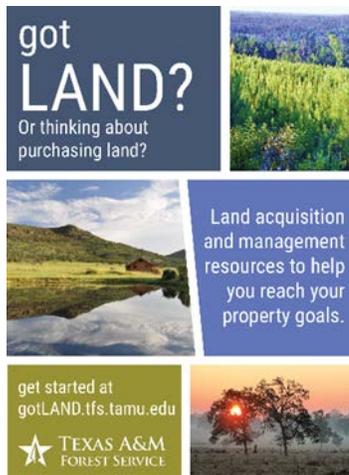
The Texas A&M Forest Service tax workshops have trained hundreds of foresters, landowners, tax preparers, attorneys, tax appraisers, logging professionals, land trust managers and financial advisors in East Texas.

The Texas Timber Income and Property Tax Workshop will provide working knowledge of timber tax, including basics about timber taxation and the latest changes to tax laws for the 2018 tax return preparation. Topic will focus on federal timber income tax issues for private forest owners with a refresher on local timberland property tax incentives. Participants will gain a clear understanding of commonly misunderstood timber tax issues.

Participants of this workshop will receive a workbook loaded with information including the workshop presentation materials, standard examples, and supplemental readings. But wait! There's more!! This workshop also qualifies for Continuing Education Credits for Foresters, Loggers, CPA's, and Property Tax Professionals. No prerequisite needed!

To register for this event visit <http://tfsweb.tamu.edu/TaxWorkshop/> to get the registration form and to pay online. Contact Brittany Carpenter at (979) 458-6630 or [bcarpenter@tfs.tamu.edu](mailto:bcarpenter@tfs.tamu.edu) for more information.

## Got land? New Online Landowner app



A new web-based application called “got Land?” has been added to the Texas forest Information Portal.

Whether you’re looking to purchase land for the first time or you just inherited property, this online application can help new landowners during the initial stages of acquiring property.

Based on the answers to a few short questions, management information and resources are provided to help you better care for your land and reach your property goals. Questions on property ownership goals, past land uses, desired tax valuations, property region, acreage, etc. help the app to generate a report that gives information applicable to your situation.

## Market Report– Sept/Oct 2018

Product	Statewide Ave. Price		Previous Ave. Price		Price/ Ton Difference	
	Weight	Volume	Weight	Volume		
Pine-Sawlogs	\$23.62/Ton	\$188.97/MBF	\$27.09/Ton	\$216.72/MBF	-13%	↓
Pine-Pulpwood	\$7.24/Ton	\$19.54/Cord	\$6.74/Ton	\$18.19/Cord	7%	↑
Pine-Chip-n-saw	\$13.81/Ton	\$37.27/Cord	\$12.25/Ton	\$33.08/Cord	13%	↑
Mixed Hardwood-Sawlogs	\$29.81/Ton	\$268.33/MBF	\$25.42/Ton	\$228.78/MBF	17%	↑
Hardwood- Pulpwood	\$8.71/Ton	\$24.30/Cord	\$9.96/Ton	\$27.89/Cord	-13%	↓

Texas Timber Price Trends is a bimonthly publication reporting average prices paid for standing timber in Texas. This report is intended only as a guide to general price levels. It should not be used to judge the fair market value of a specific timber sale, which may vary considerably due to many factors. It is recommended that you use the services of a professional consulting forester in managing any timber sale. Important factors affecting timber prices include the type, quality and volume of timber for sale, accessibility, distance to mills/markets, weather conditions, economy/market conditions, who is handling the sale or is buying the timber, and contract requirements by the landowner. The complete Texas Timber Price Trends can be viewed at <http://tfsweb.tamu.edu/timberpricetrends>.

## Compound in Soil Fights Chronic Wasting Disease

The Wildlife Society– wildlife.org



Chronic wasting disease has affected deer and other cervids across North America. ©Dennis Jarvis

A compound in soil could play an important role in combating chronic wasting disease by degrading the protein particles called prions that are believed to cause the lethal disease in cervids, researchers found.

CWD has infected and killed deer, elk, moose and caribou throughout North America and has even been detected in South Korea and northern Europe. But researchers have had no luck finding a cure and continue to manage for the disease by attempting to stop its spread. Efforts to combat the disease have been further challenged by the ability of the prions to bind to soil and remain in the environment for years.



But scientists may be one step closer to understanding how soil plays a role in fighting the disease. In a recent study published in the PLOS Pathogens Journal, researchers found that high levels of major compounds in soil organic matter — humic acids — degrade CWD prions. When prions in soil were exposed to high concentrations of humic acids, researchers found lower levels of them. They also noted lower levels of infectivity in mice that were exposed to soil with higher levels of humic acids.

CWD prions can be spread between cervids (mammals in the deer family) as well as through the environment including decaying carcasses, infected urine, feces and saliva. Knowing about how different soil compounds can bind and degrade prions is important to understanding the disease, the researchers say.

CWD prions that infect deer can be released into the environment. Researchers recently looked at how the prions interact with soil.  
©Judd Aiken

“CWD is a significant emerging and fatal disease of deer, elk and moose,” University of Alberta professor Judd Aiken, the study’s lead author, said in a press release. “Given it is shed from infected animals into the environment where it can serve as a source of infection, it is essential that we understand the impact of soil and soil components on this unusual infectious agent.”

# New Farm Bill: What's in it for Forestry?

By John Greene- Forest2Market

Full Story: <https://blog.forest2market.com/new-farm-bill-whats-in-it-for-forestry>

President Trump recently signed the new Farm Bill providing funding through 2023 and reauthorizing \$400 billion in agricultural subsidies, conservation programs and key safety programs for agricultural producers, including federal crop insurance and farm commodity programs that provide a floor price and income support for covered commodities and farmers.

What's in the bill that will potentially impact forestry and the forest products industry?

## Timber Innovation Act

The new Farm Bill authorizes the Timber Innovation Act, which was introduced in 2017 by Sen. Debbie Stabenow, (D-MI). The bill will incentivize investment to conduct the research and development of cross-laminated timber (CLT) and other engineered timber products for use in the construction industry. Recently, the focus has been on developing products that can support multi-level structures taller than six stories.

## Collaborative Forest Landscape Restoration

The bill also includes an extension of legislation sponsored by Sens. Jeff Merkley (D-OR) and Mike Crapo (R-ID) for the 10-year reauthorization of the Collaborative Forest Landscape Restoration (CFLRP) program. CFLRP was enacted in 2009 to take a lead role in managing forests to increase forest health, mitigate wildfires and support rural economies and local voices. To date, 23 CFLRP projects in 14 states have sold more than 2.5 billion board feet of timber, created \$1.4 billion in local labor income and improved 760 miles of trails for outdoor and recreation enthusiasts. CFLRP has also helped to reduce the risk of wildfires on more than 2.9 million acres of land. The funding expansion—from \$40 million to \$80 million per year—is supported by a cross-section of the forest value chain, including the timber industry, rural economic development entities and environmental organizations.

## Forest Management

Advocates for legislation that encourages more active forest management, including the Trump administration, congressional Republicans and the forestry industry, had hoped for a final bill that would contain provisions to expand the pace and scale of certain forest management projects (including more thinnings and prescribed burns) to reduce fuel loads and the scale of resulting wildfires.

Democrats believe the bill's forest management provisions are "unnecessary" because congress recently passed a bill making some of those projects easier to initiate. The spending bill the republican congress approved in March contained \$1.95 billion for 2018 fire suppression and prevention efforts across the US Forest Service (USFS) and Interior Department. The bill also allowed the USFS to complete more prescribed burns and thinnings with less environmental red tape.

Though not ideal, Rep. Greg Walden (R-OR) believes the bill includes enough provisions via reauthorization and modification to help improve the management of federal forests in Eastern Oregon that will reduce the threat of fire and smoke in the future. The legislation also allows for more local involvement in forest management projects and extended funding for collaborative forest projects.

## Upcoming Events

**Friday, February 6, 2019 from 8:30am-2:30pm -Spring Wildlife Habitat Workshop**– Location: Polk County AgriLife Extension Office, 602 E. Church St. Ste. 127, Livingston, TX 77351. Learn the skills needed to manage your property for wildlife in Polk County. Lunch will be provided. To find out more information or to register for this event, call 936-327-6828.

**Monday, February 11, 2019 from 8:00am-5:00pm– 2019 Texas Timber Income and Property Tax Workshop**– Location: Lottie & Author Temple Civic Center, 601 Dennis St., Diboll, TX. This event will provide a working knowledge of timber tax including the basics on timber taxation and the latest changes to tax laws for 2018 tax return preparation. Cost is \$75/person. Lunch is provided. For additional information, please contact Brittany Carpenter at (979)458-6630 or bcarpenter@tfs.tamu.edu.

**Friday, February 22, 2019 from 9:00am-2:00pm– Deep East Texas Forestry Symposium**– Location: First Baptist Church Family Life Center, 112 Timberland Hwy, Pineland, TX 75968. Learn more about forest stewardship, timber market outlook, cost assistance information, and tools that assist you in better managing your land. Cost is \$10. Lunch is provided. Please RSVP by February 18, 2019. For more information contact Michelle Moore at 936-639-8184 or michelle.moore@tfs.tamu.edu. Register online at [https://tfsweb.tamu.edu/healthyforests\\_workshops](https://tfsweb.tamu.edu/healthyforests_workshops)

**Monday, February 26, 2019 from 8:30am-3:00pm-Wildlife and Natural Resources Management Program**– Location: Law Enforcement Training Center in Linden Texas. Cost is \$20. Lunch is provided. For more information or to RSVP for this event please call 903-756-5391.

**Saturday, March 2, 2019 from 10:00am-4:00pm- Texas Wildlife &Woodland Expo and Spring Fling**– Location: Lonestar College-Montgomery, 3200 College Park Dr., Contro/The Woodlands, TX. Enter West Campus Dr. off Hwy 242. Enjoy a day with the family learning about wildlife, water, wildflowers, woods and wildfire from the experts. Cost is free. For more information visit [expo.tamu.edu](http://expo.tamu.edu).

## NETFLA Officers

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Tandy Wheeler, Gilmer  
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### NETFLA WEB SITE:

[www.netxforest.org](http://www.netxforest.org)

## February Meeting and Program:

### Saturday, February 16, 10 am, Pizza Inn, Pittsburg

The Pizza Inn is located at 1000 North Greer (US Hwy 271)

Gretchen Riley, Texas A&M Forest Service will give a program on the "Texas Big Tree Registry". The Forest Service maintains a registry of the largest tree of each species in the state. Come discover where the largest trees are located, and the process for having a tree measured to see if it qualifies for the registry.

## May 4, 2019 Meeting and Program:

The "Short Leaf Pine Initiative" program we were planning has been cancelled due to the excessive cost and lack of availability of short leaf pine seedlings. The program will be reconsidered when seedlings are readily available at a cost effective price.

Dr. Eric Taylor from the Agriculture Research and Extension Center in Overton is scheduled to give the program on "Forest Health". He will address tree vigor, basal area, stand thinning and proactive management. Mark your calendars for this informative program.

## NETFLA Contact and Membership Dues Information

Thank you for your NETFLA membership in past years. We hope that Newsletters, Programs and Quarterly Meetings have provided you with useful information that has helped you manage your timber property. We encourage you to continue your membership.

Membership dues are \$15.00 per calendar year. If you have not yet renewed your 2019 Membership, or if you would like to become a member, mail your check to: **NETFLA, P.O. Box 343, Daingerfield, TX 75638-0343**. Thank you.

Contact: Judy Weiss (903) 645-3782, or e-mail [gjweiss@windstream.net](mailto:gjweiss@windstream.net)

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