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Thanks for your continued interest.



KINGWOOD FORESTRY SERVICES, INC.

Market News

Timber Markets

“The preacher man says it's the end of time, And the Mississippi River, she's a-goin' dry, The interest is up and the stock market's down...”. Those opening lines in the Hank Williams Jr. song A Country Boy Can Survive sums what people are feeling regarding timber markets in late 2022. There are numerous market indicators driving this gloomy feeling. In 2022, the Dow Jones Industrial Average has dropped from an all-time high of almost 37,000 to under 28,000; 30-year mortgage rates have more than doubled, and inflation has quadrupled.



Sounds like gloom and doom, doesn't it? It's not...at least right now. We'll see how much a potential recession impacts markets for the future. Timber markets, especially for pine sawtimber, have actually been fairly strong and have slowly gotten stronger. Contrary to all the negative press, if you have mature timber to sell, it hasn't been a bad time to consider a timber sale. If you look at what is being paid for pine and hardwood logs, prices have improved each year for the last several years according to our Kingwood transactions as well as national timber price trend data sources.

There are two factors to note: high fuel prices and a reduced logging force. Fuel prices reached their highest historical price this summer. The result of high fuel prices is two-fold: less money to the landowner and rapidly declining timber prices for timber farther from the mill. This impact is mostly felt with pulpwood where an 80-mile haul could easily result in prices approaching \$0/ton! The other exception to the good news is the logging force. Several logging outfits and truck drivers have left the industry. We estimate log truck driving force is half of what it was two years ago. With fewer trucks moving wood right now,

(Market News Continued on Page 2)

Timber Markets (continued)

some logging crews have gone out of business. The long-term impact is a mixed bag of results. The main impact is that landowners will have to wait longer for a logger to move onto the property due to the smaller trucking force moving less wood. However, a positive impact is that mills stay more stressed for raw material since loggers aren't moving as much, so pricing may stay strong. If landowners can be patient, they'll usually see success.

Kingwood encourages landowners to be flexible when it comes to selling timber so when an opportunity presents itself, you can react quickly and capture the benefits. We have numerous examples of client success resulting from us being able to react to market opportunities quickly for our clients. You should always consult your Kingwood forester to get a better read on the markets, because information without understanding your specific situation can lead to poor choices.

In all, Kingwood clients continues to weather stormy market news, putting new meaning to the words in Hank Jr's. song: "You can't starve us out and you can't make us run!"

New Mills

Good news! Forest products manufacturers are investing throughout our region. New mills and improvements to existing mills are all positive long-term signs for our industry. Here is a list of a few recent activities in our market area:

- Advanced Lumberworks just finished construction and opened a state-of-the-art pallet mill in Cass County, Texas.
- Teal Jones is constructing a new pine lumber mill in Bossier Parish, Louisiana.
- Caddo River Wood Products will open a hardwood mill in Clark County, Arkansas.
- CanFor is upgrading its mill at Urbana, Arkansas with a \$130 million expansion.
- PotlatchDeltic is expanding its mill at Waldo, Arkansas with a \$131 million investment.
- Hunt Forestry Products in Bienville Parish, Yellawood in Mansura Parish, Weyerhaeuser in Natchitoches Parish, Canfor in Deridder, Interfor in DeQuincy are all pine sawmills that are being built, improved, or reopening in Louisiana.

Real Estate Markets

2022 has been an interesting year. The first six months saw unprecedented price increases in all four states where we provide brokerage services. Why? Early 2022 was an excellent situation with low interest rates, and a strong stock market. We saw tremendous interest in real estate and closed numerous transactions. On tracts that could be used for rural residential, we saw tremendous interest. To be rural residential, electricity and good access are a must. Most buyers were not local and were looking to move out of a city. They had jobs where they could work remotely, or they were at or approaching retirement. Most had cash to put towards the purchase and only a few took short term loans.

For recreational and timberland investment tracts, many buyers were cash buyers who have been investing in timberland for many years. On smaller timberland tracts, timberland investors had difficulties competing with rural residential buyers who could and would pay more for a one-time purchase.

Real Estate Markets (continued)

The real estate market has cooled significantly in the last half of 2022. We haven't seen a big decrease in prices paid for properties just yet. Rising interest rates for land purchases are now easily over 7% and this has brought land purchase interest down significantly. We continue to be successful with land sales, but the number of transactions the last half of 2022 has shifted much more towards timberland/recreational investors while the rural residential buyers have slowed significantly. We expect this reduced interest to continue as long as interest rates remain high. It will take some time for higher interest rates to feel "normal" and we'll see how it plays out then.

Quality marketing is important for successful transactions. Kingwood's philosophy to advertising is transparency. We want anyone who might have an interest in a tract to be able to find out all the information related to it up front. We see many other brokers advertise tracts for sale with no real information other than the acreage and price. This is a recipe for problems. If you are considering selling your land, contact your local Kingwood Broker to guide you through the sale process.

Tree Mortality

We have seen an increase in tree mortality over the last year. Fortunately, this is not a result of the Southern Pine Beetle. We haven't seen a SPB outbreak since the 1990s. Tree mortality partly stemmed from the extremely hard freeze in February of 2021. Freezes of this magnitude are not common in our area and put additional stress on trees. This stress allowed additional avenues for Ips beetles and Deodar weevils to attack and kill trees. Fortunately, in most cases, the result isn't significant. We typically see less than 5% mortality in affected stands. This is not enough to warrant a salvage operation. Significant mortality was isolated to timber stands that were already stressed due to overstocking, slow growth and poor genetics. There were only a few cases where a clearcut or salvage was the correct course of action. In most cases, simply waiting and watching is the right course of action.



For more information, visit:

<https://texasforestinfo.tamu.edu/treemd/>

https://www.agriculture.arkansas.gov/wp-content/uploads/2022/05/Arkansas_Forest_Health_Pocket_Guide_031822-share.pdf

S T A F F N E W S

David Dick joined Kingwood in 2022 as a forester in our Monticello office. He has a forestry degree from University of Missouri and an M.S from North Carolina State. David holds an Arkansas real estate license.

Zach Abbott joined Kingwood staff in 2022 and is a forestry graduate of UAM. His family has deep roots in south Arkansas timberland. He holds an AR real estate license and is working on appraisal certification at our Monticello office.

Phil Wright was elected Chair of Arkansas Chapter of Association of Consulting Foresters (ACF). He will serve a term through 2024.

Carl Herberg was elected to the Board of Directors of the Texas Forestry Association.

John McAlpine will begin a term in 2023 on the Board of National Association of Conservation Districts.

Governor Hutchinson appointed **Pete Prutzman** to the Arkansas Forestry Commission for a term to 2028.



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Up Close & Personal

John “J” King joined the Kingwood Monticello office in November 2019. J graduated from the University of Tennessee in 1985 with a Bachelor of Science in Forest Research Management. Before joining the Kingwood family, he was with Interfor as a lead procurement forester. Prior to that, J worked for Campbell Global, LLC for 10 years as an Area Manager. J brings with him over 30 years of experience and knowledge in the forestry industry. He is a valuable mentor to new foresters at Kingwood. J is a registered Forester in Arkansas and Alabama.

J is married to Adrienne King and has two daughters; Autumn works and lives in Alabama and Caroline attends college at Louisiana Tech.



Other News

During the last Arkansas Legislative session two items were passed that are important for the forestry industry in Arkansas. The first was creation of, and funding for, the Center for Forest Business at the University of Arkansas at Monticello. This enables work to be completed to attract additional development of forest markets in Arkansas. The second issue was the development of the Arkansas Forestry Caucus for legislators to focus on forestry issues from a policy side to promote forest management and the forest industry.

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