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WELCOME back to your free subscription to the Kingwood newsletter.

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Thanks for your continued interest.



KINGWOOD FORESTRY SERVICES, INC.

Market News

Lacking a more technical term, 2020 timber markets have simply been crazy. The global impact of the COVID-19 pandemic is the primary reason for this. Prior to COVID coming on the scene early in 2020, log markets were strengthening in our market areas and we generally had an optimistic outlook. With the onset of the pandemic, this quickly reversed. Housing starts dropped from 1.55 million to about 875,000 due to the pandemic.



(The “normal” housing start level for U.S. is around 1.5 million.) With plummeting housing starts in April, many mills shut down temporarily or curtailed production dramatically. Fortunately, when people were sent home from work during the initial quarantine-at-home period, many began remodel or DIY projects. This remodeling and DIY demand quickly took up much of the lumber demand lost to housing starts. Additionally, housing starts rebounded faster than most analysts and mills expected, so it created a shortage of lumber resulting in record high lumber prices. If you bought wood in the latter half of 2020, you certainly saw this price increase. Unfortunately, higher lumber prices haven’t improved pine timber stumpage prices.

This leads to the question we have been asked the most. “Why aren’t pine

timber prices tracking with the lumber prices?” Lumber mills have a plentiful supply of timber and do not have to pay higher prices to feed their mills. The recent report from the Forest Inventory Analysis (FIA) indicates that Arkansas’s growth to drain ratio is 1.84, Texas is 1.65, Louisiana is 1.61, and Oklahoma is 1.28. The Growth to Drain ratio is a ratio of growth to harvest. So, a “1” indicates that growth and harvest are equal and greater than 1 means we are growing more wood than we are harvesting. All the western gulf states report growth exceeding harvest. Below is a link to reports for all southern states published by the Texas Forest Service. Go to the “Standard Reports” section to find these reports. <https://texasforestinfo.tamu.edu/tsa/#>

Looking at other forest products, we see that hardwood lumber demand

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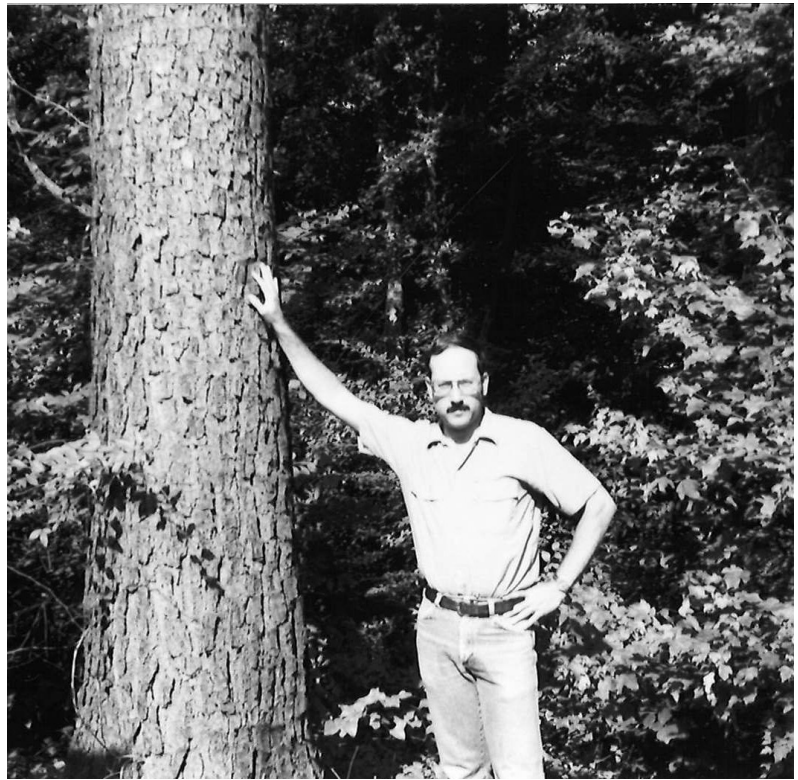
PETE PRUTZMAN RETIRES DECEMBER 2020

Pete Prutzman retired from Kingwood Forestry on December 31, 2020 after thirty-seven years at the helm of the Arkadelphia office.

Kingwood Forestry was founded in 1983. During his tenure as co-owner, he served the company in practically every capacity including vice president, forester, appraiser, real estate broker, office manager, and perhaps his favorite position of managing Spanish-speaking tree planting crews in the earlier years of Kingwood's business (he welcomes opportunities to practice his own Spanish). Pete became President of Kingwood in 2008.

Pete and his wife, Linda, are Pennsylvania natives who have lived in Arkansas since 1979. Pete graduated from Penn State with a B.S. in Forest Science in 1977. Their two children, Steve and Pam, were born in Arkadelphia; Steve now lives in Austin, Texas and Pam in Northwest Arkansas. Pete and Linda have one grandchild, Gabby, the daughter of Pam and her husband, Ben Martin.

Pete donated, and will continue to donate, countless hours to many charitable causes including church, Rotary Club, South Central Arkansas Log-A-Load for Kids, humane society, and Boy Scouts of America (Pete and his son, Steve, are both Eagle Scouts). He served on the Arkansas Board of Registration for Foresters, the Arkansas Appraiser Licensing and Certificate Board, the Board of Directors for Forest Landowners Association, the Board of Directors of the Arkansas Forestry Association, Society of American Foresters, and Association of Consulting Foresters. In 2015, Pete received the Outstanding Alumni Award from the Penn State's Forest Resources



Alumni Group.

Pete is considered an industry expert on timber, timberland appraisals, and marketing. Fellow registered forester Jimmy Don Thomas and Pete's "right hand" has worked with Pete for over twenty years and has this to say: "I've always said I wish I could download the forestry knowledge Pete has. No one else knows more."

During his career, Pete brokered hundreds of real estate transactions with several of these being multi-million-dollar transactions, he has appraised

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Market News (Continued)

is lower due partly to the reduction of exports to China. Export reductions started prior to the COVID-related supply changes, however. High quality oak that is typically exported, saw the largest price drop. Lower grade hardwood lumber and railroad ties have been relatively steady despite local hardwood sawmills that have battled wet weather to maintain their inventory all of 2020.

Pulpwood market changes have been accelerated by COVID-19. The free sheet, or copy paper, market has been weakening for years and this has been accelerated with many working from home in the virtual world. Newsprint demand continues to decline as subscriptions shrink and more newspapers convert to digital publications. Paper machines are not interchangeable on short notice; significant capital improvements are required to convert from one product to another.

With the shutdown of the GP mill woodyard at Crossett and changes at the Domtar mill in Ashdown, the demand for hardwood pulpwood has been drastically reduced in the four state area.

What lies ahead? We hope for stability, but a polarized election along with civil unrest not seen since the 60's could produce events that can't be predicted and will only be understood in hindsight. Stay tuned for our next newsletter for another edition of Market News.

In the meantime, consult your Kingwood forester to get the best professional advice that impacts your specific timberland. As a company, we operate three offices and sell nearly 300 timber sales a year spread over as many miles, so Kingwood is your best source of understanding markets and professional advice.



Pete Retires (Continued)

thousands of timberland properties, and managed the sale of millions of dollars of timber. He provided first-class, professional service to hundreds of happy clients and created a reputation of impeccable integrity and reliability. His belief in “serving the client” was a building block for the company. Clients and colleagues often describe Pete as being one of the most professional, honest, and knowledgeable in the forestry business and being a real “class act”.

Pete will be replaced by Phil Wright, an Arkansas native, who started his career with Kingwood in Texarkana under Carl Herberg in 2011. He moved to Arkadelphia and has been transitioning to run the operations there since 2019. If you haven't met Phil yet, please stop by or give him a call to introduce yourself. Phil is a forester, a broker and an appraiser, so he will continue to service all our clients with the same level of expertise that clients have enjoyed with Pete.

Kingwood Forestry is now led by principles John McAlpine and Carl Herberg who each operate our Monticello and Texarkana operations respectively. Pete will continue to serve on the Board of Directors for Kingwood and will aid with projects as needed on a part-time basis.

Upon retirement, Pete and Linda plan to spend their time traveling and being grandparents...and calling the Hogs, of course!

Pete's Kingwood family is privileged to have been associated with him and we wish him well in retirement. Congratulations, Pete! Enjoy! You've earned it! Please join us in wishing Pete all the best in his retirement. You can e-mail him at pprutzman@kingwoodforestry.com



SERVICE SPOTLIGHT

Kingwood's John McAlpine recently completed the rigorous training, certification and education requirements to achieve the prestigious MAI designation from the Appraisal Institute. The journey towards earning the MAI designation takes several years and is only awarded to a select group of appraisers. John is the only Registered Forester who has MAI designation in Arkansas.

The MAI designation is the highest standing that is available to an appraiser. It is held by professionals who provide a wide range of services on all types of real property related to providing opinions of value, evaluations, review, consulting and advice on investment decisions, among other things. Property types may include commercial, industrial, agricultural, residential, and vacant land.

To become a MAI designated member of the Appraisal Institute, an individual must: have good moral character; be a Certified General Real Property Appraiser; hold bachelor's degree or higher; meet stan-

dards and ethics requirements; pass rigorous education requirements; pass a final comprehensive examination; receive credit for specialized experience that meets strict criteria; and receive credit for the demonstration of knowledge requirement.

The MAI designation has long been recognized by courts of law, government agencies, financial institutions, and investors as a mark of excellence in the field of real estate valuation and analysis. John McAlpine is Certified General Appraiser in Arkansas, Louisiana, Missouri, and Texas. He leads a Kingwood staff which includes two General Appraisers, and four Registered Appraisers ready to serve our clients.





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Up Close & Personal

In 2019, Phil Wright was selected to replace Pete Prutzman as the Arkadelphia office manager. To provide the same level of service Kingwood is known for, Phil spent the last year familiarizing himself with Arkadelphia clients and their lands. The COVID-19 pandemic prevented many personal introductions this year, so until you have a chance to meet Phil in person, feel free to reach out to him by phone at (870) 246-5757 or email at pwright@kingwoodforestry.com.

Phil is supported by an excellent staff including foresters Jimmy Don Thomas, who has been with Kingwood in Arkadelphia for 20 years and Brian Clark, who has been with Kingwood for 6 years, both are registered foresters and real estate agents with whom many of you are familiar.

Melissa Kimsey and Amber Barentine are our administrative staff in Arkadelphia. Melissa has been with us for 12 years and is one the most efficient and professional people we know. Amber has been with us for 2 years and is focused on gaining experience with appraisal reports.

We hope you have a chance to touch base with Phil and his staff. We look forward to continuing to serve you.



Don't forget to check us out online at www.kingwoodforestry.com