

# Long-term lumber outlook good

## Prices fall but optimism’s up



In Alabama, new home sales decreased 12.3% year-over-year but new listings (3,049) increased 61.6% from one year ago after a near-record low of 1,915 in May 2022.

*Forestry official says state industry in ‘enviable place’ despite downturn.*

BY JIMMY WIGFIELD  
The South Alabamian

Lumber prices have fallen dramatically in the last two years but trees are still falling in Alabama and don’t expect local producers to get crushed underneath them.

After lumber costs spiked to record highs during the COVID-19 pandemic, they have retreated by more than half. But one state official doesn’t expect Alabama mills to suffer.

“There is obviously a level where at a certain break-even point mills would have to shut down,” said Dan Chappell, the assistant division director of the Alabama Forestry Commission. “But at our Alabama mills, versus the Pacific Northwest or western Canada, our break-even points are much lower than out there. We can log 12 months out of the year and we have favorable conditions at Alabama mills where they keep re-investing. If you’re the lowest-cost provider today and you don’t re-invest, you’ll eventually be outclassed.

“We’re in a very enviable place in terms of business climate and climate climate.”

After prices reached \$1,400 per 1,000 board feet in May 2021 and \$1,300 in February 2022 — “We’ve never seen anything like it,” Chappell said — they plummeted to \$340 in May, a three-year low, according to constructconnect.com. Prior to the pandemic, the contract prices were \$390 to \$440.

Chappell said the figures have been between \$480 and \$520 per 1,000 board feet for several months on the benchmark Chicago Mercantile Exchange.

“What we’re seeing now is the kinks working their way through the system,” Chappell said. “Considering the inflationary environment we’re in, (\$480 to \$520) is still high. I wouldn’t

call it a bust. Historically, prices are back where you’d expect them. In April 2020, it bottomed out at \$280. That’s bust level and we’re not at that.”

Chappell said the pandemic represented a “perfect storm” of events that drove lumber prices to record highs but the storm didn’t affect Southern producers as adversely as it did in many other areas of the U.S.

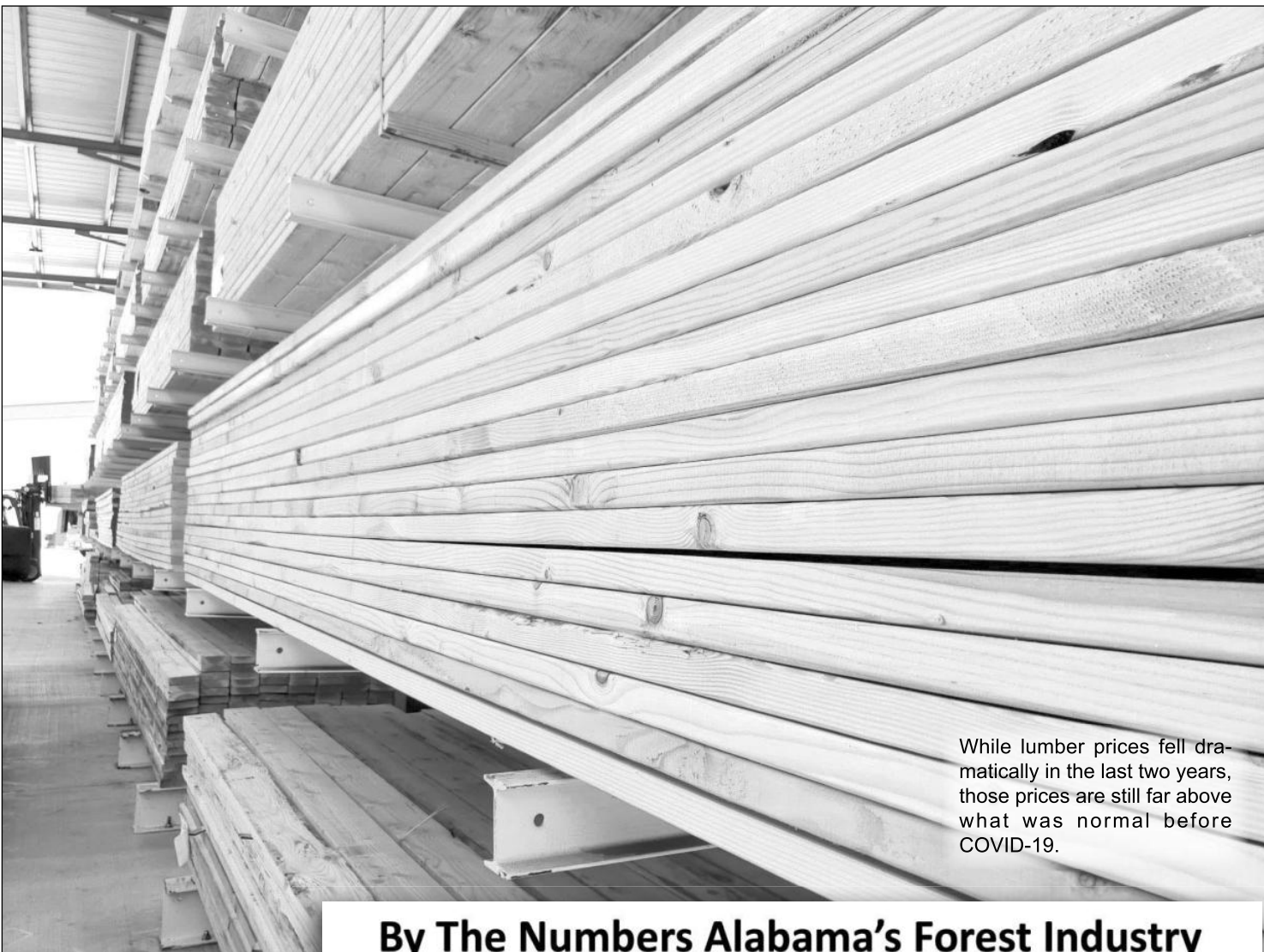
“They were able to weather the storm pretty well,” Chappell said. “They didn’t go into shutdown mode. There were some mills where people had concerns about continuing to work but nothing was greatly curtailed.

“I would call what is happening now more of a reversion to mean. Prices skyrocketed during COVID; demand picked up, supply got pinched. There was flooding in Canada and the western U.S. shut down production. People were staying at home and thinking, ‘I need a new deck.’ It was a perfect storm of events.”

Now, rising interest rates and inflation have combined to slow housing construction but Chappell believes future demand will be strong and prices will stabilize. Lumber prices are forecast to remain between \$400 and \$500 per 1,000 board feet in the next year, according to trading-economics.com.

“When it was at crazy levels, it impacted construction,” Chappell said. “You wouldn’t think such high prices were sustainable. But we thought the same thing about \$3 gas. The market should rebalance itself.

“The industry looks at five years, 10 years from now and the underlying demand for housing, and therefore lumber, is there. In the next five to 10 years, the demand for new home construction will be there. The industry (in Alabama) is not looking at curtailing



While lumber prices fell dramatically in the last two years, those prices are still far above what was normal before COVID-19.

### By The Numbers Alabama’s Forest Industry vis-à-vis Clarke County and Surrounding Area

#### Alabama Executive Summary

1,544 Payrolled Business Locations Payrolled business locations increased by 89 over the last 5 years.	45,460 Jobs Jobs increased by 2,521 over the last 5 years. Projected to increase by 3,134 over the next 5 years.	2.58 Concentration Regional job concentration is 2.58 times the national job concentration.	\$74.9K Earnings Per Job Regional earnings per job are \$852.7 above the national earnings per job of \$74.1K.
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#### Clarke County and Surrounding Area Executive Summary

176 Payrolled Business Locations	5,225 Jobs	7.39 Concentration	\$94.3K Earnings Per Job
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Source: AIDT/Lightcast Q3, 2023

ance (pine and hardwood sawtimber, pulpwood and poles).

Clarke County has 5,225 of the top 45,460 top job classifications in the statewide industry, according to an Alabama Industrial Development Training/Lightcast

study this year. The county has 176 payrolled locations with average earnings of \$94,300, the study said.

Job growth in the industry increased 8.1% in Clarke County and surrounding areas from 2017 to 2022, the study said.

If the forestry and lumber industry collapsed, Clarke County and surrounding areas would lose \$800 million in earnings, 11,183 direct and indirect jobs and \$76 million in taxes, the study said.

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Did you Know?

Alabama timberland covers 23 million acres, the third-largest commercial forestland in the United States.

If reserved timber — such as national wildlife refuges and defined wilderness areas — is included, Alabama forestland covers 23.1 million acres.

Clarke County has 738,678 acres of timberland. The breakdown is 423,628 acres in softwood or pines, 216,151 acres in hardwoods and 98,899 acres in a mixture of hardwood/pine.

There are only 12 counties in the state with more than 1 million tons annually in total severance (including pine and hardwood sawtimber, pulpwood and poles). Clarke County leads the state with approximately 1,813,570 tons in 2022.

Information courtesy of the Alabama Forestry Commission’s 2022 Forest Resource