

Florida Forests Ready for Record Production

Global market dynamics are driving home a lasting rebound of the Southern timber industry and revealing bullish trends for Florida timber

By Tom Reed

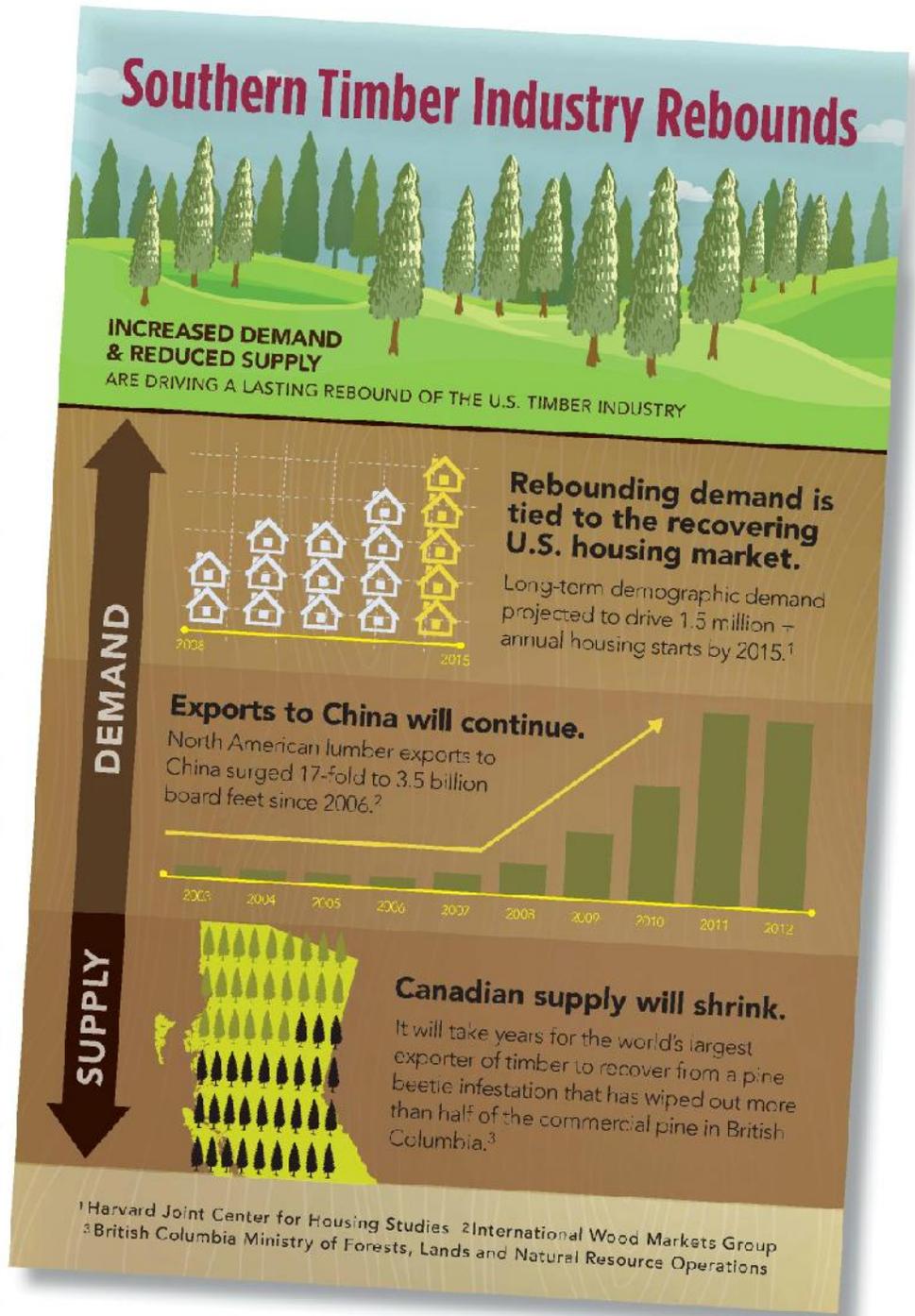


In this neck of the woods, economic opportunity is growing. Recovery nationwide is producing positive trends for the Southern timber and lumber industries. Increasing demand and constrained supply are inciting a long-term rebound across the U.S., which is good news for Florida where timber resources are an important economic driver.

In a presentation to the Board of Directors at the Florida Forestry Association's recent Annual Meeting, Plum Creek summarized key factors the company expects to drive a surge in Southern lumber and timber demand (and prices) over the next five years. Recovery in the U.S. housing starts, sustained demand for softwood logs and lumber in Asia (primarily China), and lumber supply limits in Canada all point toward a swift rebound in Southern U.S. timber harvests.

Florida's economy is positioned to benefit, especially in the Northeast region where timber resources remain the predominant feature of the landscape.

A recent study by the Florida Forest Service reveals even greater cause for optimism. According to Commissioner



of Agriculture Adam Putnam, “most counties in Florida have highly sustainable forests that meet or exceed the demands of our forest products industry.” Results of the Comprehensive Statewide Forest Inventory Analysis Study show that a total of 17 million acres of forestland cover 49% of Florida’s surface area, and 49 of 67 counties in Florida exhibit sustainable forests.

This study indicates that Florida timber is poised for rapid rebound following the worst housing decline since the 1930s, ready to meet demand in a surge in housing starts predicted to reach 1.5 million nationwide in the next few years.

Rebounding demand for the timber industry is tied to recovery of the U.S housing market, which is pushing toward pre-housing bust levels for housing starts. In May, builders started work on the most new U.S. houses in almost five years, according to the U.S. Department of Commerce. Long-term demographic demand is projected to drive 1.5 million or more annual housing starts nationwide, and repair and remodel expenditures are predicted to dramatically improve over 2008–2012 levels, according to the Harvard Joint Center for Housing Studies. The U.S. Census reports that the country saw 896,000 housing starts in July 2013,

5.9% more than the month before and 20.9% above the July 2012 rate of 741,000.

Growth in housing starts in Florida gives more cause for confidence. The latest reports from the National Association of Homebuilders show 2013 year-to-date housing starts in Florida up 68% over 2012.

Growing demand is also fueled by timber and lumber exports to China. China’s economy is expanding at a continuous and stable growth rate, including increased demand for lumber. China’s surge in housing needs has led to a jump in lumber and log exports to the country. North American lumber exports to China surged 17-fold to 3.5 billion board feet since 2006, according to the International Wood Markets Group. These upward trends in China’s housing needs, plus limited alternatives, suggest sustained demand. Additionally, the bioenergy market is expanding in the U.S and abroad, and demand is emerging from the South with several mill projects underway.

To meet the projected demand in lumber, Southern production is expected to continue to grow over the next five years and exceed 2005 levels by 2016, according to Forest Economic Advisors.

At the same time, North American lumber and timber supply is constrained. According to the British Columbia Ministry of Forests, Lands and Natural Resource Operations, the Mountain Pine Beetle has decimated timber resources in Canada, the world’s largest exporter of timber. More than half the commercial pine in British Columbia, the largest timber-producing province, has been lost to the worst pine beetle infestation on record in Canada. The country’s output fell to 23.7 billion board feet in 2012 from a peak of almost 36 billion in 2004 – a 35% decrease. Eastern Canada is expected to lower its harvest levels by 20% to achieve sustainable rotations. And while Canada has supplied up to 35% of the lumber used in the U.S. in the past, its market share will likely shrink below 25%.

Timber recovery is good for Florida. The state’s 17 million acres of forestland make up an industry that employs more than 14,000 Florida residents, with an annual payroll of more than half a billion dollars. The annual economic contribution of the industry to the state has been steadily climbing toward the pre-recession height of \$18 billion, including an estimated \$32 million in taxes to state and local governments each year. These conditions are encouraging a growing and sustained market for this vital renewable resource in Florida.

As a steward of Florida’s forests, Plum Creek practices sustainable forestry on more than 448,000 acres in 21 counties. The company works with 25 contractors statewide to supply Florida manufacturing businesses that produce a variety of wood, pulp and paper products serving the everyday needs of people worldwide. With these rising trends, Plum Creek expects capital investments in new and existing plants, which equals new jobs and improved local economies. ●

Tom Reed is Vice President of Resources in the Atlantic South region for Plum Creek Timber Company.

REX LUMBER

Bristol
850.643.2238

Graceville
850.263.2056

REX-LUMBER.COM