

What Will 2024 Bring?

An Overview of the Economic Landscape and Its Influence on the Forestry Sector

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As we reflect on the recent events that have transpired across the industry in 2023 and look toward what we anticipate 2024 to bring, we must focus on the global supply chain and its ongoing influence on market dynamics.

Below is our comprehensive analysis of the current state of the global economy and supply chain in the forest products industry, along with our predictions for the upcoming year.

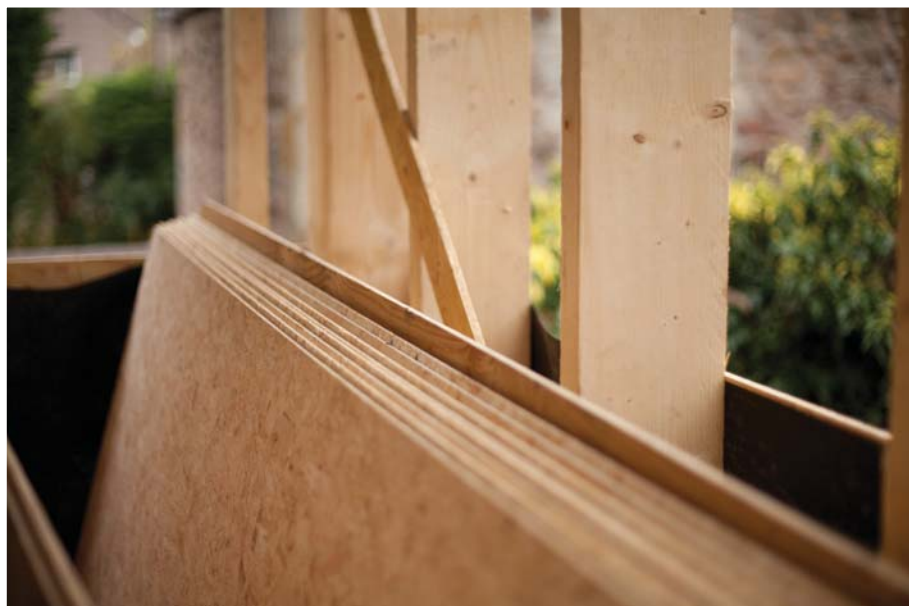
1 | The inventory destocking that occurred in virtually every industry in 2023 is coming to an end. This brings positive implications for the global pulp and paper industry and solid wood and lumber markets. Inventory destocking was one of the more important factors that contributed to the 2023 economy. With the end of destocking and indications that the Federal Reserve's interest rate hikes are also coming to a close, confidence in the economy has been embedded. This sets the stage for a resurgence in economic activity within the industrial sector, which is expected to occur in the first quarter of 2024.

2 | Homebuilders have swiftly adapted their strategies to the current high-interest-rate environment.

With interest rates expected to remain high until the Federal Reserve eases rates, builders have responded by offering interest-rate buydowns along with building smaller and, in some instances, more affordable homes. This includes making adjustments to certain features to accommodate the changing market dynamics.

3 | The forests in the U.S. South, including North Carolina, boast incredible productivity and offer some of the most cost-effective fiber in the world.

As we look ahead to 2024, landowners may hope for a surge in log and fiber prices, but unfortunately, the supply and demand balance is weighted towards too much supply. However, there is a silver lining to this. The low cost of log fiber serves as an incentive for new manufacturing, increasing the demand for logs and fiber. Therefore, we anticipate that the majority of new investments in the forest products industry will be concentrated in the southern region in 2024.



ABOUT THE AUTHOR

Pete Stewart, a 27-year veteran of the forest products industry, founded Forest2Market in 2000. Forest2Market is the only transaction-based wood-fiber pricing service in the industry. Through subsequent acquisitions and a partnership with Battery Ventures, Stewart expanded his role to become CEO of Forest2Market, Fisher International, and Tecnon OrbiChem—which were rebranded as ResourceWise. ResourceWise further expanded by acquiring Wood Resources International and PRIMA Markets in 2022 and Chemical Intelligence in 2023, broadening its global reach and expertise. As the CEO of ResourceWise, Stewart identifies acquisition opportunities and works tirelessly to integrate new price-reporting companies and their employees into the ResourceWise family and culture.

4 | Housing starts will be relatively strong in 2024, hanging between 1.3–1.5 million starts. In addition, demand for engineered wood — CLT, glulam, I-Joists, and mass timber — will continue to build, underpinning sawlog demand.

5 | Wood pellets and other forms of bioenergy are taking it on the chin right now. However, the long-term prospects for the wood-pellets market remain strong. The arc of renewables demand is long and has always been positive, and this trend is expected to continue. The demand for wood pellets and their price stability are closely tied to the cost of alternative fossil fuels. Given the unpredictable nature of current geopolitical issues, it is likely that this relationship will remain the same in 2024. It might even become stronger.

The global supply chain and its ongoing influence on market dynamics will remain vital in shaping the future of the forest products industry. Although the economy in 2023 left much to be desired, we anticipate positive changes in the coming year and firmly believe that the forest products industry is on track for a promising journey in 2024. ■