ARKANSAS CENTER FOR FOREST BUSINESS
UNIVERSITY OF ARKANSAS AT MONTICELLO
connecting people and forests

ARKANSAS Forestry Outlook Report: 2026

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2026 ARKANSAS FOREST HIGHLIGHTS

Overall

- **2025 did not see vast market changes in Arkansas' forest industry. Higher interest rates, a disappointing number of housing starts, and a strong physical supply of pine sawtimber held stumpage prices down**
- **2026 will be a stronger year in the forest economy in Arkansas, but not a breakthrough year. Easing interest rates will improve the demand for softwood lumber, particularly later in 2026 and thru 2027**

Growth to Removals 1.63 : 1

Number of Mills 73

Harvest Levels: Compared to last year 9%

Pine Markets

- **The oversupply of pulp and declining markets for mill residuals will only worsen in 2026. Family forest landowners will be hard pressed to sell standing pulpwood, and sawmills, as they increase production, will find stagnant growth in residual markets.**
- **Small diameter sawtimber (Chip-N-Saw) will continue to be a good market in 2026 as the raw material price fits into a comfortable niche with lumber demand and prices.**

Hardwood Markets

- **Hardwood pulpwood demand will continue to soften, driving hardwood pulpwood prices down.**
- **Mixed hardwood sawtimber price declines should slow, firmed up by good crosstie markets and a better flooring and cabinetry market.**
- **White oak sawtimber prices may continue to fall slightly in 2026, while red oak sawtimber prices, like mixed hardwood sawtimber, will firm up with further increases expected in 2027.**

"2026 will be a stronger year in the forest economy in Arkansas, but not a breakthrough year."

RECAP OF 2025

In 2025, wood manufacturing facilities in Huttig, Leola, Glenwood, Arkadelphia, and Russellville were closed or idled, reflecting a slowing housing market and general overcapacity in production of lumber in the nation, as well as higher transportation costs for sawmill residuals in some cases. Potlatch and Rayonier announced a merger in 2025 that should be completed by mid-2026. The merged company will initially retain the name Rayonier, and the combined land assets will make it the second largest landowner (behind Weyerhaeuser) in the United States.

Market prices for most solid wood products were stable or trended slightly upward by (1-3%), but this trend was neutralized by the effects of inflation and price increases on maintenance and parts for wood processing facilities. The exception to this was that 2025 was a particularly poor year for oriented strand board (OSB), with 2025 prices dropping 36% from the end of 2024.

Pulp, paper, and paperboard markets experienced continued moderate declines of 3%. This long-term trend has seen the loss of 42 million tons per year of pulpwood demand across the United States. In Arkansas specifically, the use of imported fiber at the GP Crossett tissue mill continues to put downward pressure on the market and logging employment in southeast Arkansas. On a positive note, Suzano's acquisition of the Pactiv Evergreen paper mill in Pine Bluff, and their plans to heavily invest and modernize the mill bodes well for pine pulpwood markets. Green Bay Packaging in Morrilton continues with their $1 billion investment which should improve production by 100% or more.

1-3%
Market prices for solid wood products trended upward in 2025

$1 B
Investment at Green Bay Packaging in Morrilton

"Real stumpage prices declined for pine pulpwood, chip-n-saw, and sawtimber to lowest level in 25 years."

RECAP OF 2025

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The housing market in 2025 had mixed experiences. Remodeling, which accounts for 40% of US softwood lumber demand, was very strong in 2025 with more than $375 billion in expenditures. New housing starts, however, continued to disappoint, with approximately 1.4 million new starts. Together, remodeling and housing starts account for approximately 75% of softwood lumber demand in the United States.

Stumpage prices for pine pulpwood, chip-n-saw, and sawtimber, when adjusted for inflation, are at their lowest in the last 25 years. Hardwood pulp, mixed hardwood sawtimber, and oak sawtimber have also declined slightly, but the stave market and a good crosstie market have kept hardwood prices from declining as fast as pine. Biomass and residual markets had slight price declines (3-4%) in 2025. These markets have shown good price appreciation for the last ten years, but in 2024 and 2025 their prices have stabilized. Drax idled its pellet mills in Leola and Russellville partly due to weaker UK market demand and costs to deliver pellets from these locations. In general, pine harvests accounted for 85-89% of all harvest tonnage reported from Arkansas severance tax data since 2021.

U.S. trade in wood products also showed mixed results. Log exports for softwoods were up 27%, but hardwood log exports were down 14%. Lumber exports in total showed declines in 2025; softwoods declined 14% and hardwoods by 10%. It should be noted that the export market for softwoods is nearly twice the size of that for hardwoods in the United States.

Overall, southern timberland prices have increased by 23% during 2025, with a South-wide average of $2,736 per acre. This value reflects both the bare land value, timber inventory, and current and anticipated income from southern timberlands. Nearly 800,000 acres of large timberland transactions took place in the US South in 2025. Timberland prices outside the US South were considerably higher, averaging more than $3,000 per acre. More than 50% of US timberland land transactions were in the US South, based on the belief of continued stability in timber markets, the relatively affordable nature of southern timberlands and an abundant timber supply.

Finally, in 2025, Arkansas' forest inventory data showed total net growth in excess of 50 million tons with harvest removals at 26 million tons. Total forest inventory shows growing stock increase from 1978 (577 million tons) to 2025 (1.1 billion tons).

FACTORS AFFECTING 2026 AND BEYOND

The continued excess in growth in Arkansas' standing timber inventories will maintain downward pressure on timber stumpage prices in the state. Growth to drain ratios for softwoods average 1.6, while in hardwoods, the ratio is greater than 3. This excess in physical supply favors the development of new wood processing facilities, but this condition exists across the Southeast United States, meaning Arkansas has to compete with other southern states for new wood manufacturing facilities.

Logging costs continue to rise, driven by parts shortages and maintenance price increases. Cut and load rates are $13-$14 per ton for coastal plain logging sites, and about $21 per ton for bottomland hardwoods and swamps. Upland cut and load rates have been stable, but wet site costs have increased by 10% over the last 3 years. Haul rates average $0.19 per loaded ton mile and have been relatively stable since 2022. Across the South, logging production averages about 70% of capacity due to the number of working days lost due to weather and road access constraints.

FACTORS AFFECTING 2026 AND BEYOND

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This loss requires two to three times the time at normal production to recover.

Expanding lumber production will become more expensive in 2026 and 2027, with estimated costs reaching and exceeding $1,000 per MBF, largely due to inflation in equipment prices. The producer price index (PPI) increased 2% in 2025, confirming increased production expenses across the wood industry. New mills will be an exception, however, as previously curtailed production at existing mills comes back online this will likely pick up any increases in demand in the near future. The presence of robust residual markets are key to new sawmill construction and expansion of existing operations.

Pulpwood, paper, and paperboard markets are expected to continue a slow decline in the United States. Printing and writing papers will face hard pressure as the move to a paperless society continues. Greater recycling will contribute to lower virgin fiber use, and even sanitary paper and tissue manufacturing is not expected to show growth. There will be strong regional and national level competition between mills and within corporations, as well as new competition from a fast-growing South American pulp and paper industry.

"The presence of robust residual markets are key to new sawmill construction and expansion of existing operations."

According to the US Energy Information Agency, global oil stocks are expected to increase as production exceeds demand in 2026 and 2027. Gasoline and diesel prices are expected to fall 9-11% in the coming two years. For industrial concerns, natural gas prices are expected to be stable in 2026 but increase substantially (30%) in 2027. The increase will happen as the US continues to grow in the export of liquified natural gas and the EU strives to wean itself from a Russian energy monopoly. Electricity demand in Arkansas will soar as data centers and cooling days increase, and the cost of new energy generation affects consumers. Electricity costs are expected to increase 3-5% per year in 2026 and 2027.

New housing starts are not expected to increase substantially in 2026 and will likely remain below the estimated long-run replacement and household formation need of roughly 1.5 million units annually. Structural constraints, which include zoning limits on higher density housing, elevated construction costs, and skilled labor shortages, continue to limit the pace of new supply. At the same time, affordability pressures and higher borrowing costs have reduced buyer purchasing power, which has increased listing times and raised

FACTORS AFFECTING 2026 AND BEYOND

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existing home inventory levels in many markets with corrections in list prices in many metro markets. But inventory gains appear uneven across price tiers, with more softening in higher-priced segments than in entry-level housing, where buildable supply remains structurally constrained due to cost and regulatory factors. Demographic transitions may gradually shift housing demand toward smaller and higher-density units over time, but national price effects from generational turnover are likely to be gradual rather than abrupt. Builder incentives and financing concessions have narrowed the effective price gap between new and existing homes in some markets, though this is not universal. Even if wage growth continues and interest rates ease, affordability constraints and rising inventory could limit further nominal price increases, resulting in flat nominal prices and modest declines in real (inflation-adjusted) terms.

Canadian tariffs imposed in 2025 but delayed for 6 months will increase to 35.4% in 2026. These increases will lead to expanded production in the United States, much of it by Canadian firms that have invested heavily in Southern lumber production in the past 10 years. Southern lumber production reached 37 billion board feet in 2025 and is expected to show modest gains, reducing the share of

Canadian lumber in US markets.

Competition from China and South America is growing and largely affecting Southern pulp/paper production. Softwood lumber production is expected to be up to 37BBF in 2025 and expect modest gains as Canadian tariffs are imposed. Longer term competition is expected, however, from South America in both fiber and lumber markets.

Nationwide, wood pellet production should continue to grow 5-7% in 2026, but the largest consumer of US whitewood pellets, Drax, will receive a lower subsidy for biomass generation of electricity.

FACTORS AFFECTING 2026 AND BEYOND

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30%
Natural gas prices are expected to rise significantly in 2027.

9 to 11%
Diesel and gas prices are expected to fall in the coming two years

3-5%
Electricity costs are expected to increase in 2026 and 2027.

European Union Deforestation Regulations pose challenges to family forest landowners in the United States. Distrustful of free-markets on timber harvesting and land management in the United States, the EUDR proposes tightening requirements on forest certification, timber sourcing locations, and chain-of-custody tracking for mill residuals. The need to accelerate the adoption of private landowner appropriate forest certification (American Tree Farm System) by family forest landowners will be a necessary step to access timber markets in the future.

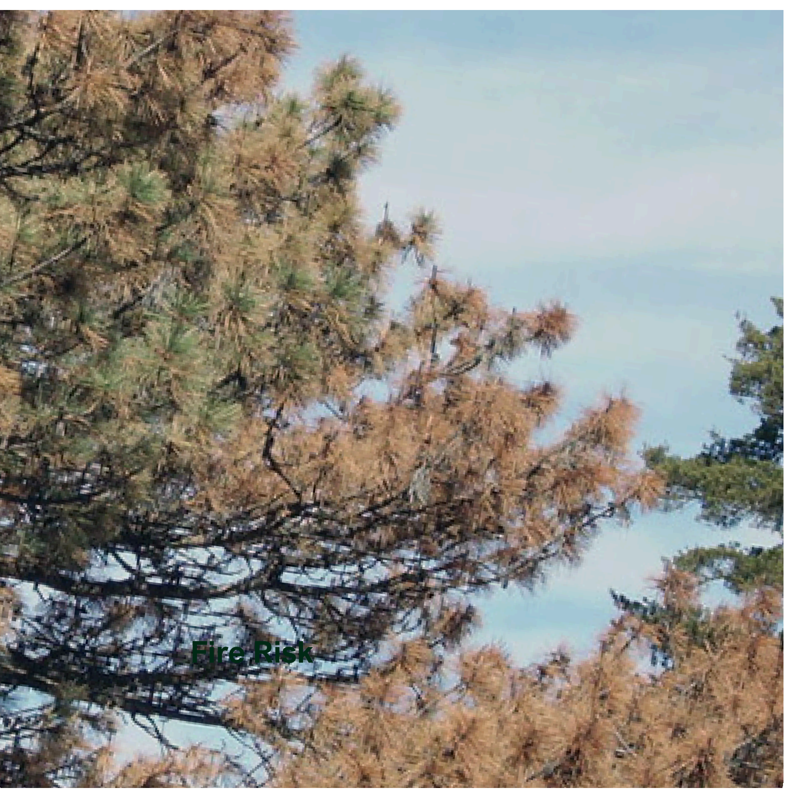
FOREST HEALTH CONCERNS

As Arkansas' forests continue to become denser and older, the threat to forest health continues to grow. Both Ips and Southern Pine Beetle outbreaks are on the rise in the South, with increasing Ips activity in Arkansas in recent years. SPB outbreaks have been seen in Alabama and Mississippi, but have yet to appear in Arkansas.

One new forest health threat in the state has been cause for concern, that is, brown-spot needle blight (BSNB). It has been found in 25 counties in Arkansas during 2025, up 11 counties from 2024. This fungal infection causes growth loss and increased tree stress that increases susceptibility to other pests and pathogens. One of the greatest needs to slow the impact of BSNB is mid-rotation thinning of pine stands. However, with reductions in markets for small-diameter wood in the state, this economical method of dealing with this threat is often not available to landowners.

Climate-wise, the National Weather Service predicts warmer temperatures and normal precipitation for Arkansas, but not enough to relieve droughty conditions that currently exist. The US Drought Monitor shows droughty conditions for most of Arkansas, with north central and northeast regions in severe drought. Tree growth may be affected if spring moisture is not sufficient

The National Interagency Fire Center predicts lower spring fire risk in Arkansas but higher risk in Southeast Atlantic coastal states, particularly those with substantial woody biomass on the ground following severe weather events.



Blights and Pests

25 counties now have BSNB, while IPS activity has increased in Arkansas recently

Temperatures and Drought

Temperatures are expected to be warmer. Drought conditions are expected to persist.

SHORT TERM MARKET PROJECTIONS

Pine pulp stumpage prices will not see any increases in 2026 as the supply situation simply overwhelms demand. Small diameter tree stumpage prices won't be helped by the decline in OSB prices, even though this market is expected to see some recovery in 2026 and 2027. The supply situation across family forest landowners and larger institutional landowners will continue to make it difficult for family forest landowners to contract with loggers for pulpwood. Loggers need steady production, therefore, longer contracts afforded by big landowners for this less-valuable material will be preferred.

Pine CNS currently is a bit of a sweet spot in the market with super-pulpwood and other pulp pine logs. Mill technology allows better lumber recovery from small stems, and clean chip demand is decent, so chip-n-saw markets should see modest growth in 2026. Increases in lumber futures indicate a better market for pine sawtimber in 2026. Lower Canadian imports should also help the market, even though sawtimber inventory is abundant. Price stability and modest price increases should be the rule for 2026, though any price increases will likely be less than inflation, so the decline in the real price of pine sawtimber will continue in the foreseeable future.

Hardwood pulp prices have historically been strong in Arkansas. However, as prices for pine pulpwood decline, there are shifts in production to the utilization of pine fibers once again. Also, one of the strongest paper markets in Arkansas is corrugated board and linerboard, also known

SHORT TERM MARKET PROJECTIONS

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as cardboard. Nationally, the sustained use of online retail is expected, and this sector will continue to be strong. Eucalyptus pulp from South America will be a growing competitor for hardwood pulpwood in the Southeast United States in the coming years. Mixed hardwood sawtimber prices have moderated in factory-grade lumber due to softer markets in flooring and cabinetry and lower exports of logs and lumber to Asia. Stronger home construction and remodeling markets should see flooring and cabinetry growth in 2026 and 2027, stabilizing prices on mixed hardwood stumpage. Strong crosstie markets are keeping the overall mixed hardwood prices relatively stable, and this should continue. Hardwood flooring is still holding its own in high-end homes, but entry level homes are using laminates, rubber, and resilient flooring (linoleum).

White oak stumpage prices have stabilized as the stave demand is variable nationally. The wine market is facing rising costs and shifts for lower cost ready to drink spirits and wines. There is still strong demand for premium alcoholic products, although even in this sector the trade war and shifting consumer preferences are introducing some instability in markets. Even the legalization of cannabis is stated as a competitor from brown liquors, as are weight loss drugs such as GLP-1 agonists, which curb alcohol cravings. This is leading to hiccups in some Arkansas' stave production. Red oak should show some growth in flooring, cabinetry, and furniture markets in 2026 and 2027, but price appreciation will be minimal. Export markets have experienced greater uncertainty due to proposed tariffs in 2025, but as these agreements are trending toward smaller and fewer tariffs, the hardwood export market situation looks better for 2026.

Southern institutional sales of forest land continue, with reasonable rates of return (9.5% for both appreciation and income). While prices remain stable for stumpage, as long as biological growth and the risk from climate, fire, insects, and disease remain manageable, the stability of timberland value makes it an attractive investment.

LONGER TERM TIMBER MARKET PROJECTIONS

Forecasting southern pine sawtimber growth to drain sees the growth to drain ratio moving towards 1.0 and even less than 1.0 by 2029-2030. Sawtimber growth has begun to decline, and overstocked, unthinned mid-rotation stands are not as rapidly converting to sawtimber stands. Because of decades of high growth to drain ratios, this will not mean a timber shortage, but it will put some upward pressure on sawtimber stumpage prices in 10-15 years. One concern is that should growth-to-drain ratios drop below 1.0 even for a short time, it will be easy to “spin” the story of wood being a non-sustainable resource. It is important to think of growth to drain ratios as dynamic, as single year metrics are not sufficient to tell the long-term story.

South American (SA) competition will affect both hardwood pulp and pine sawtimber markets. Major investments in SA, along with favorable growing conditions and excellent management, will make fiber and timber from SA a growing and substantial competitor for Southern US landowners. Canadian lumber tariffs notwithstanding, the US will be pinched by production from the North as well as South America.

Without a 180-degree turn in small diameter timber markets, forest health issues will worsen over the next 20-25 years. Reduction in planting densities, and future management will produce less pulpwood and increase the concentration on producing CNS and sawtimber. But existing pine plantations will take time to turn over given current tepid demand conditions. Overstocked forests of mid-rotation pine plantations may see income and appreciation of land investments having negative RORs in the next 5-15 years. Should this result in timberland investments declining, the possibility of a run to exit timberland investment could see dramatic declines in timberland values.

Crosstie production should remain strong for the next 10 years, with demand for crossties increasing 50% over this period. The low cost of rail freight, the shortage of truck drivers, and the long-term underinvestment in water transportation are making rail an attractive option.

Currently, the boomer generation is still driving the housing market. Post 2030, the housing size will contract as baby boomers turn over to GEN X, Y, and Z. Different demographics, more multi-unit housing (higher density housing), and greater demand for environmentally friendly materials. There is a potential for another housing price crash for the inventory of large, expensive homes coming.

Arkansas needs a 180 degree turn in small diameter wood markets over the next 20-25 years.

CONCLUSION

The Arkansas forest products industry faces many challenges in the immediate and long-term future. And as forest products markets go, so does the economic means to manage forests for good health, wildlife production, recreation, and other forest values. Three critical issues need attention to help create stronger rural communities in Arkansas that are based on agriculture, forestry, and mineral extraction. ***The first is the development of new markets for wood fiber, particularly those that combine with other growing industry sectors in the state, such as energy, poultry, and steel production.*** Bioenergy in the form of sustainable aircraft fuel is another route for improving markets for small-diameter trees. ***The second segment is improving rural infrastructure, particularly unpaved roads, which make up 84% of all Arkansas roadways.*** Year-round access to the natural resource wealth of our state is vital to continued economic growth by reducing haul costs and increasing safety metrics. Improving rural roads will also benefit the quality of life with better mail, emergency services, and school bus transportation. ***The third leg of the economic development tripod for forestry is workforce development.***

Artificial intelligence and other advanced technologies in forestry, particularly in logging and wood products manufacturing, are reshaping workforce development by increasing demand for skills in equipment technology and decision-support systems. Combined with improved soft skills solutions, these three areas will improve efficiency in the forest products industry while helping retain and attract people to live and work in rural Arkansas and do continue to allow Arkansas to be at the forefront of timber management and support for rural communities.

Three Critical Issues Need Attention

Data Sources

·Arkansas Department of Finance and Administration
·BTG Pactual and Timberland Investment Group
·Energy Information Agency, US Department of Energy
·Forest Landowners Association
·Federal Reserve Economic Data (FRED), St. Louis Federal Reserve Bank.
·Forisk Research Quarterly and Mill Capacity Database
·Future Market Insights
·Harvard University Joint Center for Housing Studies
·National Weather Service and Long-term drought monitor
·Railroad Tie Association
·Timber Mart South Quarterly Market Bulletin 4th Quarter 2025
·Transparency Market Research
·US Census Bureau Trade Online Statistics
·USDA Foreign Agricultural Service
·USDA Forest Service Forest Inventory and Analysis Data

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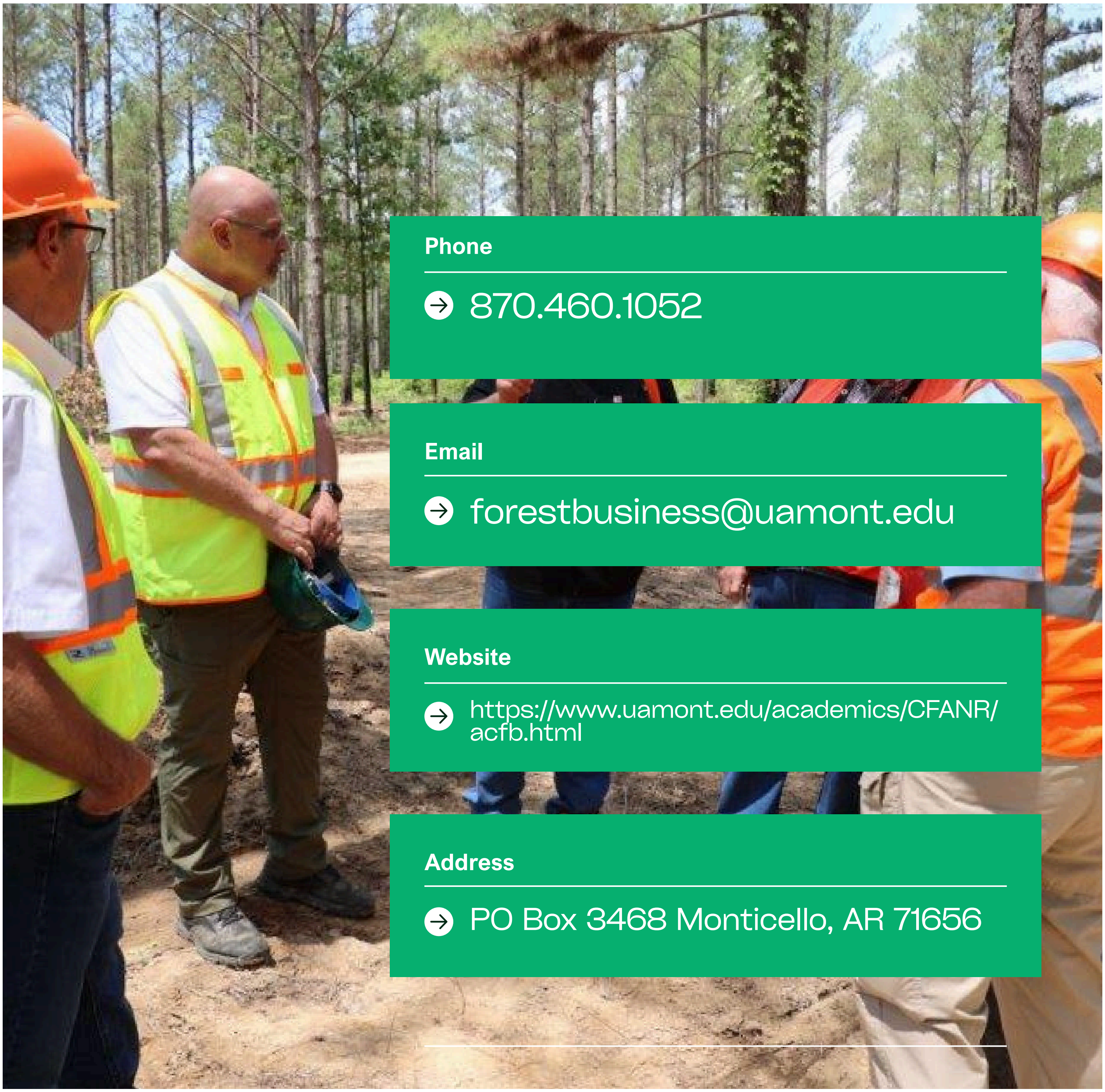

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