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PRESENTATION

Operator

Welcome, and thank you for joining Rayonier's First Quarter 2023 Teleconference Call. (Operator Instructions) Today's conference is being recorded. If you have any objections, you may disconnect at this time.

Now I will turn the meeting over to Mr. Collin Mings, Vice President, Capital Markets and Strategic Planning.

Collin Philip Mings ***Rayonier Inc. - VP of Capital Markets & Strategic Planning***

Thank you, and good morning. Welcome to Rayonier's investor teleconference covering first quarter earnings. Our earnings statements and financial supplement were released yesterday afternoon and are available on our website at rayonier.com.

I would like to remind you that in these presentations, we include forward-looking statements made pursuant to the safe harbor provisions of federal securities laws. Our earnings release and Forms 10-K and 10-Q filed with the SEC list some of the factors that may cause actual results to differ materially from the forward-looking statements we may make. They are also referenced on Page 2 of our financial supplement.

Throughout these presentations, we will also discuss non-GAAP financial measures, which are defined and reconciled to the nearest GAAP measures in our earnings release and supplemental materials.

With that, let's start our teleconference with opening comments from Dave Nunes, our CEO. Dave?

David L. Nunes ***Rayonier Inc. - CEO & Director***

Thanks, Collin. Good morning, everyone. First, I'll make some high-level comments before turning it over to Mark McHugh, President and Chief Financial Officer, to review our consolidated financial results. Then we'll ask Doug Long, Executive Vice President and Chief Resource Officer, to comment on our U.S. and New Zealand Timber results. And following the review of our Timber segments, Mark will discuss our real estate results as well as our outlook for the remainder of 2023.

For the first quarter, we generated adjusted EBITDA of $55 million and pro forma net income of $1.1 million or $0.01 per share, as our team navigated numerous market challenges. The total adjusted EBITDA generated by our Timber segments collectively declined 30% relative to an extraordinarily strong first quarter 2022, amid weaker end market demand, continued macroeconomic headwinds and the harvest disruptions associated with tropical cyclone Gabrielle, which hit New Zealand's North Island in February.

As anticipated, real estate closings were relatively light in the first quarter. However, our full year real estate pipeline remains relatively strong, and we continue to expect that closing activity will be heavily weighted toward the second half of the year.

Drilling down further on our operating segments, our Southern Timber segment generated first quarter adjusted EBITDA of $43 million, down $6 million from the prior year period, as weaker demand for pulp products and lumber, coupled with drier weather conditions, drove a 14% reduction in net stumpage prices. Both demand and pricing were impacted by softer market conditions during the quarter as our customers worked through elevated log inventories and recalibrated for slower end market demand.

Compared to less tensioned markets in the U.S. South, the relative price elasticity in a majority of our markets translated to a sharper pullback in pricing from 2022 levels. However, our absolute pricing levels, EBITDA per acre and EBITDA per ton, remain very favorable compared to the U.S. South overall.

In our Pacific Northwest Timber segment, first quarter adjusted EBITDA of $7 million was down $14 million from the prior year quarter. The decrease versus the prior year period was attributable to a 24% decrease in harvest volumes and a 12% decline in domestic sawtimber prices.

Overall, market conditions in the region softened due to weaker lumber demand and pricing, less tension from the export market and general macroeconomic uncertainty. Given the pricing declines we saw during the quarter, we opted to defer some planned harvests until end market demand and mill inventories normalize.

Turning to our New Zealand Timber segment. First quarter adjusted EBITDA of $6 million declined $4 million versus the prior year quarter due to lower carbon credit sales, unfavorable foreign exchange impacts and 7% lower harvest volumes resulting from the impacts of Cyclone Gabrielle. While delivered export sawtimber prices also declined by roughly 11%, stumpage realizations were relatively flat as shipping costs returned to more normalized levels.

As it results to cyclone -- as it relates to Cyclone Gabrielle, our thoughts go out to all of those who were affected by the storm. While we sustained some timber and property damage, fortunately, no Rayonier employees or contractors were injured by the storm. During the quarter, we completed our damage assessment and determined that a $2.3 million write-off was necessary due to timber damage on roughly 2,600 acres.

From an operational standpoint, we also lost several production days during the first quarter. However, access to the forest has been restored, and we currently expect that much of this production will be recaptured by the end of the year.

In our Real Estate segment, we generated adjusted EBITDA of $7 million for the first quarter, down $18 million from the prior year period as higher weighted average per acre prices were more than offset by 76% fewer acres sold. Despite the increase in interest rates as compared to a year ago, demand for rural land remains strong, and we remain pleased by the favorable momentum in both our Wildlight and Heartwood development projects.

With that, let me turn it over to Mark for more details on our first quarter financial results.

Mark D. McHugh ***Rayonier Inc. - President & CFO***

Thanks, Dave.

Let's start on Page 5 with our financial highlights. Sales for the first quarter totaled $179 million, while operating income was $11 million and net income attributable to Rayonier was $8 million or $0.06 per share. On a pro forma basis, net income was $1.1 million or $0.01 per share.

Pro forma items in the first quarter included a $9 million net recovery associated with a legal settlement as well as a $2.3 million timber write-off resulting from Cyclone Gabrielle. Adjusted EBITDA was $55 million in the first quarter, down from $98 million in the prior year period.

On the bottom of Page 5, we provide an overview of our capital resources and liquidity. Our cash available for distribution, or CAD, for the quarter was $30 million versus $65 million in the prior year period. The decrease was driven by lower adjusted EBITDA and higher capital expenditures, partially offset by lower cash taxes and interest paid. A reconciliation of CAD to cash provided by operating activities and other GAAP measures is provided on Page 7 of the financial supplement.

We closed the first quarter with $99 million of cash and $1.5 billion of debt. At the end of the first quarter, our weighted average cost of debt was approximately 3.1%, and the weighted average maturity on our debt portfolio was approximately 6 years, with no significant debt maturities until 2026. Our net debt of approximately $1.4 billion represented 22% of our enterprise value based on our closing stock price at the end of the quarter.

I'll now turn the call over to Doug to provide a more detailed review of our timber results.

Douglas M. Long ***Rayonier Inc. - Executive VP & Chief Resource Officer***

Thanks, Mark.

Let's start on Page 8 with our Southern Timber segment. Adjusted EBITDA in the first quarter of $43 million was 12% below the prior year quarter driven by lower net stumpage pricing and higher costs, partially offset by higher non-timber income. Total harvest volume was relatively flat versus the prior year quarter as an increase in pine sawtimber volume offset reduced pine pulpwood and hardwood volumes.

Average sawlog stumpage pricing was $32 per ton, an 11% decrease compared to prior year period. The moderation in pricing reflected reduced market tension across our operating areas due to drier weather conditions, softer demand from sawmills and less competition from pulp mills for chip-n-saw volume.

Meanwhile, pulpwood net stumpage pricing fell 28% versus the prior year quarter to roughly $17 per ton as weaker end-market demand, drier weather conditions and extended maintenance outages at pulp mills all contributed to softer market conditions. Overall, weighted average stumpage prices in the first quarter fell 14% versus the prior year quarter to roughly $24 per ton.

As we had anticipated entering the year, both sawtimber and pulpwood pricing have retreated from the exceptionally strong levels we saw a year ago given the slowdown in residential construction activity and weaker end market demand for pulp products.

While we expect that macroeconomic related headwinds will persist over the near term and constrain log pricing, to some degree, we continue to believe that the relative strength and diversity of our U.S. South footprint is a key strategic advantage for us.

Moving to our Pacific Northwest Timber segment on Page 9. Adjusted EBITDA of $7 million was $14 million lower than the prior year quarter. The year-over-year decrease was primarily driven by lower net stumpage realizations, lower harvest volumes and higher costs. Volume decreased 24% in the first quarter as compared to prior year period as some planned harvests were deferred in response to soft market conditions.

At $93 per ton, average delivered domestic sawlog pricing in the first quarter was down 12% from the prior year period primarily due to weaker demand from domestic lumber mills as well as reduced tension from the export market. Meanwhile, at $48 per ton, pulpwood pricing increased 28% over the prior year first quarter, but did moderate from the exceptionally high levels achieved in the second half of 2022.

Overall, sawmills in the Pacific Northwest had an ample supply of logs to start the year, which negatively impacted market conditions. However, as we progressed into the spring, we started to see some indications that log inventories are declining. As we look ahead to the remainder of the year, we expect declining mill inventories, coupled with improving end market demand, to translate into positive momentum in sawlog prices.

Turning to pulpwood. We expect pricing realizations will continue to moderate as the supply constraints that helped drive exceptional pricing in the second half of 2022 normalize over the near term.

Moving to New Zealand. Page 10 shows results and key operating metrics for our New Zealand Timber segment. Adjusted EBITDA in the first quarter of $6 million was $4 million below the prior year quarter. The decrease in adjusted EBITDA compared to the prior year period was driven by fewer carbon credit sales, unfavorable foreign exchange impacts, higher costs and lower harvest volumes due to lost production days as a result of Cyclone Gabrielle.

Average delivered export sawtimber prices of $113 per ton declined 11% compared to the prior year quarter. However, stumpage realizations on export volume were relatively flat as shipping costs fell to more normalized levels.

Encouragingly, the Chinese economy appears to be showing some signs of recovery on the relaxation of COVID-19 containment measures in late 2022 and the implementation of government stimulus measures designed to boost confidence in the real estate market. While port offtake in China remains below normal for the post-Lunar New Year period, port inventories have trended lower as consumption has outpaced the inflow of logs, giving us optimism that the export market will gradually improve as the year progresses.

Shifting to the New Zealand domestic market. First quarter average delivered sawlog prices fell 6% from the prior year period to $72 per ton, largely reflecting the change in the New Zealand dollar -- U.S. dollar exchange rate. Excluding foreign exchange impacts, domestic sawtimber prices are relatively flat from the prior year period.

Domestic pulpwood prices in New Zealand were likewise impacted by foreign exchange rates, declining 5% on a U.S. dollar basis compared to the prior year quarter, but up 1% when excluding foreign exchange impacts.

Non-timber income in the New Zealand segment declined during the first quarter relative to the prior year period as we deferred the sale of carbon credits, amid pricing volatility caused by regulatory uncertainty. Going forward, we plan to remain opportunistic in our sale of carbon credits, depending on carbon credit market conditions and our pricing outlook.

Lastly, in our Trading segment, we posted a slight operating profit in the first quarter. As a reminder, our trading activities typically generate low margins and are primarily designed to provide additional economies of scale to our fee timber export business.

I'll now turn it back over to Mark to cover our real estate results.

Mark D. McHugh ***Rayonier Inc. - President & CFO***

Thanks, Doug.

As detailed on Page 11, the first quarter contribution from our Real Estate segment was relatively light, consistent with our expectations entering the year. Real Estate sales totaled $16 million on roughly 2,100 acres sold at an average price of $6,200 per acre. Real Estate segment adjusted EBITDA in the first quarter was $7 million.

Drilling down, sales in the improved development category consisted of 2 transactions in our Heartwood development project, South of Savannah, Georgia. During the quarter, we closed on a 27-acre multifamily site to a regional developer for $4.5 million or $169,000 per acre as well as 6 residential lots to a national homebuilder for $300,000, reflecting an average base price of $50,000 per lot.

In addition to these closings, we're also very excited about 2 sites that broke ground in Heartwood during the quarter. The first is the initial phase of the St. Joseph's/Candler Healthcare campus, which will provide the community with convenient access to primary care, urgent care, specialty medical services,and other wellness facilities.

The second is the Hyundai Mobis manufacturing plant at Belfast Commerce Park, which will supply power systems and control units for electric vehicles.

Combined with the Hyundai Meta plant that's currently under construction within a 30-minute drive from Heartwood, these facilities are expected to create an estimated 9,500 jobs in the area. We believe that the 2 Hyundai plants, as well as the new health care campus, will drive further demand within the Heartwood development project going forward.

Overall, we continue to believe that both our Wildlight and Heartwood development projects are well positioned and will benefit from favorable migration and demographic trends, relatively affordable price points and a diverse mix of residential, commercial and industrial end uses that each help catalyze demand for one another.

Turning to the Rural category. First quarter sales totaled $6 million, consisting of approximately 1,500 acres at an average price of roughly $4,200 per acre. Key transactions included the sale of 439 acres in Allen Parish, Louisiana for $1.6 million or $37.50 per acre; and the sale of 360 acres in Marion County, Florida for $1.5 million or $4,300 per acre. Overall, we're encouraged by the fact that demand for rural land has held up well, particularly from buyers not reliant on mortgage financing.

Lastly, during the first quarter, we also closed on the sale of just over 500 acres of nonstrategic holdings in Hardin County, Texas for $1.6 million or roughly $3,100 per acre.

Moving on to our outlook for the balance of 2023. Based on our first quarter results and our expectations for the balance of the year, we now anticipate full year adjusted EBITDA toward the lower end of our prior guidance range of $280 million to $320 million. Similarly, we anticipate pro forma EPS towards the lower end of our prior guidance range of $0.36 to $0.50.

With respect to our individual segments, in our Southern Timber segment, we are on track to achieve our full year volume guidance, but anticipate lower quarterly harvest volumes for the remainder of the year following a relatively strong first quarter. Over the near term, we expect weighted average net stumpage realizations will remain below first quarter levels as demand, particularly for pulpwood, has been negatively impacted by the macroeconomic environment. We continue to anticipate higher nontimber income for full year 2023 as compared to full year 2022.

In our Pacific Northwest Timber segment, we expect harvest volumes toward the lower end of our prior guidance as we have deferred some planned harvests in response to unfavorable market conditions. Following the pullback in pricing to start the year, we anticipate the weighted average delivered log prices will improve modestly from first quarter levels over the balance of 2023, as end market demand and mill inventories normalize.

In our New Zealand Timber segment, we expect harvest volumes toward the lower end of our prior guidance given the lost production days resulting from Cyclone Gabrielle. Compared to the first quarter, we anticipate the weighted average delivered log prices will remain relatively flat over the balance of the year. We further anticipate a higher contribution from carbon credit sales over the balance of the year following no activity in the first quarter.

In our Real Estate segment, we remain encouraged by the interest in our development projects and rural properties. Overall, there continues to be strong demand for HBU properties and timberland assets, despite the higher interest rate environment. Consistent with our prior guidance, we expect significantly higher transaction volume and operating results in the second half of the year from this segment.

I'll now turn the call back to Dave for closing comments.

David L. Nunes ***Rayonier Inc. - CEO & Director***

Thanks, Mark. While the current macroeconomic backdrop and near-term outlook are challenging, we remain optimistic about the long-term prospects for our business and have been pleased with the progress made over the past few years in both growing and improving the quality of our portfolio.

We believe that favorable long-term housing fundamentals, coupled with burgeoning business opportunities around nature-based solutions, should support long-term growth in timberland cash flows and corresponding valuations over time.

As we discussed in our recent annual shareholder letter, timber as an asset class is enjoying somewhat of a renaissance in terms of its investment appeal given the role forests can play to address the impacts of climate change. In addition to sequestering carbon, a variety of alternative uses for land and wood fiber are evolving to support the transition to a low-carbon economy. We are advancing several initiatives to better understand how these opportunities can add value to our Timberland portfolio over time.

While we are excited about these new opportunities, our team remains extremely focused on navigating the near-term headwinds associated with a challenging macroeconomic environment. The operational flexibility afforded by our pure-play timber REIT model, coupled with the diversity and relative strength of the markets we operate in, remain a key competitive advantage for us.

On this note, the integration of the 137,800 acres of timberland we acquired back in December has gone very well and has afforded us greater flexibility to navigate the rapidly evolving market conditions that we've seen so far this year. That said, it's important to reiterate that we don't believe in growth for growth's sake. And pursuant to our active portfolio management strategy, we also continuously evaluate opportunities to recycle less productive capital towards uses with a better risk return profile.

In sum, I believe that our team, our culture, our timberland and real estate assets and our strategies are well aligned to achieve future success. I'm very proud of how our team is working together to adapt quickly to changing market conditions, while also advancing important initiatives that will enable us to continue to build long-term value for our shareholders.

This concludes our prepared remarks, and I'll now turn the call back over to the operator for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Anthony Pettinari with Citi.

Gregory Andreopoulos ***Citigroup Inc., Research Division - Research Analyst***

This is Greg Andreopoulos on for Anthony. Quickly, looking across your broader Southern portfolio, are there any regional trends in pricing, maybe log inventories in mills, mills approaches the whole inventories or end market demand that you identified in your various operating markets? And maybe if you could just touch on the Southern acquisitions versus the legacy Rayonier portfolio.

Douglas M. Long ***Rayonier Inc. - Executive VP & Chief Resource Officer***

Good morning. This is Doug. I'll start with that. So as we noted in our prepared remarks, the recent pressure on log pricing in U.S. South has been most pronounced in the markets that registered the largest pricing gains last year, and is really reflective of that price elasticity that we see in our more tension markets.

A few additional points that I'd like to make on that is that the -- actual stumpage price realizations in most of our markets remain quite favorable compared to the U.S. South overall, reflecting that favorable growth drain dynamics that exist in areas where portfolio is concentrated and where we've grown recently on acquisitions you mentioned.

That said, the year-over-year comps are down given the very tough year ago Q1 comps we had. Heading into 2022, most of our wood baskets had very strong end market demand for both sawtimber and pulpwood products. And we also had a wet winter at the end of 2021 that constrained the amount of supply available. So overall, a significant amount of tension was created in markets that already had favorable supply-demand dynamics, and that's what drove that particularly strong pricing that we achieved a year ago.

This is in contrast to some of the other operating areas in U.S. South that didn't see the same momentum last year given those markets didn't have the underlying growth drain dynamics that allow for that increased tension to have such an impact on the pricing. So while there's quite a bit of volatility on our markets, we still believe these are more -- the more tension baskets are better positioned for the long term given the absolute price -- pricing levels and superior EBITDA per ton generation that we have.

And to your question around kind of where we're seeing things across the region, rainfall patterns were definitely different and across the South. And so that Mississippi River Delta area had a particularly wet kind of winter and spring. And then over here along the Atlantic Coast, it's been much drier, so we've been below normal rainfall.

So we have seen some difference in markets, as I mentioned about the wet weather there. As well as along the Atlantic Coast, mills here have a higher percentage of exports. And so we've seen some weakness as there's been less demand for exports, both to Europe and China. So there's been a little bit difference between kind of the East Coast versus our kind of Gulf state mills and regions.

Gregory Andreopoulos ***Citigroup Inc., Research Division - Research Analyst***

Interesting. That's very helpful. And just a quick follow-up. Last year, you provided us an update on global log flows after the Russian invasion of Ukraine and the weaker European economy. So my question, I guess, is given your global footprint, can you discuss the current global log supply-demand environment?

And any notable export trends you identify out of Russia and Europe? And on your end, what's the opportunity to flex New Zealand and Pacific Northwest volumes to other destinations outside of China?

Douglas M. Long ***Rayonier Inc. - Executive VP & Chief Resource Officer***

Yes, I'll take a stab at that also. So things have kind of sorted out the way we thought they would with respect to the Russian-Ukraine volumes. One of the biggest things has probably been the ramp-up in China is still working its way through. So as we mentioned, in our kind of comments before in the prepared remarks, we're encouraged by the fact that the port inventories in China are trending lower over the past few months, as consumption has outpaced the inflow of logs.

And kind of latest reports we have from April showed that softwood port inventories are at 4.3 million cubic meters, and that's down about 8% over March. So we are seeing some drawdown. And so that's the good news for us. And what we have seen probably less than the logs going into China is the fact that logs from Europe through that Ukraine war were moving to China, and that seems to have slowed down now. So the last of that salvage logs, those kind of contracts are in place have slowed down. So we're seeing a reduction in European spruce starting to move into China.

We haven't seen an increase in Russian logs to China. What we've seen more is lumber being made and shifted into China basically from Russia area. And probably, more what we've seen is just the weakness in Europe overall on the macro level. And so we've seen imports of lumber from Europe heading into the United States, I think, is something that's impacted and kept a damper here.

On the log side, we're seeing demand in China now starting to pick up. So we've seen past the Lunar holiday in April, estimated daily takeaway in China was around 75,000 cubic meters, which is up 55% compared to April 2022 during the height of the COVID lockdowns, but it's more typically in the 80,000 to 90,000 cubic meter range. So good progress from where we were last year, but still some room to go there.

However, there's a few factors giving us some optimism that prices will improve once log imports normalize and demand increases. China's National Bureau of Statistics reported that year-over-year GDP expansion of 4.5% in the first quarter of 2023. Which exceeded both the economist estimates and the prior growth for the quarter before.

And then residential floor space sold in the first quarter of Q1 basically grew also. So we're seeing growth in that. This is typically viewed as a leading indicator of the residential construction market and may signal a turning point in demand for construction materials that our export logs are used for.

How long for that dynamic to take place play out is yet to be determined. But relative to like what we saw last year, as I mentioned, quite an increase in log demand from the ports as we go after the COVID restrictions. So we're feeling much better about the current environment as we move forward.

Operator

Our next question comes from Ketan Mamtora with BMO Capital Markets.

Ketan Mamtora ***BMO Capital Markets Equity Research - Building Products Analyst***

I'm curious if you can provide some color on kind of what you're seeing around carbon credits, both in New Zealand and also in the U.S., which is kind of increasingly becoming a very topical area. And what is the work you guys have been doing around that?

David L. Nunes ***Rayonier Inc. - CEO & Director***

Sure. Ketan, this is Dave. Yes, keep in mind, New Zealand has a regulated carbon market, and so that's something that we've been participating in for a number of years. Carbon prices were very strong last year, and so we've always sort of taken an opportunistic approach to selling carbon.

We sold a fair number of carbon credits last year. We were off the market earlier this year. The market was softer due to some uncertainty from a regulatory standpoint within New Zealand and the perception of that market. And so we're waiting for things to firm.

Having said that, that market is a lot further developed than in the U.S. I think the U.S. is really looking at a voluntary carbon market. And as many have pointed out, there's lots of concern around potential for greenwashing.

And so a number of participants, ourselves included, have taken a fairly cautious approach to make sure that any carbon projects that we advance kind of pass the smell test for things like additionality. And so we're continuing to progress those projects, but we do not have one that's up and running as of yet for those reasons, again, similar to many other participants.

We are seeing a lot of interest kind of related to that in carbon capture and storage. That's an area that has progressed faster than we thought. We have put in place our first lease on our carbon capture and storage project. We have a number of others that we're working on right now. So that's one that we're encouraged by. Keep in mind, it will take a number of years for revenues to start flowing as the permitting process is fairly complex, but we're very encouraged by the general market interest in that.

Ketan Mamtora ***BMO Capital Markets Equity Research - Building Products Analyst***

Got it. That's helpful. Can you provide any -- sort of any quantitative insight into kind of what the prices are, both in New Zealand and the U.S. around kind of carbon credits and how you guys kind of view that?

David L. Nunes ***Rayonier Inc. - CEO & Director***

Yeah. Last year, the carbon credits in New Zealand were roughly USD 50 per New Zealand unit. They're down right now from where they were last year. That's a substantially higher price than the U.S. market, reflecting the difference between a regulated and a voluntary market.

We've seen voluntary carbon prices in the U.S. really all over the map from low single digits to prices that are over $10 per metric ton. But I'd say that until carbon prices get to a meaningfully higher level, you're likely not to see a lot of change in the way that industrial timberlands are managed, vis-a -vis that trade-off between log production and carbon sequestration.

Ketan Mamtora ***BMO Capital Markets Equity Research - Building Products Analyst***

Got it. That's very helpful. And then last question from my side. It just sounds like there is incrementally more pressure on the Southern pulpwood market. Can you talk about how much of this is kind of specific issues related to Q1? Or is it kind of more of a cyclical thing where you are actually seeing kind of pressure on the demand side, which could continue through kind of 2023 at least?

Douglas M. Long ***Rayonier Inc. - Executive VP & Chief Resource Officer***

Yeah. This is Doug. I'll answer that one. A lot of the pressure we saw on the pulpwood market was a result of Q4 of last year. And so we really saw operating rates for a lot of the mills reduced in Q4, as they saw demand decreasing for them. And as that's weighing through, we're starting to see things pick up a little bit. But through Q1, we saw that reduced capacity.

A lot of the mills at this time of the year, they take their spring shut down, and so we saw those extend a little bit. But we -- what we're hearing now kind of through supply chain is that kind of a lot of their end customers have started that destocking process, and that's start to ripple back. So as some of the mills have come back from their spring maintenances, they're starting to increase their production rates.

So I think what we've seen is most of that weakness has already happened through Q4 into Q1. And really, as we look at our kind of average weighted net stumpage going forward, a lot of what we're seeing is we have an increased amount of thinning that happens in Q2, Q3, and that's just a seasonal thing that typically happens. And those thinning volumes increased the production of pulp wood. And then some geographic mix as we also shift some of the harvest around. So on a per -- kind of product per pricing basis, we're seeing things stabilize.

Operator

Our next question comes from Buck Horne with Raymond James.

Buck Horne ***Raymond James & Associates, Inc., Research Division - SVP of Equity Research***

Hey. Thanks. Good morning guys. I kind of wanted to follow up a little bit on the pulpwood discussion in more detail. Just -- I mean, can we isolate exactly kind of what the demand drivers in the end markets were that created -- that has created some of that softness, while the mills are taking or slowing down their operating rates for pulp production?

And I guess, the follow-up to that is, do we see any near-term catalysts on the horizon that could increase pulpwood pricing, whether that be pellets or some sort of -- whether it's sustainable aviation fuel uses? Anything else on the pulpwood side that could increase that demand usage?

Douglas M. Long ***Rayonier Inc. - Executive VP & Chief Resource Officer***

Yes. Like I was mentioning before, I think what we've heard is that coming through COVID, a lot of the kind of the end users of the boxes and different linerboard materials had stocked up. And I think things move down, and as people kind of changed our patterns after COVID, there was a need for destocking at that end level basically on the conversion side. And so I think that's really what impacted from our understanding a lot of the demand, particularly in Europe, but also in China.

And what we're hearing is -- and then obviously, this is through the mills, so they would know better than myself. But does that -- we really started to see some of the destocking, both in China and Europe, so that's starting to play out. And I think that's why there's some improved production moving forward.

When it comes to the pellets from what also what I've heard there is demand is still strong in Europe, and so we see that. Some of the pulp mills we've provided to have had basically some maintenance issues and things like that, so they haven't, run at full capacity, and we're seeing them back up and running at full capacity. So I see some upside there.

And then the last point you brought out, with respect to supplying fiber for bioenergy and aviation fuel manufacturing facilities, that's an emerging opportunity that we're exploring right now with quite a few people, and I think really could provide solutions to folks in that area, and we're pretty excited about that. But again, it's going to take -- it's like the carbon capture storage. It's going to take a while for those plants to get built.

The first one I'm aware of in our kind of operating area is in Texas, and they're starting to strike ground on that now. And so we're excited to see that happen. So we do believe that's going to be a growing opportunity for us in the future.

Buck Horne ***Raymond James & Associates, Inc., Research Division - SVP of Equity Research***

Awesome. Okay. Appreciate the color there. And secondly, with the -- unfortunately, the stock price being where it is these days and where your NAV, I think, is sustainably at and the disconnect there, is there an interest -- or do you have any authorizations for potentially using stock repurchases or selling acreage to fund repurchases to close the disconnect here?

David L. Nunes ***Rayonier Inc. - CEO & Director***

Yes. Buck, I'd say, first of all, we -- keeping to our nimble approach to capital allocation, we always have an open buyback authorization as well as an open ATM authorization. So we have both of those sort of levers at our disposal. And we've always felt that land and timber is an asset that can be sold readily, if such an opportunity were present. And so I think we continue to believe we have lots of flexibility on that front.

Operator

(Operator Instructions) Our next question comes from Paul Quinn with RBC Capital Markets.

Paul C. Quinn ***RBC Capital Markets, Research Division - Director of Paper and Forest Products & Paper and Forest Products Analyst***

Just whether if you could give us some overall comments on North American timberland markets themselves. It sounds like according to third-party sources that there's is a dearth of transactions out there. Do you see that improving over the year?

David L. Nunes ***Rayonier Inc. - CEO & Director***

Yes, it's been -- there have been a few transactions to date, Paul. The ones that are out there that have closed have generally been of lower quality, and you see that reflected in the pricing. There's roughly 10 transactions right now out in the market for roughly a couple hundred thousand acres in total, the vast majority of those being TIMOs that are selling them.

We keep a pretty active look on the market, but we've been -- with -- it was a relatively quiet quarter for us. We closed on 4 small bolt-on transactions, 2 in Florida, 1 in Georgia and 1 in Washington, during the first quarter for about 2,500 acres. So not a very -- pretty small bites for us. But we're continuing to monitor those markets. And generally, this time of the year, we start to see offerings for the second half starting to flow into the market.

Paul C. Quinn ***RBC Capital Markets, Research Division - Director of Paper and Forest Products & Paper and Forest Products Analyst***

Okay. Thanks. And then I appreciate the color on Cyclone Gabrielle. How do you characterize the rest of the New Zealand forest products industry and the effect of that cyclone had on the rest of it, i.e., is your competitive position improved or hurt through that cyclone?

Douglas M. Long ***Rayonier Inc. - Executive VP & Chief Resource Officer***

Yes. This is Doug. I think in the longer term, it's -- I guess, you can say somewhat improved in that some of our peers had significantly more damage than we did and it was mature forest. So that will have a knock-on effect as time goes on, particularly in the Central North Island.

So there were definitely some areas where people unfortunately suffered way more damage than we did, and that would be reduced supply of sawlogs and particularly in pruned volume over the next couple of years.

But right now, first, we had a short-term influx of salvage volume that's going to hit the market. And so we're working through that as we go forward now. And -- but we've seen crews shift away from mature -- salvage the timber that wasn't damaged, so we think that will kind of supplant that. So I think if you look out a year or 2 from now, then it's probably a competitive advantage in that respect. There's just less volume out there of mature wood to compete.

David L. Nunes ***Rayonier Inc. - CEO & Director***

Paul, I'd add to that, our footprint in New Zealand is fairly dispersed across the country. And so as a result, we had roughly 2,600 acres that were affected. So it was a pretty small area of impact, and roughly 2/3 of the write-down that we took was around pre-merchantable timber.

And so to Doug's comment, we're seeing some market weakness right now due to a lot of mature timber that was blown down. And so that has kind of clogged the market from a supply standpoint. But we feel fortunate in that we were -- were weren't very heavily impacted.

And again, it gets back to one of the mitigations you have. In any kind of hurricane impact is the less blocked up you are, that is a risk mitigator, and that certainly played out that way in New Zealand.

Paul C. Quinn ***RBC Capital Markets, Research Division - Director of Paper and Forest Products & Paper and Forest Products Analyst***

Okay. And then maybe just a follow-on. That extra salvage volume that you're going to see in the short term, is that going to clear in the quarter? Or is that going to clear this year? Or is it dragging in '24?

Douglas M. Long ***Rayonier Inc. - Executive VP & Chief Resource Officer***

It's hard to tell on how long it will take the salvage, but it's definitely to take more than a quarter. But I would think this is going to be a 2023 event and shouldn't really impact things. The quality of the wood will start to deteriorate that they're moving into their winter, which will help some. But also there'll still be a problem.

So I think this is -- typically, this kind of hurricane salvage volume type of thing, it's less than a year. So I expect it will play out. They're working on as quick as possible. So I think this is a 2023 couple of quarters, and then it should be cleared through and then we see the impact of less volume on the market.

Paul C. Quinn ***RBC Capital Markets, Research Division - Director of Paper and Forest Products & Paper and Forest Products Analyst***

Okay. Understood. And then just lastly on carbon. You mentioned New Zealand has got a regulated market. North America, basically voluntary. How do we get from a voluntary market into a regulated market? And what is Rayonier doing to accelerate the transition?

David L. Nunes ***Rayonier Inc. - CEO & Director***

Yes, it's not clear to us, Paul, that the U.S. is going to see a regulated market anytime soon. That's -- you think about some of the political elements to this, and it's why you're seeing a lot of market participants really pursuing various efforts along voluntary front. And you see a number of programs that are designed around improved forest management lengthening a rotation that sort of thing or deferring a lot of harvest for periods of time.

We're also seeing opportunities around afforestation, where you're converting land that has not been in timber production, which is a cleaner way of looking at carbon. One of the things that we are looking at potentially doing, in light of the fact that we don't see a prospect for a regulated market, is looking for opportunities where we can have direct discussions with counterparties and -- who value the need for some of that carbon sequestration, but that's going to take some time to develop.

Operator

We have no further questions. I will turn the conference back to Collin.

Collin Philip Mings ***Rayonier Inc. - VP of Capital Markets & Strategic Planning***

Thank you. This is Collin Mings. I'd like to thank everybody for joining us. Please contact us with any follow-up questions.

Operator

Thank you for your participation. Participants, you may disconnect at this time.