REFINITIV STREETEVENTS

EDITED TRANSCRIPT

Q2 2023 Rayonier Inc Earnings Call

EVENT DATE/TIME: AUGUST 03, 2023 / 2:00PM GMT

CORPORATE PARTICIPANTS

Collin Philip Mings *Rayonier Inc. - VP of Capital Markets & Strategic Planning*
David L. Nunes *Rayonier Inc. - CEO & Director*
Douglas M. Long *Rayonier Inc. - Executive VP & Chief Resource Officer*
Mark D. McHugh *Rayonier Inc. - President & CFO*

CONFERENCE CALL PARTICIPANTS

Anthony James Pettinari *Citigroup Inc., Research Division - Director & US Paper, Packaging & Building Products Analyst*
Buck Horne *Raymond James & Associates, Inc., Research Division - SVP of Equity Research*
Ketan Mamtora *BMO Capital Markets Equity Research - Building Products Analyst*
Mark Adam Weintraub *Seaport Research Partners - MD & Senior Research Analyst*
Michael Andrew Roxland *Truist Securities, Inc., Research Division - Research Analyst*
Paul C. Quinn *RBC Capital Markets, Research Division - Director of Paper and Forest Products & Paper and Forest Products Analyst*

PRESENTATION

Operator

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

In the second quarter, we generated adjusted EBITDA of $69 million and pro forma net income of $8 million or $0.05 per share. Adjusted EBITDA generated from our Timber segments collectively declined 13% to the prior year quarter, as favorable results in our Southern Timber segment were more than offset by lower adjusted EBITDA in our Pacific Northwest Timber and New Zealand Timber segments. In our Real Estate segment, we achieved adjusted EBITDA of $20 million, down from $25 million in the prior year quarter.

Drilling down further on our operating segment results. Our Southern Timber segment generated second quarter adjusted EBITDA of $44 million, up $5 million from the prior year period. The improvement versus the prior year period reflected a 32% increase in harvest volumes primarily due to the acquisitions completed in late 2022, which more than offset a 14% reduction in net stumpage realizations due to weaker demand and drier weather conditions.

In our Pacific Northwest Timber segment, second quarter adjusted EBITDA of $7 million was down $7 million from the prior year quarter driven by an 11% decrease in harvest volumes and a 19% decline in domestic sawtimber prices. During the quarter, both domestic and export market demand remained relatively soft, which led us to defer some planned harvest volumes until mill inventories normalize and end market demand improves.

Turning to New Zealand Timber segment. Second quarter adjusted EBITDA of $8 million declined $7 million versus the prior year quarter. The weaker results were driven -- primarily driven by lower carbon credit revenues as we chose to defer the sale of carbon units amid significant market volatility, lower net stumpage realizations reflecting weaker export and domestic markets compared to the prior year period and unfavorable foreign exchange impacts.

In our Real Estate segment, we generated adjusted EBITDA of $20 million in the second quarter, down $5 million from the prior year, as higher weighted average per acre pricing was more than offset by 20% fewer acres sold. Despite the increase in interest rates as compared to a year ago, demand for rural land continues to be strong, and we remain encouraged by the favorable momentum in both our Wildlight and Heartwood development projects.

Overall, I'm pleased with how our team navigated the operating environment during the quarter in light of ongoing macroeconomic challenges. As Mark will detail later in the call, we are updating our full year total adjusted EBITDA guidance to a range of $275 million to $300 million, which represents a 4% reduction at the midpoint versus our original guidance and is largely consistent with the directional guidance update that we provided last quarter. Our revised guidance maintains a similar midpoint expectation as the original guidance for our Southern Timber segment, but reflects a lower contribution from our Pacific Northwest and New Zealand Timber segments due to softer market conditions in both regions as well as a lower contribution from carbon credit sales in New Zealand. However, we expect these reductions will be partially offset by a higher contribution from our Real Estate segment than we contemplated in our original guidance due to a much stronger-than-anticipated land sales market.

With that, let me turn it over to Mark for more details on our second 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 second quarter totaled $209 million, while operating income was $20 million and net income attributable to Rayonier was $19 million or $0.13 per share. On a pro forma basis, net income was $8 million or $0.05 per share after adjusting for an $11 million net recovery associated with a legal settlement. Adjusted EBITDA was $69 million in the second quarter, down from $83 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 first half of the year was $63 million versus $120 million in the prior year period. The decrease was driven by lower adjusted EBITDA, higher capital expenditures and higher cash interest paid, partially offset by lower cash taxes. A reconciliation of CAD to cash provided by operating activities and other GAAP measures is provided on Page 8 of the financial supplement.

We closed the second quarter with $88 million of cash and $1.5 billion of debt. At quarter-end, our weighted average cost of debt was approximately 3.1%, and the weighted average maturity on our debt portfolio was approximately 5 years with no significant debt maturities until 2026. Our net debt of approximately $1.4 billion represented 23% 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 9 with our Southern Timber segment. Adjusted EBITDA in the second quarter of $44 million was $5 million or 13% above the prior year quarter, driven by higher volumes and non-Timber income partially offset by lower net stumpage pricing and higher costs.

Total harvest volume rose 32% versus the prior year quarter, primarily driven by an increase in pine sawtimber volumes from the successful integration of acquisitions we completed in late 2022. Average sawlog stumpage pricing was $29 per ton or a 15% decrease compared to the 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 26% versus the prior year quarter to roughly $16 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 second quarter fell 14% versus the prior year quarter to roughly $22 per ton. The market tension that drove exceptionally strong pricing levels a year ago has eased as a result of weaker end market demand for pulp products and softer residential construction activity. However, we believe the pricing deterioration we experienced during the first half of the year has largely played out and expect that the relative strength and diversity of our U.S. South footprint will be a key competitive advantage for us moving forward as end market demand improves.

Moving to our Pacific Northwest Timber segment on Page 10. Adjusted EBITDA of $7 million was $7 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, partially offset by higher non-timber income. Volume decreased 11% in the second quarter as compared to the prior year period as some planned harvests were deferred in response to soft market conditions.

At $97 per ton average delivered domestic sawlog pricing in the second quarter fell 19% from the prior year period, primarily due to weaker demand from domestic lumber mills, coupled with reduced tension from export markets. Meanwhile, at $36 per ton, pulpwood pricing decreased 20% versus the prior year quarter, as end market demand deteriorated relative to the favorable market dynamics seen last year.

During the second quarter, Pacific Northwest sawmills had ample log supplies, which constrained our pricing power even as lumber prices start to improve. However, we are optimistic that a further recovery in the end market lumber demand and the normalization of mill inventory levels will translate to positive momentum in sawlog prices in the latter part of this year.

Moving to New Zealand. Page 11 shows results and key operating metrics for our New Zealand Timber segment. Adjusted EBITDA in the second quarter of $8 million was $7 million below the prior year quarter. The decrease in adjusted EBITDA compared to the prior year period was driven by fewer carbon credit sales, lower net stumpage realizations, unfavorable foreign exchange impacts, and slightly lower harvest volumes.

Average delivered export sawtimber prices of $104 per ton declined 26% compared to the prior year quarter, primarily due to ongoing challenges in the Chinese property sector. However, net stumpage realizations remained relatively flat as port and freight costs fell significantly from the record high levels experienced in the prior year period.

The recovery in the Chinese economy following the relaxation of COVID-19 containment measures in late 2022 has been slower than we had anticipated. Pent-up demand provided a lift to property sales and new construction starts early in the year, but activity slowed through the second quarter. That being said, port log inventories declined roughly 15% over the month of July to 3.7 million cubic meters, which has translated to some rebound in log pricing.

Shifting to the New Zealand domestic market, second quarter average delivered sawlog prices fell 10% in the prior year period to $69 per ton, largely reflecting the change in the New Zealand dollar to U.S. dollar exchange rate. Excluding foreign exchange impacts, domestic sawtimber prices declined 3% from the prior year period. Domestic pulpwood prices in New Zealand increased 10% on a U.S. dollar basis, reflecting supply disruptions following Cyclone Gabrielle.

Excluding foreign exchange impacts, pricing improved by 19% in the prior year period. Non-timber income in New Zealand declined during the second quarter relative to the prior year period as we opted to defer the sale of carbon credits amid market volatility resulting from regulatory uncertainty. However, we are encouraged by the recent uptick in carbon credit pricing following steps taken by the New Zealand government to stabilize the market. Given the recovery in both pricing and market liquidity, we expect to be more active in the New Zealand carbon market in the second half of the year.

Lastly, in our Trading segment, we posted a slight operating profit in the second 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 Real Estate results.

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

Thanks, Doug. As detailed on Page 12, our Real Estate segment delivered strong second quarter results. Real Estate sales totaled $32 million on roughly 3,800 acres sold at an average price of $7,500 per acre. Real Estate segment adjusted EBITDA in the second quarter was $20 million.

Drilling down, sales in the Improved Development category totaled $12 million. In our Heartwood development project, South of Savannah, Georgia, sales included a $3 million sale of a 101-acre site to a national homebuilder for the first phase of an active adult community, 2 residential pod sales totaling 62 acres for $1.8 million and 47 finished residential lots for $2.1 million reflecting an average base price of roughly $44,000 per lot.

In our Wildlight development project north of Jacksonville, Florida, sales consisted of a $5.3 million sale of a 97-acre site to a national homebuilder for the second phase of an active adult community. We're very excited about the market reception to our 2 active adult sites in Wildlight and Heartwood as they are important components of our mixed-use development strategy. 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 to catalyze demand for one another.

Turning to the Rural category. Second quarter sales totaled nearly $16 million, consisting of approximately 3,400 acres at an average price of roughly $4,600 per acre. Key transactions included 2 sales in Walker County, Texas, totaling roughly 1,100 acres for $5 million, reflecting an average price of roughly $4,500 per acre. Overall, we are encouraged by the continued strong demand for rural land despite the higher interest rate environment. Lastly, during the second quarter, we also closed on the sale of 76 acres of non-strategic holdings in Bradford County, Florida for $250,000 or roughly $3,300 per acre.

Now moving on to our updated outlook for the full year. Based on our first half results and our expectations for the balance of the year, we now anticipate full year net income attributable to Rayonier of $63 million to $78 million, full year pro forma EPS of $0.30 to $0.40 per share and full year total adjusted EBITDA of $275 million to $300 million.

With respect to our individual segments, we now expect that our Southern Timber segment will achieve full year harvest volumes of 7.2 million to 7.4 million tons, which is at the higher end of our prior guidance and reflective of stronger-than-expected production in the first half of the year due to dry weather conditions. However, we anticipate lower quarterly harvest volumes for the remainder of 2023 as compared to the first half of the year. Further, we anticipate a modest decline in net stumpage pricing versus second quarter pricing levels, primarily due to a seasonal increase in the proportion of thinning volume as well as geographic mix. Overall, we expect to achieve full year adjusted EBITDA in our Southern Timber segment of $150 million to $155 million.

In our Pacific Northwest Timber segment, we now expect full year harvest volumes of 1.4 million to 1.5 million tons as we deferred some planned harvests in response to soft market conditions. However, we expect that weighted average delivered log prices in the second half of the year will increase modestly from first half 2023 pricing levels based on improved end market lumber demand and pricing.

Further, we believe net stumpage realizations will also benefit from modestly lower cut and haul costs over the balance of the year. Overall, we now expect to achieve full year adjusted EBITDA in our Pacific Northwest Timber segment of $30 million to $34 million.

In our New Zealand Timber segment, we now expect full year harvest volumes of 2.3 million to 2.5 million tons as we have deferred some planned harvest volume in response to unfavorable market conditions. We expect that export sawtimber pricing will be modestly lower as compared to the first half of the year. However, we expect this decline will be partially offset by lower port and freight costs. As Doug discussed earlier, we are cautiously optimistic that export log pricing has turned the corner given the recent drop in Chinese port inventories. In the domestic market, we expect that sawlog pricing will decline modestly from second quarter levels as elevated interest rates continue to constrain the residential construction market.

Turning to the carbon market. We have tempered our full year expectations for carbon credit sales based on significant market volatility and limited transaction activity in the first half of the year. However, we expect to be more active in the carbon market in the second half of the year following the recent uptick in carbon pricing in response to governmental action to stabilize the market. Overall, we now expect the New Zealand Timber segment will generate full year adjusted EBITDA of $39 million to $46 million.

In our Real Estate segment, we now expect full year adjusted EBITDA of $90 million to $100 million as demand for timberland and rural HBU properties has held up better than expected despite the higher interest rate environment. Based on the anticipated timing of closings, we expect the second half transaction activity will be heavily weighted to the fourth quarter.

Lastly, we expect corporate segment expense of $34 million to $35 million, which is roughly in line with prior guidance. More details regarding our updated guidance, including a reconciliation of adjusted EBITDA to net income and EPS can be found on Page 14 of the financial supplement and Schedule G of our earnings release.

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

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

Thanks, Mark. As I reflect on the first half of the year, I'm pleased with how our team has remained focused on both preserving and enhancing the long-term value of our assets despite a difficult near-term operating environment. Following a challenging start to 2023, we're beginning to see encouraging signs of stabilization and improvement across many of the end markets served by our timber operations.

In the U.S., prospective homebuyers have increasingly turned to new construction to meet their housing needs amid a housing shortage that has been further exacerbated by the rapid rise in mortgage rates. Specifically, the significant increase in rates over the past 18 months has discouraged many prospective sellers from listing their current residences and thereby translated to a dearth of supply in the resale market.

As a result, we're seeing favorable momentum in several residential construction indicators such as home builder sentiment, new single-family building permits, and orders for building materials. Further, there are early signs that the destocking of inventory for products derived from our pulpwood such as containerboard is nearing completion.

Meanwhile, as discussed earlier, the New Zealand government has recently taken action to provide more stability in the country's Emissions Trading Scheme, which better positions us to participate in the carbon credit market over the balance of the year after we opted to remain on the sidelines over the past several months to preserve value and uncertain market conditions.

Turning to real estate. While market fundamentals have generally remained strong in 2023, our year-to-date financial results have not fully reflected this dynamic as much of our transaction pipeline entering the year was weighted toward the second half of the year and the fourth quarter in particular. Overall, we remain very encouraged by the positioning of both our Improved Development projects and rural properties. All things considered, I believe the operating environment for our business will generally be more favorable over the second half of the year versus the first half.

In addition to managing ongoing operational priorities and evolving market conditions, our team has also been advancing initiatives associated with the growing demand for nature-based solutions to support the transition to a low carbon economy. Interest from prospective counterparties and the corresponding list of potential opportunities continues to grow, and we are in the process of converting some of these opportunities into financial results. We now have in place wind, solar and carbon capture and storage leases and expect that these nature-based solutions as well as others offered by our timberlands will become increasingly important to our long-term value proposition moving forward.

In sum, I'm proud of how our dedicated team is navigating evolving market conditions and positioning Rayonier to create shareholder value over time. We collectively remain very optimistic about the future prospects of our business and all of the opportunities that our land base provides.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Mike Roxland with Truist Securities.

Michael Andrew Roxland ***Truist Securities, Inc., Research Division - Research Analyst***

Just wanted to kick it off with what's happening in the U.S. South and your expectations for lower quarterly harvest volumes. Is that more a function -- in the back half of the year, that is, is that more a function of pulpwood or sawtimber, given what's happened with housing the last couple of months, I would have expected certainly improving sawtimber demand given the increase that we've seen in single-family housing. So I just wanted to get your thoughts as to your forecast in the back half of the year on Southern volumes.

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

Yes, sure. This is Doug. I'll answer that one. We have a reasonable mix of both stumpage and delivered business. And what we've seen is that there's been pretty active harvesting on our stumpage sales. So a lot of the harvesting that we had in the first half of the year or log sales -- we sold had a 12-month contract, a lot of wood has been pulled forward in the first half of the year by the harvesting. So what we're seeing out there in the market is that a lot of the folks who do buy stumpage is they have very low inventories. And so they've moved on and harvested on those tracks. And so we have a lower mix of stumpage going into our second half of the year, so just a slight slowdown in the volumes being harvested.

Michael Andrew Roxland ***Truist Securities, Inc., Research Division - Research Analyst***

Got it. But in terms of how the -- how it relates to, the mix itself in terms of pulpwood or sawtimber? Have you seen it? I mean, would you -- have you seen any improvement, or expect to see an improvement in sawtimber demand, particularly given single family housing construction, which has accelerated in the last 2 or 3 months?

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

Yes, absolutely. We've been encouraged by some of the recent price negotiations we've had both on our delivered sales programs as well as some of our recent stumpage sales. And as we discussed in our prepared remarks, while there will be some fluctuations in reported pricing based on geography, harvest type of mix, we think on an apples-to-apples basis, pricing appears to have bottomed out, and we're actually starting to see some improvement in pricing in our recent negotiations. This is really compared to earlier in the year. But it's historically has been the case, about 5% to 6% of our volume shifts in harvesting from the stronger coastal markets to the Gulf markets kind of during Q3 and into Q4. And that's accompanied by a 20%to 25% increase in thinning volume. That's almost all pulpwood. So while we've seen per product pricing stabilize and even improve, the shift in location harvest type will still weigh on our composite pricing going in the second half, which is what's built into our guidance.

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

Yes, Mike, and just reiterate the lower expectation for volumes in the second half of the year is really driven by, like Doug said, that acceleration of volume on the stumpage sales and not any statement about market conditions. We actually expect market conditions to be more favorable in the back half of the year.

Michael Andrew Roxland ***Truist Securities, Inc., Research Division - Research Analyst***

Got it. I appreciate all the color there. And then just one other question on New Zealand. Do you obviously -- have you guys seen any impact from the restart of the friendly relationship now between Australia and China and the -- how China has reopened wood imports from Australia now? Any impact on your New Zealand operations? And where do you think your New Zealand margins could head as China starts to import an increasing amount of wood from Australia.

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

Yes, this is Doug, and I'll take that one. So we have not seen any impact on additional fiber or logs flowing into China from Australia, and we operate a large JV -- exporting JV that is used to move quite a bit of wood from Australia. And what we've seen is that over that course is kind of the trade war between Australia and China, really the wood flow started to really shift back and being used domestically. And there's been further restrictions on harvesting in Australia during that time, too. So we don't expect it to be a significant shift in volume going from Australia to China. There will be some. There'll be some marginal wood that comes from ports, but I don't see this to be a significant event for us going forward.

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

Yes. And Mike, I'd add to that, you if you think about where they were prior to this trade spat, they were roughly 10% of that China market, and we don't see them returning to anywhere near that based on some of the shifts they've made to increase domestic processing.

Operator

Our next question comes from Mark Weintraub with Seaport Research Partners. (Operator Instructions).

Mark Adam Weintraub ***Seaport Research Partners - MD & Senior Research Analyst***

So obviously, a pretty big increase on the real estate side relative to original guidance. Curious how much of that is a function of markets being better versus kind of just a push forward or pull forward from just -- and it's more timing-driven. And maybe relatedly, kind of what is your just sense of your HBU holdings today versus maybe where they had been a couple of years ago? Have you had a positive shift in that view and color you could provide would be helpful?

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

Yes. Good question, Mark. And there's a fair bit to unpack there. So if you break down the pieces of our real estate, a lot of the baseline in the real estate is rural recreation and residential properties. And what we have found is there's a fair component of that market that is somewhat insensitive to interest rates, cash buyers. And so that has been remarkably stabilizing. It hasn't had there certainly has been some impact, but it's not an arena where you tend to see highly levered transactions. And so that has provided a nice baseline of support.

I think another thing to keep in mind is as we progressed through COVID and came out on the other side, I think you're seeing a fundamental shift in and more people wanting to live in more rural settings because they can work from home. And so we have seen that translate into our rural places product, which is where we will put a modest investment into subdividing parcels and putting a modest amount of capital into those. And the inventory that we've had of those has -- or the sales pace has vastly exceeded our expectations as we have progressed through and now post-COVID. And so that's been another big component of it.

And then I think thirdly, our Improved Development projects, the ones north of Jacksonville, Wildlight and South of Savannah, Heartland -- Heartwood. Those have been really progressing nicely. I'd say from an absorption standpoint, we're well ahead of our expectations when we originally underwrote those projects and we're seeing that momentum. And as we discussed briefly in the prepared remarks, certainly, a piece of that is the strategy around diversifying end uses. And a good example of that is efforts around our shifting from finished lot sales to pod sales. And the pod sales is where we will sell a group of entitled lots, and the homebuilder will have their capital to develop those lots into finished lots and then ultimately sell homes. And it helps us from a capital standpoint and it gives the builder a little bit more control on their end.

And we've been very pleased with the progression of that. And then secondarily, the move for more active adult communities. We've got a big active adult community in both Heartwood and Wildlight. And we've had 2 closings on our Wildlight project, 1 closing on

Heartwood. And these are progressing nicely and complementing the single-family lots. Another piece that has influenced this and it really kind of boils down to rates of absorption is the big Hyundai plant announcement that touches our Heartwood project. And we've had homebuilders who've had a number of sales already that have come out of that Hyundai project. And so I'd say with both Heartwood and Wildlight, which are very big projects, many, many years' worth of supply, we're well ahead of our expectations.

And you're seeing that in the results. And so we're extremely encouraged by how those projects are progressing. And keep in mind, when we got into those 2 projects, the motivation was not just for those lands, but also the lands around them. And we feel like as those projects are progressing, they're adding a lot of value to our surrounding timberlands.

Mark Adam Weintraub ***Seaport Research Partners - MD & Senior Research Analyst***

And so when you sort of put it all together, is it your -- do you have a more elevated view as to what kind of the run rate for the next 5, 7 years can average will be? Presumably yes, given the heightened pace, but just wanted to clarify.

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

Yes. I'd say that where we sit now, we certainly have seen a higher run rate than we expected and sort of faster absorption. Some of the same dynamics that I talked about on the rural residential also apply to these projects. And they both benefited from some of the regional migration patterns that we've seen in -- particularly in the U.S. South. Both of these areas have strong school districts and strong in-migration. And so yes, we've been very encouraged by what we've seen, and we expect more of this to come.

And another thing that we we're continuing to kind of work on the pipeline. We have a number of other projects that we are working on within the real estate sector that are at earlier stages. And so we expect as these 2 projects progress, some of our other projects that we're working on are going to start to translate as well to P&L impacts.

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

Mark, this is Mark. I'd just balance that a little bit, though, in terms of the longer-term expectation around just the rise that we've seen in underlying timberland values as well as optionality around nature-based solutions. Recognize that, that rural HBU business is all about premium. And the clearing price to hit our premium expectations it continues to move up, again, given some of those alternative land uses. And so while our development business we feel it certainly hit its stride, and we expect that, that will continue to perform at a higher level relative to what we've seen for the last, call it, 5 years ago. Again, I think that rural HBU business will be somewhat balanced in terms of our willingness to sell land given some of the other optionality and the increase in values that we've seen there.

Mark Adam Weintraub ***Seaport Research Partners - MD & Senior Research Analyst***

Interesting. And so just shifting gears quickly, Pacific Northwest, and I understand the comments you were making on the Timber Business. But I guess I'm sort of surprised given lumber pricing has been pretty strong domestically that there wasn't kind of a more robust carry through to sawtimber pricing. I mean how much of that the export market or any other kind of additional nuance that you would bring to the process of analyzing what's been going on there?

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

Yes. Sure. This is Doug. I'm happy to answer that one. So yes, when we had those higher interest rates at the beginning of the year, that really cooled demand for building products and particularly in the West, to kind of start the year, which forced the mills basically to trim back production and lower their inventories to match that lower demand. And like you said, this was also coupled with weakening market tension from exports to Asia. So the mills had ample log inventory.

And as we move into Q3, and to your point, we're seeing homebuilders gain more confidence, as Dave mentioned in the market and people are starting to increase that demand. And so we're seeing that positive movement in the lumber pricing. But you would expect that to have translated maybe to your logs as you said. What we're seeing right now is those mills are starting to increase that capacity. So they had brought down their capacity, they weren't running at full capacity. They're now stepping that back up. And so what we've seen with that is that really resulted in a stabilization in log pricing and even some positive momentum here recently in some specific markets. So I think that's the positive thing we've seen. But really, it took -- they weren't running at full capacity. They ramped up, so more logs came in, specs got a little bit easier, so we were able to move more wood. But at that point in time, it just wasn't flowing in. But we're really starting to see that tension in the market now.

And we saw a 25% reduction in North American volume at China ports during July. So a pretty steady drawdown in China. And so we're also encouraged by increasing customer demand from there. And we ourselves are moving back in that market in Q3 with exports from our Port Angeles export yard. So I think we're just -- we've seen that point where the mills have gotten back up. They're running at capacity. There's less supply from British Columbia and Canada. They're feeling more confident now, and we're starting to see that kind of drain now on the logs and so expect to see some price increases and I've already seen some as we go into the second half of the year.

Mark Adam Weintraub ***Seaport Research Partners - MD & Senior Research Analyst***

Okay. I'll get back in queue. I do have another question if it doesn't get hit, otherwise, good luck in the next quarter.

Operator

Our next caller is Anthony Pettinari with Citi Research.

Anthony James Pettinari ***Citigroup Inc., Research Division - Director & US Paper, Packaging & Building Products Analyst***

I was wondering if you could talk a little bit more about kind of free cash flow or CAD implied by the updated full year guidance. And in case the kind of second half improvement doesn't materialize, and maybe we're in a weaker economic environment in 2024. Can you just talk about sort of free cash flow profile versus the dividend if we really stress test macro assumptions, say there's a recession, obviously, that's not the base case, but just wondering if you could kind of talk about that and levers that you can pull?

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

Mark, you're on mute.

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

I'm sorry. Yes. No, our expectation is for higher free cash flow in the back half of the year. That's largely driven by higher adjusted EBITDA in the back half of the year. And so despite that, we do expect that the dividend will be modestly underfunded this year, and that's just a function of macroeconomic headwinds that we've seen really through the first half in particular. Obviously, we set the dividend on the basis of long-term cash flow expectations also with the desire to grow the dividend over time as cash flow has grown. We saw very strong growth in cash flow in 2021 and 2022. And obviously, that's backed up some here in 2023.

But we still feel as though long term, we're poised for growth in cash flows as we see a market recovery. But that's something that we have to continuously assess. And certainly, if we saw a more pronounced pullback in market conditions, we have to assess the dividend against that backdrop. But right now, we certainly feel confident that long term, the business is pretty well situated. And obviously, the -- our balance sheet is still in very good shape, and we have a lot of levers at our disposal to manage both cash flow as well as leverage.

Anthony James Pettinari ***Citigroup Inc., Research Division - Director & US Paper, Packaging & Building Products Analyst***

Okay. That's very helpful. And then maybe just shifting gears on credits. You mentioned the plan to increase New Zealand credit sales after, I think, government actions to stabilize the market. I was just wondering if you could provide any more context on those actions? And then in the U.S., we've started to see some of these credit projects piloted in different geographies, maybe now including the U.S. South. I was just wondering if you could talk generally about sort of the attractiveness of those projects and maybe Rayonier participating in the credit markets in U.S. as well as New Zealand in the long term?

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

Sure. This is Doug again. The New Zealand government announced in March plans to review its Emissions Trading Scheme to explore whether changes might be needed to encourage business to focus more on reducing emissions as opposed to offsets. This created a fair degree of market uncertainty and limiting liquidity in the market and causing prices for NZUs to really decline considerably compared to where they were a year ago. While we expect the comprehensive review of that New Zealand ETS will take some time to complete. The government has recently taken measures to adjust both price controls and settings, which has helped support higher pricing and liquidity than we saw earlier in the year. And notably, we've already seen an uptick in the NZU carbon credit prices and liquidity following this news. So there was some uncertainty put in the market and then it probably market overreacted beyond what they expected and the government has come back in to try to help assure everyone and stabilize things.

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

Yes. As it relates to nature-based solutions more broadly, we do still see tremendous opportunity long term around nature-based solutions. Carbon credit markets are really just one piece of that. We tend to think of nature-based solutions as broadly falling into 3 categories: first of which would be carbon markets, both voluntary markets, which is what we have in the U.S. as well as regulated markets like the New Zealand Emissions Trading Scheme.

That second bucket would be alternative land uses, and that might include solar, wind leases, carbon capture and storage leases. We're seeing tremendous activity there right now. And lastly would be wood fiber for bioenergy and biofuels, for example, sustainable aviation fuel. So that's kind of how we broadly think about the major categories of nature-based solutions. That said, all of these different opportunities are in various stages of development. To date, the regulated market in New Zealand has been the largest driver of revenue for us in that nature-based solutions arena. We haven't yet participated in the voluntary carbon market in the U.S. given just broader concerns around the quality and consistency of voluntary market offsets. That said we're certainly evaluating a number of opportunities in the voluntary market currently. But suffice it to say, we're proceeding very cautiously on that front.

But like I said, the area that we're seeing the most opportunity right now just in terms of capital investment as well as tangible medium-term revenue opportunities for Rayonier is really around that alternative land use. Doug is overseeing our nature-based solutions business. So maybe I'll turn it back to him to provide an overview of some of the kind of activity that we're seeing in that space currently.

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

Yes. Thanks, Mark. Yes, I would just -- following with Mark's comments on the carbon credits with respect to voluntary area. We're in the process of working on that, and we have some of our initial projects we expect to come online in 2024, and we've been developing relationships with counterparties that are focused on top-tier quality credits. As Mark mentioned, kind of given concerns about credibility some of those early carbon credits that were developed and sold. We're really hoping to see improved standards and best practices further evolve before issuing our own carbon credits. And we've seen some of this with the Integrity Council for voluntary carbon markets they just passed a framework to assess carbon credit integrity. And we think that's a positive development.

But given our experience for well over a decade now in New Zealand carbon markets and the projected demand for carbon credits, both in the U.S. and globally. We believe it's prudent to focus on the long-term value by clearly differentiating ourselves from a quality perspective. And so overall, we believe that, that increased focus on the quality and integrity across the voluntary market. That's going to be a positive trend. And over time, it should increase pricing as cheap low-quality credits are purged from the market and replaced by more durable ones that actually achieve true additionality.

We were patient in New Zealand when credits were selling in the low single digits to start and have seen them trade in the range of USD 35 to USD 50 over the past few years. So we intend to take a similar approach in the voluntary market with a view towards building a durable business rather than realizing a quick buck. So I think that's kind of on the carbon where we see things right now. That just seems like it's a growing market, and we want to make sure that we enter it at the right time with the right quality.

As it goes to alternative land use we mentioned in our comments that we've done some -- or Dave mentioned we done some CCS, carbon capture storage, solar and wind. On the carbon capture storage front, based on the existing kind of pipeline infrastructure, location and plans and maybe the large emitters and suitable geology, we've prioritized the Houston carbon capture hub for our initial efforts. There are other areas within our ownership that we believe are suitable for carbon capture storage, but they're likely further out from a timing perspective. So we've identified about 400,000 acres in Texas and Louisiana, with the geological potential for carbon storage in this hub and are actively engaged with suitable counterparties.

We've executed our first carbon capture storage lease earlier this year on 26,000 acres with one of those parties. At a high level, the economics for these types of leases are generally structured as a lease payment for the land, then with upside if and when injection occurs in the future. And the time line to potential injection payments is several years out given the lengthy permitting process involved for these types of projects. But we really do remain excited about the potential for carbon-capture storage leases to add material value for our shareholders.

Now shifting on to solar. We're seeing really strong interest from top-tier solar developers across our southern footprint. Utility scale projects is expected to lead to a tripling of the solar industry over the next 5 years. And over 50% of all new electric capacity added to the grid in Q1 2023 with solar with Florida, Texas and Alabama among the top 5 states, so this really suits our footprint well. Over the past few years, we've sold approximately 3,000 acres at an average price in excess of $10,000 per acre as HBU land sales to solar developers. But more recently, the leasing fundamentals are proving to be more attractive as a long-term annuity by itself with then the added potential upside to add other NBS nature-based solution opportunities such as carbon capture storage.

So right now, we currently have approximately 26,000 acres either under lease or option-to-lease with developers expressing interest on significantly more acres in Florida, Georgia, Alabama and Texas in particular. And that's really based on factors such as capacity on the grid, proximity to transmission lines and sufficient acreage for suitable sites.

Then lastly, on the wind. In 2020, we participated in our first wind farm in Oklahoma with installation of 16 turbines on our property. And this is structured as a multi-decade lease with a base rental component and then a revenue share based on energy production of each turbine. We're still seeing interest in that area, and we currently have interest in additional 3 wind farms in our New Zealand operations with a potential of over more than 60 wind turbines. So as Dave said earlier, we've been active in the space and continue to see a lot of interest as we go forward.

And lastly, I'm kind of moving to that third bucket that Mark talked about on the fiber demand. The level of interest in non-traditional uses of our fiber to achieve low carbon products such as biofuels, sustainable aviation fuels, really other traditionally petroleum-based products has also been very significant. We're currently in varying degrees of discussion with a dozen credible projects for fiber supply and are aware of several more being considered in our wood baskets. The average size of many of these projects is equivalent to the demand of a small pulp mill. And while that demand is not here and current, it will be coming down the road, we believe, in some cases, and it will take a little while due to permitting construction. But we're really encouraged about what that means for the midterm to long term for our land base.

And the nice thing about that, I think, is that these new customers, they're outside of our traditional end-user products. So we're going to see different opportunities and different flexes within the markets. So that's kind of a high-level summary of what we've been working on and where we're going right now. And I'd say the other area that is kind of moving forward as we look at our nature-based solutions is also starting to go into a more nascent area, but in the biodiversity.

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

And Anthony, if I could just add a little perspective to that. We began this work in earnest back in 2021. And part of that effort was to really divide up the potential opportunities from what we believe then would be the timing expectations and start to improve our understanding of the opportunities, bring in more expertise and you fast forward to where we are today, and it was one of the key reasons behind the reorganization that we announced earlier this year, where we moved that under Doug's leadership. We've brought a lot of new dedicated positions to go after these opportunities. And it's allowed us to shift as the opportunities have become -- those opportunities that have become more material. And so we're -- we're very excited about not just the positioning of the portfolio, but also the positioning of our team and the way we're structured to pursue these. And so stay tuned. It's still the early days, but we like kind of the approach that we've taken, and we like that fit to our portfolio.

Operator

Our next caller is Ketan Mamtora with BMO Capital Markets.

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

I would to start with -- Doug, you talked about port inventories in China having come down quite a bit. Any sense as to kind of where they are relative to historical averages whether they are down to normal levels or you expect to get there at some point pretty soon?

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

Sure. Yes, this is Doug. I'll answer that one. So yes, as we mentioned, we saw a 15% decrease in port inventories during the month of July, which is resulting in about 3.7 million cubic meters at the month's-end. And we're seeing average daily sales in July of approximately 72,500 cubic meters, and that's up 5% year-over-year. And we typically like to think about kind of what's the demand to the inventory ratio. And if you think about that right now, this equates to an inventory demand ratio of about 1.7 months. And historically, we've seen this ratio below 2 months that equates to tensioning in the market with price appreciation, which is what we're seeing currently. So we're getting back to your point, at a point now where we're getting below that 2 months inventory demand ratio, and that's where we typically have seen things. So the inventories have come back down quite a bit from where they were. And to your point, getting into more normalized, when we get to that to below that 2 months ratio. So I think that's a good thing. Additionally, we've seen lumber inventories have also fallen through July, which has yielded some price improvements in lumber too. So the Chinese softwood market is showing signs of recovery with a reduction in both inventory and increased prices during a seasonally low period of demand because we're in the monsoon season, it's very hot temperatures. So I think we're seeing a point where we're starting to see price appreciation and tension in that market. So it's feeling like a good time right this minute to be in that market.

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

All right. No, that's helpful context. And then Doug, any update on kind of where we are with the European spruce bark, current situation and the exports that we are seeing from there into Asia, whether it's kind of logs or lumber?

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

Sure. Yes. I think what we've seen is that the European spruce beetle salvage has -- has mainly wound itself down. They're still harvesting some of that. But from what I've read and seen the excessive harvest where they were harvesting beyond their average annual cuts in certain countries, that has come back down now, to where they're pretty much cutting within their kind of more normalized annual harvest. So we've seen the amount of volume from Europe, particularly being exported for those salvage reduced significantly over the years. And I don't expect to see that ramp back up. What we can see though is that kind of with the weaker demand in macro across the country that still could see European volume moving around and trying to find a home if it's not being processed as sawlogs. But I don't see that really increased ramp-up that we saw before. So not expecting to see European logs look anything like they did in kind of 2020.

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

Got it. That's helpful. And then final question from my side. Can you talk a little bit about how your M&A pipeline is looking and just deal activity in timberland?

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

Sure. I'll take that, Ketan. I think generally, this has been a slower year. I think some of that speaks to the optionality that a lot of these nature-based solution types of opportunities have presented. And I think it's translating into a number of buyer -- or excuse me, a number of land owners sort of sitting and waiting to see how these various markets develop. And I think that's part of why you're seeing a slowdown in activity. From a demand side, I think we've continued to see pretty robust demand. And I say that sort of in the context of our understanding of capital flows and you know capital flows often have a big impact on pricing and can even impact volumes. And so we're seeing -- and again, for those same reasons around the nature-based solutions, we're seeing capital flows flowing into this asset class for that reason. And so in the end, we're going to have to kind of see how that sorts itself out.

We continue to look pretty much across all our geographies for bolt-ons. We're always sort of active in smaller transactions that have a good fit for us, and we'll have to -- we're taking kind of a wait-and-see approach on some of the larger transactions until some of these things sort themselves out.

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

Got it. That's very helpful. I'll jump back in the queue. Good luck in the back half.

Operator

Our next caller comes from Buck Horne with Raymond James.

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

I was just wondering could we go back to the pulpwood market for a second, just to characterize maybe a little bit better what you're hearing from your end market customers on your -- the pulp mills in terms of what their log inventories look like going into the back half of the year, you're seeing any signs that demand for containerboard or other pulp products is starting to rebound? Or what's kind of the color you're hearing on the ground from the pulpwood market these days?

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

Sure. A lot of the inventory destocking that has occurred across supply chain was as a result of that shift in economic consumption from good to services post-COVID. And recently, we started to see that inventory situation improve as inventories at mills and box plants fell to 2.6 million tons in June, which was down from a high of 3.1 million tons in July last year. And for reference, in the 2 years leading up to the pandemic, inventories averaged about 2.6 million tons. So we're right in that ballpark.

And this is why in our prepared remarks, we mentioned that the destocking process for end products derived from our pulpwood is largely complete as we now see mill inventories and retail inventories at more normalized levels. Kind of the last part of the supply chain that is still working on clearing inventory is that wholesale channel between the mill and the retail. And when that happens, we expect to see a more pronounced recovery in the containerboard demand. But all that said, we felt the inventory situation is much improved from where we were as mentioned there.

And we've started to see improved demand on the ground matching that. So we've had mills where we were under quota who have now removed the quotas from us and said, you know we can take more volumes. It's much like that I mentioned more in the lumber in the Northwest, where before we see price improvements, we have to see the capacity improvements and the wood move in. And so what we're seeing in quite a few areas is that the mills have started to open up the quotas and allowing us to bring more logs in. And we expect that to -- as things move on and they start to see demand on their side that, that should translate into pricing, and we have seen that at individual mills so far.

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

Awesome. That's very helpful color. I appreciate that. And then switching just to the timberland M&A markets, as you guys have highlighted, I mean, demand has remained pretty strong, not only for rural real estate, but just timber in general as an asset class. Sounds like there's not a lot of sellers putting packages together in the market right now. Would you guys think about stepping into that and looking at maybe putting some parcels that are non-core, non-strategic to you guys and maybe step up disposition activity in the back half of the year?

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

I mean I think that's -- Buck, that's something that we always look at. And I think that's one of the areas of advantage that we have as a pure play Timber REIT is that -- we have greater flexibility to kind of actively manage our portfolio. And so that's something that we're always considering. We have kind of rank ordering of our own properties from a quality standpoint, and it gets back to some of the flexibility that Mark touched on as it relates to balance sheet that we have in our toolkit. And we take that active portfolio management role very seriously as a pure play.

Operator

And our last question comes from Mark Weintraub with Seaport Research Partners.

Mark Adam Weintraub ***Seaport Research Partners - MD & Senior Research Analyst***

Thanks for all the color and especially kind of the rundown on the nature-based solutions, lots of good information, lots of follow-ons. I'll just ask one, though. And on the carbon capture solutions, you talked about I think, 26,000 opportunity -- acre opportunity having been identified and the possibility of 400,000 over time. Can you give us a sense in terms of how much earnings or revenue could be associated with just a ballpark with the 26,000 so we can begin to scale the potential of the opportunity for you here?

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

Yes, Mark, we're not in a position to provide that level of detail just yet. Recognize there's a lot of activity that's ongoing in this arena. A number of the discussions that we're having currently are under confidentiality agreements as well as agreements that have been entered into and prospective agreements that we might enter into around CCS leases. And so we're working on appropriate disclosures on a go-forward basis, and we do hope to be in a position to provide some more color on that here in the next short while. We're not quite at a point where we can provide economics on the transactions that we're evaluating.

Mark Adam Weintraub ***Seaport Research Partners - MD & Senior Research Analyst***

Okay. Fair enough. Just...

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

And keep in mind, too, that you have kind of 2 pieces. You have the land lease piece, and you have the injection piece. And while the land lease piece has started, the injection piece is very determinant based on the permitting and the pace of activity. And so that's going to be a harder one to sort of get your hands on early in the game.

Mark Adam Weintraub ***Seaport Research Partners - MD & Senior Research Analyst***

Got it. So there would be like an underlying rental fee on the land lease and then it would be a bit more variable depending on the injection. Is that -- how do I understand that?

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

Yes. That's correct.

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

But recognize, again, that those injection payments wouldn't theoretically occur until a later date, given the long permitting process that's involved in getting these injection wells permitted.

Mark Adam Weintraub ***Seaport Research Partners - MD & Senior Research Analyst***

Understood. And not to hold you to it because I realize things are dynamic, but I think you suggested you might be in a place to go is a bit of a sense more on the economic side soon, what -- maybe when might soon represent?

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

Well, illustratively, Mark, I can point you to a Wall Street Journal article from about a month ago that provided some detail around land owner economics. But again, they were given in fairly wide ranges. And again, we're working through at what point in time and at what level of detail we can provide that information going forward. But recognize that, again, we see this as a pretty meaningful opportunity for us long term, but it's still very much in the early stages and some of those revenues are still several years out or prospective revenues are several years out. So again, I don't want to put a specific time line on it, but it's something that -- again, we've seen a lot of activity here just in the last 6 to 12 months. And I think over the next 6 to 12 months, we'll be looking to provide some more detail around kind of how we expect that to impact the business long term.

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

And getting back to my team comments, Mark, we're devoting a lot of resources to furthering these efforts.

Operator

And our last 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 following up on Mark's question. If you looked out 10 years, how big is this carbon opportunity to you between the wind, solar, carbon capture, storage, everything all in a bucket? Is that -- I think this is 10% of your business, you think it's 20%, What's a ballpark number that without giving any financials, which it sounds like you're still a ways from -- how do we -- how should we think about it?

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

Paul, we're just not quite at the point where we can put that type of figure out there publicly. Again, we are currently working to better refine the long-term view around that, but just recognize that there has been just a lot of activity in the last 6 to 12 months. We are still trying to size both the market opportunity as well as the specific opportunity for Rayonier.

Suffice it to say, we think that it's meaningful. But again, putting that type of -- those type of brackets around it in terms of percentage contribution to cash flow, revenue, EBITDA. We're just not quite at the point that we're ready to do that.

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

Okay. Maybe look at it in a different way ...

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

[And to remind you], you also have a lot of you have a lot of overlay between various potential land uses and products. And so that -- we're managing that complexity as well.

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

Okay. And then I don't know, maybe I take another look at it on a carbon capture sequestration basis. Do you think that as some of these projects get up and the credit gets sold, the areas get deferred from harvest. Is that going to be a material increase in terms of log pricing to you the way you think of it down the road?

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

It certainly could be. If you saw a meaningful deferral around for example, carbon projects or sale of forestry credits into the voluntary carbon market. I think it could also be meaningful as you look at the prospective demand for that fiber going into bioenergy or biofuels. But again, recognize that all of these emerging industries are still in the relatively nascent stages.

And so again, we haven't seen -- we've seen a lot of talk around bioenergy facilities and biofuel facilities like sustainable aviation fuel, but we haven't actually seen that pull of fiber into those types of facilities yet. So again, I think what's exciting for us as you look at any one of these opportunities in isolation, again, be it carbon capture and storage or solar or fiber into bioenergy or sustainable aviation fuels. And in isolation, we think that they could be meaningful for our business. When you start to think about the confluence of all of them together, it is there's a compounding effect, right, just in terms of that demand for wood fiber and demand for land use more generally.

So this is clearly something that's affecting our industry and is driving views around land values currently, it's obviously making the timberland M&A market that much more competitive. And so we're excited about the long-term prospects, but we're really still at the point of trying to size these opportunities long term.

Operator

There are no further questions. I'll now turn the call back over to Collin Mings.

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

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

Operator

Thank you. This concludes today's conference. You may go ahead and disconnect at this time.