

SCALE AND VERTICAL INTEGRATION: THE POWERHOUSE COMBO IN TIMBERLAND

RMS

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EXECUTIVE SUMMARY

- Portfolio size and manager capability are two different things, and that distinction matters more in timberland than in most asset classes. A timberland investment manager can oversee millions of acres through outsourced consultants, but that does not mean it has built the operational infrastructure that enhances asset performance.
- The benefits compound when scale and integration work in harmony. Scale provides market intelligence and negotiating power while integration provides the speed and control to act on them. Neither works as effectively alone.
- The RMS Evergreen US Forestland Fund illustrates how this combination works in practice: 441,224 acres across eight states and 25 timber markets, managed in-house by a team of roughly 160 people, with an operating model built on that scale and integration.

CHALLENGES IN THE TIMBER MARKET

Timberland as an institutional asset class has only been around since the late 1980s. At the outset, the majority of forests were owned by either private individuals or forest products companies. As those owners subdivided and sold, the market was divided into smaller properties, each with its own management history and conditions.

Research published in the Journal of Forestry found that roughly 64% of timberland transferred to investment management groups was assembled from land that once sat within the vertically integrated corporate structures of forest products companies. These structures are rich in institutional knowledge, mill connections, contractor networks, and experienced foresters. This breadth of knowledge and history cannot be purchased, and does not automatically transfer with an acquisition.

The fragmentation that resulted from timber's adoption as an institutional investment means it is remarkably difficult to assemble scale. Timberland transactions require extensive due diligence and competitive bidding, and a manager working at a typical 10% close rate would need to evaluate more than 100 deals just to assemble 200,000 acres, which is a modest footprint by institutional standards. Repeated underwriting, legal work, title review, environmental diligence and closing costs compound across many smaller acquisitions, making it more expensive and less efficient to build scale incrementally than to acquire an established platform.

Acquiring land is only the beginning. The mill relationships, contractor networks and property-level knowledge that timber portfolio performance hinges on takes years to develop after a deed transfers.

WHY MILLS HAVE FLOCKED TO THE U.S. SOUTH

As one of the world's lowest-cost lumber-producing regions, the U.S. South is the only part of North America where lumber production capacity has grown over the past 20 years, while every other region contracted. Forisk Consulting estimates roughly $3.5 billion in sawmill investments were announced in the region from 2022 to 2025 alone, and more than 42 million tons of additional large-log processing capacity have come online. By 2024, softwood lumber mill capacity in the U.S. South exceeded 28.4 billion board feet, up 35% from 2017.





HOW SCALE COMPOUNDS IN TIMBERLAND

The increased investment in lumber production in the U.S. South has not arrived evenly. New mills concentrate near large, established timberland operations because operators often won't commit major capital to a location without assurance, they'll have a reliable, sustained wood supply in the immediate area. Timber is a heavy, low-value-to-weight commodity; logs typically move no more than 100 miles from forest to mill, so the relevant market for any given tract is intensely local. This pattern of production capacity flocking to consistent supply rewards managers who can show up consistently, year after year, with volume, and penalizes those who cannot.

Many investors equate scale with acreage or assets under management, but owning a lot of land and having the infrastructure to manage it well are two different things. What matters more is operational scale: regional market presence that makes a manager a relevant counterparty to mills and contractors, expertise that accumulates inside the organization rather than leaving with a consultant, and harvest volume consistent enough to sustain relationships through price cycles and weather disruptions alike.

Once built, scale advantages are tangible and compounding:

+ **Economies of scale.** Fixed overhead spreads across more acres. Inputs purchased in bulk, including seedlings, herbicide and fertilizer, come with better pricing and a more reliable supply.
+ **Deeper expertise.** Larger platforms can sustain investments better than smaller operators, including in-house forest scientists, proprietary growth modeling and membership in research cooperatives that improve yields over time.
+ **Better prices per log.** The same tree can become pulpwood, chip-n-saw or high-grade sawtimber, and the spread between the lowest and highest end use is substantial. A manager with relationships across multiple nearby mills can route each log to its highest-paying destination.
+ **Broader revenue access.** Scale opens opportunities to leverage non-timber attributes, such as conservation easements, recreational leases, carbon credits, solar rights and off-market acquisitions that require the kind of long-term market standing only consistent, large-scale operators build.



WHAT VERTICAL INTEGRATION ADDS

Many timberland investment managers outsource forest operations to consultants. While outsourced management can work effectively in some circumstances, RMS believes an integrated model offers advantages at the portfolio level. Consultants juggle multiple clients with competing priorities, and when they depart, the knowledge they carry leaves with them: each property's soil conditions, harvest history, reliable local contractors and the sawmill relationships that determine where each log goes, when and at what price.

With long rotations — for example 25 to 30 years for planted pine in the U.S. South — even a brief disruption in management can create knowledge gaps that hinder decision-making and slow financial performance for years. These disruptions rarely occur in isolation. Multiple changeovers often compound within short periods, layering uncertainty on top of uncertainty, and the structural disconnect between investment strategy and on-the-ground execution only grows more costly as portfolios grow larger.

A vertically integrated timberland manager handles this directly, overseeing every stage from seedling selection to delivered sales and retaining decision-making authority in-house. When all functions sit inside one organization, the advantages compound over time.







- **Faster decisions**. An integrated team can respond immediately to pricing opportunities or supply disruptions. The forester scheduling a harvest knows the portfolio's financial targets, while the portfolio manager knows what the field team is seeing on the ground. That shared context is more difficult to achieve in a consultant-managed structure.
- **Permanent institutional knowledge**. Decisions on planting, thinning and harvest timing shape returns for decades. A team that has managed the same properties for 10 or 15 years develops insights that no due diligence process can replicate. Integration embeds this knowledge within the organization rather than in external contracts that can end.
- **Portfolio-level timing**. When prices are low, an integrated manager can hold inventory on the stump, leaving trees standing to keep growing, and coordinate harvests across the full portfolio once conditions improve. This level of coordination requires investment and operations teams working from the same real-time information.
- **Non-timber revenue**. Conservation easements, recreational leases, carbon credits and solar rights can boost returns, but capturing these opportunities requires investment and operations teams to follow a unified strategy. Integration enables this alignment; a fragmented structure hinders it. Integration also strengthens outcomes in forest certification, conservation and biodiversity, ensuring those goals are carried through from strategy to actual field practice rather than lost in translation with an outside operator.

Resource Management Service, LLC (RMS) was established in 1950 by foresters and has evolved from a regional forestry advisory company into a vertically integrated timberland investment management organization. The Evergreen Fund leverages a broader 2+ million-acre platform, and RMS has delivered more than 60 million tons of wood under long-term supply agreements with buyers including International Paper, Georgia-Pacific, West Fraser and Weyerhaeuser. Roughly 160 employees work across the organization, with more than 65% in the field managing forests. RMS maintains integrated oversight across the core functions of the forestland investment value chain, from genetic selection and silviculture through harvest scheduling, log sorting and delivered sales. Each decision compounds on the last, and integrated execution helps preserve value between them.

CASE STUDIES:

WHERE SCALE AND INTEGRATION INTERSECT

No operator commits major capital to a new sawmill without confidence in a sustained, reliable wood supply, and only a manager with both scale and integration can credibly make that commitment. While scale provides the volume, integration provides a counterparty with direct authority over supply and logistics, not a consultant fielding calls from multiple clients with competing priorities. When mills have that confidence, they invest, and new mill investment can increase local demand and may contribute to improved pricing conditions within the relevant wood basket.







A New Sawmill in Central Louisiana — RMS worked with the mill's developers during site selection, providing wood flow data and demonstrating how its regional scale could support consistent supply through startup. The mill was built a few miles from nearly 200,000 acres of RMS-managed timberland, and RMS delivered the mill's first outside wood purchase. Although Louisiana timber markets in the area had historically priced at or below South-wide averages, a new, well-capitalized buyer improved local pricing in a market that had been chronically underserved.

A New Sawmill in Mississippi —

RMS helped a lumber producer select a site for its first southern sawmill, introduced the company to local officials and provided growth and logistics data. RMS now supplies a significant share of the mill's annual volume. After sustained success, the company opened a second Mississippi mill in 2022.

The cycle is self-reinforcing: reliable supply attracts mill investment, new mills increase local demand, stronger demand produces better pricing, and better pricing reinforces the manager's standing as a preferred supplier. With the Evergreen Fund spanning eight states and 25 timber markets, this cycle plays out across multiple regions simultaneously, and an integrated team can shift harvest activity toward whichever markets are strongest at any given time.

CONCLUSION

The operational questions carry as much weight as benchmark figures when evaluating timberland managers. What matters most is whether the manager runs the forests directly, whether portfolio size translates into genuine market influence, and whether institutional knowledge is embedded in the organization or held in relationships that can end. Over the time horizons typical of timberland investment, these are where the difference in outcomes is made.



RESOURCES

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