



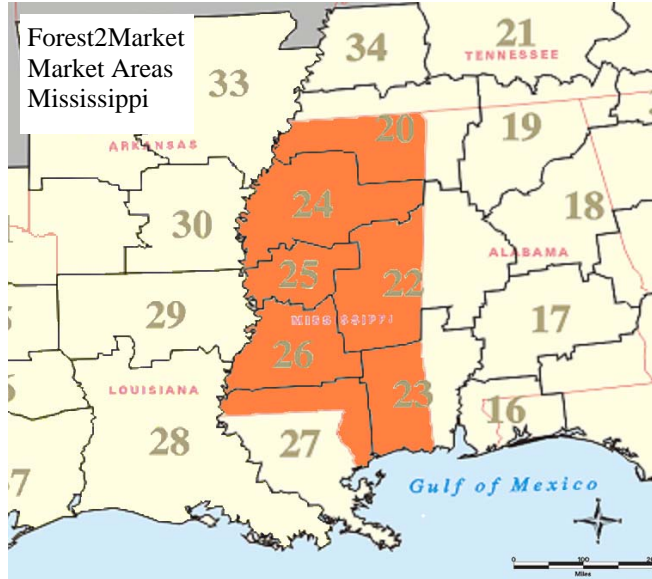
Forest2Market®  
Solutions for the Forest and Wood Products Industries

# Mississippi Timber Report

A PUBLICATION OF FOREST2MARKET®

**3rd Quarter  
2006**

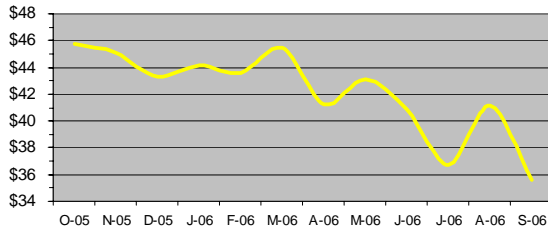
**Volume 3  
Number 3**



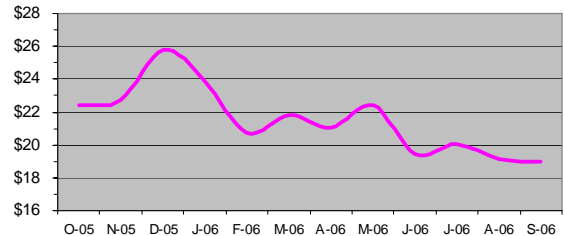
*Since many variables, such as raw material demand, mill inventories, buyer competition and weather, play key roles in determining local prices, we encourage you to subscribe to our continuously updated online price service at [www.forest2market.com](http://www.forest2market.com) for prices that are specific to your local area.*

## MISSISSIPPI STUMPAGE PRICE TRENDS

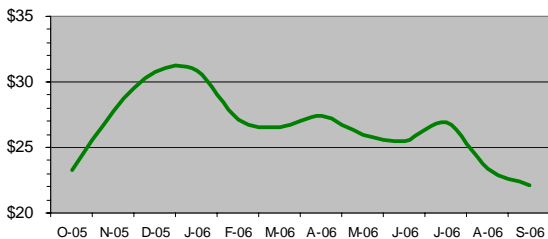
**Pine Sawtimber Stumpage Price Trend (\$/ton)**  
Mississippi Statewide Average



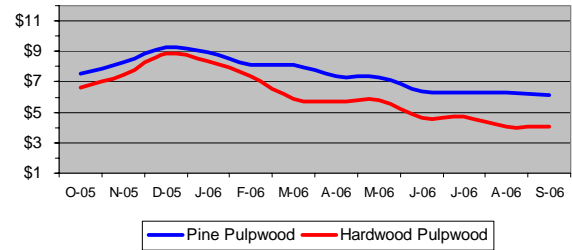
**Pine CNS Stumpage Price Trend (\$/ton)**  
Mississippi Statewide Average



**Hdwd Sawtimber Stumpage Price Trend (\$/ton)**  
Mississippi Statewide Average



**Pulpwood Stumpage Price Trends (\$/ton)**  
Mississippi Statewide Average



# MISSISSIPPI STUMPAGE PRICES

## Pine



Pine sawtimber stumpage prices began to feel the full affect of the dramatic downturn in residential construction markets this quarter. In response, mills have cut production or curtailed for extended periods citing market conditions as the dominant factor. Sellers, sensing the downturn in prices, largely held timber off the market during the period hoping for an upswing in prices at the end of the year. Mills maintained full log inventories; tightening quotas on suppliers while trying to deplete excess end product inventories. **Pine Sawtimber** prices decreased 7.4% or \$3.11/ton to average **\$38.68/ton**. **CNS** prices decreased \$1.15 or 5.6% to average **\$19.59/ton**. **Pine Pulpwood** decreased 11.7% or \$0.83/ton to average **\$6.23/ton** for the period.

## Hardwood



Hardwood stumpage prices also began to feel the impact of the housing downturn this period. Margins on flooring products have decreased and demand for cabinetry was down to end the quarter. Red Oak production declined during the period as white oak and poplar remained steady. **Mixed Hardwood Sawtimber** prices decreased \$2.58/ton or 9.8% to average **\$23.79/ton**. High-Grade material averaged \$25.88/ton, a decrease of 16.1% or \$4.98/ton; mostly due to the decrease in red oak production. Low-grade material held steady averaging \$20.79/ton, a decrease of \$1.68/ton or 7.5%. **Hardwood Pulpwood** decreased \$1.31/ton or 23.3% to average **\$4.33/ton**.

# U.S. SOUTH TIMBER MARKET OUTLOOK

## PINE SAWTIMBER PRICES - U.S. SOUTH

A steeper than anticipated third quarter drop in lumber and plywood prices surprised many analysts who originally expected an orderly slow down in residential construction activity. Prices for residential construction materials (lumber, OSB, plywood) dropped as demand weakened and costs continued to rise with current prices dangerously close to, or below production costs. The decline in lumber and plywood prices is likely to shave third quarter earnings for major North American forest products companies who continue to adapt by cutting production and curtailing. Compared to the third quarter of 2005, lumber prices have declined 16.8%, OSB prices decreased 27.8% and plywood is down 24.9%. In addition, new OSB production scheduled to come on line late in the year will push panel prices down further. The combination of over-supply in both housing inventories and construction materials have added to the already pessimistic views on current and expected sales activity in lumber and panel markets. According to NAHB estimates, annual housing starts are expected to be 1.85 million for the year and decline to 1.66 million before rebounding in the middle of 2007. Furthermore, builder sentiment declined in September for the eighth consecutive month to its lowest point in 16 years.

Unlike other historical downturns in housing markets, the current housing slump affecting the forest products industry is largely independent of broader economic conditions. The industry is currently feeling the affects of a greatly needed inventory correction as mills adjust to the demand frenzy of the previous years. In the past, downturns in housing markets have largely been the result of high interest rates and broader economic issues. The current economy outside of housing remains strong. Unemployment is low, incomes are growing, inflation is largely in check, 30-year fixed rate mortgages are still well below historical highs at around 6.5% and the GDP is forecast to grow at a steady 3.4% for the remainder of the year. As a result, this downturn will be short-lived. Construction material prices should level out by the middle of 2007 as builders make adjustments bringing over-stocked inventories in-line with current demand.

**Expect stumpage prices to decline slightly heading into the final quarter of the year. The normal, seasonal upswing in log prices will be less pronounced this year and specific to certain areas as end product markets remain weak. Log yards remain full and delivered prices continue to drop, putting pressure on suppliers to maintain margins by decreasing stumpage prices.**

## PULPWOOD PRICES - U.S. SOUTH

Worldwide, pulp supplies remained tight. North American paper markets continued to soften during the third quarter. The heavy competition for coated paper grades and increased free sheet-imports have contributed to market softness. The increasing decline in newsprint consumption continued falling in August by 7.8% from last years number. Autumn price hikes announced by Weyerhaeuser and Boise on various uncoated free-sheet grades sought to offset some of the rising cost of raw materials.

**Expect pulpwood stumpage prices to show a slight increase heading into the final quarter of 2006. Mills have already begun to build winter inventories pushing prices higher in some areas. With production at lumber and plywood mills decreasing due to market conditions, there will be a decrease in the supply of mill residual chips. This will force pulp mills to purchase more pulpwood adding to the price increases.**