



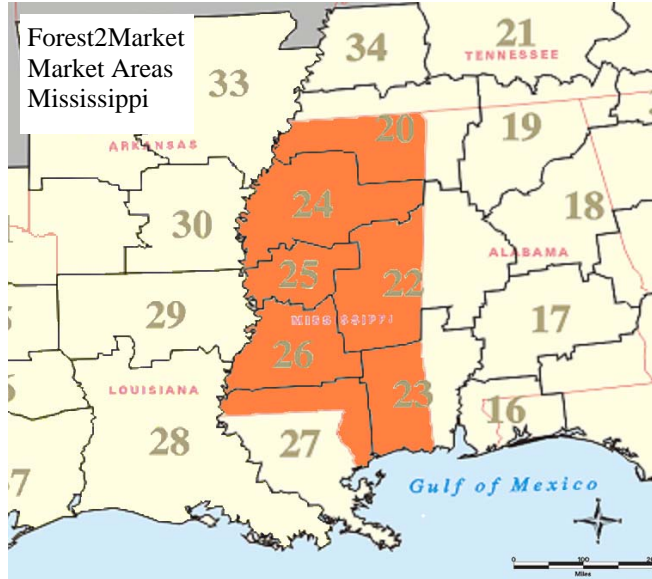
Forest2Market®  
Solutions for the Forest and Wood Products Industries

# Mississippi Timber Report

A PUBLICATION OF FOREST2MARKET®

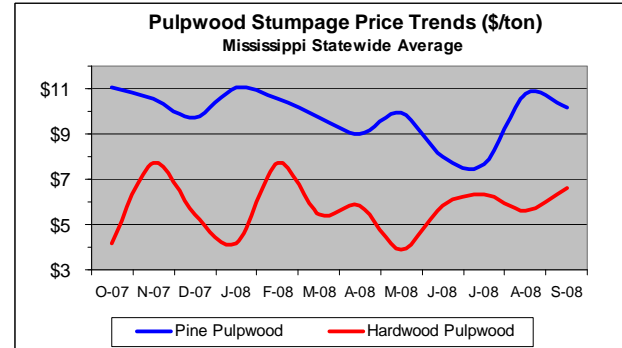
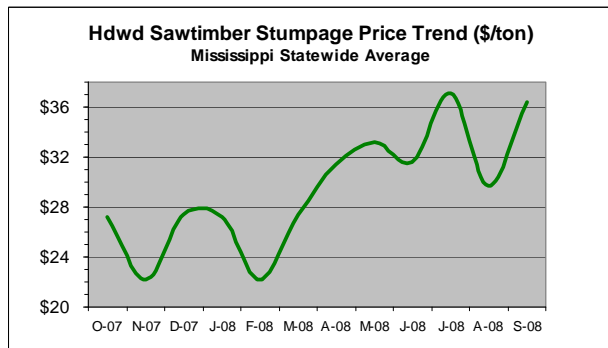
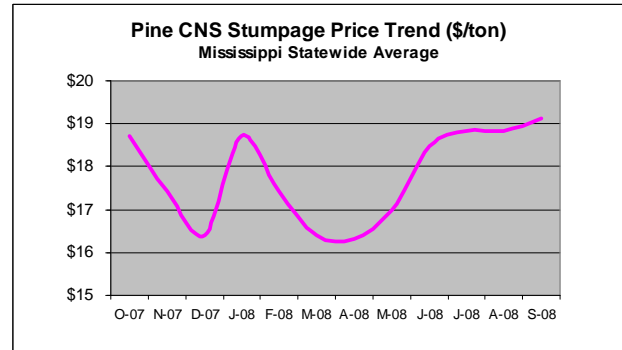
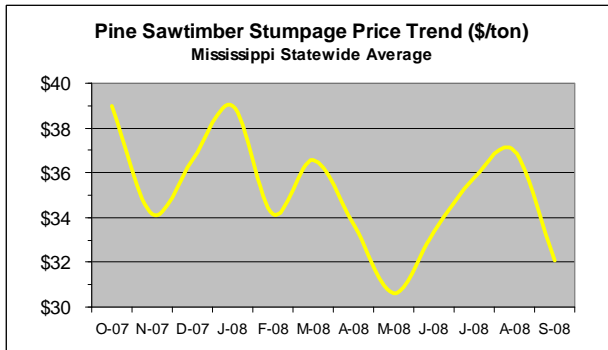
**3rd Quarter  
2008**

**Volume 5  
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



# MISSISSIPPI STUMPAGE PRICES



## ***Pine***

Despite depressed economic conditions (see Outlook section below) and extreme volatility in the market, all products experienced price increases in the third quarter. While the market was still subdued, only tracts that had large volume and good logging conditions were offered by sellers. These tracts commanded a premium by suppliers who were eager to have a place to log and stay afloat. As a result, **Pine Sawtimber** increased \$1.08/ton to end at **\$33.84/ton**. **Pine CNS** rose \$1.60/ton to close at **\$18.97/ton**. **Pine Pulpwood** rose \$0.90/ton to end at **\$10.06/ton**.

## ***Hardwood***



All hardwood prices increased this period. As a result of depressed market conditions for pine, harvest activity was at a low causing a decreased supply of hardwood on the market. As a result, **Hardwood Pulpwood** increased this quarter \$0.94/ton to close at **\$6.24/ton**. **Low Grade Hardwood** rose \$0.78/ton to end at **\$24.16/ton** and **High Grade Hardwood** rose \$2.02/ton to end at **\$37.17**. **Mixed Hardwood** saw the highest increase with more of the blend made up of high grade; ending the period at **\$35.80/ton**, \$4.06/ton higher than last quarter.

# U.S. SOUTH TIMBER MARKET OUTLOOK

## **PINE SAWTIMBER PRICES**

The third quarter of 2008 has been tumultuous, both for the economy in general and for the housing market specifically. While the most recent ISM Manufacturing report indicates that Agriculture, Fishing, Forestry, and Hunting jobs are growing overall, wood products manufacturing was the third-fastest contracting industry, with the third-fastest decline in employment in the third quarter. The USDA Forest Service, in its *Lumber Market—Status & Trends* report, predicted demand for wood would be approximately 44 BBF in 2008, 18 percent lower than last year and 32 percent lower than the 2005 high.

In August, housing permit applications and starts were at their lowest level since the beginning of 1991. The depressed housing market continues to exert downward pressure on lumber and plywood prices. Lumber production in the U.S. South for the first half of 2008 was down 10.9 percent over the same period in 2007. Lumber futures suggest this trend will continue. A new wave of plywood and OSB mill closures has been announced following the third quarter in reaction to weak demand, a trend that will likely continue.

The housing market will not show signs of improvement until the credit markets loosen and home prices drop enough that sales increase, which will then cause inventory to drop and permits and starts to turn around. We now believe that housing starts will not rebound until the end of 2009 at the earliest, and more likely not until 1Q2010.

In addition, hurricane season in the U.S. South reduced both logging activity and transportation and caused temporary shutdowns at mills, either in preparation for a hurricane or because of log shortages in the aftermath. In the West, timber damage and its effects will work their way through the market in the coming months.

**Expect chip-n-saw and pine sawtimber prices to be volatile over the next few quarters. Local market conditions will be a large factor in determining price as mills continue to balance profitability with log supply. Entering the wet, winter season will cause prices to increase due to supply constraints, but mills will be reluctant to go long on any offers. Tracts with large volume and good logging conditions will capture attention from suppliers. Competition for these tracts between suppliers desperate for a place to log will create localized pockets of price increases.**

## **PULPWOOD PRICES**

Global pulpwood markets are feeling the effects of the global financial crisis. In the U.S., demand for office and publication papers has declined by double digits; as a result, pulp demand is down. Pulp demand will continue on this trend primarily because of global economic issues. Prices throughout most of the third quarter of 2008 have been falling, and they will continue to do so, in part due to announced price cuts. Currently, buyers are purchasing only limited volumes, and they are waiting for better market conditions. U.S. pulp exports began dropping in July 2008, down 12 percent from January's level, a result of higher transportation costs, the slowing global economy, and the stabilization of U.S. dollar. The lack of both domestic and international activity in the market is expected to lead to additional curtailments and closures in North America.

**Expect pulpwood prices to continue to increase in the next few quarters. Due to the sawtimber market, suppliers--hungry for any place to log--will continue to stretch pulpwood pricing by cutting their margins. Also feeding demand will be the fact that pulp and paper mills will face dwindling log inventories in the wet season and dwindling sawmill residual chip supplies as sawmills and plywood mills curtail or close.**