



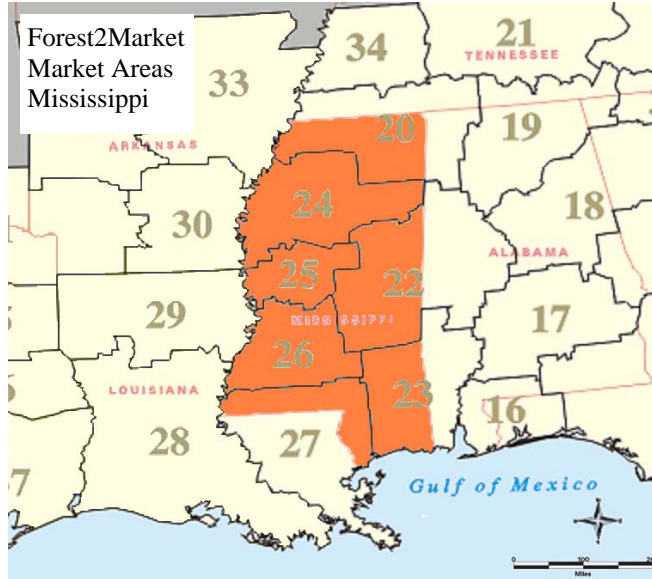
Forest2Market®
Solutions for the Forest and Wood Products Industries

Mississippi Timber Report

A PUBLICATION OF FOREST2MARKET®

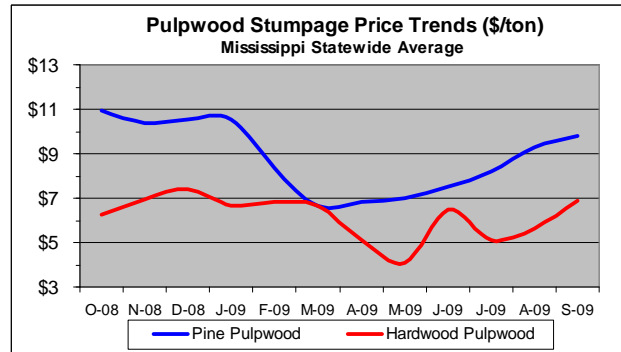
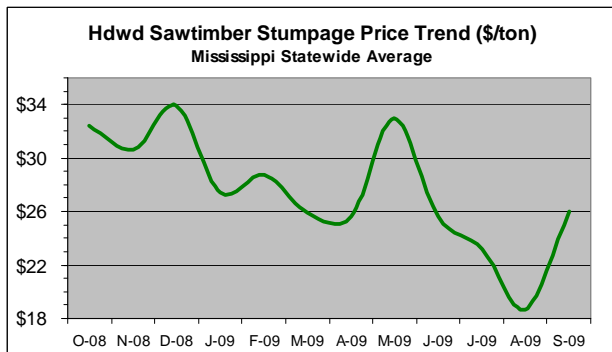
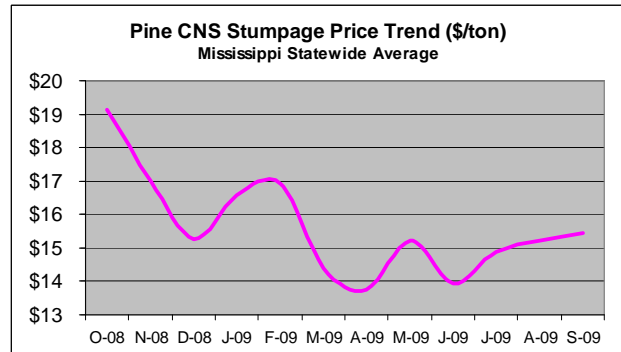
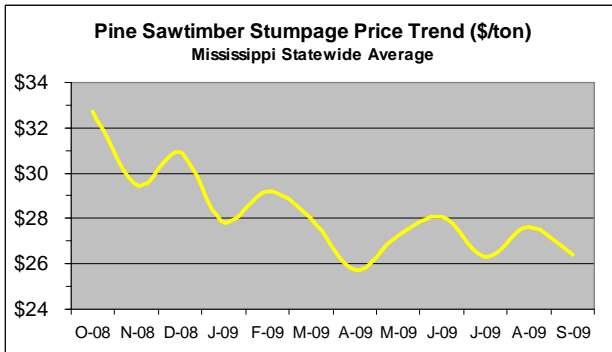
**3rd Quarter
2009**

**Volume 6
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 for prices that are specific to your local area.

MISSISSIPPI STUMPAGE PRICE TRENDS



MISSISSIPPI STUMPAGE PRICES



Pine

Although market conditions remain poor throughout the south, there were a few bright spots for Mississippi. **Pine Pulpwood** increased \$1.85/ton to end the quarter at **\$9.04/ton** – a 24% increase. **Pine CNS** increased \$0.91/ton to close the quarter at **\$15.09/ton** – a 6.4% increase. **Pine Sawtimber** continued a downward trend decreasing \$1.10 or 4% to end at **\$26.68/ton**. Prices may see a slight increase in the coming months due to seasonality factors but improve significantly.

Hardwood



Hardwood mills continue to struggle as demand for furniture and flooring are at extremely low levels. All hardwood product prices decreased this quarter. Look for the trend to flatten out in the months ahead as we believe prices are finding the bottom. As a result, **Hardwood Pulpwood** decreased this quarter \$0.32/ton to close at **\$5.78/ton**. **Low Grade Hardwood** decreased \$0.76/ton to end at **\$19.80/ton**, and **High Grade Hardwood** decreased \$2.73/ton to end at **\$30.28**. **Mixed Hardwood** saw an decrease; it ended the period at **\$23.11/ton**, \$5.46/ton less than last quarter.

U.S. SOUTH TIMBER MARKET OUTLOOK

PINE SAWTIMBER PRICES

In January, we estimated that a total of 15 mills would be closing throughout the U.S. South in 2009. In September, Columbus Lumber in Brookhaven, Miss. was forced to close due to a financing issue with its lender, Bank of America. That announcement followed on the heels of AbitibiBowater's statement that it would shutter its Albertville, Ala. mill permanently on November 15. Following these two announcements, the total number of closures now stands at 13 mills. To date in 2009, nearly one billion board feet of production has been removed from the market. We expect only 1 or 2 additional mills will come out of the system.

Because capacity reduction is nearing its end, we expect the industry to show some small improvement in 2010. Extended curtailments will be the norm through the Thanksgiving and Christmas holidays, but most mills will come back on-line afterward. We believe that we're on the bottom of this market and expect that production will stay level until the summer seasonal patterns hit in 2010, where we may see demand improve. Ultimately, though, 2011 will be the year that pricing and production begin to respond.

PULPWOOD PRICES

Demand for pulpwood has had a positive impact on prices since February, with about one-third seeing a leveling off and two-thirds experiencing gains. Increased end-user demand is not the reason, however, since inventory has actually decreased. Extra demand on pulpwood has been precipitated by the black liquor tax credit, which has led paper companies to shift production away from recycled mills to virgin fiber mills. Paper companies are taking this step in order to maximize the size of the tax credits they are eligible for, as black liquor is only produced from the virgin fiber milling process.

As a result of this shift to using more pulpwood, prices have been stronger throughout much of 2009. When the black liquor tax credit expires on December 31 of this year, mills will likely shift production back to recycled material mills. The result will be a softening of pulp demand and pulpwood prices.