



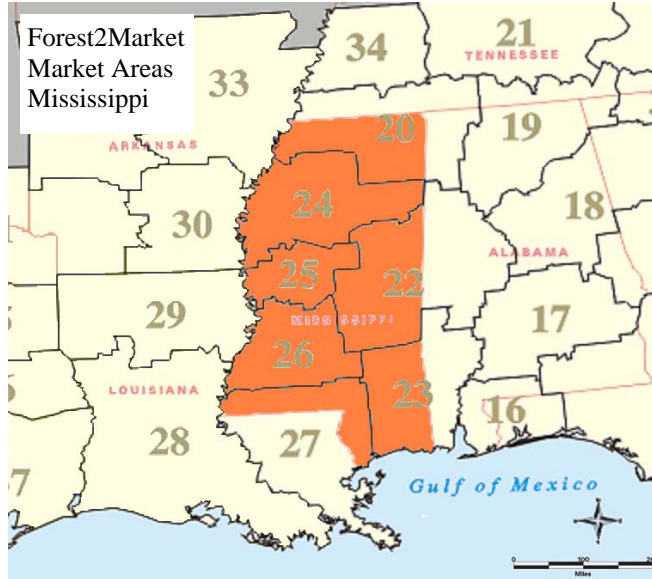
Forest2Marketsm
Solutions for the Forest and Wood Products Industries

Mississippi Timber Report

A PUBLICATION OF FOREST2MARKETsm

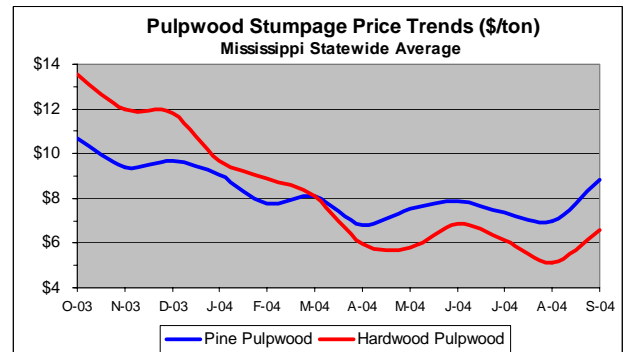
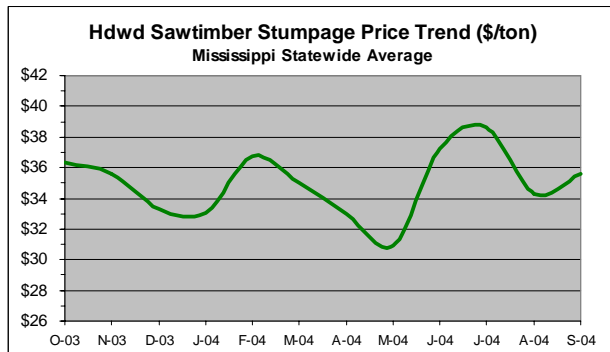
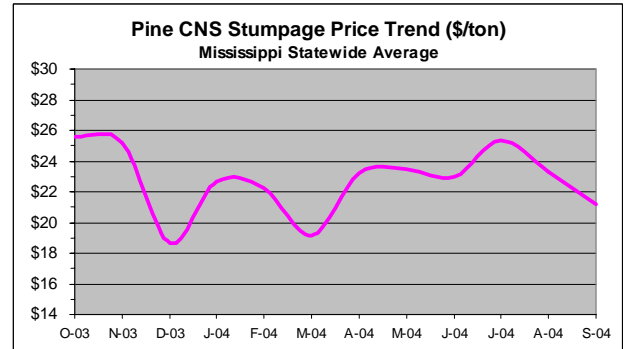
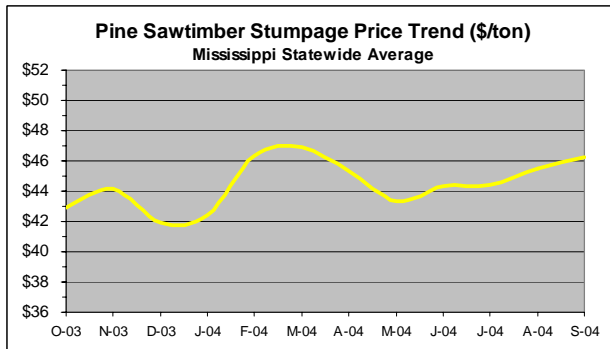
**3rd Quarter
2004**

**Volume 1
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



Pine Sawtimber prices were relatively flat this period, increasing only \$0.52/ton or 1.2% to average **\$45.21/ton** this quarter. Mississippi experienced fairly dry weather this quarter with heavy rains only occurring in early July and then in late August. Hurricane Ivan spared the state in mid-September as it moved east through Alabama, dumping rain predominantly in southeast Mississippi and the eastern part of the state. As a result of the fair conditions, access to timber was not restricted and prices increased modestly. **CNS** prices averaged **\$23.63/ton**, increasing \$0.45/ton or 1.9%. **Pine Pulpwood** prices rose \$0.50/ton or 6.9% to average **\$7.65/ton**. Prices for pine pulpwood were decreasing through July and August, but rebounded in September.

Hardwood



Mixed Hardwood Sawtimber prices increased \$0.39/ton or 1.1% to average **\$35.02/ton**. With drier ground conditions, more high-grade material was able to be harvested causing low-grade material prices to decrease \$2.82/ton or 11.9% to average \$20.83/ton. High-grade material averaged \$39.48/ton, a decrease of \$0.08/ton or 0.2%. **Hardwood Pulpwood** prices fell \$0.27/ton or 4.3% to average **\$5.99/ton**. Prices mimicked pine pulpwood prices by also decreasing through July and August and rebounding in September.

U.S. SOUTH TIMBER MARKET OUTLOOK

PINE SAWTIMBER PRICES - U.S. SOUTH

In another third quarter report last year, Forest2Market reported that a “delayed building and construction season finally took off.” It has been a year since that time and what a year it has been! The forest products industry has reveled in one of the strongest (if not the strongest) housing market ever in the U.S. The surging demand from the housing market has driven lumber and panel prices higher and caused forest products companies’ profits to soar. According to Random Length’s, 3rd Quarter 2004 prices for lumber were 32.8% higher than the same period last year and were 54.5% higher than 2nd Quarter 2003. Panel prices were 1.1% higher than last year’s third quarter average, but most of the gain in panel prices was made after 2nd Quarter 2003. Panel prices for this quarter were 60.1% higher than 2nd Quarter 2003’s average prices. According to 2nd Quarter 2004 financial reports, only two of 26 major forest products companies reported lower second quarter sales from the same period last year. Combined sales for the companies were up 16.1% from last year’s period and 5.3% from 1st Quarter 2004. Second quarter earnings were up 117.7% from 2nd Quarter 2003 and 68% from 1st Quarter 2004. Due to the improvement in the industry, 3rd Quarter 2004 pine sawtimber prices were \$2.15/ton or 6.1% higher than the same period last year. Will this trend continue?

In an effort to stem inflation, the Federal Reserve recently raised the Federal Funds Rate another quarter point to bring the rate to 1.75%. It was the third time since June that the Federal Reserve raised rates. Even before the announcement was made, speculation caused the value of the dollar to raise against the Euro and the Yen. This pattern is likely to continue as the economy strengthens, hampering exports and further encouraging foreign imports especially from Canada and Brazil. Also, one would think as a consequence, that mortgage rates would rise. But if the last three months are a sign of what the fourth quarter will bring in terms of mortgage rates, do not expect much of an increase. Mortgage rates are unlikely to sky-rocket in the next quarter, hopefully allowing the housing market to maintain its robust pace. However, winter rains could slow building and construction. In August, building authorization permits edged slightly downward, which could simply have been a result of hurricane rains, but definitely caused a slow-down in demand for lumber and panels. Prices for these products have already begun to show signs of weakening.

The key to next quarter’s prices will be local weather patterns and the traditional shift of buyers to target tracts with good access and logging conditions. Expect a rise in prices as these winter tracts become the focus and as mills begin to build log inventories in preparation for the winter months.

PULPWOOD PRICES - U.S. SOUTH

According to a mid-year outlook by the American Forest & Paper Association, U.S. output and shipments of paper and paperboard through April 2004 were up 2.8% compared to output and shipments of the same period in 2003. Total U.S. production and shipments for 2004 are on track to surpass 2003’s output by 1.9%. Also, demand is expected to strengthen over the next quarter and into 2005. With the increase in production and demand will come an increase in demand for wood. However, like sawtimber, the key to next quarter’s prices will be local weather patterns. Expect a rise in prices as winter rains approach and restrict access to timber.