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Mississippi Timber Report

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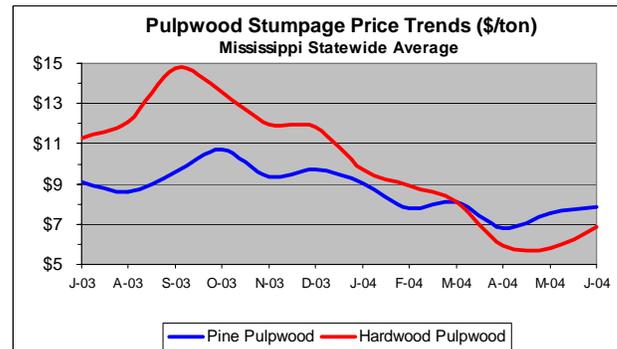
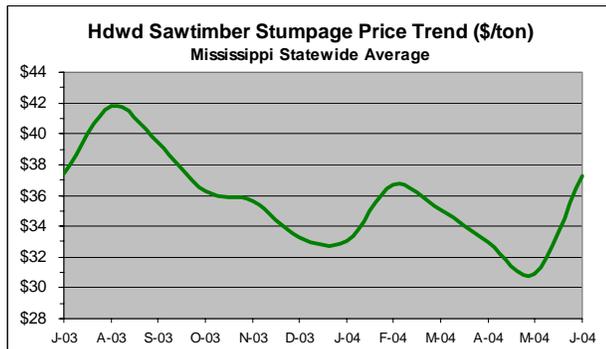
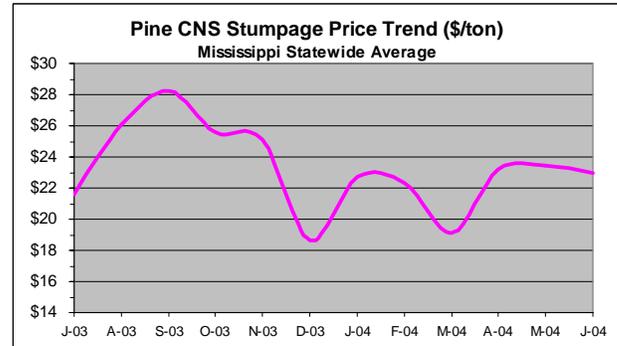
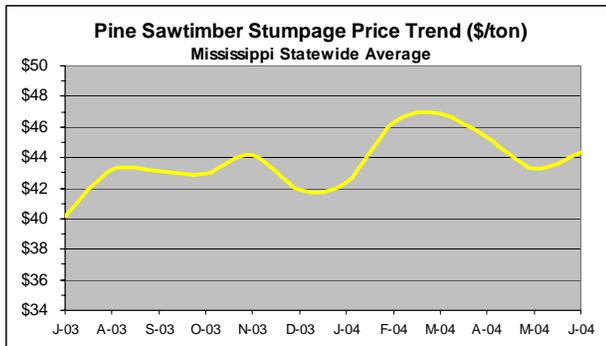
**2nd Quarter
2004**

**Volume 1
Number 2**



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



Mississippi **Pine Sawtimber** prices fell \$0.95/ton or 2.1% during the second quarter to average **\$44.69/ton**. Sawtimber prices were falling, after March's peak, but an extremely wet June forced buyers to scramble for wood. Prices experienced a slight increase in June as a result. **CNS** prices averaged **\$23.18/ton**, increasing \$1.38/ton or 6.3% this quarter. Prices for CNS rebounded after March's low, but were fairly flat throughout the quarter. **Pine pulpwood** prices fell \$0.92/ton or 11.3% to average **\$7.15/ton**. Mills continued to cut delivered prices, but when wood supplies were restricted by June's deluge, mills were forced to raise prices. Prices on the stump increased moderately in June as a result.

Hardwood



Mixed Hardwood Sawtimber prices averaged **\$34.63/ton** this quarter, decreasing \$0.81/ton or 2.3%. Low-grade material fell \$2.93/ton or 11.0% to average \$23.65/ton while high-grade material increased \$1.87/ton or 5.0% to average \$39.57/ton. **Hardwood Pulpwood** prices fell \$2.41/ton or 27.8% to average **\$6.26/ton**. Hardwood pulpwood prices were on a rapid decline as mills continued to cut delivered rates but also experienced a bounce as wet weather limited wood supply.

U.S. SOUTH TIMBER MARKET OUTLOOK

PINE SAWTIMBER PRICES - U.S. SOUTH

During the second quarter, sawtimber prices experienced a good roller-coaster ride. Seasonality caused prices to spiral downward until mother nature played her hand and restricted access to timber causing prices to go up in the Mid-South and West-South regions. But the key to the trend of sawtimber prices still relates primarily to demand and prices for lumber and panels, which is always influenced by the U.S. economy, housing market and imports. As such, borrowing rates continued to increase over the quarter as the economy continued to show signs of improving and as speculation circulated that the Federal Reserve was going to raise the federal funds rate to stem inflation. In response, housing starts dropped 1.3% from first quarter's average while mortgage rates continued to climb as fixed-rate mortgages (30-year) increased by 10.2% and adjustable rate mortgages (1-year) increased by 11.0%. On the other hand, mortgage applications for new purchases increased by 3.2% and wet weather was blamed for holding back demand and causing the drop in housing starts. But the weakening in the housing market caused prices for lumber and panels to decrease. According to Random Length's composite price indexes, lumber prices were fairly flat over the quarter, decreasing only 3.6%, but panel prices declined a whopping 35.0%. Also, due to the surging demand for panels in the U.S., foreign importers increased their market share and helped to drive the price of panels down.

Next quarter will be a "catch-22" period for the trend in sawtimber prices. If weather conditions improve expect a minor surge in demand for lumber and panels as recent rains that have limited building and construction disappear. On the adverse side, drier weather creates plenty of wood availability which will force sawtimber prices down. Expect this seasonality on timber prices to continue into the next quarter as well. However, if weather conditions do not improve, expect building and construction to continue to be hampered while mills experience wood shortages. Sawtimber prices will gradually rise as supply is constrained. Overall, for the end of 2004 and into 2005, as the economy improves and borrowing rates increase, expect a slow-down in the housing market followed by continued weakening in lumber and panel prices and further by weakening in sawtimber prices.

PULPWOOD PRICES - U.S. SOUTH

As the value of the dollar continued to weaken and demand in the pulp and paper industry strengthened, the price of U.S. Northern Bleached Softwood Kraft (NBSK) market pulp continued to increase. FOEX Indexes' U.S. NBSK index for the second quarter increased 9.8% over first quarter's average. Supplies of hardwood market pulp continued at high levels keeping prices for hardwood market pulp fairly level over the quarter. Despite the change in market pulp prices, pine and pulpwood prices declined due to seasonality.

Economists predict that the U.S. economy will continue to grow over the next two quarters. The nation's Gross Domestic Product is projected to grow 4.4% in the third quarter and 4.2% in the fourth quarter. If market pulp prices remain at current levels and wet weather hampers logging or wood availability, then expect pulpwood prices to increase. The key again is wet weather. Expect seasonality to affect prices in the third quarter but as the winter approaches expect pulpwood prices to move higher.