



Forest2Market®  
Solutions for the Forest and Wood Products Industries

# Mississippi Timber Report

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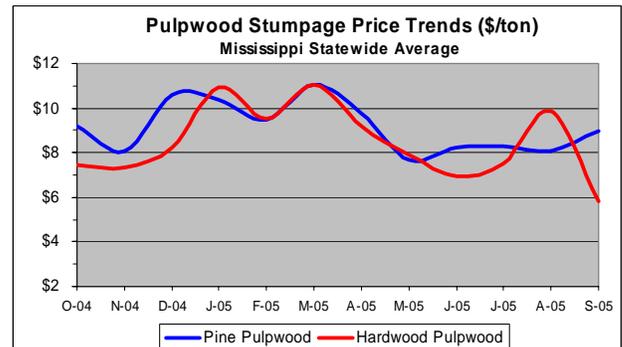
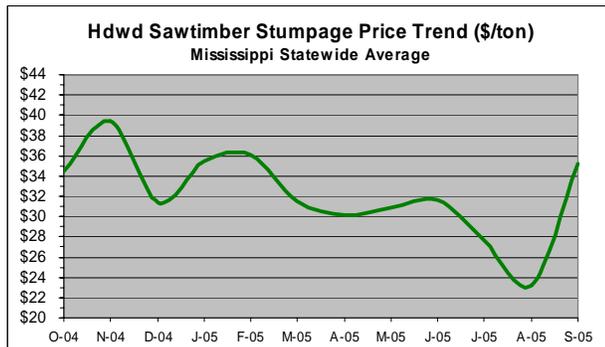
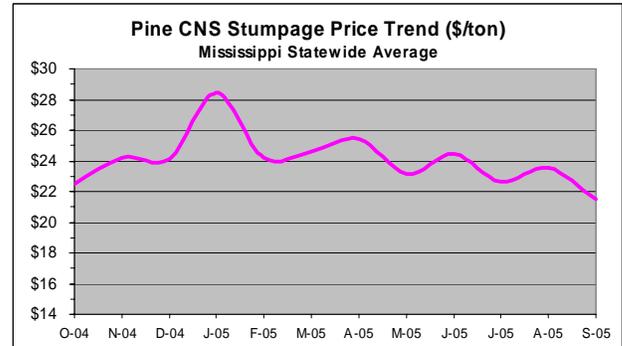
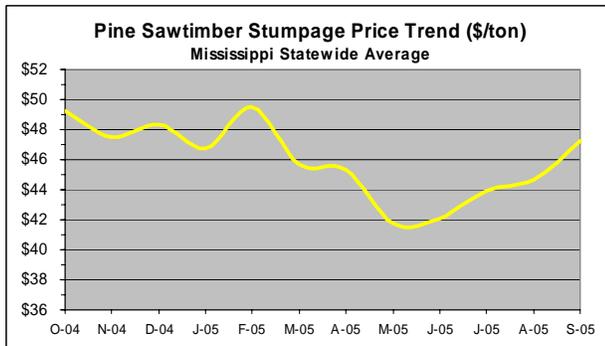
**3rd Quarter  
2005**

**Volume 2  
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



Overall market activity across the state of Mississippi declined during the quarter. Log yards remained full as drier weather made access to summer tracts a non-issue. Buyers appeared somewhat relaxed and focused on contracts already in the system from last year. Sellers stayed off the market hoping for better prices for all weather tracts during the winter logging season. **Pine Sawtimber** prices increased from \$0.84/ton or 1.9% from last quarter to average **\$44.40/ton**. **CNS** prices dropped 8.9% or \$2.16/ton to average **\$22.20/ton**. **Pine Pulpwood** prices declined \$0.52/ton or 5.9% to average **\$8.38/ton**. The immediate effect on stumpage prices from the salvage wood flowing from the coast was more localized during the third quarter, but may show a widening effect going into the fourth quarter.

## Hardwood



Prices for hardwood sawtimber dropped during the quarter with the exception of high-grade logs. The summer logging season allowed crews to gain access to bottomland sites not readily accessible during other parts of the year. **Mixed Hardwood Sawtimber** prices dropped 1.6% or \$0.49/ton to average **\$30.21/ton**. High-grade material jumped 20.8% or \$6.86/ton to average \$39.87/ton while low-grade material dropped \$1.48/ton or 6.5% to average \$21.41/ton. **Hardwood Pulpwood** dropped \$0.72/ton or 8.7% to average **\$7.59/ton**.

# U.S. SOUTH TIMBER MARKET OUTLOOK

## PINE SAWTIMBER PRICES - U.S. SOUTH

Presently, forest products companies in the southeast are dealing with the devastation and uncertainty brought about by Hurricanes Katrina and Rita. According to initial estimates by state and federal agencies, the damage was estimated to be 27 billion board feet spread out over approximately six million acres from East Texas to Coastal Alabama. State agencies in Louisiana estimated \$1.226 billion in timber losses from the two hurricanes. Approximately 6% of the growing stock in East Texas was affected by Hurricane Rita alone. More than 80% of the damage inflicted by Katrina occurred to sawtimber size trees prompting Georgia-Pacific to re-open two previously idled mills in the area and at least one off-site wood-yard in Bon Weir, Texas. Although long-term demand fluctuations from natural disasters are mostly felt at the local level, most analysts agree the damage inflicted by the 2005 hurricane season was severe enough to be felt in the broader market for years to come.

Immediately following the devastation brought by Katrina, lumber and panel prices spiked, maintaining upward momentum as the news of Rita's impending landfall along the gulf coast came to light. Prices for OSB jumped nearly 40% and framing lumber was up 14% by the middle of September following the storm. Demand for construction materials remained strong during the quarter in the face of rising interest rates as thirty year fixed rate mortgages edged closer to 6%. Single family building permits increased 2.4% from last quarter; an increase of 7.1% over last year's average during the same time period. However, the high cost of fuel, made worse by the storms, continued to add cost to end product prices. Crude oil and natural gas production from the Gulf of Mexico remained crippled forcing mills to pay high energy bills and surcharges to loggers. Reports of contract haulers keeping their trucks docked because of diesel fuel prices added transportation issues to the list of things nipping at the profit margins of the forest products industry.

**Stumpage prices declined during the quarter across the southeast due to a seasonally dry summer. Buyers and sellers were noticeably absent during the quarter since many tracts bought last summer had to wait till this year to be logged due to the unusual amount of rainfall during the last half of 2004. Landowners who were able to secure a logger within weeks of Katrina were reportedly being offered fifty cents on the dollar. More recent reports suggest twenty to thirty cents. Expect market activity to increase along with stumpage prices in areas not affected by the hurricanes throughout the rest of the year and into 2007. Demand for construction materials will remain strong as the rebuilding of Gulf Coast communities begins in the months ahead. At present, the Red Cross estimates 417,000 homes in the Gulf Coast states were destroyed and will need to be rebuilt. Forecasters are predicting that new home construction will set a record, topping two million units by the end of the year and then retreat to 2004 levels in 2006.**

## PULPWOOD PRICES - U.S. SOUTH

Major U.S. tissue, paper and pulp producers continued to face poor industry conditions during the third quarter. Several forest products companies ended the quarter by announcing job cuts and profit warnings citing sluggish industry conditions, high energy costs, excess capacity and declining demand. Total U.S. newsprint consumption by daily newspapers continued to decline, posting a significant year-to-year drop of 8.2%. The FOEX Northern Bleached Softwood Kraft price dropped during the third quarter 4.6% to \$626.59/tonne.

**Expect pulpwood consumers to keep a tight lid on prices as business conditions worsen in the fourth quarter. Expect pulpwood stumpage prices to increase slightly going into the winter logging season with a more pronounced increase seen in hardwood than in pine due to ongoing supply issues. The amount of salvage wood coming on the market in the months to come will have a depressing effect on local pulpwood markets affected by the hurricanes.**