



Forest2Market<sup>sm</sup>  
Solutions for the Forest and Wood Products Industries

# Mississippi Timber Report

A PUBLICATION OF FOREST2MARKET<sup>sm</sup>

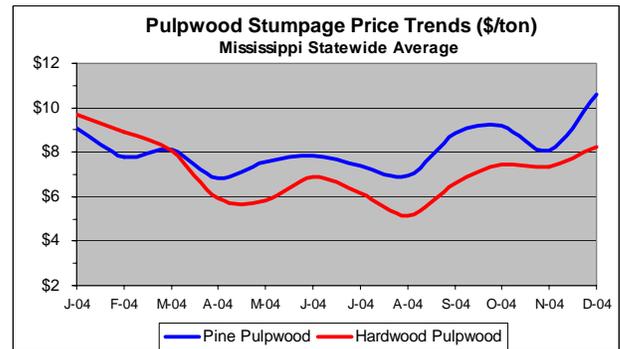
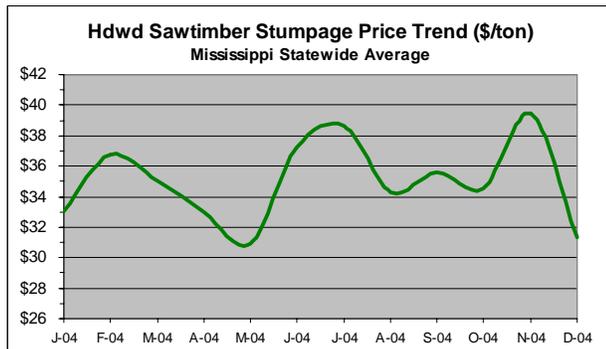
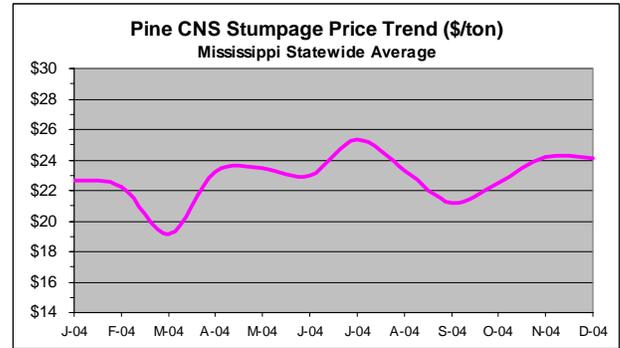
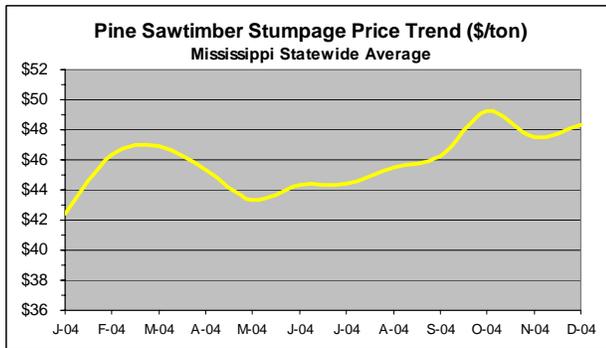
**4th Quarter  
2004**

**Volume 1  
Number 4**



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



Stumpage prices moved higher this period as the market switched gears in preparation for the winter season. With the expectation of winter rain, mills began to build log inventories by raising delivered prices. In response, sellers began to market tracts with wet weather logging capacity and competition from buyers to purchase these "good ground" tracts drove prices higher. As a result, **Pine Sawtimber** prices increased \$3.05/ton or 6.7% to average **\$48.25/ton** while **CNS** prices averaged **\$24.16/ton**, an increase of \$0.53/ton or 2.2%. **Pine Pulpwood** prices increased \$1.41/ton or 18.5% to average **\$9.06/ton**. Demand in the pulp and paper industry continued to strengthen over the quarter allowing mills to increase pulpwood prices.

## Hardwood



**Mixed Hardwood Sawtimber** prices increased \$2.06/ton or 5.9% to average **\$37.08/ton**. Low-grade prices increased this period as wet ground conditions limited access to timber. Low-grade material increased \$5.07/ton or 24.3% to average \$25.90/ton while high-grade material prices averaged \$38.94/ton, a \$0.55/ton or 1.4% decrease. **Hardwood Pulpwood** prices increased \$1.56/ton or 26.0% to average **\$7.55/ton**. As winter rains restricted access to timber, hardwood pulpwood was difficult to obtain forcing prices higher.

# U.S. SOUTH TIMBER MARKET OUTLOOK

## PINE SAWTIMBER PRICES - U.S. SOUTH

After the robust housing market of 2003, many economists predicted the 2004 market to weaken. But thanks to another year of favorable mortgage rates, 2004 outpaced 2003 and was a record year for building and construction in the U.S. Demand for new homes increased as housing starts for the year were 5.0% higher than those in 2003. Sales of new homes increased 9.5% and the average price of new homes increased 7.9% over 2003. With this heightened development, mills are on schedule to produce more lumber than in 2003. Through September, year-to-date production in the U.S. was 29 billion board feet, up 5.4% from the same period in 2003. For the South, production was 4.7% higher than the same period last year. As production increased, so did prices for lumber and panels. Lumber prices for 2004 were 30.5% higher than 2003's average while panel prices increased 26.3%. With these circumstances, demand for wood was steady throughout 2004. Southwide pine sawtimber prices (chip-n-saw included) in 2004 averaged \$38.19/ton, an increase of \$2.61/ton or 7.3% over 2003.

Due to the strengthening economic picture, the Federal Reserve raised the Federal Funds Rate twice during the fourth quarter - up a quarter point to 2.00% in November and another quarter point to 2.25% in December. The rate is expected to increase to 3.5% by the end of 2005. Economists are also predicting mortgage rates will increase to 6.75% by the end of 2005 causing the housing market to weaken, but remain healthy. (However, economists also predicted a temperance in the 2003 and 2004 markets that never materialized.) Never the less, this weakening appears likely, as housing starts dipped 13.1% in November, and as lumber and panel prices have been declining since mid-September. The lumber composite actually began decreasing in mid-August, but southern lumber prices ran counter to the composite until mid-September. Lumber prices fell 17.0% in the fourth quarter and panel prices fell 21.2%. Despite the fall in quarterly averages, prices experienced a slight run-up beginning in mid-November, but appeared to be flattening by year-end.

**Even though demand waned during the quarter, stumpage prices for sawtimber increased due to typical seasonal strengthening in prices. This was especially true in the West-South where prices increased more than expected. As these conditions continue over the next quarter and as demand in the housing market remains "healthy", prices will remain firm. Expect prices to remain strong, but flat, into the first quarter of 2005 and begin weakening throughout the year as demand slows in the housing market.**

## PULPWOOD PRICES - U.S. SOUTH

Production and demand remained firm in the pulp and paper industry for 2004. Through September, year-to-date paper and paperboard production was up 3.8% from the same period in 2003. As production has increased, so has the demand for market pulp as several announced price increases for market pulp were made throughout the year. These price increases were eventually passed through to stumpage prices as Southwide pine pulpwood prices for 2004 averaged \$7.77/ton, an increase of \$0.26/ton or 3.4%. Despite gains made in pine pulpwood, southwide hardwood pulpwood prices for 2004 decreased \$0.52/ton or 6.6% to average \$7.45/ton. However, hardwood pulpwood experienced record highs in 2003 and prices still remain high (\$1.56/ton or 26.4%) compared to 2002's average of \$5.90/ton.

**Production in the pulp and paper industry is likely to subside in 2005. Gross Domestic Product grew at 4.0% during the third quarter, but is expected to shrink to 3.3% in 2005 as a result of increased interest rates and high oil prices. As production subsides, expect demand for pulpwood to also shrink causing prices to remain flat into the first quarter of 2005, but decrease throughout the rest of the year.**