



Forest2Market®
Solutions for the Forest and Wood Products Industries

Mississippi Timber Report

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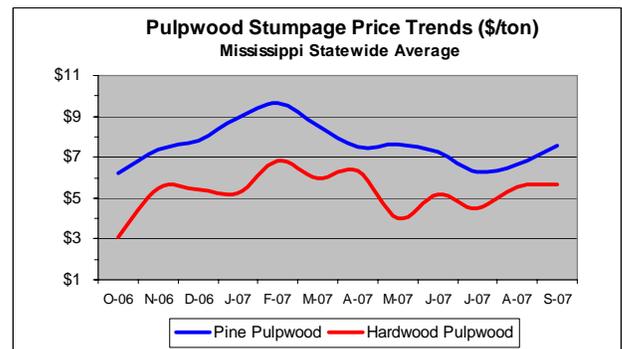
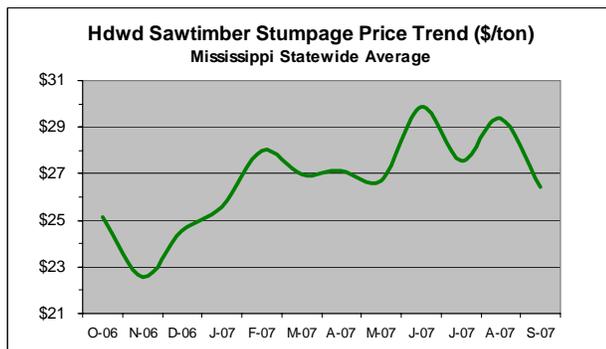
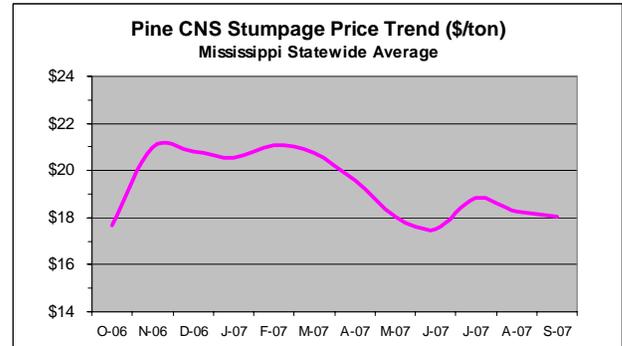
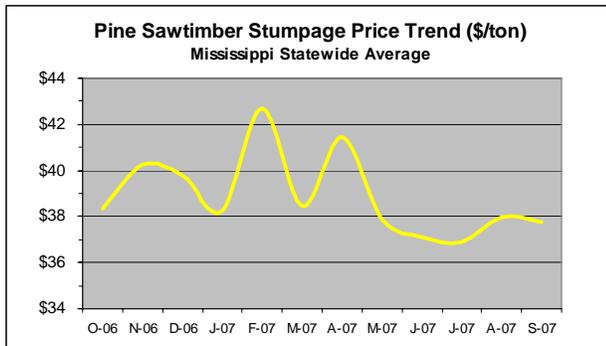
**3rd Quarter
2007**

**Volume 4
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

Average pine stumpage prices were relatively unchanged in Mississippi during the 3rd Quarter. A weak residential construction market continued to depress demand for residential construction materials. Plywood prices, which had remained strong as a result of non-residential construction demand, also began to show signs of trouble. **Pine Sawtimber** prices increased \$0.34/ton or 0.9% from last quarter to average **\$37.51/ton**. **CNS** prices decreased 1.6% or \$0.30/ton to average **\$18.37/ton**. **Pine Pulpwood** prices decreased \$0.72/ton or 9.7% to average **\$6.75/ton**.



Hardwood

Strong demand for White Oak and Cypress continued to be a bright spot for hardwood markets. Although, sellers remain cautious about the sustainability of White Oak prices and are also waiting to see the results of a moratorium on South Louisiana Cypress chips announced by a group of large retailers. Unfortunately, most other species continue to suffer with weak demand from cabinet and flooring manufacturers affected by the ongoing residential construction down-turn. **Mixed Hardwood Sawtimber** prices decreased 0.2% or \$0.07/ton to average **\$27.20/ton**. High-grade material decreased 1.2% or \$0.39/ton to average \$30.79/ton, while low-grade material decreased \$2.78/ton or 12.6% to average \$19.28/ton. **Hardwood Pulpwood** prices increased \$0.22/ton or 4.4% to average **\$5.17/ton**.

U.S. SOUTH TIMBER MARKET OUTLOOK

PINE SAWTIMBER PRICES

As the 3rd Quarter ended, news of the U.S. residential housing sector's malaise intensified. August housing starts were at a 14-year low and off 31% from a year ago. Housing permits and home sales continued to fall as well, and unsold inventory hovered above the 8-month mark. All-in-all, the U.S. continues to be in the mist of the worst housing recession in 16 years. Even worse, many analysts believe that we are still in the very beginning of a housing recession. September foreclosures were reported at almost twice the number from the same time last year and foreclosures reached a high of almost 244,000 in August. The slowing U.S. economy and tighter credit restrictions have only added to housing market woes. Meanwhile, the forest products sector continued to suffer from weak end-product demand for construction related lumber. Prices for most panel products remained depressed as well. Plywood, which experienced strong demand from non-residential construction uses, had recently been the exception. However, plywood prices leveled off and then fell during the quarter.

Energy prices remained a heavy burden on delivered log prices during the quarter. High energy prices also have had a negative affect on stumpage prices, as dealers and loggers attempt to control costs at both ends of the supply chain. Oil prices hit record highs by climbing over the \$80/barrel mark amid concerns of tight supplies following tropical disturbances in the Gulf of Mexico and heightened international tensions. On another note, lumber exports appear to be falling off despite the continued depreciation of the U.S. dollar. The most recent Western Wood Products Association Export Report showed that through July, exports of southern pine were actually below the 2006 total for the same time frame on a volumetric basis. Only China, Canada and Mexico have taken more volume of southern pine this year than last, but the pace by the latter two countries appears to be slowing.

The short-term outlook for residential construction remains negative and many analysts expect the downturn to persist until sometime in mid 2008. Through the first half of 2007, North American lumber production was down over 11% and U.S. production was off almost 13% for the year, yet the market remains oversupplied. **Expect stumpage prices to stay depressed through the remainder of the year as a result of unbalanced supply and demand in the finished products sector. Housing sector woes and the overall weakening economy will continue to suppress demand for lumber and panels. In turn, demand for logs will remain depressed and contribute to a smaller than normal bump in winter log prices.**

PULPWOOD PRICES

North American pulp demand remained strong during the 3rd Quarter, as shipments were up over 5% for the year in August. Supply became more of an issue as production cuts matched new production coming on-line at other mills and the coastal B.C forestry workers' strike continued. These events allowed producers to push through pulp price hikes. The strength of the U.S. paper sector has varied recently. The newsprint sector continues to be much-maligned, but uncoated paper manufacturers have pushed price increases on capacity cuts from companies such as Domtar (removed 284,000 annual tons for the year). Total printing and writing paper shipments are down slightly for the year. The packaging sector has seen rising prices despite a drop in domestic demand. Exports helped push up prices (containerboard exports were up 17% while imports were down 13%).

Expect pulpwood stumpage prices to remain strong heading into the fourth quarter. Prices will be supported by chip shortages resulting from continued lumber curtailments. As lumber mills produce less residual chips, pulpwood procurement managers are being forced to procure more roundwood on the open market. Also, expect pulpwood prices to increase if localized heavy winter precipitation causes supply difficulties.