



Forest2Market®  
Solutions for the Forest and Wood Products Industries

# Mississippi Timber Report

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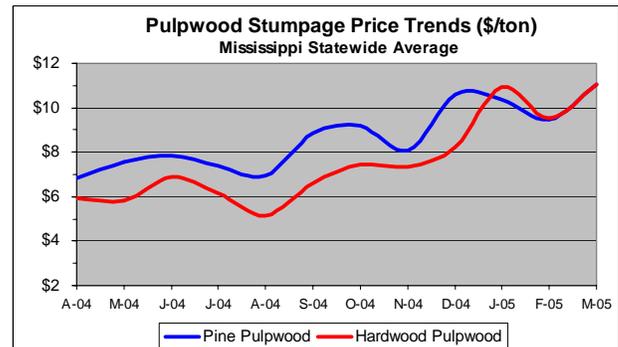
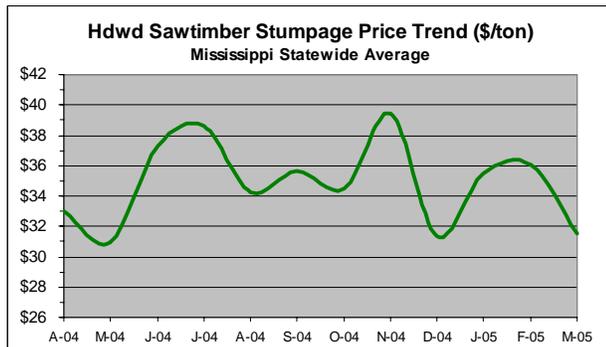
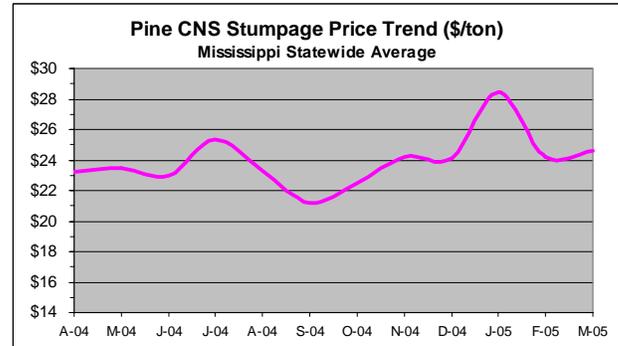
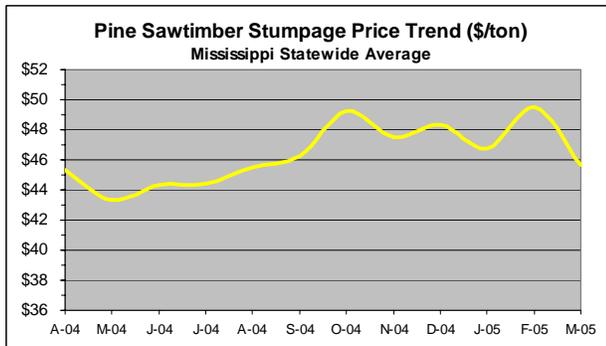
**1st Quarter  
2005**

**Volume 2  
Number 1**



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



With the exception of hardwood sawtimber, stumpage prices for all products continued to increase this period. Steady demand and reduced supply caused by winter rains helped to contribute to price increases especially for pulpwood products and pine chip-n-saw. After last quarter's large price gain, **Pine Sawtimber** prices cooled down, increasing only \$0.40/ton or 0.8% to average **\$48.65/ton** this quarter. **CNS** prices, on the other hand, heated up as prices increased \$3.10/ton or 13.3% to average **\$26.39/ton**. **Pine Pulpwood** prices averaged **\$9.98/ton** this quarter, increasing \$0.92/ton or 10.2%. Pulp mills were paying high prices to assure wood during heavy periods of wet weather conditions. A few buyers were paying spot prices as high as \$20.00/ton for entire timber stands (CNS included) in order to haul all the wood to the pulp mill.

## Hardwood



**Mixed Hardwood Sawtimber** prices fell \$2.16/ton or 5.8% to average **\$34.92/ton**. Low-grade sawtimber prices fell \$1.14/ton or 4.4% to average \$24.76/ton while high-grade sawtimber prices fell \$1.31/ton or 3.4% to average \$37.63/ton. **Hardwood Pulpwood** prices averaged **\$10.32/ton**, increasing \$2.77/ton or 36.6%. Hardwood pulpwood was scarce and difficult to obtain during the quarter driving prices higher. Spot prices as high as \$17.00/ton were reported in the northern portion of the state.

# U.S. SOUTH TIMBER MARKET OUTLOOK

## PINE SAWTIMBER PRICES - U.S. SOUTH

The industry was overjoyed to see December 2004's housing starts bounce back to 2.1 million units from November's low of 1.8 million units. Many analysts felt that November's estimate had been adversely affected by winter weather and December's rebound was the result of pent up demand. Even though housing starts continued to increase this quarter (up 6.4% from December to February), leading indicators signal weakness for the latter half of this year. These leading indicators include: basic flatness in building permits and new homes sales, increased mortgage rates, decreased mortgage applications and weakening builders' confidence.

Mortgage applications decreased this quarter as mortgage rates crept over 6.0% by the end of March (rates have not exceeded 6.0% since the end of July 2004). As mortgage rates increased, marginal home buyers were priced out of the market. New homes sales were sluggish from December to February, increasing only 0.7%. Building permit authorizations were also flat from December to February, increasing only 0.2%. As these market nuances occurred, the National Association of Home Builder's Housing Market Index (a measure of builder's confidence) decreased this quarter by 2.4%. While the confidence index decreased, it still remained high at 69 - any measurement over 50 indicates more positive responses were reported than negative.

**As building permits remained flat and as builders have become less confident, orders for lumber have been steadily decreasing along with lumber shipments. However, despite this decrease in demand, mills have done an excellent job of reducing production to equal demand and have kept lumber prices from plummeting. However, past history has shown that mills will reach a point where they will not reduce production any further in fear of missing the opportunity to fill an order. As this situation occurs and as demand continues to fall, production will eventually outpace demand, creating an over-supplied market which will eventually erode lumber prices. As lumber prices fall, so will sawtimber prices. Expect sawtimber prices to fall in the next quarter mostly as a result of typical seasonality, but also as a result of weakness in the housing market as the leading indicators suggest.**

## PULPWOOD PRICES - U.S. SOUTH

The price for market pulp continued to rise this quarter for both softwood and hardwood. The price of Northern Bleached Softwood Kraft increased 6.2% this quarter and several price hikes were implemented for hardwood market pulp causing the Southern Bleached Hardwood Kraft price to also rise 6.2%. Hardwood supplies were extremely low during the quarter causing price increases to be implemented during March. Softwood supplies, on the other hand, were not in such dire straits and prices, although increasing over the quarter, were fairly flat during February and March.

**These price increases in market pulp may hold pulpwood prices up in April and May, but pulpwood prices will eventually decrease in the summer as demand in the pulp and paper industry is predicted to soften and as seasonality occurs in pricing. However, expect pine pulpwood prices to decrease at a faster rate than hardwood pulpwood as supplies for hardwood remain low.**