



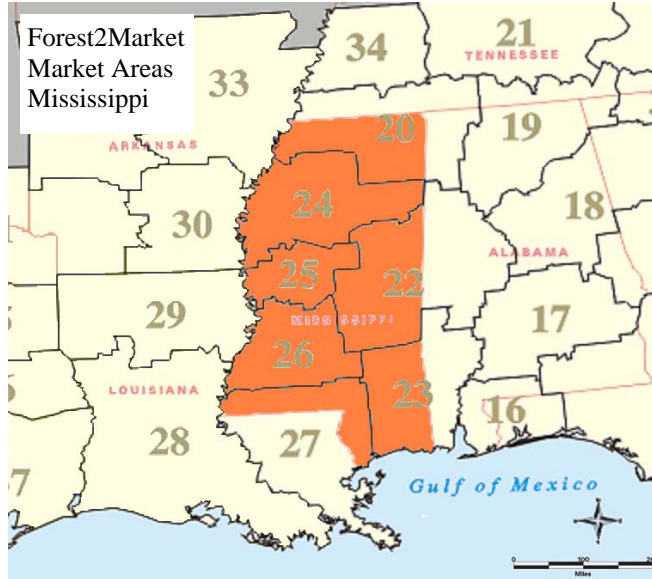
Forest2Market®
Solutions for the Forest and Wood Products Industries

Mississippi Timber Report

A PUBLICATION OF FOREST2MARKET®

**4th Quarter
2007**

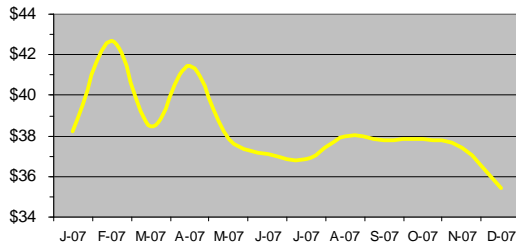
**Volume 4
Number 4**



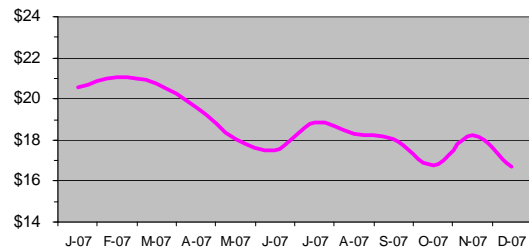
Since many variables, such as raw material demand, mill inventories, buyer competition and weather, play key roles in determining local prices, we encourage you to subscribe to our continuously updated online price service at www.forest2market.com for prices that are specific to your local area.

MISSISSIPPI STUMPAGE PRICE TRENDS

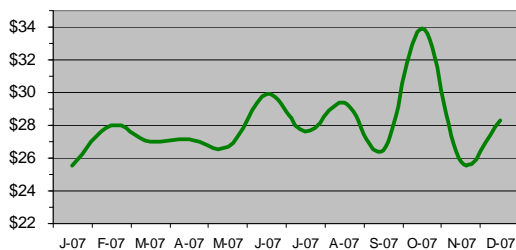
Pine Sawtimber Stumpage Price Trend (\$/ton)
Mississippi Statewide Average



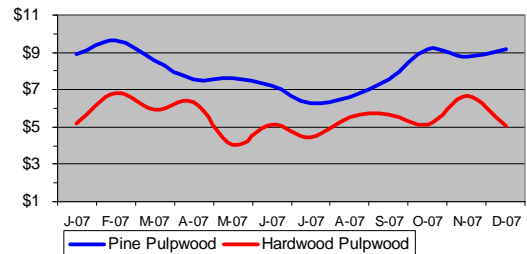
Pine CNS Stumpage Price Trend (\$/ton)
Mississippi Statewide Average



Hdwd Sawtimber Stumpage Price Trend (\$/ton)
Mississippi Statewide Average



Pulpwood Stumpage Price Trends (\$/ton)
Mississippi Statewide Average



MISSISSIPPI STUMPAGE PRICES



Pine

Average pine log prices in Mississippi ended the year on a slight decline. End product markets in Mississippi were not immune to the effects of the downturn in residential construction. Mills took extended downtime during the holiday break and continued to look for ways to cut costs. Sellers, not inclined to accept the current pricing structure, held tracts off the market putting pressure on suppliers already suffering from the lack of timber supply. **Pine Sawtimber** prices decreased 1% or \$0.38/ton to average **\$37.13/ton**. **CNS** prices slipped \$0.98/ton or 5.3% to average **\$17.39/ton**.

Pine Pulpwood prices showed continued resiliency increasing \$2.22/ton or 33% ending the year at **\$8.97/ton**. The lack of residual chip supply from Mississippi sawmills has forced pulp mills to procure more tree-length pulpwood.



Hardwood

Demand for hardwood lumber also suffered because of the housing market downturn. Export demand for logs and demand from flooring manufacturers helped to keep prices elevated during the period in the face of a bleak domestic picture. **Mixed Hardwood** stumpage prices increased \$1.39/ton or 5.1% to finish the year at **\$28.59/ton**. Low-grade material increased \$2.26/ton or 11.7% to average \$21.54/ton. High-grade material ended the year averaging \$38.35/ton; and increase of \$7.56/ton or 24.6%. Hardwood pulpwood had an increase from \$5.17/ton to \$5.92/ton

U.S. SOUTH TIMBER MARKET OUTLOOK

PINE SAWTIMBER PRICES

As the 4th quarter ended, the general economy remained sluggish as effects from the housing market rippled into other financial sectors. The housing slump and slow GDP growth contributed to depressed stumpage prices compared to prices at the same time in the previous year. Housing and manufacturing were little changed and US construction spending resumed a decline in October. Solid-wood demand waned as sales of new homes dropped 13 percent over the year, marking the biggest year-over-year decline in 37 years. Surplus lumber stagnated, while existing home inventories, fueled by a 58 percent jump in the number of foreclosures, surged to a 22 year high of 2 million in 2007. A projected 2.8 million homes will foreclose during 2008, when close to \$700 billion in ARMs reset. The Federal Reserve cut interest rates three times in order to staunch backlash from the housing and mortgage crisis on the general economy. The Manufacturing *ISM Report on Business* did not show growth, rather only expanded inventory and higher input prices for wood products. Plywood fared better than other solid-wood products, while OSB prices continued to be depressed. Solid-wood demand is not expected to turn around until late 2008 or early 2009. Experts suggest the housing market will not stabilize until there is further retrenchment of home prices.

High energy costs and flagging demand for solid wood continued to exert pressure on forest products producers. Oil prices rose to \$94.62 per barrel in November—a more than 73 percent increase since January—prompting manufacturers to look closer to home for raw material supplies. Although Canadian lumber exports to the US were down almost 17 percent, according to the WWPA's Export Report, low housing starts and a weakened general economy continued to depress prices for stumpage and solid-wood products. The rapidly depreciating US dollar, which typically spells good news for US exports, did little to mitigate ebbing demand for Southern timber. Southern pine lumber exports were down by 9 percent below last year's volume.

Expect stumpage prices to continue moderately trending downward in the first quarter of 2008. Seasonal buying patterns and increased transport costs will result in pockets of transitory strength within local markets. Overall economic weakness and depressed housing starts, however, will continue to restrain lumber and panel demand, causing prices in some market regions to remain at current levels.

PULPWOOD PRICES

Pulpwood demand remained strong during the 4th quarter, as paper products experienced sustained growth. Paper products, cited as a top performing industry by the Manufacturing *ISM Report on Business*, showed growth in new and backlogged orders, production and employment. Pulpwood prices experienced upward pressure from industry sector effects caused by the housing slump and high energy prices. The lack of residual chip supplies from weak solid-wood markets pushed pulpwood prices higher, as manufacturers purchased more longwood. High fuel costs counteracted lower costs of market pulp imports and raised demand for local pulpwood supplies. Additionally, US/Canadian dollar exchange rates boosted demand for domestic products.

Expect pulpwood stumpage prices to remain steady at the beginning of 2008 in most parts of the South. Industry sector and economic softening may hamper demand, while regional price volatility will be driven primarily by local effects. Weather will loom large in the West-South where pulpwood inventories are thin, whereas it will have less effect in the East and Central South regions due to stronger pulpwood inventories.