



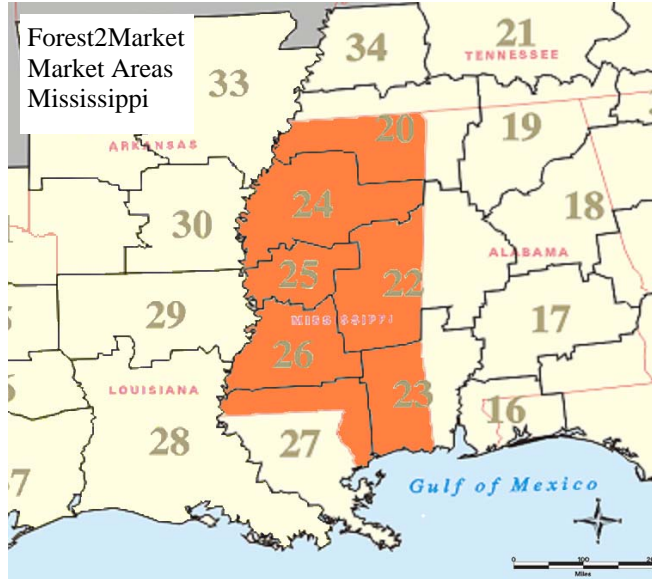
Forest2Market®
Solutions for the Forest and Wood Products Industries

Mississippi Timber Report

A PUBLICATION OF FOREST2MARKET®

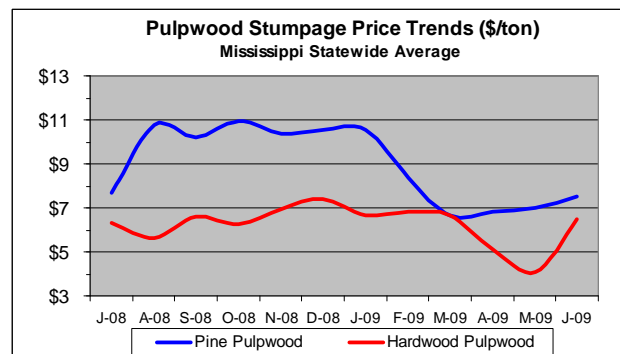
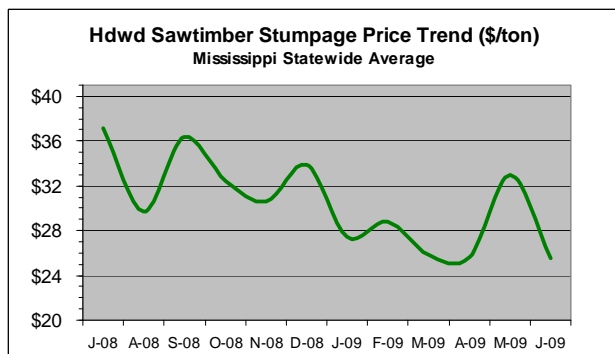
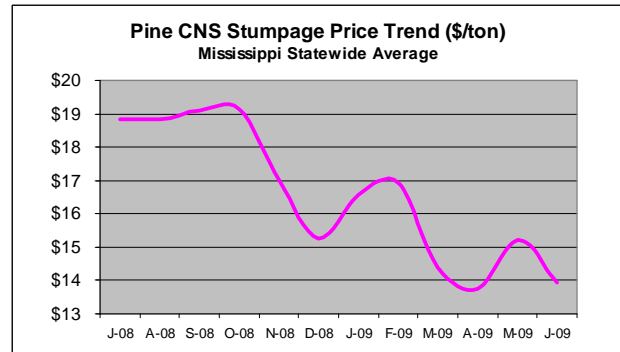
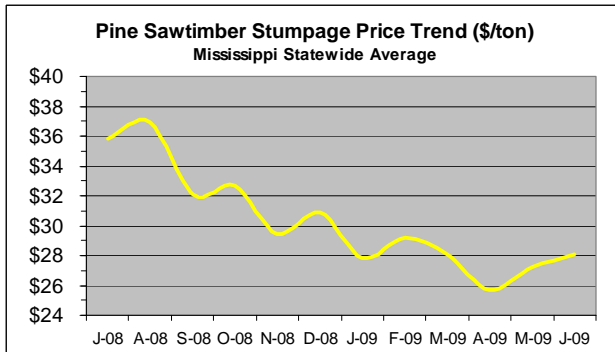
**2nd Quarter
2009**

**Volume 6
Number 2**



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

Timber prices have remained sluggish throughout the 2nd Quarter of 2009. Signs indicate that global demand has hit a floor and both demand and prices will begin to rebound by early 2010. Demand for both pulpwood and sawlog products continued to decrease this quarter. Seasonality has played a part, with mills reducing their inventories in the summer months. As a result, **Pine Sawtimber** decreased \$0.63/ton to end at **\$27.78/ton**. **Pine CNS** decreased \$2.28/ton to close at **\$14.18/ton**. **Pine Pulpwood** decreased \$1.51/ton to end at **\$7.18/ton**.



Hardwood

Hardwood this quarter exhibited the same downward trend as pine products, with the exception of mixed sawtimber. Expect hardwood prices to remain low as the downturn in the market continues. As a result, **Hardwood Pulpwood** decreased this quarter \$0.69/ton to close at **\$6.10/ton**. **Low Grade Hardwood** decreased \$1.51/ton to end at **\$20.55/ton**, and **High Grade Hardwood** decreased \$1.09/ton to end at **\$33.01**. **Mixed Hardwood** saw an increase; it ended the period at **\$28.57/ton**, \$1.34/ton more than last quarter.

U.S. SOUTH TIMBER MARKET OUTLOOK

PINE SAWTIMBER PRICES

During the second quarter of 2009, we saw uncertain signs that the markets were flirting with the bottom. Wild declines turned to modest ones in many areas; existing and new home sales, for instance, are now seeing declines in the lower single digits.

Because of foreclosures, however, inventories remain high. Mortgage rates increased as well; on June 30, the 30-year fixed rate was 5.42 according to Freddie Mac's Weekly Mortgage Survey, over 0.5 percent higher than the rate at the end of March. Given these statistics, housing is unlikely to bottom until the beginning of 2010.

As a result of the depressed housing market, sawmills will continue to match production to demand, cutting costs and staff and trying to hold on until the market recovers after hitting the bottom. Prices will likely continue on their current trend throughout 2009, remaining relatively flat. We expect the winter season (and the inventory building that generally proceeds wet winter weather) to have very little effect on prices.

PULPWOOD PRICES

Demand in the pulp and paper sector has shown signs of improvement. If demand continues to improve in pulp and paper as the wet winter season approaches, expect pulp prices to rise, especially as sawmill residuals will be hard to find; this will force mills to buy more pulpwood.

Eventually, rising pulpwood prices will begin eating into the small log sawtimber market, and this could effectively create a convergence of the pulpwood and chip-n-saw markets and erode CNS prices. Small log mills that need to produce 2x4s,6s will be forced to produce them from larger logs. These mills will have to pay the higher prices. If they can't afford to, they will shut down.

In March, we predicted 15 additional sawmills would exit the market in the US South in 2009. To date, 7 mills have closed. As the events described above begin to take shape, expect to hear news of additional chip-n-saw mill closures and curtailments as they are likely to make up the remainder of the 15 mill closures we predicted.

Keep an eye, however, on the black liquor tax credit that is inflating profit margins for pulp and paper companies in the United States. If Congress closes this loophole at the end of the year, the dynamics we've described above will change, as it will affect the ability of pulp and paper companies to pay higher prices for pulpwood and chip-n-saw.