



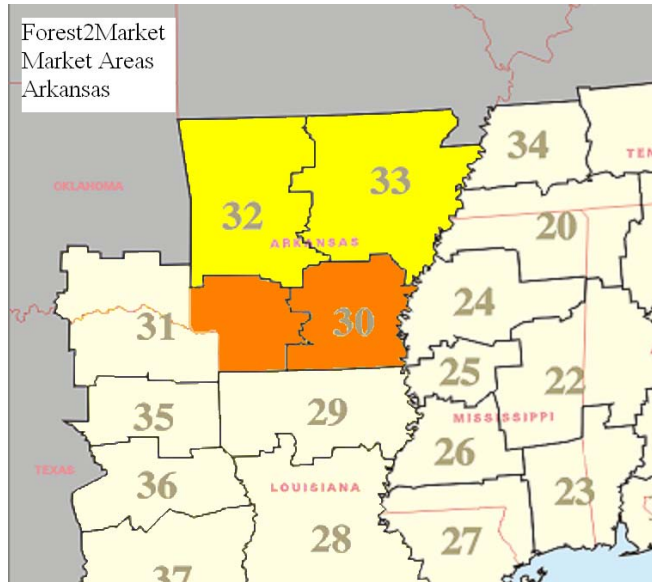
Forest2Market®
Solutions for the Forest and Wood Products Industries

Arkansas Timber Report

A P U B L I C A T I O N O F F O R E S T 2 M A R K E T ®

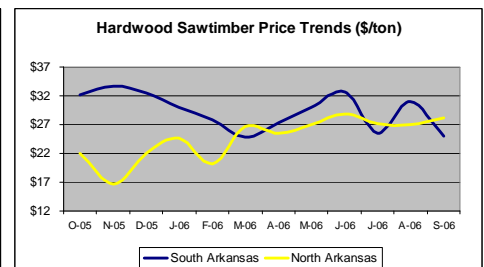
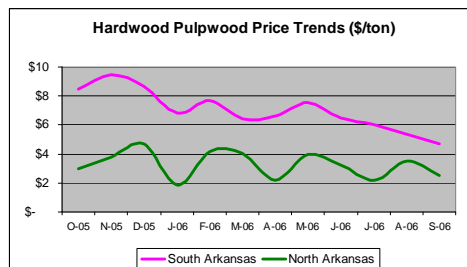
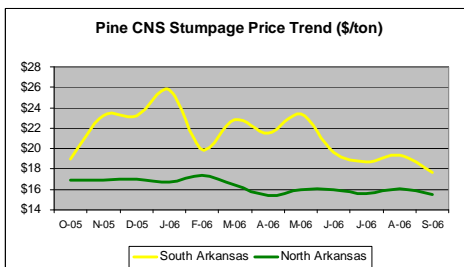
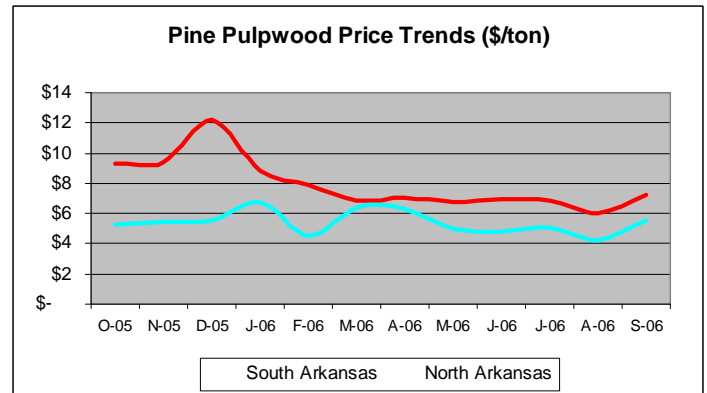
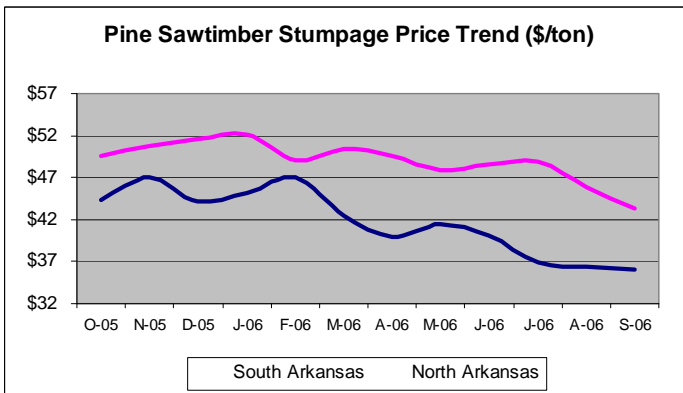
**3rd Quarter
2006**

**Volume 2
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.

ARKANSAS STUMPAGE PRICE TRENDS



ARKANSAS STUMPAGE PRICES

North Arkansas				
Weighted Average Stumpage Prices (\$/ton) 3rd Quarter 2006				
Product	Price	DBH	Price Change	Percent Change
Pine Pulpwood	\$ 4.48		-\$0.61	-12.0%
Pine Chip-n-Saw	\$ 15.73	9.8	-\$0.07	-0.4%
Pine Sawtimber	\$ 36.35	12.8	-\$4.68	-11.4%
Hardwood Pulpwood	\$ 3.02		\$0.11	3.8%
Hardwood Sawtimber	\$ 27.50		-\$1.19	-4.2%

South Arkansas				
Weighted Average Stumpage Prices (\$/ton) 3rd Quarter 2006				
Product	Price	DBH	Price Change	Percent Change
Pine Pulpwood	\$ 6.42		-\$0.50	-7.2%
Pine Chip-n-Saw	\$ 18.07	10.1	-\$3.46	-16.1%
Pine Sawtimber	\$ 46.12	16.1	-\$2.52	-5.2%
Hardwood Pulpwood	\$ 5.51		-\$1.53	-21.8%
Hardwood Sawtimber	\$ 26.73		-\$2.64	-9.0%

U.S. SOUTH TIMBER MARKET OUTLOOK

PINE SAWTIMBER PRICES - U.S. SOUTH

A steeper than anticipated third quarter drop in lumber and plywood prices surprised many analysts who originally expected an orderly slow down in residential construction activity. Prices for residential construction materials (lumber, OSB, plywood) dropped as demand weakened and costs continued to rise with current prices dangerously close to, or below production costs. The decline in lumber and plywood prices is likely to shave third quarter earnings for major North American forest products companies who continue to adapt by cutting production and curtailing. Compared to the third quarter of 2005, lumber prices have declined 16.8%, OSB prices decreased 27.8% and plywood is down 24.9%. In addition, new OSB production scheduled to come on line late in the year will push panel prices down further. The combination of over-supply in both housing inventories and construction materials have added to the already pessimistic views on current and expected sales activity in lumber and panel markets. According to NAHB estimates, annual housing starts are expected to be 1.85 million for the year and decline to 1.66 million before rebounding in the middle of 2007. Furthermore, builder sentiment declined in September for the eighth consecutive month to its lowest point in 16 years.

Unlike other historical downturns in housing markets, the current housing slump affecting the forest products industry is largely independent of broader economic conditions. The industry is currently feeling the affects of a greatly needed inventory correction as mills adjust to the demand frenzy of the previous years. In the past, downturns in housing markets have largely been the result of high interest rates and broader economic issues. The current economy outside of housing remains strong. Unemployment is low, incomes are growing, inflation is largely in check, 30-year fixed rate mortgages are still well below historical highs at around 6.5% and the GDP is forecast to grow at a steady 3.4% for the remainder of the year. As a result, this downturn will be short-lived. Construction material prices should level out by the middle of 2007 as builders make adjustments bringing over-stocked inventories in-line with current demand.

Expect stumpage prices to decline slightly heading into the final quarter of the year. The normal, seasonal upswing in log prices will be less pronounced this year and specific to certain areas as end product markets remain weak. Log yards remain full and delivered prices continue to drop, putting pressure on suppliers to maintain margins by decreasing stumpage prices.

PULPWOOD PRICES - U.S. SOUTH

Worldwide, pulp supplies remained tight. North American paper markets continued to soften during the third quarter. The heavy competition for coated paper grades and increased free sheet-imports have contributed to market softness. The increasing decline in newsprint consumption continued falling in August by 7.8% from last years number. Autumn price hikes announced by Weyerhaeuser and Boise on various uncoated free-sheet grades sought to offset some of the rising cost of raw materials.

Expect pulpwood stumpage prices to show a slight increase heading into the final quarter of 2006. Mills have already begun to build winter inventories pushing prices higher in some areas. With production at lumber and plywood mills decreasing due to market conditions, there will be a decrease in supply of mill residual chips. This will force pulp mills to purchase more pulpwood adding to the price increases.

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Edited by: Reuben A. Rangel and Scott L. Twillmann, Timber Market Analysts

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