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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 ®

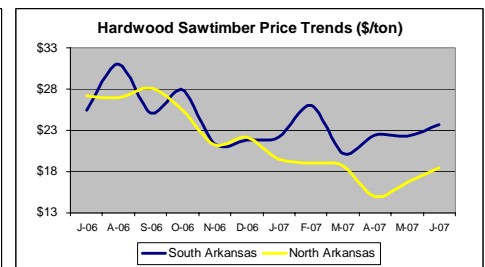
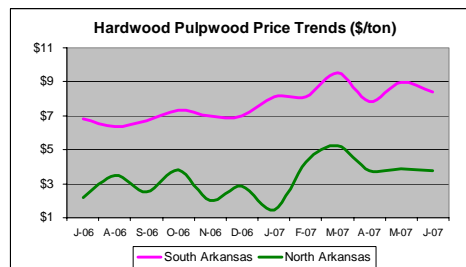
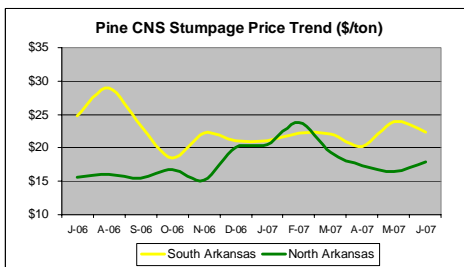
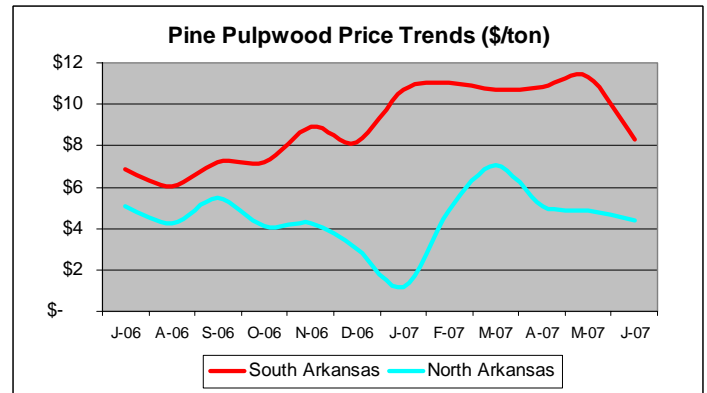
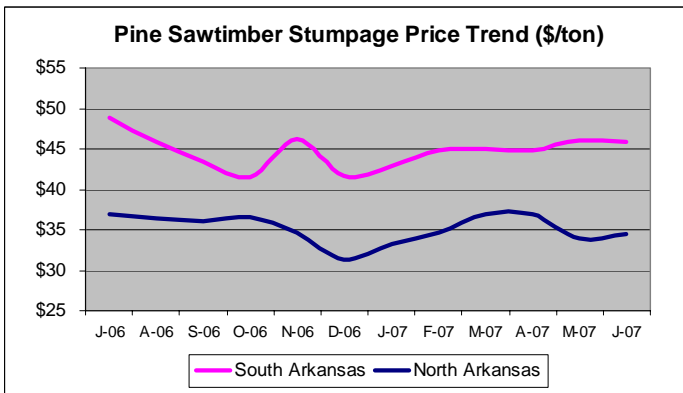
**2nd Quarter  
2007**

**Volume 3  
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](http://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) 2nd Quarter 2007				
Product	Price	DBH	Price Change	Percent Change
Pine Pulpwood	\$ 4.52		-\$0.12	-2.6%
Pine Chip-n-Saw	\$ 17.25	9.4	-\$4.08	-19.1%
Pine Sawtimber	\$ 35.78	13.3	\$0.42	1.2%
Hardwood Pulpwood	\$ 3.77		\$0.57	17.7%
Hardwood Sawtimber	\$ 17.22		-\$2.13	-11.0%

South Arkansas				
Weighted Average Stumpage Prices (\$/ton) 2nd Quarter 2007				
Product	Price	DBH	Price Change	Percent Change
Pine Pulpwood	\$ 10.77		-\$0.07	-0.6%
Pine Chip-n-Saw	\$ 22.21	10.2	\$0.07	0.3%
Pine Sawtimber	\$ 45.47	17.0	\$0.85	1.9%
Hardwood Pulpwood	\$ 8.21		\$0.01	0.1%
Hardwood Sawtimber	\$ 22.94		\$0.23	1.0%

## U.S. SOUTH TIMBER MARKET OUTLOOK

### PINE SAWTIMBER PRICES - U.S. SOUTH

As the second quarter passed, financial analysts and those in the forest products industry anxiously awaited the outcome of large timberland divestitures by Temple-Inland and MeadWestvaco. Weyerhaeuser was also being watched closely as analysts speculated whether or not the company is planning to convert to a REIT. Meanwhile, it became more evident that any forecasts of a mid-year recovery in the forest products sector were misguided. While the U.S. economy proved rather resilient in the second quarter, the dismal residential housing sector continued to drag down demand for forest products. Lumber composite prices for the quarter were down close to 20% year-over-year, while stumpage composite prices declined 3% from the same time last year. Most panel products also continued to suffer, with the exception of plywood products which benefited from demand from non-residential builders. Composite prices for plywood increased 7% from the same quarter last year according to Random Lengths. The short-term outlook for residential construction remains negative as potentially large numbers of mortgage defaults will surely force lenders to raise their standards and thus make it more difficult for potential homebuyers to finance purchases. Many analysts expect the residential construction downturn to persist until sometime in mid 2008.

With energy prices soaring near record highs for the second summer in a row, forest products producers are being squeezed at both ends. Oil prices were back over the \$70/barrel mark amid concerns of tight supplies and restrained refinery capacity. Making matters worse, oil industry executives also hinted that investment in new refineries and upgrades may not be in their best interest in light of the government's efforts to reduce the country's reliance on oil. In spite of weak domestic demand and increasing energy costs, depreciation of the U.S. dollar has kept U.S. forest products competitive on an international scale. Imports from Canada and Europe were down considerably from last year at this time while exports were up.

**Expect stumpage prices to stay depressed through the remainder of the summer as a result of seasonality. Weak demand for lumber and panels in general will continue to hamper demand for logs and contribute to a smaller than normal build-up in winter log inventories near the end of the third quarter.**

### PULPWOOD PRICES - U.S. SOUTH

Pulp demand remained steady despite softer paper prices being reported by domestic producers. Pulp prices are up for the year although overall production and shipments are down. North American newsprint producers continued to suffer from a declining market for their product. North American newsprint demand was down 10.8% for the year. Producers have diligently cut surplus inventory, resulting in an overall reduction greater than any in the last fifteen years. Even so, newsprint inventories remain above 2006 figures. Exports were up for most paper and packaging products, compliments of a weak U.S. dollar. Shipments to Western Europe were especially brisk. Coated paper imports from China were down after the U.S. Department of Commerce levied countervailing duties on shipments at the beginning of the quarter. Chinese coated paper shipments have increased almost eight-fold over the last two years.

**Expect pulpwood stumpage prices to remain stable heading into the third quarter. Although mills still struggle to adequately adjust finished product paper inventories, stumpage prices should stay healthy as export markets in Europe and Asia remain strong.**