

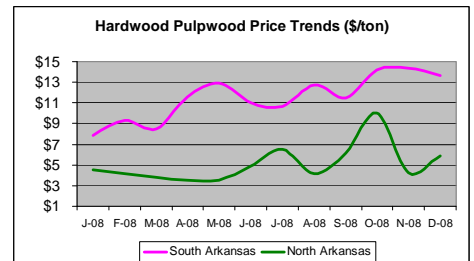
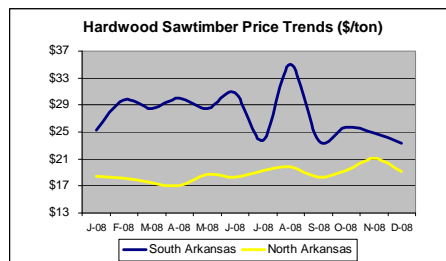
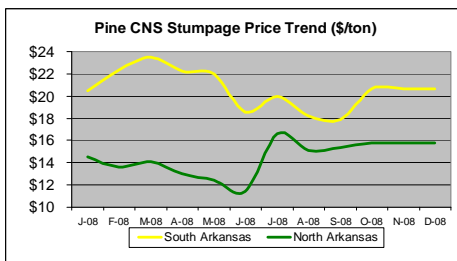
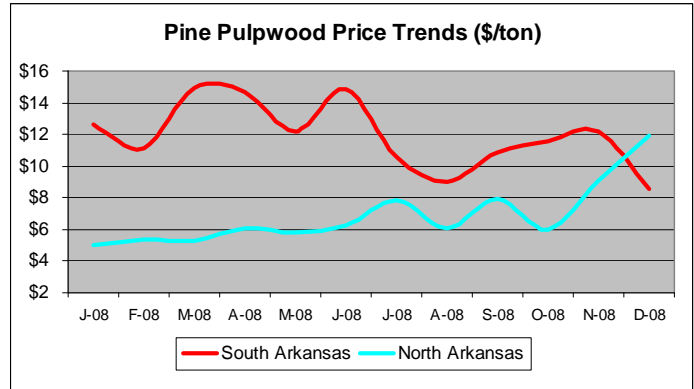
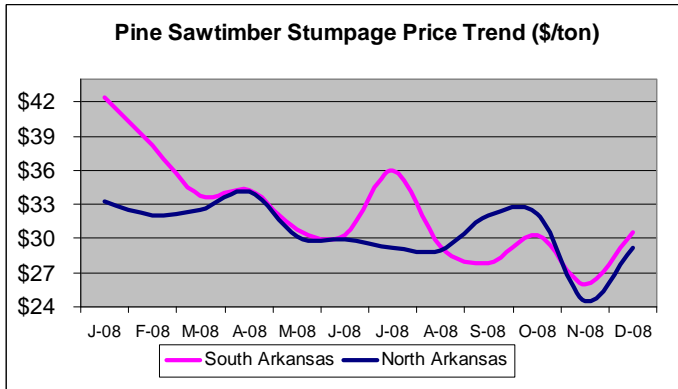
**4th Quarter
2008**

**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.

ARKANSAS STUMPAGE PRICE TRENDS



ARKANSAS STUMPAGE PRICES

North Arkansas				
Weighted Average Stumpage Prices (\$/ton) 4th Quarter 2008				
Product	Price	DBH	Price Change	Percent Change
Pine Pulpwood	\$ 8.52		\$0.98	13.0%
Pine Chip-n-Saw	\$ 15.76	10.2	\$0.06	0.4%
Pine Sawtimber	\$ 29.13	12.9	-\$0.93	-3.1%
Hardwood Pulpwood	\$ 5.84		\$0.07	1.3%
Hardwood Sawtimber	\$ 19.85		\$0.75	3.9%

South Arkansas				
Weighted Average Stumpage Prices (\$/ton) 4th Quarter 2008				
Product	Price	DBH	Price Change	Percent Change
Pine Pulpwood	\$ 11.83		\$1.49	14.4%
Pine Chip-n-Saw	\$ 20.62	10.3	\$0.70	3.5%
Pine Sawtimber	\$ 29.76	16.0	-\$0.89	-2.9%
Hardwood Pulpwood	\$ 13.97		\$2.43	21.1%
Hardwood Sawtimber	\$ 24.35		\$0.49	2.1%

U.S. SOUTH TIMBER MARKET OUTLOOK

PINE SAWTIMBER PRICES - U.S. SOUTH

The fourth quarter of 2008 continued the third quarter trend, with the general economy, the housing sector, and the timber industry all struggling. The most recent ISM Manufacturing report (December 2008) indicates that employment has declined in both the Agriculture, Fishing, Forestry, and Hunting sector, as well as in the Wood Products and Paper Products industries.

In November, the last month for which numbers are available, housing permit applications and starts continued to plummet. The seasonally adjusted annual rate of starts dropped 47 percent from November 2007, and 19 percent compared to October 2008. The annual rate of starts came in at 625,000, its lowest point since the Commerce Department started measuring the statistic in 1959.

Permit applications fared no better, falling 48 percent from November 2007 and 15 percent from October 2008 and ending at 616,000. The numbers indicate that builders are watching the months of inventory on the market, which stood at more than 11 months in November. The National Association of Home Builders/Wells Fargo Housing Market Index (HMI), an index of builder confidence, did not budge from November to December, staying steady at the all-time low reading of 9. As a result of the plunge in housing starts, lumber production in the U.S. South continues to shrink.

Expect chip-n-saw and sawtimber prices to remain at historical lows as mills continue to cut costs and shed inventory. Because of decreasing fuel costs, however, prices are unlikely to fall much lower. While the usual spring bump in new construction will occur, a lifeless economy will shave some of the height off of the bump. Landowners are also likely to continue to withhold timber from the market until prices improve; tracts with large volume and good logging conditions will be in high demand.

PULPWOOD PRICES

The global economy continues to take a toll on newsprint and on printing and writing products. In the U.S., demand for newsprint dropped 20.2 percent from October 2007 to October 2008. Printing and writing shipments fell by 20.1 percent from November 2007 to November 2008. These numbers can be attributed to 1) a weak general economy, 2) struggling newspapers in the case of newsprint and 3) a move by companies and institutions of all kinds to reduce inventory. Because the beginning of the year is generally a slow time for pulp and paper, these numbers are unlikely to recover quickly.

Pulpwood, in markets where multiple pulp mills and bioenergy companies compete, will be in greater demand and tweak prices upward. Mill curtailments and closures will continue to create a scarcity of residues and wood chips. As a result, pulp and paper companies will substitute more pulpwood. Wet winter weather will also affect pulpwood demand, as pulp and paper mills will need to build inventory after seeing their log inventories contract.