

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 ®

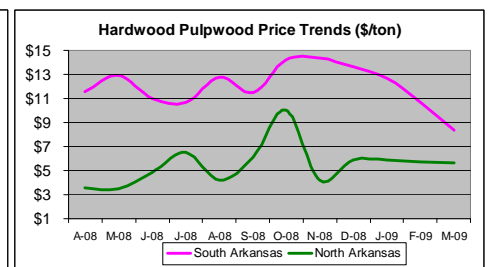
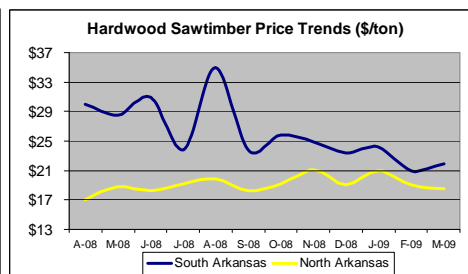
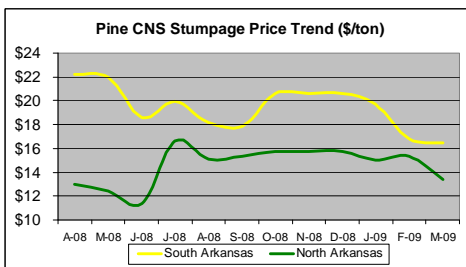
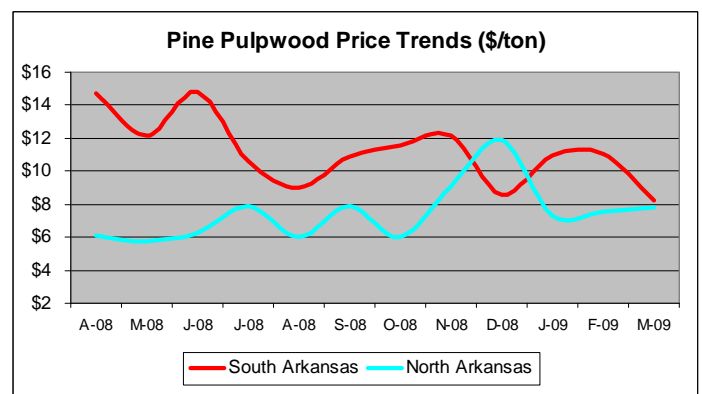
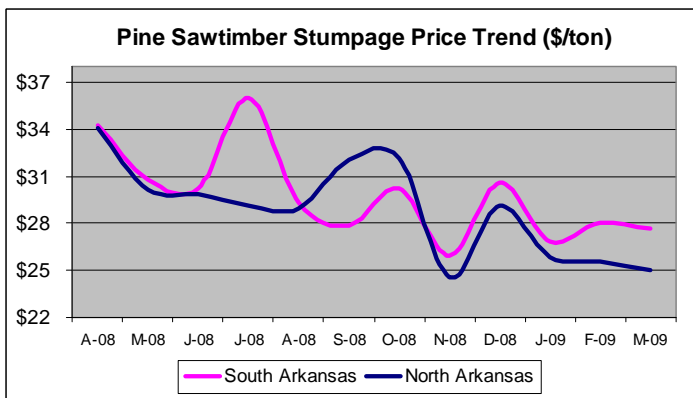
1st Quarter
2009

Volume 5
Number 1



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) 1st Quarter 2009				
Product	Price	DBH	Price Change	Percent Change
Pine Pulpwood	\$ 7.56		-\$0.96	-11.2%
Pine Chip-n-Saw	\$ 14.58	10.4	-\$1.18	-7.5%
Pine Sawtimber	\$ 25.46	13.5	-\$3.67	-12.6%
Hardwood Pulpwood	\$ 5.74		-\$0.10	-1.7%
Hardwood Sawtimber	\$ 19.54		-\$0.31	-1.6%

South Arkansas				
Weighted Average Stumpage Prices (\$/ton) 1st Quarter 2009				
Product	Price	DBH	Price Change	Percent Change
Pine Pulpwood	\$ 10.57		-\$1.26	-10.7%
Pine Chip-n-Saw	\$ 16.82	10.9	-\$3.79	-18.4%
Pine Sawtimber	\$ 27.55	14.5	-\$2.21	-7.4%
Hardwood Pulpwood	\$ 10.95		-\$3.02	-21.6%
Hardwood Sawtimber	\$ 22.51		-\$1.84	-7.6%

U.S. SOUTH TIMBER MARKET OUTLOOK

PINE SAWTIMBER PRICES - U.S. SOUTH

The beginning of the first quarter of 2009 was much like the fourth quarter 2008, with the general economy, housing and pulp and paper all continuing to struggle. In March, however, some signs of improvement emerged with the crocuses.

In February, the National Association of Realtors' affordability index increased to a record amount—47 percent higher than the July 2008 low. In March, mortgage rates followed suit; on March 31, 2009, Bankrate quoted the overnight average 30-year fixed rate mortgage at 4.89 percent. A provision in the stimulus bill, signed into law in February, provided an \$8,000 tax incentive for first-time home buyers.

The result of these events has been the first good news for the housing industry in a long time. According to the National Association of Realtors, sales of existing homes increased 5.1 percent from January to February and the months of inventory remained stable at 9.7 months. The U.S. Census Bureau announced that sales of new homes grew by 4.7 percent in February; new home inventory currently stands at 12.2 months, down from 12.9 in January.

Pending home sales statistics also improved in February—the National Association of Realtors' pending home sales index (PHSI) rose 2.1 percent to 82.1 in February, up from 80.4 in January. Because pending sales are a leading indicator, more good news for the housing industry may be ahead. Supporting this advance, the Commerce Department reported that construction of new homes and apartments jumped 22.2% from January, exceeding the expectations of economists.

Some statistics indicate that the permanent upswing in the market is not yet here, however. While homes are more affordable now than they have been since 1970, the Case-Shiller home price index indicates that housing prices fell 19 percent in January, year over year. Due to a surge in foreclosures in February—29.9 percent higher than the same month in 2008—it is likely that home prices have yet to hit bottom. For these reasons, we still think a long-term improvement in housing will not occur until the end of 2009 or the beginning of 2010.

While a slowdown has occurred in the number of mill curtailments and closures, inventory adjustments continue. This will keep demand for logs at a minimum and lead to further price cuts. Lumber prices will budge off their lows due to increased housing demand and reduced lumber supplies. But on the log side, mills will be hesitant to increase production and log consumption will remain flat or decrease. Prices will follow suit. We also expect to see an increase in log supply as a greater willingness on the part of landowners and TIMOs to offer their timber for sale. Once again, timber from easily accessible large tracts 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 26.2 percent from February 2008 to February 2009. A stronger U.S. dollar has taken its toll on exports, which dropped 47.9 percent year-over-year in February. Prices for paper products across the board have fallen. As a result, the first quarter of 2009 saw unprecedented curtailments and closures.

Mill curtailments and closures will continue, as inventories have some downward distance to travel in order to match the decrease in demand. Prices will remain largely the same throughout most of 2009, until we see some improvement in the overall economy at the end of this year or the beginning of next.