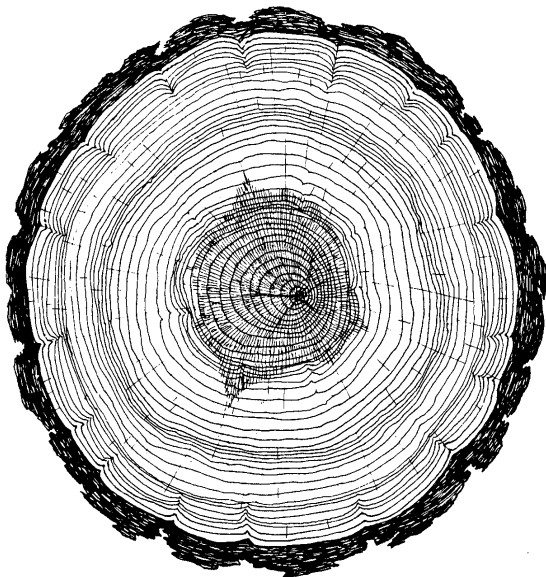


TEXAS TIMBER PRICE TRENDS



BIMONTHLY MARKET REPORT

VOL. 22 NO. 4

July/August 2004

T E X A S
FOREST SERVICE



The Texas A&M University System

TEXAS TIMBER PRICE TRENDS

WHAT IS THE PURPOSE OF THIS REPORT?

Texas Timber Price Trends is a bi-monthly publication reporting average prices paid for standing timber, commonly called the “stumpage price,” for the two months listed in the report. Its purpose is to provide timely information concerning timber market conditions in order to improve decision making and foster fair transactions that benefit both buyer and seller and encourage conservation of the timber resource. Market information is particularly important to nonindustrial private landowners who are only infrequent participants in this complex market.

WHERE DOES THE DATA COME FROM?

Average stumpage prices published in this report are calculated from actual timber sales as reported by as many as 60 cooperators active in the East Texas timber market. Reporters include forest product companies, logging contractors, consulting foresters, non-industrial landowners, financial institutions, and federal agencies. Research has shown that a diversity of reporters tends to reduce bias and improve the reliability of the price estimates.

HOW ARE AVERAGE PRICES CALCULATED?

The calculation of average prices weighs each sale by the volume sold. This is done to filter out the effect that the size of the sale has on the price paid, thus providing a more consistent and meaningful average. The result is that the average price reported is the average price paid per unit of volume, NOT per the average timber sale.

The price per ton for each product category is calculated from the price per ton as reported or using a specific conversion factor for each sale provided by the reporters. When a specific conversion factor for each sale is not available, an average conversion factor listed on page 8 is used instead. Readers should note that volume to weight conversions vary depending on the average diameter of the logs in the sale.

HOW CAN I USE THIS REPORT?

This report is intended to serve only as a guide to general price levels. Individuals interested in selling timber can use this report to monitor market trends and get a general idea of what their timber is worth. However, it should not be used to judge the fair market value of a specific timber sale. The price paid for a specific stand of timber will vary considerably due to such factors as: size, species, and quality of timber; total volume and volume per acre; logging conditions; distance to the mill; end product of manufacture; and current demand and local competition for timber. Additionally, timber markets often change rapidly and therefore past prices are not necessarily a reflection of current market prices. We strongly recommend the use of a competitive bidding process as the ultimate determinant of market price for any specific tract of timber.

COMMENTS

Demand Good; Logging Contractors in Short Supply

The market demand for all products gained strength during the July-August period. Improved national and Texas economy allowed the housing market and building and construction activities to maintain its robust pace. The latest economic forecast from the state's Comptroller indicated a strong 4.4% annual growth for Texas this year. Consumer confidence was up sharply. Random length composite lumber price has increased from the previous period.

The stumpage market in the fall is expected to trend upward as the storms and heavy rainfall limiting access to logging tracts plus the shortage of logging contractors exert strong upward pressure to the timber market prices.

Between January 2001 and June 2003, the central bank had cut interest rate 13 times to stimulate the economy. The low rate has fueled a boom in mortgage refinancing and home purchases. Since June 30 this year, the Federal Reserve has raised interest rate three times to ease off the inflationary pressure. Mortgage rates would rise but are still at historical low levels, hopefully keeping the housing sector strong.

Due to the upbeat demand, the overall average stumpage prices of **pine sawtimber increased** by \$1.64/ton (\$12.68/MBF) from the last two-month period, to \$38.48/ton (\$304.32/MBF), by statewide average measure. Prices for mills with adequate inventory remained unchanged; however, prices for mills with low inventory experienced a *considerable* appreciation as they "scrambled for wood", according to industry foresters.

Stumpage prices for **pine pulpwood has gone up slightly**. The statewide average price during the July-August period was \$7.08/ton (\$18.88/cord), up by \$0.14/ton (\$0.29/cord). The average stumpage prices of **pine chip-n-saw went down** by \$1.26/ton (\$4.51/cord) from the previous two-month period, to \$14.43/ton (\$37.45/cord).

Strong demand for hardwood sawlog, "especially for grade sawlog", remained unchanged during the July-August period. Hardwood **sawlog stumpage prices went up** by \$1.14/ton (\$17.04/MBF), reaching \$18.38/ton (\$178.06/cord). The stumpage prices for **hardwood pulpwood decreased** by \$0.68/ton (\$2.01/cord) for the July-August period, averaging \$5.48/ton (\$15.34/cord).

TEXAS TIMBER PRICES FOR PROPERTY TAX APPRAISAL

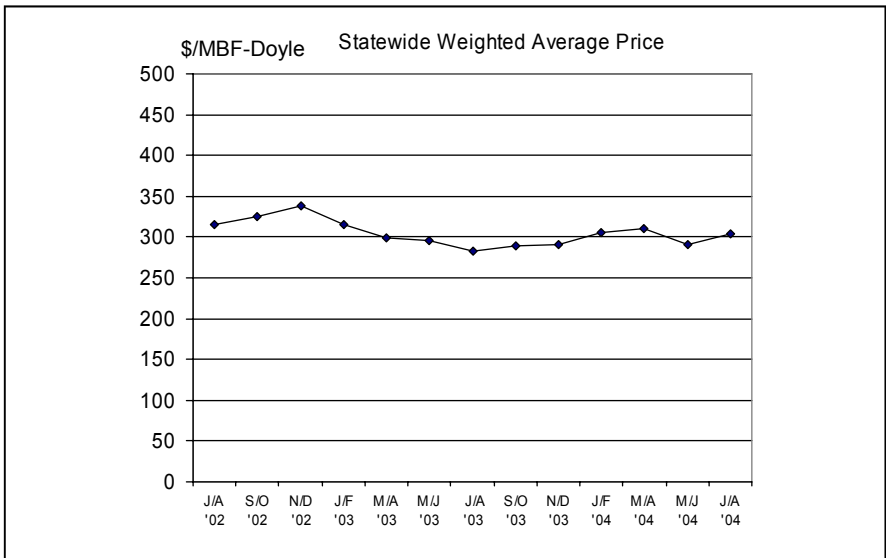
Statewide Simple Average of Unweighted and Weighted Stumpage Prices

		1999	2000	2001	2002	2003
Large Pine Sawtimber	\$/Ton	42.01	39.29	38.33	39.23	36.21
Small Pine Sawtimber	\$/Ton	19.96	17.68	15.39	17.92	16.81
Pine Pulpwood	\$/Ton	11.26	8.26	6.15	4.65	5.89
Hardwood Sawtimber	\$/Ton	15.07	13.41	13.28	16.10	16.49
Hardwood Pulpwood	\$/Ton	9.05	9.04	9.70	4.83	5.30

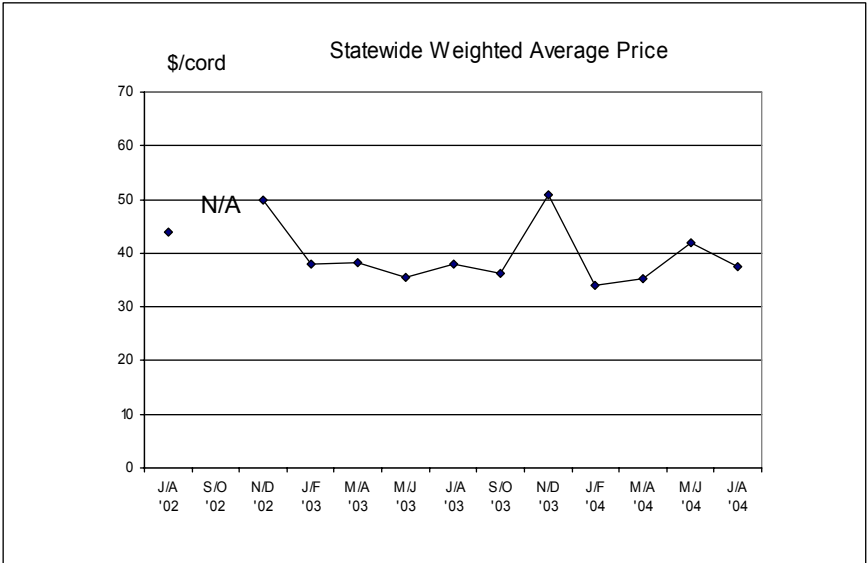
Starting from January 1, 2004, the new legislation (Senate Bill 1646 of 2003) requires stumpage prices to be in tons in the tax appraisal formula. Also, statewide average stumpage prices (vs. northeast and southeast) will also be required for the tax appraisal. Another important new change from this law is that small pine sawtimber (chip-n-saw) is recognized as a timber product.

Data Source: Texas Forest Service, February 2004

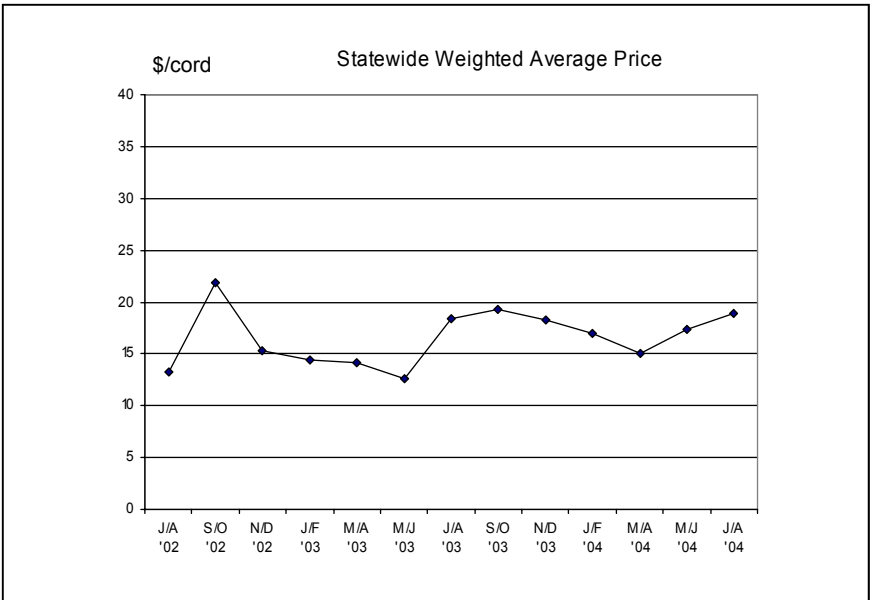
TEXAS TIMBER PRICES FOR PROPERTY TAX APPRAISAL



PINE CHIP-N-SAW



PINE PULPWOOD



The prices in this table do not represent market price for a specific tract of timber.

Market price for any specific tract of timber may vary considerably due to variation in tract size, timber quality, species, total volume and volume per acre, logging conditions, distance to the mill, utilization, current demand and local competition for timber, and rapidly changing timber market.

For timber prices used for timberland property taxation, please see page 3.

STUMPAGE PRICE TRENDS IN TEXAS

July/August 2004
7-Oct-04
Volume 22, No. 4

Product/Region	Average Price		Average Price Last Period		Average Price Same Period A Year Ago		# of Sales Reported	Total Volume	
	\$/Ton	\$/MBF	\$/Ton	\$/MBF	\$/Ton	\$/MBF		Ton	MBF
PINE									
Sawlogs									
Northeast TX	34.31	303.90	32.77	291.45	38.38	281.63	43	106,213	11,993
Southeast TX	41.31	304.56	40.57	291.79	38.58	283.65	54	156,579	21,236
Statewide*	38.48	304.32	36.64	291.64	38.41	281.92	97	262,792	33,229
USFS	**	**	**	**	**	**	2	**	**
Pulpwood									
Northeast TX	8.24	21.85	7.38	19.70	5.31	14.21	52	142,520	53,777
Southeast TX	5.28	14.19	6.03	16.27	3.23	8.72	23	91,600	34,059
Statewide*	7.08	18.88	6.94	18.59	4.45	11.94	75	234,120	87,836
USFS	**	**	**	**	**	**	2	**	**
Chip-N-Saw									
Northeast TX	16.72	41.81	16.05	43.32	18.35	47.32	17	4,441	1,777
Southeast TX	14.32	37.23	15.51	41.29	14.29	37.20	47	91,145	35,055
Statewide*	14.43	37.45	15.69	41.96	14.57	37.89	64	95,586	36,832
HARDWOOD									
Mixed Sawlogs									
Northeast TX	18.49	179.36	17.41	164.41	17.04	156.35	14	8,811	908
Southeast TX	**	**	16.65	149.86	20.97	188.73	2	161	18
Statewide*	18.38	178.06	17.24	161.02	19.21	174.34	16	8,972	926
USFS	**	**	**	**	**	**	2	**	**
Pulpwood									
Northeast TX	5.53	15.47	6.23	17.56	6.21	17.54	16	10,393	3,712
Southeast TX	**	**	5.57	15.60	6.65	18.55	1	200	72
Statewide*	5.48	15.34	6.16	17.35	6.57	18.36	17	10,593	3,784
USFS	**	**	**	**	**	**	2	**	**

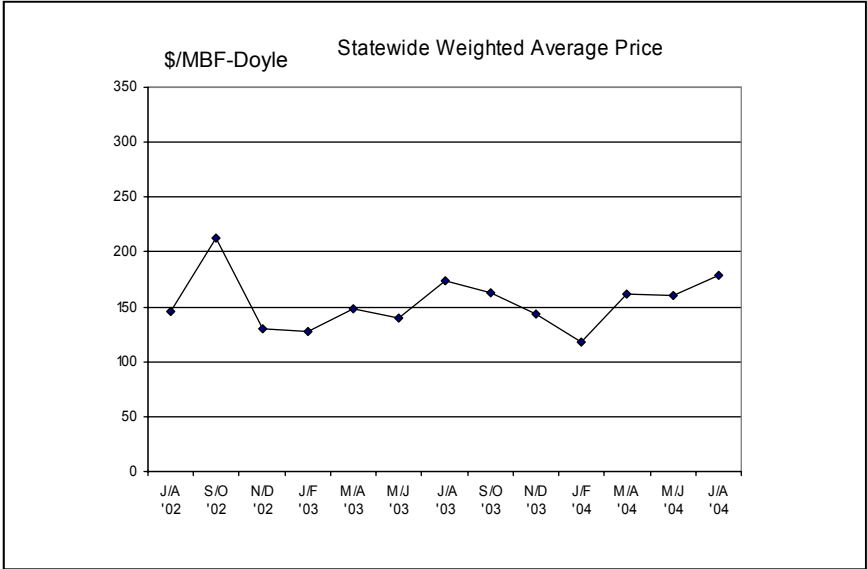
1. Stumpage price statistics included gateway sales. Stumpage prices from the gateway sales were estimated by subtracting cut and haul costs, other expenses and profits if any provided by the reporters.

2. Price is calculated from a specific conversion factor reported for each sale if available; otherwise, the average conversion factors listed on page 8 are used. MBF = Thousand Board Feet. The DOYLE LOG SCALE is used for board foot measurements.

* Statewide data excludes U.S. Forest Service sales.

** Insufficient sales to report price statistics (less than three reported sales).

HARDWOOD SAWTIMBER



HARDWOOD PULPWOOD

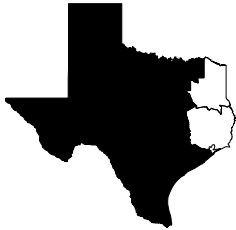


TEXAS ANNUAL STATEWIDE AVERAGE STUMPAGE PRICES

1984	170.53	30.85	23.48	54.61	4.03
1985	129.87	28.35	18.46	54.79	5.13
1986	127.45	23.68	14.53	46.16	4.18
1987	142.59	22.53	15.28	55.46	6.78
1988	152.31	24.88	16.33	64.93	6.59
1989	156.32	26.25	18.45	69.48	9.27
1990	163.34	30.12	22.17	62.20	6.03
1991	189.33	29.71	22.59	53.83	9.09
1992	252.26	39.39	27.98	67.04	10.10
1993	283.80	39.46	26.89	80.67	12.76
1994	358.03	47.81	22.75	93.77	15.57
1995	438.36	62.96	27.26	105.17	28.65
1996	395.46	59.18	25.25	88.28	10.78
1997	441.75	73.39	28.61	132.20	25.20
1998	414.51	76.40	37.01	138.75	14.41
1999	382.86	68.44	28.95	139.44	12.24
2000	376.57	57.69	19.20	120.88	7.97
2001	325.14	42.06	12.94	120.32	15.11
2002	334.86	41.92	12.33	156.97	15.67
2003	289.30	41.90	14.90	157.81	15.85
2004.1	305.03	33.89	17.35	117.71	16.95
2004.2	310.77	35.27	20.09	161.64	15.07
2004.3	291.64	41.96	18.59	161.02	17.35
2004.4	304.32	37.45	18.88	178.06	15.34

Texas Timber Price Trends

Market Regions



Northeast TX
Region I



Southeast TX
Region II

VOLUME CONVERSION FACTORS

A specific conversion factor for each sale reported by the reporters is used for price calculations when available; otherwise, the following average conversion factors are used:

Sawlogs	MBF-International-1/4" X 0.74 = MBF-Doyle
	MBF-Scribner X 0.78 = MBF-Doyle
	MBF-USFS Scribner X 0.814 = MBF-Doyle
	Pine - 8 Tons = 1 MBF-Doyle
	Hardwood - 9 Tons = 1 MBF-Doyle
	Pine Chip-N-Saw: 1 Cord = 2.625 tons
Pulpwood	Pine - 2.7 Tons = 1 Cord
	Hardwood - 2.8 Tons = 1 Cord
	Pine - 81 Cubic Feet = 1 Cord
	Hardwood - 80 Cubic Feet = 1 Cord

SUBSCRIPTION INFORMATION

Texas Timber Price Trends is a publication of the Texas Forest Service and is available at \$2 per copy from your local TFS office, or through an annual mail subscription of \$10 per year. To subscribe, please send your request and check or money order (payable to "Texas Forest Service") to:

Attn: Texas Timber Price Trends
Texas Forest Service
301 Tarrow Suite 364
College Station, TX 77840-7896

This publication is also available *free of charge* on the Texas Forest Service website:

<http://teaxasforests-service.tamu.edu/forest/economics/default.asp>

WANT TO BE A REPORTER?

If you are active in the East Texas timber market, please consider becoming a cooperating price reporter. You'll receive report forms bi-monthly with a self-return envelope. In addition, you'll receive a complimentary subscription to the report in exchange for your price information. To sign up, contact the Texas Forest Service at the above address.

The Texas Forest Service is an Equal Opportunity Employer