TEXAS TIMBER PRICE TRENDS

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- MBF-Scribner X 0.78 = MBF-Doyle
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- Hardwood - 9 Tons = 1 MBF-Doyle
- Pine Chip-N-Saw: 1 Cord = 2.625 tons

**Pulpwood**

- Pine, Northeast TX - 2.5 Tons = 1 Cord
- Pine, Southeast TX - 2.625 Tons = 1 Cord
- Hardwood, 2.8 Tons = 1 Cord
- Pine - 81 Cubic Feet = 1 Cord
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The January/February 2003 report is the first issue that included gatewood sales in the stumpage price statistics. Much timber was sold to the mills with its stumpage price information not available for statistics publishing. Timber prices paid by the mills was collected to enable an estimation of the stumpage price paid to the landowner (the difference is the "cut-n-haul cost, other expenses and profits if any"). We appreciate every reporter for their valuable contributions to this publication and providing estimates on "cut-n-haul cost, other expenses and any profits" data.

Pine timber product prices declined while hardwood product prices were steady. Pine sawlog price averaged $42/ton ($316/MBF) in East Texas. Pine pulpwood price was $6/ton ($16/cord). Pine chip-n-saw price was $15/ton ($38/cord). The average price of hardwood sawlog was $13/ton ($128/MBF) and hardwood pulpwood price averaged 5/ton ($14/cord).

**Timberland Sales**

Ownership of the vast East Texas timberland is moving from the traditional forest product companies to investment groups—a significant structural change in East Texas forest industry in recent history. A staggering amount of timberland, about 1.5 million acres, in East Texas was on sale by the major forest companies (mainly from IP and LP). That is nearly 45% of the total industrial holdings in East Texas.

Major investment organizations in East Texas include Molpus, Forest Investment Associate, the Forestland Group, UBS, Wachovia, Hancock, Prudential Timber, and Plum Creek.

Timberland was perceived by some investors as uniquely attractive investment vehicle due to several factors. First, when the general security market is down, performance of timberland tends to be up, thus timberland has strong asset diversification characteristics. Second, historically timberland has generated return comparable or better than major stock indexes (for example S&P 500) with lower risk (forest system.com). This factor prompted interests in timberland investment and stimulated strong demand for it recently.
Timberland Sales (Cont’d):

Third, Timberland investment return includes both income stream and land appreciation components. Also, timberland investment is relatively inflation efficient since its land value and sale income tend to go up with inflation.

Timberland sales represent a major strategy change for the forest product companies. These industrial landowners have increasingly begun to view their forests as financial assets, rather than simply as raw material supply base. By monetizing the land as an investment, timberland sales enhances asset values. Furthermore, companies shifted their focus away from both owning large amount of land and product manufacturing. Major focus is placed on core product manufacturing areas to improve competition position.

These land sales also reflected the fact that large forest product companies have been under tremendous pressure from the poor financial market performance. The sluggish market with the general economic slowdown have cut the earning and profits significantly. Coupled with the merger & acquisition in the industry in the recent past, high levels of debt was accumulated by the consolidators. Both IP and LP plan to reduce debt from the sale proceeds of their forestland.
### STUMPAGE PRICE TRENDS IN TEXAS

#### January/February 2003

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