TEXAS TIMBER PRICE TRENDS

BIMONTHLY MARKET REPORT
VOL. 20 NO. 4
July/August 2002

TEXAS FOREST SERVICE
The Texas A&M University System
TEXAS TIMBER PRICE TRENDS

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- Pine - 8 Tons = 1 MBF-Doyle
- 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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Texas Timber Price Trends
Market Regions

Northeast TX
Region I

Southeast TX
Region II

Pine Sawlog Prices Plummeted

Stumpage price is usually low in the summer. During this Jul/Aug period, pine sawlog stumpage price reached its lowest level since the beginning of the year, averaging at $310-320/MBF, Doyle ($42-43/ton). This is $10-20/MBF lower than the average price of the previous two-month period. Several mills' gatewood (delivered) prices, though, were reported to be still not low enough to cover the current lumber prices, suggesting that these mills were operating at thin margin or a loss.

No Improvement for Pine Pulpwood

Pine pulpwood stumpage market remained very slow for the last two years. Weighted-average stumpage price of pine pulpwood for the Jul/Aug period was $10.7/cord ($4/ton) for East Texas. Average price for Southeast Texas region was only $7/cord ($2.8/ton) for this period.

Market Weak for Pine Chip-N-Saw

Once again, market price was depressed during the Jul/Aug period. Weighted-average stumpage price for pine chip-n-saw was $44/cord ($16-17/ton) for both Southeast and Northeast Texas. Two years ago, pine chip-n-saw stumpage was frequently sold over $60/cord ($23/ton). Market has not recovered ever since.

Hardwood Sawtimber Price Higher

Hardwood sawtimber price gained strength during the Jul/Aug period. Average stumpage price for hardwood sawtimber was $130-147/MBF, Doyle ($13-15/ton). Statewide average price of $145/MBF was 20% higher than the previous two-month period ($121/MBF). The lowest price was $77/MBF ($9.5/ton) while the highest one was $153/MBF ($17/ton).

Hardwood Pulpwood Price Softened

Hardwood pulpwood stumpage prices were lower during the Jul/Aug period. The average price for the Southeast region was only $7.7/cord ($2.7/ton) while the Northeast region was around $14/cord ($4.9/ton). Combining the two regions, the average stumpage price was $13/cord ($4.6/ton), which is 24% lower than the previous two-month period ($17/cord).
Forest Industry in East Texas and Lumber Market

East Texas forest industry has undergone unprecedented changes as forest product companies continued liquidating their timberland holdings. Massive amount of timberland was divested as companies struggled with the weak financial performance and debt reduction pressure. This structural change in timberland ownership is expected to have tremendous impact on the stumpage market. Under some of the new ownership, timber management and supply might not be of high priority. Lands suitable for development purpose is likely to be sold than managed for long-term timber investment. After these timberland sales, forest product companied-owned timberlands will be significantly less than the previous 32% ownership in Texas.

Lumber prices suffered losses during the summer even with less import from Canada (subject to a 27.2% duty) and robust housing market. According to Random Length, Canadian lumber shipment was down 28% in June 2002 than the same month in 2001. The duty started on May 22 and was expected to reduce import and thus bring up lumber prices. In spite of these upward pressure, lumber prices have declined steadily. The problem was from the other side of the equation—the supply. The record level of production outweighed the demand, dragging the price down.
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<th>Low</th>
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<th>Weighted Avg.</th>
<th>Weighted Avg. Last Period</th>
<th>Weighted Avg. One Year Ago</th>
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