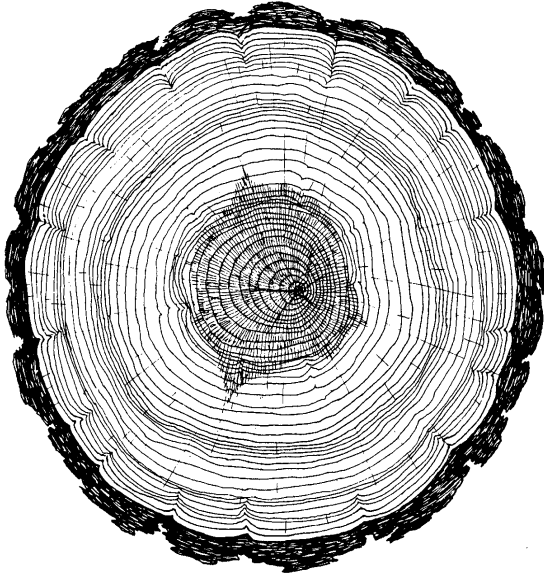


TEXAS TIMBER PRICE TRENDS



BIMONTHLY MARKET REPORT

VOL. 23 NO. 4

July/August 2005

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 tend 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

Record-High Fuel Costs and Hurricane Katrina Impact Stumpage Market: Overall Pine Prices Down; Hardwood Market Steady

Soaring fuel prices in the summer of 2005 forced up the costs of timber harvesting and delivery significantly. One of our reporters indicated an escalating cut-n-haul cost of \$24/ton in his area, significantly higher than the normal cut-n-haul cost range. In an industry where transportation costs frequently account for 30-45% of the delivered prices, spikes in oil and gas prices have a real immediate impact on the market. When delivered price of timber was kept relatively fixed by the mills in the summer, higher cut-n-haul costs cut steeply into the logging companies' profit margin.

Hurricane Katrina making landfall in Louisiana on August 29 damaged southern yellow pine sawmills and plywood mills as well as the forests in the area. Large amount of lumber at the import and export market were lost at the dock in gulf ports. Lumber prices were pushed up as the mills tried to secure inventories even prior to the storm.

The overall pine timber market in East Texas weakened during the July-August period, although we had some sales reaching a record-breaking high level. The average stumpage price of East Texas pine sawtimber declined slightly to \$41.17/ton (\$307.50/MBF) from the May-June period (\$42.75/ton). This was a \$1.58/ton or 3.7% decrease.

The much lower pulpwood prices for the July-August period were largely due to sampling variation in addition to the rising fuel costs. Several buyers, including one large pulpwood buyer, did not send in their July-August reports as of printing.

Similarly, the average price for pine small sawtimber went down with the higher energy costs being the primary cause. It dropped \$2.47/ton from the last two-month period, to \$14.63, the same as last year.

The hardwood market was relatively stable during the July-August period. Average stumpage price of mixed hardwood sawtimber increased to \$19.12/ton (\$168.81/MBF), up by \$1.53/ton or 8.7% from the May-June period. Hardwood pulpwood average price reached a low level for this year. It dropped by \$2.16/ton to \$5.57/ton (\$15.59/cord) from the \$7.73/ton (\$21.96/cord) for the May-June period.

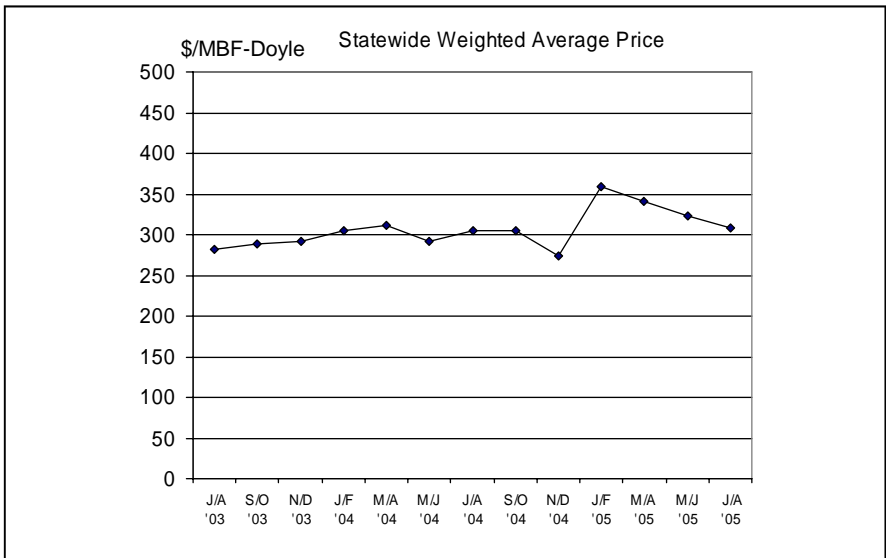
TEXAS TIMBER PRICES FOR 2005 PROPERTY TAX APPRAISAL

	2000	2001	2002	2003	2004
Large Pine Sawtimber	\$ 39.29	\$ 38.33	\$ 39.23	\$ 36.21	\$ 34.77
Small Pine Sawtimber	\$ 19.96	\$ 15.39	\$ 17.92	\$ 16.81	\$ 18.04
Pine Pulpwood	\$ 11.26	\$ 6.15	\$ 4.65	\$ 5.89	\$ 6.99
Hardwood Sawtimber	\$ 15.07	\$ 13.28	\$ 16.10	\$ 16.49	\$ 19.77
Hardwood Pulpwood	\$ 9.05	\$ 9.70	\$ 4.83	\$ 5.30	\$ 5.87

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.

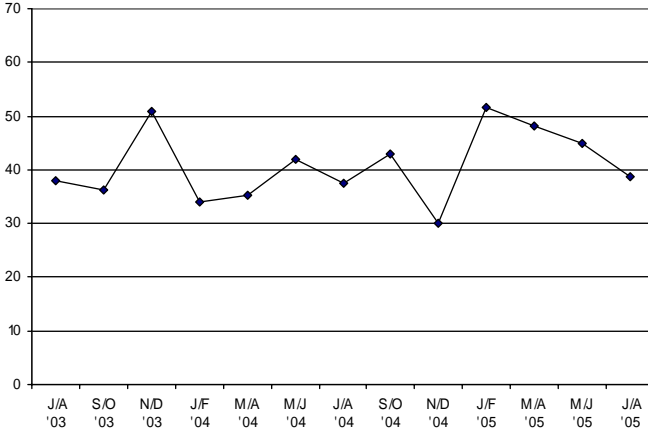
Data Source: Texas Forest Service, February 2005

PINE SAWTIMBER



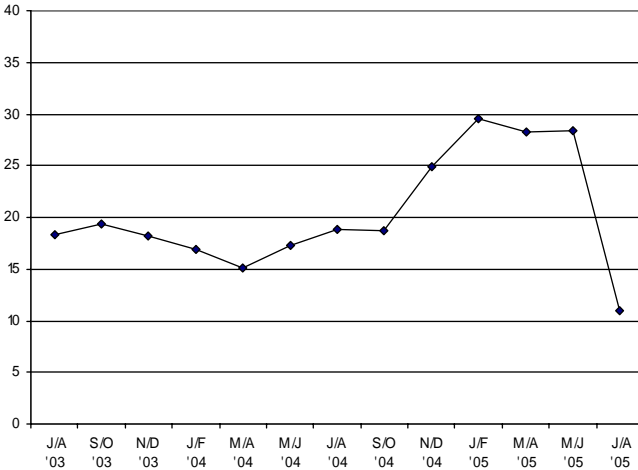
PINE CHIP-N-SAW

\$/cord Statewide Weighted Average Price



PINE PULPWOOD

\$/cord Statewide Weighted Average Price



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 2005

29-Sep-05
Volume 23, 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	46.05	329.96	39.02	307.63	34.31	303.90	7	2,306.97	16,528.88
Southeast TX	40.62	304.82	44.53	330.65	41.31	304.56	84	19,377.73	145,414.26
Statewide*	41.17	307.50	42.75	323.50	38.48	304.32	91	21,684.70	161,943.14
USFS	**	**	**	**	**	**	**	**	**
Pulpwood									
Northeast TX	8.14	21.90	9.06	24.36	8.24	21.85	8	3,632.74	9,779.00
Southeast TX	4.01	10.52	12.53	33.84	5.28	14.19	3	77,977.62	204,711.00
Statewide*	4.19	11.02	10.53	28.37	7.08	18.88	11	81,610.36	214,490.00
USFS	**	**	**	**	**	**	**	**	**
Chip-N-Saw									
Northeast TX	24.48	65.48	20.93	55.50	16.72	41.81	4	1,114.36	2,981.00
Southeast TX	14.40	38.02	16.92	44.42	14.32	37.23	49	48,936.61	129,171.96
Statewide*	14.63	38.63	17.10	44.91	14.43	37.45	53	50,050.96	132,152.96
HARDWOOD									
Mixed Sawlogs									
Northeast TX	18.34	161.30	17.76	163.17	18.49	179.36	4	415.73	3,657.30
Southeast TX	**	**	14.18	126.12	**	**	2	78.89	710.00
Statewide*	19.12	168.81	17.59	161.33	18.38	178.06	6	494.62	4,367.30
USFS	**	**	**	**	**	**	**	**	**
Pulpwood									
Northeast TX	6.84	19.12	8.17	23.30	5.53	15.47	7	3,225.50	9,012.35
Southeast TX	5.50	15.40	2.37	6.50	**	**	3	62,152.50	174,027.00
Statewide*	5.57	15.59	7.73	21.96	5.48	15.34	10	65,378.00	183,039.35
USFS	**	**	**	**	**	**	**	**	**

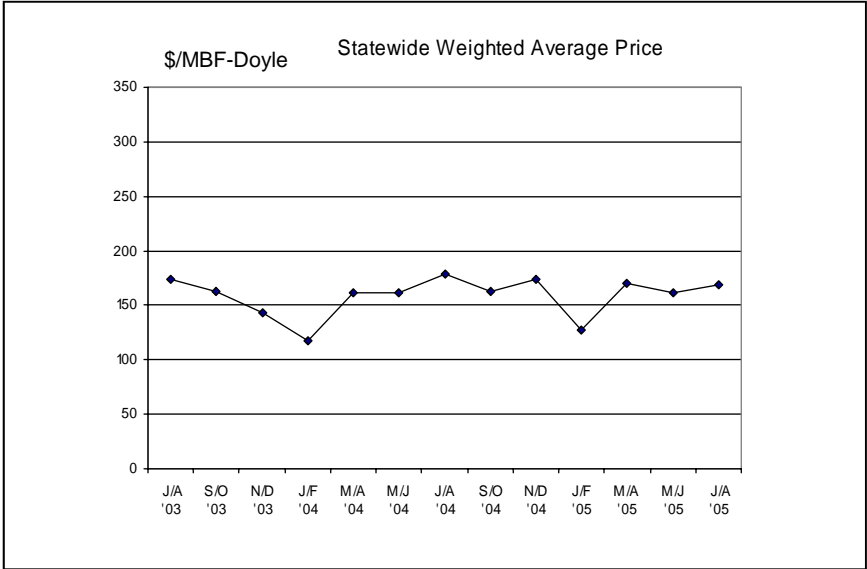
1. Stumpage price statistics included gateway sales. Stumpage prices from the gateway sales were estimated by subtracting cut and haul costs, other expenses and profits if any provided by the reporters.

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

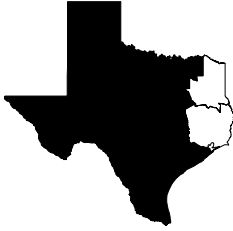


TEXAS ANNUAL STATEWIDE AVERAGE STUMPAGE PRICES

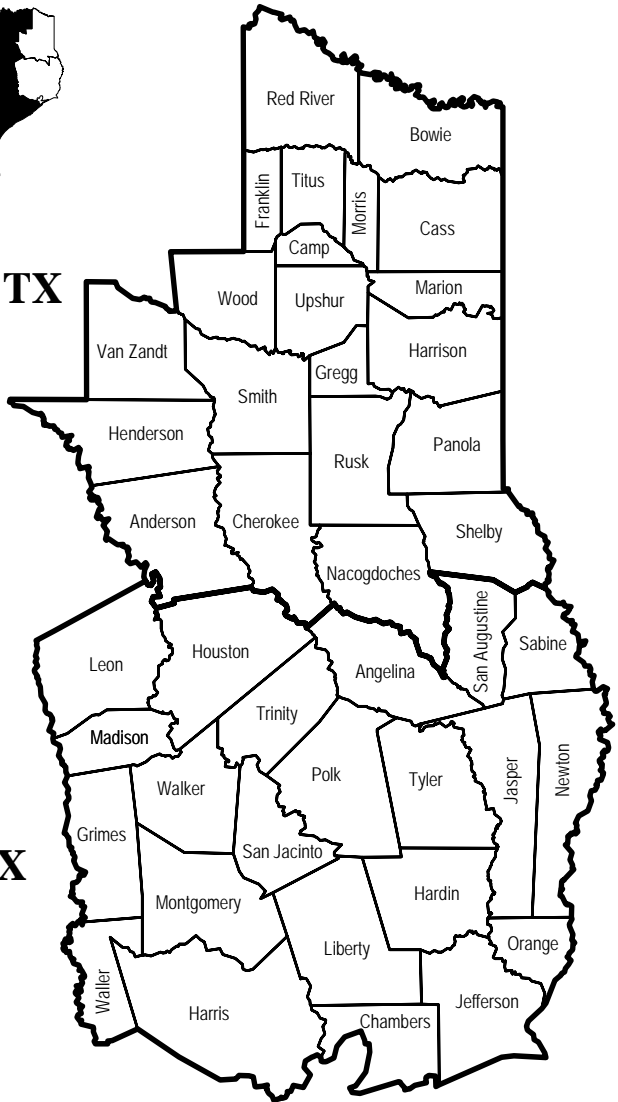
Year	Pine			Hardwood	
	Sawlog	Chip-N-Saw	Pulpwood	Sawlog	Pulpwood
	\$/MBF-Doyle	\$/Cord	\$/Cord	\$/MBF-Doyle	\$/Cord
1984	170.53	30.85	23.48	54.61	4.03
1985	129.87	28.35	18.46	54.79	5.13
1986	127.45	23.68	14.53	46.16	4.18
1987	142.59	22.53	15.28	55.46	6.78
1988	152.31	24.88	16.33	64.93	6.59
1989	156.32	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	392.30	59.55	23.23	189.73	16.90
2005.1	359.31	51.56	29.57	127.17	23.48
2005.2	340.97	48.14	28.29	169.69	28.21
2005.3	323.50	44.91	28.37	161.33	21.96
2005.4	307.50	38.63	11.02	168.81	15.59

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 - 7.58 Tons = 1 MBF-Doyle
	Hardwood - 9.05 Tons = 1 MBF-Doyle
	Pine Chip-N-Saw: 1 Cord = 2.68 tons
Pulpwood	Pine - 2.52 Tons = 1 Cord
	Hardwood - 2.8 Tons = 1 Cord
	Pine - 81 Cubic Feet = 1 Cord
	Hardwood - 80 Cubic Feet = 1 Cord

SUBSCRIPTION INFORMATION

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College Station, TX 77840-7896

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

<http://texasforestservicetamu.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.

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