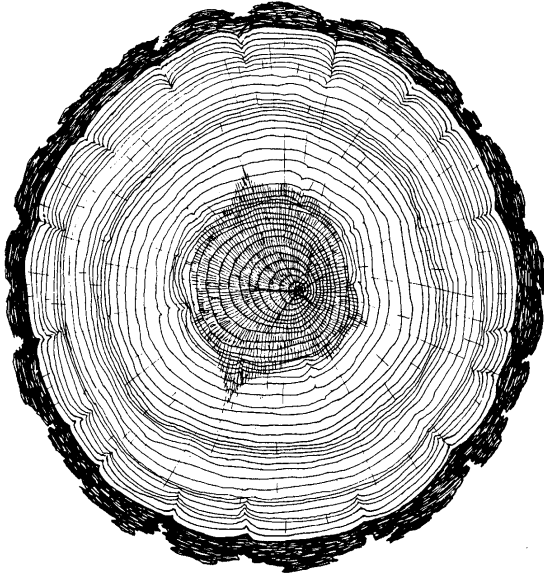


TEXAS TIMBER PRICE TRENDS



BIMONTHLY MARKET REPORT

VOL. 22 NO. 5

September/October 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

Wet Weather and Low Mill Inventory Holding Prices Firm

Stumpage prices for pine and hardwood timber increased or stayed firm as market moved into the wet winter season. Increased rainfall limited access to timber, therefore dry tracts with winter logging capability received premium bids. Mills with low inventories raised prices to boost timber deliveries.

Loggers were in short supply during this period. In addition, according to a pulpwood mill forester, “intense competition” existed between pine and hardwood logging. Hardwood logging was kept at strong pace “until bottoms got too wet”, when the sellers switched gears to pine logging.

The Federal Reserve raised interest rates five times during 2004 to 2.25%, up from 1% in the beginning of the year. Rising rates dampens demand for housing, which in turn weakens lumber market and therefore the timber market.

Statewide average prices of **pine sawtimber moved higher** by \$2.47/ton from the last two-month period, **to \$41.74/ton (\$304.45/MBF)**. **Overall, northeastern region had a sharp rise in the average price for pine sawtimber during this period, jumping to \$39.27/ton from \$34.31/ton in the previous two months.** Three industry foresters from the northeastern region confirmed that low mill inventories were one of the main driving forces for this price appreciation.

The stumpage prices of **pine pulpwood remained almost the same as** in the summer, averaging \$6.94/ton statewide during this period, compared to \$7.08/ton during the summer. The average stumpage prices of **pine chip-n-saw rose** by \$1.44/ton from the previous two-month period, to \$15.87/ton (\$42.83/cord).

Statewide average prices of **hardwood sawtimber increased \$1.23/ton, or 7.21%, from the same period last year, to \$18.2/ton (\$163.05/MBF)**. It was slightly off by \$0.21/ton from the previous two-month period. **Hardwood pulpwood prices remained almost the same as the previous two-month period, averaging \$6.52/ton (\$15.44/cord).**

TEXAS TIMBER PRICES FOR PROPERTY TAX APPRAISAL

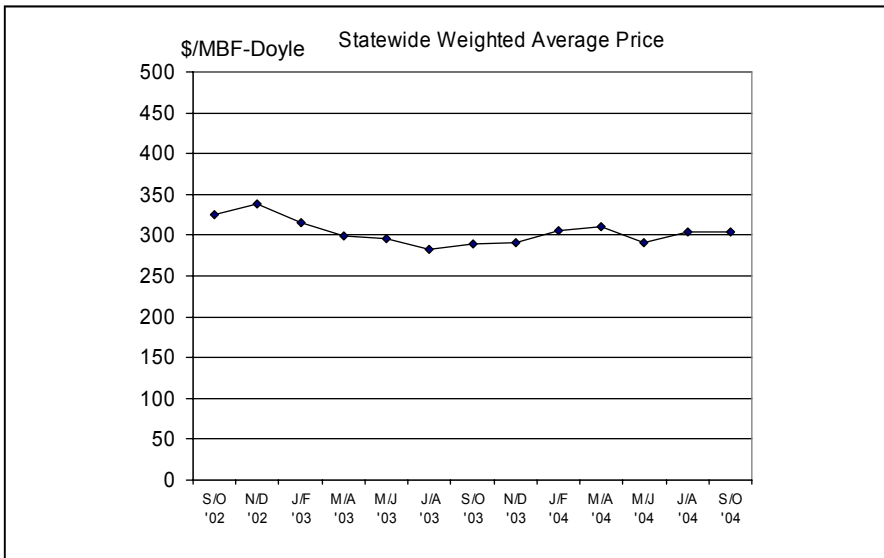
Statewide Simple Average of Unweighted and Weighted Stumpage Prices

		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

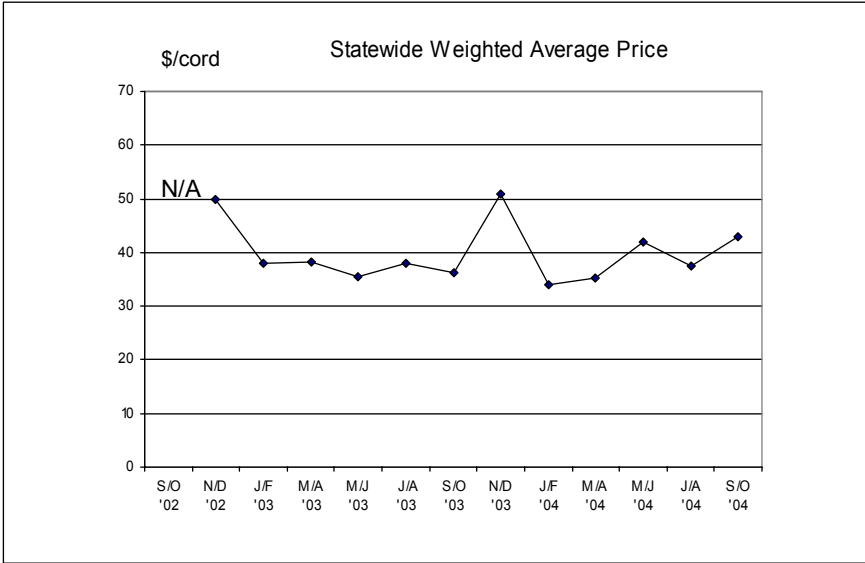
Starting from January 1, 2004, the new legislation (Senate Bill 1646 of 2003) requires stumpage prices to be in tons in the tax appraisal formula. Also, statewide average stumpage prices (vs. northeast and southeast) will also be required for the tax appraisal. Another important new change from this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

Data Source: Texas Forest Service, February 2004

PINE SAWTIMBER



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

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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	39.27	286.98	34.31	303.90	39.07	286.71	37	116,966	16,004
Southeast TX	43.15	314.42	41.31	304.56	41.20	300.72	93	204,405	28,052
Statewide*	41.74	304.45	38.48	304.32	39.15	289.21	130	321,371	44,056
USFS	27.45	219.61	**	**	**	**	7	43,236	5,105
Pulpwood									
Northeast TX	8.50	22.84	8.24	21.85	7.62	20.52	51	109,488	40,741
Southeast TX	5.18	13.97	5.28	14.19	6.11	16.40	30	97,295	36,067
Statewide*	6.94	18.67	7.08	18.88	6.90	18.54	81	206,783	76,808
USFS	2.88	7.56	**	**	**	**	7	21,880	8,335
Chip-N-Saw									
Northeast TX	16.13	43.51	16.72	41.81	18.53	48.83	16	43,149	15,998
Southeast TX	15.76	42.56	14.32	37.23	13.71	35.65	50	111,345	41,239
Statewide*	15.87	42.83	14.43	37.45	13.97	36.36	66	154,494	57,237
HARDWOOD									
Mixed Sawlogs									
Northeast TX	18.28	163.89	18.49	179.36	17.05	150.84	18	29,459	3,286
Southeast TX	**	**	**	**	19.77	177.13	2	371	43
Statewide*	18.20	163.05	18.38	178.06	18.27	162.55	20	29,830	3,329
USFS	8.28	74.51	**	**	**	**	4	294	33
Pulpwood									
Northeast TX	5.55	15.55	5.53	15.47	6.61	18.58	21	76,953	27,484
Southeast TX	**	**	**	**	7.10	19.89	2	978	353
Statewide*	5.52	15.44	5.48	15.34	6.89	19.33	23	77,931	27,837
USFS	1.74	4.86	**	**	**	**	4	630	225

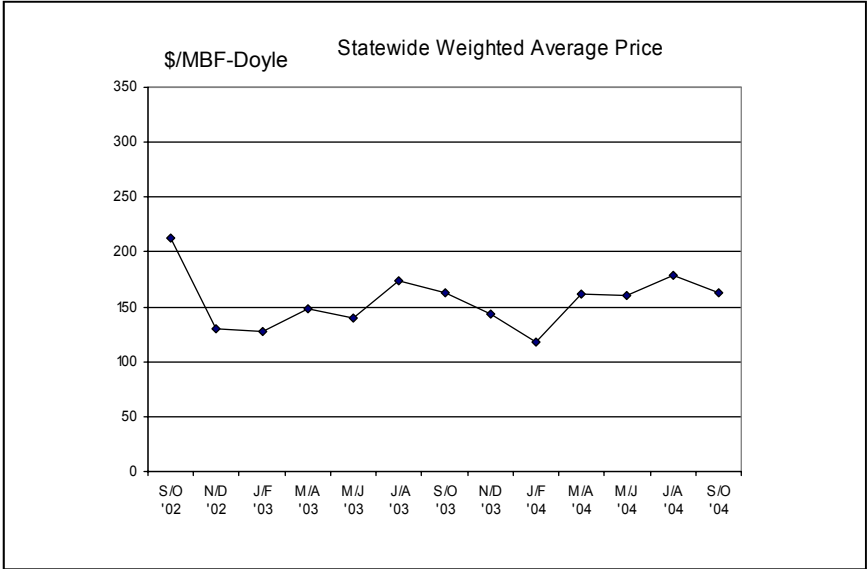
1. Stumpage price statistics included gateway sales. Stumpage prices from the gateway sales were estimated by subtracting cut and haul costs, other expenses and profits if any provided by the reporters.

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

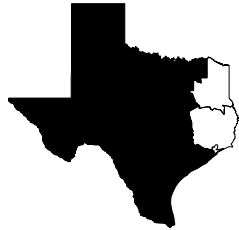


TEXAS ANNUAL STATEWIDE AVERAGE STUMPAGE PRICES

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
2004.1	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
2004.5	304.45	42.83	18.67	163.05	15.44

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

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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.

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