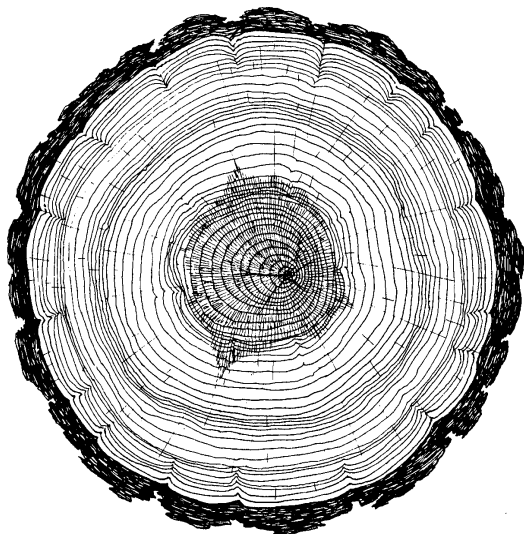


TEXAS TIMBER PRICE TRENDS



BIMONTHLY MARKET REPORT

VOL. 21 NO. 1

January/February 2003

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 consulting foresters, large nonindustrial landowners, financial institutions, forest products companies, and state 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 volume unit using the conversion factors listed on page 8 of the report. Readers should note that volume to weight conversions vary depending on the average diameter of the logs in the sale. Because we don't have information on average diameters for each sale reported, the per ton prices presented are based on an average conversion factor and not information from the specific sales reports.

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

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.

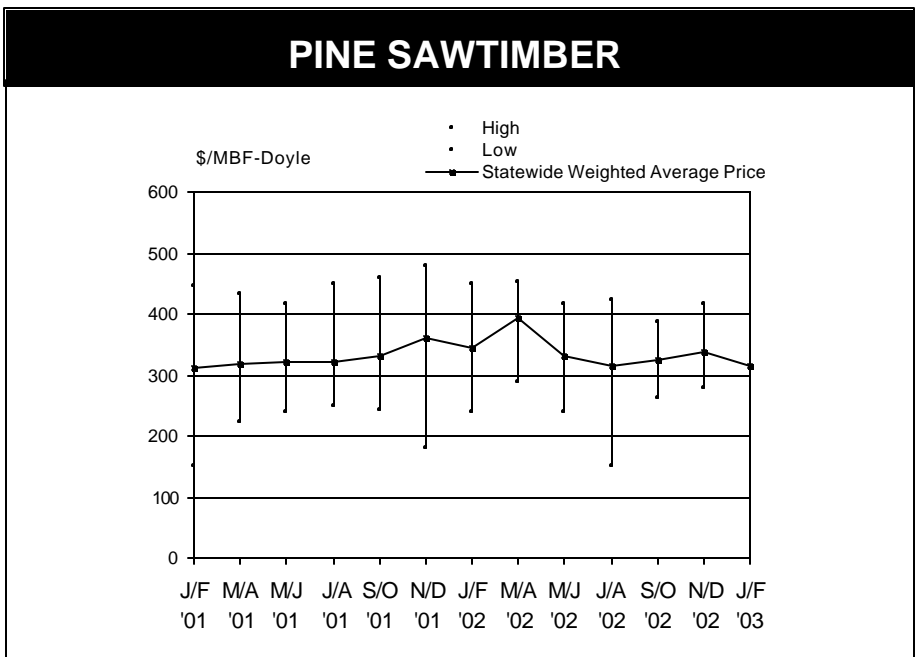
Timberland was perceived by some investors as uniquely attractive investment vehicle due to several factors. First, when the general security market is down, performance of timberland tends to be up, thus timberland has strong asset diversification characteristics. Second, historically timberland has 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):

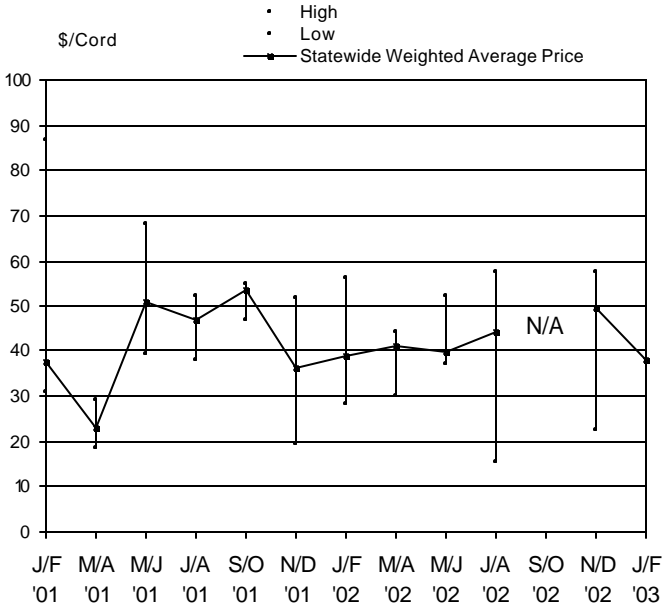
Third, Timberland investment return includes both income stream and land appreciation components. Also, timberland investment is relatively inflation efficient since its land value and sale income tend to go up with inflation.

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.

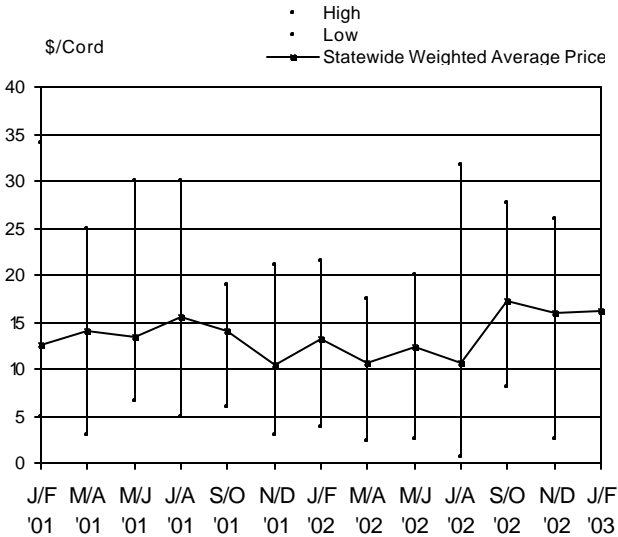
These land sales also reflected the fact that large forest product companies have been under tremendous pressure from the poor financial market performance. The sluggish market with the general economic slowdown have cut the earning and profits significantly. Coupled with the merger & acquisition in 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.



PINE CHIP-N-SAW



PINE PULPWOOD



STUMPAGE PRICE TRENDS IN TEXAS

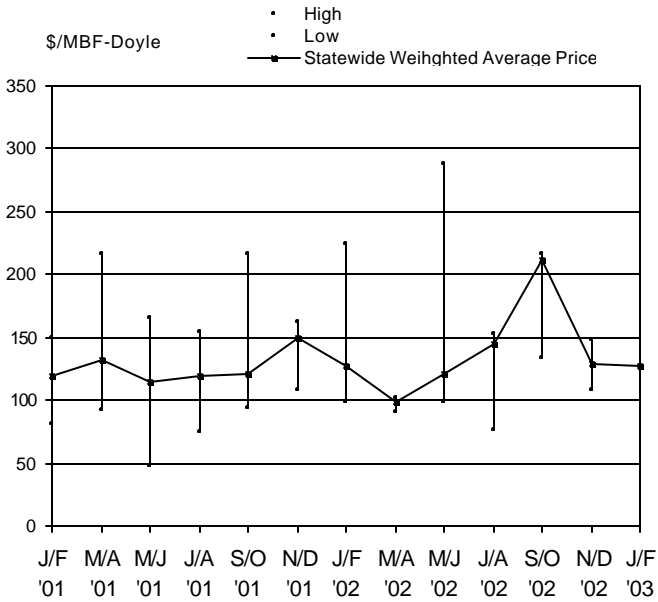
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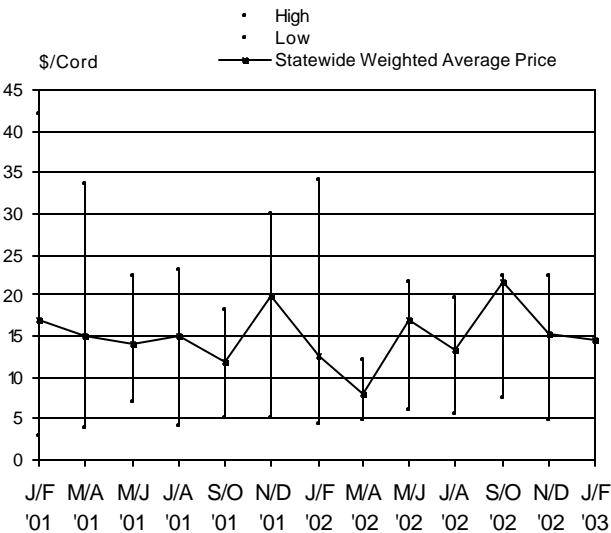
Product/Region	Average Price		Average Price Same Period A		# of Sales Reported	Total Volume	
		Last Period	Year Ago				
PINE							
Sawlogs	<u>\$/Ton</u>	<u>\$/MBF</u>	<u>\$/Ton</u>	<u>\$/MBF</u>		<u>Ton</u>	<u>MBF</u>
Northeast TX	41.43	312.31	45.47	345.64	47	137,875	18,099
Southeast TX	42.99	318.47	45.96	328.42	32	145,706	19,673
Statewide*	42.23	315.52	45.67	338.36	79	283,582	37,772
USFS	**	**	40.43	323.47	2	**	**
Pulpwood	<u>\$/Ton</u>	<u>\$/Cord</u>	<u>\$/Ton</u>	<u>\$/Cord</u>		<u>Ton</u>	<u>Cord</u>
Northeast TX	6.41	17.50	7.21	18.19	74	318,923	121,820
Southeast TX	5.34	14.26	3.97	10.29	22	217,981	80,983
Statewide*	5.98	16.21	6.30	16.03	96	536,904	202,804
USFS	**	**	4.39	11.52	2	**	**
Chip-N-Saw	<u>\$/Ton</u>	<u>\$/Cord</u>	<u>\$/Ton</u>	<u>\$/Cord</u>		<u>Ton</u>	<u>Cord</u>
Northeast TX	16.21	41.69	20.14	50.78	17	4,182	1,625
Southeast TX	14.79	37.74	**	**	20	113,155	42,606
Statewide*	14.84	37.88	17.86	49.96	37	117,337	44,232
USFS	**	**	**	**	**	**	**
HARDWOOD							
Sawlogs	<u>\$/Ton</u>	<u>\$/MBF</u>	<u>\$/Ton</u>	<u>\$/MBF</u>		<u>Ton</u>	<u>MBF</u>
Northeast TX	13.72	127.64	**	**	15	3,052	328
Southeast TX	**	**	**	**	1	54	6
Statewide*	13.74	127.77	15.05	126.79	16	3,106	334
USFS	**	**	**	**	**	**	**
Pulpwood	<u>\$/Ton</u>	<u>\$/Cord</u>	<u>\$/Ton</u>	<u>\$/Cord</u>		<u>Ton</u>	<u>Cord</u>
Northeast TX	5.66	15.94	4.94	14.24	20	7,809	2,772
Southeast TX	**	**	6.34	17.58	2	29,131	10,593
Statewide*	5.22	14.42	5.38	15.30	22	36,939	13,365
USFS	**	**	**	**	1	**	**

- Starting from this issue, stumpage price statistics included gateway sales.
 - 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

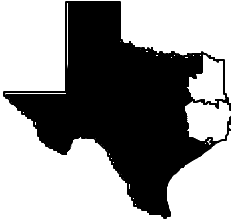


TEXAS ANNUAL STATEWIDE AVERAGE STUMPAGE PRICES

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
2003.1	315.52	37.88	16.21	127.77	14.42

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, 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
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
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College Station, TX 77840-7896

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

http://txforestservicetamu.edu/forest_management/texas_timber_price_trends/index.html

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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