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Market Guide
for TIMBER OWNERS
West-South Region

Get Current Trends and Information
March/April 2012 • Volume 12, Issue 2

Market Outlook

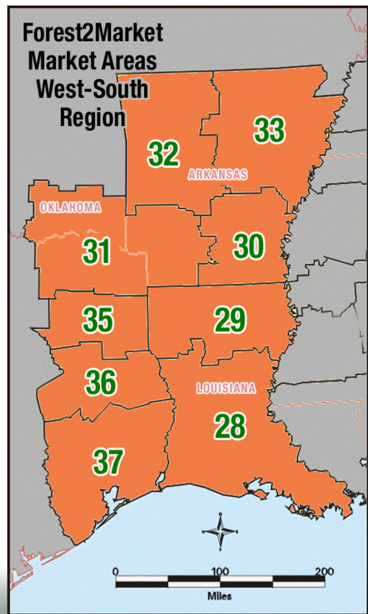
All timber prices increased in the West-South during the most recent 60-day period.

Pine Sawtimber prices moved from $24.50/ton to **$25.54/ton**, an increase of $1.04/ton or 4 percent. After gaining significant ground last period, **Pine Chip-n-Saw** prices remained flat. They increased marginally from $14.61/ton to **$14.64/ton**. The increases can be attributed to the fact that the spring building season got off to an earlier and stronger start this year, the result of mild winter weather and an increase in housing starts. Lumber prices and demand for sawtimber logs have increased.

Pine pulpwood prices increased this period by 7 percent. **Pine Pulpwood** prices moved from $8.06/ton to **$8.63/ton**.

Hardwood pulpwood prices have been very volatile in this region (November/December: +26 percent; January/February: -18 percent). This period, they gained $2.06/ton or 37 percent. **Hardwood Pulpwood** prices increased from $5.50/ton to **$7.56/ton**. Taking into account all timber classes and all regions, hardwood pulpwood in the West-South experienced the largest increase in price for the reporting period.

Though hardwood sawtimber prices often exhibit more volatility than pine sawtimber prices, this has not been the case in the West-South. **Hardwood Sawtimber** prices increased for the second straight reporting period, up $0.44 or 2 percent from $22.79/ton to **$23.23/ton**.



Weighted Average Stumpage Prices ($/ton) Mar/Apr 2012

Forest2Market Micromarket #	14" Pine Sawtimber	10" Pine Chip N Saw	Pine Pulpwood	Hardwood Sawtimber	Hardwood Pulpwood
28	$ 28.99	$ 15.07	$ 8.44	$ 23.01	$ 6.11
29	$ 25.23	$ 14.32	$ 9.07	$ 22.94	$ 5.82
30	$ 25.73	$ 14.09	$ 7.69	$ 23.57	$ 9.95
31	$ 23.36	$ 13.43	$ 10.02	$ 19.96	$ 11.73
32	$ 25.36	$ 16.27	$ 8.08	$ 22.83	$ 10.13
33	$ 21.62	$ 13.34	$ 6.51	$ 20.72	$ 5.43
35	$ 25.63	$ 14.42	$ 7.61	$ 19.58	$ 7.30
36	$ 25.38	$ 14.64	$ 6.60	$ 21.36	$ 6.97
37	$ 28.59	$ 16.22	$ 9.35	$ 25.53	$ 8.12

This report contains aggregated individual timber sale stumpage data. Many variables, such as raw material demand, mill inventories, buyer competition, quality, topography and weather, play key roles in determining local prices. Pine Sawtimber prices are based upon a 14-inch Diameter-at-Breast-Height (DBH) log size. Pine Chip N Saw prices are based upon a 10-inch DBH log size.

International Paper / Temple-Inland Acquisition

International Paper closed on its acquisition of **Temple-Inland** in February. They plan to increase staffing at their headquarters in Memphis, TN. The following mills may be affected:

- Orange, TX Papermill
- Diboll, TX Sawmill
- DeQuincy, LA Sawmill
- Pineland, TX Sawmill
- Pineland, TX Studmill

Industry Happenings

Have you ever wanted know what your property looks like from above? **Auburn University's School of Forestry and Wildlife Science's Longleaf Pine Stand Dynamics Lab** has created a booklet instructing landowners how to use maps and aerial photography to better manage their property. The booklet teaches landowners how to use five mapping systems to create geographical information about their property. This booklet is available for free at http://www.lpsdl.auburn.edu/pdfs/MappingBook_FINAL.pdf, or by contacting Gilbert at (334) 329-0236 or gilbejo@auburn.edu .

Bills were introduced in the U.S. House and Senate that would repeal the federal estate tax and avoid the reduction in estate tax exemptions in 2013. **S. 2422, the Death Tax Repeal Permanency Act and H. R. 1259, the Death Tax Repeal Permanency Act of 2011** would do away with estate taxes, insure stepped-up basis and cap the lifetime gift exemption at $5 million. Without congressional action, the estate tax exemption will shrink to $1 million per person with no spousal transfer, and a top rate of 55 percent.

Weyerhauser is planning to expand its facility located in Philadelphia, MS. The company's plans include construction of a new 30,000 square foot covered lumber storage building by the third quarter of 2012. They are also hiring more than 100 extra workers for their engineered wood plants located in Natchitoches and Zwolle, LA and Emerson, AR by late May.

The **Naval Air Warfare Center Weapons Division (NAWCWD)** awarded a contract to **Albemarle Corporation** to produce bio n-butanol renewable jet fuel provided by **Cobalt Technologies** located in Baton Rouge, LA. This fuel converts non-food feedstock, like woody biomass, into renewable butanol for both chemicals and fuels, including jet fuel. This fuel will be tested as part of a continuing process for military certification through the Department of Defense.

The **Nacogdoches Generating Facility** operated by **Southern Power Biomass** located in Nacogdoches County, TX will be conducting steam pressure tests through May. The Nacogdoches County Sheriff's Department issued a message to local residents about the loud noises as a result of these tests. This 100 megawatt plant, the largest in the United States, fueled by approximately 1 million tons of fuel from biomass materials, including forest residue from surrounding areas, wood processing residues and clean municipal wood waste is expected to be fully operational by the end of June. The output of the plan is covered by a 20-year Power Purchase Agreement with the City of Austin.

Helpful Information

Should I Certify My Forest?

While the South has the most certified forest acres of any region in the US (36 million), only 17 percent of our forests are certified. According to the Southern Group of State Foresters (SGSF), in their November 2011 report, "Forest Certification Programs: Status and Recommendations in the South, "the most common type of certification varies by region. In the Northeast, for instance, Forest Stewardship Council (FSC) certification is most prevalent; 60 percent of all forests there are certified to this standard. In the South, just 6 percent of forests are FSC certified. More prevalent in the South are Sustainable Forestry Initiative (SFI) at 47 percent and American Tree Farm System (ATFS) at 37 percent.

As the SGSF points out in the report, forest certification rates are market driven. When consumers demand forest and wood products that are sustainably produced, the makers of those products will source their raw materials from certified timberland. A few examples of consumer demand for sustainably sourced products are taking shape right now.

First, paper manufacturers supplying European markets have been told by buyers that they are under pressure from consumers to source FSC-certified product only. The potential for boycotts of non-certified products pose a risk for these companies. Second, the U.S. Green Building Council's (USGBC) Leadership in Energy, Efficiency and Design (LEED) building standard provides additional credit for wood products certified under the FSC standard. While many in the industry continue to push the USGBC to accept additional certification standards, some lumber and building products manufacturers will source FSC-certified wood in order to participate in this new market.

Third, with the expansion of biomass power in Europe, consumption of wood pellets manufactured in the South is expected to explode in the next couple of years. Energy companies purchasing wood pellets must demonstrate compliance with the sustainable sourcing requirements of both individual countries and the European Union. In addition, US bio-electricity projects are either online or scheduled to come online in the near future, and over time these may require some form of certification for their feedstock as well.

In order to retain these current markets for timber products and open new markets in energy production, it may be time for timberland owners in the South to reconsider certification. Timber from land certified under both SFI and FSC standards have garnered a price premium on occasion, and there is potential for this to become more common.

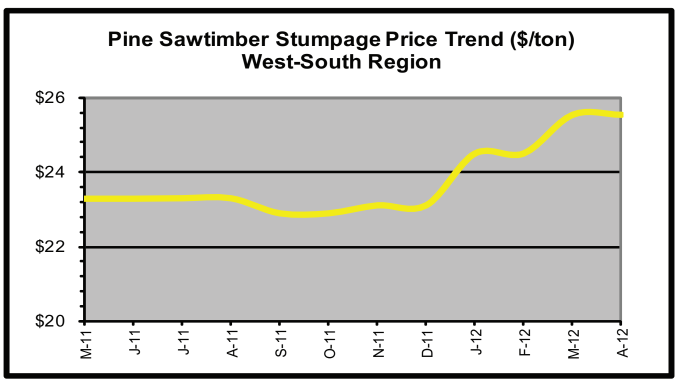
Some recent changes in the FSC standards may make certification more practical and affordable for groups of private timberland owners in the South. First of all, FSC reduced the number of indicators that apply to small timberland holdings (less than 2,470 acres) from 192 to 110.

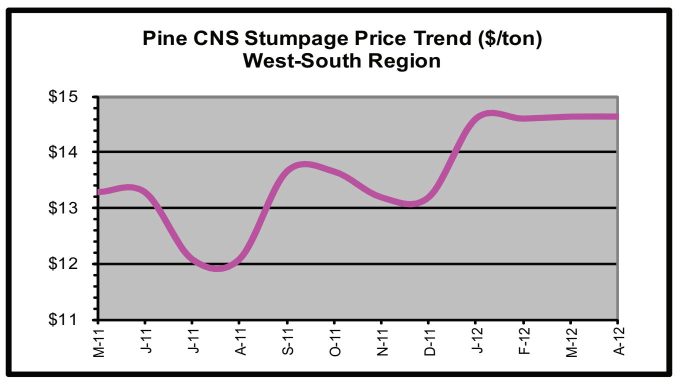
In addition, standards that apply to fertilizers and herbicides have been loosened. One of the major concerns about FSC is that the herbicides that family forest owners typically use to kill hardwoods in pine stands (hexazinone) and control broadleaf weeds and grasses (triazine) were on the FSC's highly hazardous list. The FSC put them on the list because, they argue, these products "do not breakdown quickly and so can infiltrate groundwater." According to the Frequently Asked Question section of their website, however, this is not an absolute: "In situations where forest management organizations have been unable to find effective alternatives to products like hexazinone, they have successfully petitioned FSC for derogations and received authorization to use the products under controlled conditions."

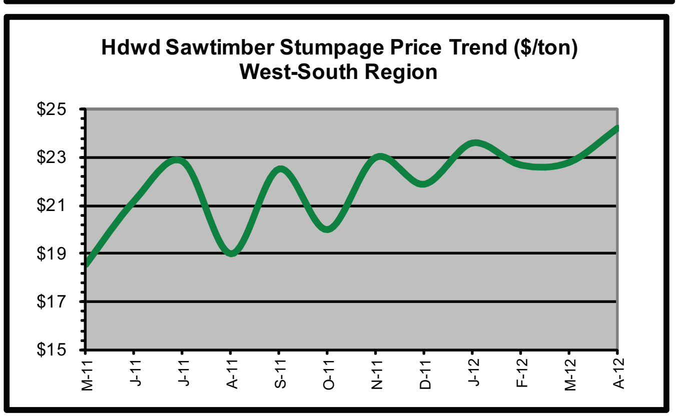
The other concern with FSC certification is the cost. In order to improve the adoption rate of FSC certification among owners of small timberland tracts, the FSC now offers group certification. For more information on this program, visit http://www.fscus.org/standards_criteria/family_forests_program.php

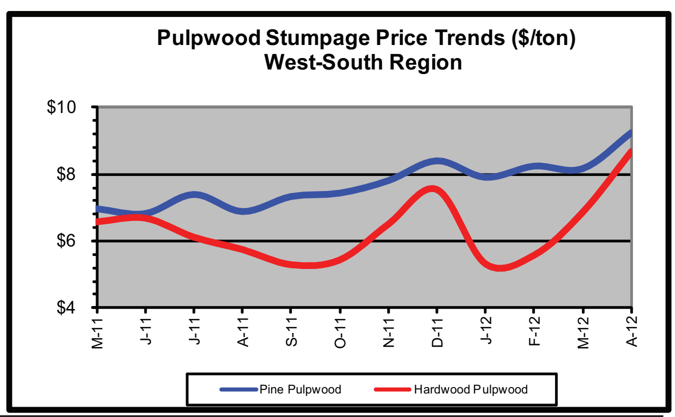
In addition, group certification can be done through the ATFS Independently Managed Groups (IMG) standard. While this certification is recognized by SFI, timber from ATFS and SFI certified land may not currently qualify for full LEED credits or for European bioenergy markets.

For more information on this program, visit http://www.treefarmsystem.org/documents and scroll down to the IMG section.









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