



Sluggish Housing Construction Reduces 2011 Sawtimber Forecast by 6% in US South; Pulpwood Markets Become Increasingly Localized and Diversified

ATHENS, GEORGIA – September 15, 2010 – Anemic housing construction – and the resulting impacts on lumber demand – delayed the expected recovery of pine sawtimber prices this year. Despite the apparent delay in recovery, several states, and end markets for pulpwood, show signs of resiliency. Forisk Consulting's mid-year update of its 10-year, state-by-state forecast for pine sawtimber and pulpwood stumpage in the US South reflect the variability across local timber markets as sawmills retool and bioenergy projects come on-line.

South-wide, Forisk's update indicates pine sawtimber prices will be 6.4% lower in 2011 than expected six months ago. Results vary across states, with Alabama, Arkansas, Georgia and South Carolina best positioned to rebound quickly as lumber demand strengthens. According to Forest Economist Dr. Tim Sydor, "Expectations for key macroeconomic factors – such as GDP and housing starts – have, frankly, proven to be way off-base. GDP grew faster than expected, but housing starts are expected to remain 30% below 2009 projections. As a result we've adjusted our forecast of US softwood lumber consumption downward by 6.3 billion board feet for 2010. Lower lumber demand means lower stumpage prices, and pine sawtimber prices in the South have been revised downward by nearly \$1 per ton for the year."

Forisk's President, Dr. Brooks Mendell, agrees that 2010 is a "bridge" year and emphasizes to investors the benefits of patiently following local markets. "Robust local markets, with capitalized mills and resilient loggers and wood suppliers, pay dividends to their investors through faster recoveries."

Pulpwood demand, relative to sawtimber, is distinct for the complexity of its end-use markets. "We follow several factors that have push-and-pull effects on pulpwood demand and stumpage prices", says Dr. Sydor. "For instance, while a housing recovery lifts demand for pulpwood from OSB producers, it decreases demand for roundwood through increased residual chip flows from lumber mills." Forisk projects that 9.6% of pulpwood demand across the South will come from new bioenergy facilities. "Bioenergy and OSB end-use markets drive any growth in pulpwood demand over the next 10 years," says Dr. Sydor.

Pine Pulpwood and Sawtimber forecasting products from Forisk Consulting help industry leaders follow and understand the impacts on stumpage prices from the economic recovery and changing demand for lumber, pulp and bioenergy products. For more information, visit www.foriskstore.com and click "Stumpage Price Forecasts."

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