Since many variables, such as raw material demand, mill inventories, buyer competition and weather, play key roles in determining local prices, we encourage you to subscribe to our continuously updated online price service at www.forest2market.com for prices that are specific to your local area.
Sweeping changes with far reaching consequences marked 2006 as a year of transformation for the forest products industry. Sales of industrial forestland continued during the year as forest product companies continue to abandon the integrated model by divesting of core timberlands or converting to REIT’s (Potlatch). International Paper’s sale of approximately six million acres to TIMO’s and conservation organizations has spurred renewed calls by wall street for the remaining integrated companies (Meadwestvaco, Temple Inland and Weyerhaeuser) to follow suit. Looking forward to 2007, forest product companies will experience many of the same challenges they experienced throughout most of 2006. Volatile fuel prices, high raw material costs, declining profit margins and competition from low cost foreign producers will force companies to continue to find ways to operate at the most efficient level in order to stay competitive in the current operating environment.

Housing markets began to go south at an accelerated pace in the middle of the year taking demand for building materials with them. Total 2006 housing starts are estimated to finish the year at 1.6 million, a drop of 20% from December of last year, and hover at this number for most of 2007 as builders continue to filter out excess inventories. As a direct result, Random Lengths Southern Lumber and Plywood Composite prices dropped 28.5% and 22.3% respectively over the course of the year. Looking forward, a recent report published by the Western Wood Products Association, predicts a decline in southern production of 7.1% to 17.4 billion board feet in 2007. This illustrates a brutal reality check for manufacturing facilities that have been operating at record levels the previous two years. Anticipated fourth quarter earnings reports from producers such as Canfor, Louisiana-Pacific, Norbord Inc., West Fraser and Weyerhaeuser are expected to reflect this slump. On a more positive note, a growing number of real estate experts continue to predict a turn around sometime during the middle of the year citing mortgage rates remaining under 7.0% throughout 2007. In addition, many experts continue to predict an economic slowdown, not a recession, for the upcoming year.

Expect stumpage prices to show a moderate increase due to seasonality as the year begins and then level off through the middle of the year taking demand for building materials with them. Total 2006 housing starts are estimated to finish the year at 1.6 million, a drop of 20% from December of last year, and hover at this number for most of 2007 as builders continue to filter out excess inventories. As a direct result, Random Lengths Southern Lumber and Plywood Composite prices dropped 28.5% and 22.3% respectively over the course of the year. Looking forward, a recent report published by the Western Wood Products Association, predicts a decline in southern production of 7.1% to 17.4 billion board feet in 2007. This illustrates a brutal reality check for manufacturing facilities that have been operating at record levels the previous two years. Anticipated fourth quarter earnings reports from producers such as Canfor, Louisiana-Pacific, Norbord Inc., West Fraser and Weyerhaeuser are expected to reflect this slump. On a more positive note, a growing number of real estate experts continue to predict a turn around sometime during the middle of the year citing mortgage rates remaining under 7.0% throughout 2007. In addition, many experts continue to predict an economic slowdown, not a recession, for the upcoming year.

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Expect pulpwood stumpage prices to increase slightly heading into the new year. Mill curtailments by lumber mills are expected to continue and will put pressure on pulp producers to lock up raw material supply in the form of longwood instead of chips.