



# Stumpage Price 4cast

## Northern Arkansas Forecast Sub-Region

March 2010 - February 2012 Volume 6, Issue 1

A P U B L I C A T I O N O F F O R E S T 2 M A R K E T ®

The estimate of 3Q2009 U.S. GDP growth was reduced a final time – from the initial +3.5 percent to +2.2 percent. Most metrics show manufacturing activity is experiencing a muted recovery from 2009 lows, although specific details for forest products manufacturers are mixed. Exports of both wood and paper products are trending higher, and should continue doing so unless the greenback appreciates more than we presently expect. December job losses show employment remains grim; another two years could pass before the number of available jobs returns to December 2007's level. Persistently high unemployment and rising inflation are substantial risks to the economy – particularly housing starts, which have held below the 600,000-unit mark (SAAR) since December 2008. Oil prices are expected to track higher during the next 24 months as the world economy recovers and investors seek higher returns. Tepid employment, higher inflation and/or interest rates, and a more burdensome tax and regulatory environment make a second recession almost inevitable.



Composite log prices will stabilize near \$26 per ton through February 2011. The stabilization will obscure improving market fundamentals evident in benchmark prices. Initially the 14-inch price will push higher, breaking above \$29 in March 2010. After retrenching in 2Q2010 it will test \$30 several times during 2H2010 and 1Q2011. Beyond February 2011 composite log prices will trade raggedly higher for the balance of the forecast. By 4Q2011 they will average nearly \$31, 11 percent higher than 4Q2009 levels. Concurrently, benchmark prices will fall to near \$26 by mid-year 2011 before starting to trend higher on improving market fundamentals, closing above \$30. Pine pulpwood prices will drop sharply to near \$10 by February, then follow seasonally dominated influences while remaining range bound between the low-\$7 and mid-\$10 range. Hardwood will gradually retreat to \$7.01 by October before encountering a spate of volatility between November 2010 and April 2011. Prices become more stable thereafter. ■

Category	Actual or Estimated 2009:12	----- Projected Averages ----- 2010:01 - 2010:03	2010:04 - 2010:06	2010:07 - 2010:09
Real GDP (% Chng)	2.11	1.97	2.09	1.50
Housing Starts (mill.)	0.528	0.523	0.563	0.722
Indust Prod (% Chng)	0.92	0.48	0.84	-0.17
Prime Rate (%)	3.25	3.25	3.25	3.75
Oil Price ( \$ / bbl)	74.30	81.42	88.87	82.58
Canadian\$ / US\$	1.05	1.04	1.05	1.05
Euro / US\$	0.69	0.69	0.70	0.71
Yen / US\$	90.0	90.9	91.3	92.1
PPI, Intermediate Materials (% Chng)	-0.24	0.49	0.14	0.55

Note: For monthly details see Table 1 in the *Economic Outlook* report

Sources: Actuals from Federal Reserve Bank of St Louis database, US Bureau of Labor Statistics, Federal Reserve Report G-17, US Census Bureau, Financial Forecast Center, and US Bureau of Economic Analysis.  
Projections developed by Delphi Advisors

ARN		----- Pine Sawtimber -----					
		Composite Market*		Benchmark Prices		Pulpwood	
		DBH (Inches)	Price (\$ / Green Ton)	10-inch	14-inch	Pine	Hdwd
Actual	2009:10	14.2	29.92	19.10	29.41	8.63	5.61
	2009:11	13.7	27.00	17.46	27.76	8.46	5.81
	2009:12	14.3	25.95	14.88	25.19	14.13	11.87
Estimated	2010:01	13.4	24.85	16.08	26.39	13.12	10.33
	2010:02	13.4	25.65	16.88	27.19	10.19	9.19
	2010:03	12.8	26.12	18.88	29.19	9.46	9.26
	2010:04	13.5	25.91	16.88	27.19	8.54	9.11
	2010:05	14.1	25.74	15.18	25.48	8.67	8.77
	2010:06	14.1	26.54	15.98	26.28	7.83	7.91
	2010:07	12.8	25.21	17.98	28.28	9.62	8.52
Projected	2010:08	12.3	25.53	19.58	29.88	10.41	8.35
	2010:09	13.7	27.11	17.58	27.88	8.38	7.98
	2010:10	13.0	26.12	18.38	28.68	9.03	7.01
	2010:11	13.0	24.92	17.18	27.48	10.20	8.10
	2010:12	13.1	26.48	18.48	28.79	9.67	9.97
	2011:01	12.3	25.64	19.68	29.99	10.45	7.37
	2011:02	13.1	26.08	18.08	28.39	9.29	9.83
	2011:03	13.7	28.04	18.51	28.81	9.67	10.20
	2011:04	15.4	31.21	17.71	28.01	7.91	7.94
	2011:05	15.4	29.21	15.71	26.01	7.57	8.63
	2011:06	15.2	29.62	16.51	26.81	7.20	7.95
2011:07	13.3	27.02	18.51	28.81	7.63	7.66	
2011:08	13.3	26.22	17.71	28.01	9.77	8.04	
2011:09	15.5	32.59	18.91	29.21	8.55	7.52	
2011:10	15.0	32.42	19.71	30.01	7.47	7.23	
2011:11	13.6	27.79	18.51	28.81	9.62	8.69	
2011:12	14.5	31.68	20.11	30.41	9.21	8.54	

\* Composite of chip-n-saw, sawtimber and ply logs

Sources: Actual data from Forest2Market databases  
Projections developed by Delphi Advisors

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