



Stumpage Price 4cast

Northern Arkansas Forecast Sub-Region

July 2010 - June 2012 Volume 6, Issue 3

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 final downward revision of 1Q2010 GDP growth does not provide much hope for a stronger rebound during 2Q2010 and beyond; also, most domestic and global risks appear to be to the downside. Lackluster hiring, along with the need by consumers to deleverage debt, means discretionary spending is unlikely to drive the U.S. economy higher. Manufacturing growth may have already topped out for this cycle and could actually shift into reverse, further slowing improvement in employment. Residential construction will require several months to recover from the expiration of the federal homebuyer tax credit; total permits and pending home sales dropped by double-digit percentages in May while foreclosures increased. Most approaches intended to control the burgeoning federal deficit and debt favor tax increases over spending cuts. The Federal Reserve may be preparing for another round of quantitative easing to prevent a bout of deflation. Doing so could weaken the dollar, which would in turn cause a rise in crude oil prices, compounding economic headwinds.



Composite log price will not build on the sharp increase seen between May and June, but instead fall back below \$32 in July. From there, prices will ratchet lower on slowing economic momentum, dropping near \$25 by April 2011. Prices begin to firm mid-2011 – due to a stabilizing but weak housing sector coupled with a weakening U.S. dollar – ending the year near \$28 per ton. Composite prices achieve a forecast high near \$33 during 1Q2012 as housing edges higher but fall back to near \$29 as the economy continues to struggle. We anticipate some additional near-term weakness in pine pulpwood pricing (bottoming at \$6.31 in September) before a ragged recovery (peaking at \$13.52 in February 2012) sets in for most of the remainder of the forecast. The overall forecast average price will be approximately 11 percent higher than the present long-term historical average. Hardwood’s price forecast, on the other hand, exhibits a very gradual downward trend within a range of \$3.13 per ton. July 2010’s \$9.75 will be the high point of the forecast, while the \$6.62 of January 2011 will be the low point. ■

Category	Actual or Estimated 2010:06	----- Projected Averages ----- 2010:07 - 2010:09	2010:10 - 2010:12	2011:01 - 2011:03
Real GDP (% Chng)	2.55	1.96	2.40	1.20
Housing Starts (mill.)	0.580	0.573	0.688	0.654
Indust Prod (% Chng)	1.98	-0.54	-0.06	0.39
Prime Rate (%)	3.25	3.25	3.25	3.25
Oil Price (\$ / bbl)	75.35	79.38	77.75	78.51
Canadian\$ / US\$	1.038	1.009	0.979	0.985
Euro / US\$	0.818	0.844	0.867	0.840
Yen / US\$	90.8	89.6	90.5	93.7
PPI, Intermediate Materials (% Chng)	-0.60	0.04	0.28	-0.14

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* DBH Price (Inches)		Benchmark Prices 10-inch 14-inch (\$ / Green Ton)		Pulpwood Pine Hdwd	
Actual	2010:04	12.3	24.10	17.07	28.87	12.84	5.53
	2010:05	13.6	24.07	13.37	25.17	12.34	15.77
	2010:06	15.7	35.81	19.52	31.32	7.50	6.67
Estimated	2010:07	14.7	31.45	17.77	29.56	8.33	9.75
	2010:08	14.4	30.22	17.34	29.14	7.22	7.97
	2010:09	14.9	32.30	18.09	29.89	6.31	7.63
Projected	2010:10	14.2	33.04	19.95	32.50	6.88	8.10
	2010:11	14.1	29.27	16.45	29.00	7.97	7.63
	2010:12	14.8	32.54	17.85	30.40	7.03	8.76
	2011:01	14.1	27.17	14.35	26.90	7.67	6.62
	2011:02	14.8	31.23	16.53	29.08	9.84	8.03
	2011:03	15.2	28.78	14.03	25.58	7.85	9.17
	2011:04	14.9	25.19	12.89	22.78	7.44	7.84
	2011:05	15.3	26.09	12.85	22.63	7.25	8.79
	2011:06	14.9	27.84	13.88	25.43	6.70	7.67
	2011:07	14.4	28.61	15.98	27.53	8.83	8.67
	2011:08	13.9	26.97	15.69	27.24	8.40	7.93
	2011:09	14.1	31.01	18.69	30.74	10.17	8.01
	2011:10	13.9	31.80	19.53	32.08	8.39	7.05
	2011:11	14.3	29.39	16.03	28.58	10.00	8.58
	2011:12	15.0	27.82	13.35	25.15	10.99	8.71
2012:01	14.9	29.86	14.90	27.45	11.05	6.97	
2012:02	14.8	32.40	17.70	30.25	13.52	8.08	
2012:03	15.3	32.82	16.81	29.36	10.61	9.05	
2012:04	14.9	28.97	14.01	26.56	9.65	7.72	
2012:05	15.7	28.96	13.29	24.46	7.64	8.12	
2012:06	15.8	29.01	13.03	24.26	8.62	8.73	

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

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

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A quarterly publication of Forest2Market®, 14045 Ballantyne Corporate Place, Suite 150, Charlotte, NC 28277

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