



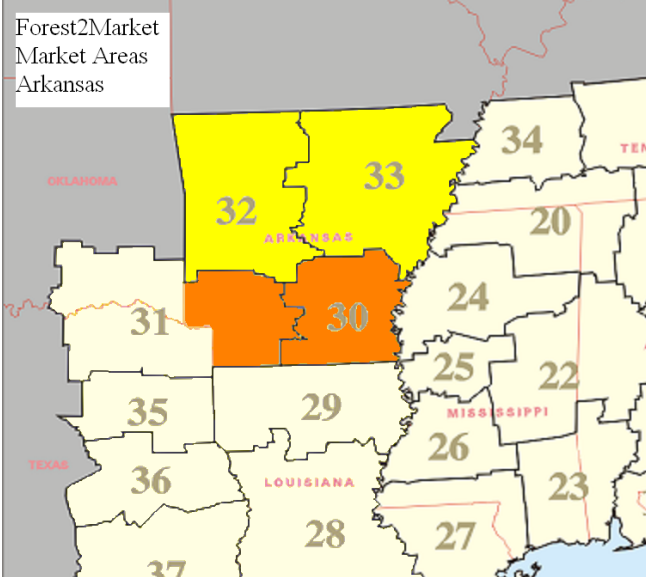
Forest2Market®
Solutions for the Forest and Wood Products Industries

Arkansas Timber Report

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 ®

**3rd Quarter
2005**

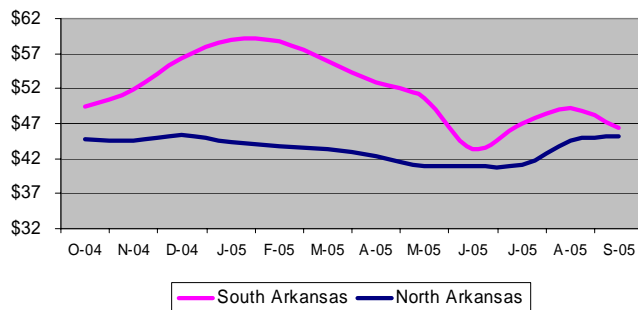
**Volume 1
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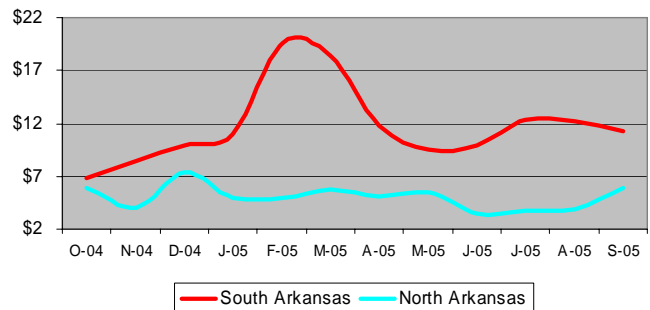
Since many variables, such as raw material demand, mill inventories, buyer competition and weather, play key roles in determining local prices, we encourage you to subscribe to our continuously updated online price service at www.forest2market.com for prices that are specific to your local area.

ARKANSAS STUMPAGE PRICE TRENDS

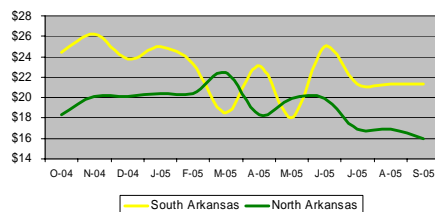
Pine Sawtimber Stumpage Price Trend (\$/ton)



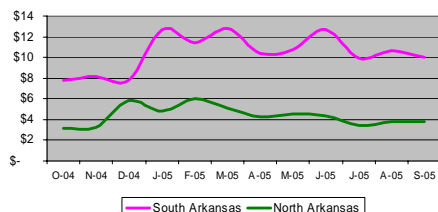
Pine Pulpwood Price Trends (\$/ton)



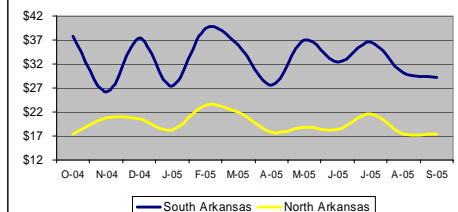
Pine CNS Stumpage Price Trend (\$/ton)



Hardwood Pulpwood Price Trends (\$/ton)



Hardwood Sawtimber Price Trends (\$/ton)



ARKANSAS STUMPAGE PRICES

| North Arkansas | | | | |
|--|----------|------|--------------|----------------|
| Weighted Average Stumpage Prices (\$/ton) 3rd Quarter 2005 | | | | |
| Product | Price | DBH | Price Change | Percent Change |
| Pine Pulpwood | \$ 4.38 | | -\$0.67 | -13.2% |
| Pine Chip-n-Saw | \$ 16.00 | 9.1 | -\$2.90 | -15.3% |
| Pine Sawtimber | \$ 43.99 | 12.8 | \$2.34 | 5.6% |
| Hardwood Pulpwood | \$ 3.55 | | -\$0.68 | -16.1% |
| Hardwood Sawtimber | \$ 21.54 | | \$3.53 | 19.6% |

| South Arkansas | | | | |
|--|----------|------|--------------|----------------|
| Weighted Average Stumpage Prices (\$/ton) 3rd Quarter 2005 | | | | |
| Product | Price | DBH | Price Change | Percent Change |
| Pine Pulpwood | \$ 12.05 | | \$1.29 | 11.9% |
| Pine Chip-n-Saw | \$ 21.29 | 10.0 | -\$2.03 | -8.7% |
| Pine Sawtimber | \$ 47.58 | 15.6 | -\$1.23 | -2.5% |
| Hardwood Pulpwood | \$ 10.27 | | -\$0.58 | -5.4% |
| Hardwood Sawtimber | \$ 32.73 | | -\$1.09 | -3.2% |

U.S. SOUTH TIMBER MARKET OUTLOOK

PINE SAWTIMBER PRICES - U.S. SOUTH

Presently, forest products companies in the southeast are dealing with the devastation and uncertainty brought about by Hurricanes Katrina and Rita. According to initial estimates by state and federal agencies, the damage was estimated to be 27 billion board feet spread out over approximately six million acres from East Texas to Coastal Alabama. State agencies in Louisiana estimated \$1.226 billion in timber losses from the two hurricanes. Approximately 6% of the growing stock in East Texas was affected by Hurricane Rita alone. More than 80% of the damage inflicted by Katrina occurred to sawtimber size trees prompting Georgia-Pacific to re-open two previously idled mills in the area and at least one off-site wood-yard in Bon Weir, Texas. Although long-term demand fluctuations from natural disasters are mostly felt at the local level, most analysts agree the damage inflicted by the 2005 hurricane season was severe enough to be felt in the broader market for years to come.

Immediately following the devastation brought by Katrina, lumber and panel prices spiked, maintaining upward momentum as the news of Rita's impending landfall along the gulf coast came to light. Prices for OSB jumped nearly 40% and framing lumber was up 14% by the middle of September following the storm. Demand for construction materials remained strong during the quarter in the face of rising interest rates as thirty year fixed rate mortgages edged closer to 6%. Single family building permits increased 2.4% from last quarter; an increase of 7.1% over last year's average during the same time period. However, the high cost of fuel, made worse by the storms, continued to add cost to end product prices. Crude oil and natural gas production from the Gulf of Mexico remained crippled forcing mills to pay high energy bills and surcharges to loggers. Reports of contract haulers keeping their trucks docked because of diesel fuel prices added transportation issues to the list of things nipping at the profit margins of the forest products industry.

Stumpage prices declined during the quarter across the southeast due to a seasonally dry summer. Buyers and sellers were noticeably absent during the quarter since many tracts bought last summer had to wait till this year to be logged due to the unusual amount of rainfall during the last half of 2004. Landowners who were able to secure a logger within weeks of Katrina were reportedly being offered fifty cents on the dollar. More recent reports suggest twenty to thirty cents. Expect market activity to increase along with stumpage prices in areas not affected by the hurricanes throughout the rest of the year and into 2007. Demand for construction materials will remain strong as the rebuilding of Gulf Coast communities begins in the months ahead. At present, the Red Cross estimates 417,000 homes in the Gulf Coast states were destroyed and will need to be rebuilt. Forecasters are predicting that new home construction will set a record, topping two million units by the end of the year and then retreat to 2004 levels in 2006.

PULPWOOD PRICES - U.S. SOUTH

Major U.S. tissue, paper and pulp producers continued to face poor industry conditions during the third quarter. Several forest products companies ended the quarter by announcing job cuts and profit warnings citing sluggish industry conditions, high energy costs, excess capacity and declining demand. Total U.S. newsprint consumption by daily newspapers continued to decline, posting a significant year-to-year drop of 8.2%. The FOEX Northern Bleached Softwood Kraft price dropped during the third quarter 4.6% to \$626.59/tonne.

Expect pulpwood consumers to keep a tight lid on prices as business conditions worsen in the fourth quarter. Expect pulpwood stumpage prices to increase slightly going into the winter logging season with a more pronounced increase seen in hardwood than in pine due to ongoing supply issues. The amount of salvage wood coming on the market in the months to come will have a depressing effect on local pulpwood markets affected by the hurricanes.