

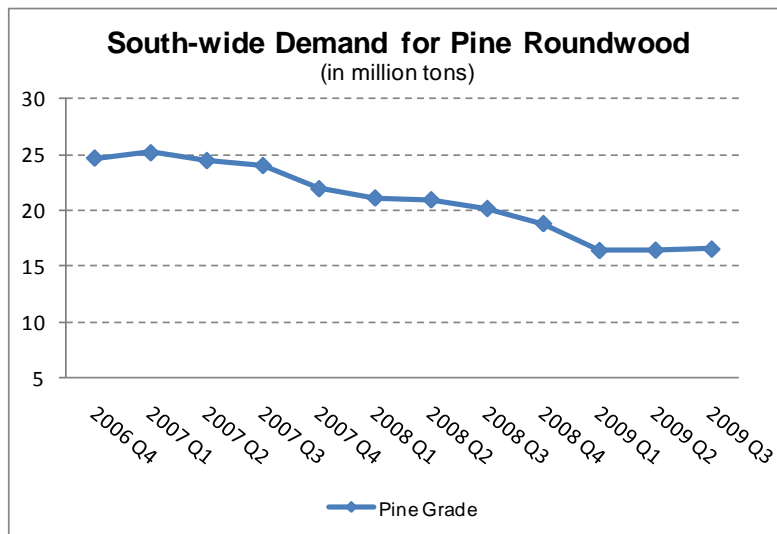


ForiskFORECAST: Pine Sawtimber (PST) US South 2010-2020

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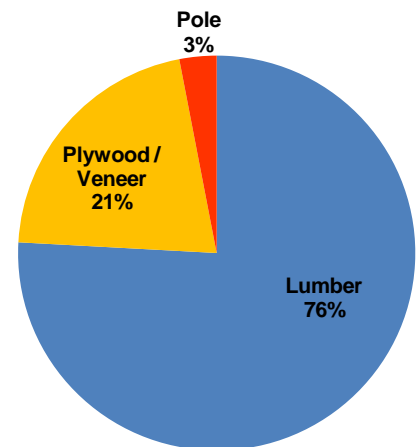
Introduction & Overview

This ForiskFORECAST centers solely on the economic value of pine sawtimber in the US South. Forisk’s forecasting program builds on a unique understanding of local wood markets. Our Wood Demand database provides the means for a superior understanding of the relationship between prices and demand by state across the South. These relationships – called “elasticities” – allow for each state to individually “express” their price relationship to changes in sawtimber demand over time. Forisk began collecting Wood Demand data from forest industry mills in 2005; today our team tracks the volume in tons of wood crossing the scales at over 800 facilities each quarter.



Data source: Forisk Wood Demand Report

Pine Sawtimber Market Share (Q3 2009)



Methodology

The primary idea behind the ForiskFORECAST lies in the development of statistical models that establish relationships between stumpage prices and the demand for timber. As the demand for timber (e.g. roundwood or logs) is a derived demand – it does not represent the end-use product – we rely on further establishing relationships between end markets (i.e. lumber) and macroeconomic factors that

drive the demand for lumber. For example, housing, represented by housing starts, is considered a primary driver of the demand for lumber.

The ForiskFORECAST - Pine Sawtimber (PST) includes three econometric models that estimate the likely response of pine sawtimber stumpage prices in the US South to changing softwood lumber consumption and macroeconomic factors.¹ The first model forecasts US softwood lumber consumption from changing macro variables that include real GDP, housing starts, US population growth and the Producer's Price Index (PPI). The second model forecasts South-wide pine sawtimber (PST) stumpage prices (\$/ton) from the lagged historical PST stumpage price (Timber Mart-South) and softwood lumber consumption. The third model scales down South-wide pine sawtimber (PST) stumpage prices to individual states in the US South based on elasticities derived from Forisk Wood Demand data.

ForiskFORECAST Options

The ForiskFORECAST - Pine Sawtimber is available in three versions to meet individual needs:

- **Individual State ForiskFORECASTs:** Available for 11 states in the US South, these forecasts provide annual, state-specific pine sawtimber prices under three scenarios through 2020.
- **South-wide ForiskFORECAST:** This includes annual, forecasted lumber consumption and pine sawtimber prices for the US South through the year 2020 under three scenarios.
- **Interactive Model & Full ForiskFORECAST:** In addition to forecasted pine sawtimber prices for the South and by state for 11 states, this package includes an interactive Excel model which allows users to test their own assumptions associated with economic growth and housing starts on South-wide and state-specific pine sawtimber prices through 2020.

Each ForiskFORECAST includes three scenarios to test inputs and assumptions, while supporting internal discussions and applications associated with the forecasted stumpage prices:

- **Baseline:** includes forecasted macroeconomic assumptions from the US EIA.
- **High:** assumes real GDP and housing starts are 10% higher in each year forecasted by EIA.
- **Low:** assumes real GDP and housing starts are 10% less in each year forecasted by EIA.

About Forisk Consulting

Forisk provides analytical products, consulting services, and educational programs to operating, finance and strategy executives and analysts making decisions associated with timber REITs, timberlands, and wood-using energy and manufacturing facilities. Forisk's publications include:

- **Wood Demand Report:** Quarterly tracking and analysis of wood demand and end-use markets.
- **Wood Bioenergy South:** Monthly tracking and analysis of announced wood bioenergy projects.

For more information on Forisk's products, visit www.foriskstore.com.

The 2010 calendar for the *Forisk Continuing Education Program* features:

- **Timber Market Analysis** on February 10, 2010 in Atlanta, Georgia; and
- **Applied Forest Finance** on August 4, 2010 in Atlanta, Georgia.

For more information on Forisk's courses, visit www.forisk.com and click "Continuing Education."

¹ The ForiskFORECAST uses macroeconomic analysis from the US EIA's (Energy Information Administration) "Annual Energy Outlook." Baseline, historical stumpage prices come from Timber Mart-South.