



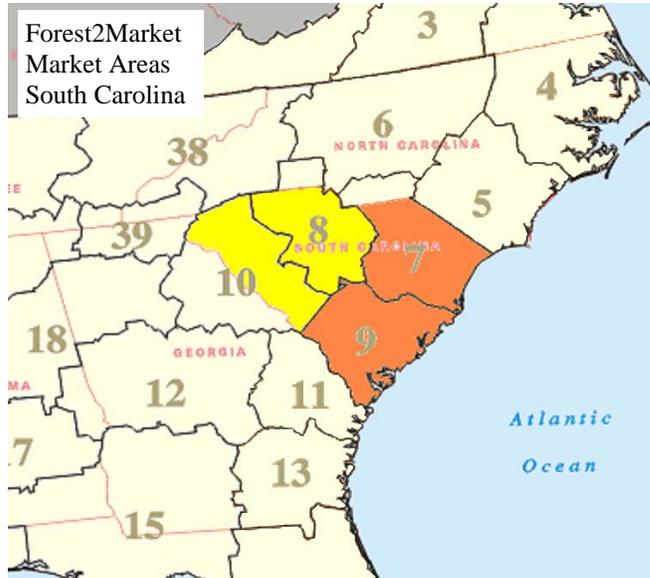
Forest2Market®  
Solutions for the Forest and Wood Products Industries

# South Carolina Timber Report

A PUBLICATION OF FOREST2MARKET®

**1st Quarter  
2007**

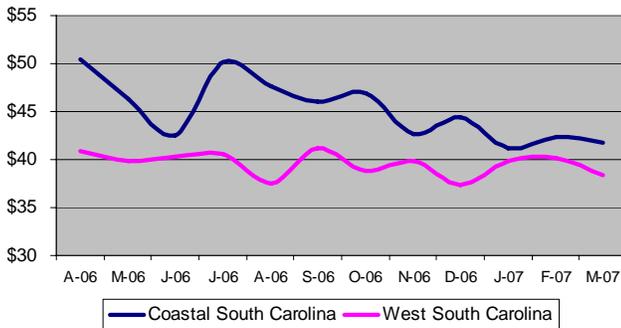
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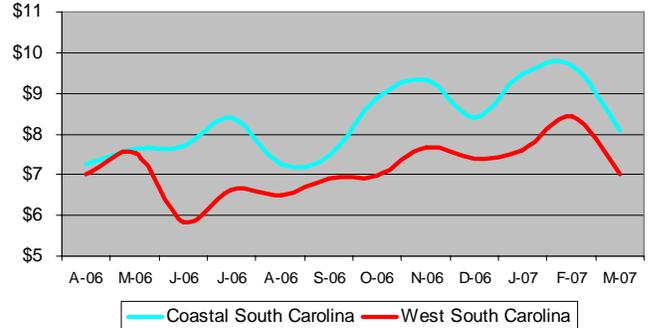
Since many variables, such as raw material demand, mill inventories, buyer competition and weather, play key roles in determining local prices, we encourage you to subscribe to our continuously updated online price service at [www.forest2market.com](http://www.forest2market.com) for prices that are specific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

## SOUTH CAROLINA STUMPAGE PRICE TRENDS

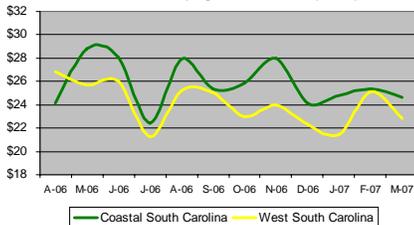
**Pine Sawtimber Stumpage Price Trend (\$/ton)**



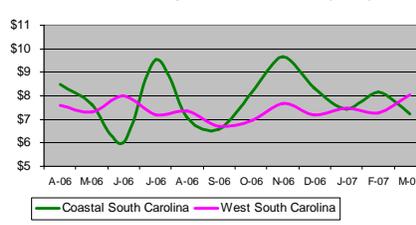
**Pine Pulpwood Price Trends (\$/ton)**



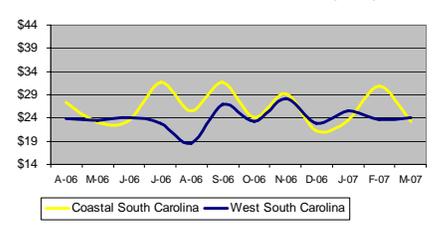
**Pine CNS Stumpage Price Trend (\$/ton)**



**Hardwood Pulpwood Price Trends (\$/ton)**



**Hardwood Sawtimber Price Trends (\$/ton)**



## SOUTH CAROLINA STUMPAGE PRICES

Coastal South Carolina Weighted Average Stumpage Prices (\$/ton) 1st Quarter 2007			
Product	Price	Price Change	Percent Change
Pine Pulpwood	\$ 9.27	\$0.48	5.4%
Pine Chip-n-Saw	\$ 24.96	-\$1.18	-4.5%
Pine Sawtimber	\$ 41.51	-\$3.47	-7.7%
Hardwood Pulpwood	\$ 7.52	-\$1.45	-16.2%
Hardwood Sawtimber	\$ 23.76	-\$4.61	-16.2%

West South Carolina Weighted Average Stumpage Prices (\$/ton) 1st Quarter 2007			
Product	Price	Price Change	Percent Change
Pine Pulpwood	\$ 8.23	\$0.87	11.8%
Pine Chip-n-Saw	\$ 22.82	-\$0.71	-3.0%
Pine Sawtimber	\$ 39.17	\$0.28	0.7%
Hardwood Pulpwood	\$ 7.63	\$0.25	3.4%
Hardwood Sawtimber	\$ 24.30	-\$0.85	-3.4%

## U.S. SOUTH TIMBER MARKET OUTLOOK

### PINE SAWTIMBER PRICES - U.S. SOUTH

The first quarter of 2007 started with uncertainty surrounding the forest products industry and most experts agree that it will be another tough year for manufacturers. Wall Street pressure is forcing the remaining integrated forest products companies to divest of fee land (Temple-Inland) or contemplate REIT conversion (Weyerhaeuser) effectively taking away the cheapest source of raw material for the respective company facilities. The combination of mill production levels, which are still too high, and inconsistent demand across the region put downward pressure on lumber, plywood and OSB prices throughout the south. First quarter, 2007 southern lumber and plywood composite prices are down 36% and 13% respectively from first quarter of 2006 according to Random Lengths. Even though there has been varying degrees of production curtailments, current production levels are still overwhelming weak housing demand.

The extent of the downturn in housing took both lumber and panel manufactures by surprise. After several years of exceptionally profitable markets, Oriented Strand Board manufactures made major capital investments adding an estimated 4.5 billion square feet of capacity in the south which is scheduled to come on line by the end of 2008. With over-capacity looming, many of these mills, currently in different stages construction, have pumped the brakes on the building process. On the lumber side, solid wood manufacturers should expect depressed operating conditions well into 2008. Demand for lumber decreased six percent in 2006 and is forecast to fall another 7.5 percent in 2007. F2M forecast models show housing starts bottoming out at 1.25 million units in February, 2008.

**Expect stumpage prices to fluctuate heading into the second quarter. At present, stumpage prices across the south have reached somewhat of a floor. As demand for end products continues to decline mills will tighten quotas squeezing supplier margins and putting downward pressure on stumpage prices. At the same time, sellers will scale back offerings putting pressure on suppliers to compete for scraps. The affect of this market dynamic will be localized adding volatility to pricing. This will not be enough, however, to buck the downward sawtimber price trend.**

### PULPWOOD PRICES - U.S. SOUTH

Global pulp markets started the year strong despite weak North American demand. United States and Canada producers are reducing both softwood and hardwood pulp capacity because of high operating costs. These cost increases have outpaced the demand from global pulp consumers. The curtailments and closures of North American facilities have helped push market pulp prices to their highest point since the late 1990's. The supply curtailments, which picked up momentum in 2006, have had their intended affect with FOEX indexes reporting an increase of 2.1% in the United States for NBSK prices since the beginning of the year. The key factor influencing North American pulp markets continues to be demand from Asia which rose 6.5 million tons in 2006. One third of Asian demand is supplied by North American producers. The same scenario holds true for paper. Printing and writing paper consume two-thirds of market pulp. In developing countries like China, Korea and India demand for paper has skyrocketed 6 to 7 percent over the previous five years. Compare this to North America where demand has fallen or Europe where paper demand increased a mere 2% over the same time period.

Overall, world pulp markets are forecast to show continued strength throughout 2007. The growing Chinese paper industry, heavily reliant on market pulp, will continue to grow. Demand for hardwood pulp will continue to strengthen as hardwood pulp capacity shrinks in North America and demand for uncoated freesheet papers remains strong. Hardwood pulp capacity should increase towards the end of the year as a considerable amount of production ramps up in South America. Currently, 10 new pulp capacity projects in Chile, Brazil, Uruguay and China are slated for start up over the next two years increasing global capacity by 11.2%.

**Expect pulpwood stumpage prices to remain steady or show a slight increase heading into the second quarter. Pulp mills are currently operating in a tight market that has more demand than supply. As lumber/plywood mills continue to reduce capacity, an already dire chip situation will become worse. This will force pulp mills to procure more longwood.**