



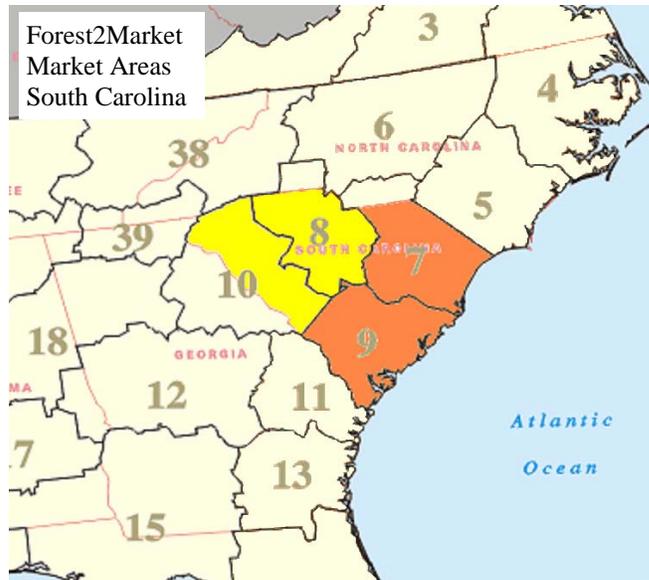
Forest2Market®
Solutions for the Forest and Wood Products Industries

South Carolina Timber Report

A PUBLICATION OF FOREST2MARKET®

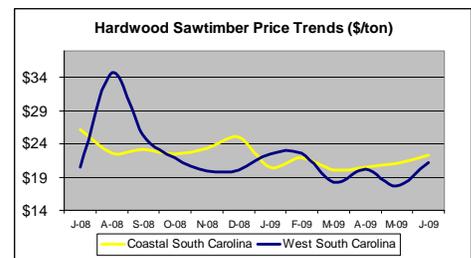
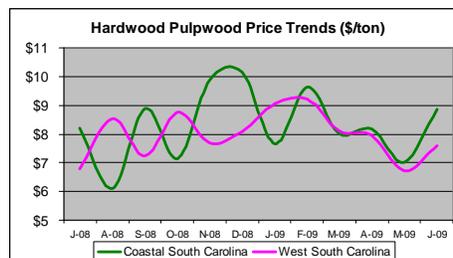
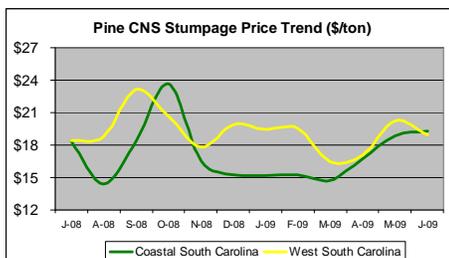
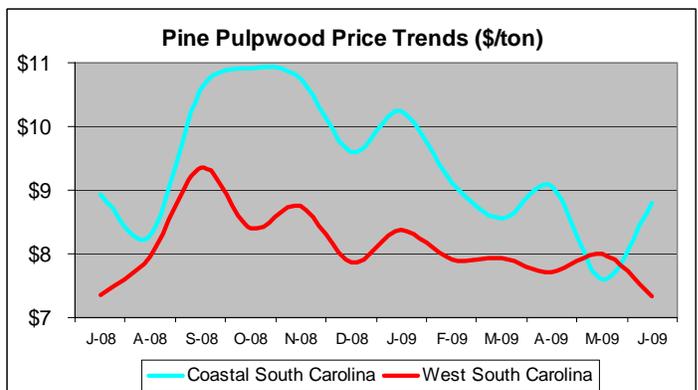
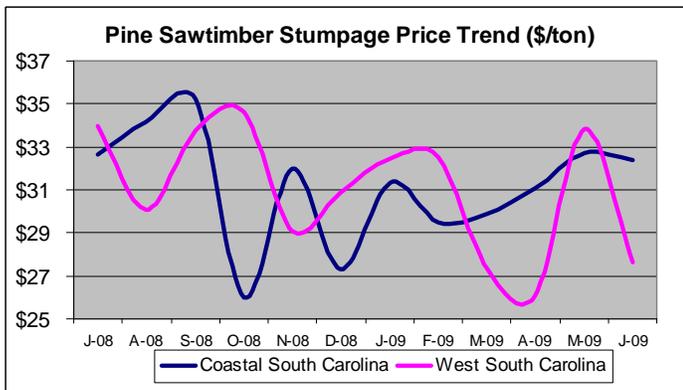
**2nd Quarter
2009**

**Volume 5
Number 2**



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.

SOUTH CAROLINA STUMPAGE PRICE TRENDS



SOUTH CAROLINA STUMPAGE PRICES

Coastal South Carolina			
Weighted Average Stumpage Prices (\$/ton) 2nd Quarter 2009			
Product	Price	Price Change	Percent Change
Pine Pulpwood	\$ 8.49	-\$0.88	-9.4%
Pine Chip-n-Saw	\$ 17.18	-\$0.70	-3.9%
Pine Sawtimber	\$ 30.84	\$1.60	5.5%
Hardwood Pulpwood	\$ 8.68	\$0.39	4.7%
Hardwood Sawtimber	\$ 21.28	\$0.72	3.5%

West South Carolina			
Weighted Average Stumpage Prices (\$/ton) 2nd Quarter 2009			
Product	Price	Price Change	Percent Change
Pine Pulpwood	\$ 7.73	-\$0.39	-4.9%
Pine Chip-n-Saw	\$ 18.57	\$0.95	5.4%
Pine Sawtimber	\$ 28.33	-\$1.51	-5.1%
Hardwood Pulpwood	\$ 7.54	-\$1.20	-13.7%
Hardwood Sawtimber	\$ 19.98	-\$1.06	-5.0%

U.S. SOUTH TIMBER MARKET OUTLOOK

PINE SAWTIMBER PRICES - U.S. SOUTH

During the second quarter of 2009, we saw uncertain signs that the markets were flirting with the bottom. Wild declines turned to modest ones in many areas; existing and new home sales, for instance, are now seeing declines in the lower single digits.

Because of foreclosures, however, inventories remain high. Mortgage rates increased as well; on June 30, the 30-year fixed rate was 5.42 according to Freddie Mac's Weekly Mortgage Survey, over 0.5 percent higher than the rate at the end of March. Given these statistics, housing is unlikely to bottom until the beginning of 2010.

As a result of the depressed housing market, sawmills will continue to match production to demand, cutting costs and staff and trying to hold on until the market recovers after hitting the bottom. Prices will likely continue on their current trend throughout 2009, remaining relatively flat. We expect the winter season (and the inventory building that generally proceeds wet winter weather) to have very little effect on prices.

PULPWOOD PRICES

Demand in the pulp and paper sector has shown signs of improvement. If demand continues to improve in pulp and paper as the wet winter season approaches, expect pulp prices to rise, especially as sawmill residuals will be hard to find; this will force mills to buy more pulpwood.

Eventually, rising pulpwood prices will begin eating into the small log sawtimber market, and this could effectively create a convergence of the pulpwood and chip-n-saw markets and erode CNS prices. Small log mills that need to produce 2x4s,6s will be forced to produce them from larger logs. These mills will have to pay the higher prices. If they can't afford to, they will shut down.

In March, we predicted 15 additional sawmills would exit the market in the US South in 2009. To date, 7 mills have closed. As the events described above begin to take shape, expect to hear news of additional chip-n-saw mill closures and curtailments as they are likely to make up the remainder of the 15 mill closures we predicted.

Keep an eye, however, on the black liquor tax credit that is inflating profit margins for pulp and paper companies in the United States. If Congress closes this loophole at the end of the year, the dynamics we've described above will change, as it will affect the ability of pulp and paper companies to pay higher prices for pulpwood and chip-n-saw.