



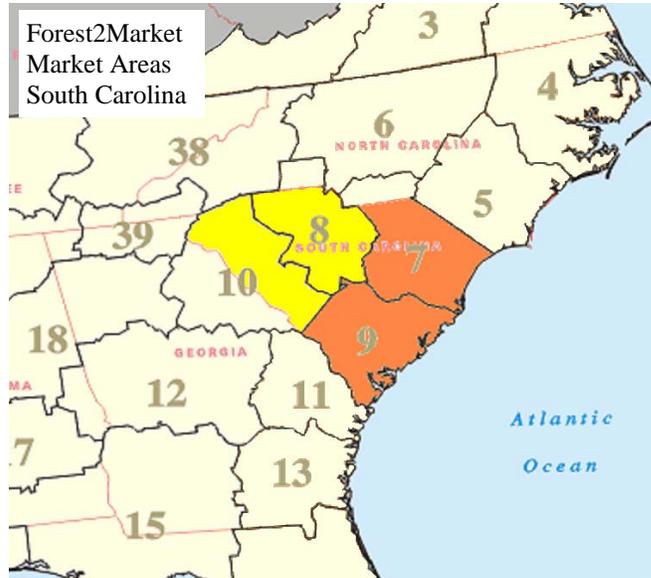
Forest2Market®
Solutions for the Forest and Wood Products Industries

South Carolina Timber Report

A PUBLICATION OF FOREST2MARKET®

**4th Quarter
2006**

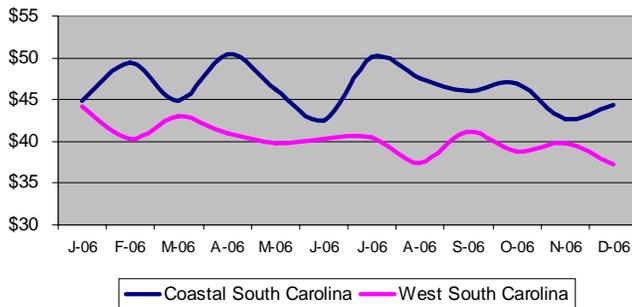
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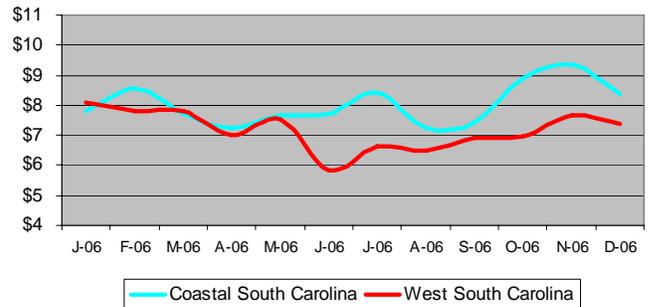
Since many variables, such as raw material demand, mill inventories, buyer competition and weather, play key roles in determining local prices, we encourage you to subscribe to our continuously updated online price service at www.forest2market.com for prices that are specific to your local area.

SOUTH CAROLINA STUMPAGE PRICE TRENDS

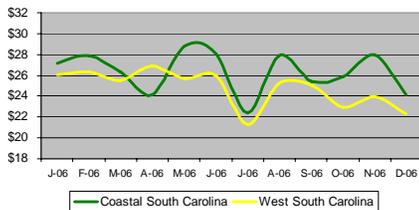
Pine Sawtimber Stumpage Price Trend (\$/ton)



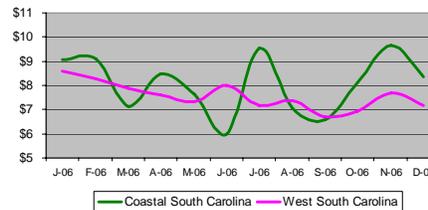
Pine Pulpwood Price Trends (\$/ton)



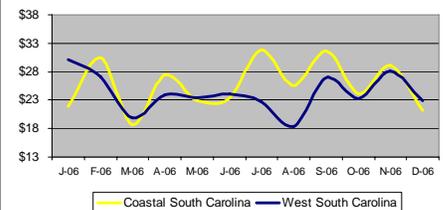
Pine CNS Stumpage Price Trend (\$/ton)



Hardwood Pulpwood Price Trends (\$/ton)



Hardwood Sawtimber Price Trends (\$/ton)



SOUTH CAROLINA STUMPAGE PRICES

Coastal South Carolina Weighted Average Stumpage Prices (\$/ton) 4th Quarter 2006			
Product	Price	Price Change	Percent Change
Pine Pulpwood	\$ 8.79	\$1.23	16.3%
Pine Chip-n-Saw	\$ 26.14	-\$0.27	-1.0%
Pine Sawtimber	\$ 44.98	-\$3.03	-6.3%
Hardwood Pulpwood	\$ 8.98	\$1.09	13.8%
Hardwood Sawtimber	\$ 28.37	-\$1.29	-4.3%

West South Carolina Weighted Average Stumpage Prices (\$/ton) 4th Quarter 2006			
Product	Price	Price Change	Percent Change
Pine Pulpwood	\$ 7.36	\$0.71	10.6%
Pine Chip-n-Saw	\$ 23.53	-\$1.24	-5.0%
Pine Sawtimber	\$ 38.89	-\$0.99	-2.5%
Hardwood Pulpwood	\$ 7.38	\$0.37	5.2%
Hardwood Sawtimber	\$ 25.14	\$0.50	2.0%

U.S. SOUTH TIMBER MARKET OUTLOOK

PINE SAWTIMBER PRICES - U.S. SOUTH

Sweeping changes with far reaching consequences marked 2006 as a year of transformation for the forest products industry. Sales of industrial forestland continued during the year as forest product companies continue to abandon the integrated model by divesting of core timberlands or converting to REIT's (Potlatch). International Paper's sale of approximately six million acres to TIMO's and conservation organizations has spurred renewed calls by wall street for the remaining integrated companies (Meadwestvaco, Temple Inland and Weyerhaeuser) to follow suit. Looking forward to 2007, forest product companies will experience many of the same challenges they experienced throughout most of 2006. Volatile fuel prices, high raw material costs, declining profit margins and competition from low cost foreign producers will force companies to continue to find ways to operate at the most efficient level in order to stay competitive in the current operating environment.

Housing markets began to go south at an accelerated pace in the middle of the year taking demand for building materials with them. Total 2006 housing starts are estimated to finish the year at 1.6 million, a drop of 20% from December of last year, and hover at this number for most of 2007 as builders continue to filter out excess inventories. As a direct result, Random Lengths Southern Lumber and Plywood Composite prices dropped 28.5% and 22.3% respectively over the course of the year. Looking forward, a recent report published by the Western Wood Products Association, predicts a decline in southern production of 7.1% to 17.4 billion board feet in 2007. This illustrates a brutal reality check for manufacturing facilities that have been operating at record levels the previous two years. Anticipated fourth quarter earnings reports from producers such as Canfor, Louisiana-Pacific, Norbord Inc., West Fraser and Weyerhaeuser are expected to reflect this slump. On a more positive note, a growing number of real estate experts continue to predict a turn around sometime during the middle of the year citing mortgage rates remaining under 7.0% throughout 2007. In addition, many experts continue to predict an economic slow-down, not a recession, for the upcoming year.

Expect stumpage prices to show a moderate increase due to seasonality as the year begins and then level off through the middle of the year. Demand for logs will remain depressed during the first half of the year as mills continue to cut back production in the wake of falling lumber demand.

PULPWOOD PRICES - U.S. SOUTH

Markets for pulp and paper grades were considered balanced as the end of 2006 approached. Producers continued to implement price hike and manage raw material shortages. Wood supply problems hampered production for BSKP market pulp in Canada leading to price increases of \$20/ton. Unusually, warm and wet weather kept loggers out of the woods in Scandinavia and central Europe saw energy use in the form of wood eat into the fiber supply and raise costs. At the same time, market pulp price increases (approximately 1.0%) for NBSK were spurred by chip shortages as massive curtailments by North American sawmills have reduced the chip supply significantly. Price increases and capacity shut downs throughout 2006 contributed to an average year over year price increase of 10.8% for NBSK. Year-end U.S. newsprint consumption continued to fall with very little growth, if any, predicted for other printing papers as well. The forecast slow down in U.S. GDP for 2007, probable cost inflation and competition from low cost producers (China) will factor into what degree future removals of capacity will be needed to keep supply and demand in check.

Expect pulpwood stumpage prices to increase slightly heading into the new year. Mill curtailments by lumber mills are expected to continue and will put pressure on pulp producers to lock up short-term raw material supply in the form of longwood instead of chips.