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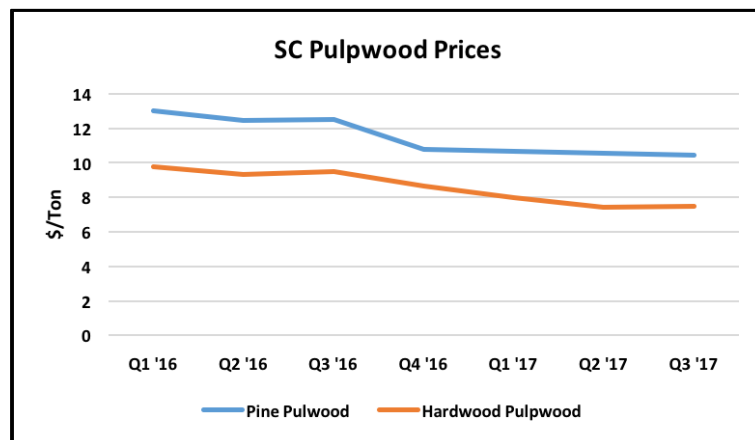
SOUTH CAROLINA FORESTRY MARKET - QUARTERLY UPDATE

3RD QUARTER, 2017

Stumpage Price Trends in South Carolina

Pine sawtimber prices decreased slightly from the previous quarter, and were down 6% from the same time the previous year. Pine pulpwood prices were down 1% from the previous quarter and were down 17% from the same time the previous year after dropping rapidly in the 4th quarter of 2016. Though pine pulpwood prices were still slightly declining this past quarter, they seem to have stabilized over the last year. Current SC pine sawtimber and pulpwood prices are generally consistent with those found south-wide.

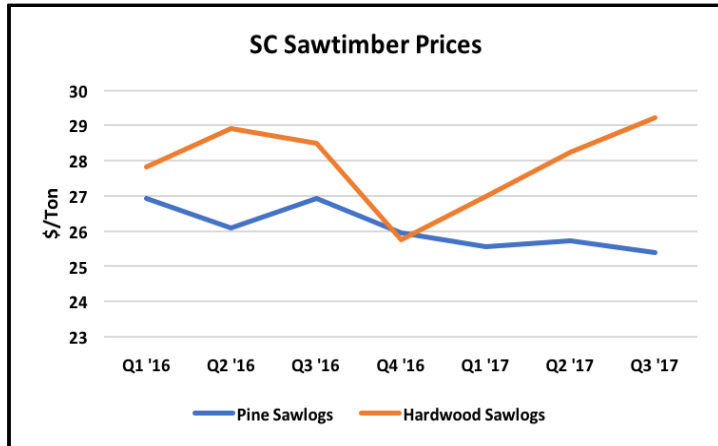
SC hardwood sawtimber prices continue to rise. Prices were up from the previous quarter, rising 4% from \$28/ton and were up 3% from the third quarter in the previous year. Overall, SC sawtimber prices for hardwoods appear to be recovering after their rapid decline in the 4th quarter of 2016. On the other hand, hardwood pulp prices continue to decline, having fallen 1% from the previous quarter, and 21% from the third quarter in the previous year. This pattern seems to be consistent with hardwood pulpwood prices throughout the south.



Slowed harvesting in the third quarter due to hurricanes may have contributed to higher prices in some areas. Growth in the log/lumber export market and a slight increase in the housing market may have also contributed, and may continue to do so. In general, current price trends in SC seems to be slightly higher in Area 1 (Upstate) than in Area 2 (Lowcountry).

However, price trends in local markets could vary significantly depending on the factors such as:

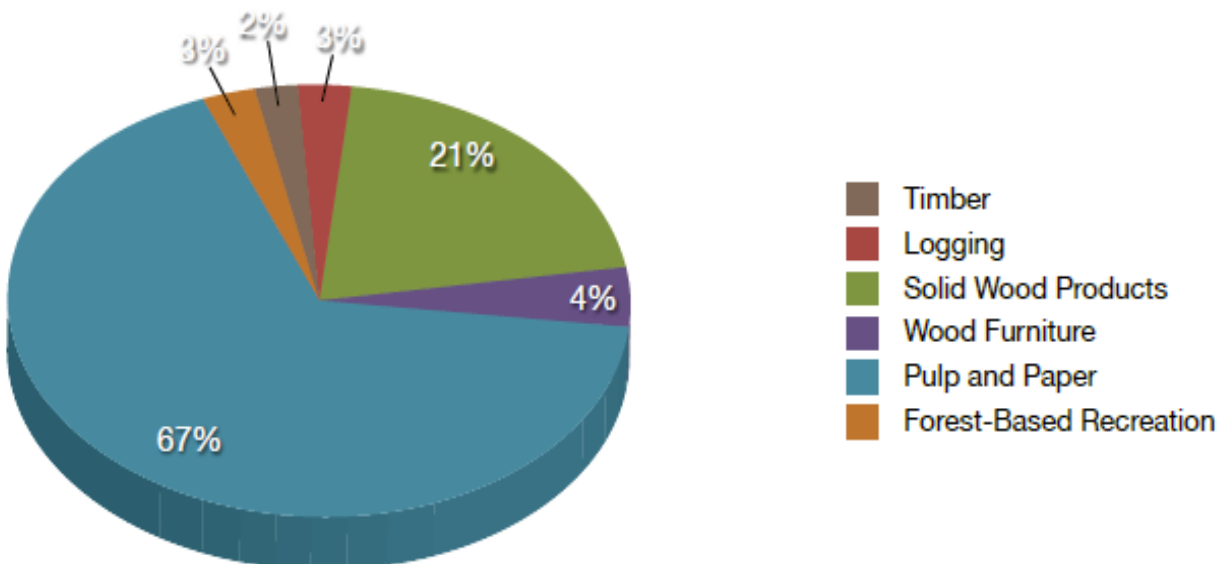
- Size and species composition
- Quality of timber
- Total acre and volume
- Logging operability
- Distance from mills, and
- Current market condition



The South Carolina Forestry Commission also publishes SC timber and pulpwood price data at <https://www.state.sc.us/forest/mprice.htm>. Quarterly price data for individual hardwood species is also available at the above link. The timber and pulpwood price data included in this newsletter are published with the permission from TimberMart-South, Warnell School of Forestry and Natural Resources, University of Georgia, Athens GA 30602 and email, tmart@uga.edu.

Size of Forestry Economy and Major Sectors in South Carolina

Over the last decade total output for South Carolina's forestry sector has increased by \$3.6 billion, despite a major recession that occurred midway during that time period. Total output increased from \$17.4 billion to \$21.0 billion since 2006. Employment declined, but, on a total effect basis, labor income increased 11% and income per employee increased 19%.



South Carolina has a vibrant forest economy and a productive timberland base that can be expected to continue to support expansion of the forest economy. Forest industry traditionally has been dominated by pulp and paper and solid wood products. That domination still exists,

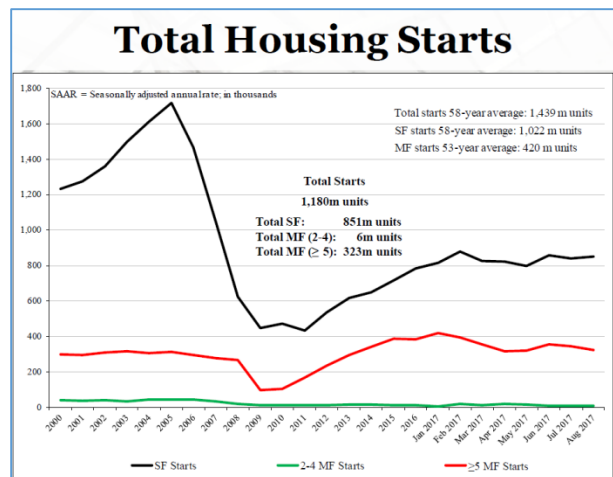
with two sectors accounting for almost 90 percent of both the industry's direct and total impacts. Those two sectors account for over three-quarters of labor income from forest industry. Those same sectors are the core manufacturing sectors, and thus account for roughly 80 percent of value added in the industry.

This synopsis about the forestry economy in SC is an excerpt from the original report by P.N. Khanal, T.J. Straka, and D.B. Willis, "Economic Contribution Analysis of SC's Forestry Sector, 2017". The original report is available for free download at Clemson University (<http://www.clemson.edu/extension/publications/index.html>) and SC Forestry Commission (<https://www.state.sc.us/forest/>) websites.

Timber Market Outlook - Housing Trends Update

The demand for timber or pulpwood is derived from all final products that use it as a raw material. Their demand is usually generated in a series of steps, involving the production of intermediate products needed to produce the final goods and services. For example, demand for housing produces demand for plywood, which produces a demand for quality logs, which produces a demand for quality timber. The attached housing starts graph shows the nationwide total housing starts trends for the Single Family (SF) as well as Multi Family (MF) houses with five units or more (≥ 5) and 2-4 units between the year 2000 and 2017. In a recent housing report released on August 2017, the nationwide total housing starts was 0.8% down on month-to-month (July-August) basis, but went up by 1.4% on year-to-year (2016/2017) basis.

This synopsis about the housing trend is an excerpt from the Virginia Tech - U.S. Forest Service housing market commentaries for August 2017. For further details about housing market, please refer to the full report with data and commentaries on U.S. housing scorecard by Virginia Tech, Virginia Cooperative Extension, and the U.S. Forest Service at: <http://woodproducts.sbio.vt.edu/housing-report/>.



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