



F&W
SINCE 1962

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At Some Point Even Recessions Get Tired Of Themselves



By Marshall Thomas,
President of F&W Forestry Services, Inc.

After years of bad news, occasional good news, rumors of recoveries, and subsequent disappointment, could it be that the recession timberland growers have experienced may finally be ending? Only time will tell, and I sure don't want to forecast it, but there are a lot of positive trends.

For the first time in a long time, almost all of our pricing regions reported stable or increasing stumpage prices in the fourth quarter. It's been a long time since that was

the case (see pages 2 to 3).

Housing starts are finally close to an annualized rate of 1.3 million units, which is widely perceived as the level at which

lumber demand begins to put upward pressure on stumpage prices. Temper this with the sawtimber oversupply situation, the increase in sawmill productivity, and less lumber usage in multi-family housing, but we are finally getting close to the magic number. Adding to the promising outlook is that single-family housing starts, which generally use more lumber than multi-family homes, have been on a steady upward trajectory, rising to their highest level in November since July 2007.

Sawmills are making investments to increase productivity at existing mills and there are multiple announcements of plans for new sawmills to be built in the South (see page 7).

It looks like taxes may be going down for everyone, including timberland owners—which will leave more in our pockets from the currently low sawtimber prices. But it appears that the federal deduction for state property taxes may be limited for the "larger" small landowners—to a maximum of \$10,000 per year—and the deduction will go away completely for all after 2025 unless it is extended (see page 5).

The U.S. Commerce Department took decisive action when a negotiated settlement with Canada couldn't be reached on Canadian lumber imports and has imposed an average 21 percent tariff on Canadian lumber. The issue is widely portrayed as a protection for sawmills, but the truth is lumber prices reached new highs in 2017 and sawmills are making money right now. The real damaged party is U.S. landowners and timber growers—it is hard for us to compete with the Canadian government on stumpage sales when its motive is jobs and not return on reforestation and management costs. Canada is going to fight the tariffs through Nafta and the World Trade Organization, but that will take a while. The tariff should help us in the meantime (see page 4).

To wrap up this article and the year—given our recent experience, there is no way to know if these positive factors will outweigh the negatives that still exist. Hopefully the tax reform package will live up to Republican expectations and really jumpstart the economy into higher gear. It's nice to wind up the year with a little hope that this recession has just gone on so long it is going to end in spite of itself. 🌲

Southern Timber Prices

2017 FOURTH QUARTER PINE & HARDWOOD STUMPAGE PRICE RANGE* (TONS)

	PINE PULPWOOD	PINE SMALL SAWTIMBER	PINE LARGE SAWTIMBER	HARDWOOD PULPWOOD	HARDWOOD SAWTIMBER
SOUTHEAST					
LAFAYETTE, AL	\$8–14	\$15–20	\$23–32	\$8–12	\$22–35
GAINESVILLE, FL	\$16–21	\$22–25	\$28–34	\$2–9	\$16–27
MARIANNA, FL	\$8–15	\$15–22	\$23–28	\$6–9	\$16–28
ALBANY, GA	\$10–14	\$19–22	\$28–34	\$5–7	\$15–30
MACON, GA	\$8–14	\$15–22	\$23–29	\$6–8	\$19–35
STATESBORO, GA	\$17–22	\$21–24	\$28–34	\$9–14	\$25–50
FOUNTAIN INN, SC	\$8–11	\$14–20	\$23–28	\$7–10	\$18–35
CENTRAL REGION					
CLINTON, TN	\$3–6	NA	NA	\$3–8	\$30–57
PARIS, TN	\$4–7	\$7–10	\$13–13	\$1–3	\$32–56
WEST GULF					
EL DORADO, AR	\$4–8	\$9–12	\$19–30	\$6–10	\$25–50
CORINTH, MS	\$6–15	\$6–12	\$18–24	\$8–11	\$28–51
HUNTSVILLE, TX	\$5–7	\$10–12	\$22–26	\$6–8	\$28–34
TEXARKANA, TX	\$8–13	\$11–16	\$25–30	\$5–10	\$25–40
MID-ATLANTIC					
CHARLOTTESVILLE, VA	\$10–13	\$14–17	\$18–23	\$2–4	\$18–50

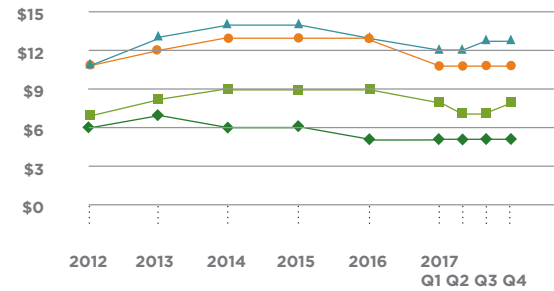
*All prices based on sales handled by or reported to F&W offices. If no sales occurred, prior quarter's sales and other data are used to compile price range. Price ranges are due to different locations, timber quality, logging conditions, type of harvest, and local market conditions.

Southern Timber Prices

TIMBER STUMPAGE PRICE AVERAGES ACROSS F&W'S SOUTHERN REGION

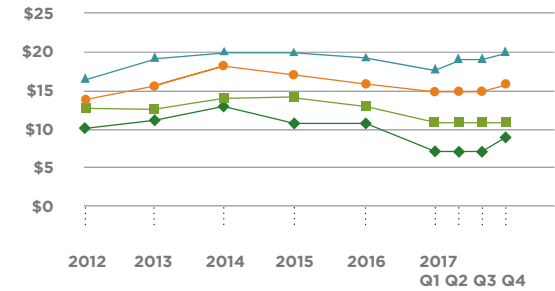
PINE PULPWOOD AVERAGE (TONS)

▲ SOUTHEAST / ◆ CENTRAL REGION / ■ WEST GULF / ● MID ATLANTIC



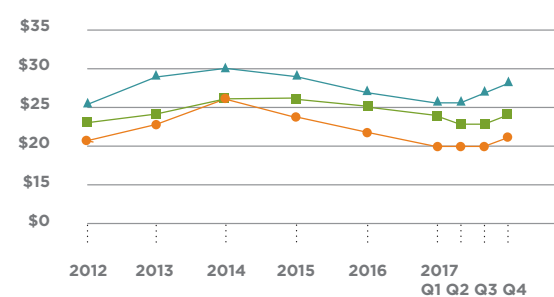
PINE SMALL SAWTIMBER AVERAGE (TONS)

▲ SOUTHEAST / ◆ CENTRAL REGION / ■ WEST GULF / ● MID ATLANTIC



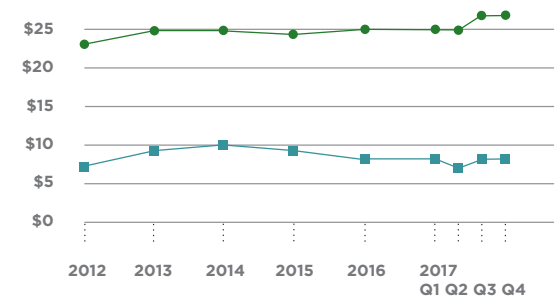
PINE LARGE SAWTIMBER AVERAGE (TONS)

▲ SOUTHEAST / ■ WEST GULF / ● MID ATLANTIC



SOUTHEAST HARDWOOD PRICES (TONS)

■ HARDWOOD PULPWOOD / ● HARDWOOD SAWTIMBER



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Northern Timber Prices

2017 FOURTH QUARTER STUMPAGE PRICE RANGE*

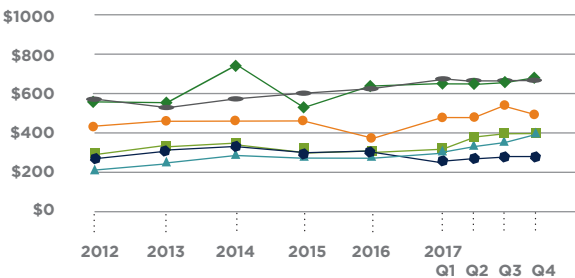
	RED OAK (MBF)	BLACK CHERRY (MBF)	HARD MAPLE (MBF)	SOFTWOOD SAWTIMBER (MBF)	HARDWOOD PULPWOOD (TONS)	SOFTWOOD PULPWOOD (TONS)
RUMFORD, ME	\$275-425	NA	\$230-425	\$40-175	\$3-10	\$2-6
MONTPELIER, VT	\$300-425	NA	\$275-425	\$45-170	\$3-8	\$1-3
GLENS FALLS, NY	\$400-700	\$305-700	\$350-650	\$50-200	\$3-8	\$3-7
HERKIMER, NY	\$500-900	\$500-825	\$525-700	\$40-145	\$2-6	\$2-3
TUPPER LAKE, NY	NA	\$300-450	\$300-450	\$90-125	\$4-6	\$3-5
CLARION, PA	\$650-800	\$800-1,225	\$540-620	NA	\$0-3	\$0-1
BLUEFIELD, WV	\$225-300	\$270-340	\$240-280	NA	\$1-2	\$0-2

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TIMBER STUMPAGE PRICE AVERAGES ACROSS F&W'S NORTHEAST REGION

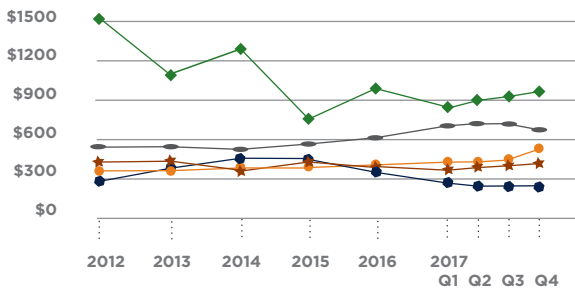
RED OAK AVERAGE (MBF)

▲ RUMFORD, ME / ● GLENS FALLS, NY / ● HERKIMER, NY / ◆ CLARION, PA
■ MONTPELIER, VT / ● BLUEFIELD, WV



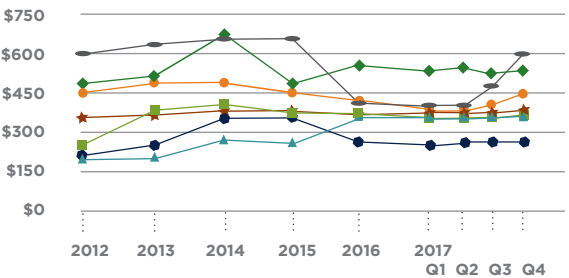
BLACK CHERRY AVERAGE (MBF)

● GLENS FALLS, NY / ● HERKIMER, NY / ★ TUPPER LAKE, NY / ◆ CLARION, PA
● BLUEFIELD, WV



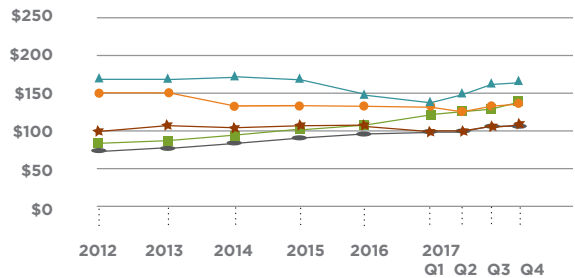
HARD MAPLE AVERAGE (MBF)

▲ RUMFORD, ME / ● GLENS FALLS, NY / ● HERKIMER, NY / ◆ CLARION, PA
■ MONTPELIER, VT / ● BLUEFIELD, WV / ★ TUPPER LAKE, NY



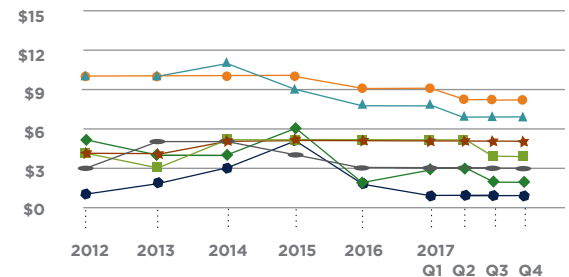
SOFTWOOD SAWTIMBER AVERAGE (MBF)

▲ RUMFORD, ME / ● GLENS FALLS, NY / ● HERKIMER, NY
■ MONTPELIER, VT / ★ TUPPER LAKE, NY



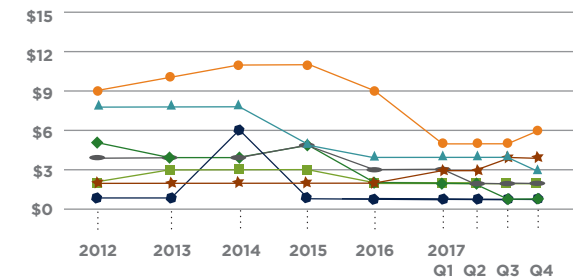
HARDWOOD PULPWOOD AVERAGE (TONS)

▲ RUMFORD, ME / ● GLENS FALLS, NY / ● HERKIMER, NY / ◆ CLARION, PA
■ MONTPELIER, VT / ● BLUEFIELD, WV / ★ TUPPER LAKE, NY



SOFTWOOD PULPWOOD AVERAGE (TONS)

▲ RUMFORD, ME / ● GLENS FALLS, NY / ● HERKIMER, NY / ◆ CLARION, PA
■ MONTPELIER, VT / ● BLUEFIELD, WV / ★ TUPPER LAKE, NY



U.S. Panel Locks-In Tariffs On Canadian Lumber Imports; Canadians Seek Resolution Through International Arbitration

As 2017 came to an end, negotiations between the U.S. and Canada for a new softwood lumber agreement appeared to have hit a wall.

In the absence of a long-term settlement to the ongoing trade dispute, the U.S. Commerce Department announced in early November its affirmative final determination in the anti-dumping duty (AD) and countervailing duty (CVD) investigations of softwood lumber imports from Canada. Based on the Commerce Department's determination, most Canadian lumber producers would pay a combined average tariff of 20.83 percent—down from the average 26.75 percent duty proposed earlier by the department. A few Canadian firms, including lumber giants West Fraser and Canfor, would have to pay slightly higher duties.

"While I am disappointed that a negotiated agreement could not be made between domestic and Canadian softwood producers, the United States is committed to free, fair and reciprocal trade with Canada," Commerce Secretary Wilbur Ross said. "This decision is based on a full and unbiased review of the facts in an open and transparent process that defends American workers and businesses from unfair trade practices."

This was followed in December by a ruling from the U.S. International Trade Commission (ITC), a bipartisan panel that reviews trade matters, which affirmed that the U.S. industry is materially harmed by Canadian lumber imports. The decision finalizes the AD and CVD duties that are currently being assessed on Canadian lumber shipments to the U.S.

The U.S. Lumber Coalition, an alliance of small and large U.S. lumber producers that brought the petitions to Commerce and ITC, praised the enforcement of U.S. trade laws.

"The evidence presented to the ITC was clear—the massive subsidies that the Canadian government provides to

its lumber industry and the dumping of lumber products into the U.S. market by Canadian companies cause real harm to U.S. producers and workers," said Jason Brochu, the Coalition co-chair and co-president of Pleasant River Lumber Company, based in Dover-Foxcroft, Maine.

The Coalition contends that the Canadian government, which owns the majority of timberlands in that country, provides trees to producers for amounts far below the market value of the timber and that Canadian lumber is being sold in the U.S. for less than fair market value.

The reaction from the Canadian government to the Commerce and ITC rulings came as no surprise.

"As we have said throughout this dispute, punitive U.S. countervailing and anti-dumping duties on Canadian softwood lumber are unwarranted and troubling. They are harmful to Canada and to lumber consumers in the United States," said Chrystia Freeland, Canada's Minister of Foreign Affairs.

Freeland has repeatedly said that Canada will forcefully defend its softwood lumber industry, including through litigation.

Putting words into action, Canada filed challenges to the U.S. lumber tariffs through two international dispute-settlement arbitrators established separately through the North American Free Trade Agreement (Nafta) and the World Trade Organization (WTO).

The Nafta procedure establishes a panel that has the power to overturn or sustain tariffs imposed by the U.S., Canada or Mexico on goods by other Nafta partners. Ironically, it is this dispute-settlement system that the U.S. wants struck from a renegotiated Nafta but Canada has insisted that it remain in any agreement. The Nafta panel has until the fall to make a ruling while the WTO process could take years.

But high lumber prices appear to

be outweighing the cost of the tariffs. Softwood lumber imports from Canada to the U.S. for the first nine months of 2017 were down almost 6 percent from the same period in 2016 but it appears that the industry isn't feeling the pinch because of near-record lumber prices. And the pressure to reach a settlement is much lower when industry is not feeling the financial pinch. 🌲

Home Building On Upward Trajectory

After a sharp decline over the last decade, single-family home construction is slowly rebounding, which will hopefully bring stronger demand and improved prices for large pine sawtimber in 2018.

The U.S. Commerce Department reports that housing starts in November rose to the highest level in a year. Total housing starts reached 1.297 million units, 3.3 percent above October's 1.256 million and up almost 13 percent from the same month a year ago.

Construction of single-family homes—which typically consume more lumber than multi-family units—is driving the gain in housing starts. Starts on single-family homes rose 5.3 percent in November to an annual rate of 930,000, 13 percent above the same month in 2016 and the highest level since September 2007.

Residential building permits, an indicator of future construction, dipped 1.4 percent in November to an annual pace of 1.298 million units but remained 3.4 percent above the November 2016 rate.

"The increase in single-family production is consistent with builder confidence gains, and shows builders are optimistic about new federal policies aimed to promote small business growth," said Granger MacDonald, chairman of the National Association of Home Builders and a home builder from Kerrville, Texas.

Lumber manufacturers also appear optimistic about increased demand for their products and are ramping up production (see page 7). 🌲

New Tax Overhaul Bill Has More Positives Than Negatives For Forest Landowners

Just in time for Christmas and before the start of the new year, President Trump signed the Republican tax overhaul bill into law. The Tax Cuts and Jobs Act—the largest overhaul of the U.S. tax code in more than 30 years—provides \$1.5 trillion in tax cuts over the next decade by lowering rates for individuals, business owners, and corporations.

Reports on the tax reform plan dominated the news during the final two weeks of 2017. By all accounts, the heart of the plan is a cut in the corporate tax rate to 21 percent from 35 percent, which is expected to provide a big boost to the U.S. economy. For individuals, the bill generally lowers tax rates across income levels, dropping the top tax rate from 39.6 percent to 37 percent, and restructures deductions, including a doubling of the standard deduction. Individual tax cuts are slated to expire in 2025, while corporate tax cuts are permanent.

While a major goal of the Republican tax reform plan was to simplify the tax code, a great deal of complexity remains and it will take time before the new federal tax law is fully understood. But as we begin 2018, following are some of the provisions of the new tax bill that affect forest landowners.

First and foremost is that the tax bill preserves existing tax provisions vital to timber growers because of the unique long-term capital and operating costs of commercial forestry. These provisions include capital gains treatment of timber sales; deduction of forest management costs, including prevention measures (fire, pest, and disease), thinning, fertilization, interest, taxes, protection of wetlands and endangered species, and forestry activities; and the deduction of up to \$10,000 of reforestation costs per tract, with the remainder amortized over seven years.

TAX REFORM SCORE CARD

FOLLOWING ARE A FEW HIGHLIGHTS OF THE TAX REFORM BILL THAT IMPACT FOREST LANDOWNERS:

- MAINTAINS CURRENT TAX CODE PROVISIONS THAT PROVIDE INCENTIVES TO FOREST OWNERS TO KEEP THEIR LAND IN TREES, INCLUDING CAPITAL GAINS TREATMENT OF TIMBER REVENUE, DEDUCTIONS FOR TIMBER GROWING COSTS, AND CONTINUES DEDUCTIONS AND AMORTIZATION OF REFORESTATION COSTS.
- MAINTAINS THE ESTATE TAX BUT DOUBLES CURRENT EXEMPTION LEVELS.
- LIMITS PROPERTY, STATE AND LOCAL TAX DEDUCTIONS TO \$10,000 FOR ALL THREE COMBINED.
- OWNERS OF PASS-THROUGH BUSINESSES GET 20 PERCENT DISCOUNT ON INDIVIDUAL TAX RATE FOR FIRST \$315,000 OF JOINT INCOME.
- CORPORATE TAX RATE DROPS TO 21 PERCENT FROM 35 PERCENT.

Lawmakers did not repeal the estate tax but instead doubled the exemption level. Under the new law, the estate and gift tax exclusion amount doubles from \$5.49 million to \$11.2 million for individuals and \$22.4 million for married couples and is indexed for inflation. It does not change the stepped-up basis rules that currently apply. Unfortunately, however, the increased exemption will sunset on Dec. 31, 2025, unless it is extended by Congress. The estate tax—often referred to as the death tax—has been a long-running issue for farmers and forest landowners who say they are often unfairly penalized when inheriting property with high value due to long-term family ownership.

The new law also limits annual itemized deductions for all nonbusiness state and local taxes, including property taxes, to \$10,000 beginning in 2018. The loss of the full deduction for property taxes will likely have a negative financial impact on landowners, especially those with land in high-tax states.

Changes are also coming in 2018 for pass-through business income, which is important to forest landowners because a larger percentage of farms—including tree farms—are organized as pass-through businesses. Until the recent

changes, owners of partnerships, S corporations, and sole proprietorships reported income from these businesses on their own individual tax returns, with the highest rate at 39.6 percent.

Under the new law, 20 percent of pass-through income can be deducted with the rest subject to taxes at regular rates, up to a new top rate of 37 percent. For individuals who make more than \$157,500, or married couples making more than \$315,000, the deduction is limited or phased out entirely for certain specified service businesses such as medical, legal, or other professional service industries. For high earners above the deduction threshold, the deductible amount is capped at 50 percent of wages paid by the business or 25 percent of wages paid plus 2.5 percent of the value of the business's qualified property, whichever is greater.

These are just a few of the tax changes coming in 2018 that will affect tree farmers and the overall impact of the tax plan will not be clear for months. But the preservation of the tax provisions for commercial forestry, the lowering of tax rates, and the new pass-through business deduction should combine to have a positive effect on the bottom line for forest landowners. 🌲

Big Lumber Merger In The Works

Two lumber companies headquartered in opposite parts of the country have announced plans to merge.

Washington state-based Potlatch Corporation and Arkansas-based Deltic Timber Corporation have agreed to combine operations in an all-stock transaction to create a major timberland Real Estate Investment Trust (REIT).

The new company will operate as PotlatchDeltic Corp. and have a diversified timberland base of 1.88 million acres and 1.2 billion board feet of lumber capacity. The company's timberland portfolio includes approximately 1.1 million acres in Arkansas, Mississippi, and Alabama; 600,000 acres in Idaho; and 150,000 acres in Minnesota. Upon completion of the transaction, the combined company will operate eight wood products manufacturing facilities, including six lumber facilities, one medium density fiberboard (MDF) facility, and one plywood mill. The combined company's Southern operations will

have four facilities in Arkansas, including sawmills at Ola, Waldo, and Warren, and an MDF plant at El Dorado.

The company's corporate headquarters will remain in Spokane with Southern operational headquarters located in El Dorado. Mike Covey, current chairman and CEO of Potlatch, will continue in that role with the new company and Deltic CEO John Enlow will run the integration and serve as vice chairman. Potlatch's current president and COO, Eric Cremers, will continue in that role at the combined company.

PotlatchDeltic will operate with a REIT structure and the new company expects to realize approximately \$50 million after-tax cash synergies and operational efficiencies. The news release announcing the merger said increased lumber production and harvest volumes comprise slightly over half of the estimated \$50 million in synergies. The transaction is expected to close in the first half of 2018. 🌲

Louisiana Pellet Mill Begins Production

Wood pellet manufacturer Drax Biomass Inc. has begun production at its newest facility, LaSalle BioEnergy, in Urania, La. The facility, which is located roughly 160 miles northwest of Baton Rouge, is expected to produce 450,000 metric tons of wood pellets annually.

Drax acquired the site in April 2017 for \$35.4 million from the bankruptcy proceedings of Louisiana Pellets. The company invested an additional \$20 million in upgrades and repairs to the facility.

LaSalle BioEnergy is the third pellet plant in Drax's portfolio, which also includes manufacturing facilities in Bastrop, La., and Gloster, Miss., and a

port storage and transit facility in Port Allen, La. The three manufacturing facilities have a combined annual capacity of 1,350 million metric tons of biomass pellets.

Drax Biomass is a subsidiary of UK-based Drax Group plc, which operates the largest power station in the United Kingdom and supplies up to 8 percent of the country's electricity needs. The energy firm converted from burning coal to become a predominantly biomass-fueled electricity generator. The new facility supports the company's strategy of more than doubling their production capacity to self-supply 20-30 percent of Drax Power Station's demand. 🌲

AFF Partnerships Assist Landowners

The American Forest Foundation (AFF) is partnering with different organizations to help landowners overcome barriers to forest management and to address some of the major threats impacting wildlife habitat and forest health such as invasive species, drought, and watershed management.

"Landowners want to do right by the land; we hear this from them directly every day," said Tom Martin, president and CEO of AFF. "But not all landowners have the expertise or the funds to implement the practices needed to create healthy forest habitat. But when these barriers are removed... we see a significant increase in the landowners taking an active role in their forests and in creating the needed habitat for wildlife."

So far three project sites have been established encompassing Florida, North and South Carolina, and Louisiana.

In the Florida Panhandle, AFF, Enviva Holdings, The Nature Conservancy (TNC), and others are working to help private forest landowners certify that their forests are sustainably managed and restore longleaf pine forests to improve wildlife habitat. The project will encourage landowners to create or improve longleaf pine forests, support forest biodiversity, and become certified in the American Tree Farm System.

In the Coastal Carolinas Plain of North and South Carolina, AFF, International Paper, The Procter & Gamble Company, and 3M Company are partnering to implement sustained and strategic landowner engagement efforts. Activities include engagement of family woodland owners in sustainable forestry, forest certification, the enhancement of habitat for at-risk species, and the conservation of bottomland hardwood forests.

In northeast Louisiana, AFF and Drax Biomass are working on a multi-year project around the company's Morehouse BioEnergy facility. The five-year, \$1.1 million project will provide landowners with the tools and resources to implement forest management practices that can increase the commercial, recreational, and ecological value of their lands and maintain a crucial habitat for the region's diverse wildlife. 🌲

Canadian Sawmill Investments Make U.S. South The Leader In Lumber Production In North America

For almost two decades, Canada's major lumber producers have been strategically positioning their businesses to take advantage of the vast pine forest resources of the U.S. South. The trend began in 2000 when West Fraser purchased two sawmills from Plum Creek Timber Co. in Arkansas and Louisiana. The wave accelerated in the last five years, with Canadian companies acquiring more than 25 sawmills, mostly in the South.

Now these companies are doubling down on their Southern investments through capital improvement projects to expand production capacity and are actively contemplating the startup of new greenfield sawmills.

Canfor Corporation and Interfor Corporation, both based in Vancouver, British Columbia, are the second and fourth largest lumber producers in North America respectively. Both companies have announced major capital investment programs for their Southern assets and both are conducting feasibility studies for potential new sawmills.

Canfor said it will invest \$125 million in a capital investment program to increase production capacity by approximately 350 million board feet by the end of 2019.

"These investments will be focused on enhancing the company's high-value product offering by targeting a number of sawmill and planer modernization opportunities along with increased drying capacity," Canfor reported in its third quarter financial report. "The company is currently conducting a detailed viability study of a greenfield opportunity at one of several locations in the U.S. South."

Canfor said the feasibility study for a new sawmill—which is projected to have an annual capacity of 250 million board feet—is expected to be completed during the first quarter of this year, with a final decision to follow thereafter.

Interfor plans to invest approximately \$63 million to increase lumber

production by 150 million board feet annually at two sawmills in Arkansas and Georgia and is also looking into building a new sawmill in the South.

In its 2017 third quarter earnings report, the company said it has completed a detailed feasibility study and business plan for a greenfield sawmill capable of producing more than 200 million board feet of lumber annually.

"Interfor is now proceeding with the next stage of its process and has identified a potential location in the Central Region of the U.S. South," the report stated. "Interfor has estimated the total capital cost to be approximately \$115 million, including pre-start-up costs and working capital. A decision on the project is expected in early 2018."

At its Monticello, Ark., mill, which has a current annual capacity of 105 million board feet, Interfor said it will invest \$46 million to install new state-of-the-art machine centers, upgrade the planer mill, and add a new continuous lumber drying kiln. These changes are expected to improve product quality, product mix and mill efficiency and double annual lumber production. The project is expected to be completed in early 2019.

Interfor's Georgia mill at Meldrim has a current annual capacity of 135 million board feet. The company said it will focus on debottlenecking the back-end of the operation and will install a new continuous lumber drying kiln and upgrade the planer mill. The \$16.5 million investment is expected to increase production by 50 percent. This project is scheduled to be completed by December 2018.

Canfor is an integrated forest products company involved primarily in the lumber business. It operates 26 sawmills—14 in Canada and 12 in the U.S.—and had a total lumber production capacity of 5.9 billion board feet in 2016. The company's initial entrance into the U.S. South was in 2006 when it purchased family-owned New South Companies, Inc., which had operations in North and South Carolina.

Lumber production from the company's Southern assets represents almost one-third of its total capacity, at 1.6 billion board feet.

Interfor operates 18 sawmills, five in British Columbia, four in the U.S. Pacific Northwest, and nine in the U.S. South. The company's first toehold in the U.S. South occurred in 2013 when it purchased Rayonier's wood products business, which included three sawmills in Georgia. Since then, Interfor has acquired four more mills in Georgia, the Arkansas mill, and a mill at Georgetown, S.C.

Interfor has an annual operating capacity of approximately 3 billion board feet. Lumber production from its Southern mills represents 44 percent of Interfor's total capacity or 1.3 billion board feet.

Separately, another Canadian lumber producer, Conifex Timber Inc., reported that it expects to commence lumber shipments from its first U.S. sawmill at El Dorado, Ark., before the beginning of 2018.

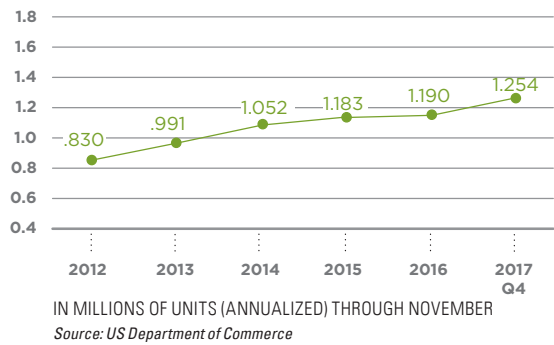
The company purchased the idled Georgia-Pacific sawmill complex in 2015 and has invested approximately \$50 million to modernize and restart the mill. The mill is designed to have an annual lumber capacity of 180 million board feet on a two-shift basis and the company expects sawtimber purchases to amount to 700,000 tons annually from suppliers within a 60-mile radius of the facility.

Conifex said it will initially operate on a one-shift basis and expects to ramp up to 90 percent of capacity by December 2018.

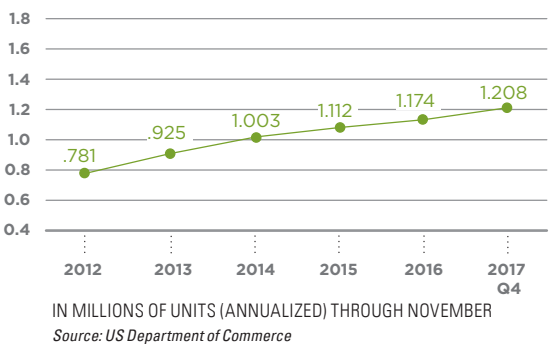
And as reported in the fall newsletter, Georgia-Pacific said it will invest \$100 million to build a state-of-the-art lumber facility in Talladega, Ala. Once in production, the new facility is expected to produce approximately 230 million board feet of lumber annually, with plans to expand production to 300 million board feet in the future. 🌲

TIMBER MARKET INDICATORS

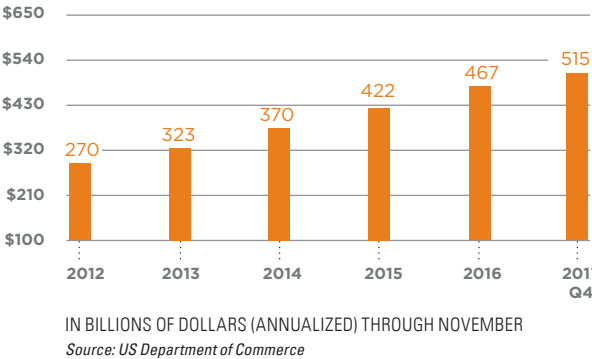
HOUSING PERMITS



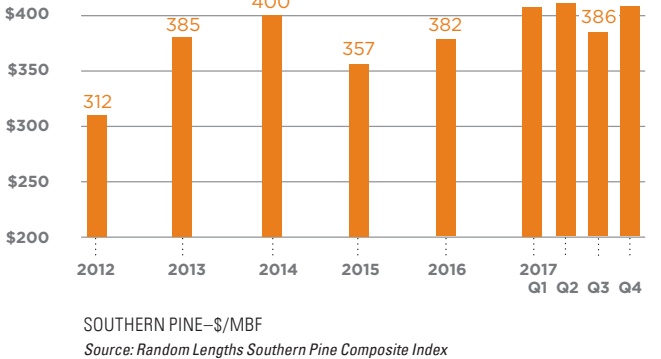
HOUSING STARTS



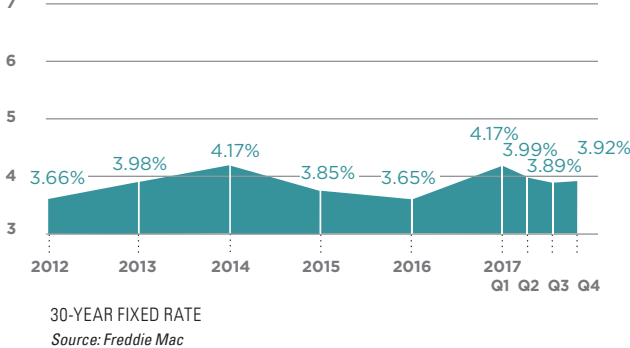
RESIDENTIAL CONSTRUCTION



LUMBER PRICES



MORTGAGE RATES



US DOLLAR

