The Future of North American Hardwood Lumber
Arabic saying:
“Those who claim to know the future are lying
.. Even if by chance they are right!”

Chairman of BP Oil Co.
“I can forecast confidently that it (oil price) will vary”

John Maynard Keynes, Economist
“When the facts change, I change my mind”
STANDING MERCHANTABLE HARDWOOD TIMBER IN THE UNITED STATES
(source: USDA - Forest Service)

1950: 400 Billion Board Feet

TODAY: One Trillion Board Feet
2011 production is estimated at an annual rate of 6,270,892,000 board feet through May.

Production Peaked in 1999 at an est. 12,619,000,000 board feet.

2009 lowest recorded production since series began in 1960 at 5.73B board feet.

Sources: US Census Bureau, US Forest Service, and Hardwood Market

©2011 Hardwood Market Report
## Estimated Consumption of NA Hardwoods

(source – Hardwood Market Report)

<table>
<thead>
<tr>
<th>Category</th>
<th>1999</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>12.9 BBF</td>
<td>7.1 BBF</td>
</tr>
<tr>
<td>Pallets</td>
<td>34.9%</td>
<td>45.1%</td>
</tr>
<tr>
<td>Exports</td>
<td>9.3%</td>
<td>17.2%</td>
</tr>
<tr>
<td>Ties</td>
<td>5.5%</td>
<td>13.7%</td>
</tr>
<tr>
<td>Flooring</td>
<td>10.8%</td>
<td>7.2%</td>
</tr>
<tr>
<td>Cabinets</td>
<td>9.3%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Millwork</td>
<td>10.1%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Furniture</td>
<td>20.1%</td>
<td>4.6%</td>
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</tbody>
</table>
Eastern US Hardwood Lumber Production and Total Consumption by Primary US Hardwood Markets

Billion Board Feet

Percent Change from Previous Year

Production
Consumption

Data Collected from a Variety of Industry, Academic and Government Sources

Graph: Hardwood Market Report

2011 Data through Second Quarter

-2% -4% -2% -1% -1% -1% -3% -8% -14%
-2% 0% -4% +4% 0% -4% -9% -18% -29%
-7% 0% -4% +4% 0% -4% -9% -14%

<table>
<thead>
<tr>
<th>Year</th>
<th>1999</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pallets</td>
<td>4.5</td>
<td>3.8</td>
<td>3.7</td>
<td>3.6</td>
<td>3.5</td>
<td>3.0</td>
<td>3.2</td>
<td>3.21</td>
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<tr>
<td>--------</td>
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<td>------</td>
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<tr>
<td>Ties</td>
<td>0.71</td>
<td>0.85</td>
<td>0.96</td>
<td>0.92</td>
<td>0.94</td>
<td>0.89</td>
<td>0.89</td>
<td>0.97</td>
</tr>
</tbody>
</table>

- **Railway Ties**
  - 1999: 0.71
  - 2005: 0.85
  - 2006: 0.96
  - 2007: 0.92
  - 2008: 0.94
  - 2009: 0.89
  - 2010: 0.89
  - 2011: 0.97

- **Billion Board Feet Chart**
  - Year: 1999 to 2011
  - Values: 0.40 to 1.00

US Manufacturers' Shipments of Solid Wood Flooring

Board Feet

Square Feet

NOFMA adopted a square foot measurement basis for hardwood flooring

June 2005

1955: Record high shipments of 1,207,164,000 Bd. Ft.

2004 shipments measured as
board feet = 672,805,000
square feet = 518,049,000

1982: Record low shipments since 1918
75,011,000 Bd. Ft.

Annual Production Rate through Aug. 2011:
300,236,000 SF

Source: NOFMA and Hardwood Market Report

Graph: Hardwood Market Report
### Export of North American Hardwoods

(source – Weekly Hardwood Review)

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2011 (proj.)</th>
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<tbody>
<tr>
<td>Total</td>
<td>1,200</td>
<td>1,200</td>
</tr>
<tr>
<td>Canada</td>
<td>385</td>
<td>238</td>
</tr>
<tr>
<td>China</td>
<td>160</td>
<td>450</td>
</tr>
<tr>
<td>Vietnam</td>
<td>N/A</td>
<td>100</td>
</tr>
<tr>
<td>Mexico</td>
<td>79</td>
<td>96</td>
</tr>
<tr>
<td>Europe (top 3)</td>
<td>196</td>
<td>125</td>
</tr>
<tr>
<td><strong>Spain</strong></td>
<td>76</td>
<td>15</td>
</tr>
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</table>
US Hardwood Lumber Exports to Mexico

1993 - 2000 US Furniture Manufacturing Shifted to Mexico

2001 Furniture Manufacturing Moving to China

2004, 2005, 2006 US Housing Boom

Million Board Feet: 15, 35, 55, 75, 95, 115, 135


Jan - July 2010

Jan - July 2011
US Hardwood Lumber Exports to China

Million Board Feet

1999 - 2006
Furniture Manufacturing Shift from Mexico to China and US Housing Boom

1999 - 2006
+ 759.4%

2006 - 2009
US Housing Bust and Worldwide Economic Turmoil

2009 - 2011
+ 130.2%

China's Growing Middle Class Consuming US Hardwoods
Challenges Facing Hardwoods Future

• # 1  Narrow margins
• # 2  Custom orders
• # 3  Equipment/personnel depreciated
• # 4  Bad press – no promotion
• # 5  Housing (?)
• # 6  Pallets/Ties changing (?)
• # 7  World markets unreliable (?)
George Soros, Billionaire
“\(I\) know I am bound to be wrong…..
and therefore am likely to correct my mistakes”

Hardwood Lumberman
“If I survived the last five years, I can survive anything”
MARK BARFORD, CAE
Executive Director
NHLA

• Remember the past
• Be realistic about the present
• Optimistic about the future
TURN OVER A NEW LEAF
JOIN THE CAMPAIGN TO SUPPORT AMERICAN HARDWOODS

Helping the industry sell more hardwoods.

American Hardwoods
Treasured for Generations™

Contact your industry association or email americanhardwoods@gibbs-soell.com to learn how you can build your business with American Hardwoods.

NATURAL BEAUTY - ENDURING VALUE - NO SUBSTITUTE
3-Day Spanish Lumber Grading Short Course
September 12-14, 2011 - NHLA Headquarters, Memphis