North American Hardwood & Component Parts

George Barrett
Overview

U.S. Hardwood Lumber Production

<table>
<thead>
<tr>
<th>Year</th>
<th>BBF</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>10.51</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>10.63</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>10.50</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>9.31</td>
<td>-11%</td>
</tr>
<tr>
<td>2008*</td>
<td>7.45</td>
<td>-20%</td>
</tr>
<tr>
<td>2009*</td>
<td>6.70</td>
<td>-10%</td>
</tr>
</tbody>
</table>
Overview

Disposition of Grade Lumber Production

CONSUMED DOMESTICALLY

EXPORTED

2004 2005 2006 2007 2008* 2009*

23.1% 28.2% 36.4%
The Industry Today

- Plan to operate at 50-60% of a few years ago.
- Demand for Green Lumber Low
- Shift in Buyers & Demands
- Export Markets Changing
- Credit conditions tight
- Unlike Past Recessions Mills Will Not Return.
Snowballs in Hell

• Certification a passing fad.
• Now Choices Abound
  – FSC
  – SFI
  – Tree Farm
  – PEFC
Increased Third Party Certification

State Lands
- Both FSC & SFI

Private Lands
- 10 million owners
- Small Landowners a problem

Tree Farms
- May be answer
- PEFC Lables
Chain of Custody

• States Certified
  – Group Certificates
    • Only Wisconsin & Indiana
      – No Cost to play
    • Others have to pay to play
      – Cost $3,000/yr small company
Component Makers Problems

• What Certification to Use?

• Will Market Demand Certified Parts?

• Availability of lumber?
Real Life

- Limited Demand for product
- Limited pricing power
- Limited # of Producers
- Limited Supply
  - Not all species
  - Not all thicknesses
  - Enough orders to use all wood
Brighter Future

- Billions In Stimulus
- Financial Markets Improved
- March/April Sales A Bit Stronger
- Log Sales Prices Down
- Declining Energy prices
- Declining Production
Thank You

www.HardwoodPublishing.com

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