
Raw Material Availability and Industry Trends By Region

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Amerimulch Customer Tribute Conference

Biloxi, MS

2007

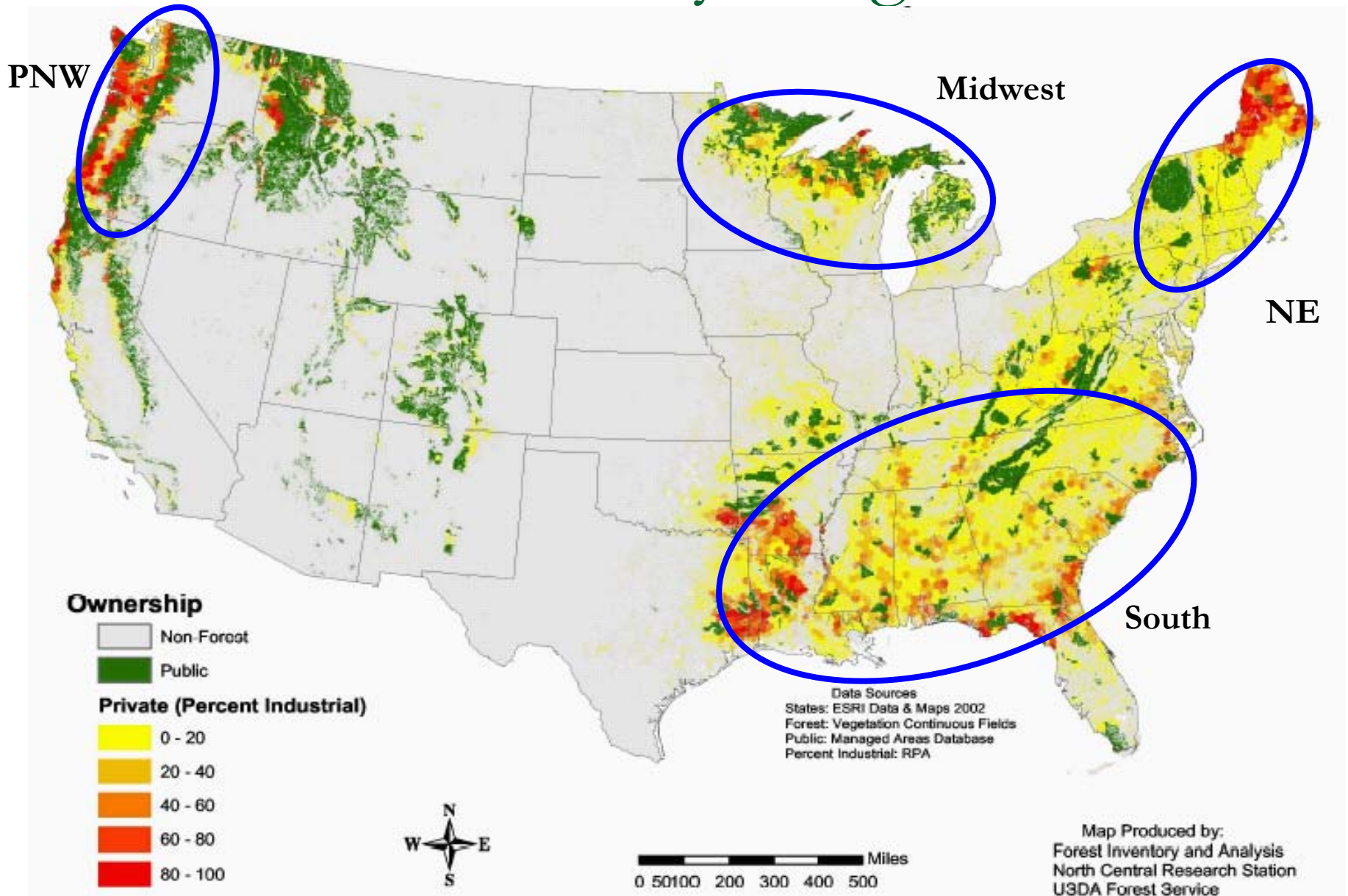
Intro

- Timber markets/regions in US
 - South – two markets Southeast and South-Central
 - Midwest – Lake States
 - Northeast
 - West Coast (PNW)
- Resource Availability
 - Logging residue – what is left and trends
 - Mill residue – by-products and trends

Intro - continued

- Chip and log prices by region
 - Current and 2-year trends
- Forest Industry developments and their effects on resource price and availability
- Q & A

Resource Availability: Regions



Resource Availability

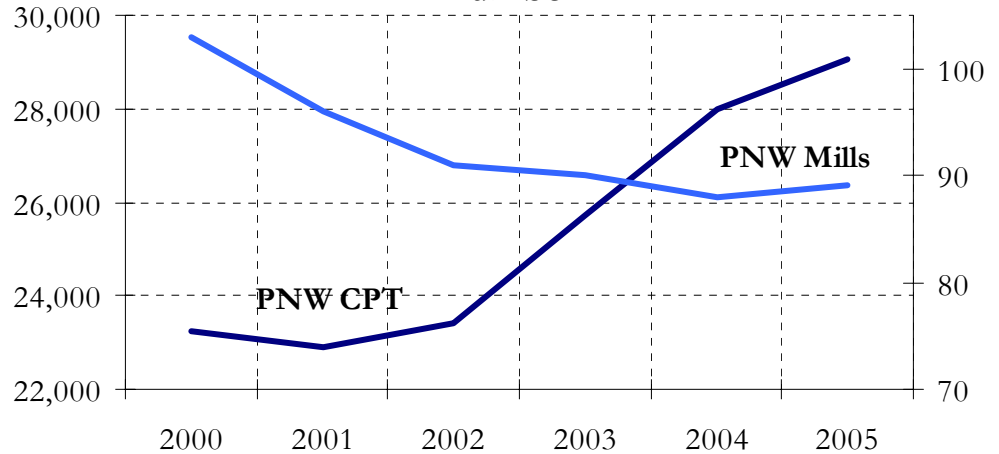
- Wood chips-mulch-waste products are a by-product of one primary industry
 - Forest Products – manufacturing
- Requires: *timber(land)*
milling capacity
- Viability of the industry depends on the availability of the resource and mills

“need two to tango”

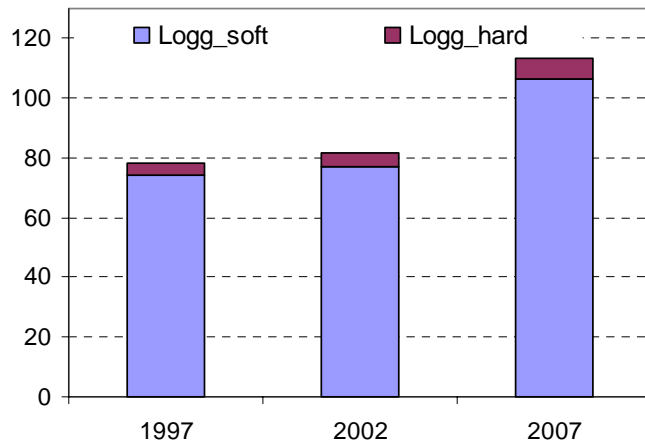
PNW



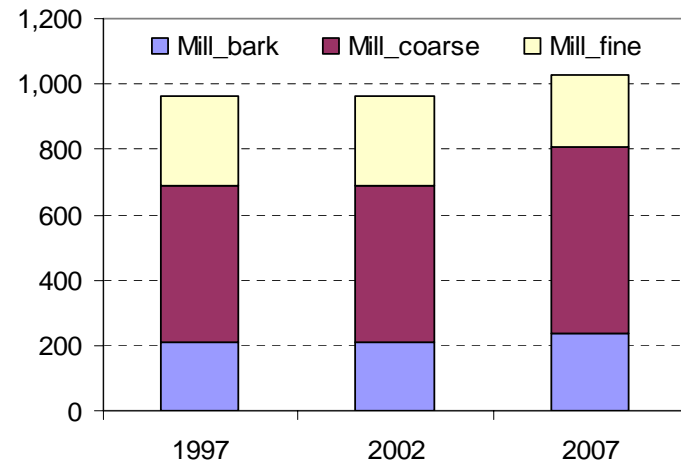
Softwood Lumber CPT, ('000 cub.m.), and mill number



Logging Residue, MM Cub.ft.



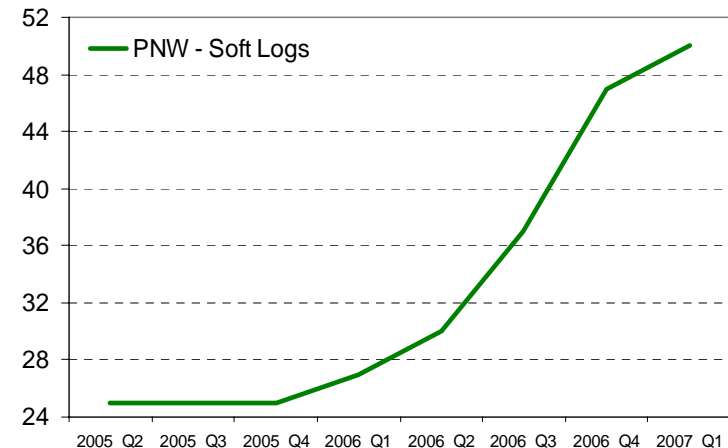
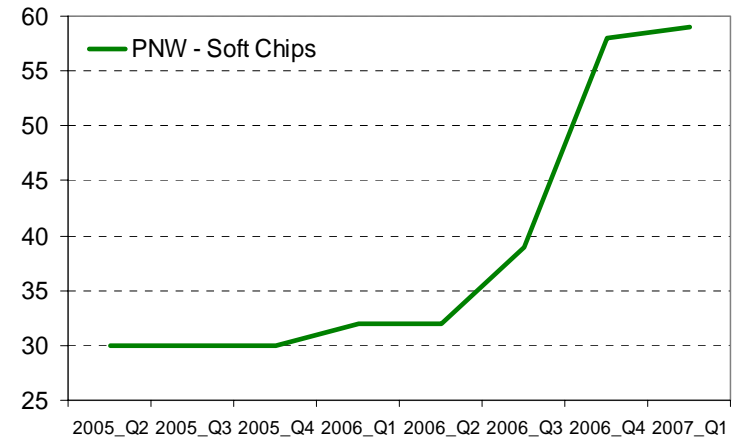
Milling Residue, MM Cub.ft.



PNW

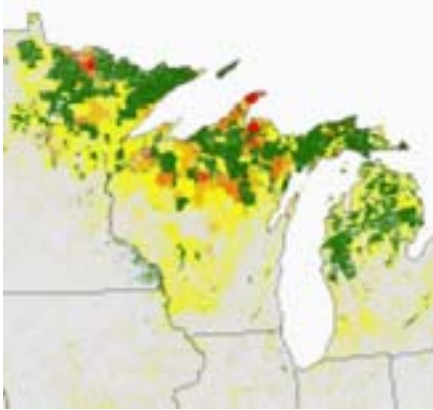
- Historically a strong timber market, withered in late 90's
- Growth of TIMO ownership, WY strong presence
- Imports: Canada
 - Lumber: decline 10% since 2005
 - Soft chips: ~12% of 1997's
- Exports: Japan, Korea
 - Japan: 84% down in chips, lumber 90% down since 97
 - Korea: recent increase in chips and soft lumber - 2005

Delivered Prices, \$/green ton

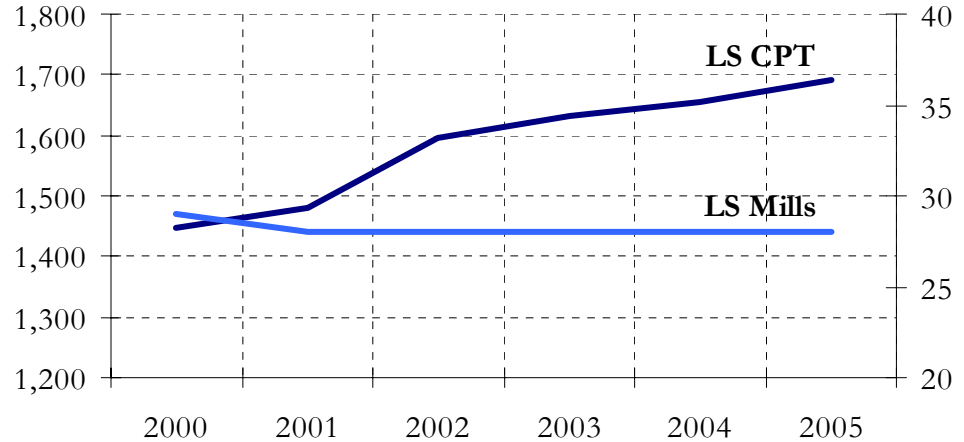


Source: IWF - RISI

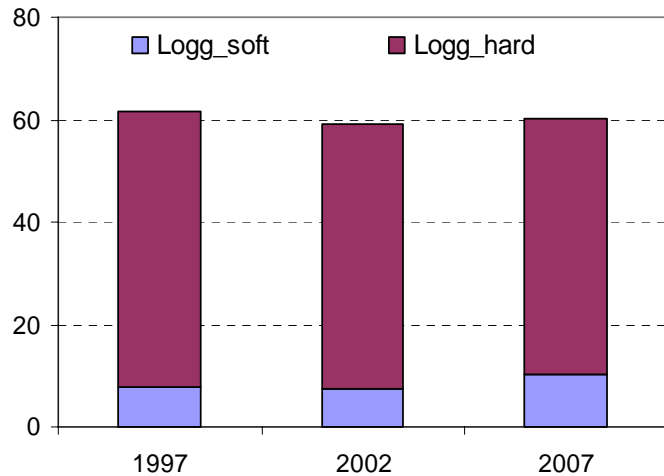
Lake States



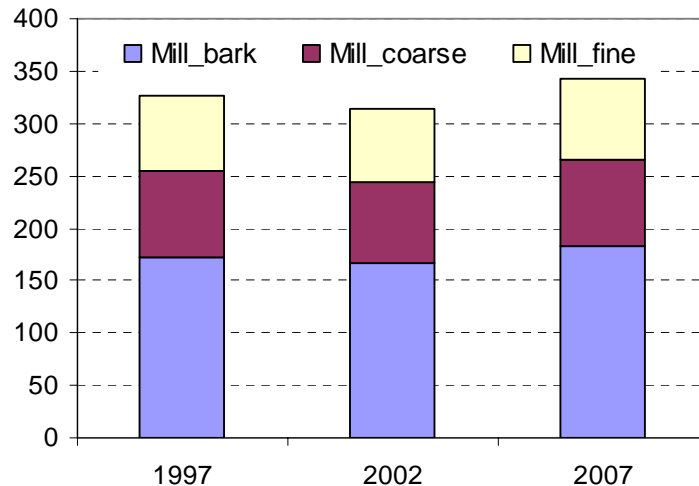
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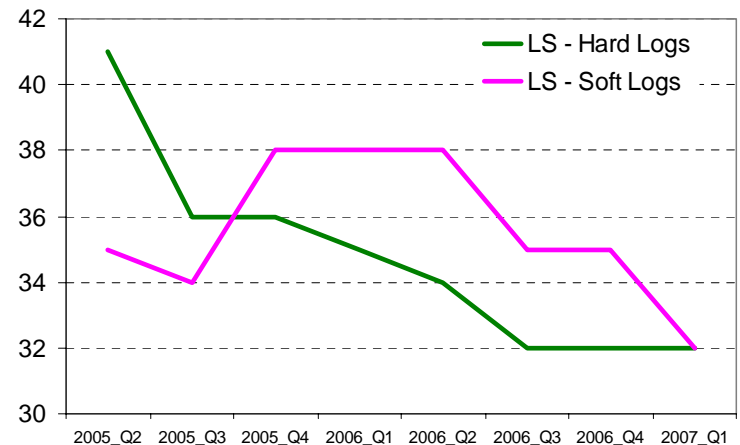
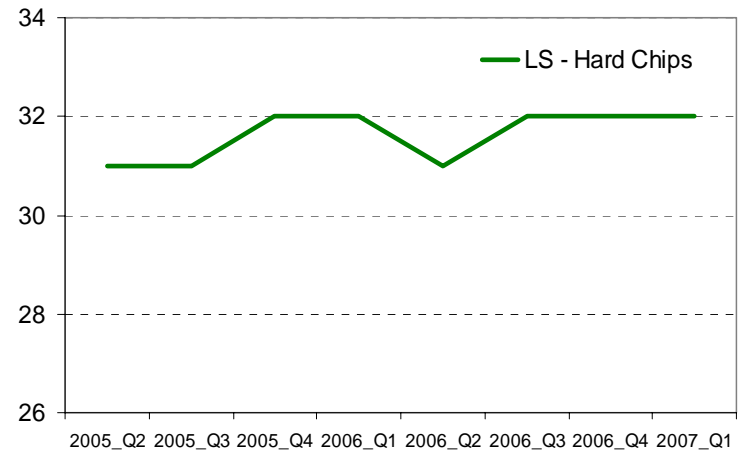
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Lake States

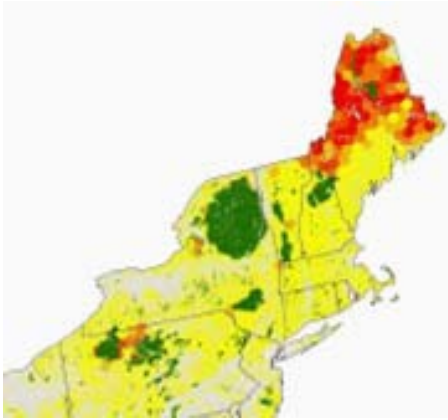
- Significant public holdings, mostly state
- Hardwood market
 - Hardwood chip prices flat
 - Log prices decline
- Exports – hardwoods
 - Lumber and logs to Canada declined in 2006
 - Weak US dollar – big help

Delivered Prices, \$/green ton

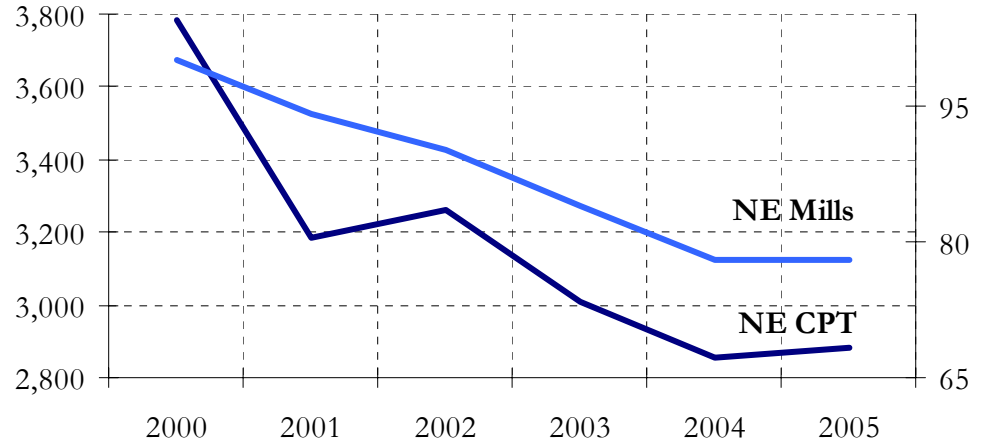


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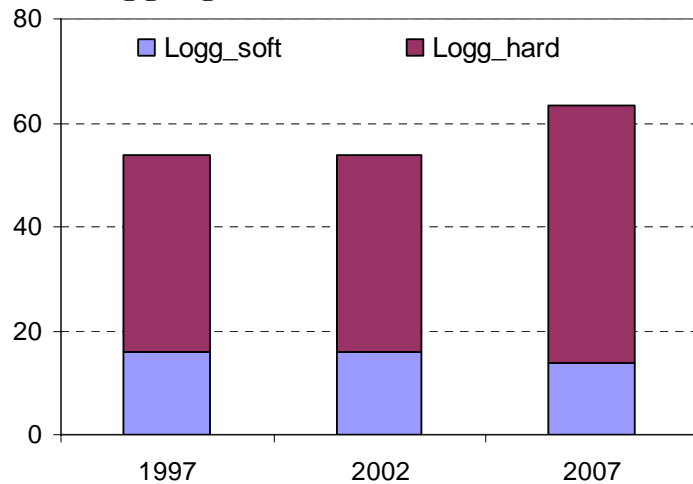
Northeast



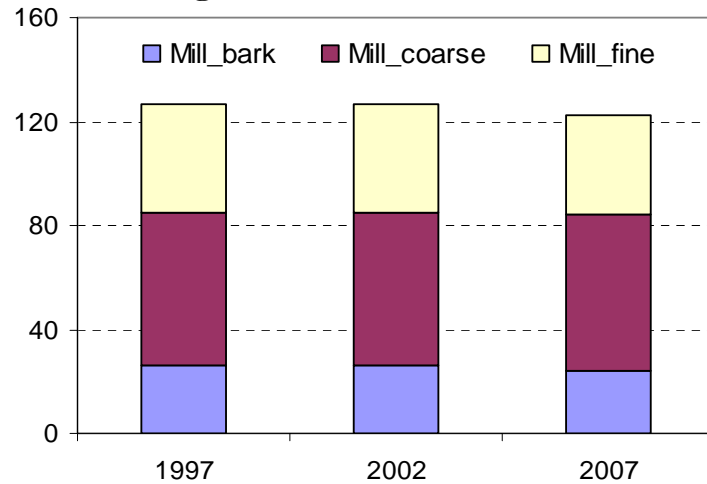
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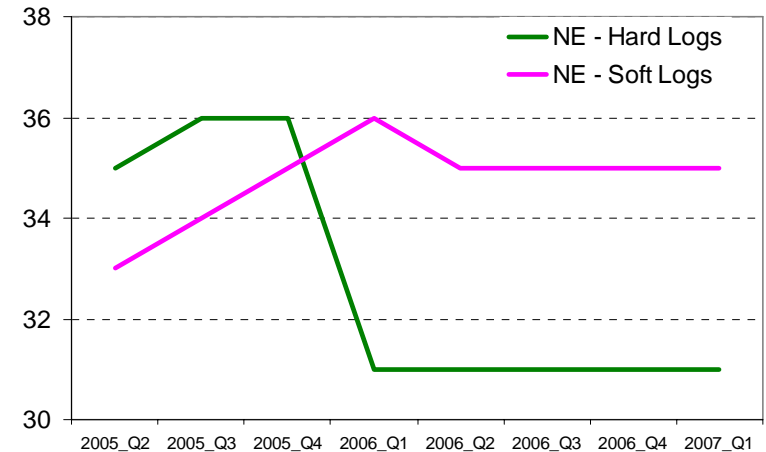
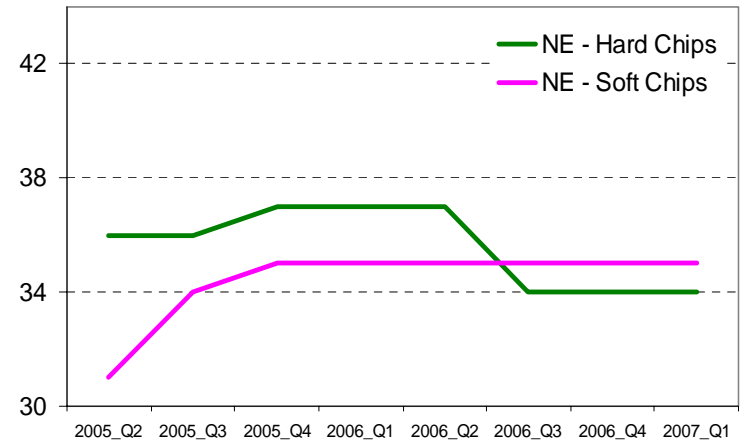
Milling Residue, MM Cub.ft.



Northeast

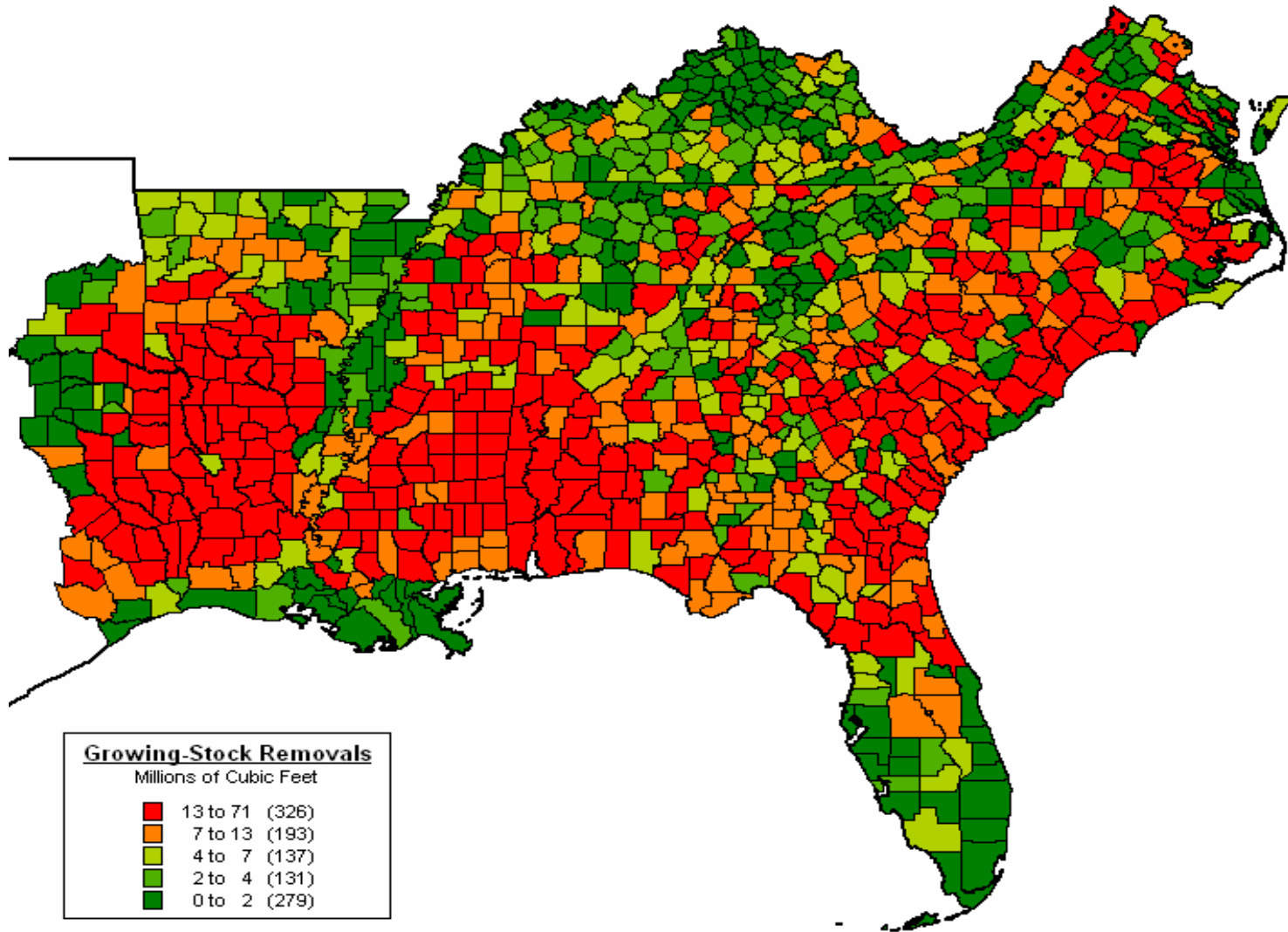
- Market relatively strong, given CPT changes
- Hardwood log prices decline (r. and w. oaks)
- Softwood (W. pine, spruce and fir) increase, steady
- Maine & New Hampshire – encourage wood pallet investments

Delivered Prices, \$/green ton

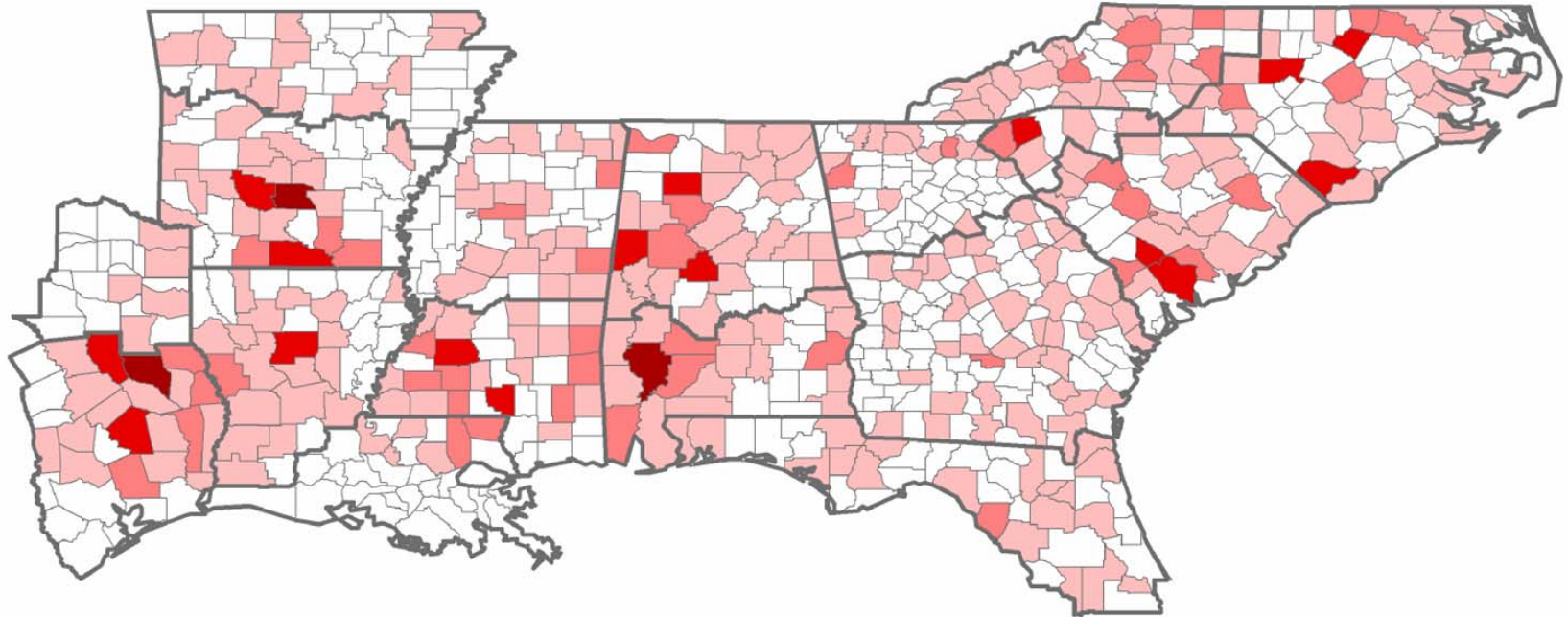


Source: IWF - RISI

South: Where is the action?



South: Sawtimber consumers

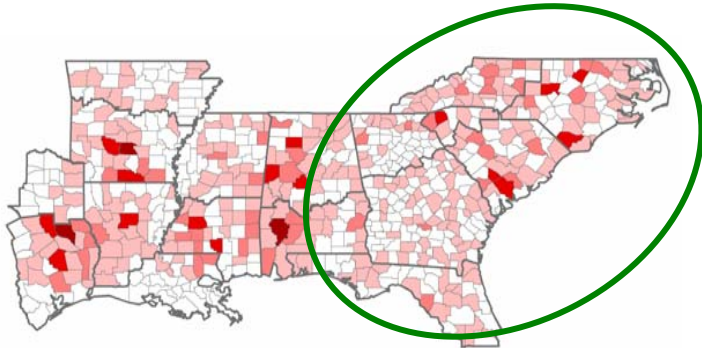


Legend

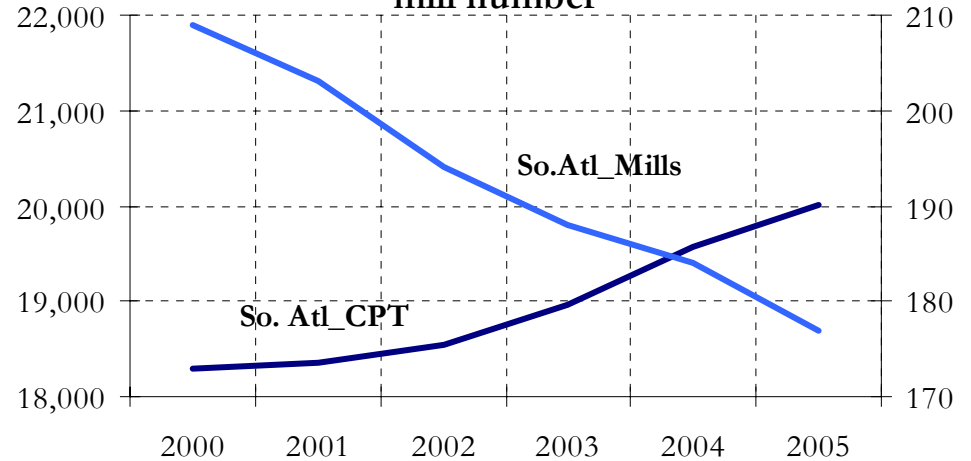
Sawlog Consumers



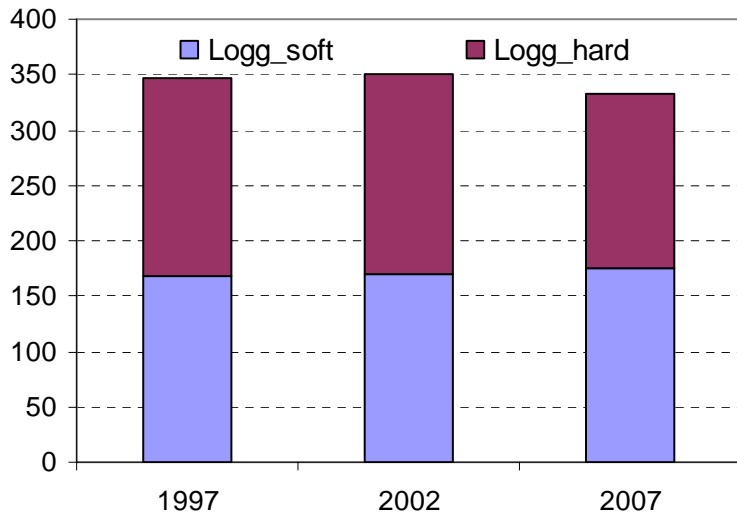
South: Atlantic



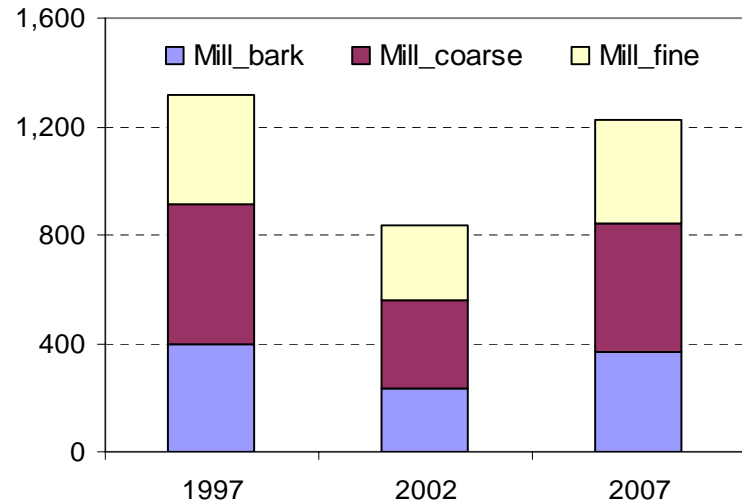
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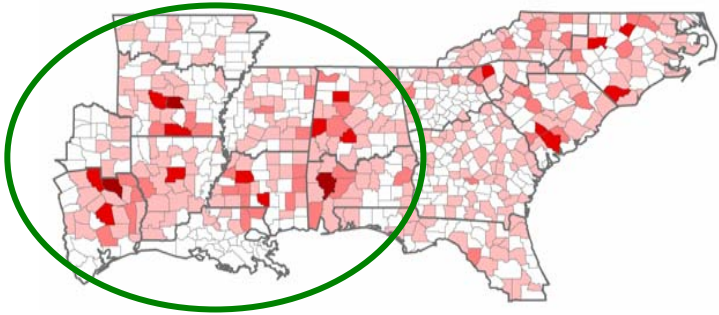
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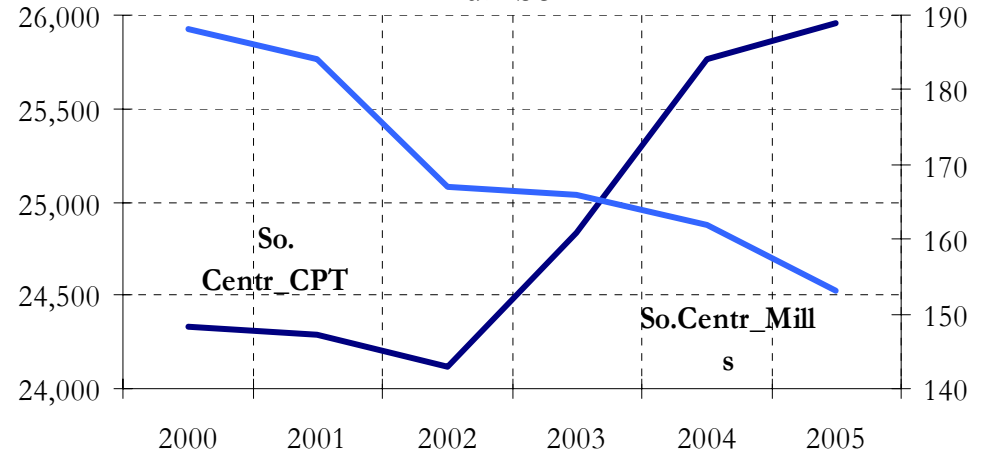
Milling Residue, MM Cub.ft.



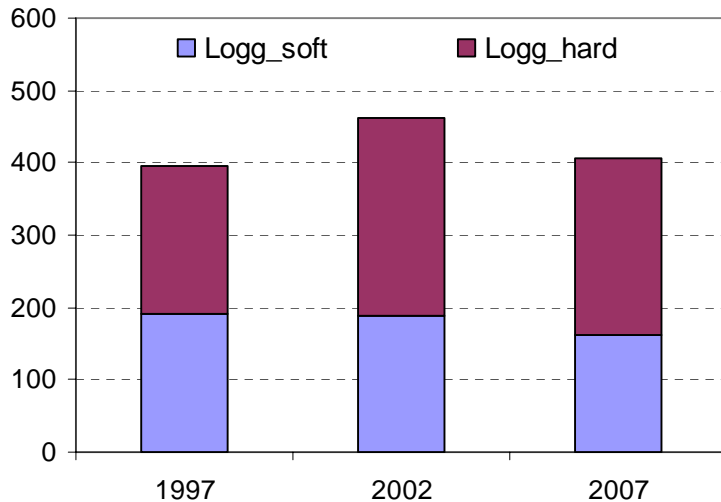
South: Central



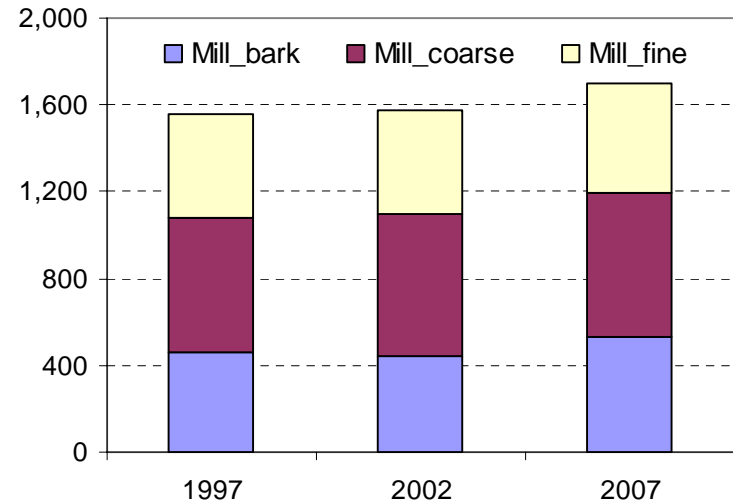
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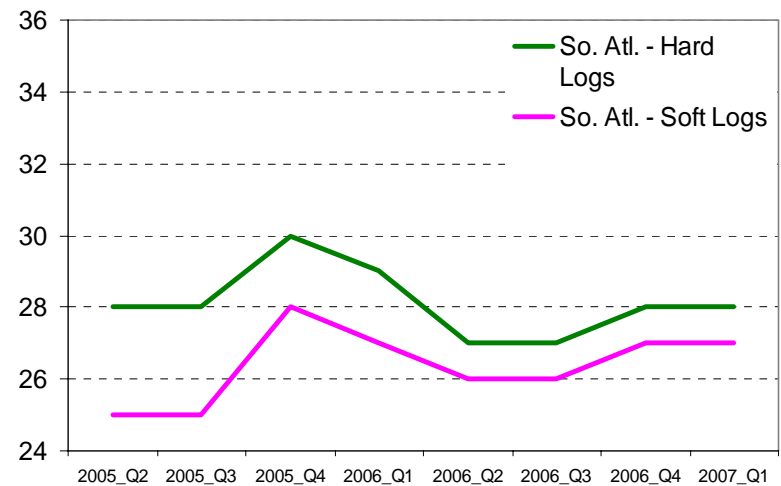
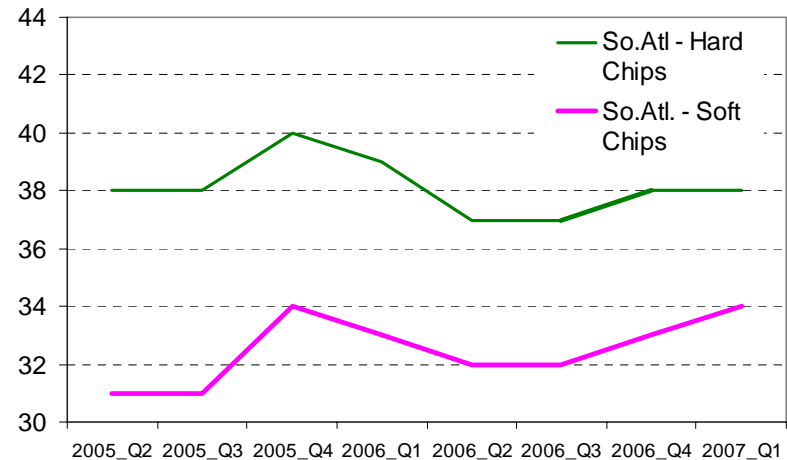
Milling Residue, MM Cub.ft.



South: Atlantic

- Strong hardwood (West NC and SC) and softwood (GA, Coastal NC, SC) markets
- Strong export market to Europe
- Development opportunities (multiple urban areas, FL Coast)
- Energy markets

Delivered Prices, \$/green ton

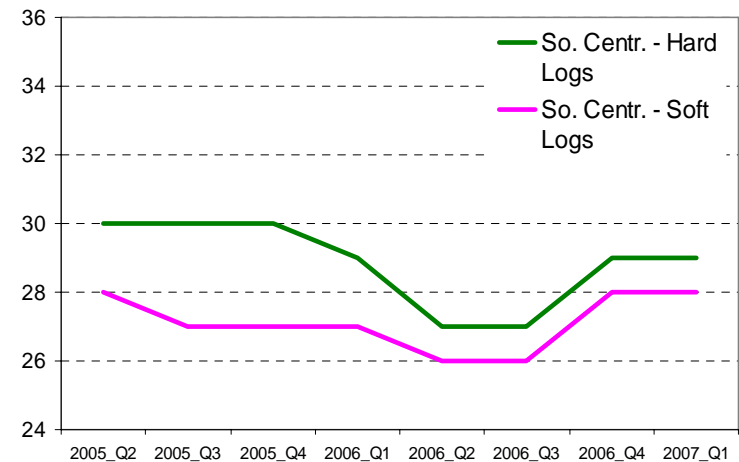
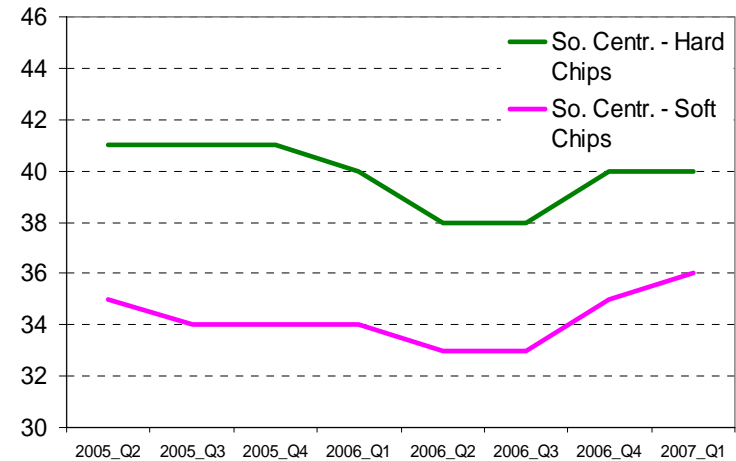


Source: IWF - RISI

South: Central

- Also strong and diversified timber market
- South AL – historically strongest pine grade market
- Export market to EU, imports (chips) from S. America
- Lower development potential
- Energy markets

Delivered Prices, \$/green ton



Source: IWF - RISI

New Developments and Future

- Forest Industry is robust, CPT increase and TIMO's manage increasing number of timberlands
- Developments within industry – matter
- OSB took market share from Plywood in 2006 in the South, currently ~ 55%
 - Uses pulpwood, competes with chip-mills and pulpmills
 - Less, if any, mill residue

New Developments and Future

- Biofuel and wood as a fuel
 - Ethanol – competition for low-cost wood (Range Fuels is planning to start a facility in GA)
 - Wood residues in energy generating facilities (stand alone and mill-satellites) numerous across the South – reasons may differ

New Developments and Future

- Policy – cypress mulch
 - Cypress – protector of Louisiana
 - In the past – lumber byproduct, currently – whole trees
 - H-D, Lowe’s, Wal-Mart – “stop selling cypress mulch”



Q&A

- Thank you!

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