North American Sawlog Demand and Residual Chip Supply Outlook

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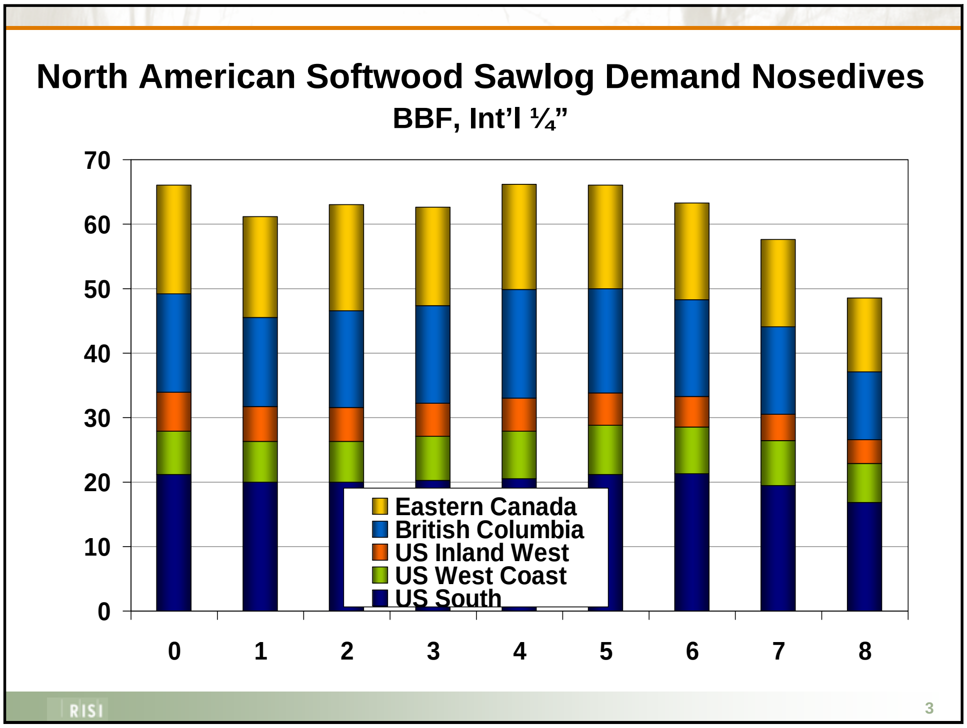
RISI

Sawlog Demand and Residual Chip Supplies Facing Enormous Downward Pressure

- Sawlog Demand Remains in Protracted Downturn
  - Collapse in Residential Construction
  - Reduced Operating Rates at Lumber & Plywood Mills, Widespread Closures
- Residual Chip Availability on Roller Coaster Ride over the Past Two Years
  - Solid Wood Product Slowdown Severely Limits Chip Supplies
  - Tight Residual Chip Markets Throughout NA, Record Pricing in Some Regions
  - Rapid Expansion of In-Woods Chipping to Meet Fiber Demands
  - By October 2008, Pulp & Paper Production Drops Precipitously in Wake of Financial Crisis and Credit Meltdown


North American Softwood Sawlog Demand Nosedives
BBF, Int'l ¼"
70
60
50
40
30
20
10
0
Eastern Canada
British Columbia
US Inland West
US West Coast
US South
0
1
2
3
4
5
6
7
8
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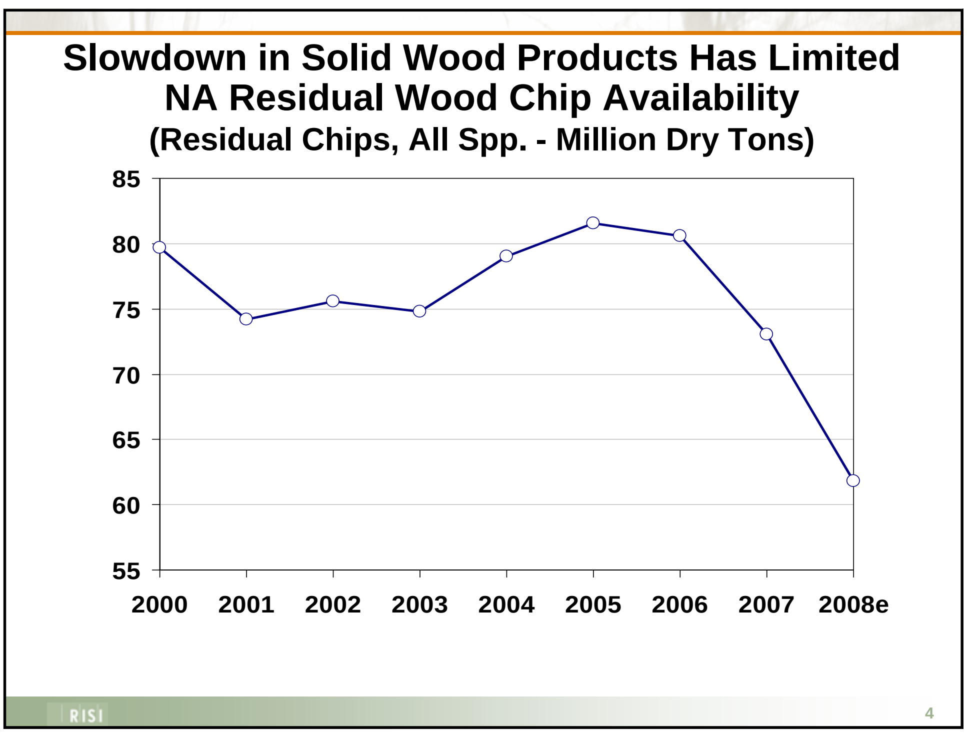
3


Slowdown in Solid Wood Products Has Limited NA Residual Wood Chip Availability
(Residual Chips, All Spp. - Million Dry Tons)
85
80
75
70
65
60
55
2000
2001
2002
2003
2004
2005
2006
2007
2008e
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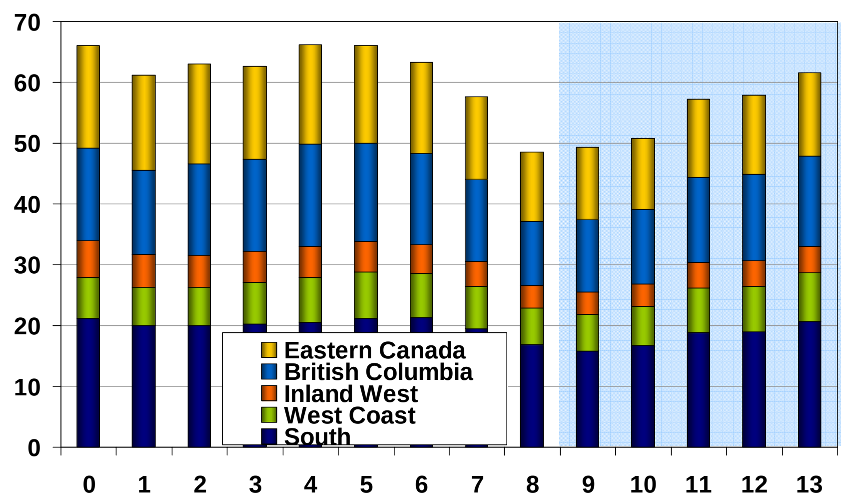
4

Sawlog Demand Outlook

- Fortunately, Sawlog Demand Near Bottom and Will Improve
  - Residential Construction Expected to Begin Recovering by the End of 2009
  - Responding to Low Dealer Inventories, Lumber and Plywood Mills Will Ramp up Production
- But Sawlog Demand Will Remain Tepid, and Will Fail to Reach Previous Peaks Over the Next Five Years

Rebound in NA Softwood Sawlog Demand Will Be Moderate

BBF, Int'l ¼"



Residual Chip Availability Outlook

- Chip Consumption at Mills Will Be Moderated in 2009 by Lower Operating Rates and Closures
- Demand Will Increase Past Current Year With the Recovering Economy
  - Some Closed Capacity Will Be Brought Back Online, Some Will Not
- Demand Pressure on Residual Chip Supply Will Increase From Non-Traditional Sources
  - Bioenergy

Chip Consumption Levels at NA's Pulp & Paper Mills Will Recover, But Not To the Same Level

New North American Woody Biomass Energy Expansion Announcements, 2007 to Present

	Wood Demand (000 Green Tons/Year)
Wood Energy	32,500
Wood Pellets	17,700
Cellulosic Biofuels	3,900
Total	**54,100**

Source: RISI's Wood Biomass Market Report, March 2009

Conclusions

- This Year Will Be a Very Difficult Year for Both Sawlog and Chip Consumers
- Past 2009, A Recovery in Residential Construction Will Bolster Solid Wood Product Production
- However, Recovery Will Be Tepid, and Sawlog Demand Will Not Reach Previous Peaks Over the Next 5 Years
- While Some Pulp and Paper Capacity Will Not Return Past Current Downturn, Demand from New Sources
- As a Result, Availability for Manufacturing Residuals Will Remain Challenged Over the Next Five Years