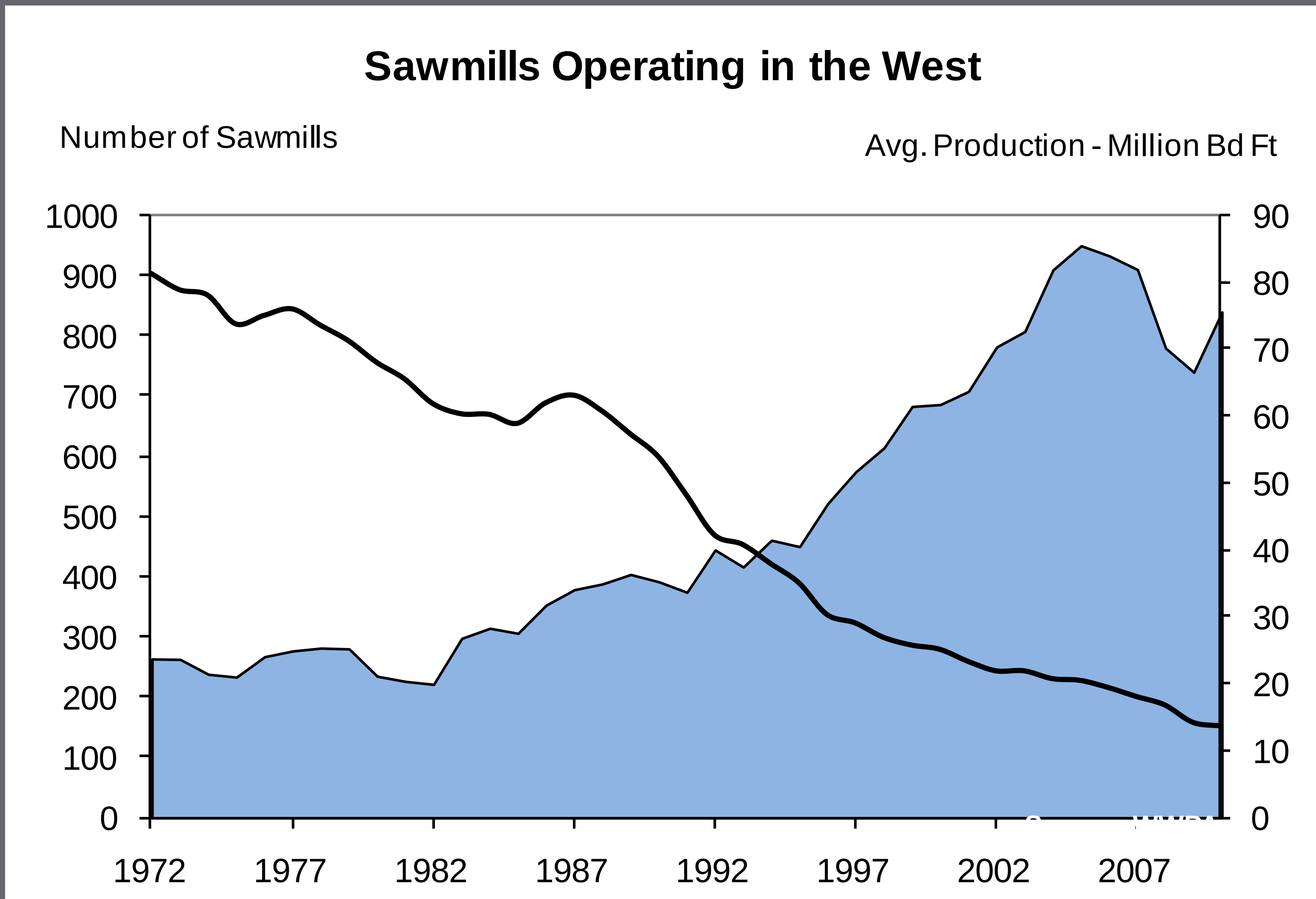
STATE OF IDAHO EORAC

JANUARY, 2012




PROMOTING SOFTWOOD LUMBER IN NORTH AMERICA AND THE WORLD

Innovation – Key to Survival



“It

A VANISHING INDUSTRY

41 Idaho Sawmill Closures (1992 – 2008)

	Year Closed	Company	City	County	Production MMBF
1	2008	J.D. Lumber	Priest River	Bonner	180
2	2008	Stimson Lumber Co./DeArmond	Coeur D'Alene	Kootenai	85
3	2006	Bennett Forest Industries	Elk City	Idaho	60
4	2006	Clearwater Forest Ind./Kooskia	Kooskia	Idaho	80
5	2005	Stimson Lumber Co./Atlas	Coeur D'Alene	Kootenai	75
6	2003	Louisiana-Pacific	Bonners Ferry	Boundary	125
7	2001	Crown Pacific	Coeur D'Alene	Kootenai	135
8	2001	Central Idaho Forest Products	Princeton	Latah	20
9	2001	Boise Cascade	Cascade	Valley	65
10	1999	Croman Corp.	Boise	Ada	50
11	1998	Boise Cascade	Horseshoe Bend	Ada	55
12	1998	Rayonier	Plummer	Benewah	75
13	1998	Crown Pacific	Sandpoint	Bonner	95
14	1998	Gem State Lumber Co.	Juliaetta	Latah	18
15	1997	Producers Lumber Co.	Boise	Ada	22
16	1997	Geaudreau Lumber Co., Inc.	Old Town	Bonner	4
17	1997	C & B Timber Products	Marysville	Fremont	5
18	1997	Channel Lumber Co., Inc.	Craigmont	Lewis	12
19	1997	Victor Sawmill	Driggs	Teton	1
20	1996	Crown Pacific	Old Town	Bonner	70
21	1996	Green Cosmos/Kellogg	Kingston	Shoshone	12
22	1995	Boise Cascade	Council	Adams	32
23	1995	Louisiana-Pacific	Post Falls	Kootenai	45
24	1995	Salmon Intermountain Inc.	Salmon	Lemhi	20
25	1995	Louisiana-Pacific	Rexburg	Madison	25
26	1994	Louisiana-Pacific	Priest River	Bonner	95
27	1994	Idapine Mills, Inc./Kooskia	Grangeville	Idaho	100
28	1994	Mine Timber Co.	Kellogg	Shoshone	10
29	1993	North Bench Lumber	Bonners Ferry	Boundary	4
30	1993	Rhoades Enterprises	White Bird	Idaho	12
31	1992	Balderson Lumber	Council	Adams	1
32	1992	Eldridge Wood Products	St. Anthony	Fremont	1
33	1992	Idaho Forest Industries	St. Anthony	Fremont	90
34	1992	Syringa Land & Timber	Syringa	Idaho	2
35	1992	Fairchild Lumber Co.	Midvale	Washington	5
36	1991	Edwards Industries	St. Maries	Benewah	65
37	1991	Good Deal Hardware & Lbr. Co.	Elk River	Clearwater	3
38	1990	Christenson Mill	Bonners Ferry	Boundary	1
39	1990	Davies Sawmill and Logging	Moore	Butte	2
40	1990	W.I. Forest Products, L.P.	Coeur D'Alene	Kootenai	25
41	1989	Sawtooth Forest Products	Mountain Home	Elmore	12
					1,794 MMBF

IDAHO FOREST GROUP

- LARGEST PRODUCER IN THE INTERMOUNTIAN WEST
- 4 STATE OF THE ART MILLS (now 5)
  - RECENT PURCHASE AND START-UP OF LEWISTON SAWMILL OPERATION
- FAMILY OWNED, FAMILY VALUES
  - STONG FINANCIAL PERFORMANCE
  - EDUCATED TEAM OF EMPLOYEES
- CONTINUED CAPITAL EXPENDITURES
- INTERNATIONAL PRESENCE
  - VALUE OF $ HAS BEEN HELPFUL
  - ASIA WANTS OUR PRODUCTS

IDAHO TIMBERLAND DATA

- FORESTS COVER 40.5% OF THE STATE OF IDAHO
- GROWING STOCK 36.7 BILLION CU FT
- GROWTH 994 MILLION CU FT
- MORTALITY 383 MILLION CU FT
- HARVEST 246 MILLION CU FT
- GROWTH IN EXCESS OF HARVEST 748 MILLION CU FT

  - US FOREST SERVICE DATA

GREAT THINGS ABOUT FOREST PRODUCTS IN IDAHO

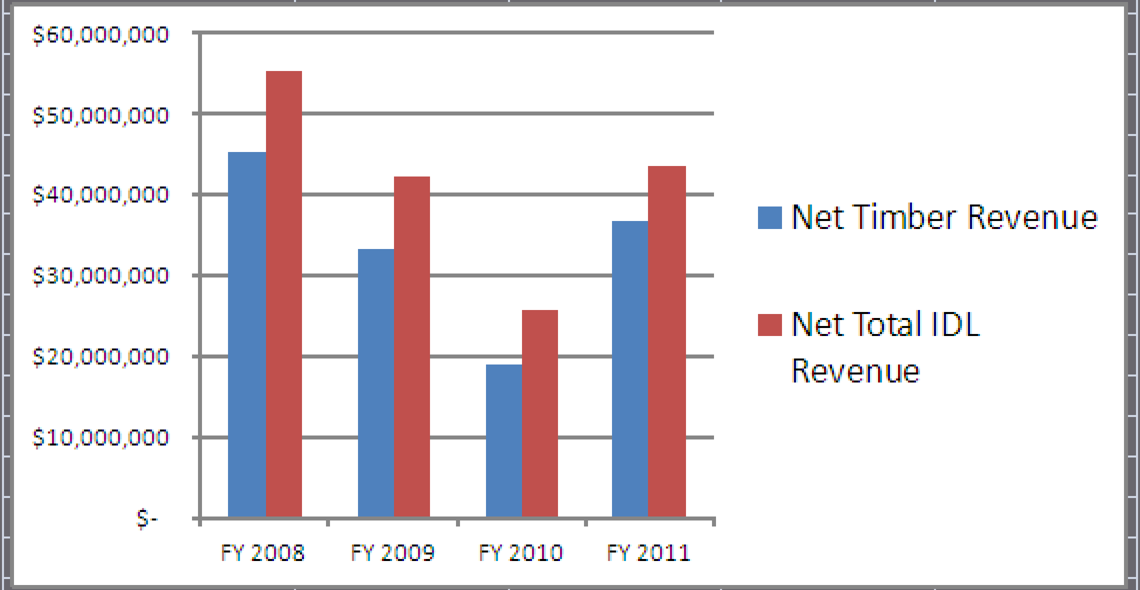
- SPECIE DIVERSITY OF OUR FORESTS
- STONG CONTRACTOR BASE
- A TALENTED GROUP OF EMPLOYEES
- STRONG MARKETS FOR RESIDUALS
  - CHIPS , SAWDUST AND SHAVINGS
- FIRST CLASS GOVERNMENT
  - BALANCED BUDGET
  - FOCUS ON GROWTH (COMMERCE DEPT)
- ABILITY TO WORK WITH ALL INTERESTS
  - FORESTS SHOULD BE CERTIFIED
  - TAKE THE IDL MODEL TO THE USFS LANDS

FOREST PRODUCTS IN IDAHO

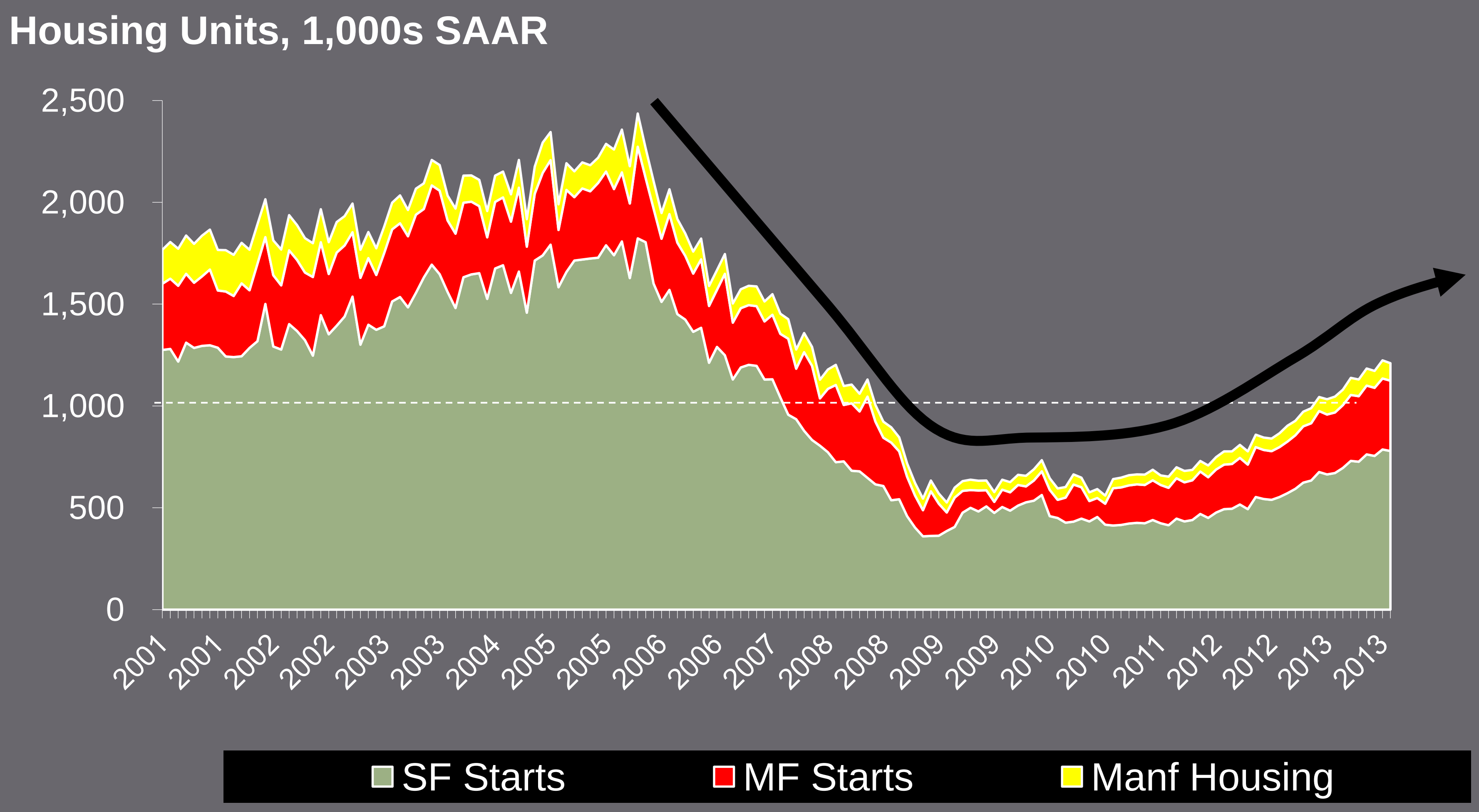
- APPROXIMATELY 11,000 DIRECT EMPLOYEES
- APPROXIMATELY 8,000 INDIRECT EMPLOYEES
- WAGES ARE 40% HIGHER THAN AVERAGE WAGES FOR ALL IDAHO INDUSTRIES
- TOTAL REVENUE APPROXIMATING $2.8 BILLION
- TIMBER RECEIPTS FROM IDL LANDS ARE $31,000,000, 59% OF THE K THRU 12 ANNUAL BUDGET

IDAHO DEPT OF LANDS REVENUE

	FY 2008	FY 2009	FY 2010	FY 2011
Net Timber Revenue	$ 45,319,896	$ 33,226,115	$ 18,853,560	$ 36,760,140
Net Total IDL Revenue	$ 55,329,903	$ 42,452,954	$ 25,591,016	$ 43,671,156



Home construction forecast



Sources: U.S. Census, WWPA

Key Points That Could Drive a Recovery

- Household Growth, Demographics Support a Snap Back; Timing is difficult
- Absorption of Vacancies is occurring; Single Family Rentals Playing a Role
- Consumers' Desire to Own is There, Particularly Married Couples
- Inventory is Tightening
- Home Improvements Near Maintenance levels, Should Improve with Housing

Key Points That Could Prevent a Recovery

- Employment Could Stagnant Indefinitely as Companies do More with Less
- The Pipeline of Foreclosures is Full and Has to be Cleared
- Interest/Mortgage Rates can only Go Up
- Consumers Need to De-Lever Balance Sheets Further
- Down Payments Difficult for Many and Requirements will go Up
- Negative Equity a problem for Many Owners who are Making their Payments
- Home Prices Still Unstable

Your house as seen by yourself

Your lender.....

Your appraiser.....

LONG TERM HOUSING OUTLOOK

2009 Year-end Occupied Housing Units	111,100,000	(A)
Population Growth	31,000,000	(B)
People / Incremental Household	2.62	(C)
Incremental Households	11,800,000	(E) = (B) / (C)
Demolitions	3,000,000	(D)
Necessary Demand	14,800,000	(F) = (D) + (E)
Absorption of Vacant Units	2,500,000	(G)
New Construction	12,300,000	(H) = (G) + (F)
2019 Year-end Occupied Housing Units	122,900,000	(I) = (A) - (D) + (G) + (H)

Source: Census Bureau, Zelman & Associates analysis

NEW NATIONAL PROGRAM "CHECKOFF"

- Market share erosion even during periods of solid sales
- Well-funded, aggressive campaigns by competitors
- Environmental messaging usurped by others
- Fragmented--no industry wide voice

Program Recommendation

Program Size

Need $20 million to make a difference

Goals: Increase – Maintain – Defend

Grow markets for softwood lumber

Reverse declining market share

Capture the environmental advantage

Build on AMERICAN WOOD COUNCIL’S Work

Goals supported by:

- Codes and engineering
- Pro-wood: green/carbon positive messaging
- Consistent dissemination of messages

Focus:

CAREFULLY CREATED, ROBUST, DURABLE AND EFFECTIVE

CHECKOFF BUDGET

The following budget outlines possible investment decisions in the key program areas.

Program	Target Audience	Key Elements	Annual Budget
Non Residential	Architects/Engineers	Education Codes & Standards (e.g. AWC - lumber) Market Development (e.g. WoodWorks) Green Building/Pro-Wood	$3.0 million
Mid-High Rise	Architects/Trade/Engineers	Research Codes & Standards (e.g. AWC - lumber) Commercialization	$2.5 million
Offshore Markets	Various	Market Development	$2.5 million
Residential	Builders	Education Builder Promotion (e.g. Raised Floor Living) Codes & Standards (e.g. AWC - lumber) Green Building/Pro-Wood	$2.5 million
Appearance	Consumer/Trade	Education Retail Strategy (e.g. Real Outdoor Living) Consumer Promotion Green Building/Pro-Wood	$2.0 million
Market Statistics	Industry	Statistical reporting	$0.3 million
		Program Administration	$1.2 million
			$14.0 million

THE ADVENTURE CONTINUES

Thank you