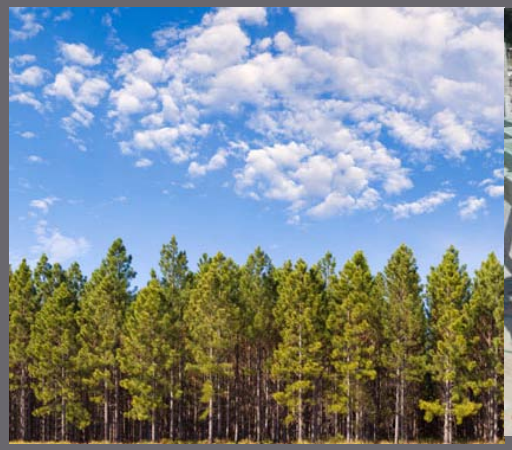
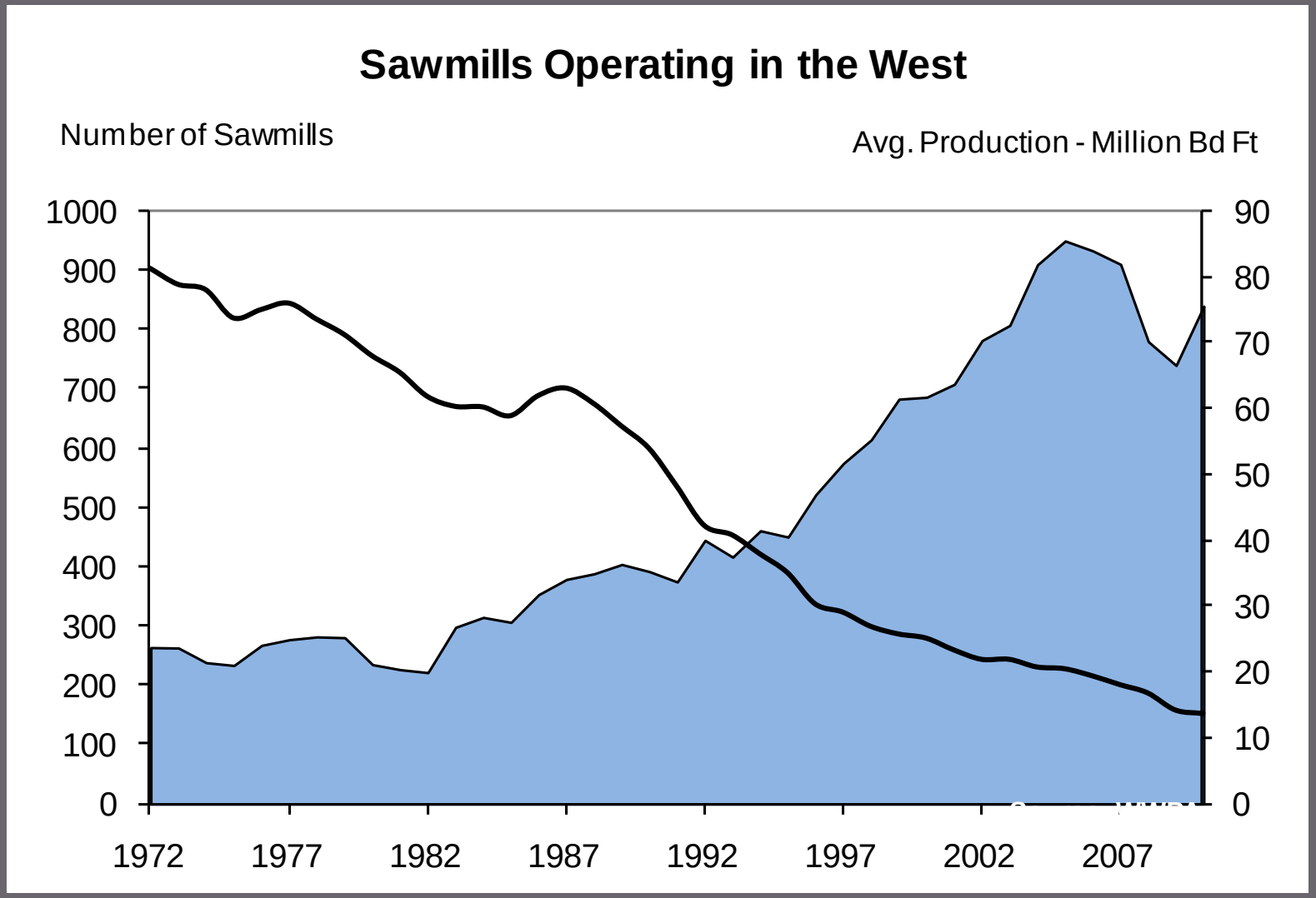
# STATE OF IDAHO EORAC

## 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

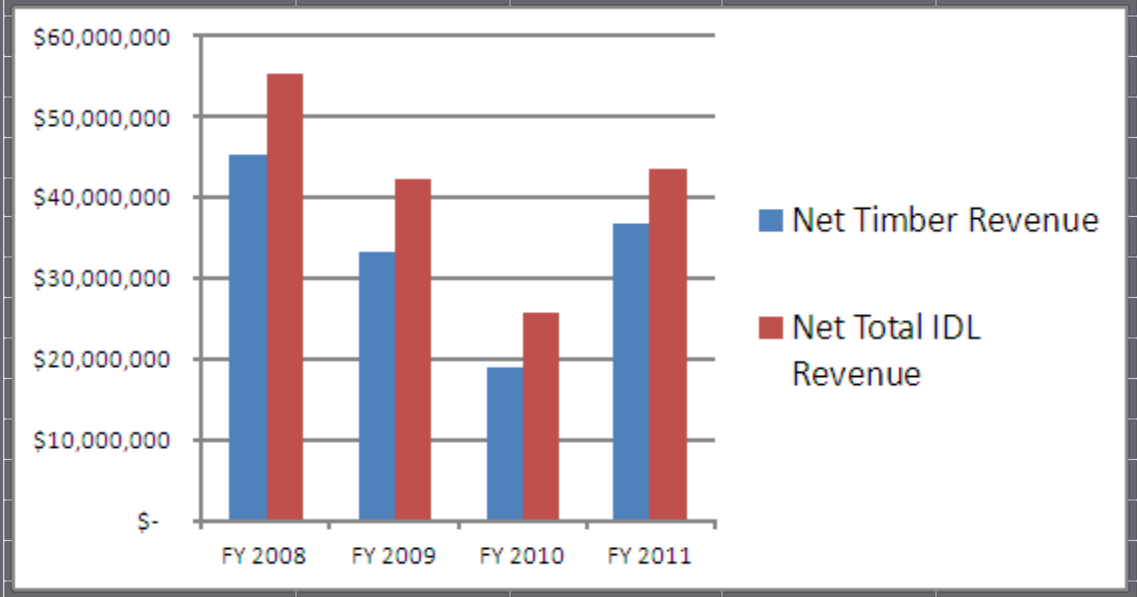
- SPECIE DIVERSITY OF OUR FORESTS
- STONG CONTRACTOR BASE
- A TALENTED GROUP OF EMPLOYEES
- STRONG MARKETS FOR RESIDUALS
  - CHIPS , SAWDUST AND SHAVINGS
- FIRST CLASS GOVERNMENT
  - BALANCED BUDGET
  - FOCUS ON GROWTH (COMMERCE DEPT)
- ABILITY TO WORK WITH ALL INTERESTS
  - FORESTS SHOULD BE CERTIFIED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

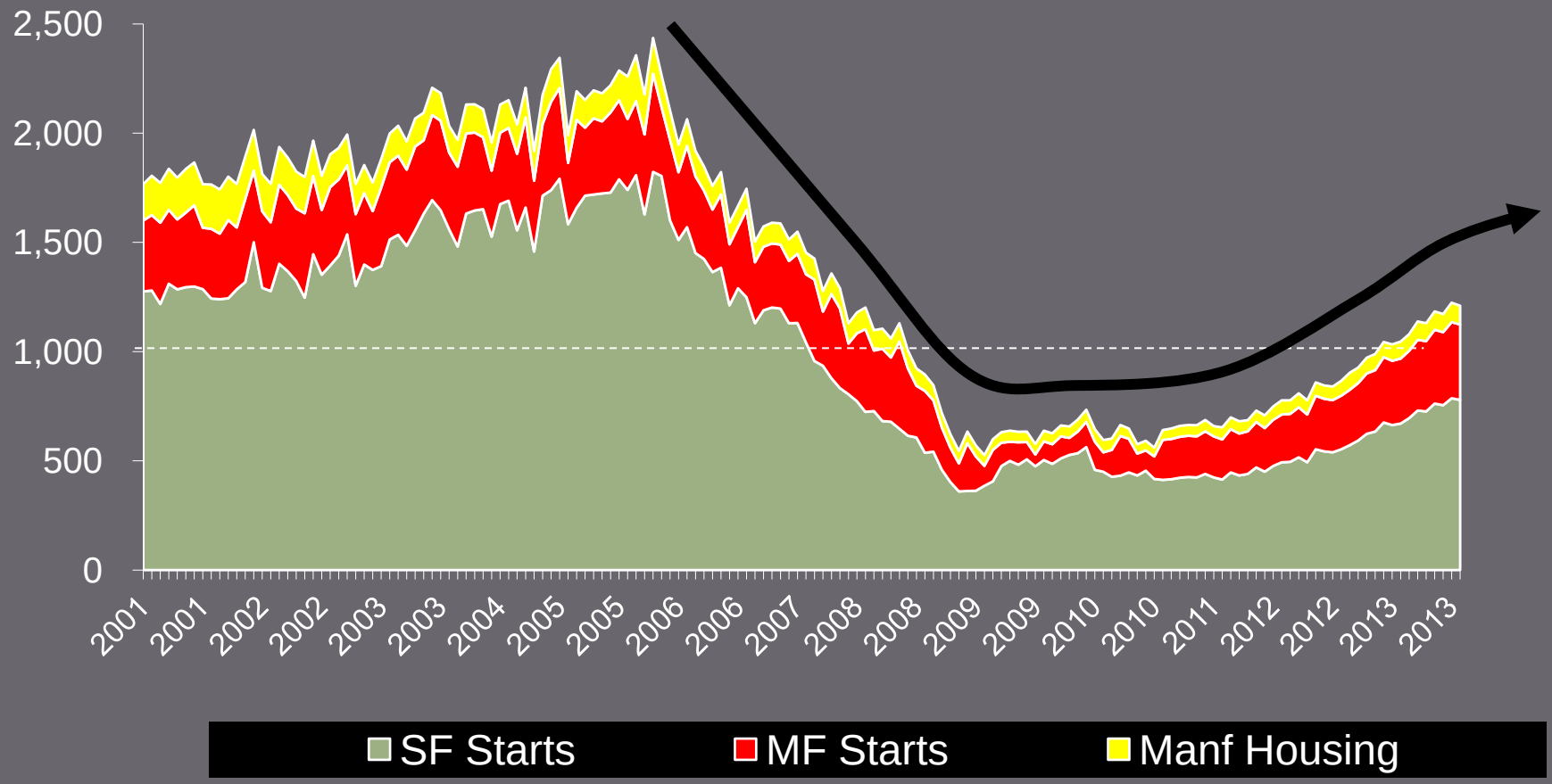
# IDAHO DEPT OF LANDS REVENUE

| | 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

**Housing Units, 1,000s SAAR**




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

# THE ADVENTURE CONTINUES

Thank you