STATE OF IDAHO ECONOMIC OUTLOOK AND ASSESSMENT COMMITTEE

January, 2016

PROMOTING SOFTWOOD LUMBER IN NORTH AMERICA AND THE WORLD

IDAHO FOREST GROUP

IDAHO FOREST GROUP

CHILCO | GRANGEVILLE | LACLEDE | MOYIE SPRINGS | LEWISTON

GROWN IN IDAHO

MANUFACTURED WITH EXCELLENCE FOR THE WORLD

Idaho Forest Group Footprint

	Capacity	Long-term Plan
Moyie Springs	200	150
Laclede	240	180
Chilco	280	340
Lewiston	220	400
Grangeville	240	200
	1,180	1,270

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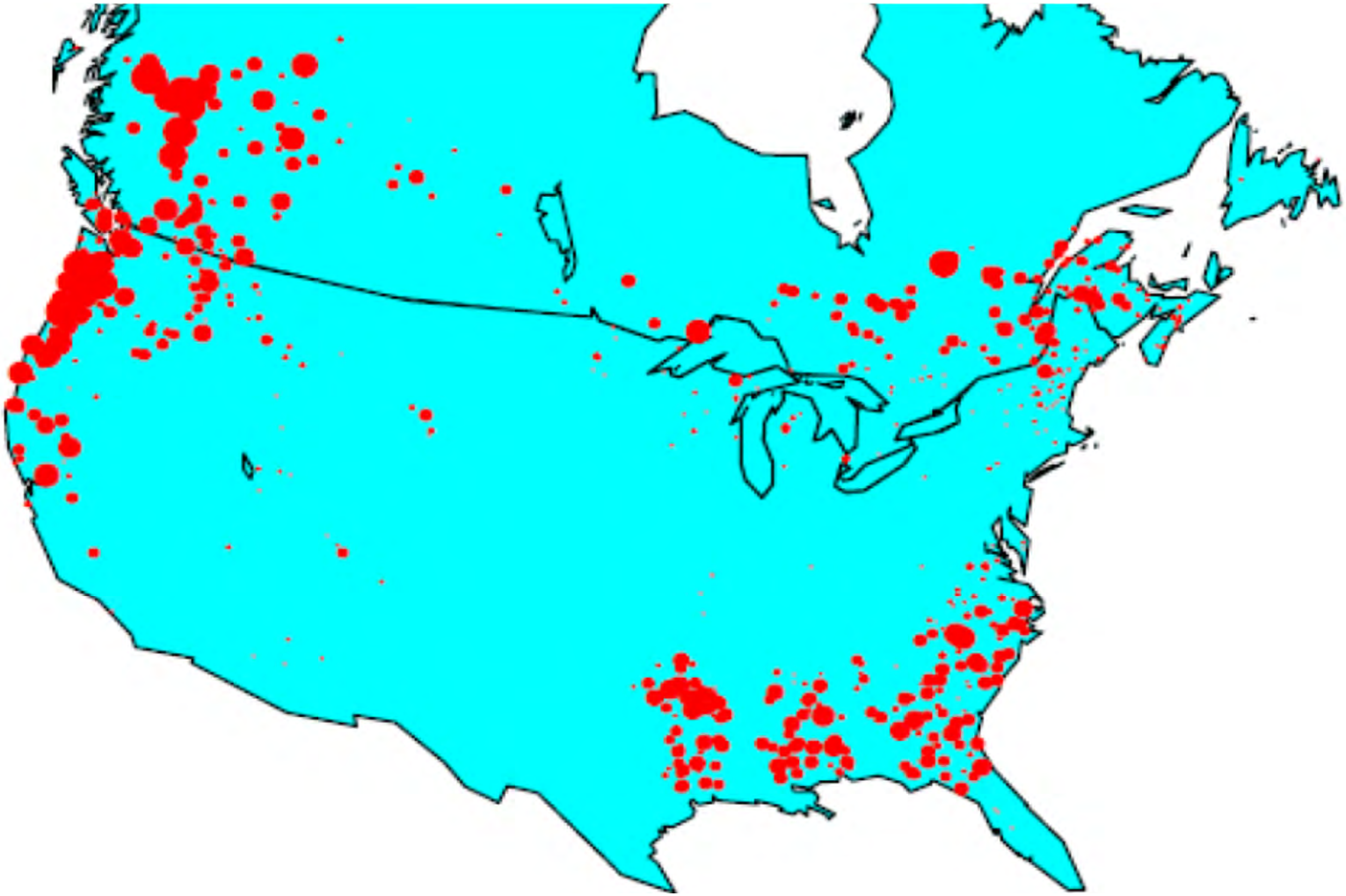
LUMBER MILLS OF NORTH AMERICA



ITEMS FOR DISCUSSION

- Markets for United States
- Production Capacity
- Economic Impact on Idaho
- 129,000 LB Truck Weight Approval
- Environmental Outreach. Broad Base Coalition
- Promotion-Softwood Lumber Board Programs
- Expiration of the Softwood Lumber Agreement
- Potential North American Lumber Export Program

2012 Lumber Price Forecast

…there will be some ongoing, severe supply chain disruptions that will cause prices to soar, leading to the possibility of an unprecented supply/demand gap
…a potential "super-cycle"
…a cyclical peak in prices by about 2015

---Russ Taylor, Wood Markets , August 2012

U.S. Lumber Demand

Million Board Feet

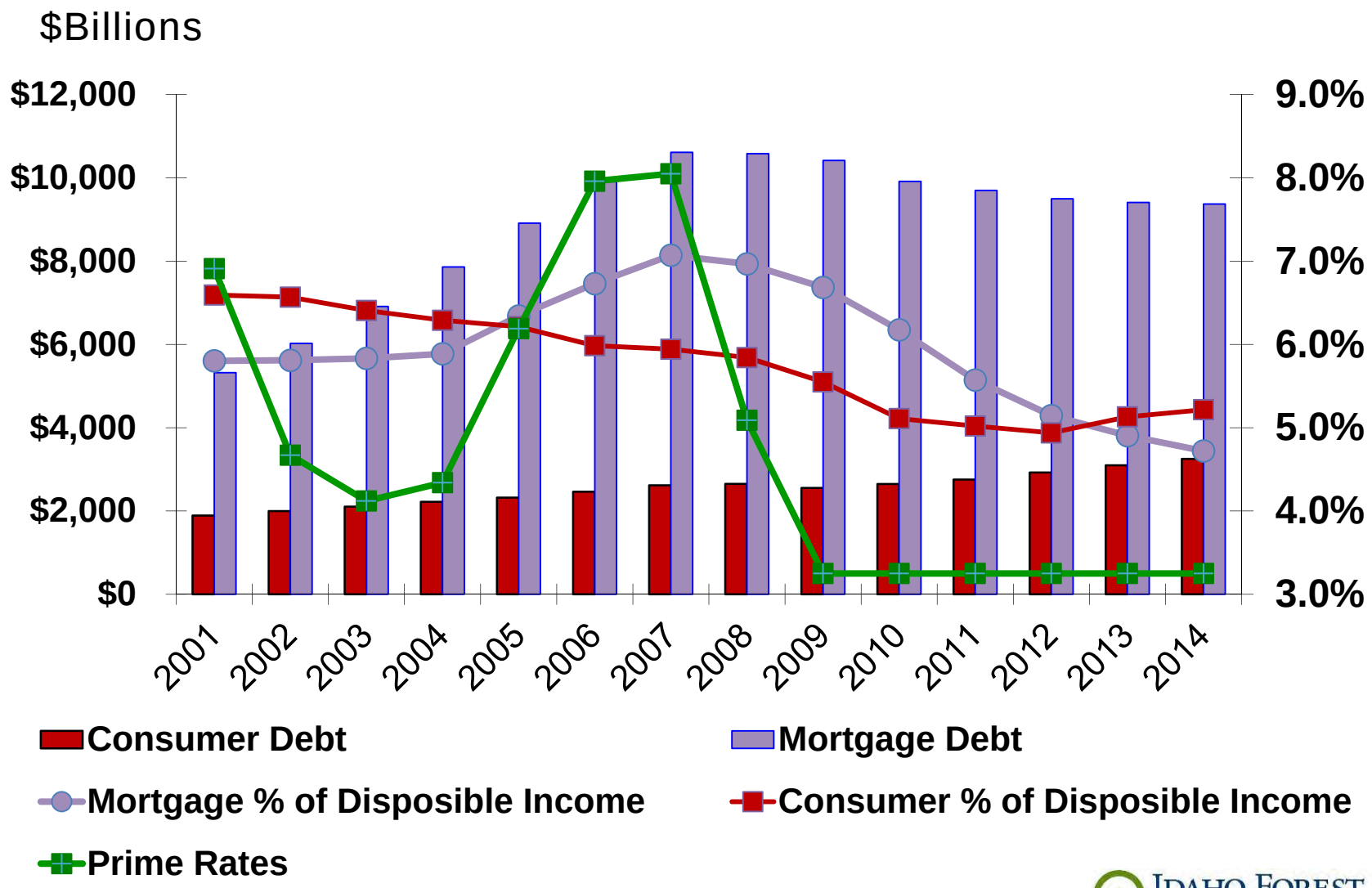
Markets:	*2014*	*2015*	*2016*	*2017*
New Homes	11,751	14,050	16,182	20,886
Rep/Remodel	17,415	17,567	17,794	18,270
Non-Res.	4,380	4,392	4,438	4,509
Ind./Other	8,623	8,804	8,963	9,091
TOTAL	42,169	44,813	47,377	52,756

HOUSING STARTS

	November	October	Nov. 2014
Total permits*	1,289,000	1,161,000	1,079,000
Single-family permits	723,000	715,000	663,000
Multi-family 2-4 unit permits	27,000	34,000	28,000
Multi-family ≥ 5 unit permits	539,000	412,000	388,000
Total starts	1,173,000	1,062,000	1,007,000
Single-family starts	768,000	714,000	670,000
Multi-family 2-4 unit starts**	7,000	11,000	9,000
Multi-family ≥ 5 unit starts	398,000	337,000	328,000
Total completions	947,000	978,000	867,000
Single-family completions	632,000	630,000	609,000
Multi-family 2-4 unit completions**	9,000	8,000	14,000
Multi-family ≥ 5 unit completions	306,000	340,000	244,000

* All data are presented at a seasonally adjusted annual rate (SAAR).
** US DOC does not report 2-4 multi-family starts and completions directly, this is an estimation.
Source: U.S. Department of Commerce-Construction: www.census.gov/construction/nrc/pdf/newresconst.pdf; 12/16/15

Low rates decrease consumer debt service



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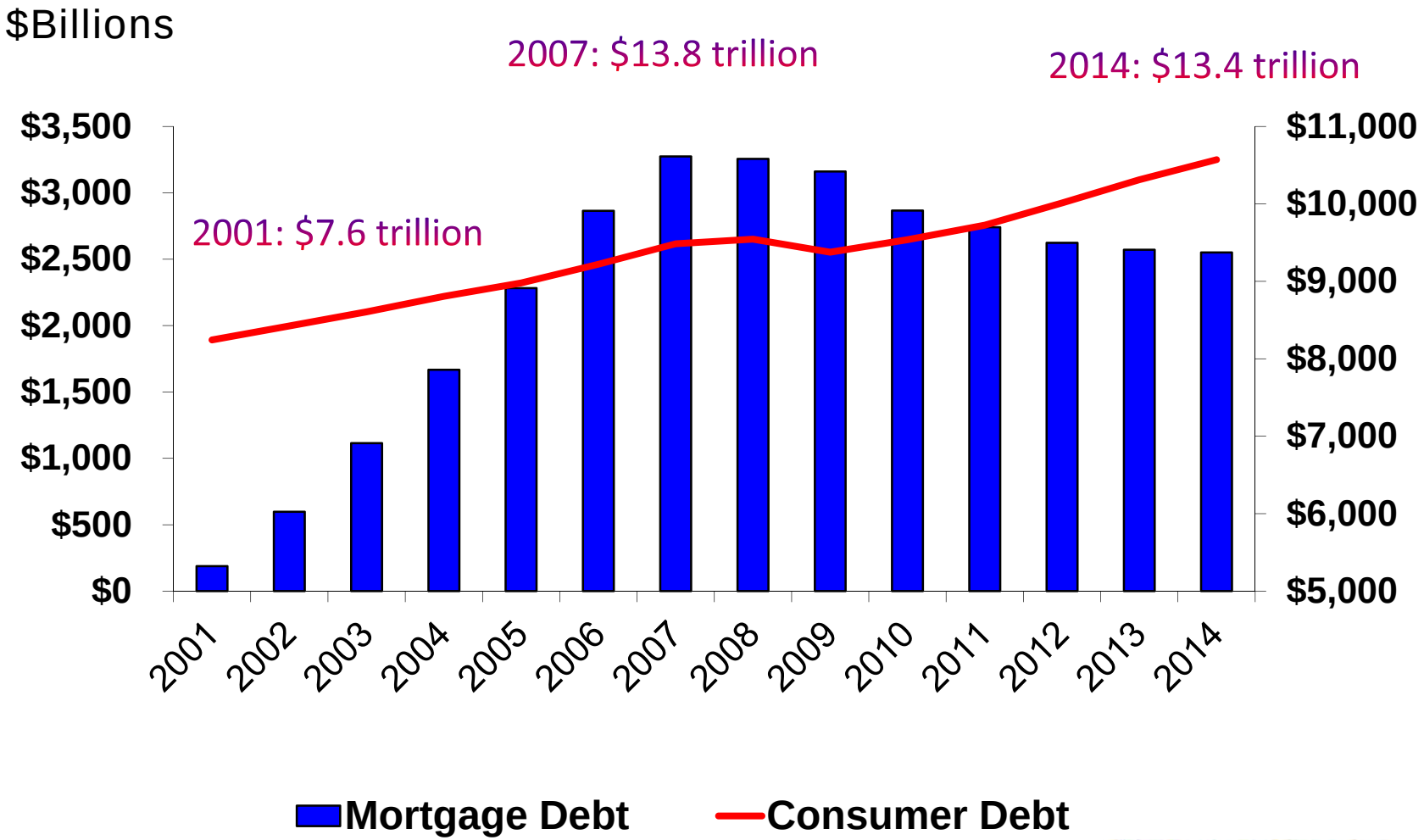
Mortgage debt vs. consumer debt



Source: U.S. Federal Reserve

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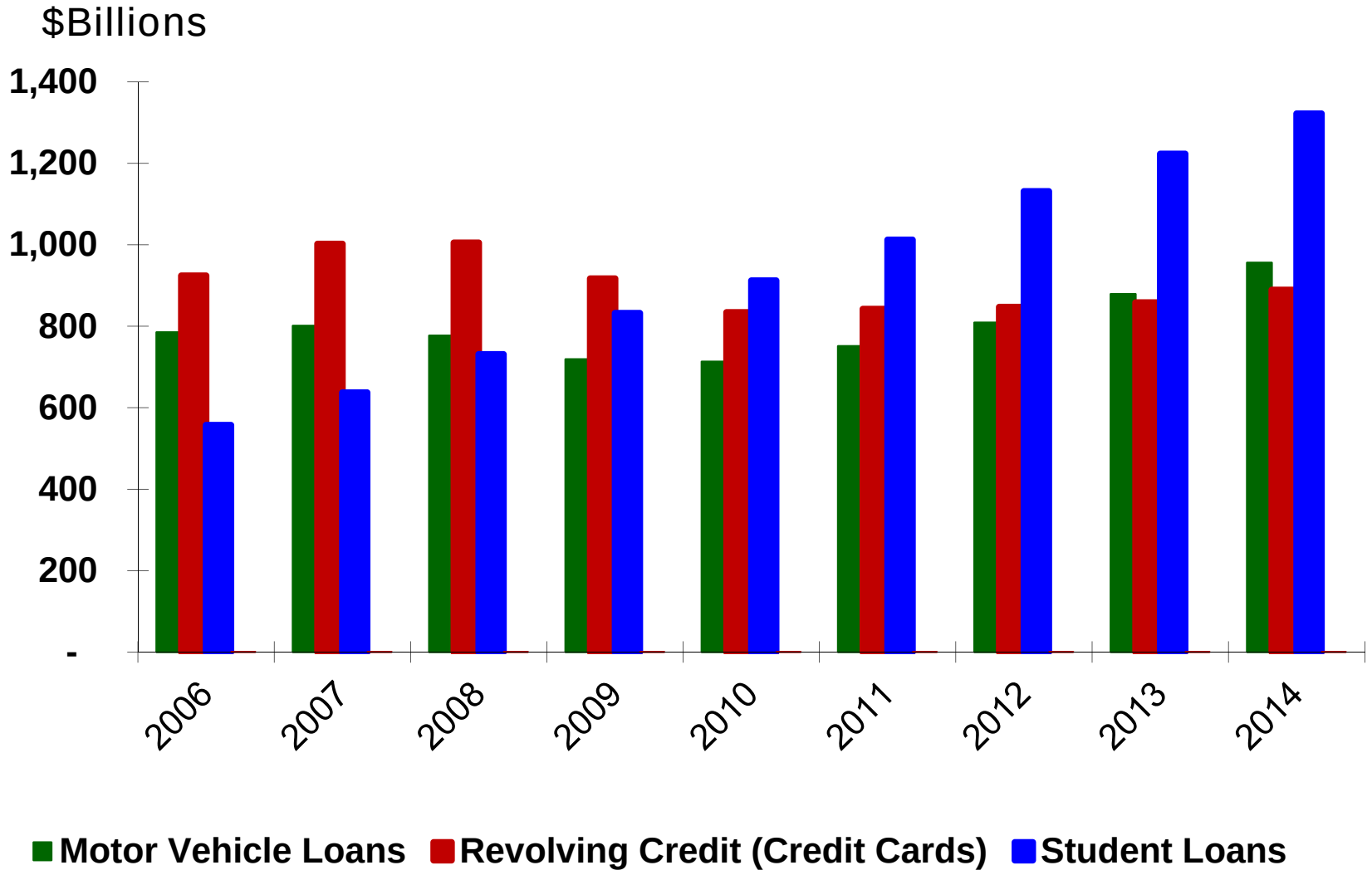
Student loans dominate consumer debt



Source: U.S. Federal Reserve

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U.S. Lumber Production

Million Board Feet

	2014	*2015*	*2016*	*2017*
West	14,062	14,505	14,909	15,574
South	15,695	16,951	18,113	20,088
Other	1,444	1,516	1,562	1,609
TOTAL	31,201	32,972	34,584	37,271

Source: WWPA

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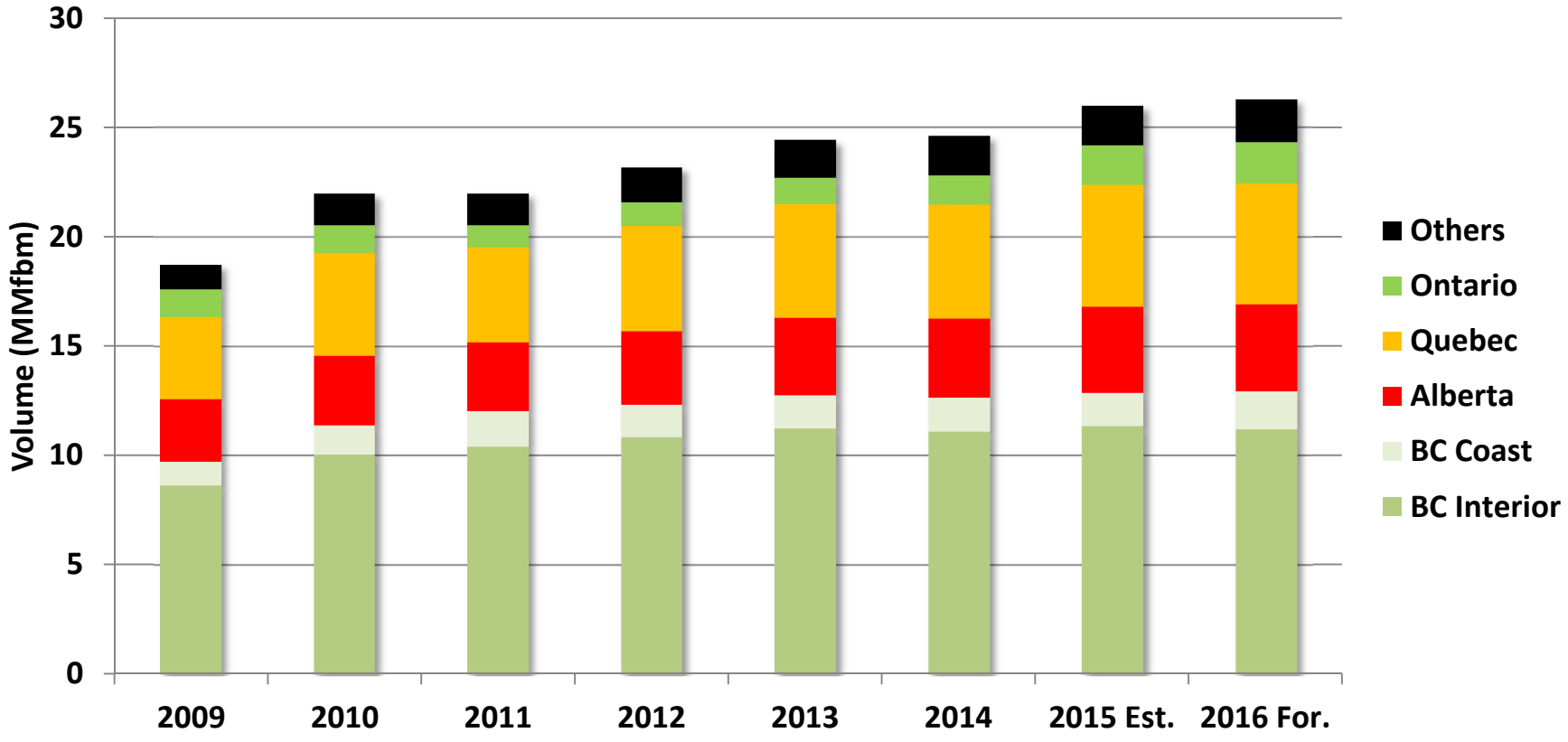
Canadian Softwood Lumber Production By Region



Source: Statistics Canada 35-003/ Forest Economic Advisors

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IDAHO'S MOST SIGNIFICANT ASSET

Timber volume & change factors

Idaho Timberland Data

- Growing stock volume:* 36.7 billion ft^3
- Forest change factors (2007)
  - Growth: 994 million ft^3
  - Mortality: 383 million ft^3
  - Removals: 246 million ft^3
  - Wood increment:† 748 million ft^3
- Sound dead volume: 5.0 billion ft^3

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* Wood volume in trees > 5" diameter

† Wood increment = Growth – Removals

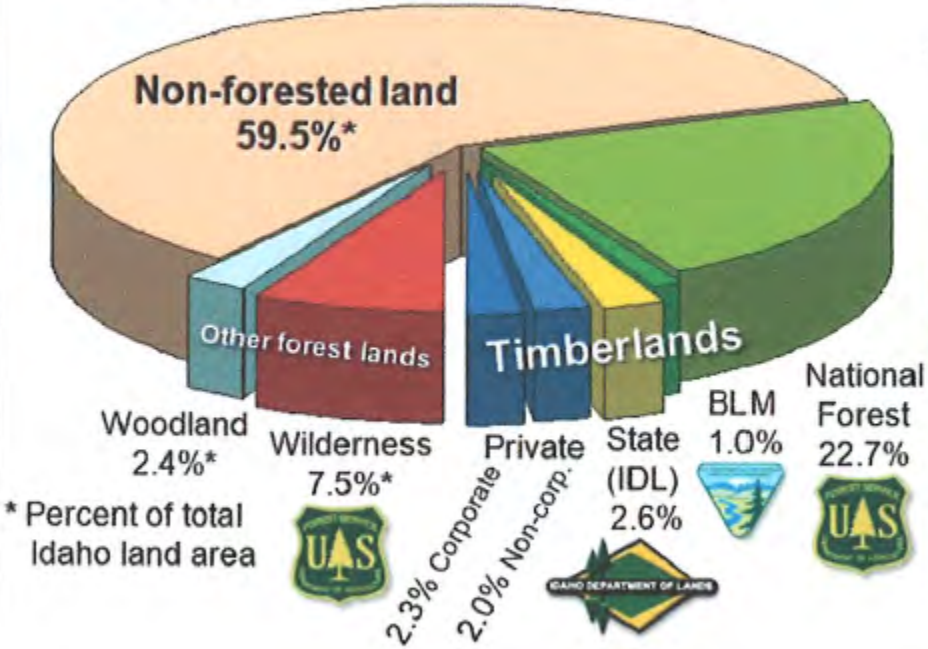
Data: *Forest Resources of the U.S., 2007* (U.S. Forest Service 2009)

University of Idaho
A LEGACY OF LEADING

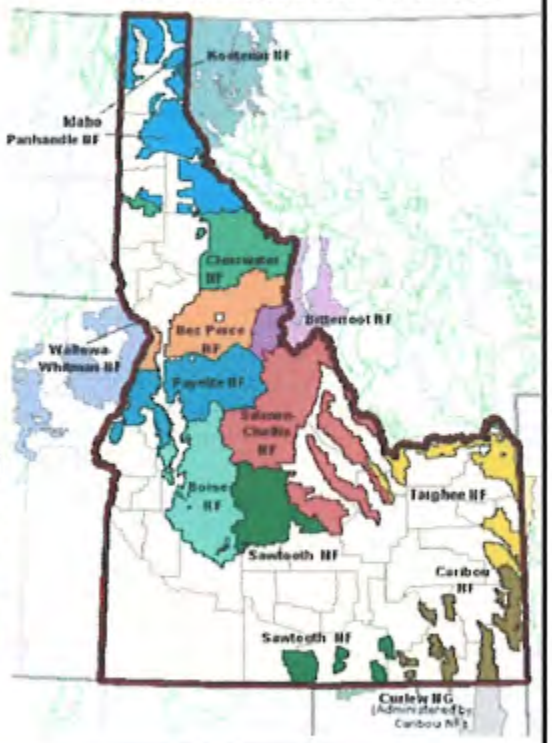
IDAHO IS UNIQUE

Forest extent & ownership

- Forests cover 40.5% of Idaho
- Most forests are timberlands



Idaho National Forests



Data: *Forest Resources of the U.S., 2007* (U.S. Forest Service 2009)

University of Idaho
A LEGACY OF LEADING

GREAT THINGS ABOUT FOREST PRODUCTS IN IDAHO

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

FOREST PRODUCTS IN IDAHO

- APPROXIMATELY 12,000 DIRECT EMPLOYEES, in 2015
- APPROXIMATELY 8,300 INDIRECT EMPLOYEES, will increase in 2015 WAGES AVERAGE $56,600, 39% HIGHER THAN FOR AVERAGE IDAHO INDUSTRIES OF $40,600
- TOTAL REVENUE IMPACT APPROXIMATING $3.2 BILLION
- TIMBER RECEIPTS FROM IDL LANDS WERE $68,000,000, 83% OF THE REVENUE FROM ENDOWMENT LANDS

129,000 LB TRUCK WEIGHT

SOFTWOOD LUMBER BOARD

Mandate:	Sell more lumber.
Authority:	Mandatory program (Check-off) under US Farm Bill.
Tariff:	$0.35 per mfbm
Annual Budget:	$15 Million
Governance:	19 member industry Board of Directors; USDA oversight.

The Value Proposition

For every 1% increase in demand, there is a 1 ½% increase in price.

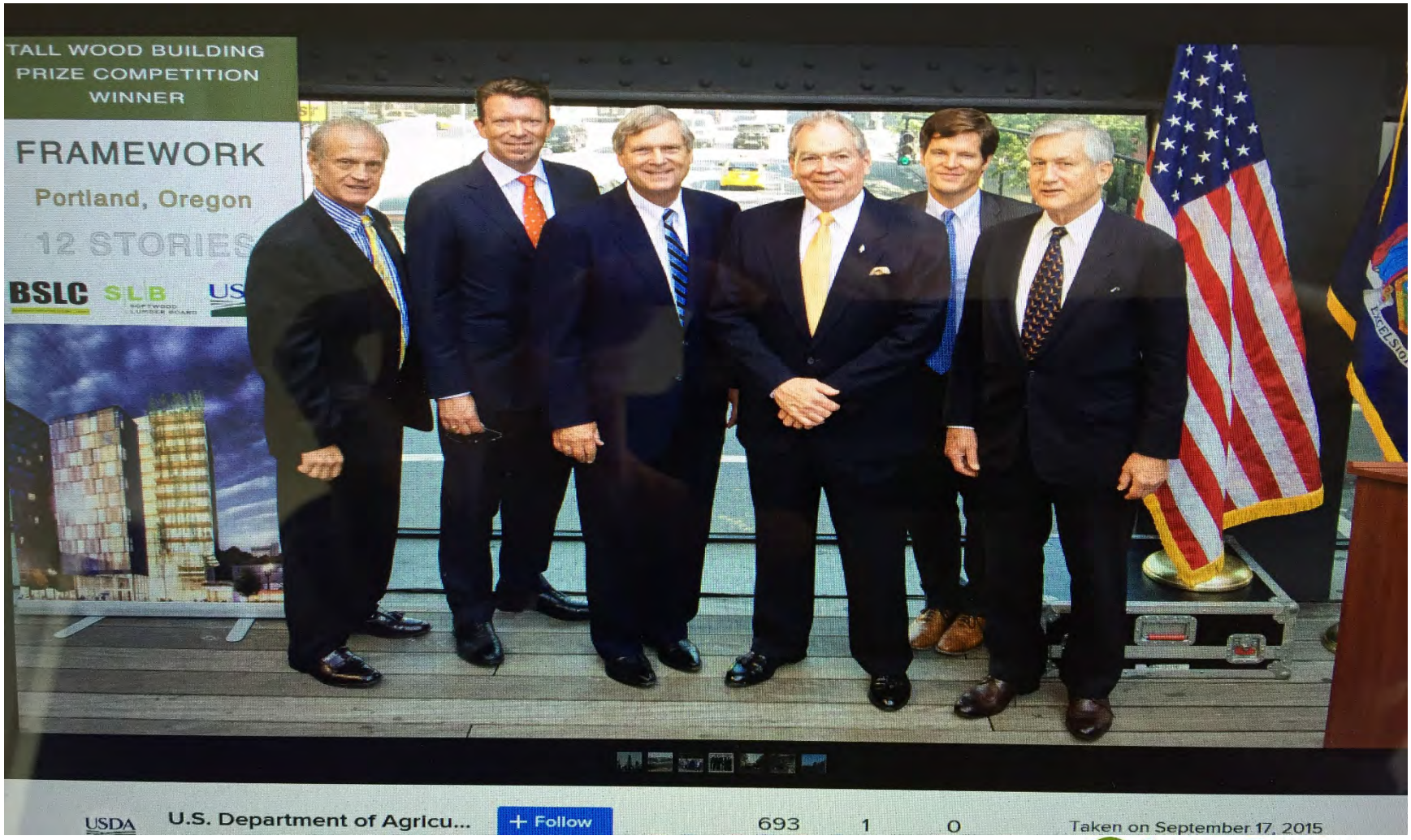
A billion board foot increase results in a $10.5 price increase.

Incremental revenue:

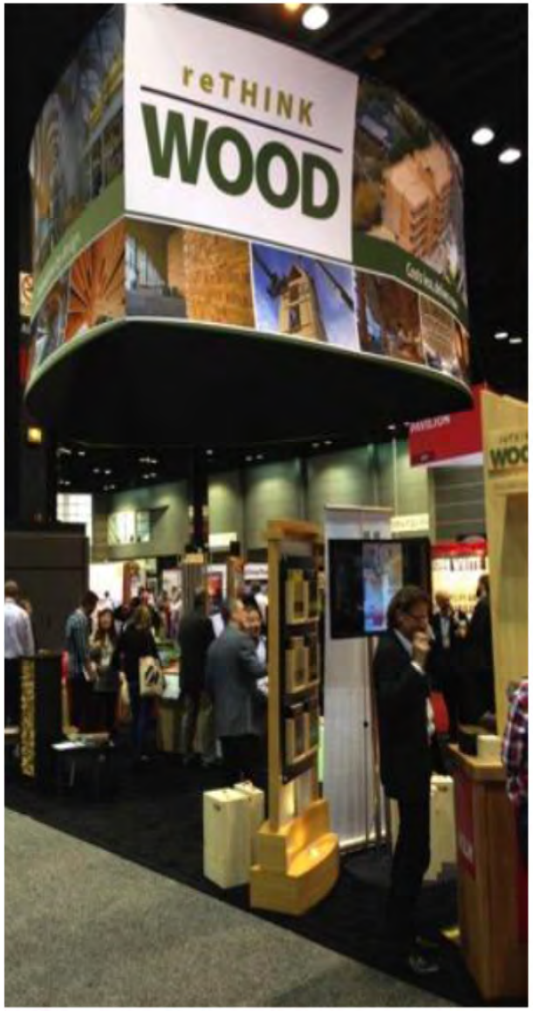
- **$525 million/year for the industry**
- **Approx. $10 million/year for IFG**

2015 Tall Wood Building Competition

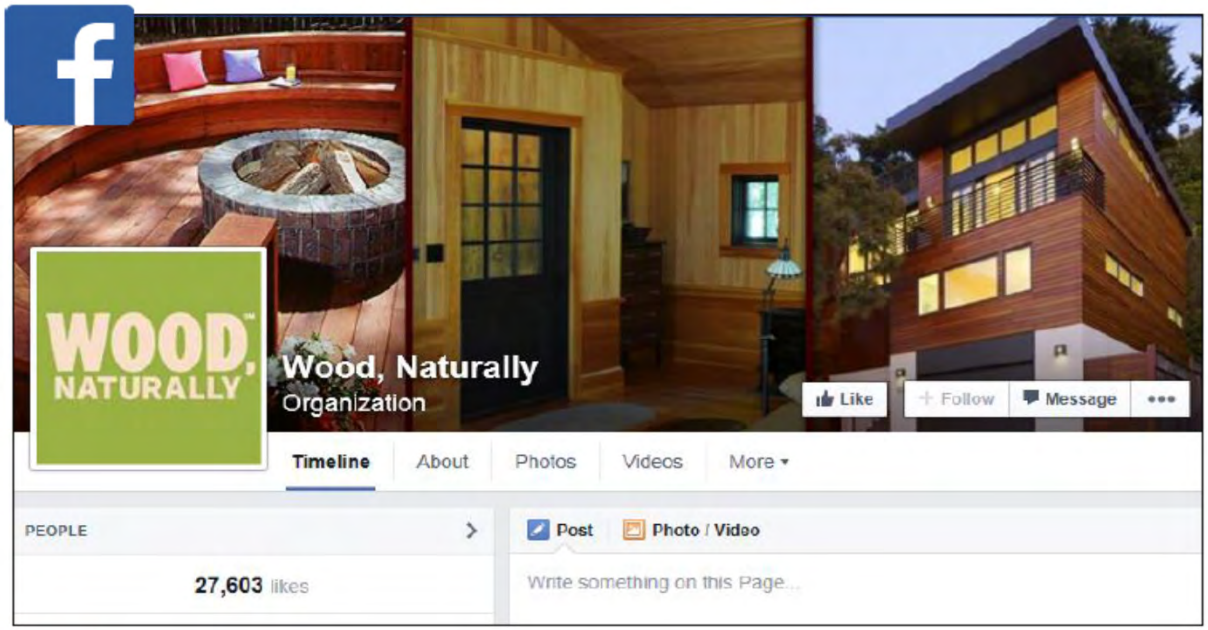
Award Ceremony New York City

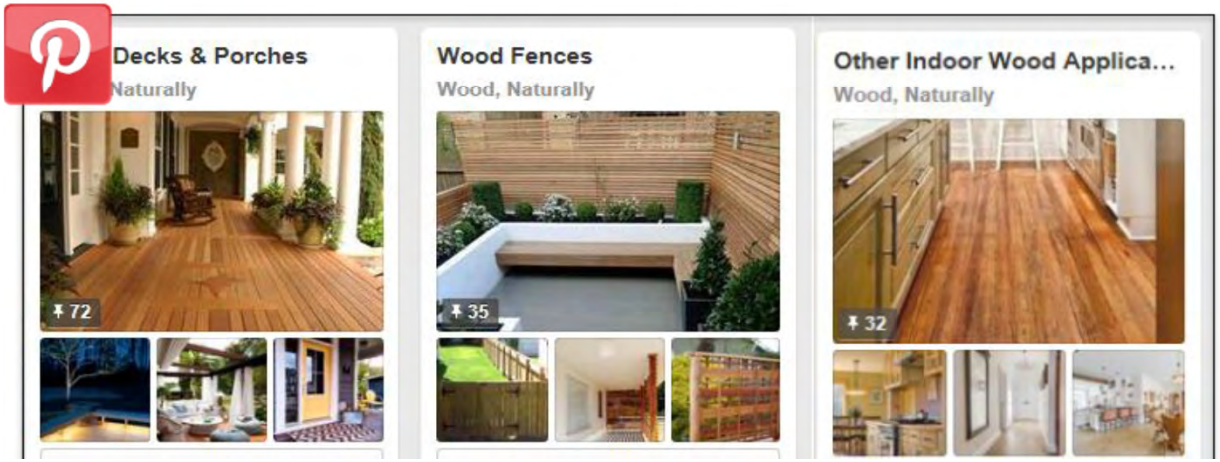


reThink Wood



WOOD NATURALLY





SLB Agreement with USDA

- Rural Jobs Rural Investment
- Funds for technology and innovation. $3,000,000 for Tall Wood Competition
- Aging Agriculture Workforce
- Must improve Forest Health
- Ability to access other Federal Agencies

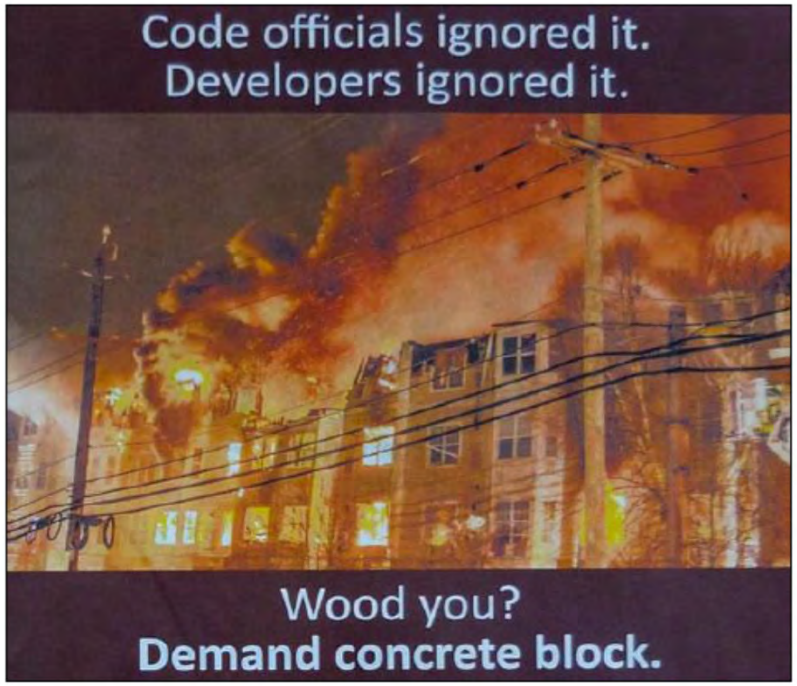
(NLT) NAIL LAMINATED TIMBER

Simple Cost Effective Manufacturing

Simple Cost Effective Installation

Architecturally Significant Structure

THE COMPETITION IS **FIGHTING BACK**



Softwood Lumber Board Must be Revoted in 2016

- For the first time in history, we have a coordinated program to promote lumber.
- The program is making significant progress.
- It needs to be sustained and grown.

Softwood Lumber Agreement Expired in October of 2015
Standstill Period of One Year

- A Government to Government Negotiation
  - Canadian Position is to modify the existing agreement
  - US Position is implement a simple Quota
- Many Groups involved, Environmental & Construction Industry
- Discussions of possible extension of the existing agreement were discussed before expiration
  - Both Governments were engaged in the TPP Trade Negotiations and did not wish to engage on this issue
- US Coalition can began Litigation in October 2016

A North American Industry Journey

Softwood Lumber Agreement

Binational Softwood Lumber Council

Softwood Lumber Board

POTENTIAL MAJOR EXPORT PROGRAM

- Vision = grow per capita consumption of softwood lumber… outside of established markets (i.e. US, Europe, Japan).
- Goal = a collaborative, international effort that is as strong and effective as the SLB's other Promotion Programs in the US.
- How we get there:
  - Research existing trade flows, define opportunities and threats, determine competitive advantages.
  - Leverage existing research and expertise (we aren't going to reinvent the wheel!).
  - Collaborate with like-minded producing regions to develop and implement strategies and tactics
  - Quantify the benefits and establish a robust methodology to measure success

THESE ARE INDEED EXCITING & CHALLENGING TIMES FOR US