



Forest Economic Advisors

International Markets Impact on the Southeast

January 29, 2018

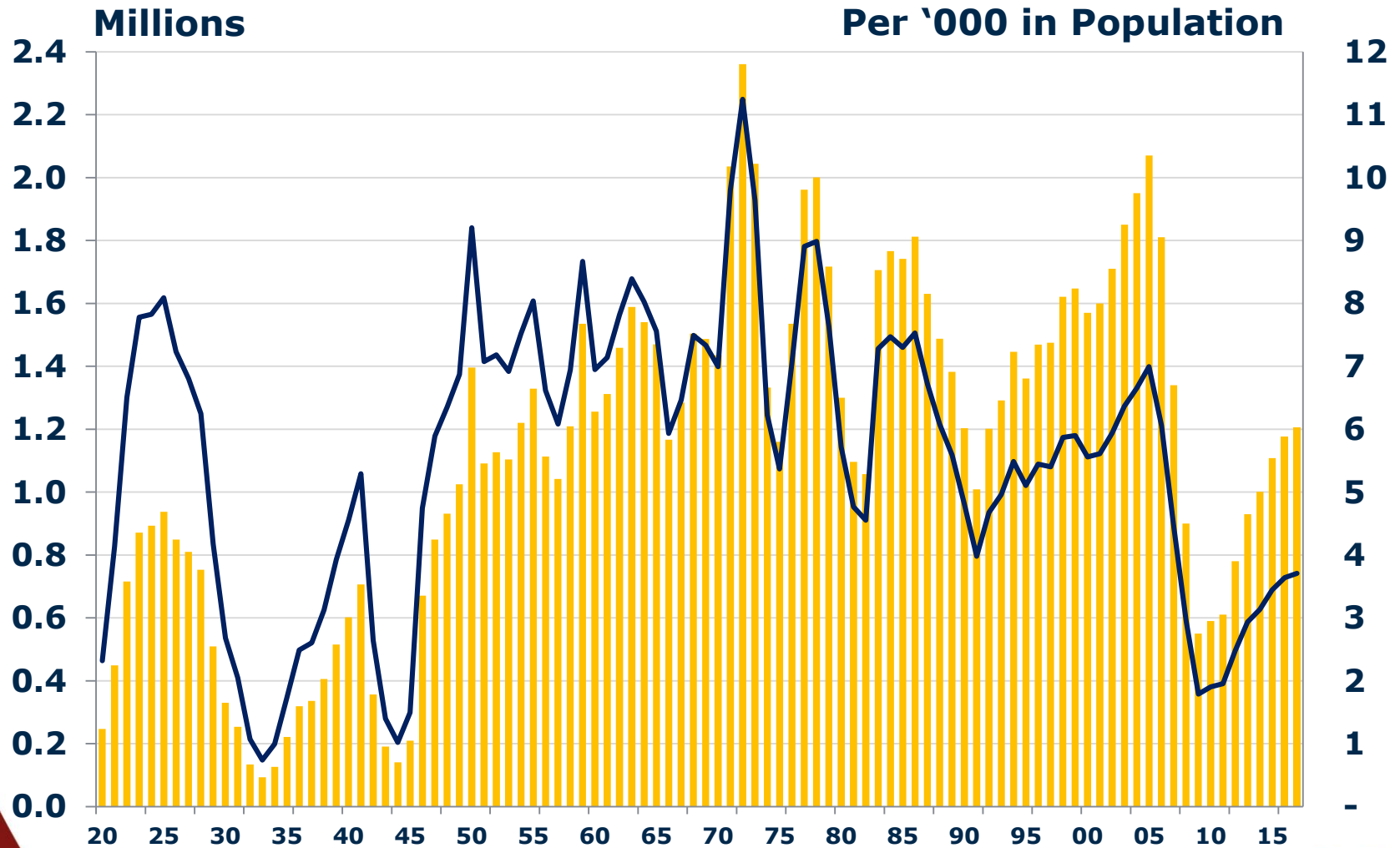
Rocky Goodnow
Vice President, FEA



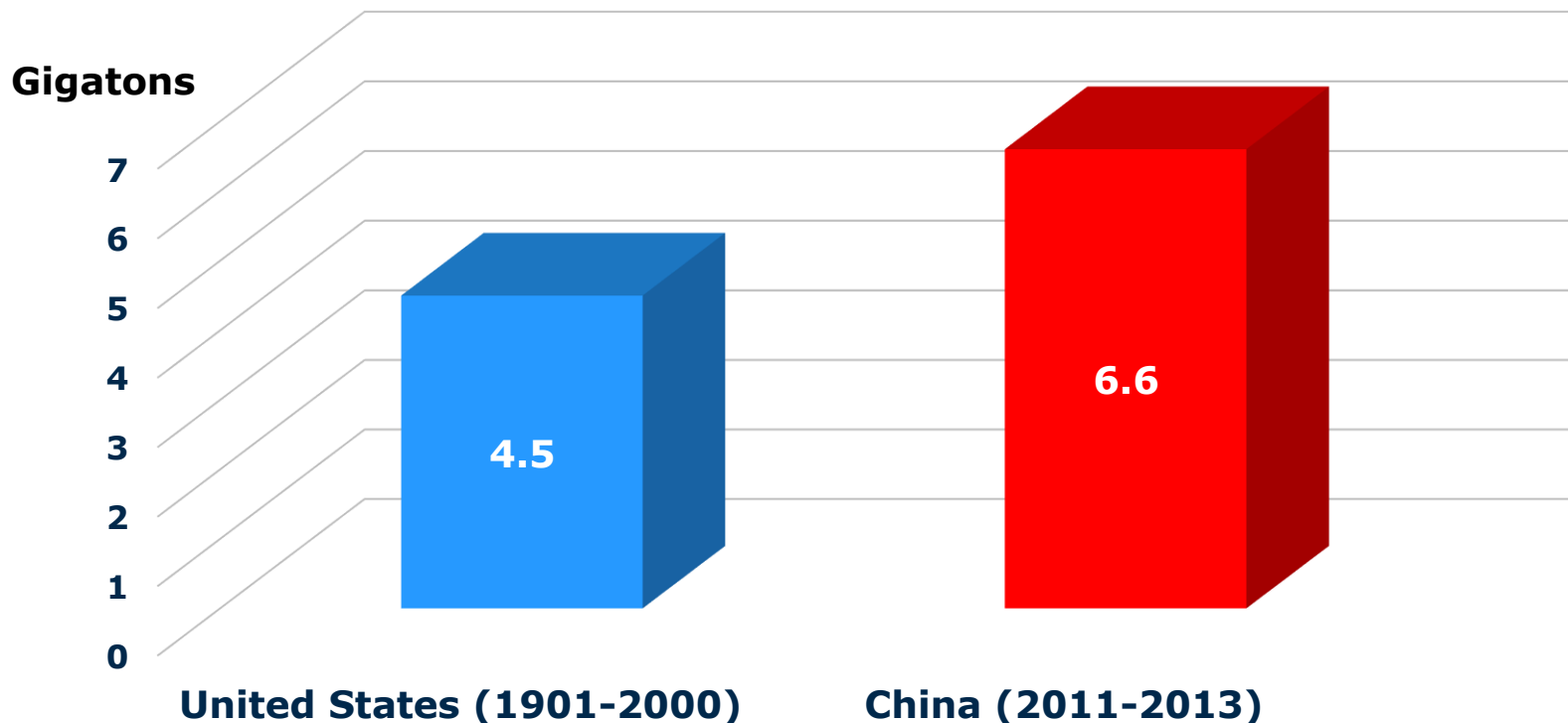
Presentation Topics

- Review of the megatrends that have shaped international forest product markets over the past ten years
- Discuss how developments in international markets have impacted the South's industry
- Provide some thoughts on expectations on the South's role in international markets going forward

U.S. Housing Starts Fell to Near Depression Levels

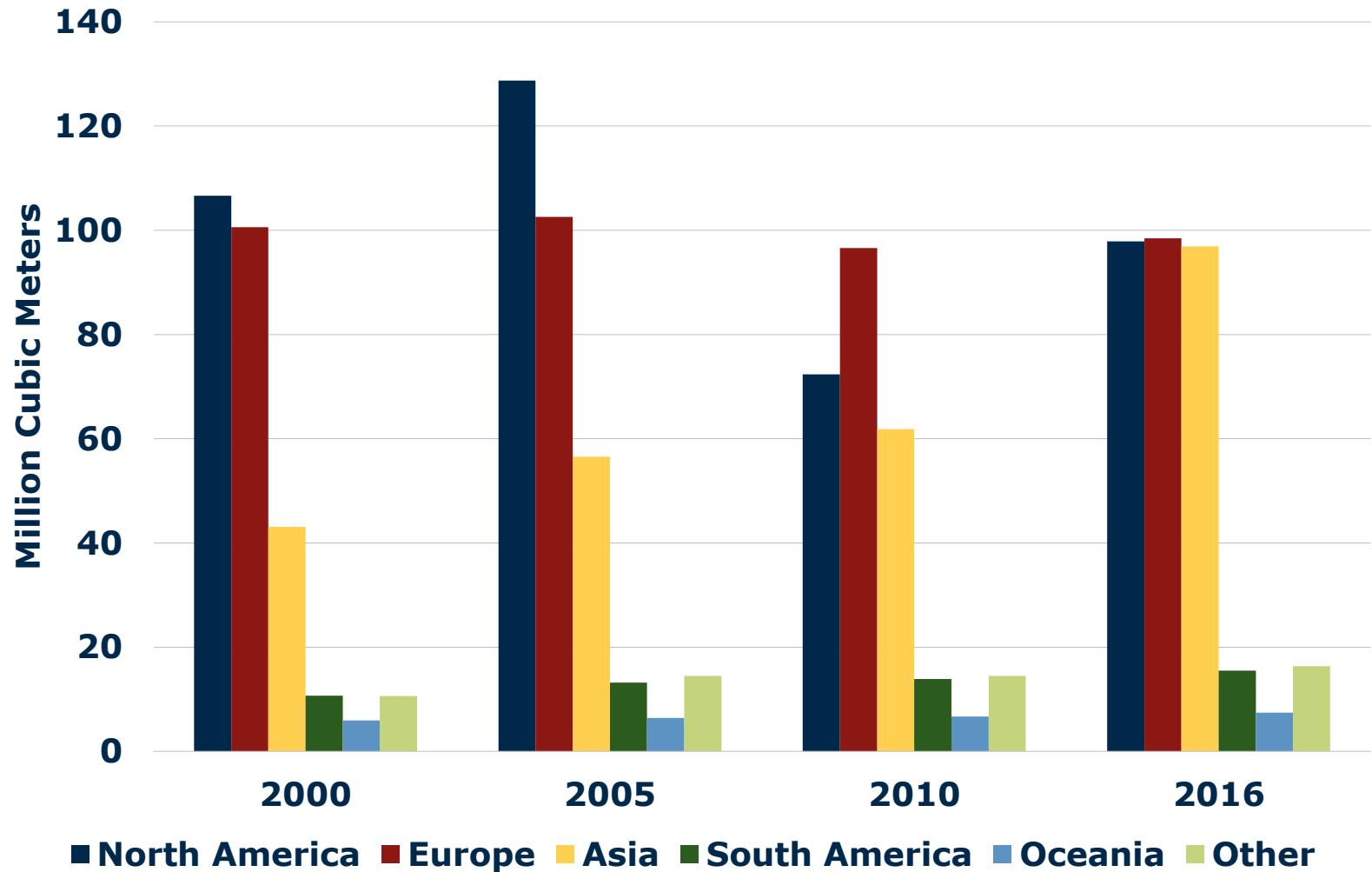


China Used More Cement in Three Years Than the U.S. did in the 20th Century



Source: Vaclav Smil, USGS, Cement Statistics 1900-2012, Mineral Industry of China, 1990-2013

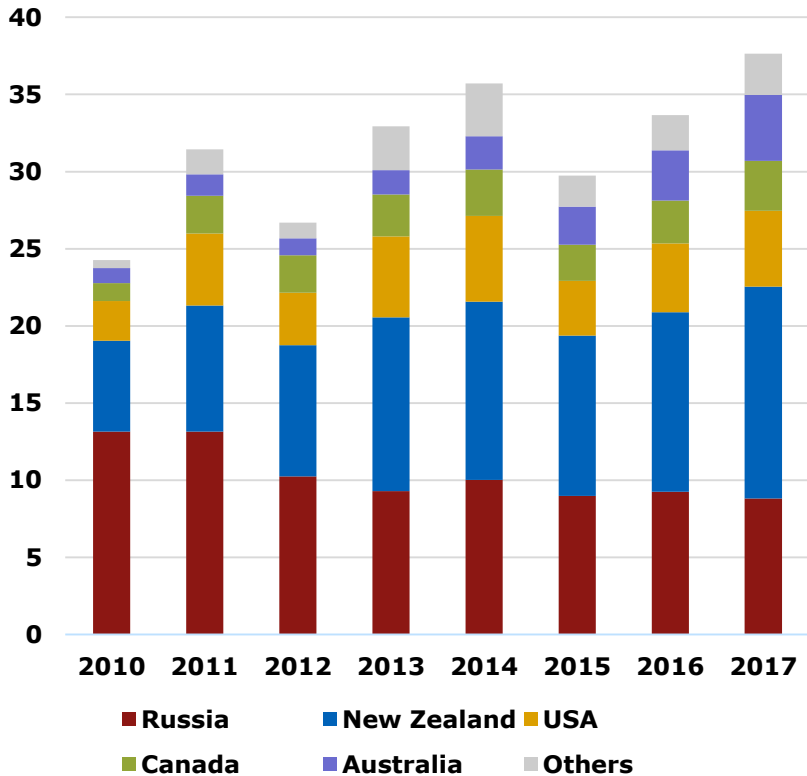
Global Softwood Lumber Consumption: Dramatic Shift in Major Markets



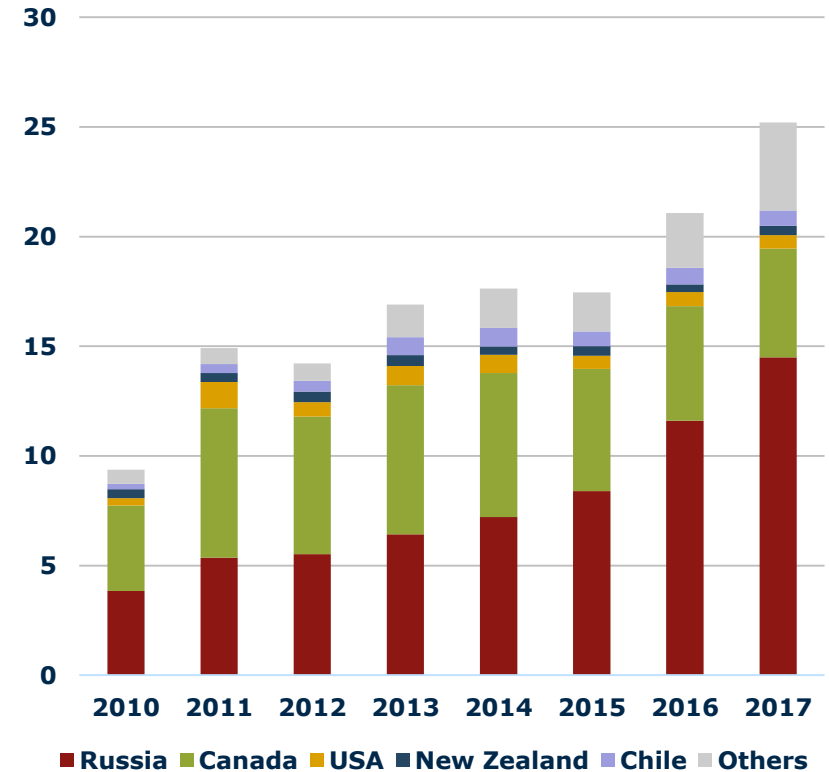
Source: Apparent Consumption, FAO

China's Demand for Softwood Log and Lumber Imports Remains Strong

Softwood Logs-Million m³



Softwood Lumber-Million m³



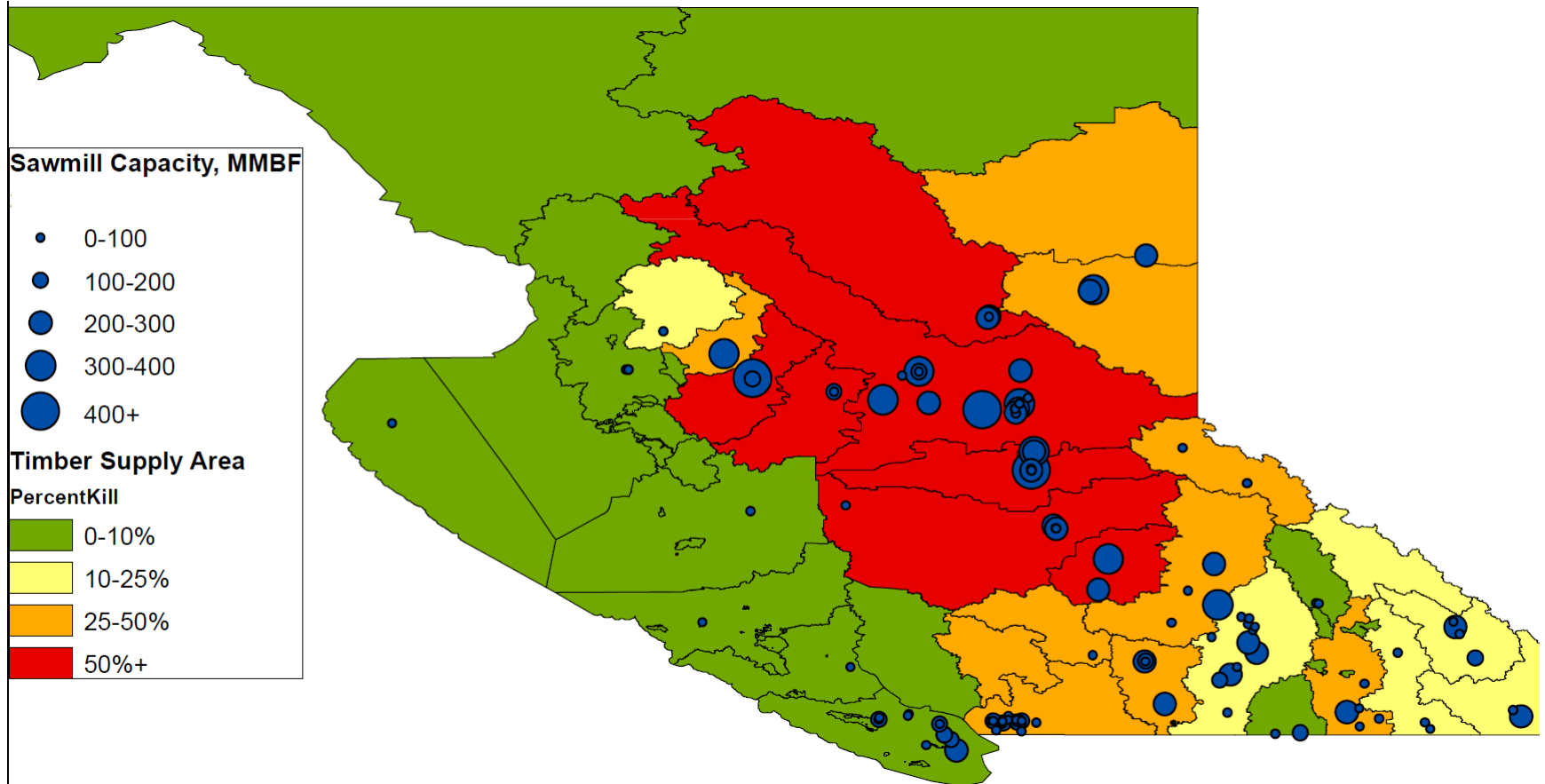
Source: China Bulletin

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In Addition to Changes in Demand, Shifts in International Timber Supply

- Russia enacts severe log export tariff
- China's restrictions on domestic harvests
- North American timber supply constraints outside the US South

BC's Largest Sawmills are Located in Regions Hardest Hit by the Mountain Pine Beetle Epidemic



Source: BC Ministry of Forest, FEA estimates

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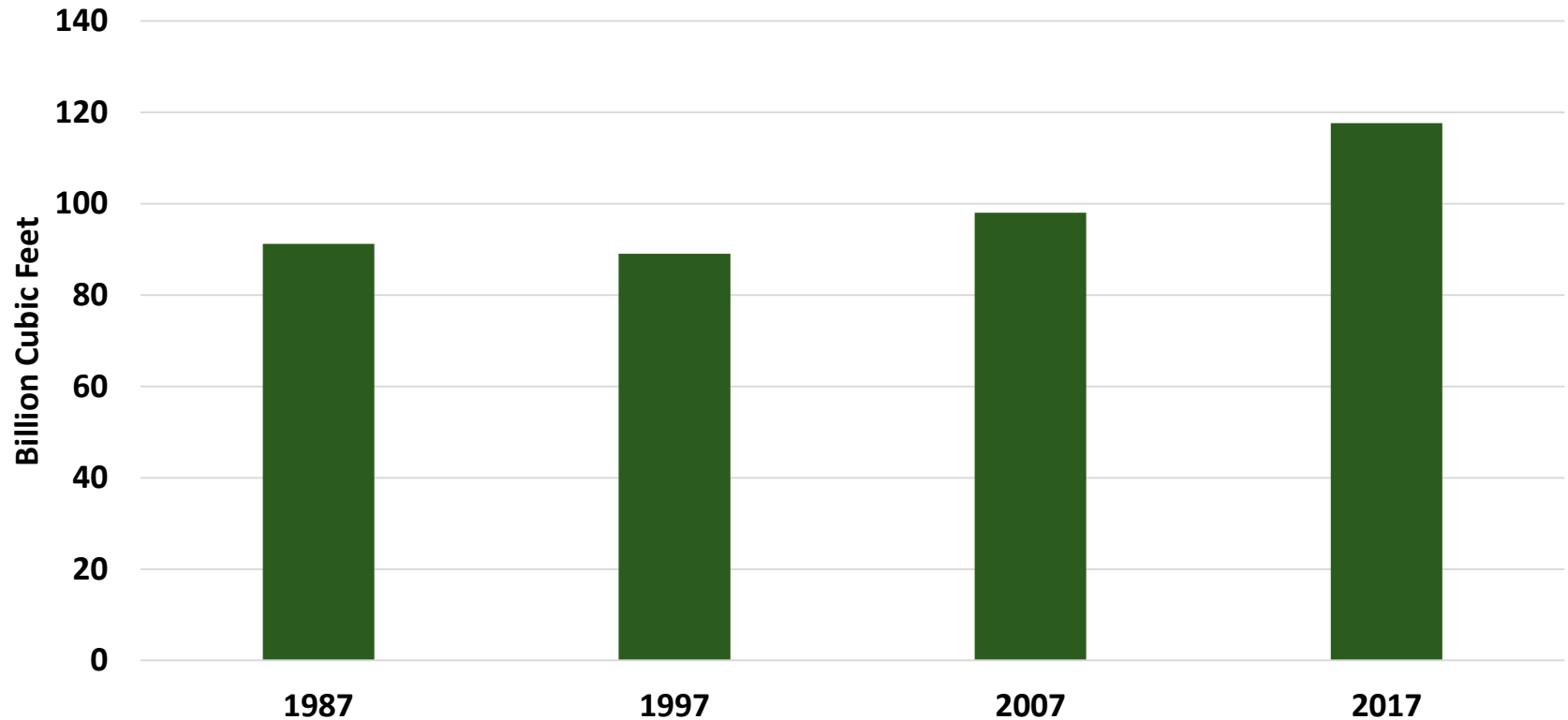
The Decline in British Columbia's AAC Has Begun

TSA	Year	Previous AAC, CM	New AAC	Difference	Lumber Tally BBF
Mackenzie	2014	3.02	4.50	1.48	0.430
Morice	2015	2.14	1.90	(0.24)	-0.070
Williams Lake	2015	5.73	3.00	(2.73)	-0.794
Kamloops	2016	4.00	2.30	(1.70)	-0.494
Merritt	2016	2.40	1.50	(0.90)	-0.262
Lakes	2016	1.98	1.65	(0.33)	-0.096
Quesnel	2017	4.00	2.60	(1.40)	-0.407
Prince George	2017	12.50	8.35	(4.15)	-1.206

Source: BC Ministry of Forests, Lands, and Natural Resource Operations; FEA estimates

Southern Softwood Inventory Levels Increasing

Private Softwood Growing Stock Inventory

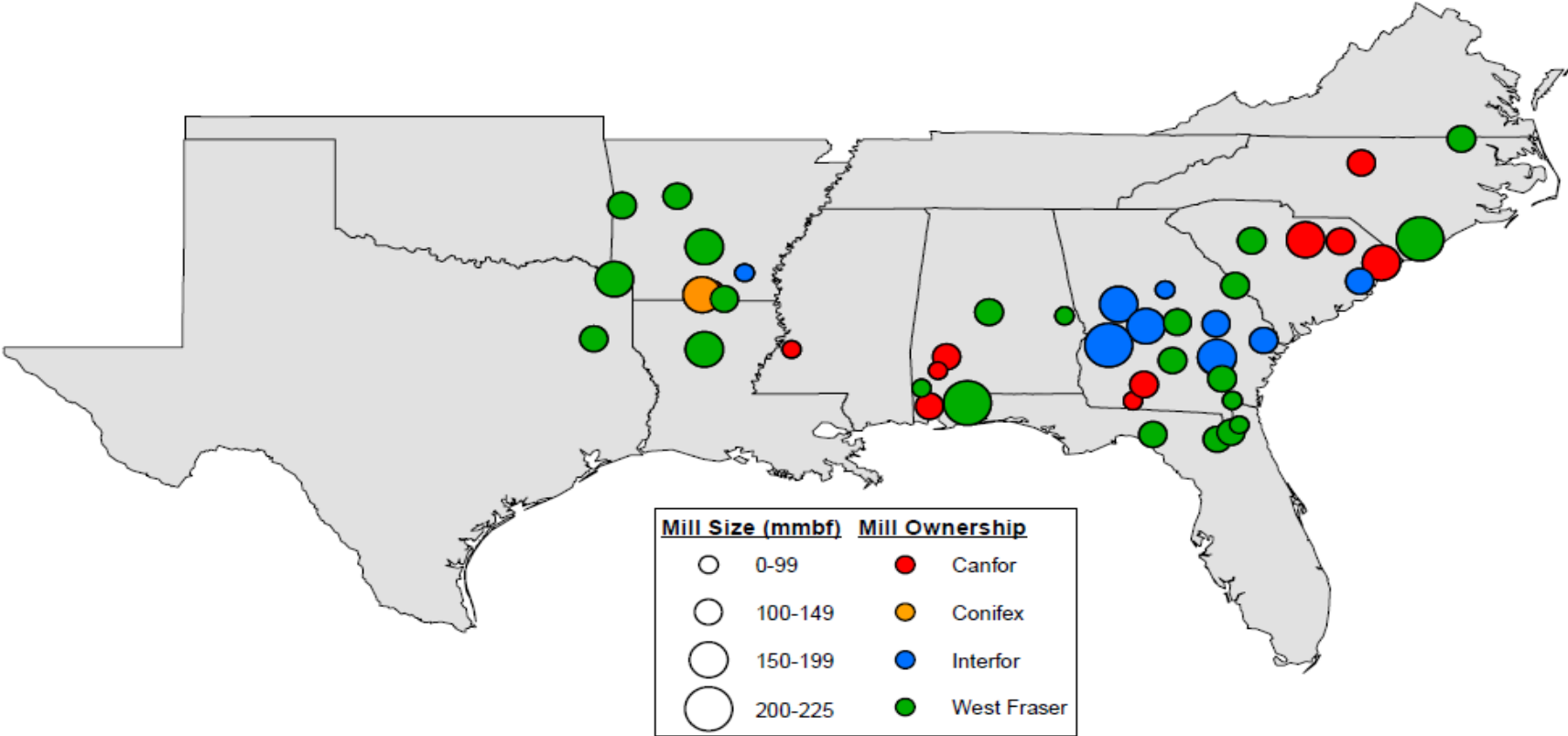


Source: Forest Resources of the United States, 2017-Draft, USFS

Timber Supply is Key Advantage for Forest Products Industry in US South

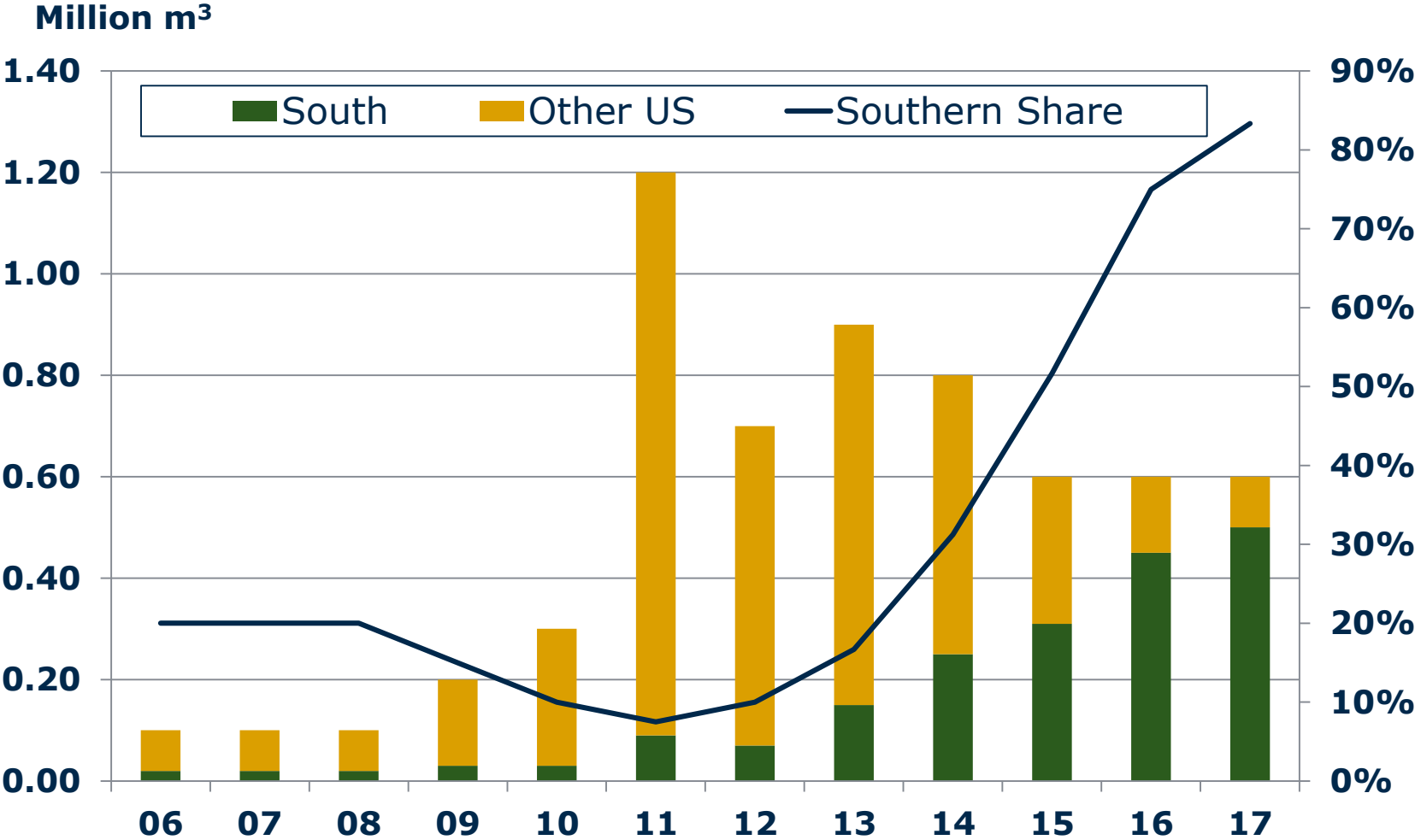
- The US South stands out as the North American region with available timber supply to expand output
- The timber supply in the US South is a healthy, sustainable and well-managed resource that can be harvested at competitive costs
- Output in other major producing regions will be constrained by timber supply limitations
- Expanding output in other international regions require significant time and investment

Western Canadian Companies Now Own 30% of the South's Softwood Lumber Capacity



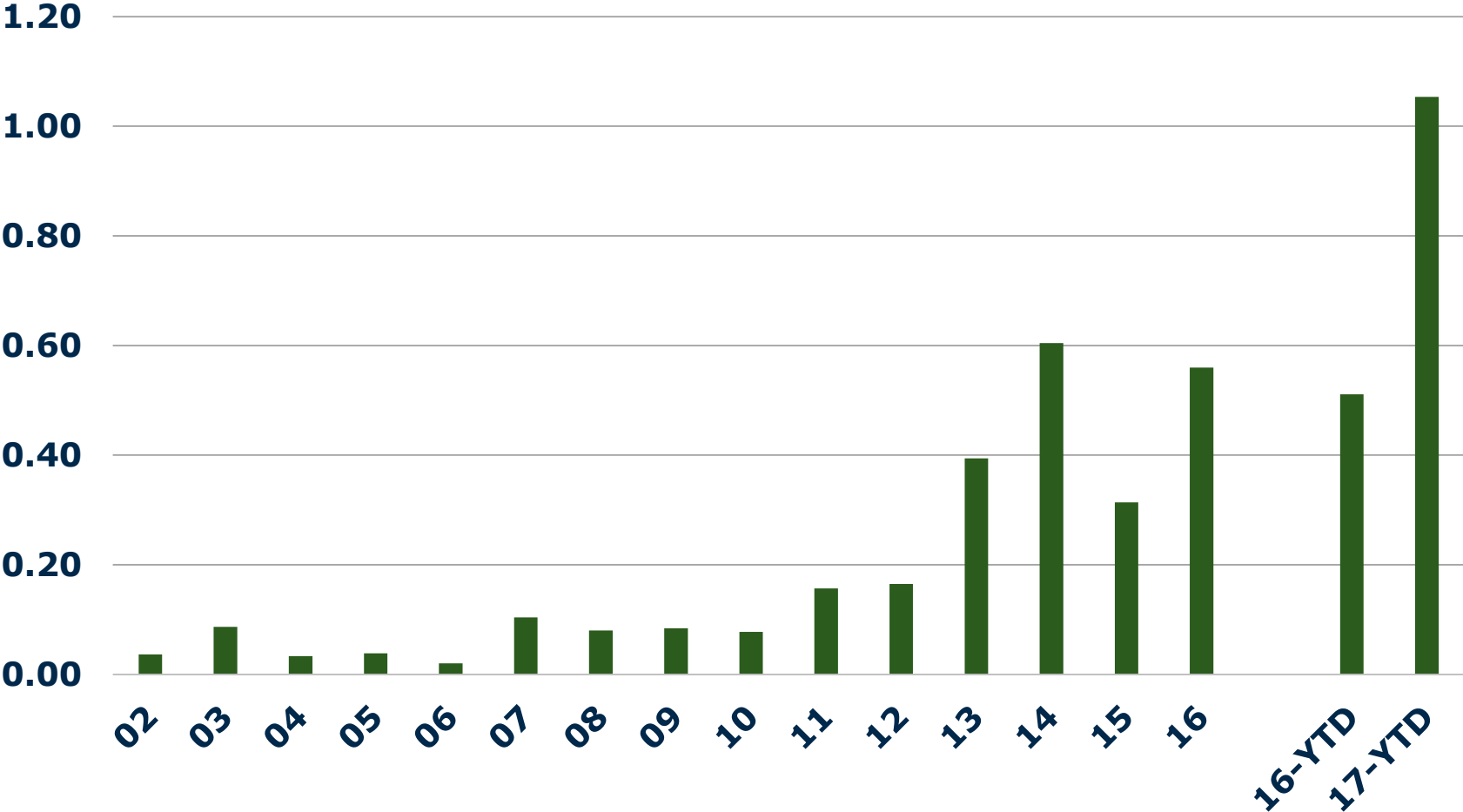
Source: Sawmill Profiles, Forest Economic Advisors

Southern Lumber Exports To China Have Been On The Rise



Softwood Log Exports From the US South Increasing Sharply

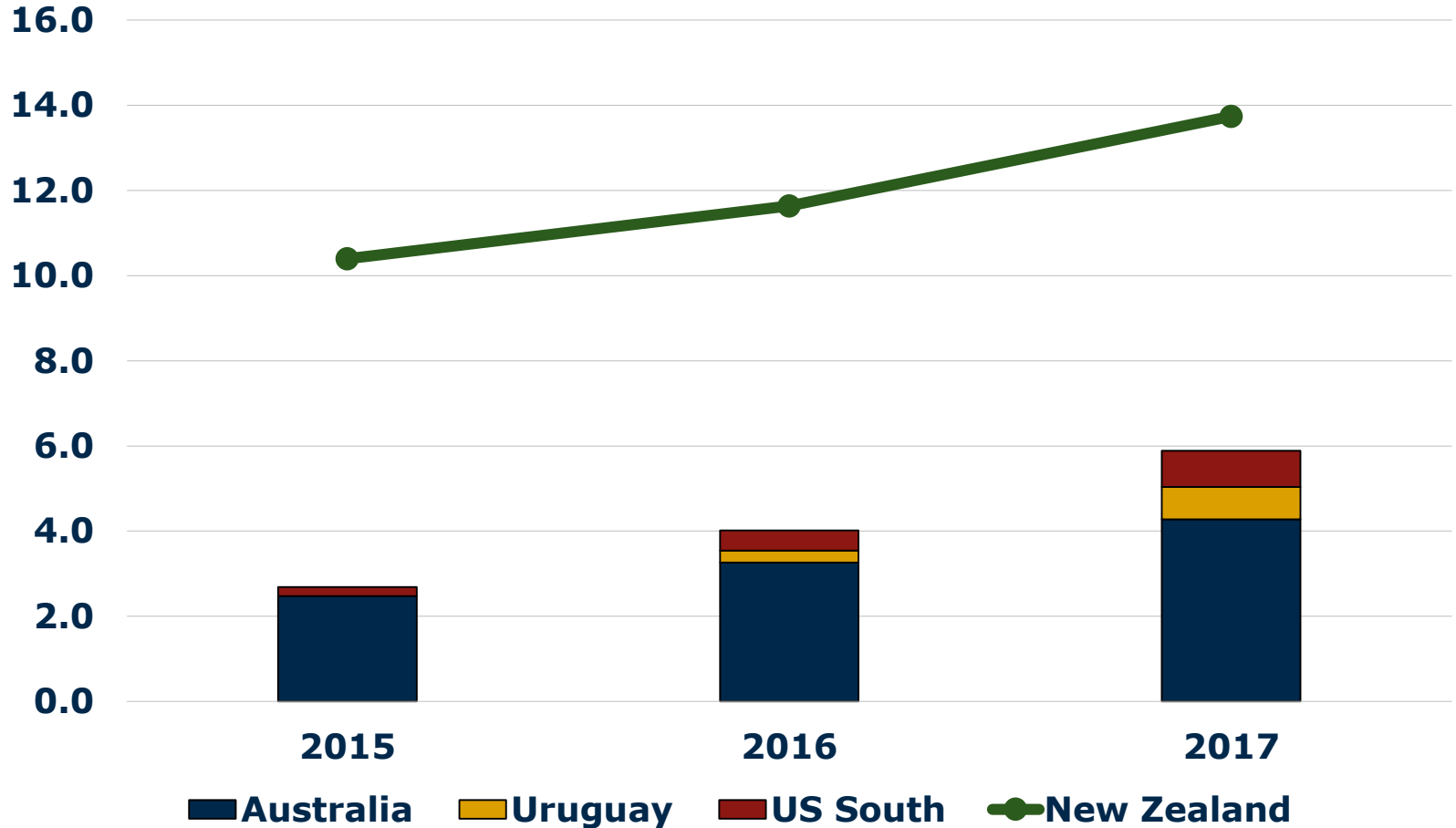
SYP Log Exports, Million m³



Note: YTD Data Through November

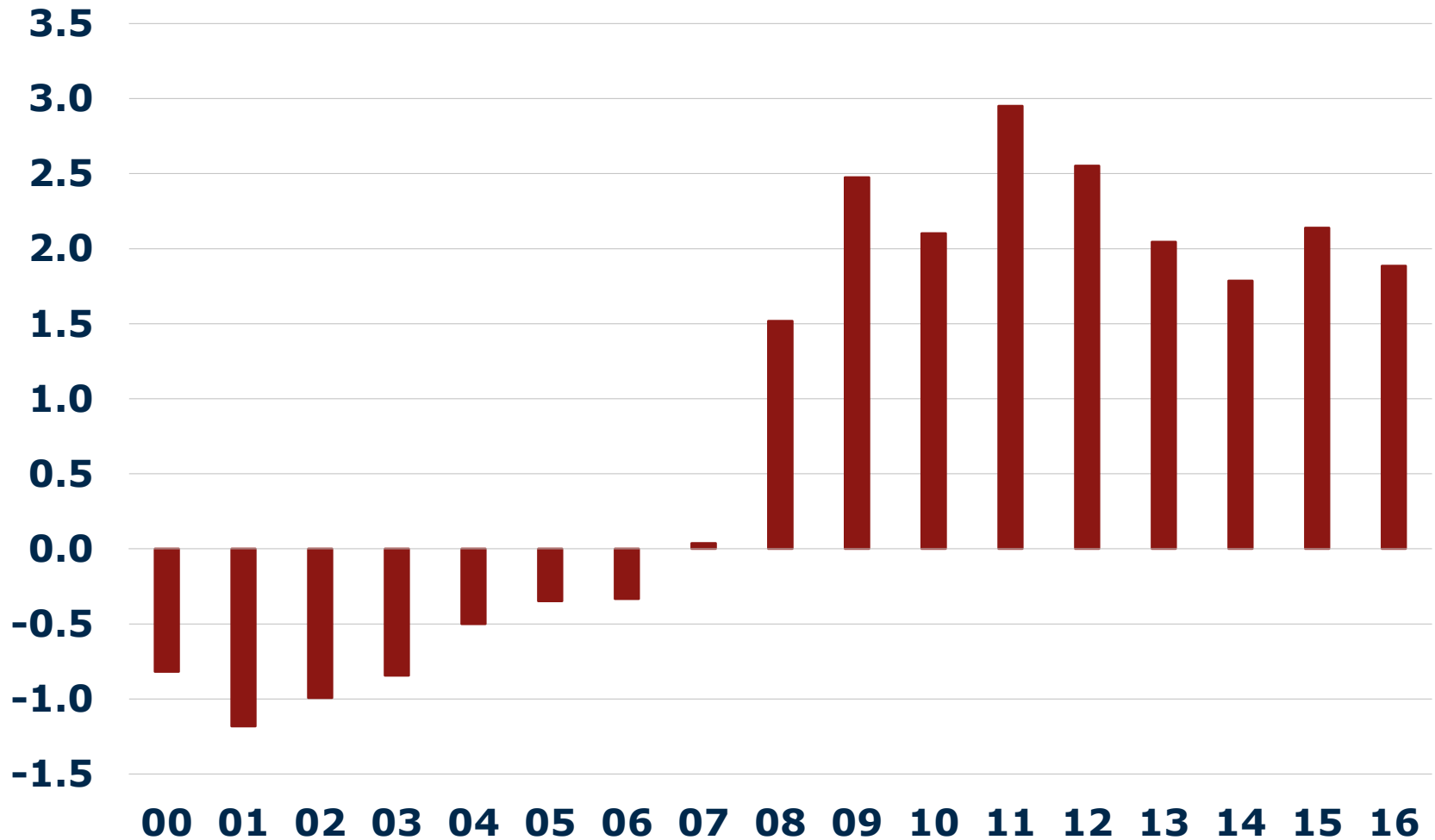
China's Source of Offshore Pine Log Imports by Source Country

Million m³



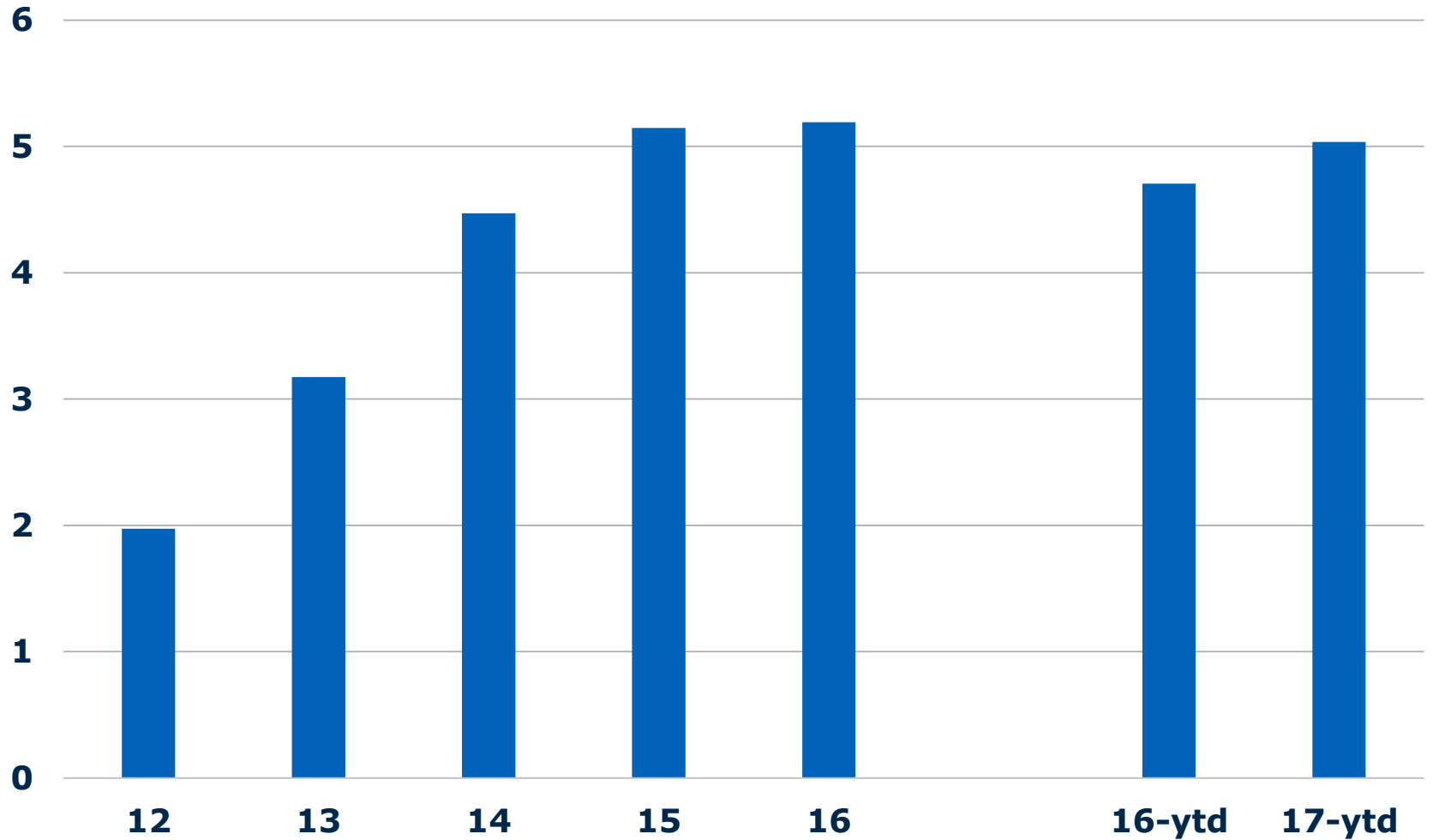
US Net Pulp Exports Have Improved

Million Tons



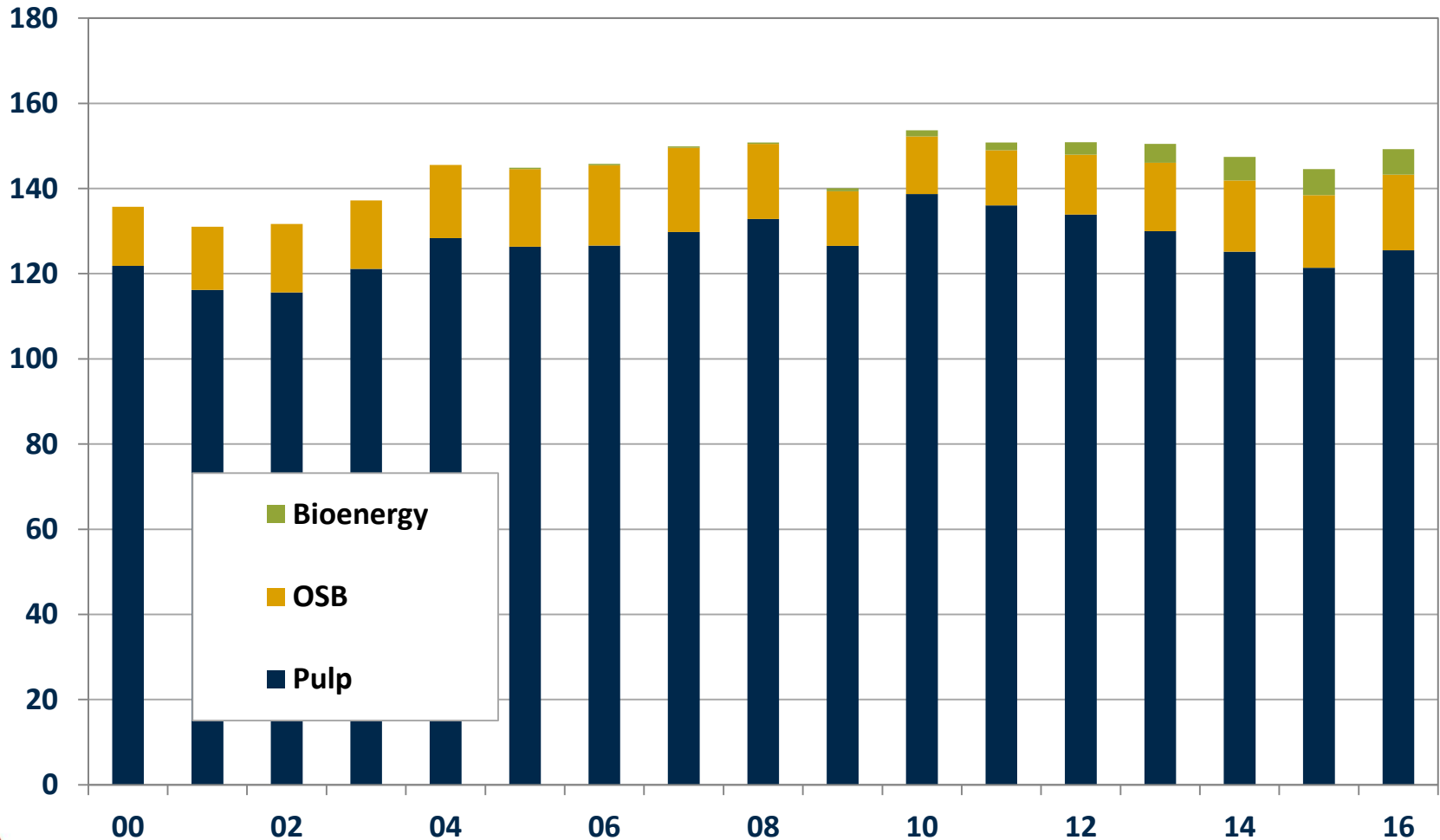
US Wood Pellet Exports

Million Short Tons



US South Pulpwood Demand

Million Short Tons



Note: Includes both softwood and hardwood pulpwood.

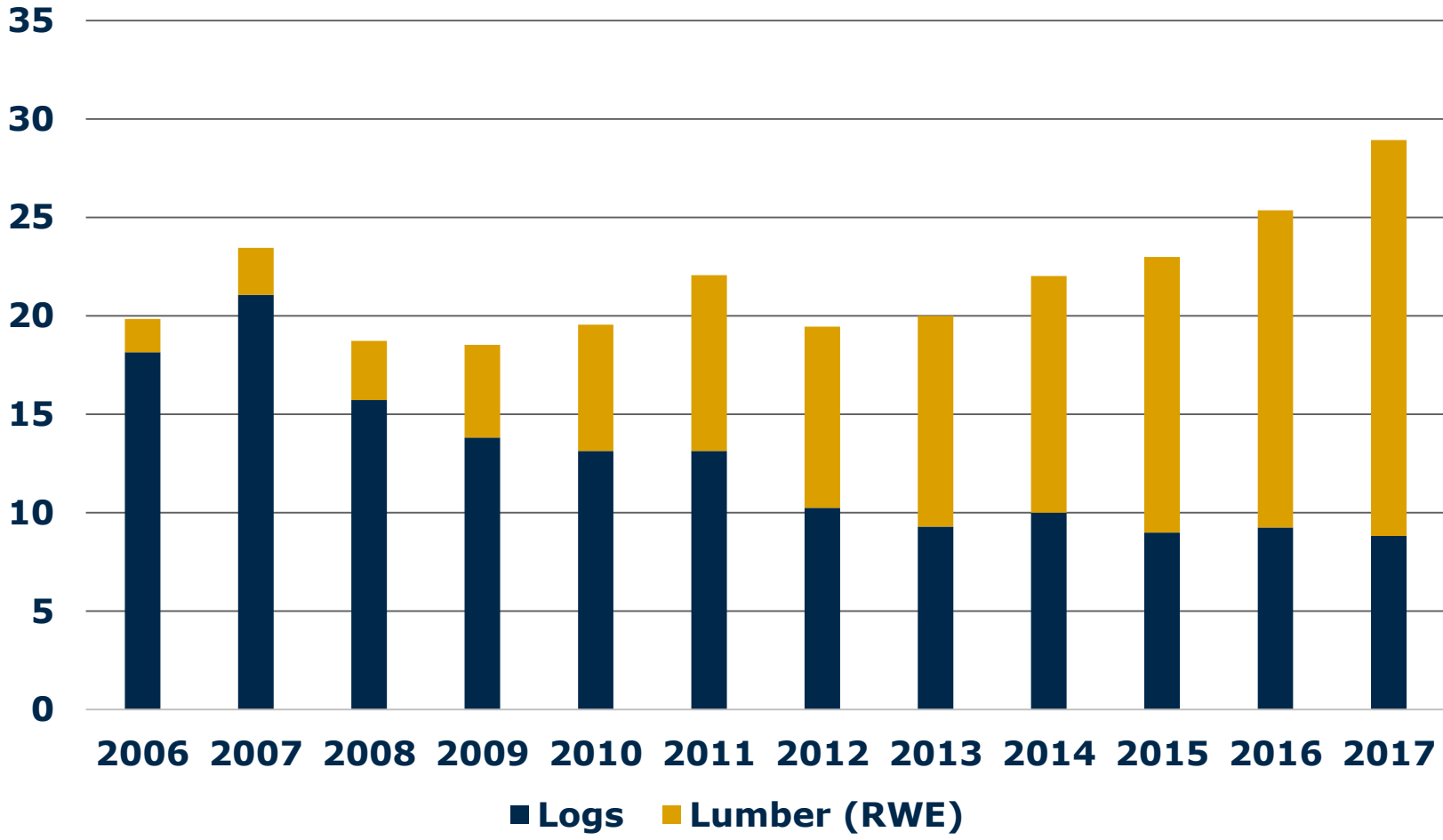
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Future Trends in International Markets

- Investment in China's transportation infrastructure is changing the log/lumber supply chain dynamics in the country, with major implications for international trade.
- After years of weak consumption levels, the recovery of US domestic demand for forest products will lead to increased imports.

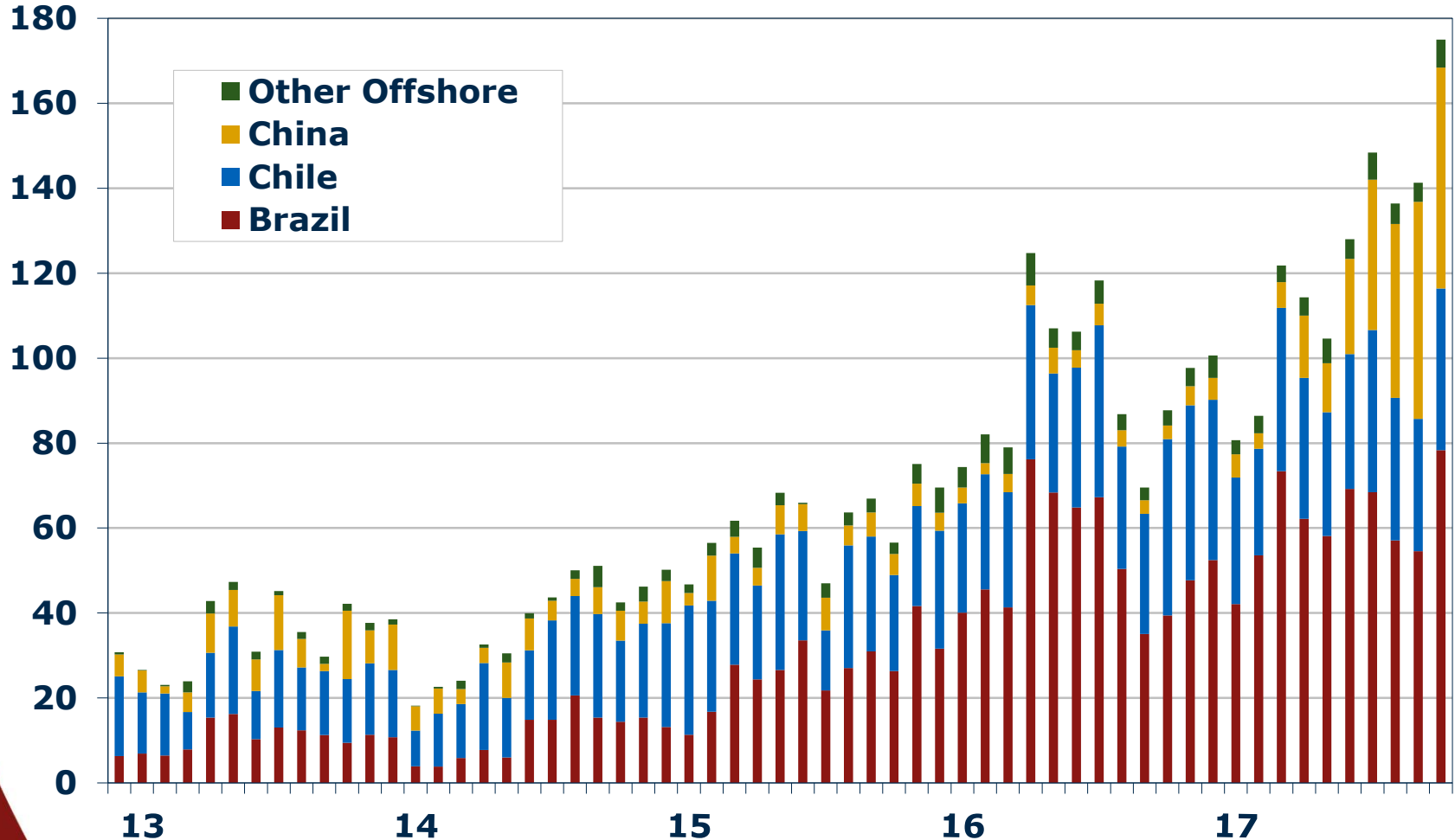
Russia's Role in International Forest Product Markets Rising

Russia Softwood Log and Lumber Exports to China, RWE, Million m³



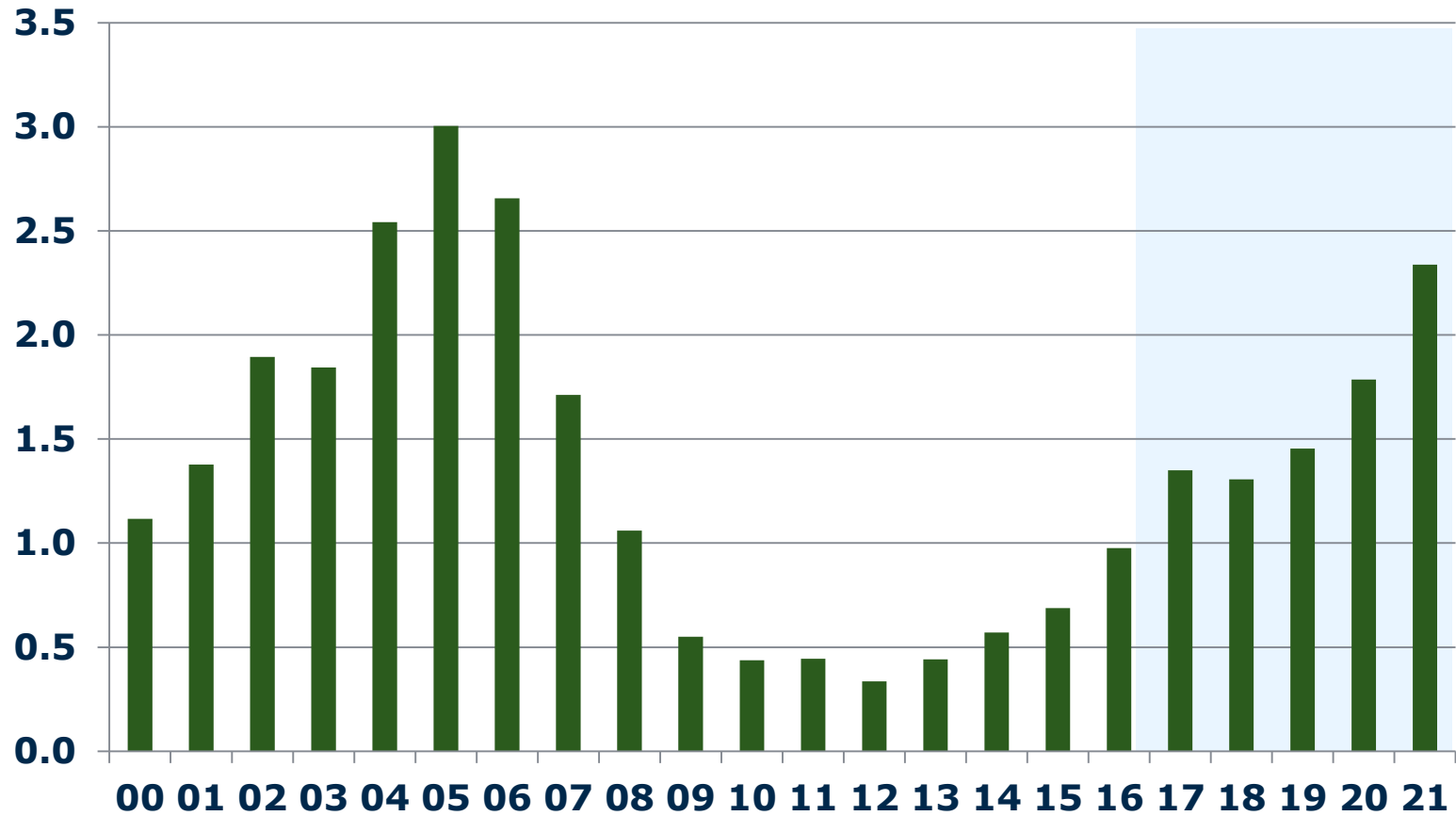
US Offshore Softwood Plywood Imports Have Jumped

US, MMSF, 3/8-Inch Basis



North American Offshore Softwood Lumber Imports Will Surge

BBF, Lumber Tally



Key Messages

- Growing demand in regions with limited wood resources increasing international trade in forest products.
- The US South's forest product industry increasingly operating in international markets.
- The South's competitiveness in international markets benefits from relatively low wood costs and increased supply from a well-managed timber resource.
- Looking forward, the continued demand recovery in the US will lead to greater international competition in the South's domestic markets.

Thank you

Rocky Goodnow

rgoodnow@getfea.com

978-496-6337