Is The Hardwood Market on The Rebound, Maybe then Maybe Not

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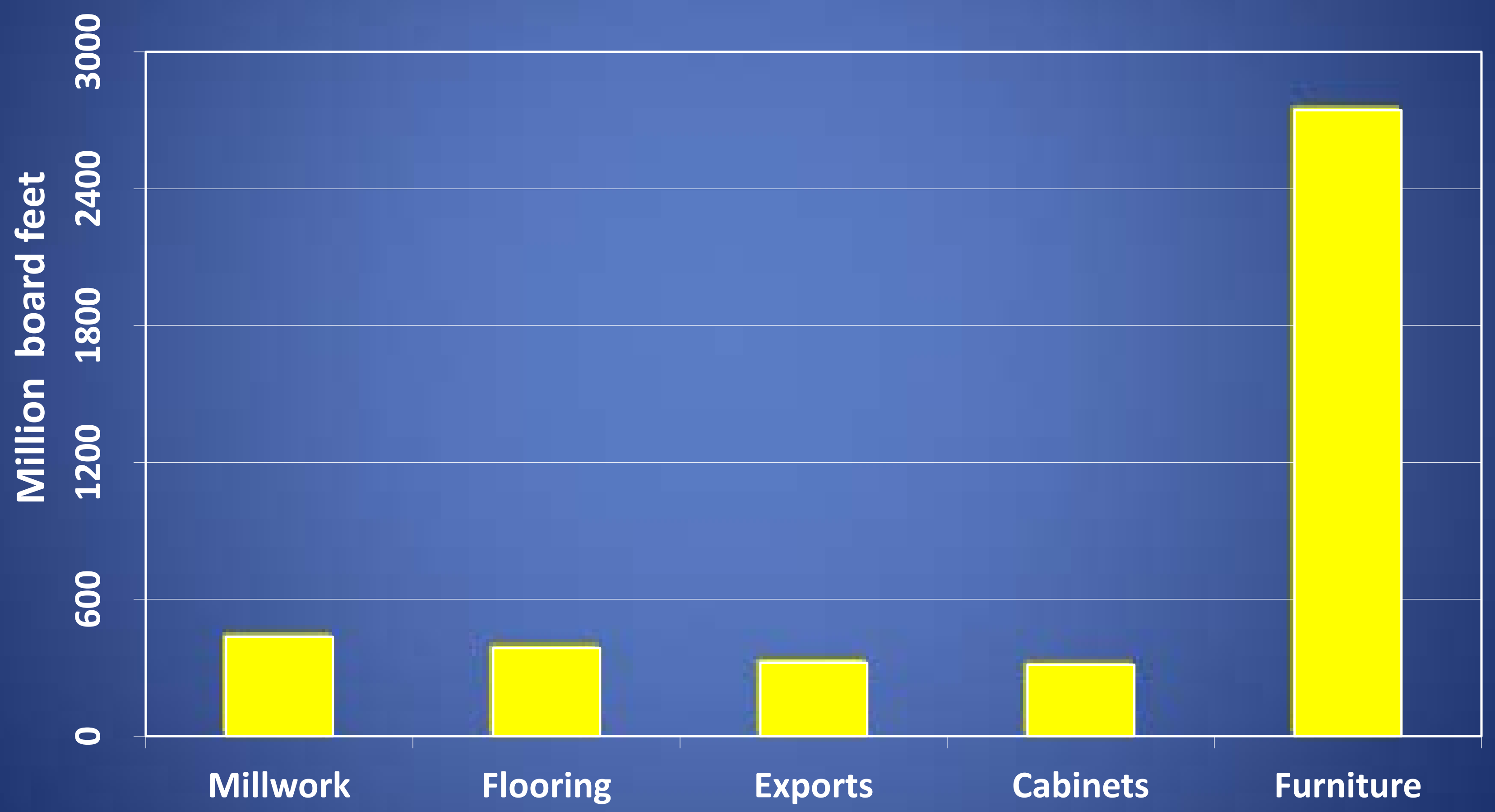
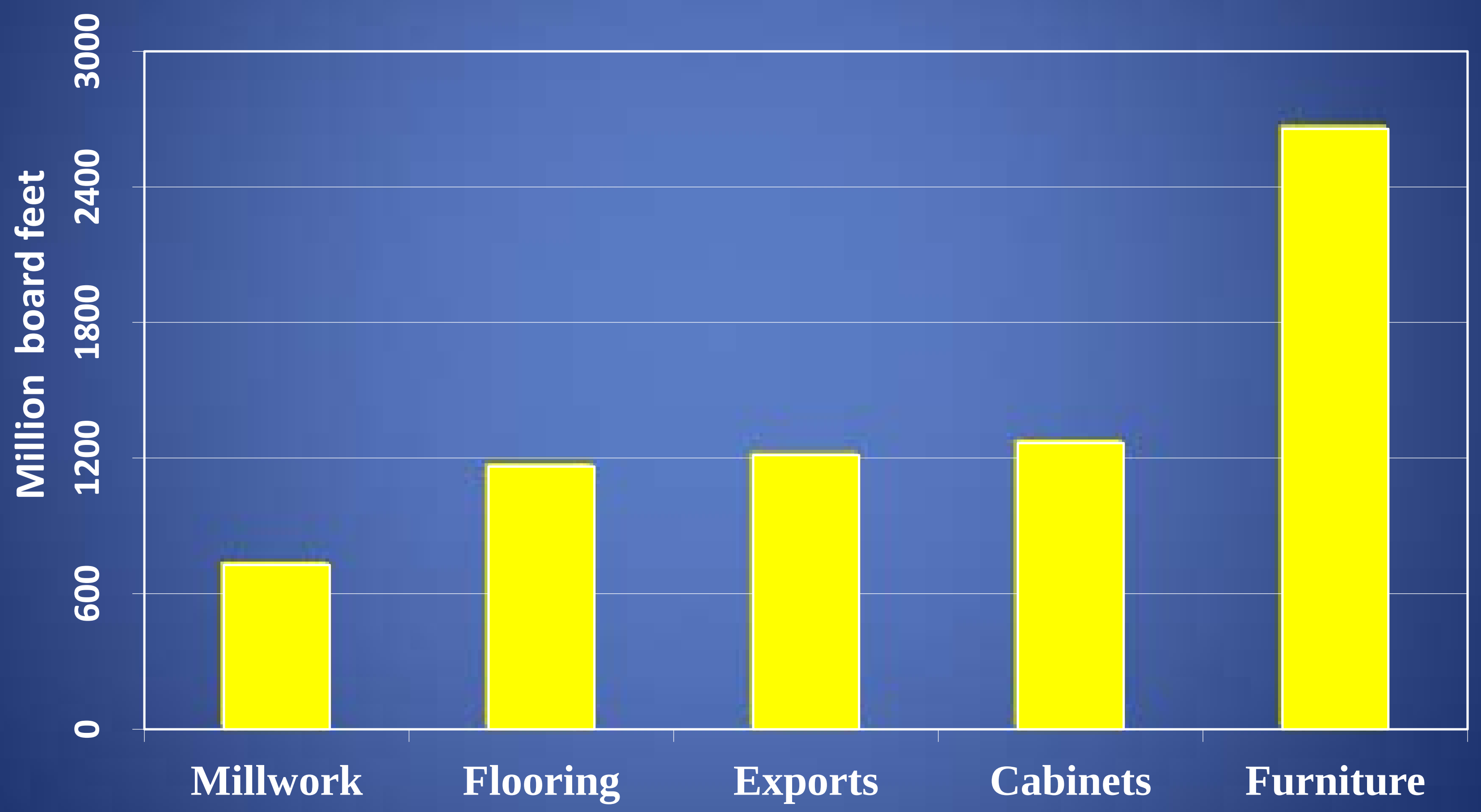
Opening Statement

- Hardwood lumber production has decline by 40 percent between 1999 and 2010 and has only increased modestly since then
- We have permanently lost as much as a third of our hardwood lumber production capacity in the last 5 years – Liquidated or abandon
- Demand in the first half of 2010 looked promising but started to decline in late 2010 and has continued to be poor -- except for --residue, crossties, pallet material, crane matts and exports

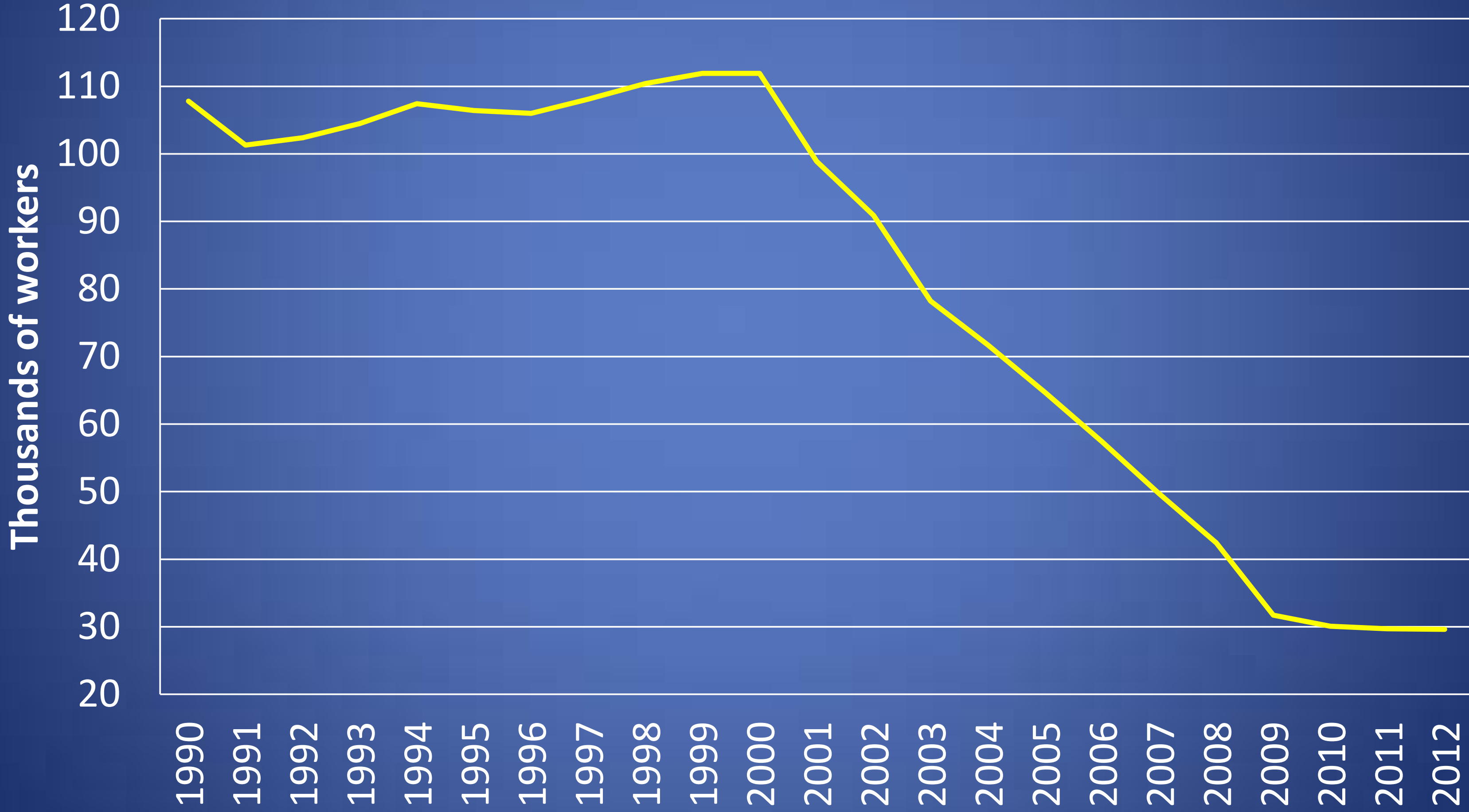
Consumption by Major Non-Industrial Users of Hardwood Lumber in 1977



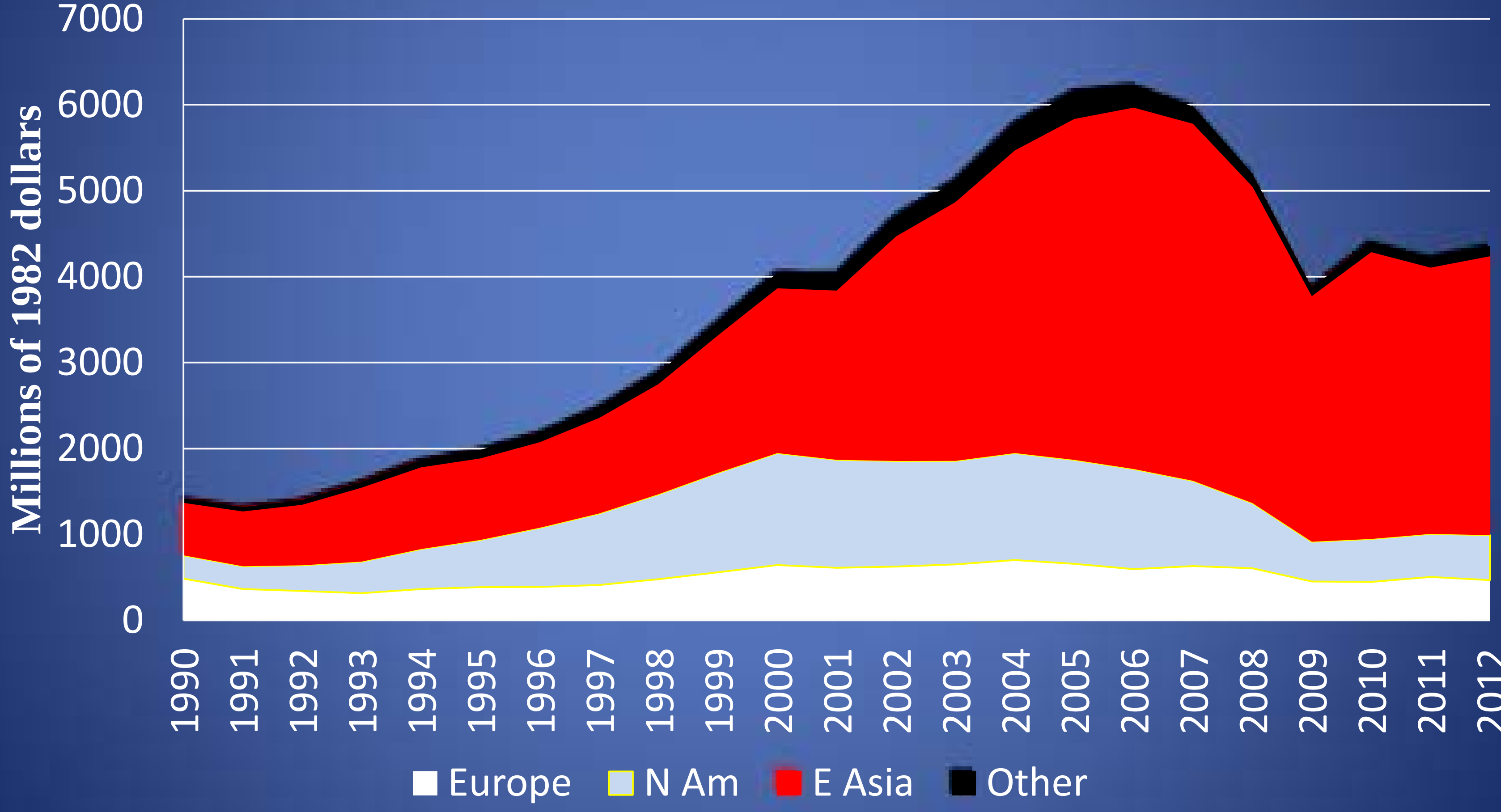
Consumption by Major Non-Industrial Users of Hardwood Lumber in 1997



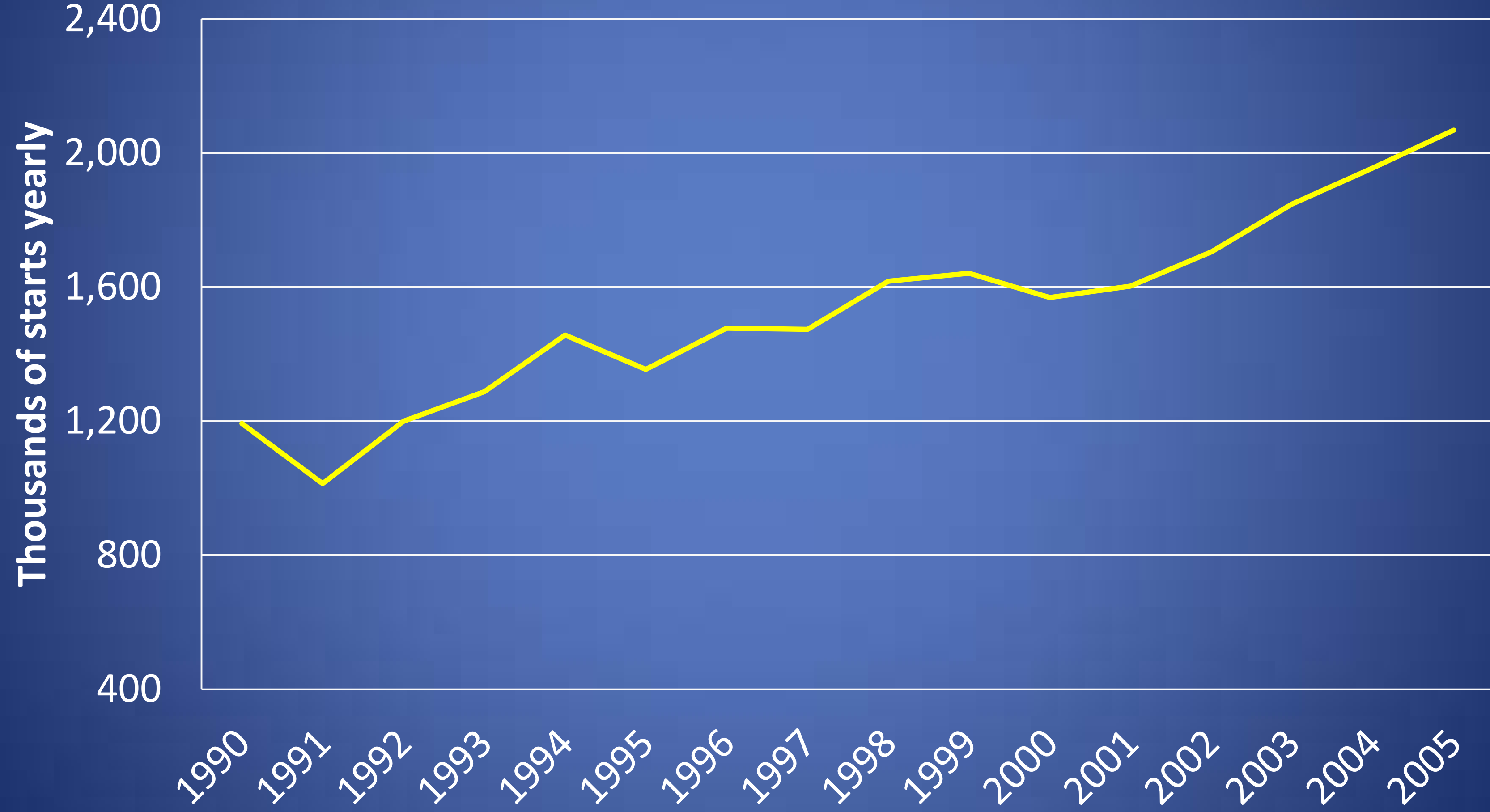
Non-Supervisory Employment in the Wood Household Furniture Industry 1990 to 2012



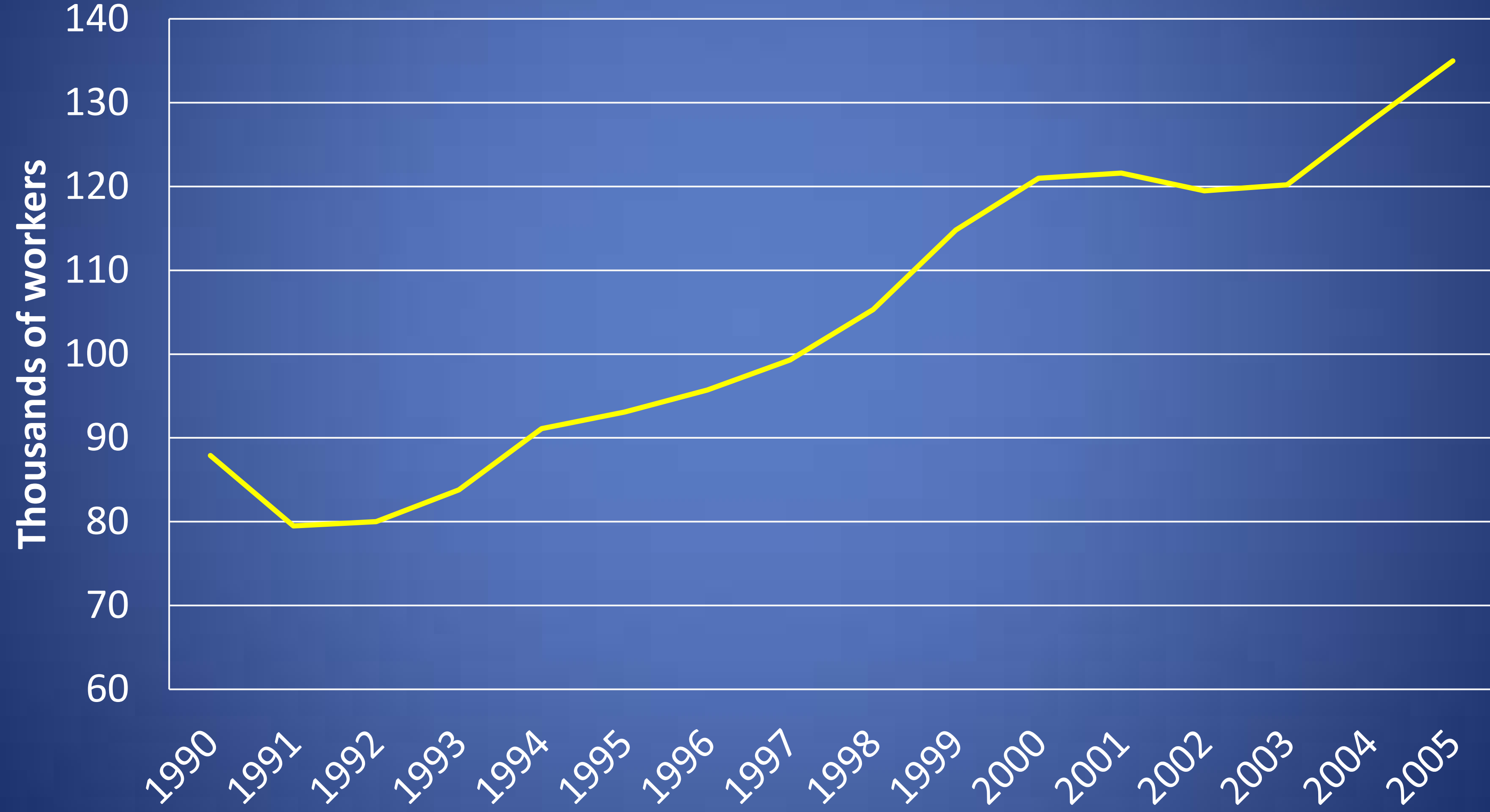
Wood Furniture Imports 1990 to 2012



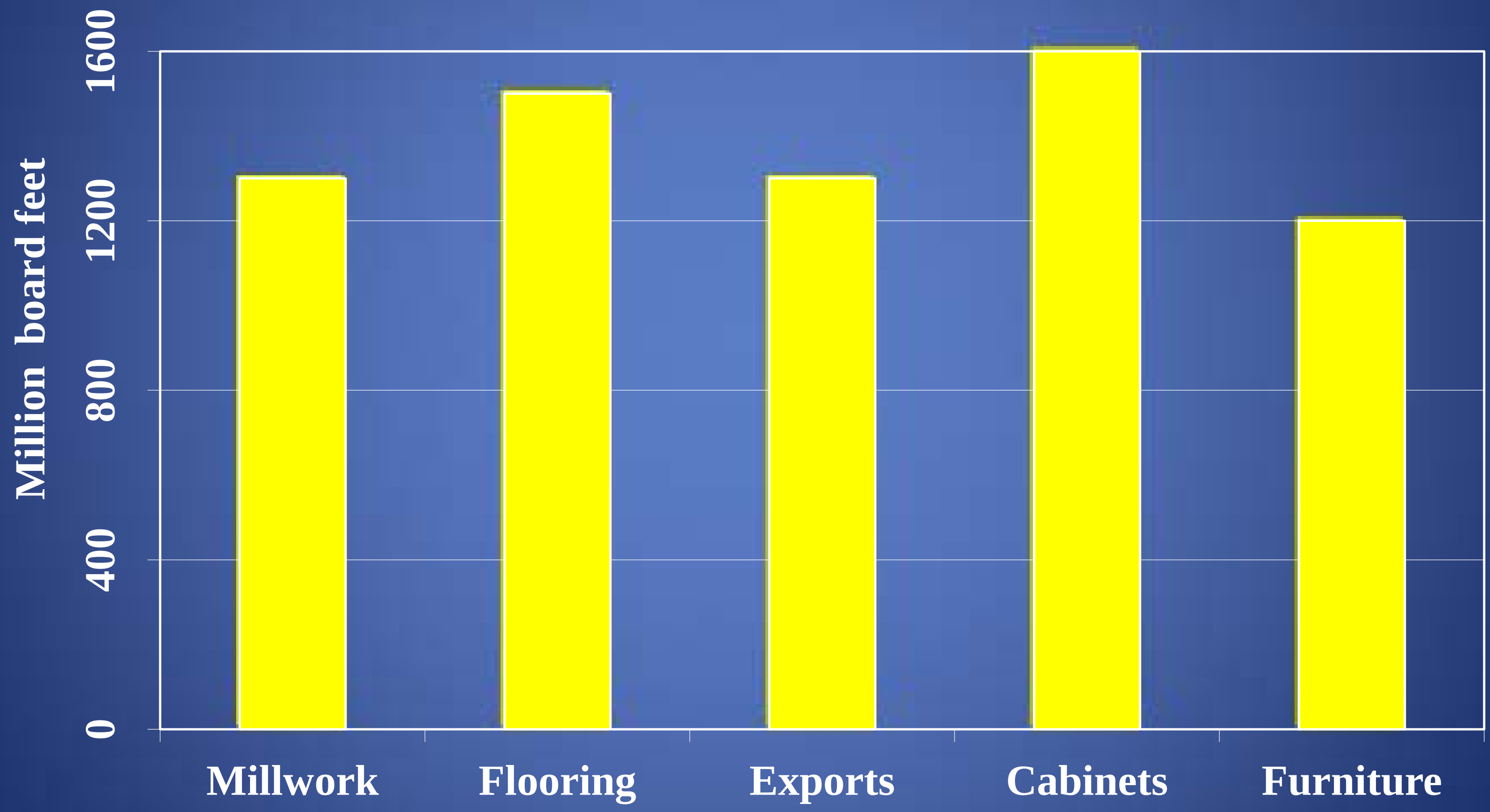
Housing Starts 1990 to 2005



Non-Supervisory Employment in the Kitchen Cabinet Industry 1990 to 2005



Consumption by Major Non-Industrial Users of Hardwood Lumber in 2005



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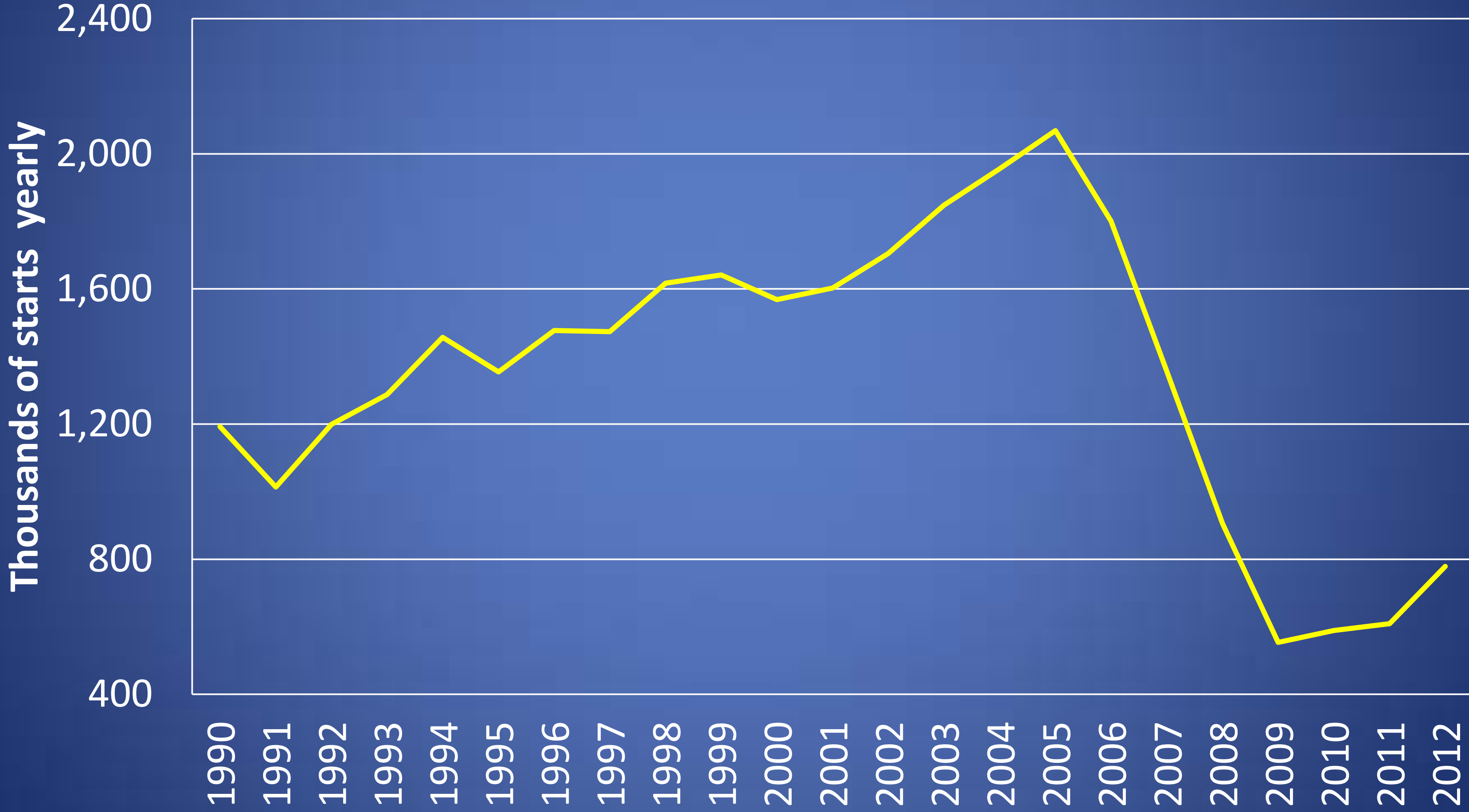
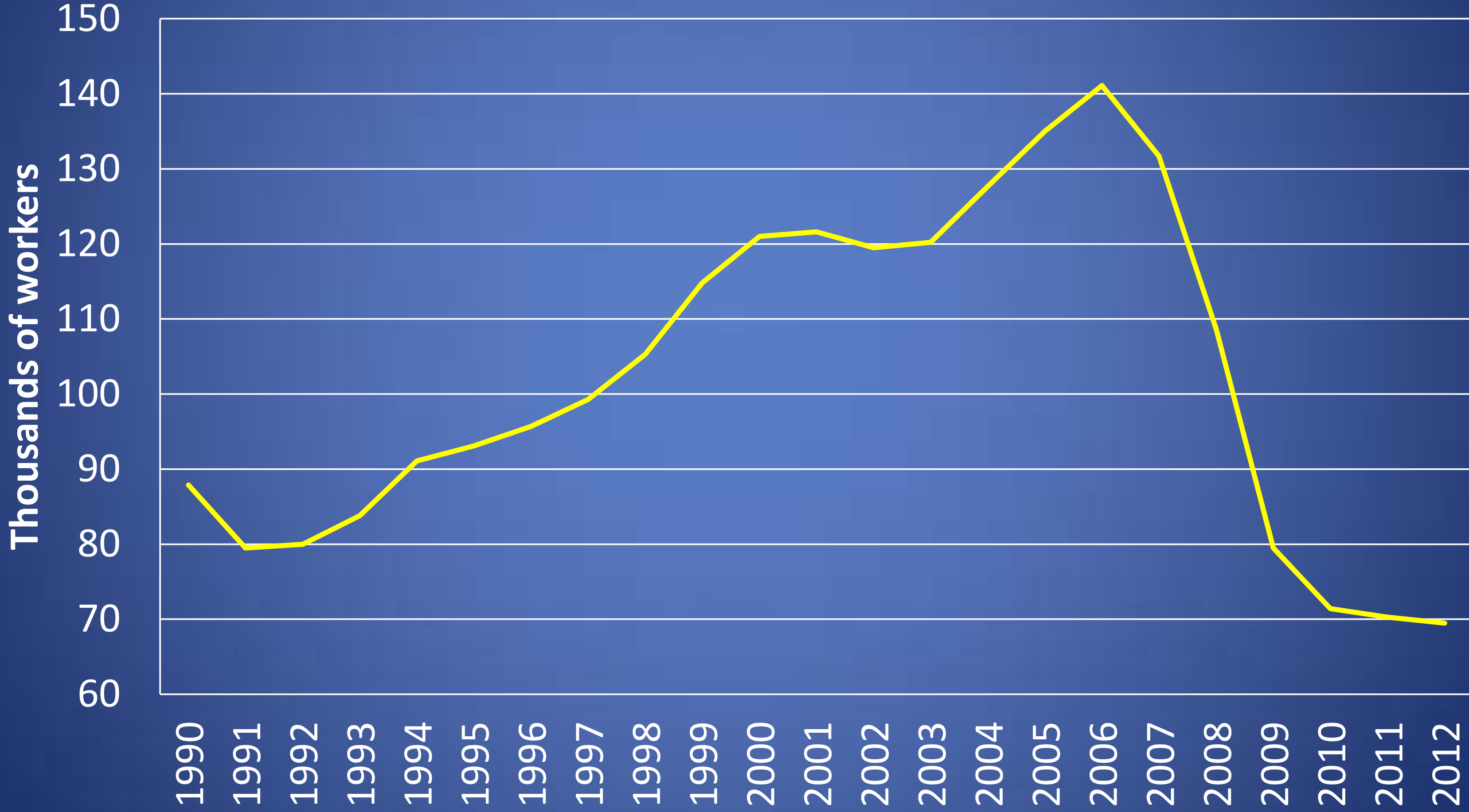
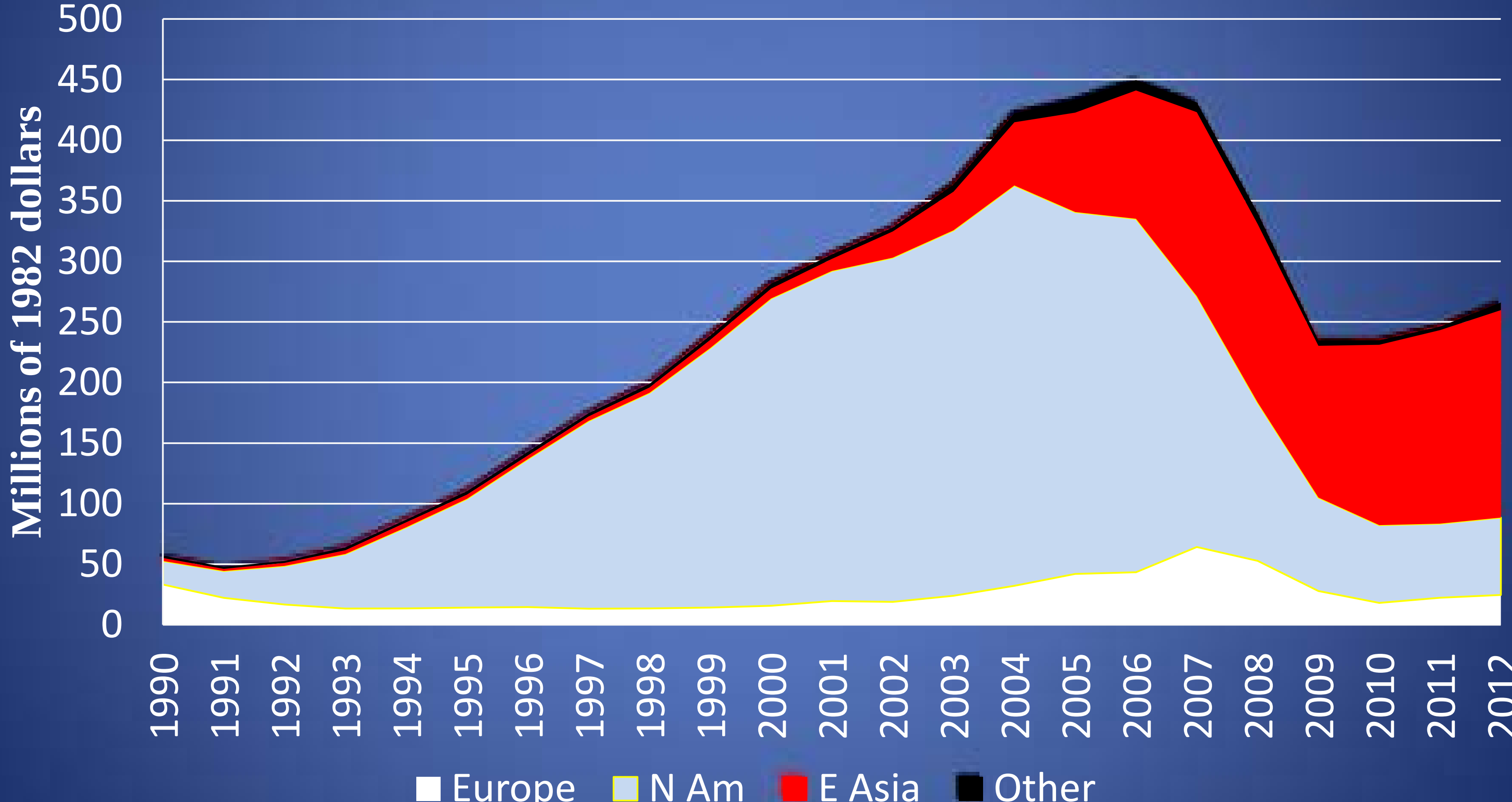


On-Supervisory Employment in the Kitchen Cabinet Industry 2006 to 2012



Kitchen Cabinet Imports 1990 to 2012



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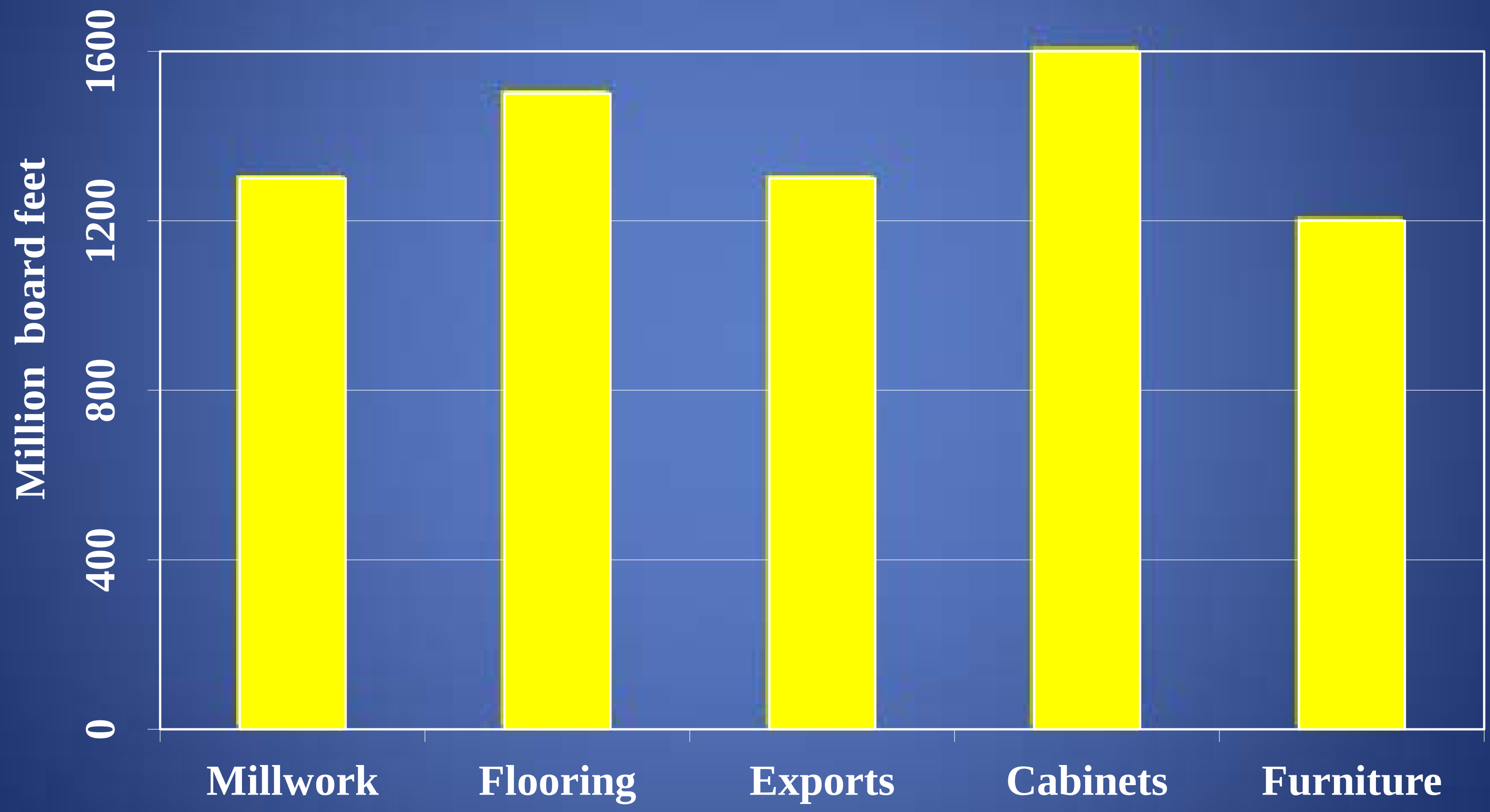
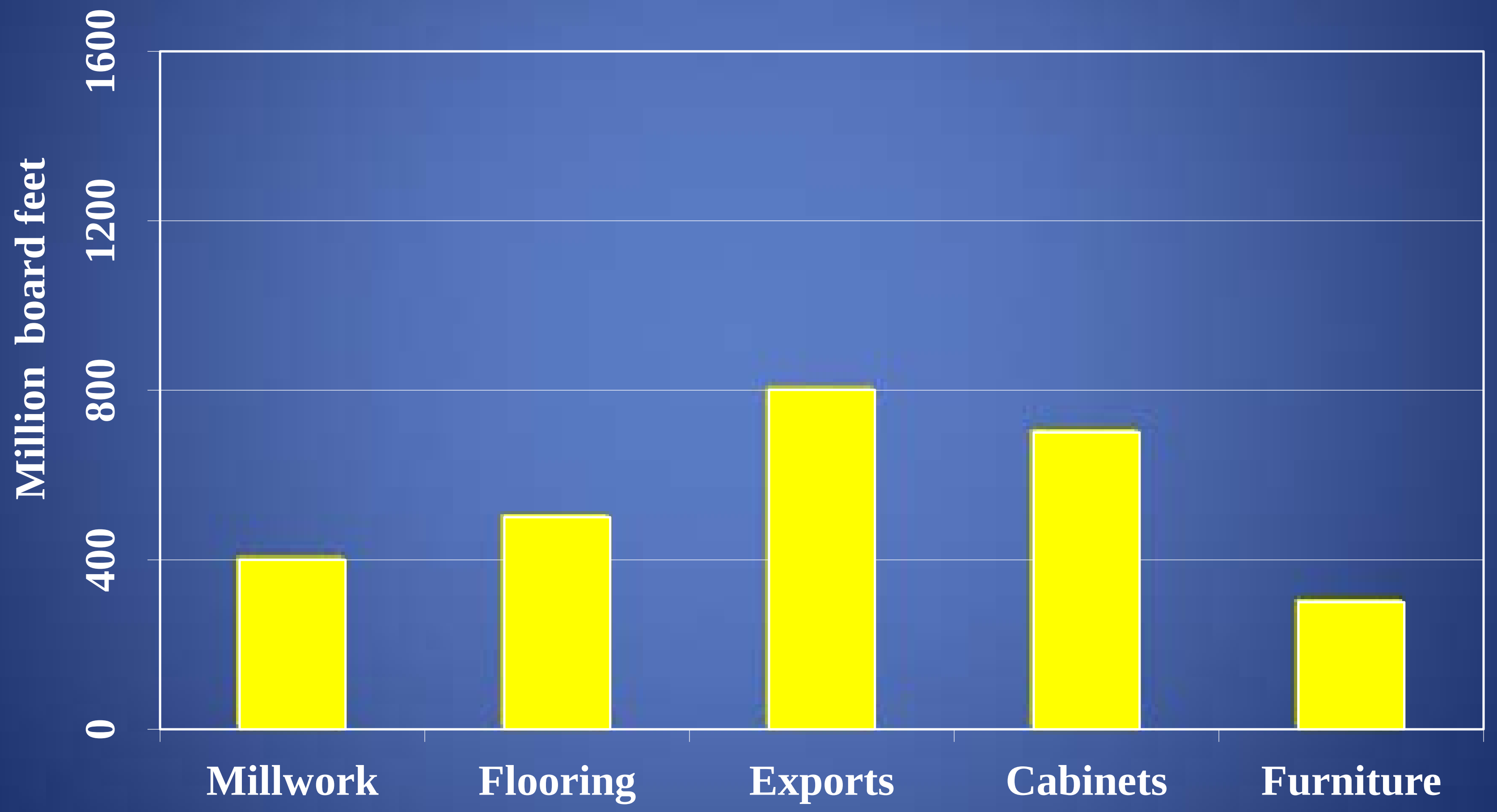
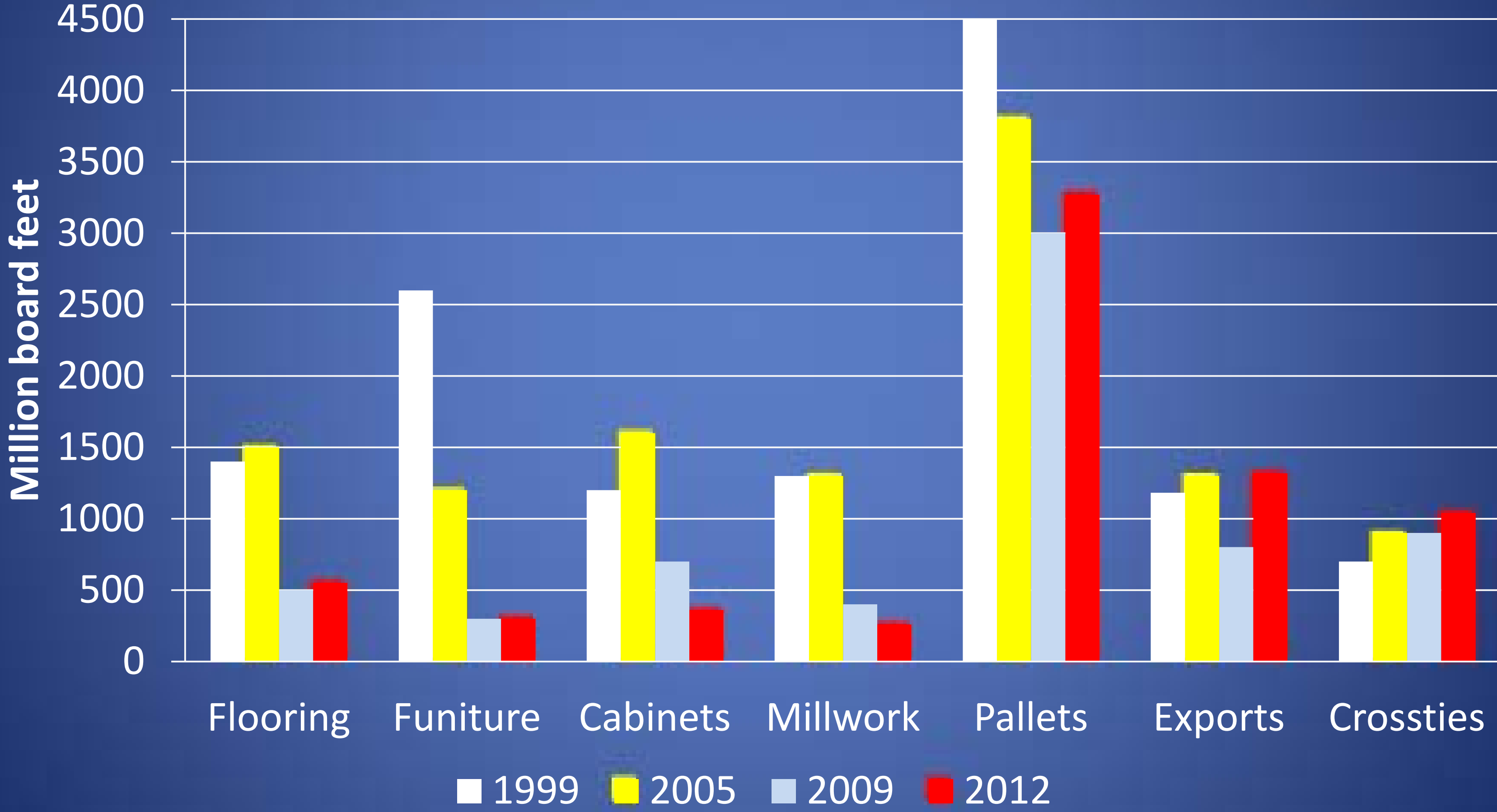


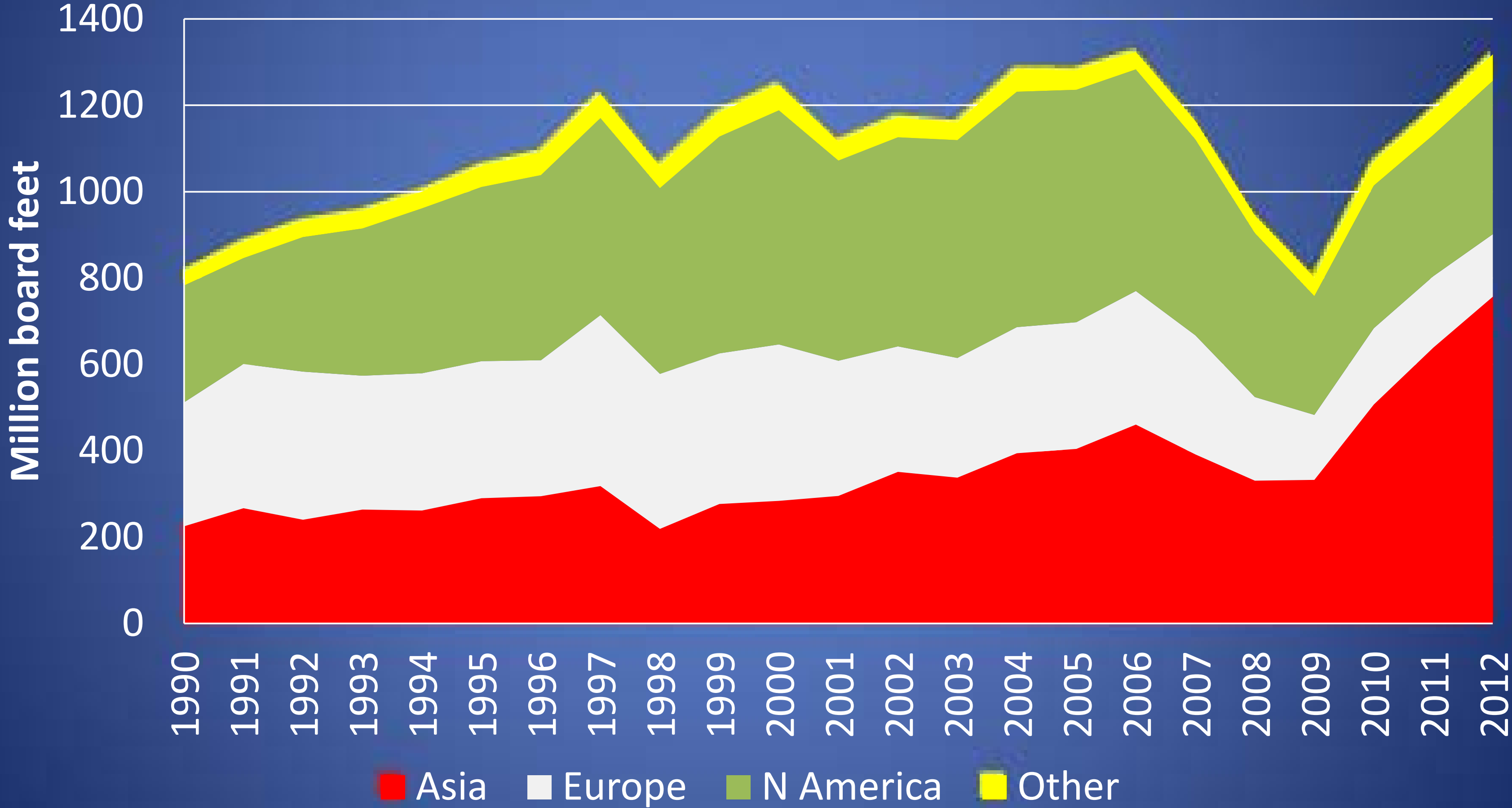
Consumption by Major Non-Industrial Users of Hardwood Lumber in 2009



Hardwood Lumber Consumption 1999, 2005, 2009, 2012



Hardwood Lumber Exports 1990 to 2012 by Region



The Percent of Hardwood Lumber Consumed for Industrial and Non-Industrial Applications

User Group	1972	1982	1992	2002
Industrial	32%	40%	34%	37%
Non-Industrial	68%	60%	66%	63%

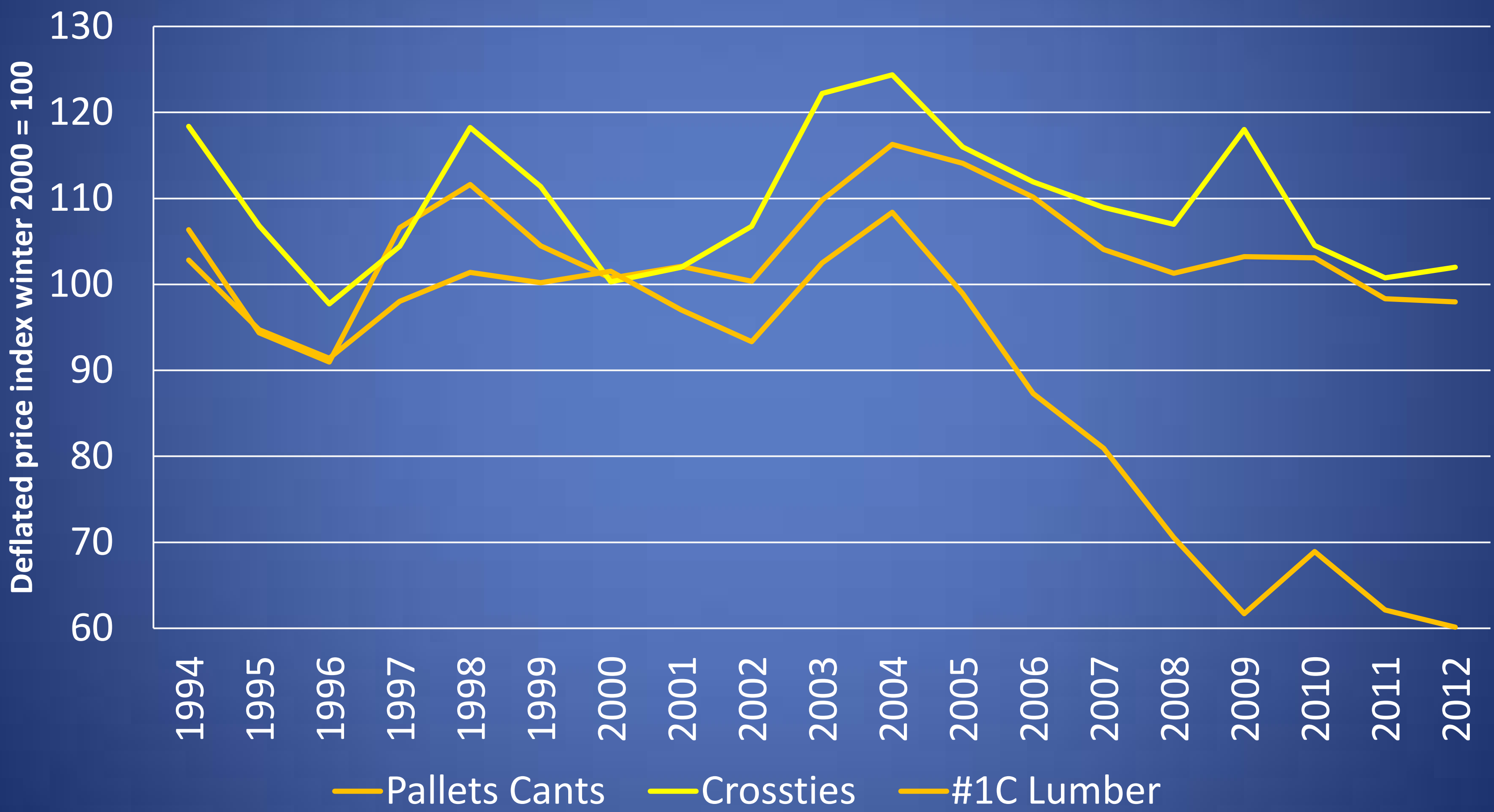
The Percent of Hardwood Lumber Consumed for Industrial and Industrial Applications

User Group	2005	2006	2007	2008	2009
Industrial	41%	42%	44%	52%	60%
Non-Industrial	59%	58%	56%	48%	40%

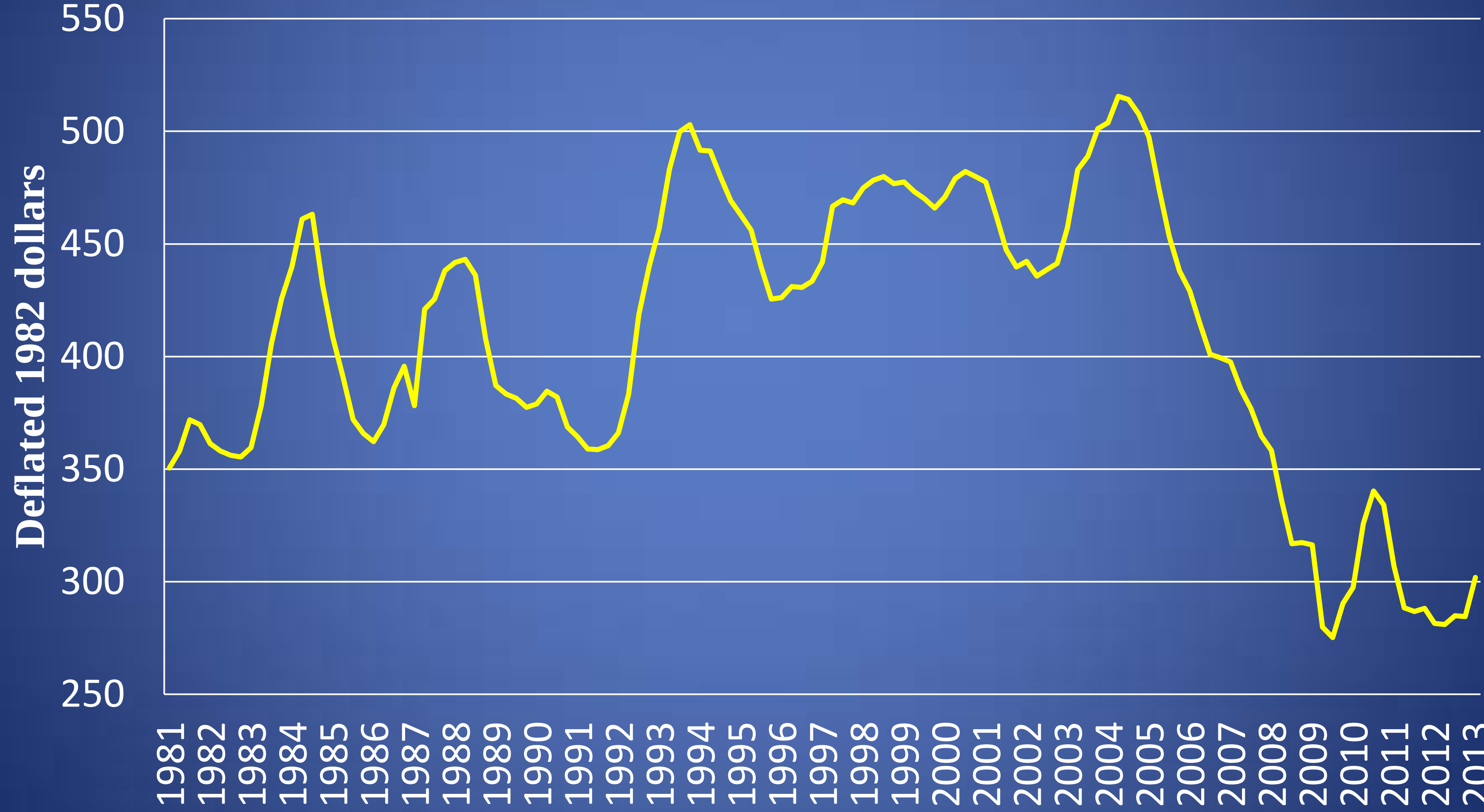
The Percent of Hardwood Lumber Consumed for Industrial and Non-Industrial Applications

User Group	2009	2010	2011	2012
Industrial	60%	58%	63%	61%
Non-Industrial	40%	42%	37%	39%

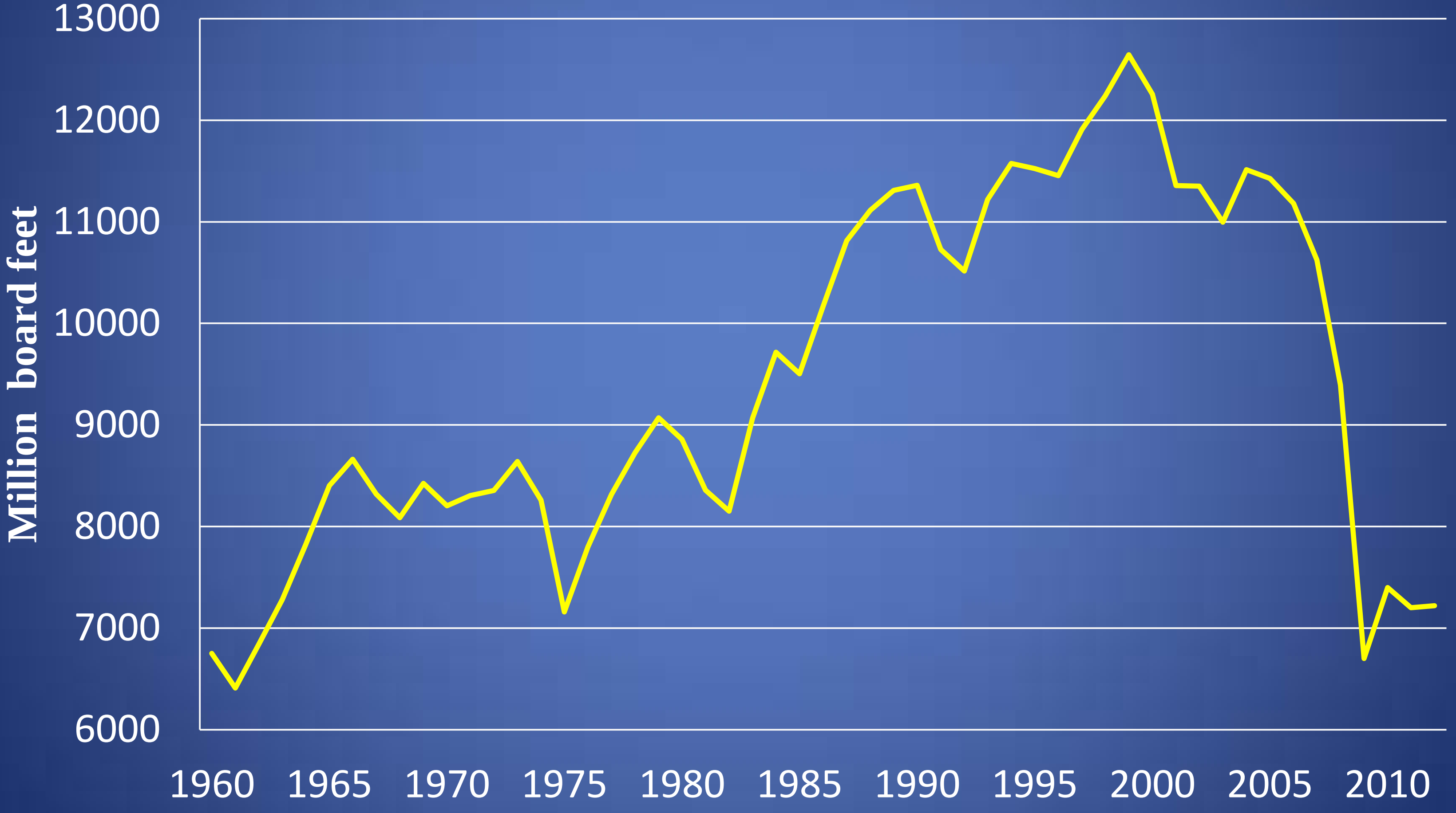
Industrial Lumber Versus Grade Lumber Price Trends



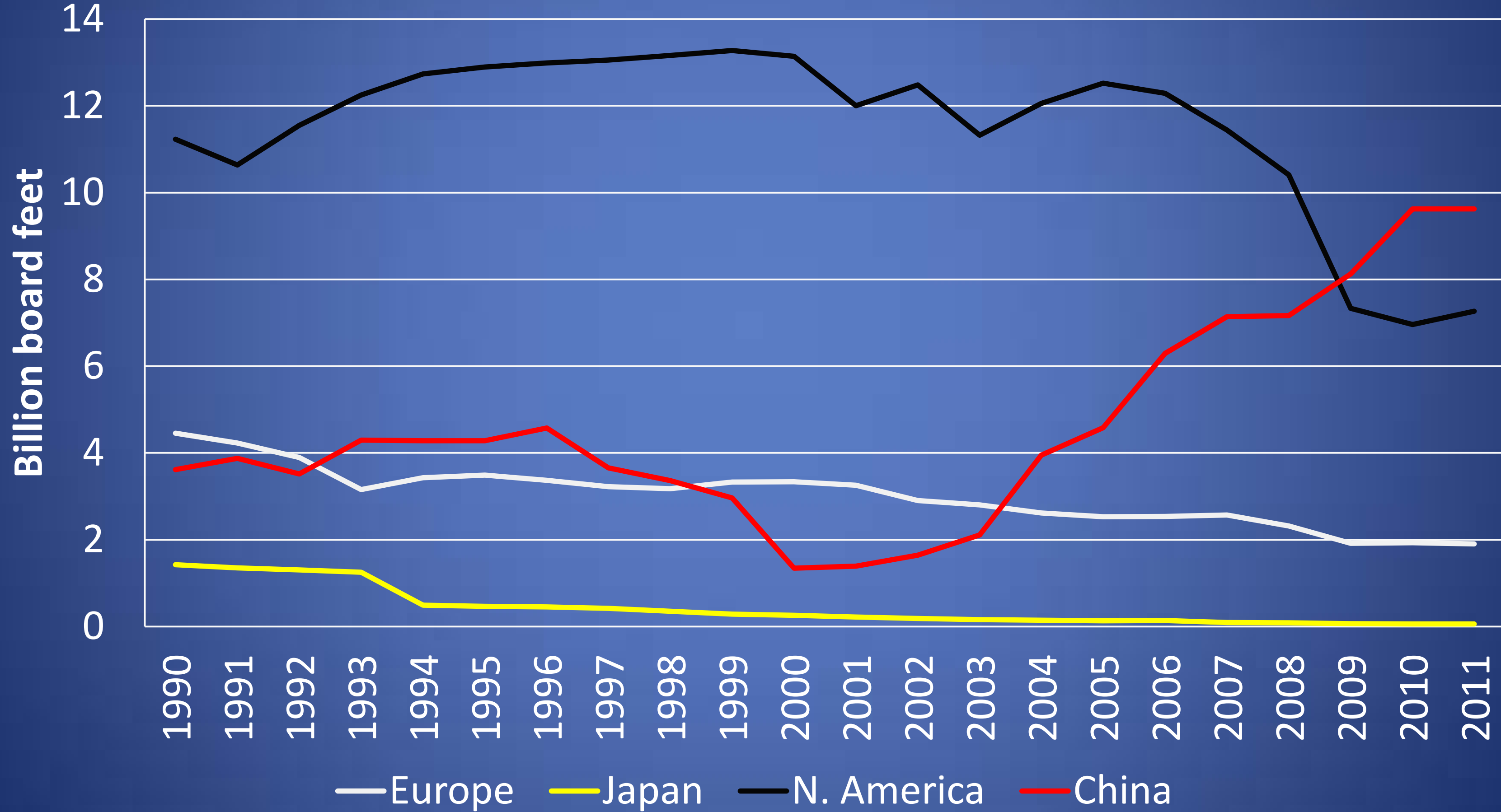
Historic Trends for Deflated #1 Common Appalachian Hardwood Lumber Price



Eastern Hardwood Lumber Production



Hardwood lumber production in Europe, Japan, North America, and China 1990 to 2011



Changes in 1C Lumber, Premium Log and Low Grade Log Prices Since the Mid 2000s

Species	Product	Price high point	Price low point	% change high point and low point	% change high point and fall 2011
Hard Maple	1C Lumber	Spring 2006	Spring 2009	-45.7	-42.1
	Prime log	Fall 2006	Spring 2009	-43.0	-39.1
	Low grade log	Fall 2006	Fall 2008	-15.6	**11.8**
Red Oak	1C Lumber	Spring 2004	Spring 2008	-42.2	-34.1
	Prime log	Spring 2004	Fall 2008	-43.8	-30.7
	Low grade log	Spring 2004	Fall 2008	-12.7	**8.3**
Black cherry	1C Lumber	Fall 2004	Fall 2009	-60.3	-58.4
	Prime log	Spring 2004	Fall 2009	-50.3	-50.3
	Low grade log	Spring 2004	Fall 2009	-15.4	**6.9**

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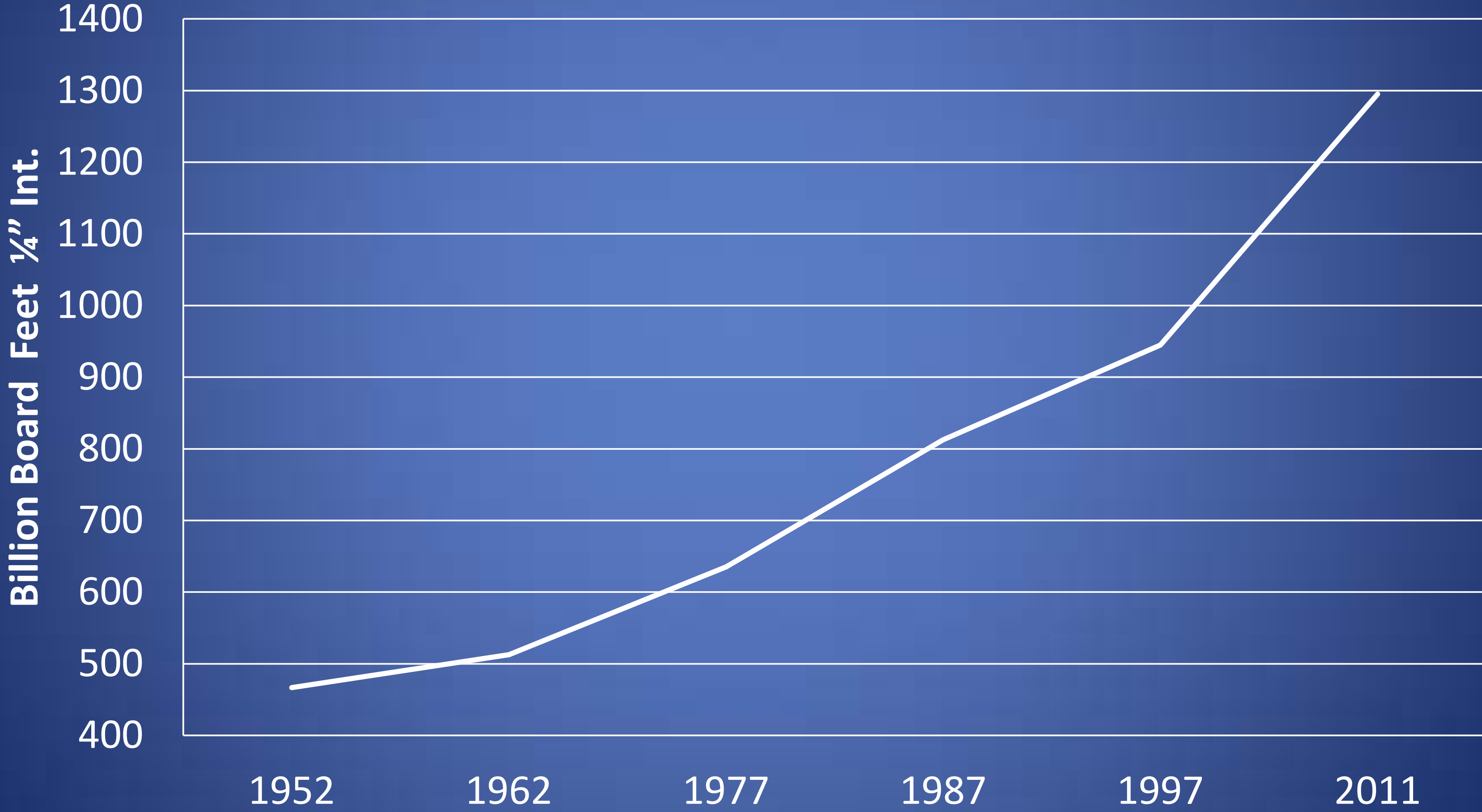
Eastern Hardwood Sawtimber Volume 1952 to 2011



Growth of the Five Most Important Species Group 1963 to 2011

Species group	Sawtimber volume 1963 (million bf)	Sawtimber volume 2011 (million bf)	Change between 1963 to 2011
Select W. Oaks	42,847	132,426	209.1%
Select R. Oaks	35,020	116,009	231.3%
Other R. Oaks	55,397	176,083	217.9%
Soft Maple	19,216	108,154	462.8%
Yellow-poplar	21,202	138,637	553.9%

Utilization and Sustainability for Major Hardwood Species Groups Used in the North

Species group	Proportion of inventory	Proportion of harvest	Relative utilization	Growth harvest ratio
Hard Maple	15.6	19.8	1.26	2.07
Soft Maple	18.0	14.7	0.82	3.6
Cottonwood/ Aspen	7.0	12.5	1.79	1.62
Select R Oak	13.8	11.8	0.85	3.56

Utilization and Sustainability for Major Hardwood Species Groups Used in the South

Species group	Proportion of inventory	Proportion of harvest	Relative utilization	Growth harvest ratio
Other R Oaks	27.2%	34.7%	1.27	1.73
Sweetgum	13.9%	18.6%	1.34	1.58
Select W Oaks	9.9%	9.3%	0.94	2.48

The Near Term Outlook

- A never ending stream of new regulations
- Rising energy prices
- Economic Uncertainty
- Continued consumer pessimism
- My crystal ball shows no rapid improvement in the economy

Longer Term View

- When the market for hardwood lumber picks up the greatest bottleneck will be loggers and truckers
- The bad market has forced logger out of business and the remaining logger will be operating old equipment
- Trucker that carried logs out of the woods have found employment in gas and oil drilling industry and probably will not return to log hauling

Longer Term View

- The shortage of loggers and truck drivers will most likely be less in states that have a large industrial product sector and no drilling
- This means that New England will be in better shape than West Virginia and Pennsylvania once demand increases.