



SEALASKA
TIMBER

ITC Exporting Roundtable
July 25, 2011

Log Export Presentation

- Review of Key Factors for exporting programs
- Balancing Export and Domestic Opportunities
- Evaluating Potential Partners
- Questions



Log Export Shipping Methods

Shipping methods to Asia

- Bulk Carrier Ship – Volumes of 5.5 to 6 MMBF
- Container- Small volumes of 3500 bf – 6500bf/container (smaller customers with smaller ports – Specialty)



ITC Export -Operational

Second Growth:

- When cutting second growth timber, close to all of the preferred and required bucking can be done in the woods.
- Preferred lengths 36, 32 & 24
- Top diameter exportable to 6”
- Size sorts 6-12”, 13-21 and 22”+

Old Growth

- When you are in old growth with high defect, it usually takes a concentrated effort in both the woods and sort yard to manufacture a log for the highest value.
- There is no such a thing as “producer vs purchaser” in cutting for value. You cut for the purchaser. Producing logs is no different than any manufacturing process. You look for ways to maximize your profits and still meet the needs of the customer. The highest value you are going to get for any log is when that log is manufactured to the customer specifications.
- Remember, the price of the log is determined both by quality and quantity of the lumber recovered.



Export Harvesting Activities and Costs

- Must have a total production cost that is competitive or have better quality to offset production costs. Little differentiation in second growth
- Lower quality wood can fit if the harvesting costs are lower via mechanized harvesting. Higher quality wood can have higher harvesting cost via manual harvest methods or selective helicopter programs.



Import Standards

- Japan does not require inspection or treatment of logs prior to importing to Japan as that process is handled internally by log customers.
- Korea requires hemlock logs to secure a phyto-sanitary certificate to be issued prior to importation. All logs require treatment but not prior to landing. Korean customers arrange for their own logs to be fumigated in Korea and pay for that service themselves.
- China requires all importers to debark or fumigate their logs prior to shipping. All logs must have a phyto-sanitary certificate issued prior to arrival in China.



Log Export 3rd Party Certification

- In practical terms, Asian importers do not place much value on FSC or third party certification for their log purchases. It is not a consideration in the region and does not bring any additional premiums by having that qualification for the log supply.
- We do as a course of business supply a certificate of origin from local Chambers of Commerce to our customers. This ensures our production originated from that area. Japan does require us to write an annual letter stating ownership for our products.
- FSC and third party certification is only an issue when dealing with domestic sawmills in the US



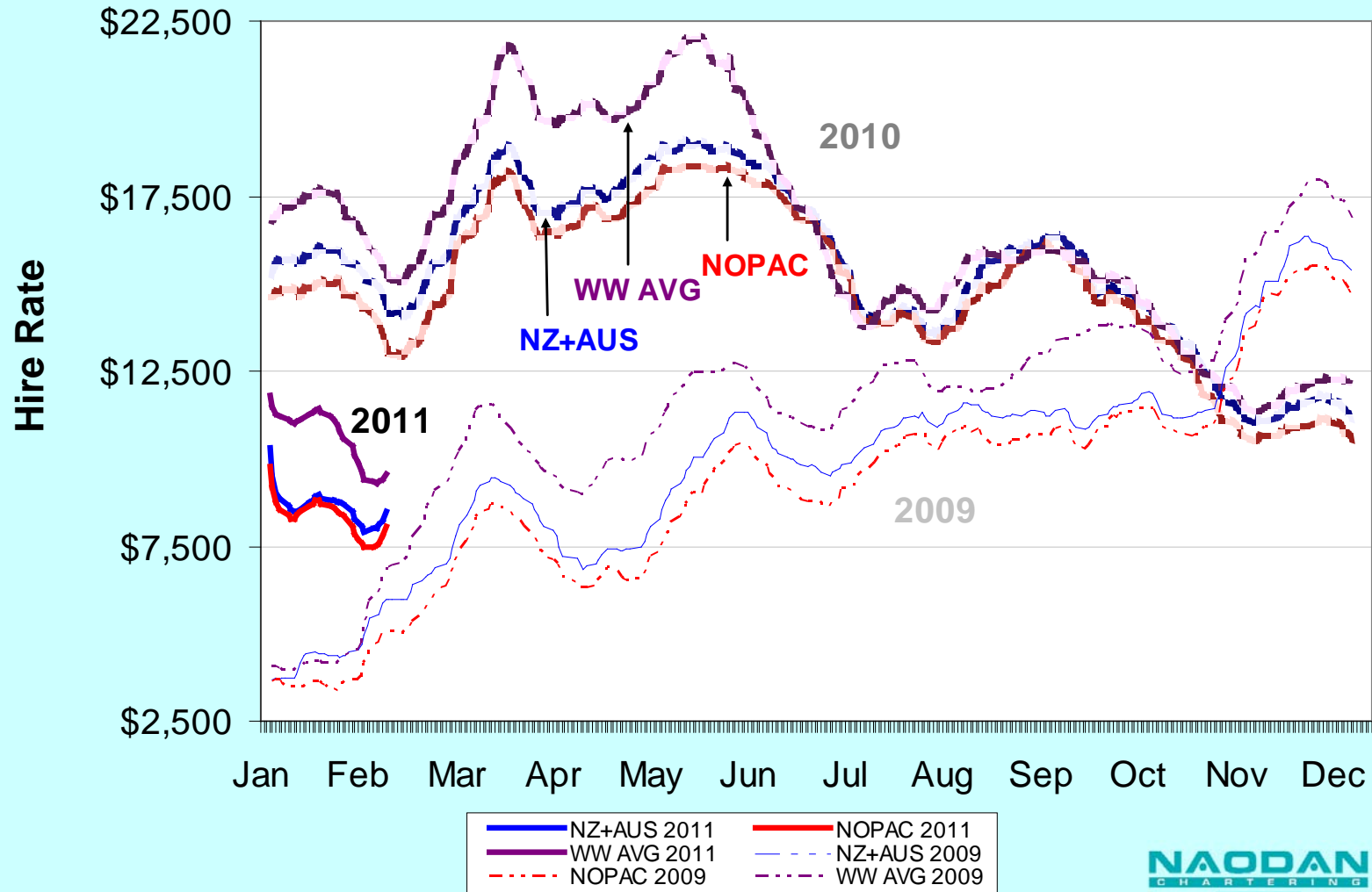
Export Payment Terms:

- Export payment can be delayed while accumulating volume and awaiting shipping times. All sales are paid by letter of credit in US dollars before actually being shipped to overseas customers. While domestic sales to local mills typically have short turns for cash in comparison.



28,500dwt Imabari / Baltic Handysize Pacific and Worldwide T/C Rates

2009 - 2011



Balancing Export/Domestic:

- Volume commitment
 - Spot market
 - Longer term
- Advantage to Cooperative program Scale
 - Phyto sanitary - barking
 - Stuffing/Loading sites
 - Potential synergies
 - Market development/building expertise
- Market intelligence – values/volumes



Considerations for Selecting Brokers:

- Experience
 - Market specific
 - Depth of networks in the market
 - Customers and Support
 - References
- Services
 - Transportation and Phyto support
 - Market knowledge
 - Terms of payment/Ability to pay
- Transparency
 - Skill set development/Knowledge transfer
 - Metrics of customers/pricing



ITC Log Export Considerations:

- Your location, species, and volumes
- Comparative returns and risk of domestic versus export markets
 - Transportation
 - Market knowledge
- Export markets
 - Dynamic, affected by global economic conditions and currency exchange rates
 - Ability to deliver to take advantage of market opportunities
 - Involve import standards
 - 1st time exporters should engage log trading company to help secure customers, handle logistics, and administer financial transactions.

