



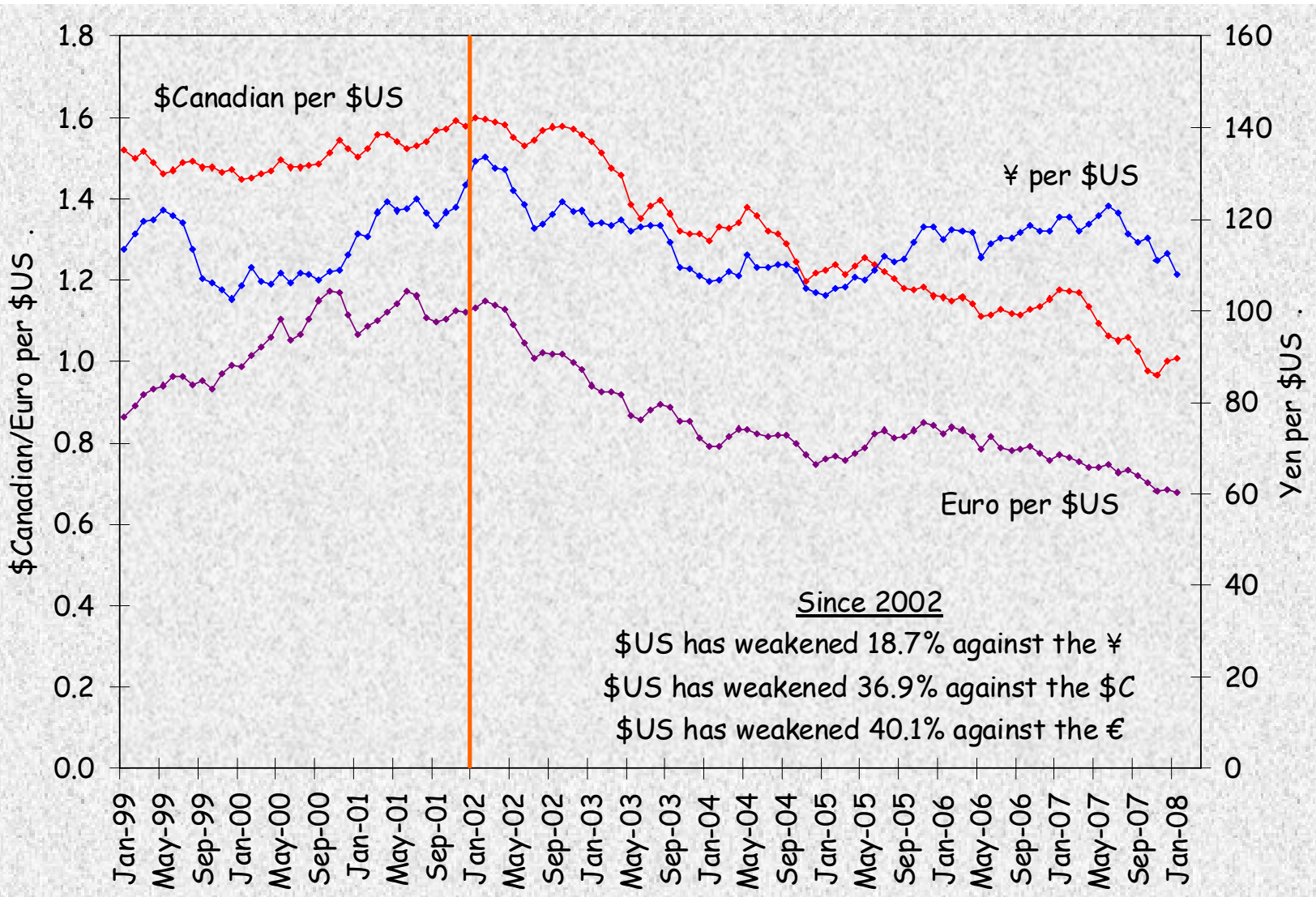
Why Export?

Mitigating Risk by Diversifying Your Market Portfolio

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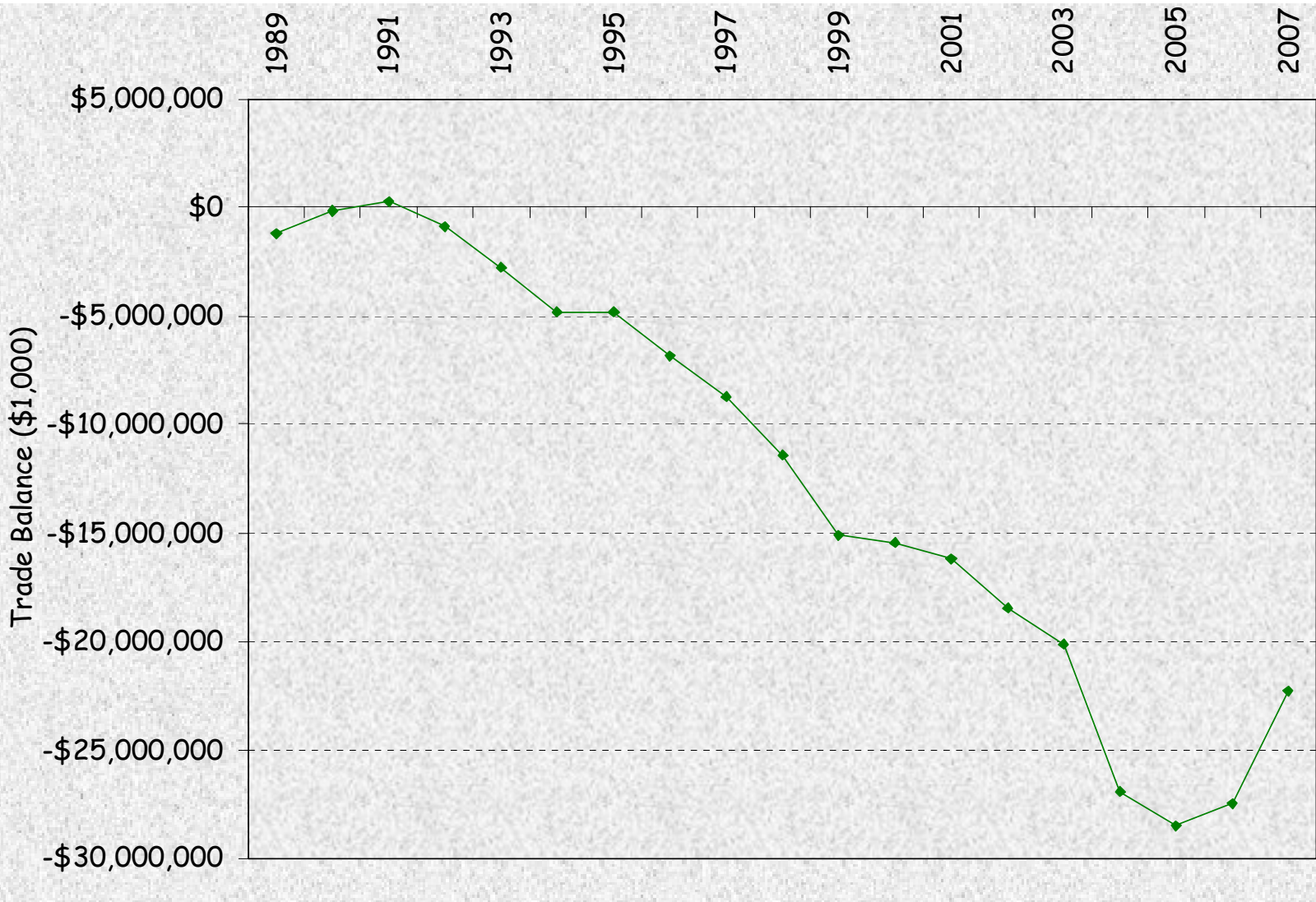
Weak US Dollar helps exports



The weak dollar has significantly improved the competitiveness of US wood exports...



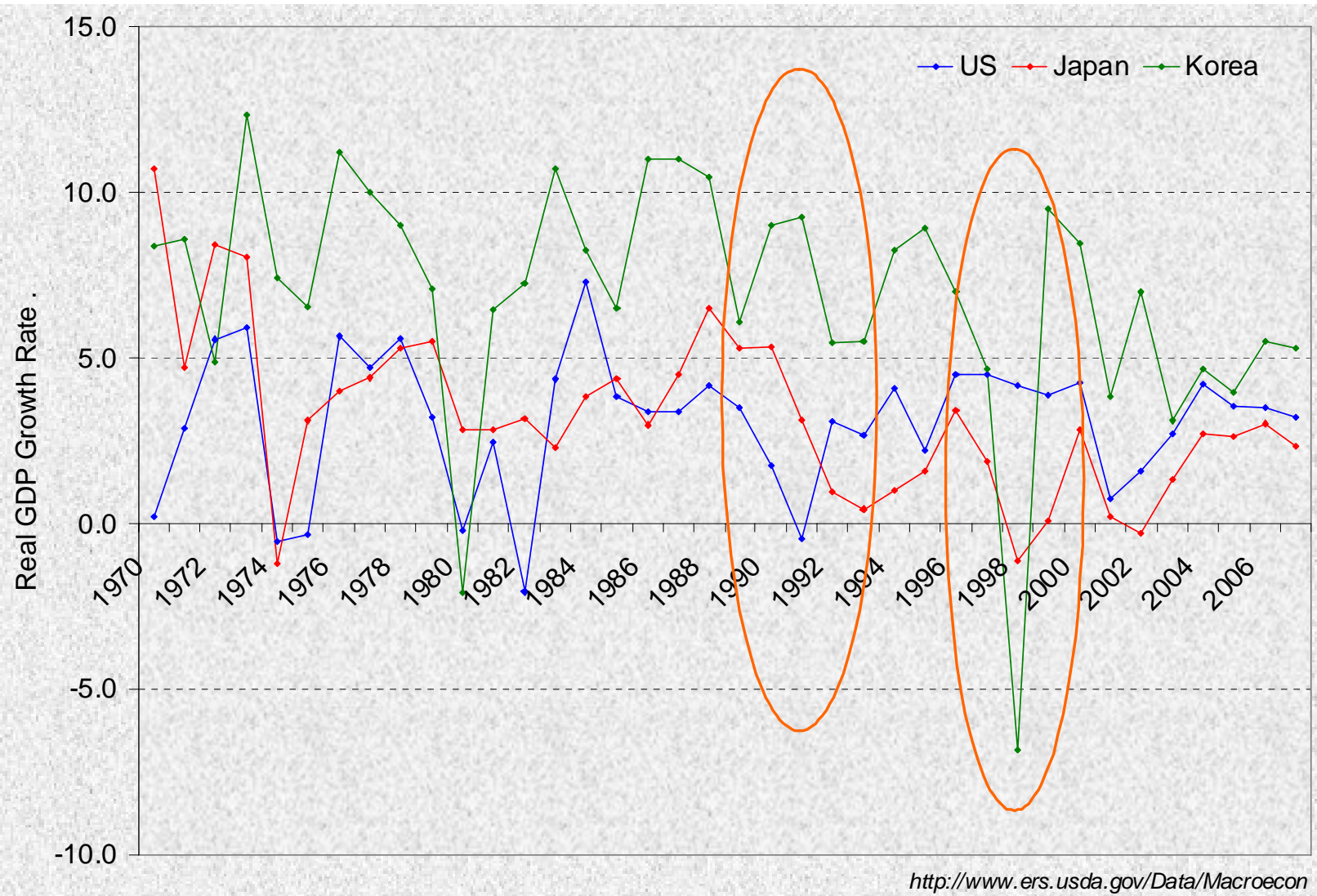
Weak US Dollar helps exports



...although the US still runs a significant trade deficit



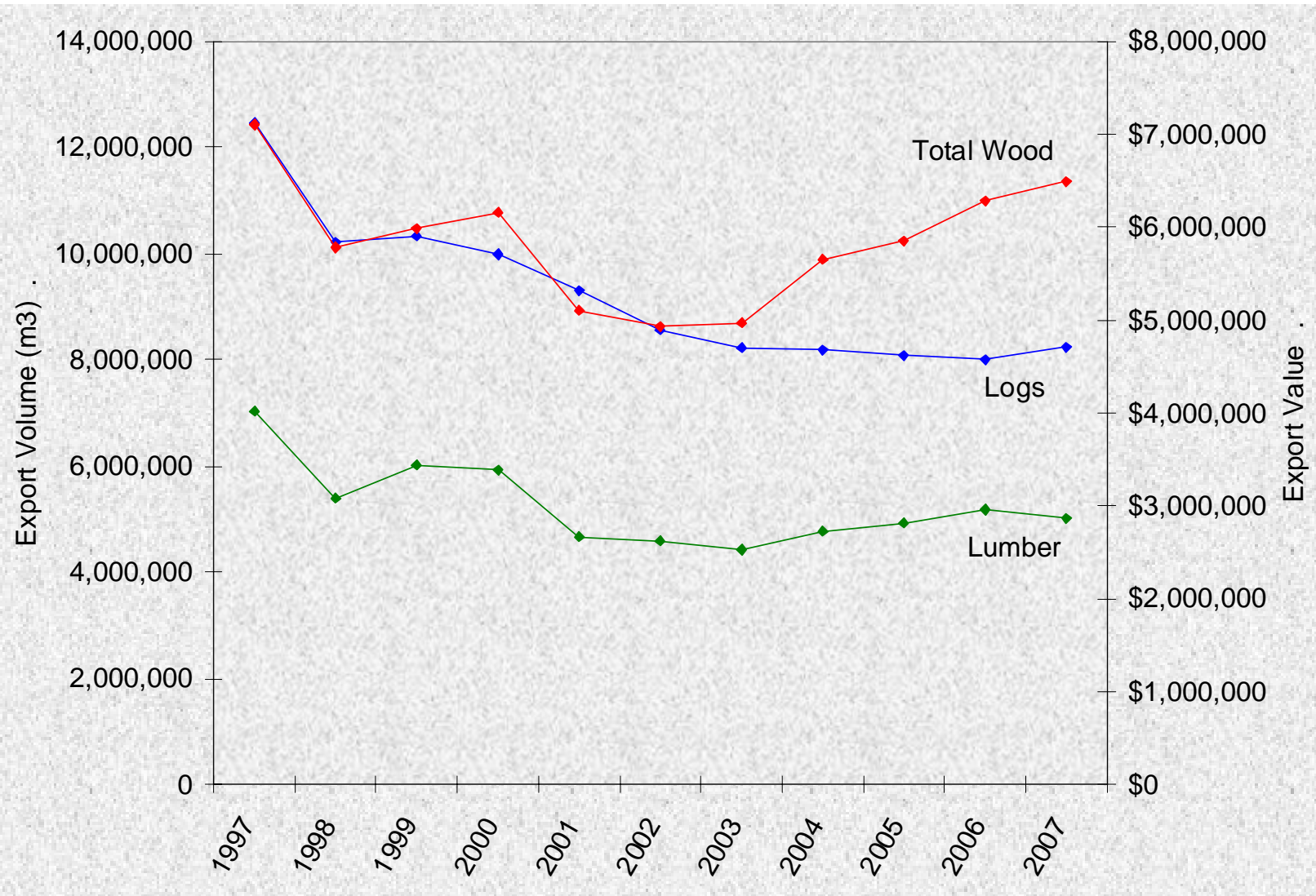
International Economic Growth



International economies do not track directly and selling in two markets can help to offset risk during a decline in one market



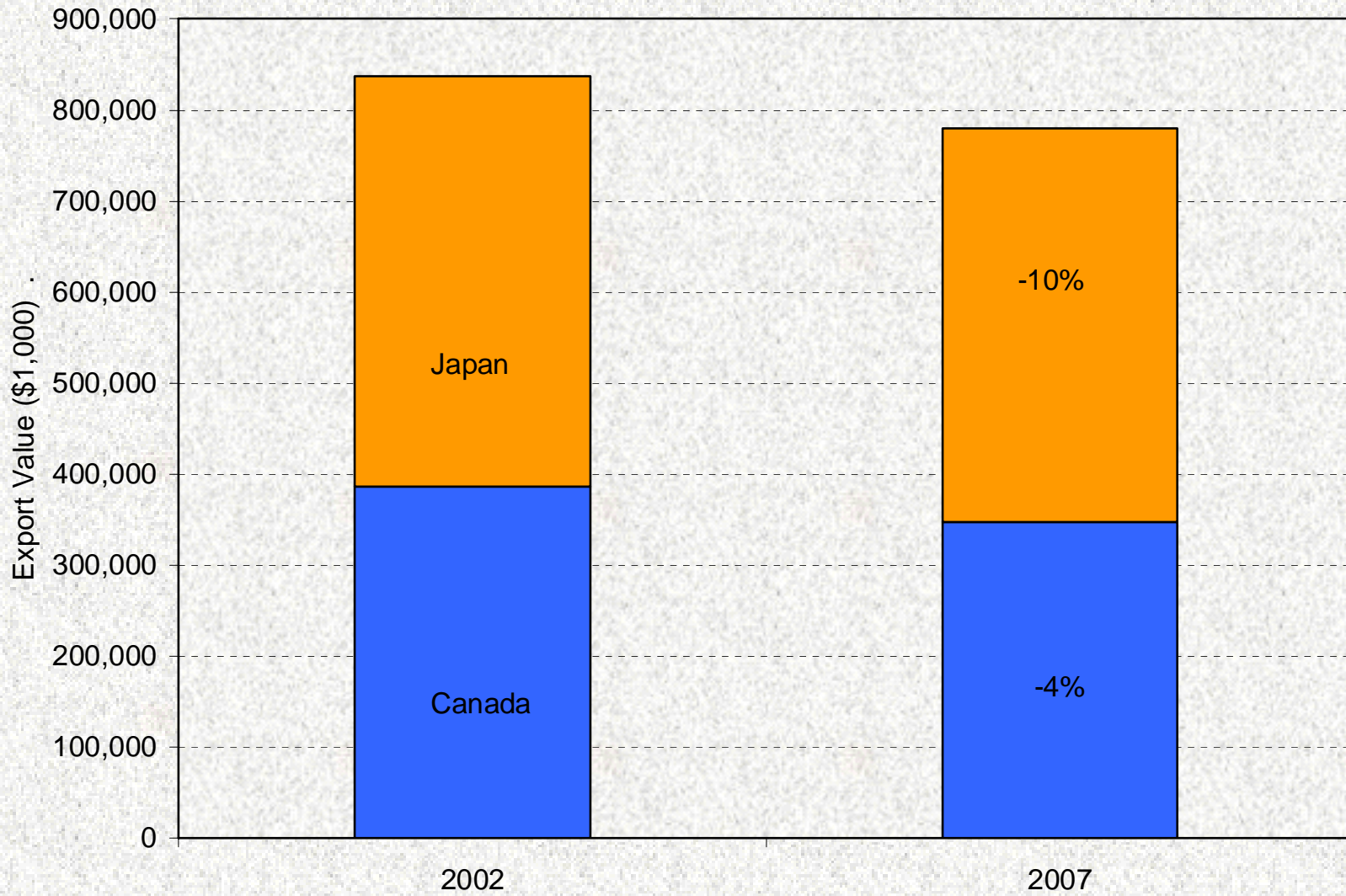
US Wood Products Exports



Total US wood exports are up 31.7% since 2002

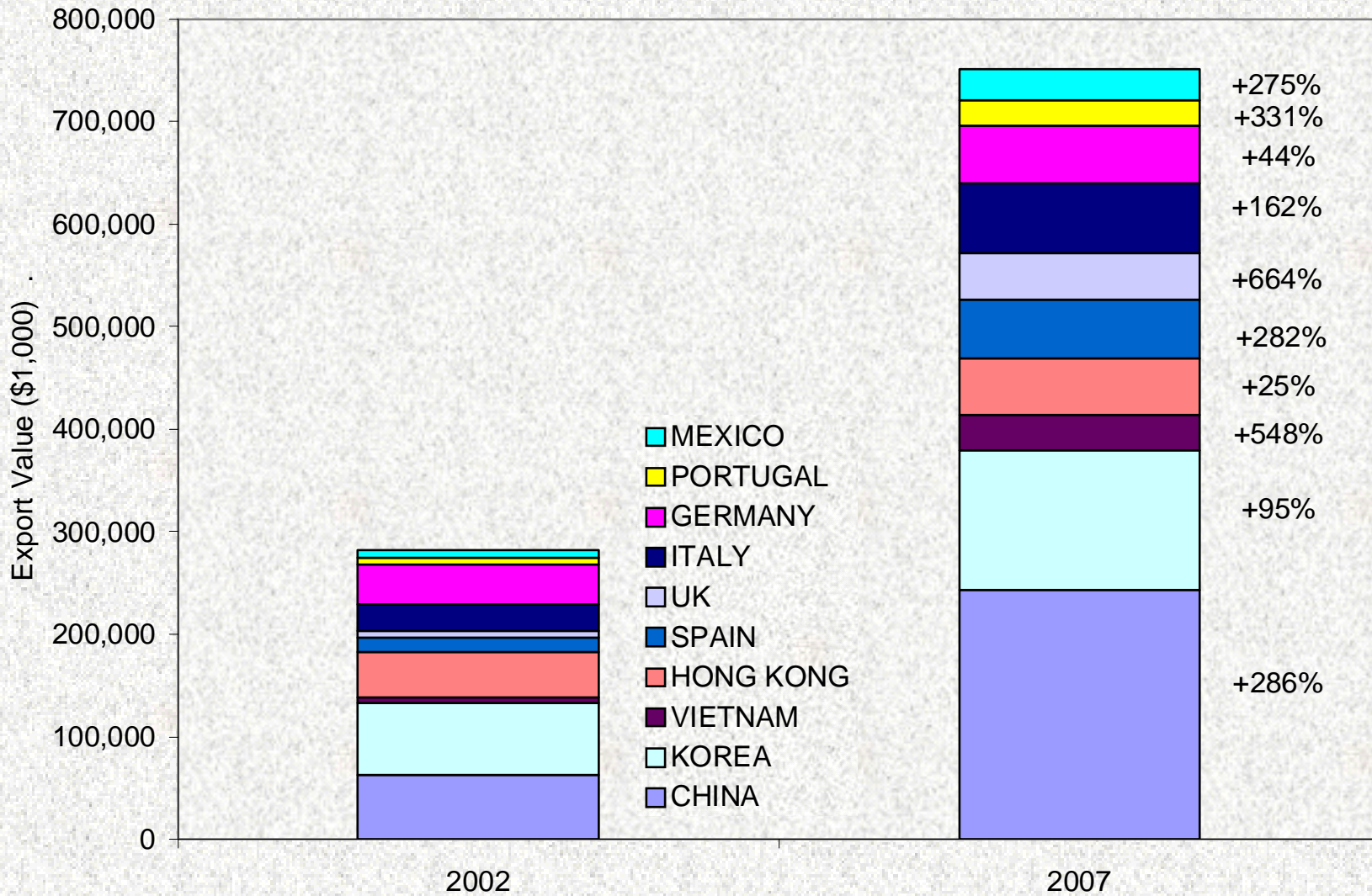


US Log Exports



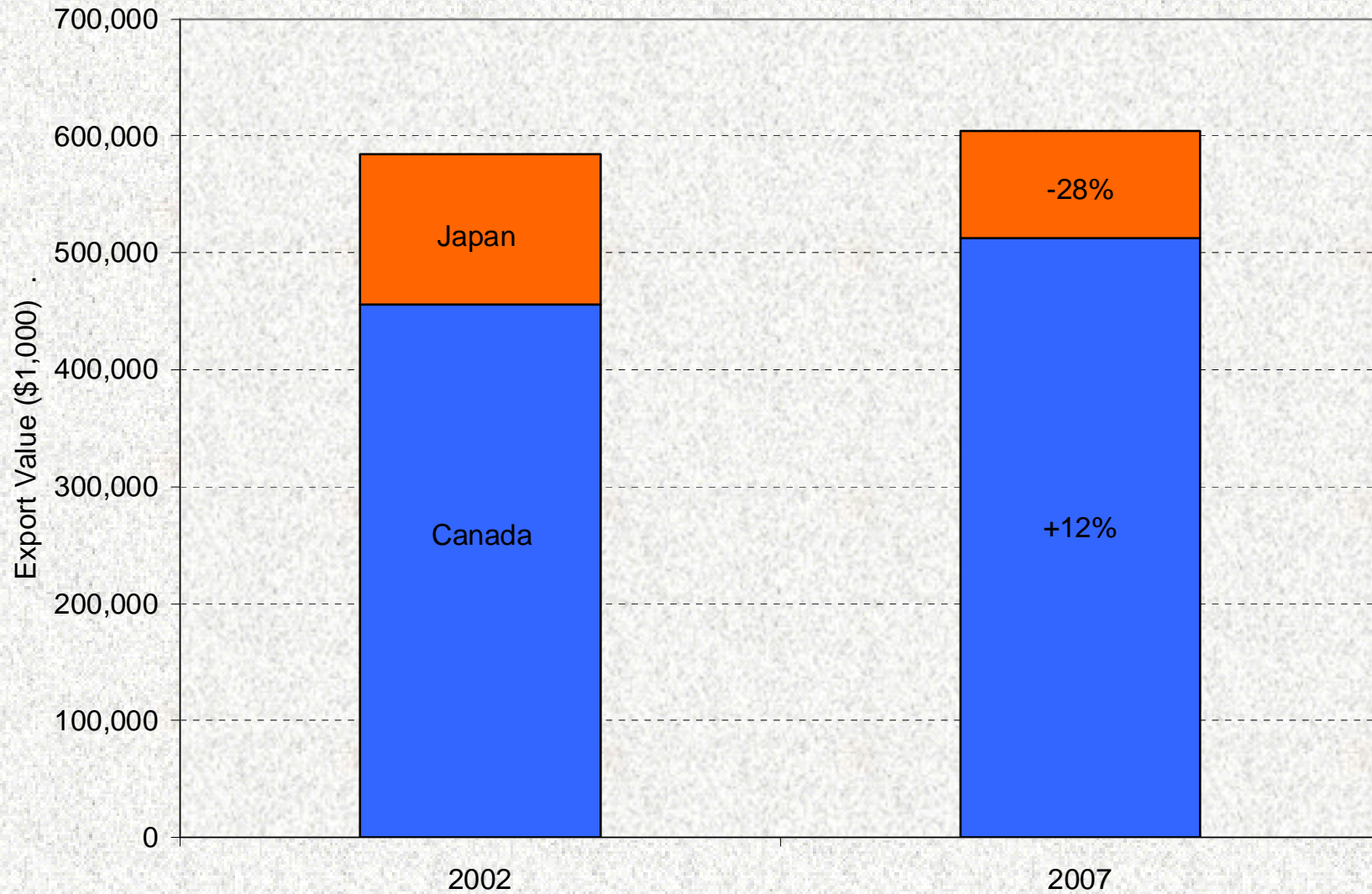
Primary log markets have been declining...

US Log Exports



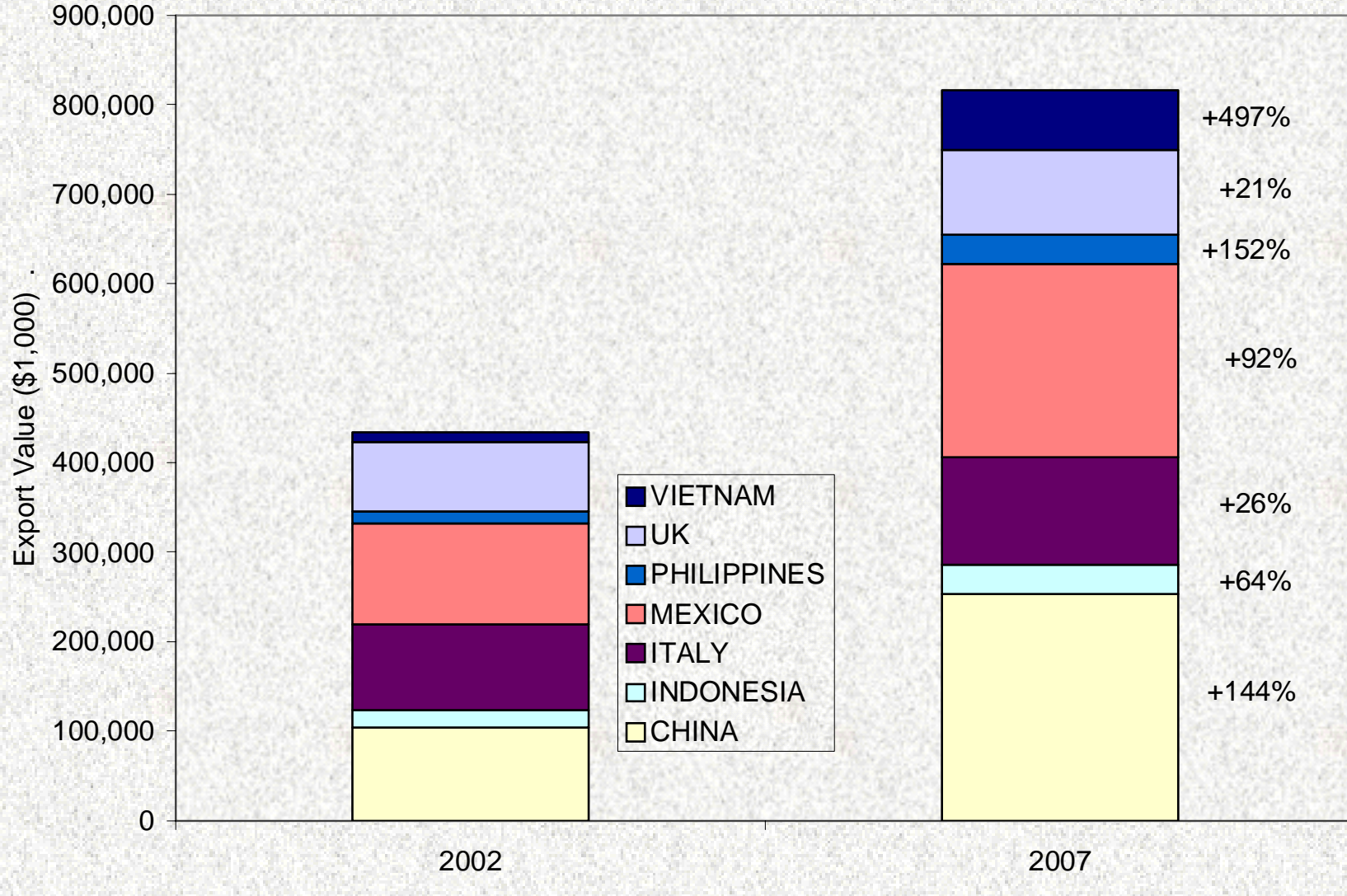
...but new emerging markets are growing quickly

US Lumber Exports



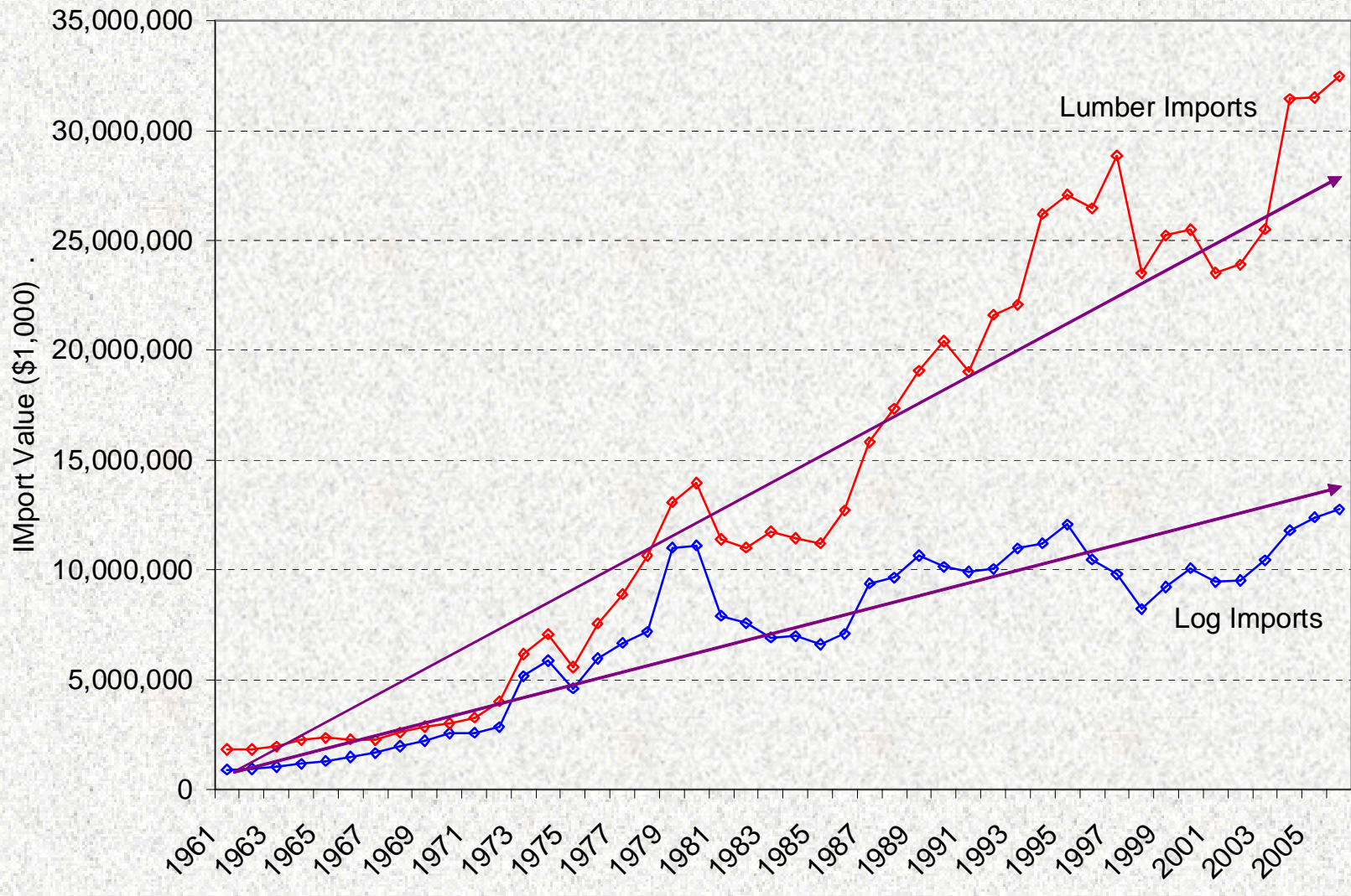
Primary lumber markets have been stable or declining...

US Lumber Exports



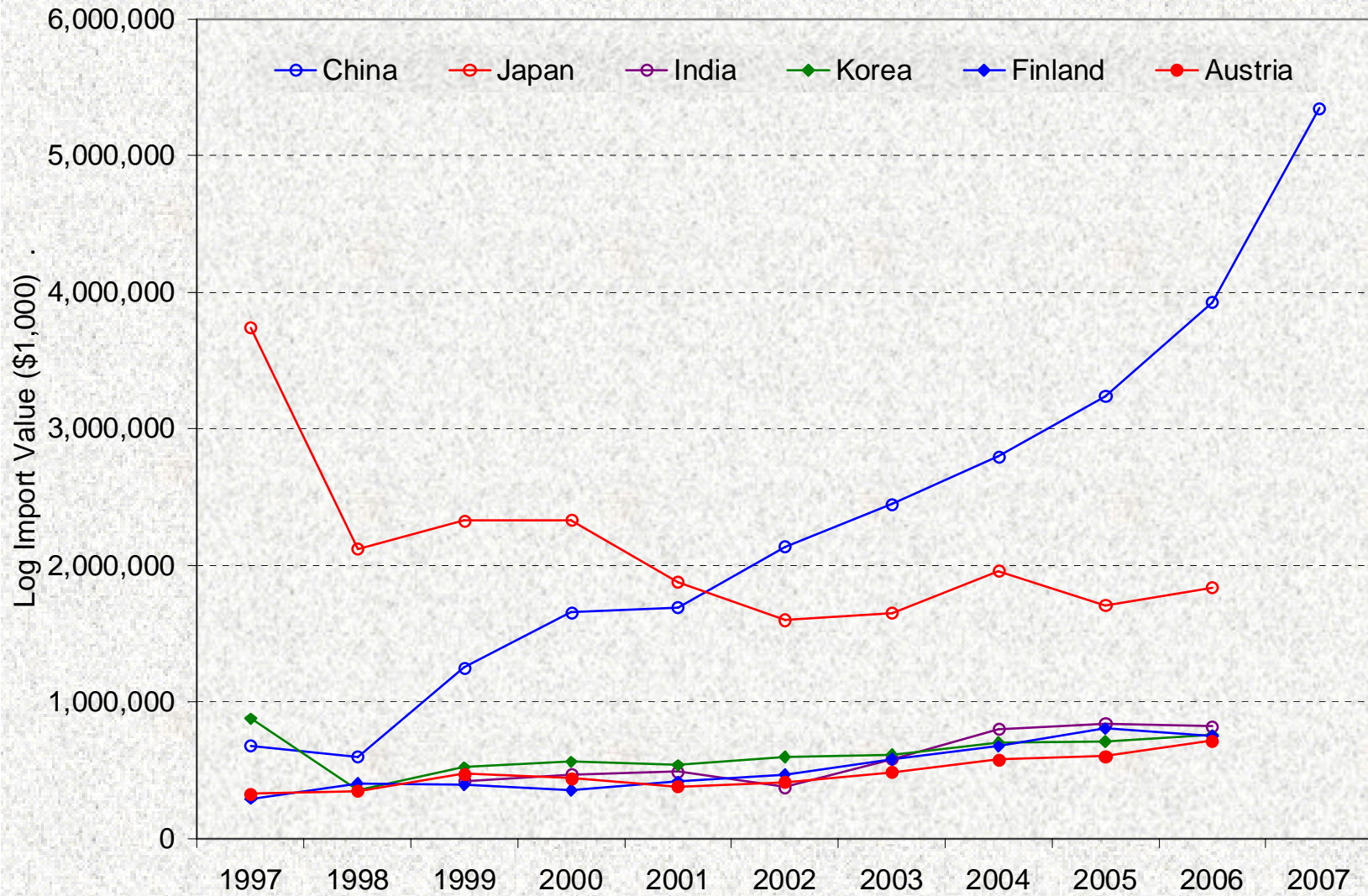
...but new emerging markets are growing quickly

Global Log and Lumber Imports



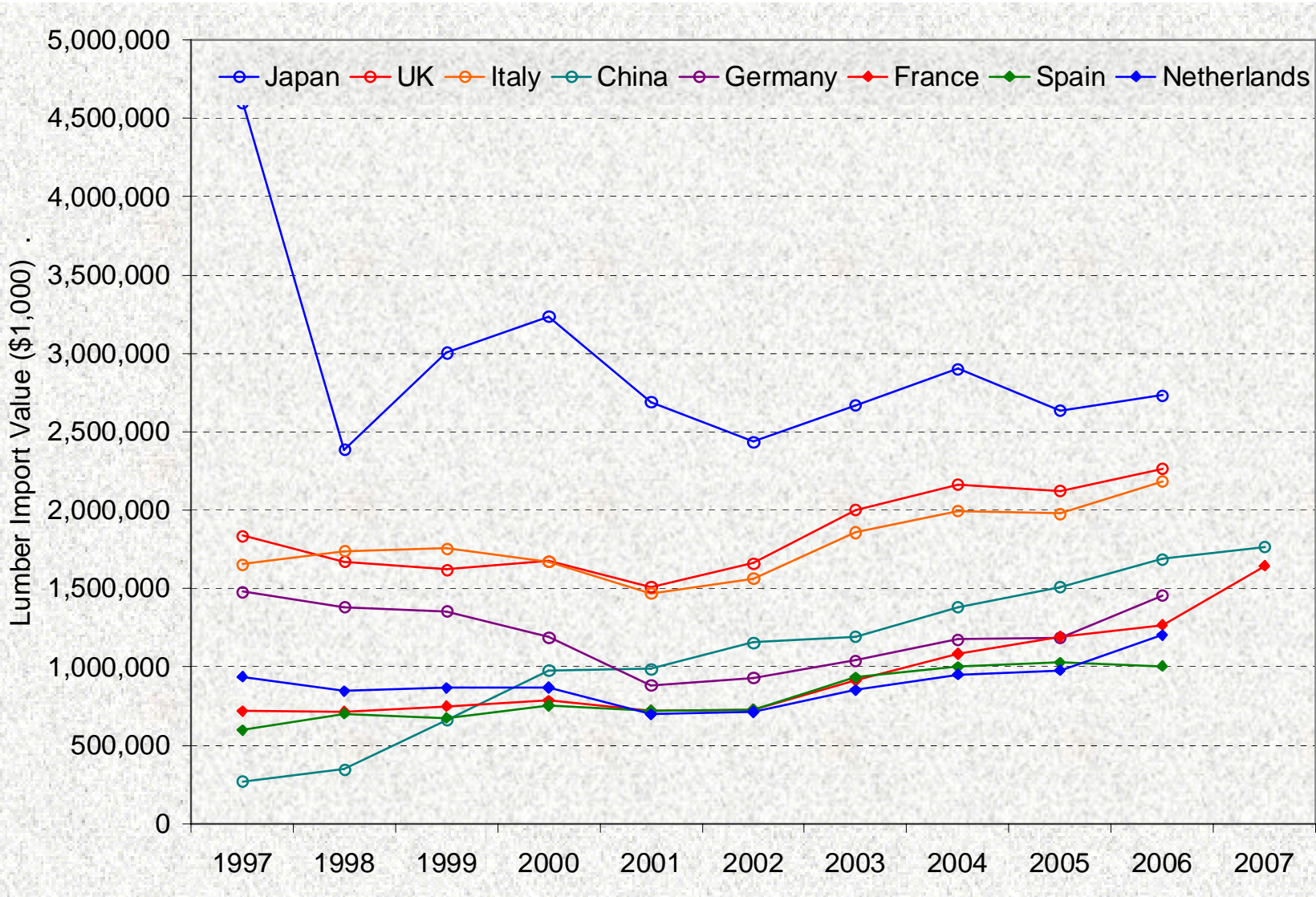
Demand for logs and lumber has been increasing rapidly in all regions of the world

Global Log Imports



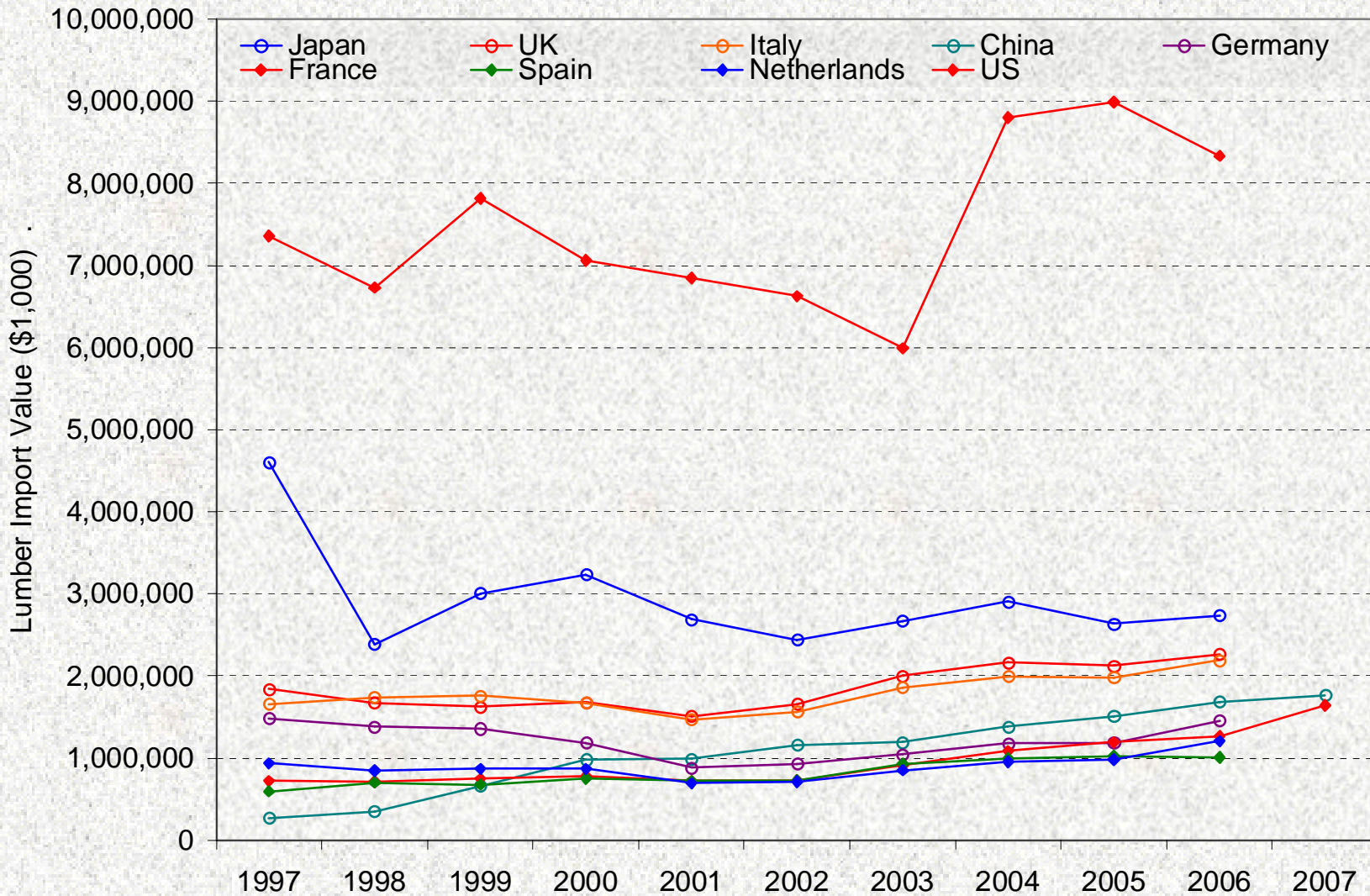
Chinese demand for logs has largely driven global log export trends...

Global Lumber Imports



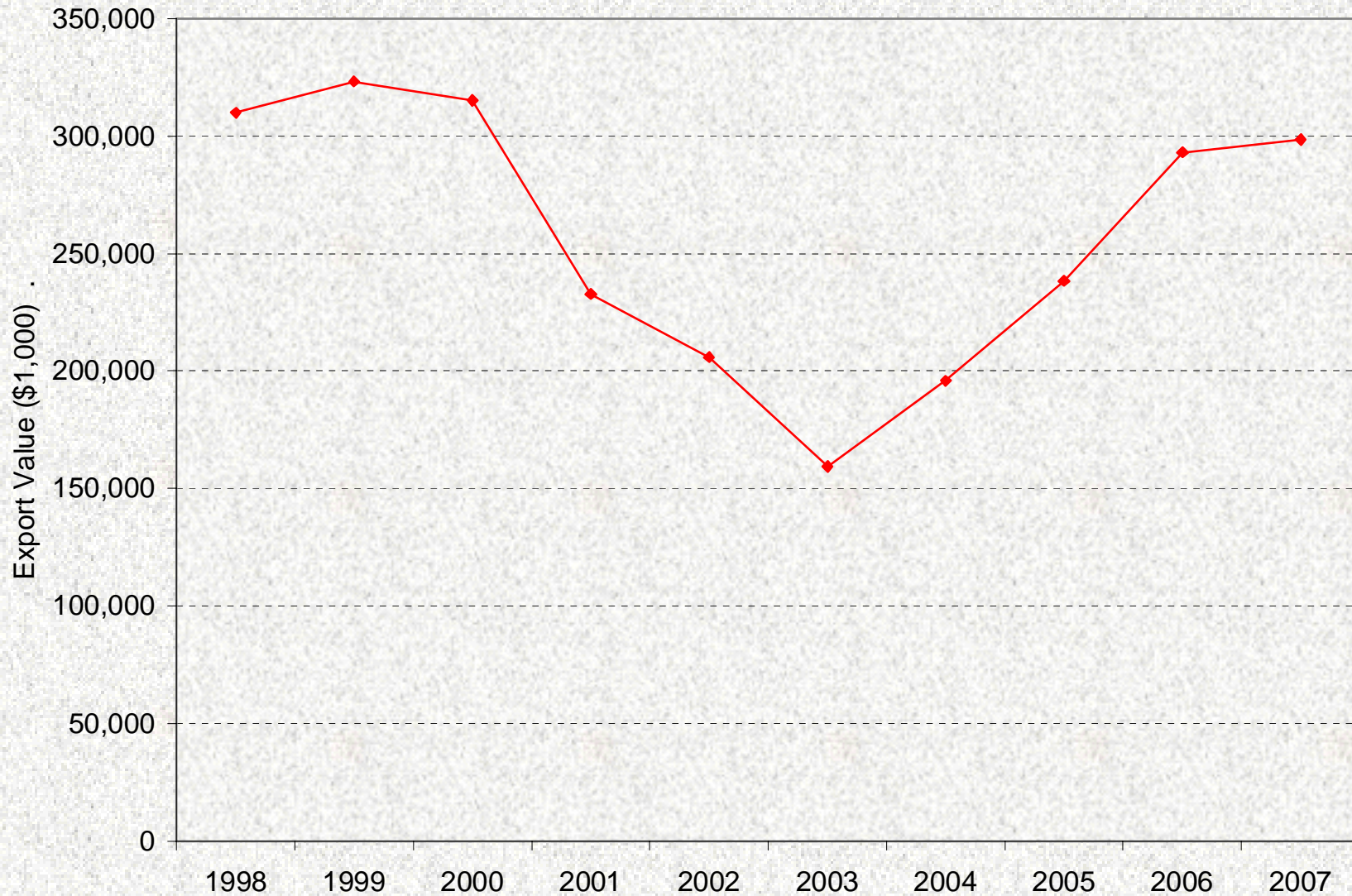
...while global lumber imports are more evenly distributed...

Global Lumber Imports



...as long as you don't include US demand

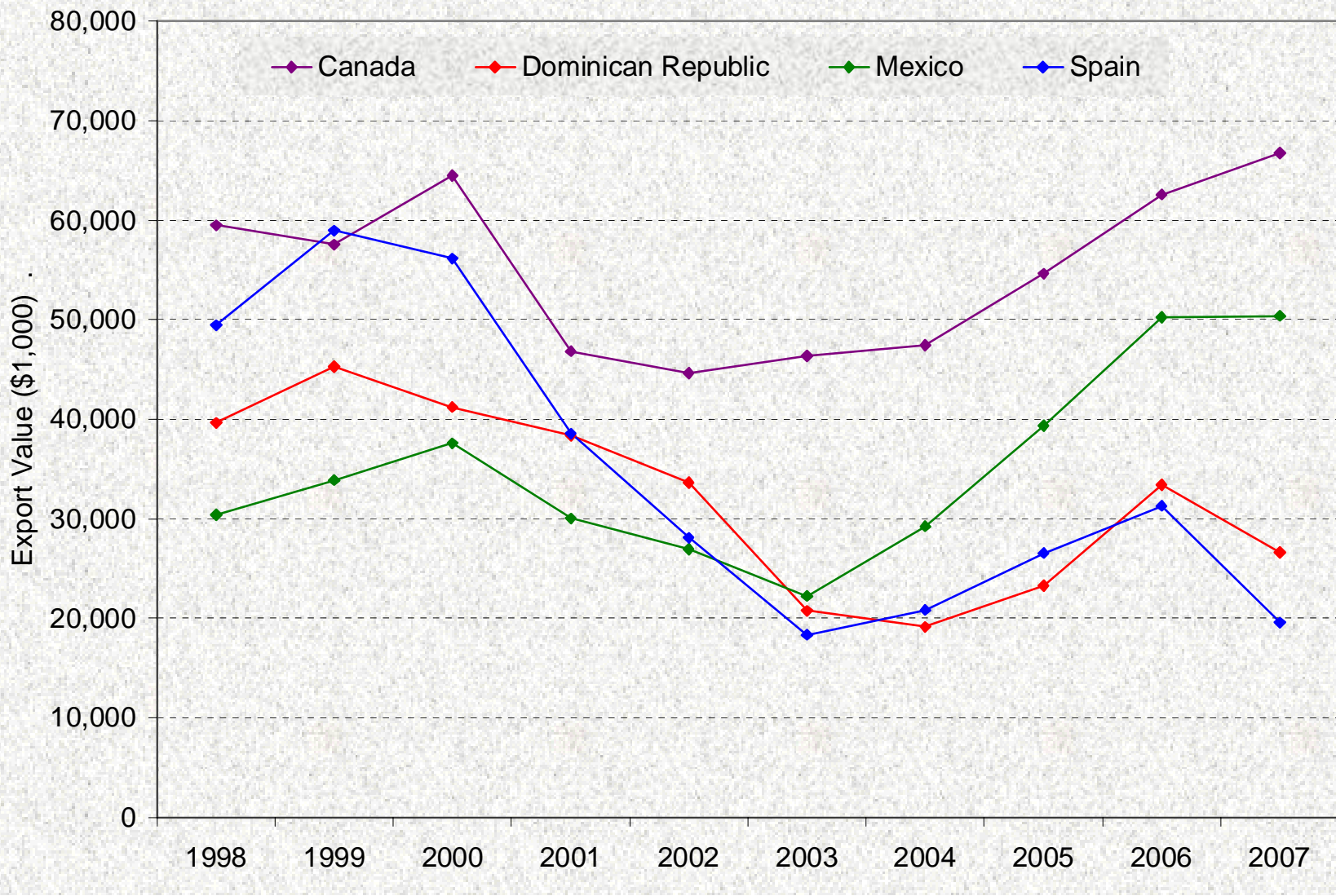
US Pine Lumber Exports



Pine lumber exports have been increasing rapidly since 2003



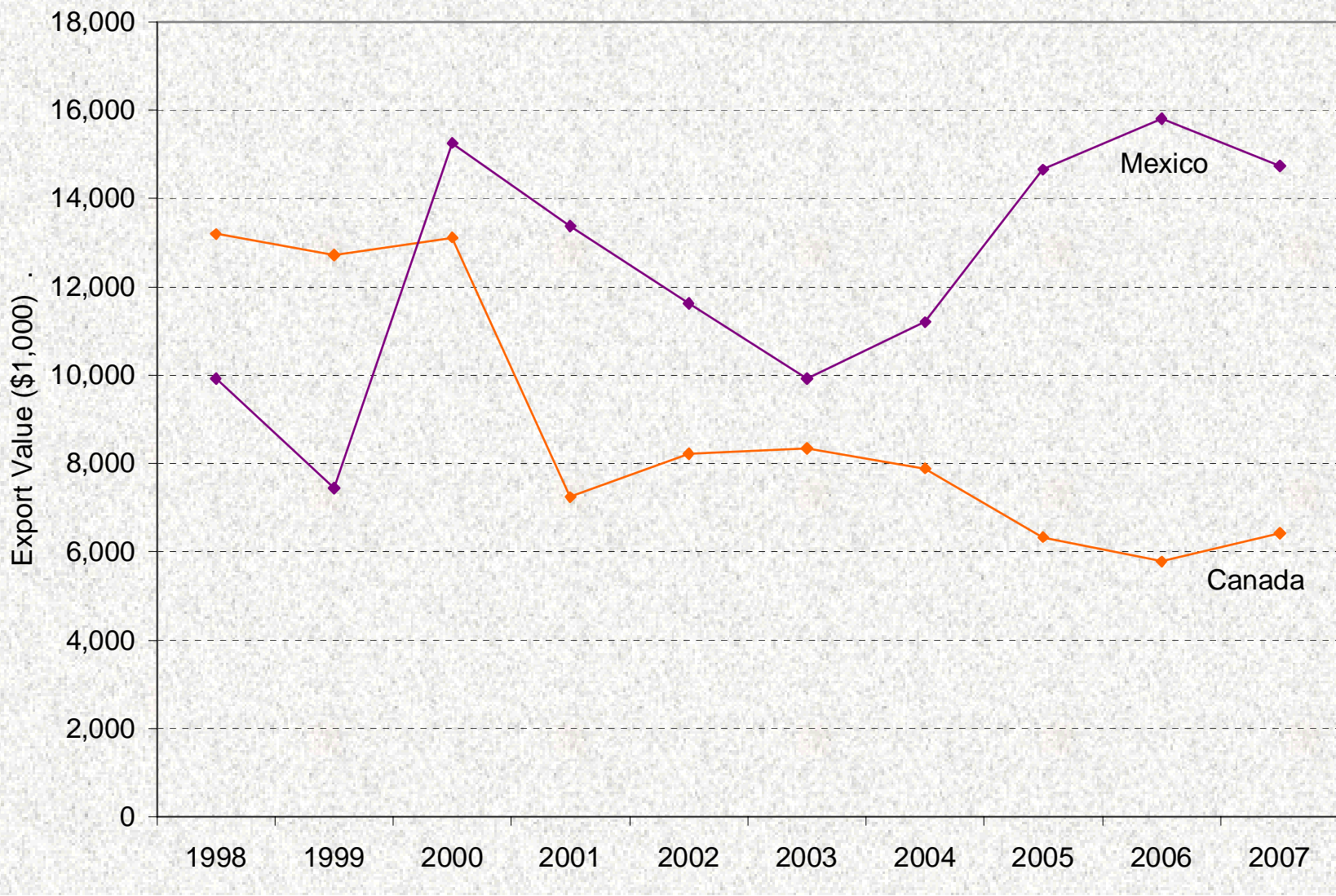
US Pine Lumber Exports



Pine lumber exports have been increasing to Canada and Mexico



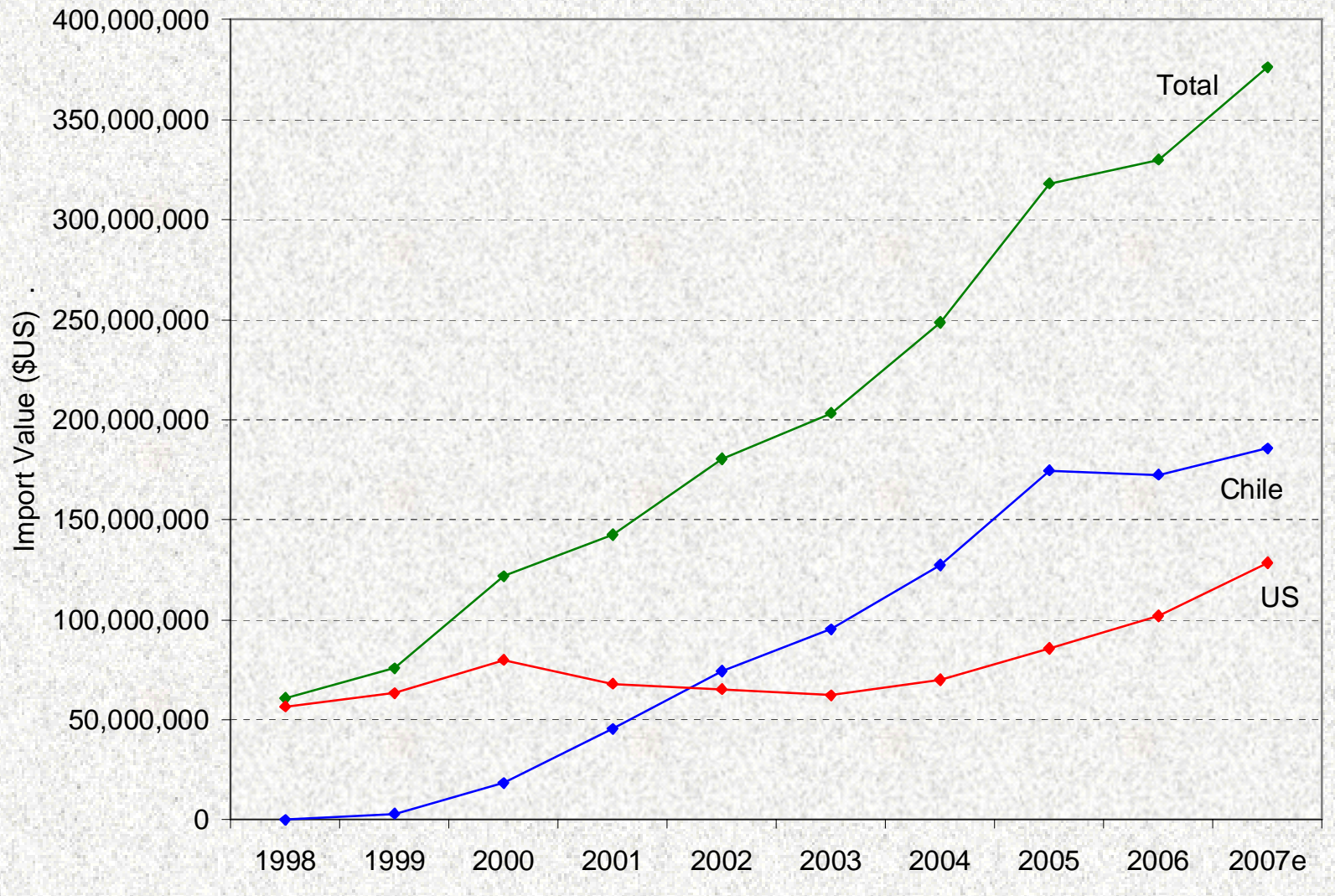
US L/P Pine Lumber Exports



Lodgepole and ponderosa pine lumber exports largely go to Mexico and Canada



Mexican SW Lumber Imports



Since 2005, US SW lumber exports to Mexico have increased by 49.9% while Chilean exports have increased by only 6.3%.

Recent Trends of Interest

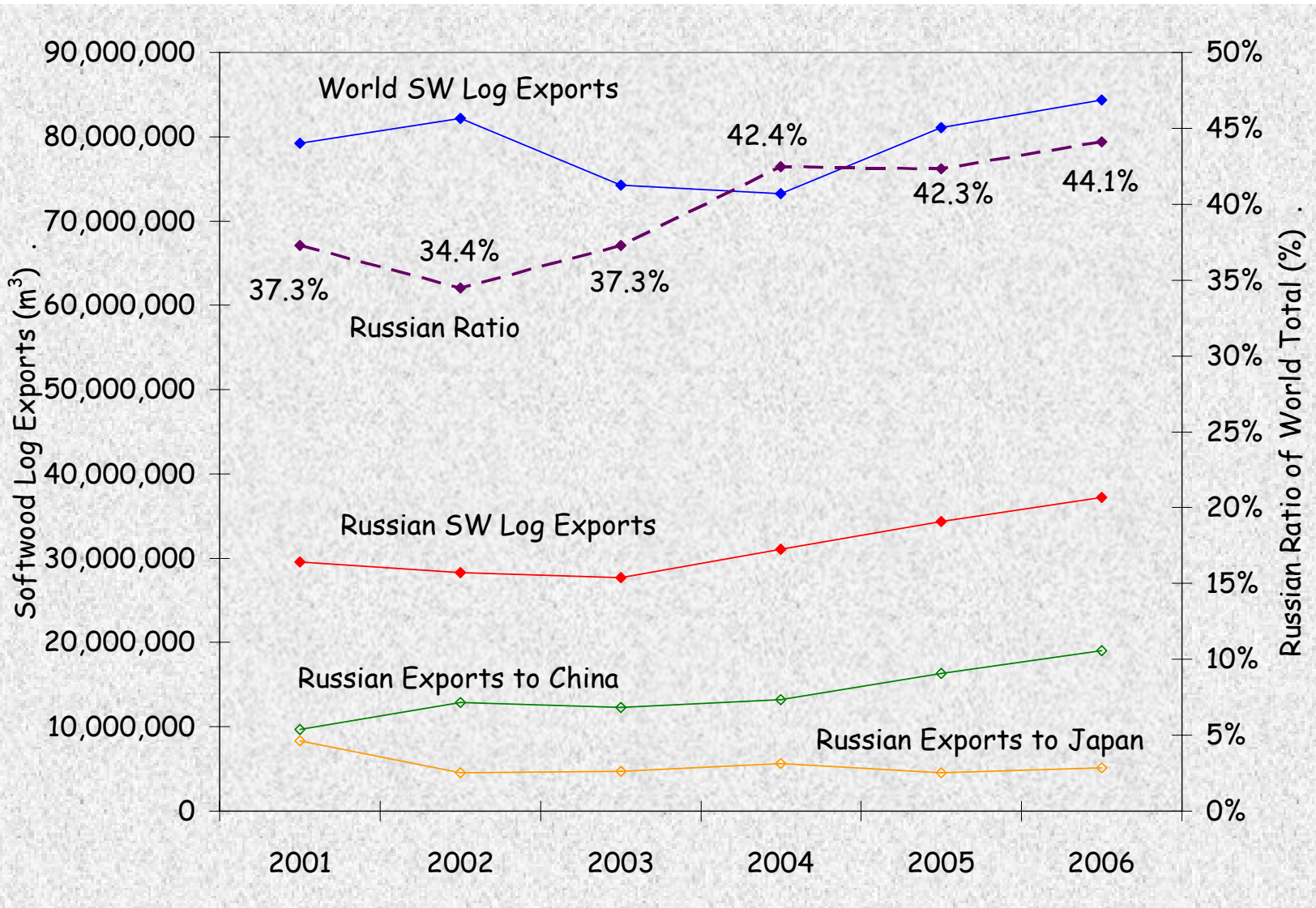
- Japanese and European public procurement policies require certification of legality for wood used in public projects (expected that private companies will comply eventually)
- Amendment of the Lacey Act will begin to move the US in this direction as well
- Russian log export tariff will dramatically reduce log imports into China and Japan



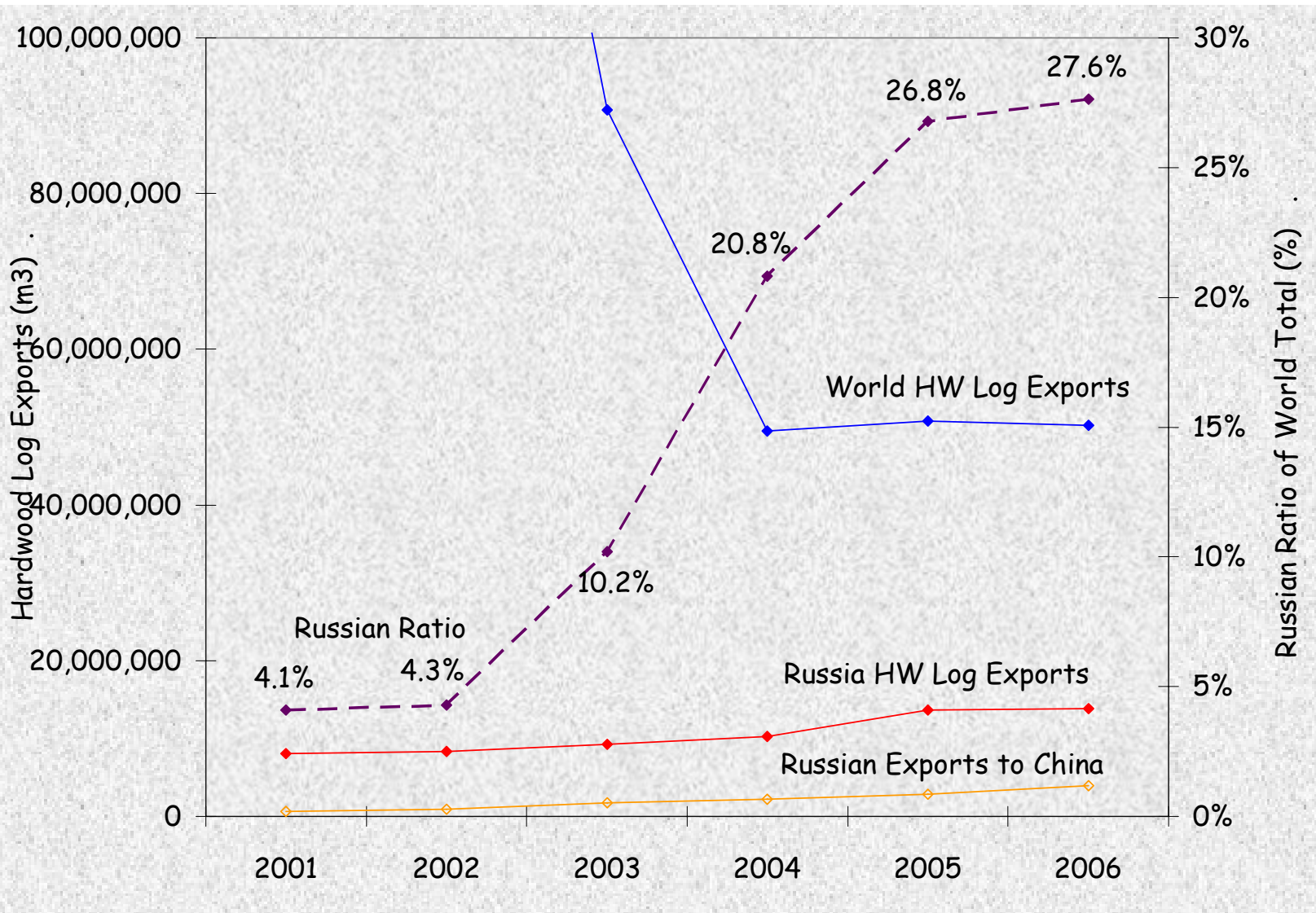
Recent Trends of Interest

- Russian announcement of log export tariffs aimed to encourage investment in wood processing industry
 - ❖ Currently 6.5%
 - ❖ 20% by July 2007 but (not less than €10/m³)
 - ❖ 25% by April 2008 but (not less than €15/m³)
 - ❖ 80% by January 2009 but (not less than €50/m³)
- Actual harvest was 14 million m³ in RFE
- Sustainable harvest estimated to be 33 million m³
- Processing capacity only equals 2% of actual harvest
- Russia currently provides 38% of global log exports (provides over 80% of imports for China and 50% for Japan)
- Investment incentives likely to favor larger projects and provide log tariff reductions (30% of normal) provided at least 35% of harvest is processed locally
- Forest concessions increased from 50 years to 99 years

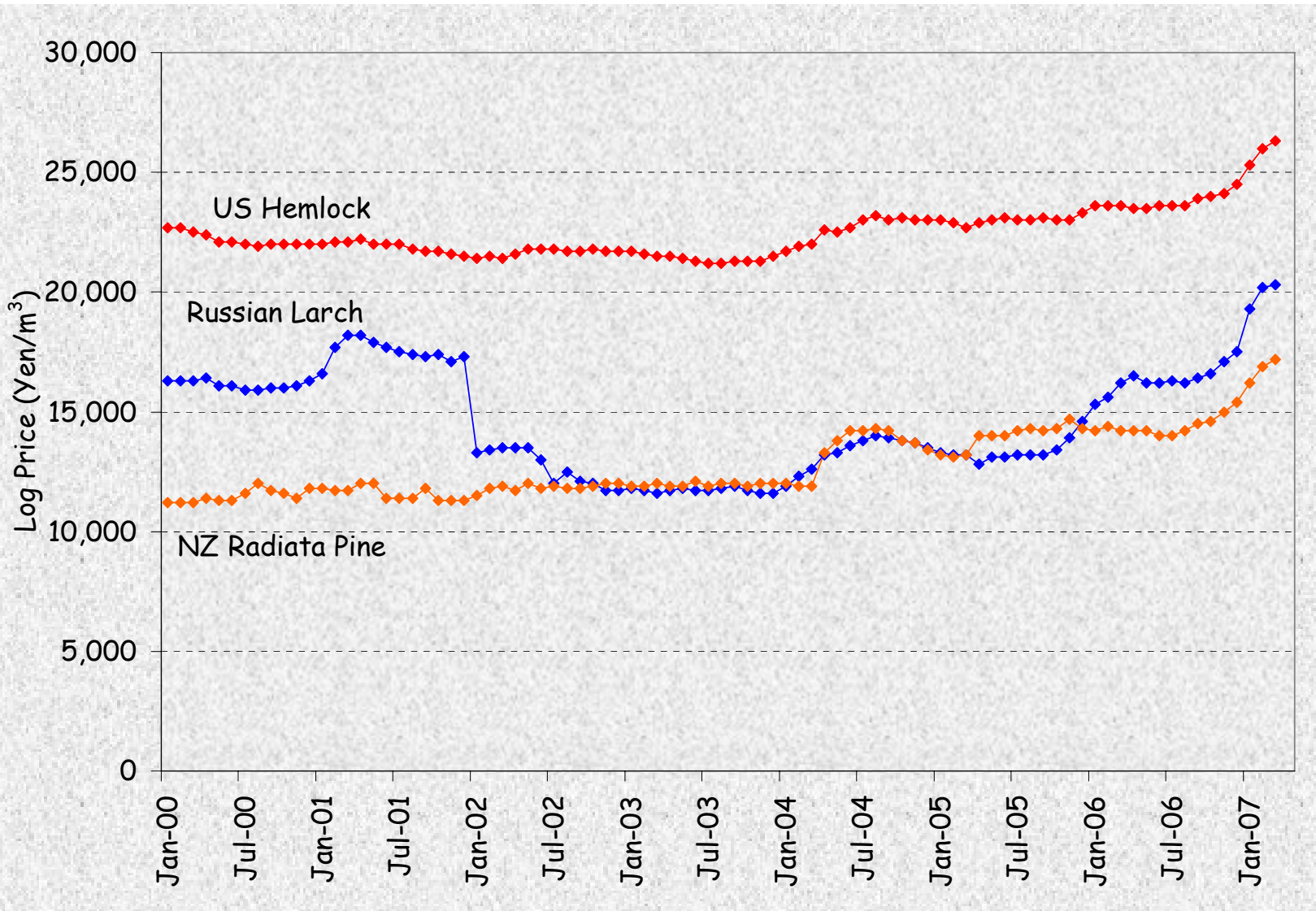
Russian Softwood Logs Exports



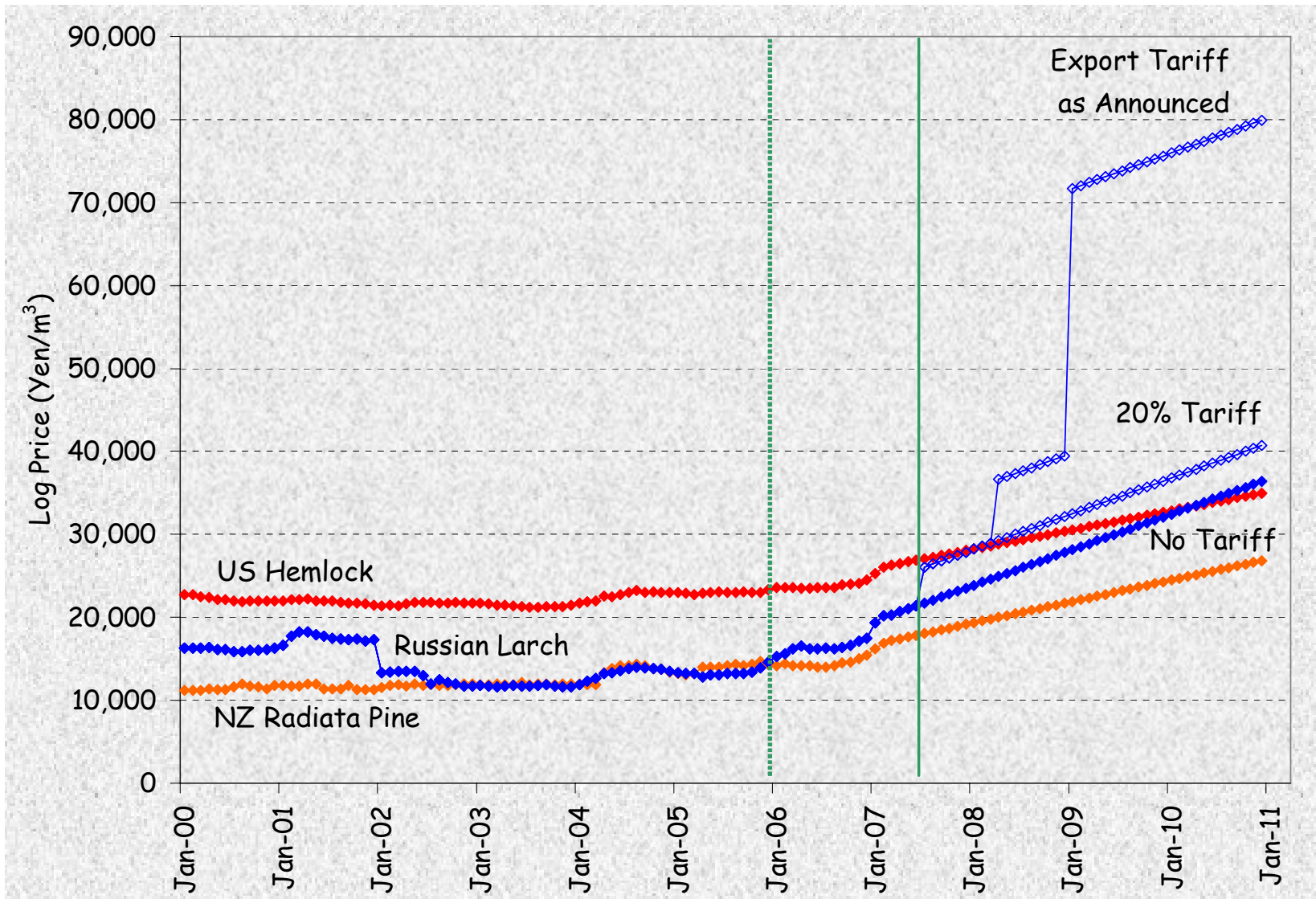
Russian Hardwood Logs Exports



Japanese Import Log Prices



Japanese Import Log Prices



Why Consider Exporting

- ❖ Gain access to new customers
- ❖ Gain access to new ideas and technologies
- ❖ Extend the product life cycle
- ❖ Diversify exposure to geographic and Economic risk
- ❖ Utilize excess production capacity
- ❖ Improve profitability



Market Entry Strategies

Indirect Exporting

‡ Pros

- » minimize risk
- » utilize existing marketing channels
- » access foreign markets and customers through agent
- » no international marketing experience required
- » no new resource allocation required

‡ Cons

- » no direct contact with customers
- » no opportunity to gain direct export experience
- » little opportunity to acquire market information
- » reduced profitability
- » little control over marketing strategy
- » variable degree of selling effort by agent

Market Entry Strategies

Direct Exporting

‡ Pros

- » direct access to market information
- » direct access to customers
- » increased control over marketing strategy
- » potential for increased sales and profits
- » access to available government export assistance

‡ Cons

- » increased costs
- » increased risks
- » exposure to exchange rate fluctuations
- » requires higher level of resource commitment
- » more complex business transactions



How to Learn About Foreign Markets

- ❖ Network with other exporters or trade groups
- ❖ Attend trade shows in target markets
- ❖ Participate in trade missions to target markets
- ❖ Join exporter association (e.g., Softwood Export Council)
- ❖ Work with Department of Commerce Export Assistance Centers



Certified Wood

- Public procurement policies and green building programs should increase the demand for certified wood in foreign markets in the future
- Important to recognize that demand for certified wood in low income countries (such as China and Vietnam) is generally for export products while demand in high income countries is more likely for domestic consumers
- Demand for "Native American" self-certified wood will depend on whether or not it is independently verified as being sustainably managed



Summary Observations

- Weaker US dollar should favor forest products exports provide some respite against European and Canadian exports in foreign markets
 - ❖ \$US weaker by 29.2% relative to \$Can since 2002
 - ❖ \$US weaker by 34.6% relative to Euro since 2002
 - ❖ \$US weaker by 10.4% relative to ¥Japan since 2002
- Slowing US housing market should encourage exports
- Russian log export tariffs of any size should provide good export opportunities for US logs and lumber, particularly in China, Japan, Korea, Taiwan and Finland and Sweden
- Public procurement policies in Europe and Japan should help stimulate demand for certified wood, especially in China, Vietnam, Japan and the EU
- Exports are a viable option but require commitment
- Pine exports to Mexico mainly lower grades
- Market research required to better understand where pine lumber exports are going in Mexico and how it is used



Questions?

