Idaho Forest Group

Chilco | Grangeville | Laclede | Movie Springs | Lewiston

Grown in Idaho
Manufactured with excellence for the world
FAMILY FARM HARDISSEN GERMANY
CIRCA 1477
Sullenschuter Sawmill
Warren County Missouri
Circa 1900
SULLENSCHUTER SAWMILL STATE-OF-THE-ART TECHNOLOGY
LUMBER MILLS OF NORTH AMERICA
Idaho Forest Group Sourcing Area

<table>
<thead>
<tr>
<th>Location</th>
<th>Capacity</th>
<th>Long-term Plan</th>
<th>2016 Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moyie Springs</td>
<td>200</td>
<td>150</td>
<td>200</td>
</tr>
<tr>
<td>Laclede</td>
<td>240</td>
<td>180</td>
<td>240</td>
</tr>
<tr>
<td>Chilco</td>
<td>280</td>
<td>340</td>
<td>300</td>
</tr>
<tr>
<td>Lewiston</td>
<td>220</td>
<td>400</td>
<td>300</td>
</tr>
<tr>
<td>Grangeville</td>
<td>240</td>
<td>200</td>
<td>240</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,180</strong></td>
<td><strong>1,270</strong></td>
<td><strong>1,280</strong></td>
</tr>
</tbody>
</table>
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
  – CLOSER RELATIONSHIPS WITH ALL STAKEHOLDERS
IDAHO’S SIGNIFICANT ASSET

Timber volume & change factors

Idaho Timberland Data
- Growing stock volume: * 36.7 billion ft³
- Forest change factors (2007)
  - Growth: 994 million ft³
  - Mortality: 383 million ft³
  - Removals: 246 million ft³
  - Wood increment: † 748 million ft³
- Sound dead volume: 5.0 billion ft³

* 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’S FORESTS

Forest extent & ownership

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

Non-forested land: 59.5%
- Timberlands
- Other forest lands
- Woodland: 2.4%
- Wilderness: 7.5%
- Private: 2.3%
- Corporate: 2.0%
- Non-corporate: 2.6%
- BLM: 1.0%
- State (IDL): 2.6%
- National Forest: 22.7%

Data: Forest Resources of the U.S., 2007 (U.S. Forest Service 2009)
Leading Edge Production Facilities

- ~$90 million spent in capital expenditures since 2013

Production Facility Overview

**Moyie Springs Mill – 160 MMBF**
Bonners Ferry, Idaho
- 30 miles south of Canadian border
- 319-acre facility with 48-acre satellite yard
- Produces high quality stud products in 8 and 9-foot lengths as well as railroad ties and 1x4 boards

**Laclede Mill – 240 MMBF**
Priest River, Idaho
- Specializes in high quality Douglas Fir for export around the world, along with Idaho White Pine boards and premium grade Inland Cedar products

**Chilco Mill – 280 MMBF**
Coeur d'Alene, Idaho
- 248-acre facility
- Customers include major home centers, construction suppliers and retailers across North America and the globe
- Dimensions range from 2x4 to 2x12 up to 20 ft. lengths
- ~$68 million in capital expenditures over the last 10 years

**Lewiston Mill – 400 MMBF (new)**
Lewiston, Idaho
- Originally built in the early 1920s
- 180-acre facility
- Produces 2x4 through 2x12 lumber, up to 20 feet long
- Currently being rebuilt: $80 million planned expenditure; $65 million spent to date
- State-of-the-art HowSaw line currently under installation

**Grangeville Mill – 240 MMBF**
North-Central, Idaho
- The mill is designed with exceptional flexibility to make a multitude of products
- Sells chips, sawdust, hog fuel, and shavings to regional pulp and paper producers, horse bedding suppliers, decorative bark producers and wood pellet manufacturers
- ~$58 million in capital expenditures over the last 10 years
- Added a brand new saw mill in 2006

IFG’s production facilities are all leading edge and responsible for setting the industry standards for manufacturing efficiency.
Optimization
THIS IS HOW IFG WILL SEE A LOG
THE PERILS OF AMERICAN POLITICS
THE FUTURE OF AMERICA??

**UNFAVORABILITY RATINGS**

TRUMP 58%

HILLARY 56%

I WIN!
73 consecutive months of increased employment

BUT STILL

The slowest recovery since 1949
U.S. employment

Non-Farm Employment, Millions, SAAR

avg. +187 thousand
Annual % Increase in Compensation

All Civilian Workers
U.S. unemployment

90% “not interested in working at this time”

- % Unemployed, Ages >56
- Ages 25-56, % Not in Labor Force

Unemployment rates for different age groups over the years.
U.S. C&I debt
($Billions)

$2.0 trillion
$3 trillion state & local govt. debt

- Illinois pension debt: $127 billion
- California pension debt: $175 billion

Excludes Employee Retirement Funds
U.S. Corporate Before Tax Profits

$Billions

Corporate Profits

C&I Debt, Yr-ending
U.S. Economy looks headed for a slow down with no ability for the Federal Government to intervene

Possible Remedies:
1. Infrastructure spending
2. Tax cuts
3. More of the same

= more debt
Existing home sales flat to down

<table>
<thead>
<tr>
<th>Month</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aug</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sep</td>
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<tr>
<td>Oct</td>
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<tr>
<td>Nov</td>
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<td>Dec</td>
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<td>Jan</td>
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<td>Apr</td>
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<td>Jul r</td>
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<tr>
<td>Aug p</td>
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</table>
## Home Construction Forecast

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single-family</strong></td>
<td>749</td>
<td>780</td>
<td>812</td>
<td>845</td>
<td>906</td>
</tr>
<tr>
<td><strong>Multifamily</strong></td>
<td>420</td>
<td>375</td>
<td>360</td>
<td>362</td>
<td>373</td>
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<tr>
<td><strong>Total</strong></td>
<td>1,169</td>
<td>1,155</td>
<td>1,172</td>
<td>1,207</td>
<td>1,279</td>
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</table>

**Manf Housing shipments**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
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<tbody>
<tr>
<td><strong>shipments</strong></td>
<td>78</td>
<td>68</td>
<td>68</td>
<td>64</td>
<td>67</td>
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</table>
## U.S. Lumber Demand

**Million Board Feet**

<table>
<thead>
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<th></th>
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<tbody>
<tr>
<td>New Homes</td>
<td>13,928</td>
<td>14,130</td>
<td>14,453</td>
<td>15,026</td>
<td>16,033</td>
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<tr>
<td>Rep/Remodel</td>
<td>17,041</td>
<td>17,612</td>
<td>16,935</td>
<td>17,278</td>
<td>17,765</td>
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<tr>
<td>Non-Res.</td>
<td>4,945</td>
<td>4,962</td>
<td>4,783</td>
<td>4,564</td>
<td>4,668</td>
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<tr>
<td>Ind./Other</td>
<td>8,963</td>
<td>9,128</td>
<td>9,003</td>
<td>8,875</td>
<td>9,045</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>44,877</strong></td>
<td><strong>45,832</strong></td>
<td><strong>45,174</strong></td>
<td><strong>45,743</strong></td>
<td><strong>47,511</strong></td>
</tr>
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</table>
North American Capacity

- B.C. Capacity
- E of Rky Capacity
- U.S. West Capacity
- U.S. South Capacity
### U.S. Lumber Imports

**Million board feet**

<table>
<thead>
<tr>
<th>Year</th>
<th>Canada</th>
<th>Europe</th>
<th>L.A./Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>13,25</td>
<td>212</td>
<td>419</td>
</tr>
<tr>
<td>2016</td>
<td>18,56</td>
<td>409</td>
<td>549</td>
</tr>
<tr>
<td>2017</td>
<td>15,50</td>
<td>585</td>
<td>600</td>
</tr>
<tr>
<td>2018</td>
<td>15,34</td>
<td>600</td>
<td>585</td>
</tr>
<tr>
<td>2019</td>
<td>15,65</td>
<td>614</td>
<td>534</td>
</tr>
<tr>
<td>2020</td>
<td>17,00</td>
<td>700</td>
<td>599</td>
</tr>
</tbody>
</table>

- **Canada**
- **Europe**
- **L.A./Other**
Forecast Summary

- Economic slowdown
- Housing unspectacular, but steady
- Debt leads the way—in both directions
A North American Industry Journey

- **2006**: Softwood Lumber Agreement
- **2007**: Binational Softwood Lumber Council
- **2012**: Softwood Lumber Board
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
PROGRAMS SUPPORTED

INNOVATION: TALL WOOD
Basis of the Research

2013: 7.0 billion Total -- 3.5 billion in Cities
2050: 11.0 billion Total -- 7.0 billion in Cities
Cross Laminated Timber for Advanced Building Needs
Mid-rise Market Potential

Change This Footer by going to View -> Header and Footer ...
MOU 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
2015 Tall Wood Building Competition
KLH = KreuzLagenHolz
Engl. = Cross Laminated Solid Timber Panels
(NLT) NAIL LAMINATED TIMBER

Tsingtao Pearl Visitor Centre
QINGDAO | CHINA
Bohlin Cywinski Jackson
NAIL LAMINATED TIMBER
Simple Cost Effective Manufacturing
Simple Cost Effective Installation
Architecturally Significant Structure
THE COMPETITION IS FIGHTING BACK

SUSTAINABILITY
GREEN BUILDING

REDUCE MATERIAL, REUSE AND
RECYCLE YOUR NEXT PROJECT WITH STEEL

Code officials ignored it.
Developers ignored it.

Wood First?

Wood you?
Demand concrete block.
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
RESULTS OF MARKET RESEARCH

Most markets have a significant gap in softwood per capita consumption when compared to Europe and United States.

- China per capita consumption level is 10% of US levels and 20% of Europe levels.
- Southeast Asia, India and Pakistan with a combined population larger than China have consumption levels that are less than 10% of China’s level and 1% of US levels.
RESULTS OF MARKET RESEARCH

India, China and Southeast Asia show large potential if per capita consumption levels could be pushed to US levels.

Softwood Lumber Incremental Consumption Potential
Potential in Millions m³

- Softwood consumption potential is 0.5B m³ across 12 markets if Europe per capita consumption level is achieved.
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
• US Coalition can began Litigation in October 2016
Canadian Fiber Supply is Controlled by the Government, U.S. is Mostly Private

Canada Softwood Harvest

Public
Private

U.S. Softwood Harvest

Public
Private

Source: Government of Canada, 2006 Harvest

Source: United States Forest Service, 2006 Harvest
U.S. Log Sales Are Free Market: Log Prices Move with Lumber Prices

Source: Random Lengths / Log Lines
Canadian Timber Pricing Is Set By the Government

Source: Random Lengths / British Columbia Harvest Billing System
Canadian Timber Pricing Is Set By the Government

Quebec

Source: Random Lengths / Government of Quebec Portraits
IMPACT OF SOFTWOOD LUMBER AGREEMENT EXPIRATION
SLA Negotiations Status
Government to Government Negotiations

• Summary of status
  – Despite Lack of Progress, Negotiations Process Continues
  – USTR Froman and Trade Minister Freeland Remain Directly Engaged
  – Trade Cases Are Likely, But Negotiations Process Should Continue

• U.S. Industry Negotiations Position
  – Underlining objective is the “at or below market share” concept per Ottawa statement by Prime Minister Trudeau and President Obama
  – U.S. industry prefers a new trade agreement
  – U.S. industry will initiate trade cases sometime after Oct. 12
THESE ARE INDEED
CHALLENGING TIMES
FOR US