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# Assessing Timber Markets for Wood Consuming Facilities

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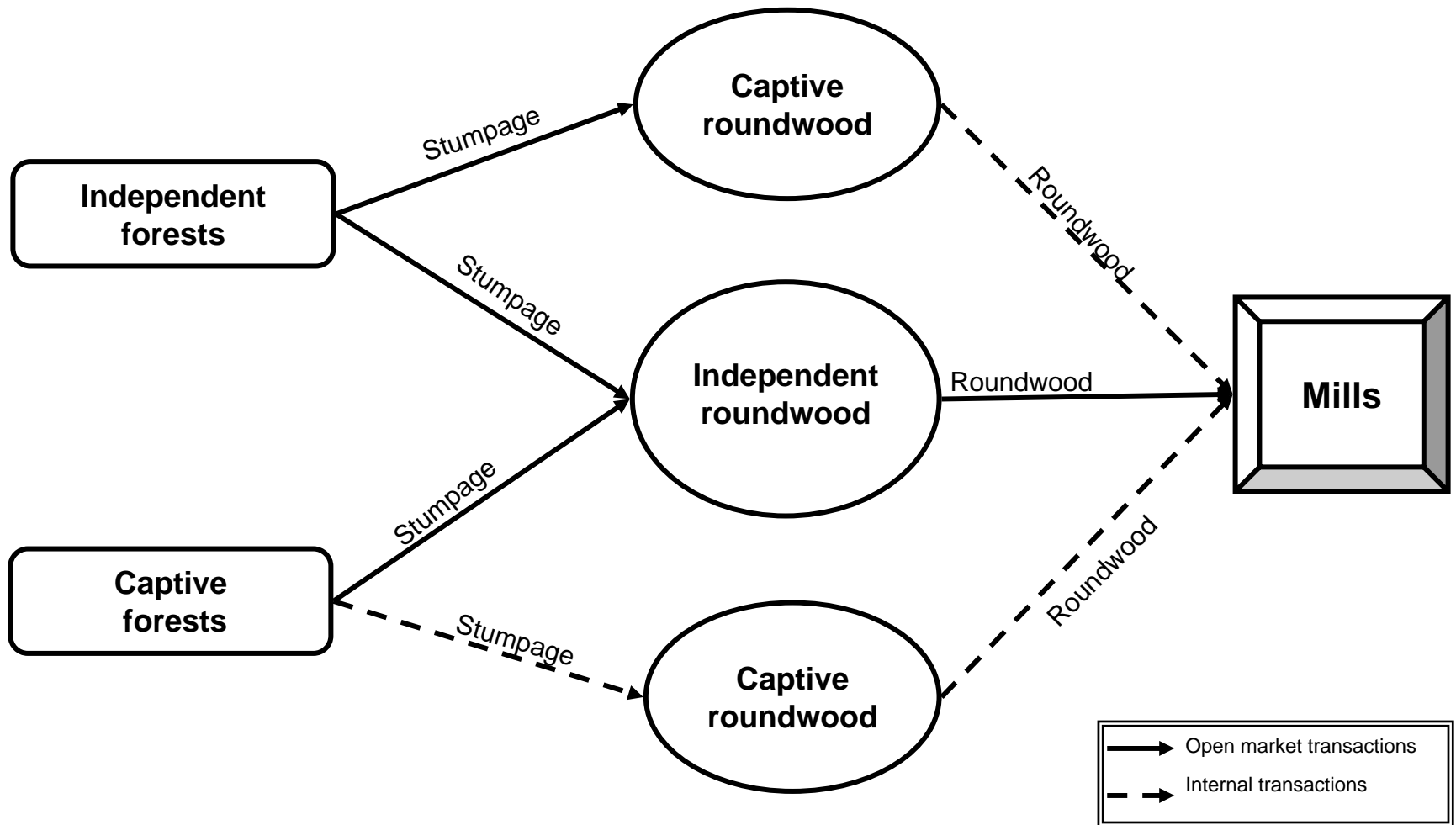
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# Forisk Consulting works with forest businesses and studies timber markets

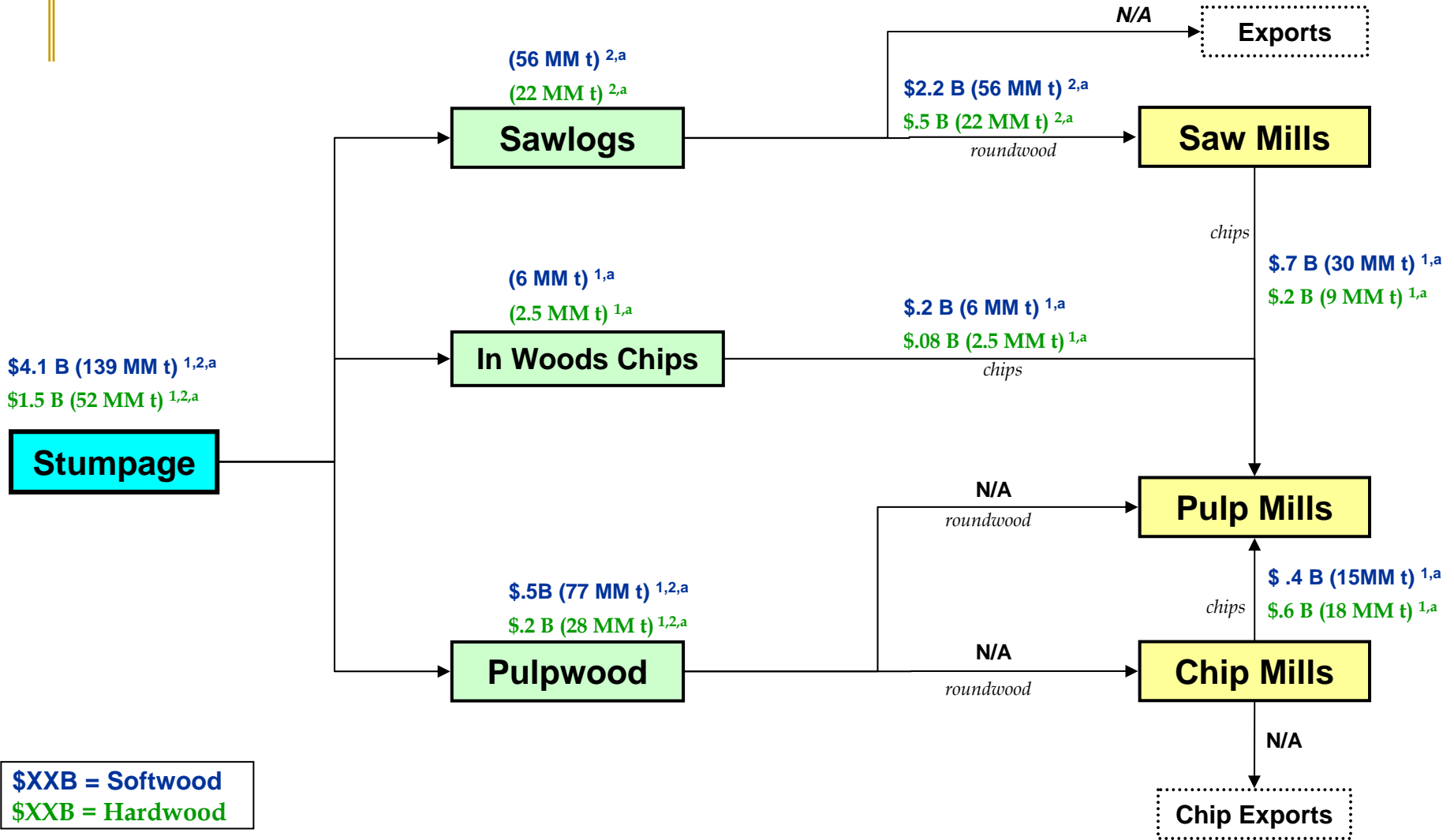
- Applied research and analysis
- Practical short courses and seminars
  - Timber Market Analysis
  - Risk Management in Forestry
  - International Finance and Forestry



# Timber stocks and flows



# Southern wood flows in tons & dollars, 2004



Harvest Sources: 1 - Annual Pulpwood Statistics Summary Report, 2004; 2 - Forest Resources of the United States, 2002, USDA Forest Service.; Also validated by Southern Pulpwood Production, 2002, USDA Forest Service. Pricing Source: a - TimberMart South.

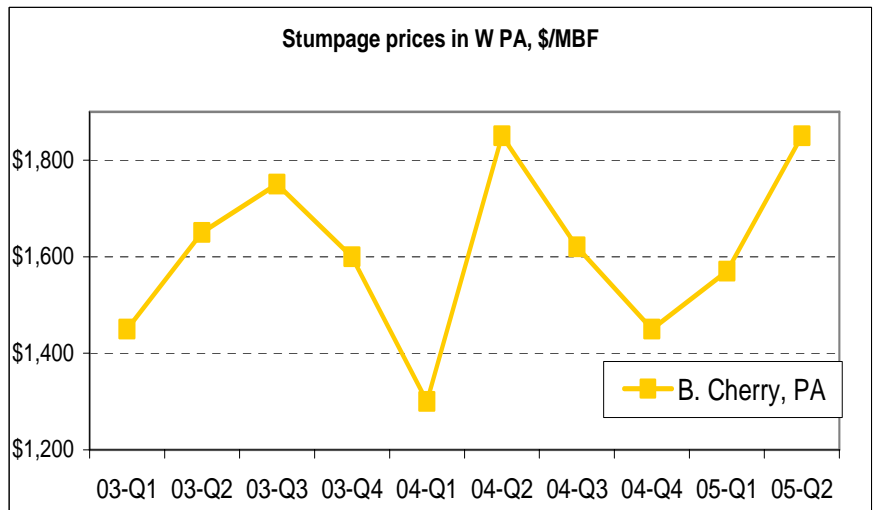
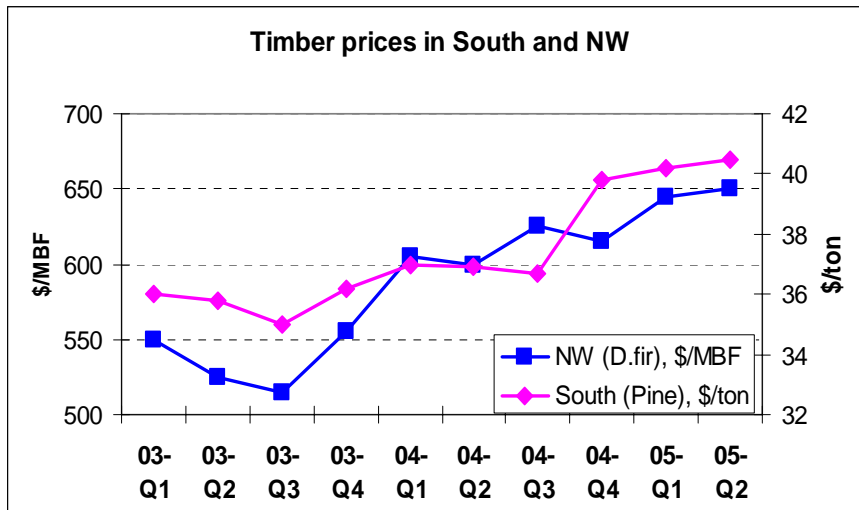
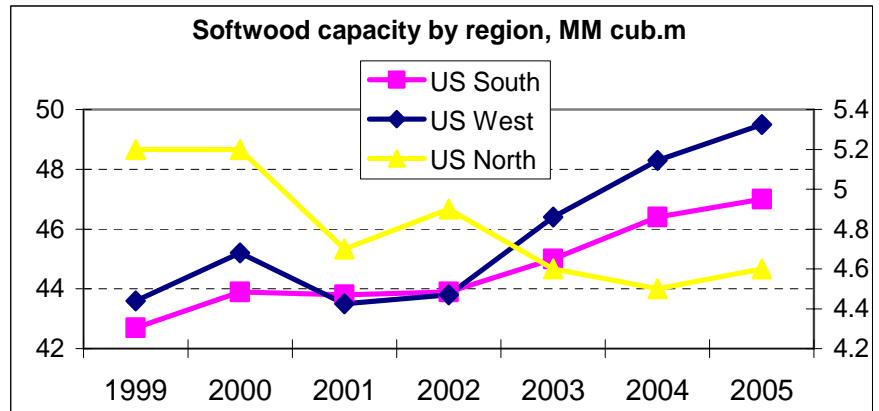
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# Complete understanding of wood demand requires assessment of market strength

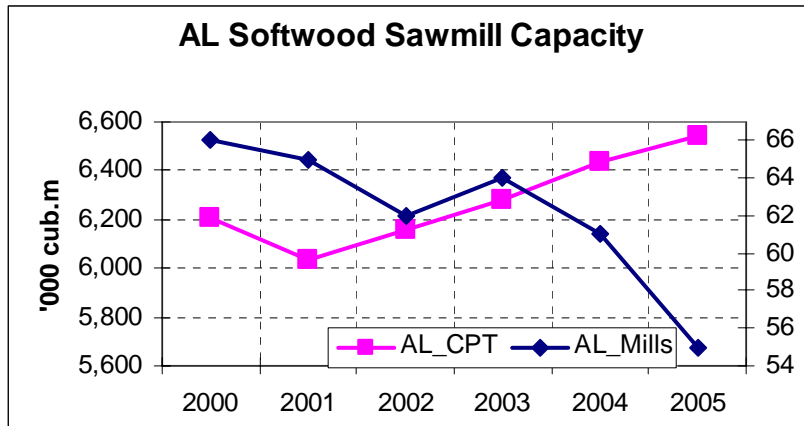
- Current situation
  - Are mills opening or closing? Are they adding or subtracting capacity?
- Relationship of demand by product and price
  - Provides means for identifying shifts in supply
  - Distinguishes between short-term and long-term price changes

# Capacity changes in U.S. by region

- Trends differ by region:
  - North: 11.5% decline
  - South: 9.8% increase
  - West: 13.2% increase



# Competitiveness for wood in AL and GA



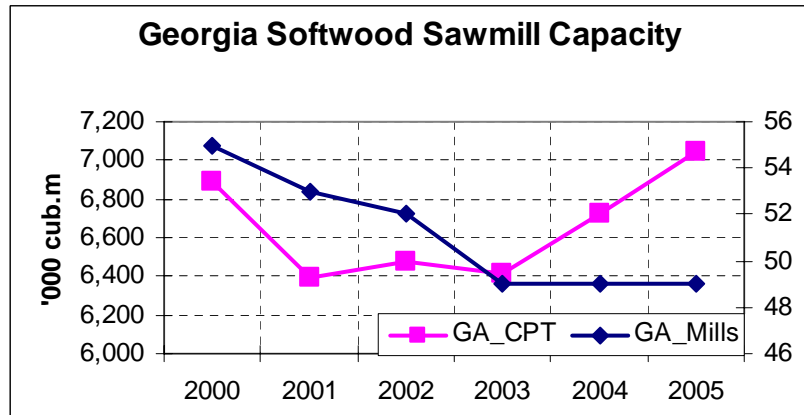
## Alabama

### ■ Capacity

- 2001 drop; Increase through 2005

### ■ # Mills

- Declines ~17%
- 13 mills closed since 2000 (2 large)



## Georgia

### ■ Capacity

- 2001 drop; Sharp increase, 2003

### ■ # Mills

- Plateau, 2003-2005
- 8 mills closed since 2000 (2 large)

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# Previous competitive assessments generate specific insights and questions

- Mills are growing larger and increasing capacity
  - Capturing economies of size and scale
  - Smaller players disappearing
    - Actions of small wood consumers provide key market signals
- More wood is being consumed
  - Good for timberland owners
  - Tough on procurement teams
- Fewer bidders bidding for this wood
  - Not good for timberland owners
  - Good for procurement teams
- Temporal competitiveness, averages
  - Only a part of the picture
  - Look at mill distribution by size

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# Thank you

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