
Intensive Forestry Outlook: Trends for Investment-Driven Forestry

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Intensive Forestry: Two Key Determining Factors

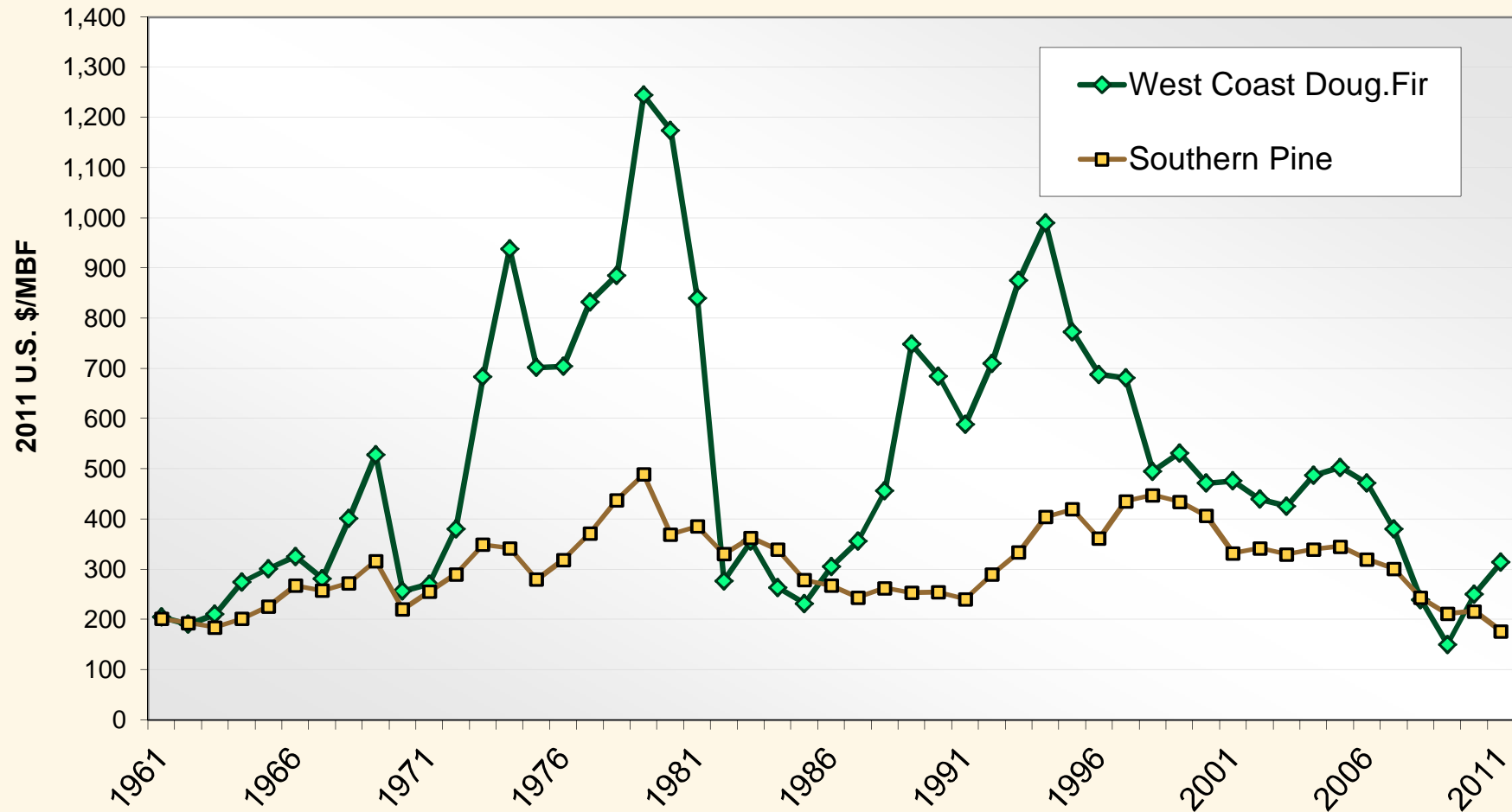
- Current Market Conditions
- Shifts in Timberland Ownership

Current Market Conditions Present Significant Hurdles

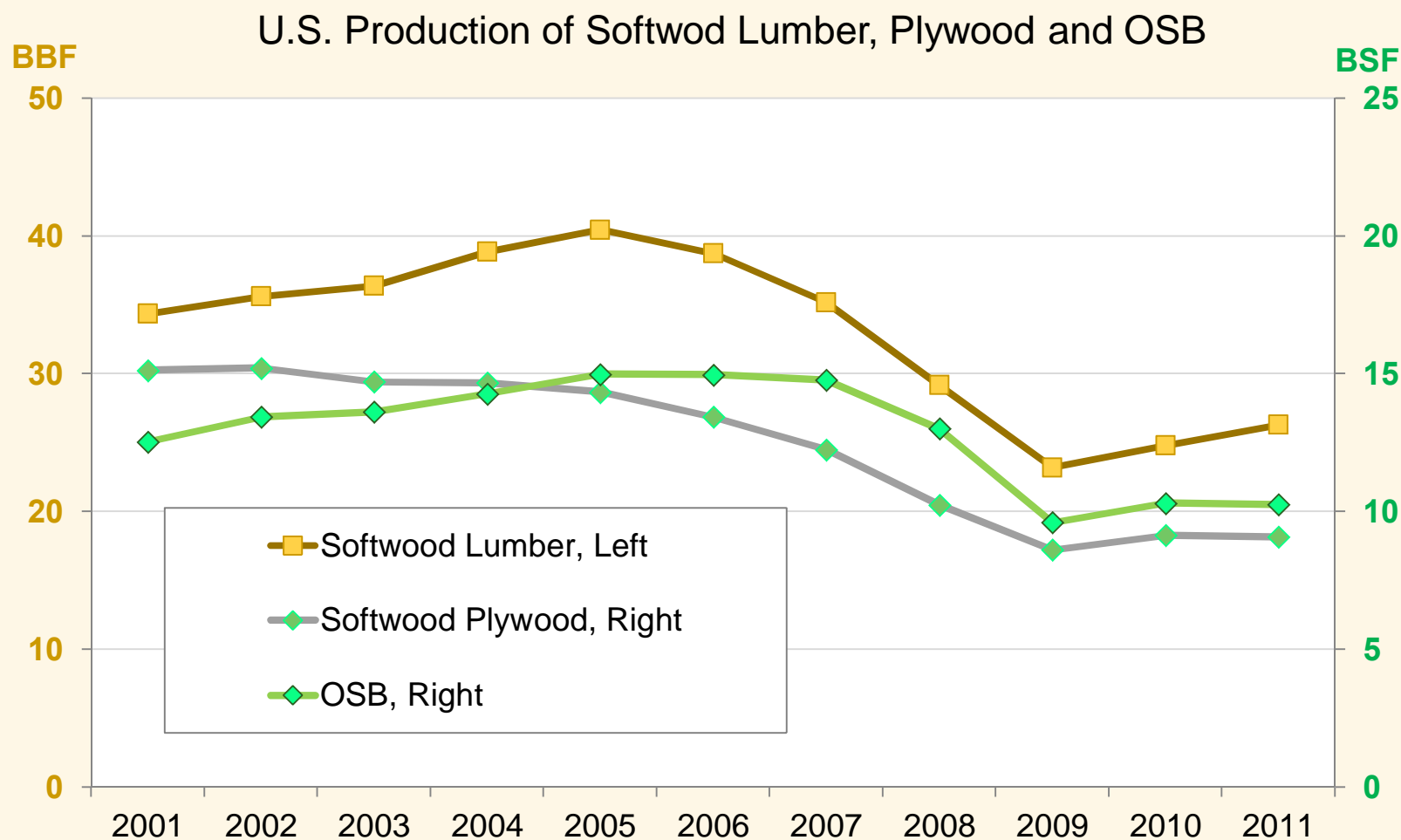
- Depressed Timber Prices
- Reduced Expectations for Future U.S. Timber Demand
 - ❑ Solid Wood Products
 - ❑ Pulp and Paper
 - ❑ Woody-Biomass Energy
- Ample Supply
 - ❑ Deferred Harvest Since 2007
 - ❑ Improved Outlook for Post-Beetle B.C. Timber Production

Sawtimber Prices Remain Depressed

Inflation Adjusted Stumpage Prices, 1961-2011

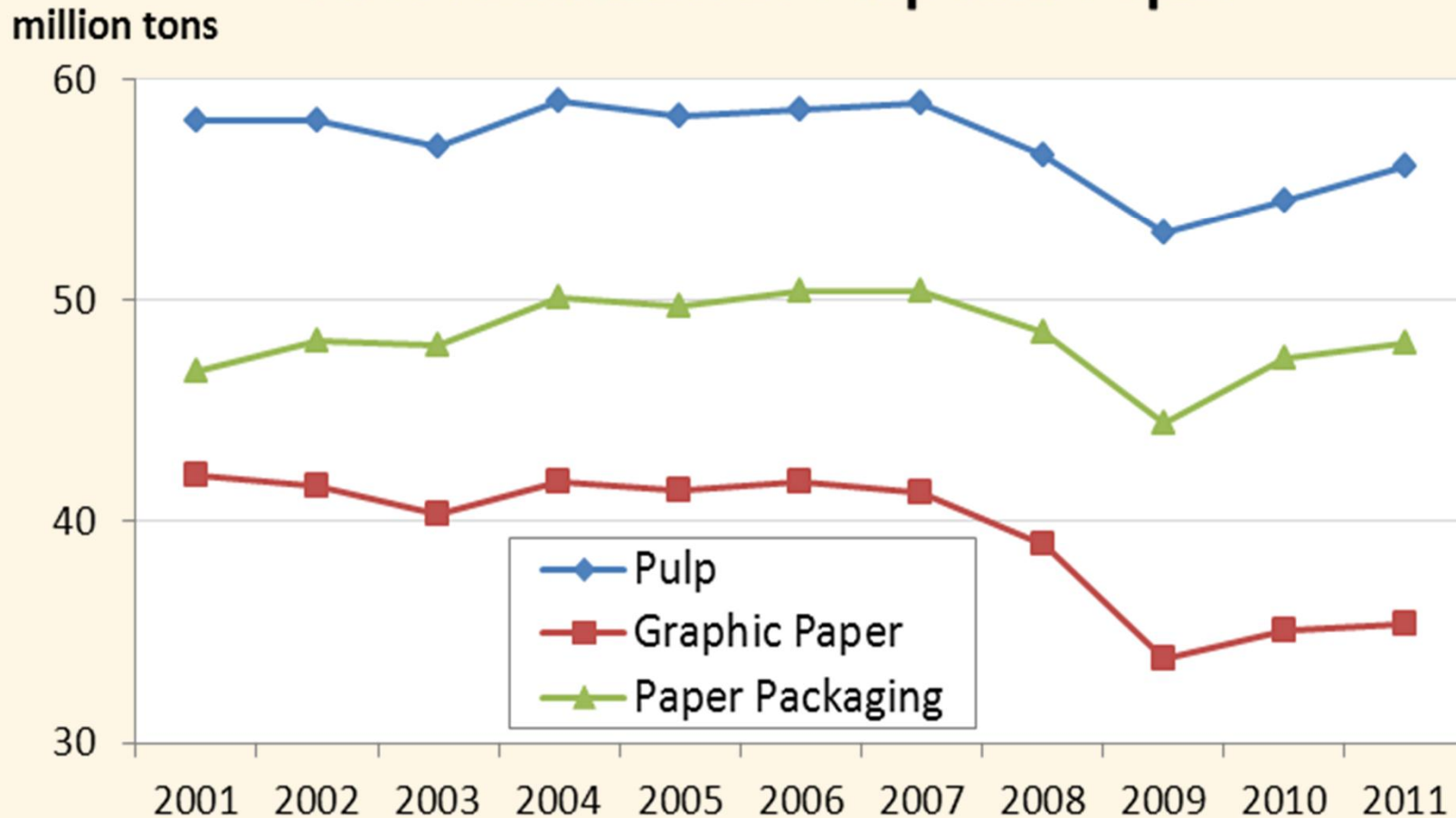


Solid Wood Products Demand Experiences a Major Downward Adjustment

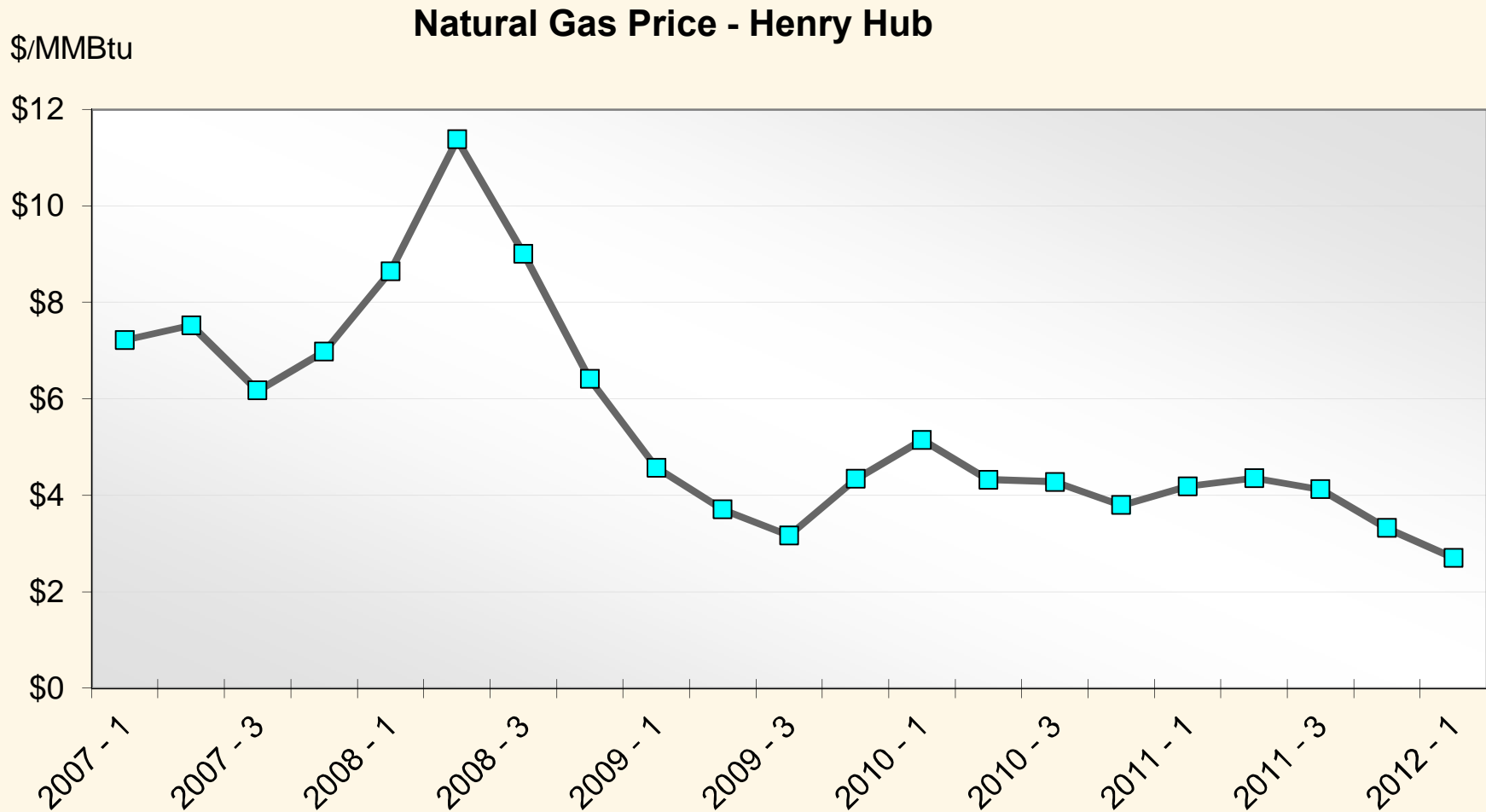


Pulp and Paper Markets Also Challenged

U.S. Production of Pulp and Paper

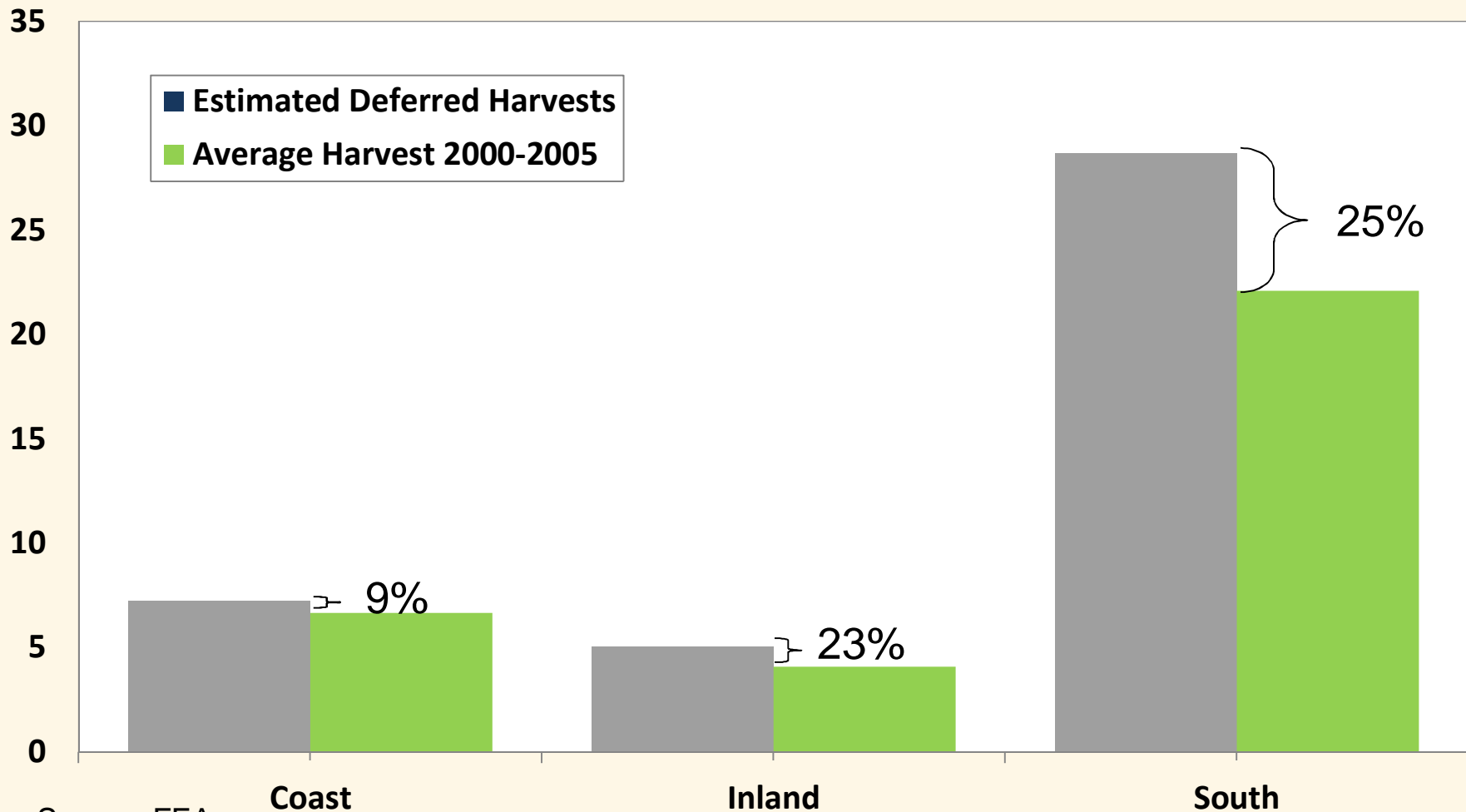


Lower Natural Gas Prices Dim Prospects for Woody-Biomass Energy



U.S. Private Softwood Sawtimber Supplies Augmented by Reduced Harvest Since 2005

BBF, Int'l



Source: FEA

Ownership Shift from Integrated Forest Products to Institutional Investor

- Integrated Forest Products: Mill Focus (Volume)
 - Establish Uninterrupted Supply for Mill
 - Boost Overall Supply Across all Ownerships
 - Management Regimes Tied to Specific to End-Products
- Institutional Investors: Financial Returns (Value)
 - Maximize Net Present Value of Timberland Asset
 - Competing for Markets with Other Timber Suppliers
 - Adapt to Changing Markets Opportunities

Future Trends in Intensive Management

- Increased Financial Discipline in Silvicultural Decisions and Research Programs
- Ability to Adapt to Changing Market Conditions
- More Effective Utilization and Deployment of Existing Data and Research
- Evolution of Institutional Timberland Owners . Moving Beyond Transactions
 - ❑ Strategic Partnerships to Develop Markets
 - ❑ Increased Focus on Enhanced Productivity
 - ❑ Leadership in Structuring and Promoting Research

Documented Performance in Agriculture Suggests the Potential for Gains in Forestry

