Alaska's Timber Industry
Opportunities and Challenges

Presented to

Resource Development Council

Presented by

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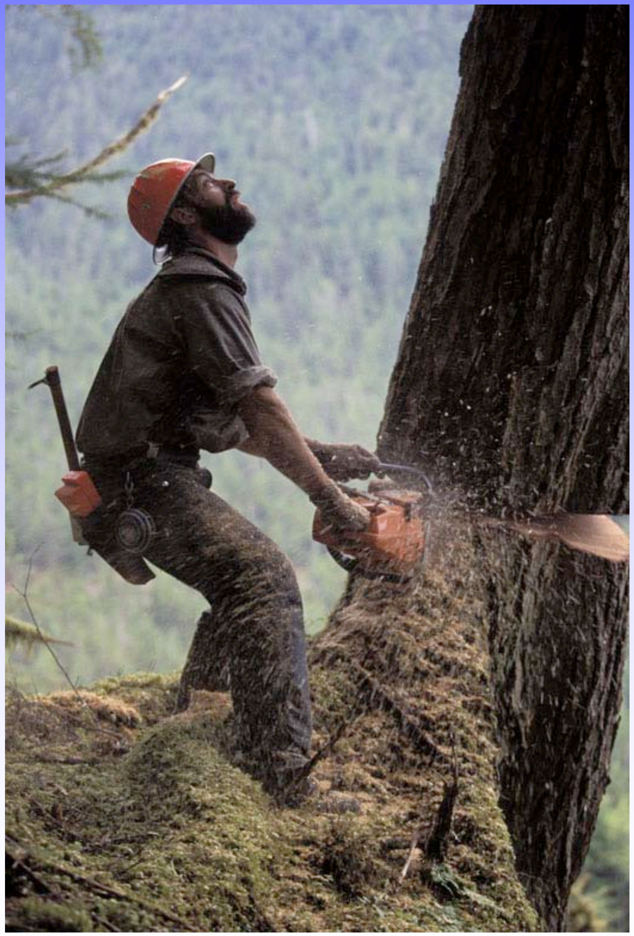
Presentation Content



- World Supply of Forest Products
- Alaska's Resources
- Opportunities and Challenges for Alaska

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World Exports of Forest Products

	2002 Export Value (billions of US $)
World Total	**$133**
Canada	**23**
US	**14**
Germany	**11**
Finland	**11**
Sweden	**10**
Indonesia	**5**
Austria	**5**
Alaska Exports	**$0.12**

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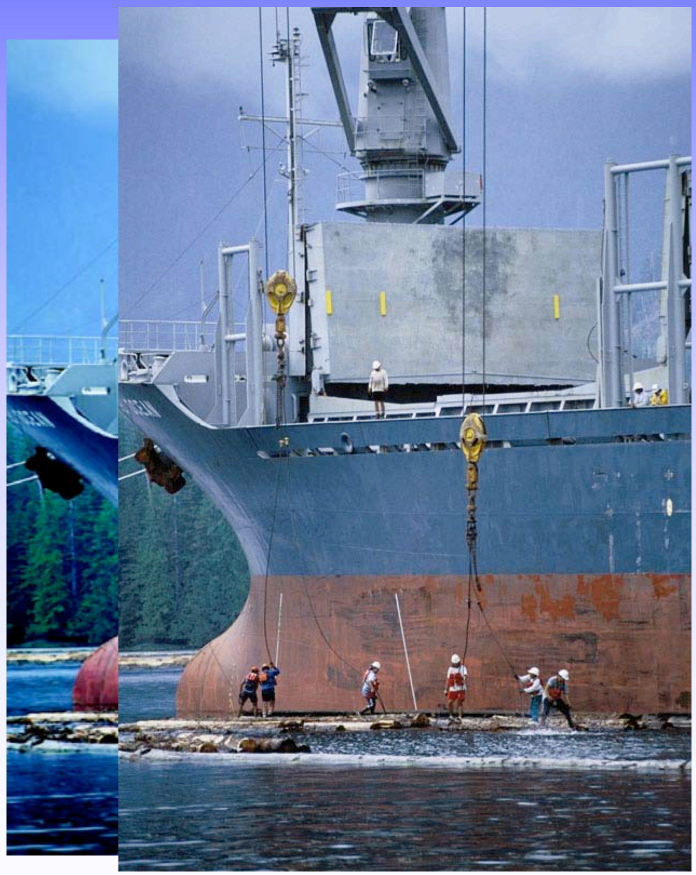
Pacific Rim Exports of Forest Products



	2002 Export Value (billions of US $)
Pacific Rim	$65
Canada	23
US	14
Indonesia	5
China	4
Russia	4
Chile	1.7
New Zealand	1.5
Alaska Exports	0.12

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Western States Timber Harvests

	2002 Harvest (billion board feet)
Oregon	3.9
Washington	3.6
California	2.0
Idaho	1.1
Montana	0.8
Alaska	0.3

Alaska's Resource

- Tongass National Forest: 676,000 acres of available commercial forest on a 100 year rotation
  - 267 mmbf available annually
  - 51% No.2 or better hemlock and spruce
  - 42% No. 3 & utility
  - 7% cedar
- 1 bbf of private timber in SE
- 30 bbf of commercial species in the Interior
  - 3.4 bbf of timber in state forests
  - 57 mmbf available for annual harvest

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Alaska Forest Products

- Key Products
  - Round logs for export
  - Green shop lumber
  - Spruce cants, mainly for export
  - Cedar log exports
- Other products
  - Log building kits
  - Siding
  - Dimensional lumber
  - Specialty products

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Global Market Trends

- **Pacific Rim market growth**
  - **China's imports skyrocket:**
    - **softwood log imports up from $94 million in '98 to $940 million in '03**
    - **hardwood log imports up from $500 million to $1.5 billion**
    - **hardwood lumber up from $290 million in '98 to $980 million**
  - **Japan – increasing demand for kiln dried lumber**
    - **but continues to have a preference for non-structural, decorative Sitka spruce, western red and Alaska yellow cedar**

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Global Market Trends

- **Increased global consumption of wood products expected**
  - **20% increase in sawnwood consumption over the next 20 years**
  - **50% increase in Veneer and plywood**
- **Growing use of engineered wood products**

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Alaska’s Challenges

- Uncertain, inadequate supply
  - Tongass ASQ of 267 mmbf, 115 mmbf offered, 36 mmbf sold in 2003
- High power and labor costs
  - Higher than PNW and far higher than international
- Access to markets
  - Advantages & disadvantages
- Comparatively low mill efficiency
  - Old technology
- Fierce global competition
  - Intensive forest management, fewer restrictions

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Alaska’s Opportunities

- Strong US demand for Tongass products
  – Active housing market, Stronger Canadian $
- Access to growing international markets
- Growing demand for EWP
- Unique mechanical and visual properties
  – Good strength to weight ratio
- Integrated industry development
  – Full resource utilization

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Research & Development

- Alaska Wood Utilization R & D Center
  - Improved recovery
  - Value-added manufacturing, kiln-dried
  - Wood residues
- Ketchikan Wood Technology Center
  - Unique grade stamps for Alaska hemlock and yellow cedar
  - Machine stress ratings
  - Preservative treatments
- Integrated industry feasibility

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Towards an Integrated Industry…

Why?

- **Approx. 40% of Tongass harvest less than sawlog quality. No use for mill residues.**

How?

- **For roundwood (OSB, Veneer/LVL)**
- **For utility, chips, fiber (MDF, Ethanol, power production, compost)**

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Potential Economic Impacts
of an Integrated Timber Industry

- **Current Tongass industry employment: *200***
- **Potential benefits of a 200 to 250 MMBF harvest:**
- **1,200 - 1,750 direct and 900 to 1,400 induced jobs**
  - **Potential direct payroll: $55 to $80 MM**
  - **Potential total payroll: $90 to $130 MM**

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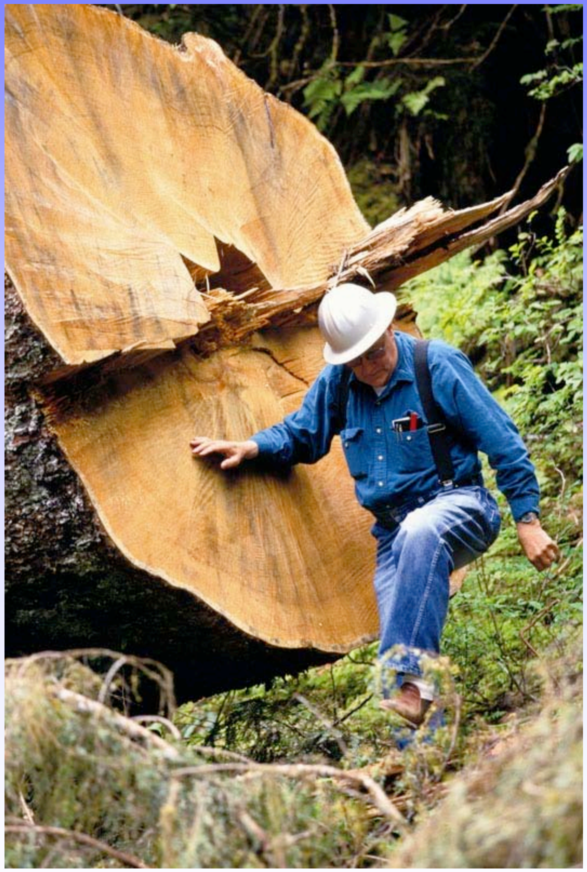
Industry Scale

- Greater supply could make an integrated industry stronger...
    - Multiple buyers for low-grade wood
    - Better economies of scale
    - More opportunities to tailor manufacturing to particular raw materials and markets
- 350 mmbf/yr needed



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What’s needed to encourage investment….

- Steady wood supply
- Adequate wood supply
- New Standards & Guidelines, appraisal methodologies
- Movement toward an integrated industry
- Support for small-scale operators
- Support for R&D

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