Value Added Opportunities in Alaska's Forest Products Industry

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Status of Alaska's Forest Products Industry

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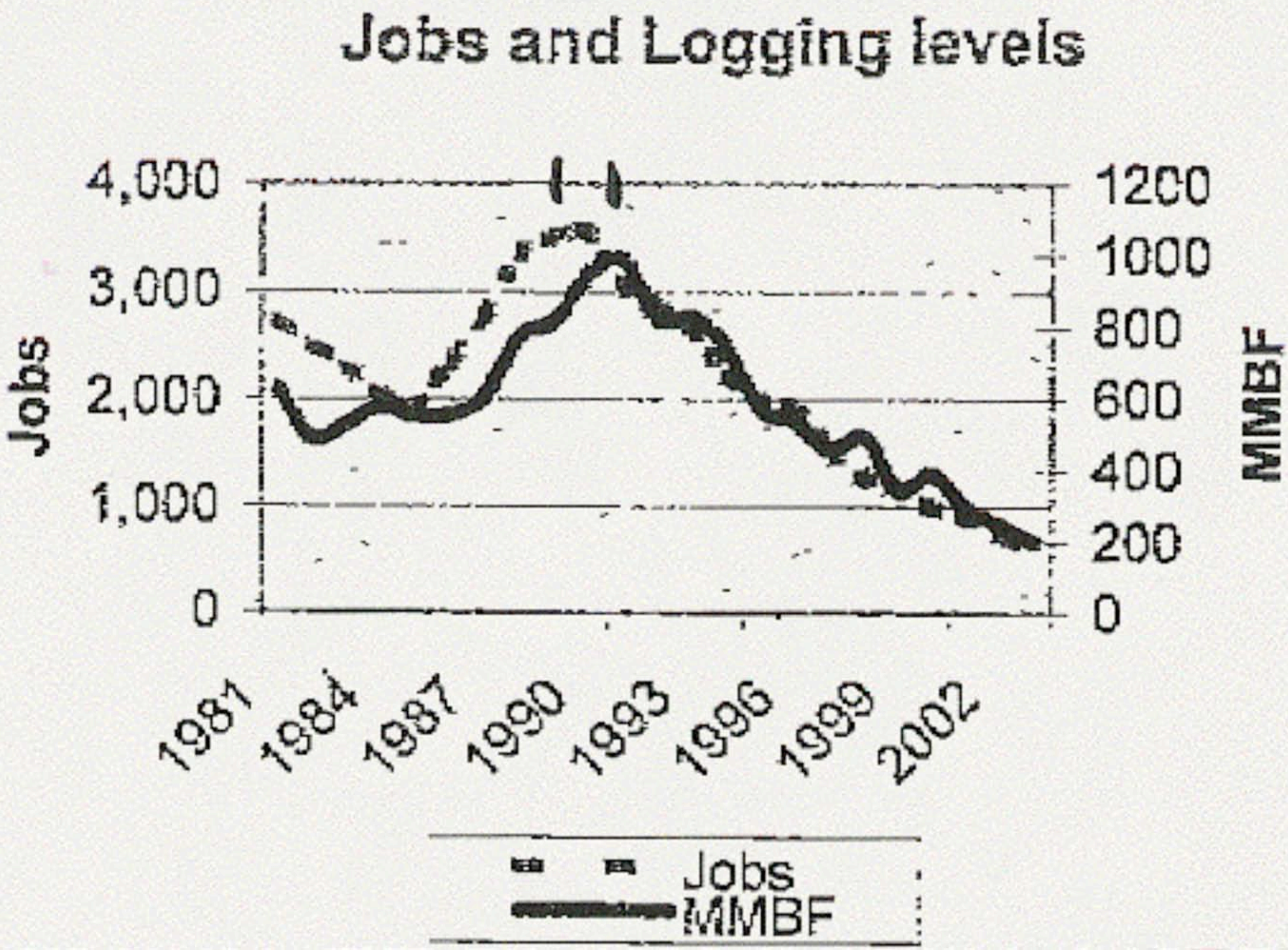
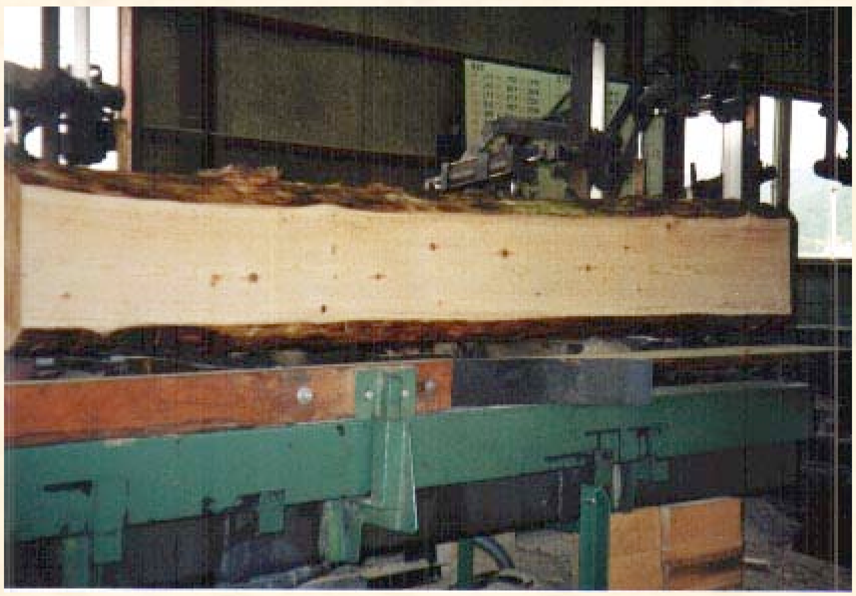
- Direct employment decreased from 3,069 in 1991 to 600 in 2003
- Harvest levels dropped from 991MMbf in 1991 to less then 200 MMbf in 2003
- These numbers represent an 80% reduction of our industry
- Our industry has lost many manufacturing facilities including two critical pulp plants
- The investment climate for timber is very challenging



Jobs and Logging levels
Jobs
4,000
3,000
2,000
1,000
0
1200
1000
800
600
400
200
0
MMBF
1981
1984
1987
1990
1993
1996
1999
2002
Jobs
MMBF

Markets



- Japan has been Alaska’s tradition market
- Lower 48 is a growth market
- Alaska’s market niche has always been light colored tight ringed wood, Sitka spruce & hemlock

Log Supply

- Tongass National Forest
- Private native land
- State of Alaska

Alaskan Manufacturers Challenges

- High manufacturing costs
- Lack of qualified labor
- Diverse log supply going into mills that are not capable of producing a diversity of finished products
- Ability to match lower 48 mill technology
- Wood has become more of a commodity product.
- No market for low end
- Shipping cost to markets are very high

New Initiatives in Alaska’s Forest Products Industry

- MDF (medium density fiberboard) study funded & is soon to get underway
- Veneer plant in Ketchikan is expected to open soon
- American built ship may be able to economically carry lumber to lower 48 markets
- Transition to second-growth timber
- Market for Alaskan hemlock/spruce is growing
- Hemlock treated railroad ties look promising

Thank You