THE BECK GROUP

13500 S.W. 72nd Avenue
Suite 250
Portland, OR 97223-8013

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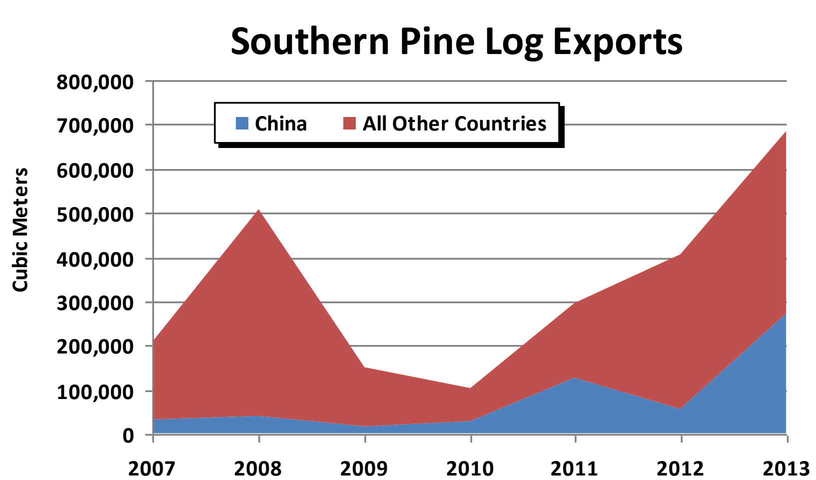
Growing Impact of Log Exports on the U.S. West and South

Cont. from page 1



in addition to sawlogs. The total volume of softwood logs to China from the South in 2013 was about 6,450 truckloads. In addition to China, other major destinations for softwood logs in recent years have included Germany, Japan, and India. While this figure is only a small percentage of southern pine sawtimber harvests, it can have an impact on localized markets, particularly those areas near ports. It should be noted that unlike the West, where logs are shipped break-bulk on ships, logs from the south are shipped by container. With the coming expansion of the Panama Canal to accommodate even larger container ships, freight costs from southern ports may become even more competitive. At least for now, it appears most of the lumber and plywood industry in the South will not face major increases in delivered log costs due to log export pressure, but stay tuned to see what will happen in future years.

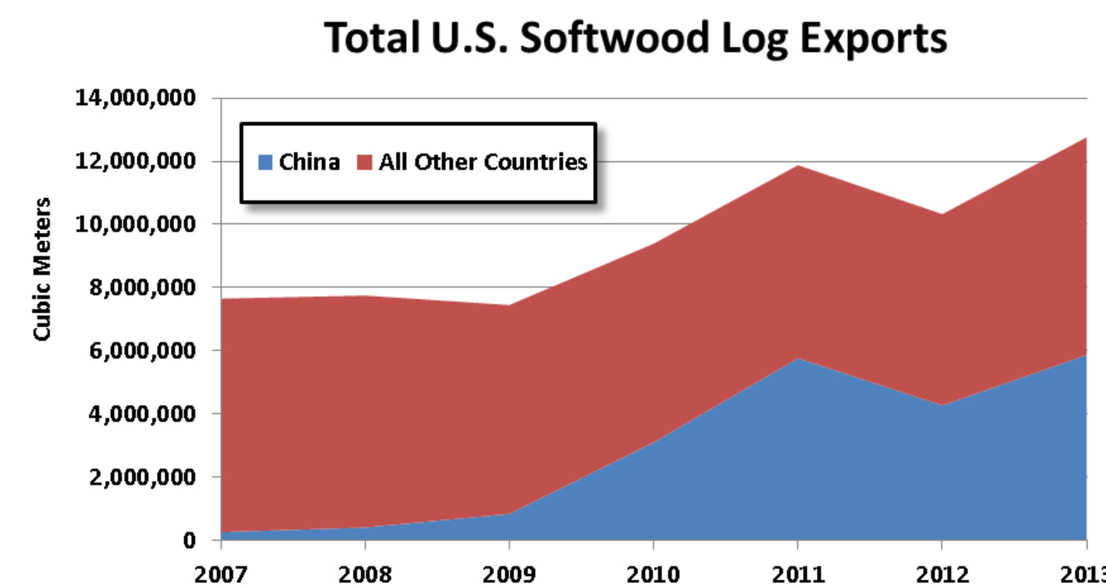
Spring 2014

Forest Products News from . . . The Beck Group

> "If a cluttered desk is the sign of a cluttered mind, of what, then, is the sign of an empty desk?"
> Albert Einstein

Growing Impact of Log Exports on the U.S. West and South

As most people that are part of the wood products business in the U.S. West recognize, there has been a significant increase in log exports from North America during the last few years. An increasing percentage of these logs have been destined to China, while Korea and Japan also have been important markets. The dramatic growth to China is shown in the accompanying chart that illustrates U.S. log exports to China and all other countries.



As shown in the table below, exports of Southern Pine logs have been increasing in recent years. The volume shipped from each major port, as well as the total volume shipped expressed in cubic meters, is presented. Note the differences from year to year and from port to port.

The chart illustrated on the newsletter's back page shows the total softwood log exports from the U.S. South to China and all other countries. To add some perspective to these exports, a cubic meter of SYP logs is equivalent to approximately one ton, so the reported **total** log exports to all countries from southern ports in 2013 was approximately 685,000 tons. At an average payload of 25 tons per truck, this amount is equivalent to about 27,000 truckloads. The total likely included pulpwood

Softwood Log Exports from Southern Ports (m3)

Port	2007	2008	2009	2010	2011	2012	2013
Savannah, GA	40,249	61,610	54,954	17,621	108,832	224,906	305,199
Charlotte, NC	5,712	6,549	4,119	12,749	43,509	23,878	65,570
Charleston, SC	8,199	10,366	12,598	14,176	8,131	43,198	89,332
Norfolk, VA	87,371	63,580	17,513	16,353	34,035	28,271	27,200
New Orleans, LA	11,985	17,594	24,940	16,236	63,735	22,830	124,455
Mobile, AL	28,797	329,645	9,450	3.941	16,879	38,115	32,648
Houston, TX	18,566	16,368	25,978	18,385	17,266	17,197	18,521
Tampa, FL	6,263	1,614	1,468	2,417	3,143	6,619	22,164
Total	**207,147**	**507,326**	**151,020**	**100,888**	**295,530**	**405,014**	**685,089**

Source: U.S. International Trade Commission

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Sawmill Management Training Workshops a Success!

Late last fall and in recent weeks, BECK conducted two **sawmill management training workshops** that were well attended by the industry. The first was held at the World Forestry Center in Portland, Oregon on October 15-17, 2013. Nearly 40 industry personnel attended the workshop, representing 18 companies that included many Northwest firms – both large and small. See the photograph below.

The second workshop just finished in Myrtle Beach, SC on March 22-23, 2014 was held at a scenic resort hotel overlooking the Atlantic Ocean. A total of 37 people attended from 18 companies representing 22 sawmills throughout the South and upper Midwest. A picture of many of the attendees is shown below.

THE BECK GROUP

Ph: 503 684-3406 Fax: 503 639-0784
www.beckgroupconsulting.com

Staff

Tom Beck — President
tomb@beckgroupconsulting.com

Bill Mitchell — Vice President
billm@beckgroupconsulting.com

Bryan Beck — Senior Consultant
bryanb@beckgroupconsulting.com

Roy Anderson — Senior Consultant
roya@beckgroupconsulting.com

Kathleen Stewart – Consultant
kathleens@beckgroupconsulting.com

Lindy Alexander — Office Manager
lindya@beckgroupconsulting.com

Associates

Darrell Wheelock —
Project Manager/Designer
info@beckgroupconsulting.com

Bill Carlson —
Bioenergy Technical Consultant
info@beckgroupconsulting.com

Tom Such
Maintenance Consultant
info@beckgroupconsulting.com

In addition to BECK staff, a number of respected industry veterans made presentations on a variety of subjects at the workshops. Topics included:

- *Overview of North American Lumber Industry*
- *Characteristics of Top Quartile Producers*
- *Lumber Drying/Continuous Kilns*
- *Low Cost Ways to Improve Performance*
- *Financial Statements & Reporting Systems*
- *Bioenergy/Pellets*
- *Improving Lumber Recovery*
- *Lumber Sales and Marketing*
- *New Sawmill Technology*
- *Capital Project Planning*
- *Profitability Levers*
- *Leadership in Safety*
- *By-product Markets*
- *Log Procurement*
- *Quality& Process Improvement*

During several of the lectures, hands-on interactive training activities were completed. The workshops also provided excellent opportunities for the participants to get acquainted with others in the industry and gain exposure to a variety of aspects of the business.

NEXT WORKSHOP COMING SOON

The reaction from the participants has been very positive and, based on industry demand, **another workshop for the West is being held in Portland, Oregon on April 22 – 24, 2014.** A strong line-up of speakers has been arranged for the workshop. While 50 participants have registered at present, there is still room for more. For additional information, follow this link to our website – **www.beckgroupconsulting.com**.

BECK Projects Update

BECK staffers have been busy completing a variety of projects; a few highlights are described here:

Beck Group Competitive Assessment Update

The list below summarizes BECK staff members' recent activities on competitive assessment and benchmarking studies for different segments of the forest products industry. If you are interested in learning more about any of these studies, please let us know.

Recently Completed

North American Studs – Our firm completed a comprehensive benchmarking study for producers of studs/short lumber in North America. It included a total of 17 mills from 14 companies, with operations from the western U.S., Canada and the Upper Midwest. The study period was mid-2012 to mid-2013. All studmills were profitable during this period as opposed to the previous study, covering 2010, when they were on average near breakeven.

Under Development

Western Interior Canadian Dimension Lumber – Recruiting efforts continue in the development of a competitive assessment study for dimension lumber producers in Western Canada.

Underway

Western U. S. Dimension Lumber – A competitive assessment for dimension lumber producers in the West, covering calendar year 2013, is underway. It includes a number of leading producers in both the coastal and inland regions.

Other Beck Group Project Activities

Sawmill Wage and Benefit Survey – BECK completed a survey of sawmills in the U.S. South to determine hourly wage rates for operating and maintenance personnel by position, as well as the benefits offered.

Development of a "Prospectus" for a Timber Supply Opportunity – A major timberland owner retained our firm to prepare a "prospectus" describing an underutilized sawtimber supply for use in encouraging the development of a new sawmill in the region. BECK contacted a selected group of companies that might have an interest in building a new sawmill.

Expert Witness Analysis – Our staff has been involved in investigating and analyzing the past performance of a western sawmill, particularly the production and utilization of by-products, as part of a legal case.

Monthly Mill Financial Performance Forecasts – Beck staff continues to develop monthly forecasts to fulfill the requirements of the mill's financing institution.

Due Diligence Analysis – BECK completed an analysis of past performance of a sawmill in the Southwest as well as proposed capital improvements for a company that was considering acquiring the operation.

Assistance in Sawmill Restart – Tom Beck of our staff serves on the board of directors of the White Mountain Apache Timber Company (WMATCO), formerly known at Fort Apache Timber, in White River, AZ. He provides technical assistance to the tribe on upgrading and restarting the sawmill following a lengthy shutdown.

Cogeneration Feasibility Study – Our staff examined the feasibility of developing of cogeneration plant at a western sawmill. The analysis included the costs and benefits of producing kiln dried lumber.

SYP Mill Performance Summary – BECK recently assisted an organization is understanding the economics of producing lumber in the U.S. South as the first phase of assessing the feasibility of establishing a new mill in the region.