

Status Report for Members of the Sustainable Forestry Initiative, Inc.

September 22, 2010



**Blue Ribbon Commission
for Check-off**

Today's Report

- **Quick review:**
 - What is a check-off?
 - Softwood check-off origins.
 - Who is working on it?
- **Why check-off?**
 - Take advantage of past investments
 - Certification
 - Market promotion
 - Green building
 - Market share erosion
 - Competing products

Today's Report

- **BRC Recommendations:**
 - How big a program? How might the funds be used? What can industry hope to accomplish?
 - How much will it cost, and who pays?
 - How will it be governed?
- **How will it work?**
 - Board
 - Administrative costs
 - Role of government

Direct Industry Participation--Check Off

Check-offs: funded and governed by industry, enabled by government:

- Generic marketing and research programs aimed at growing markets.
- Established by Congress, USDA's Agricultural Marketing Service (AMS) has primary oversight.
- Directed by industry boards appointed by USDA.
- Government role funded by industry.

Research and B2B: Soybeans



Consumer Education: Cotton

Introducing our new consumer spokesperson: Mother Nature.

There's never been a better time to love our environment and the fibers that support it. That's why Cotton Incorporated is putting millions behind a television campaign reminding everyone that cotton is and always will be America's favorite natural choice. As a result, consumers will continue to look for cotton when they shop. So while you feel good about using Mother Nature's fiber, they will feel good about buying it.



Visit us at www.cottoninc.com/sustainability

Cotton Incorporated: Cary, NC • New York • Mexico City • Los Angeles • Osaka • Shanghai • Singapore

Issues Management: Mad Cow

- **Is U.S. beef safe from “mad cow disease”?**
- Yes. Providing the safest beef in the world has always been the No. 1 priority of America’s beef producers.

Perception-changing: Eggs

Inaccurate Perception:

Cardiovascular disease: the #1 killer.

Avoid eggs for fear of cholesterol.

Science Sets the Record Straight

A 2007 study reported in *Medical Science Monitor* showed that eating one or more eggs a day did not increase the risk of heart disease and may be associated with a decrease in blood pressure.

Program Scope/Funding

Soybeans	
B2B and Research	\$90m
Cotton	
Consumer focused education	\$116m
Beef	
Consumer, issues management	\$42m
Eggs	
Perception-changing/issues management	\$27m
Proposed softwood lumber check-off	\$20m
Mostly B2B	

Binational Softwood Lumber Council

Mandate

“to promote increased cooperation between the U.S. and Canadian softwood lumber industries and to strengthen and expand the market for softwood lumber products in both countries”

Blue Ribbon Commission for Check-off

21 North American CEOs Heads of Business:
14 U.S. and 7 Canadian

Regionally Balanced by Production

7 from South

6 from West / Intermountain

1 from Northeast / Lake States

4 from Western Canada

3 From Eastern Canada

BRC Demographics

- BRC members:
 - represent 43% of shipments to U.S.
 - are 80% independent family owned
 - 50% are small independents
 - 35% are under 250mmbf

Blue Ribbon Commission

Chairman

Jack Jordan

Jordan Lumber & Supply Inc. (NC)

Vice-Chair

Duncan Davies

Interfor (BC, Canada)

BRC: US Members

Aubra Anthony

Anthony Forest Products (AR)

Michael E. Case

The Westervelt Company (AL)

Kevin Hancock

Hancock Lumber (ME)

Shannon Hughes

Weyerhaeuser Company (WA)

Fritz Mason

Georgia-Pacific (GA)

Hank Scott

Collum's Lumber (SC)

Steve Zika

Hampton Affiliates (OR)

Marc Brinkmeyer

Riley Creek Lumber (ID)

George Emmerson

Sierra Pacific Ind. (CA)

Patrick Harrigan

Harrigan Lumber (AL)

Andrew Miller

Stimson Lumber (ID)

Dale A. Riddle

Seneca Sawmill (OR)

Jim Walsh

Roseboro (OR)

BRC: Canadian Members

Chris McIver

West Fraser (BC)

David Gray

Mill & Timber (BC)

David J. Paterson

AbitibiBowater (Quebec)

James F. Shepard

Canfor (BC)

Charles Tardif

Maibec (Quebec)

Al Thorlakson

Tolko Industries (BC)

Why check-off? Our challenges

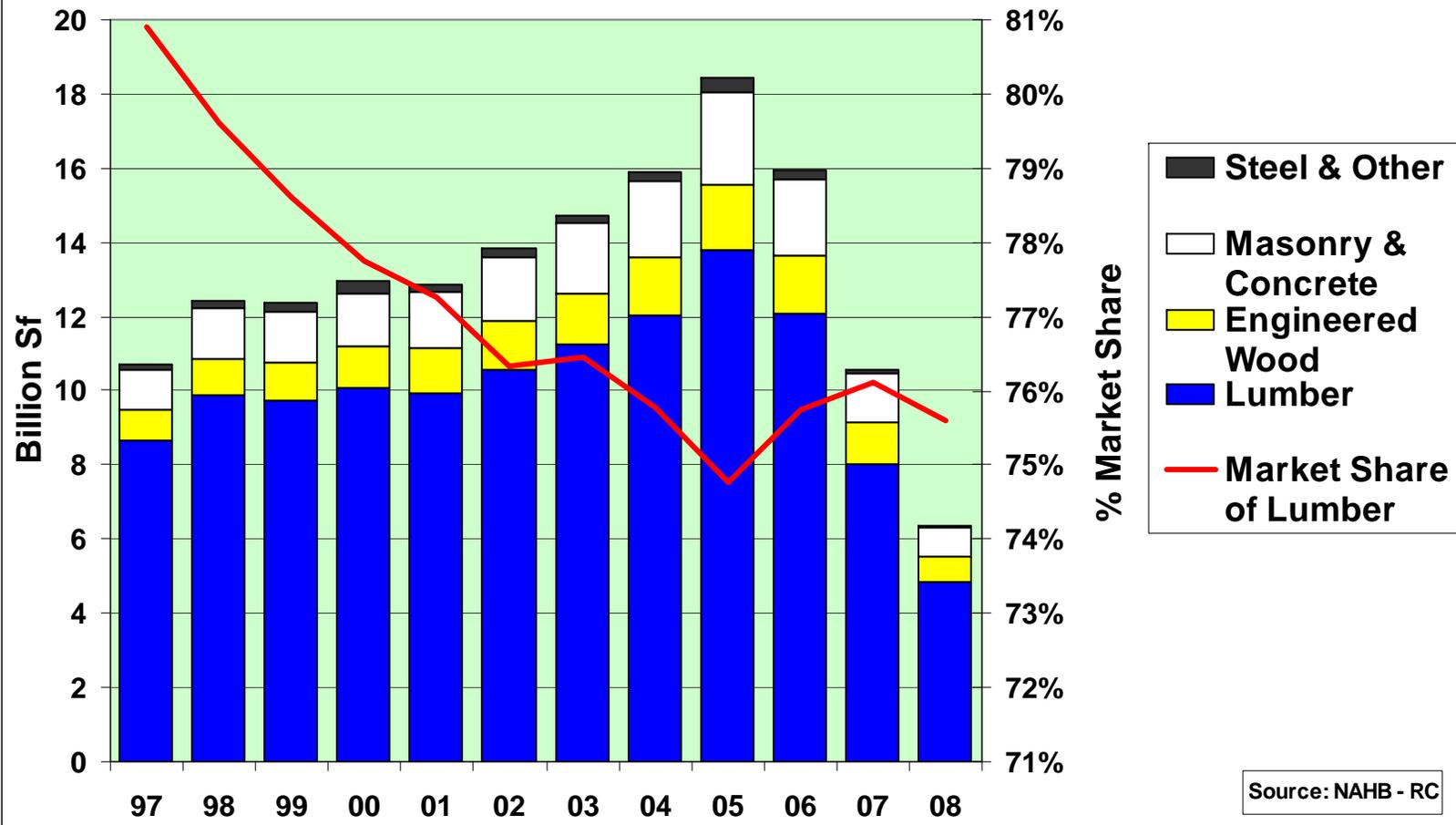
- Take advantage of major industry investments in certification and green building
- Fragmented--no industry wide voice
- Past marketing efforts too short for lasting results

Why check-off? Our challenges

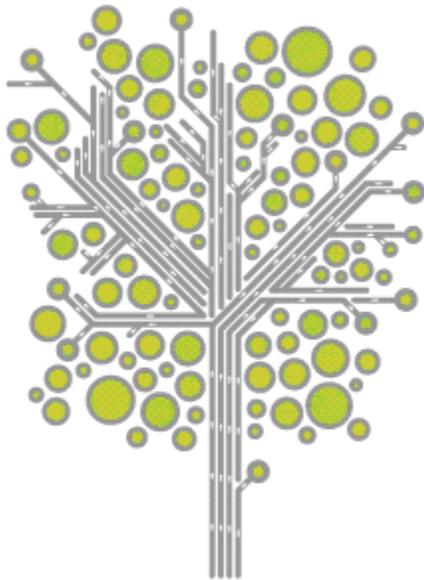
- Market share erosion even during periods of solid sales
- Well-funded, aggressive campaigns by competitors
- Environmental messaging usurped by others
- Fragmented--no industry wide voice

2008 Low Point for Lumber

**U.S. Residential New Construction (Single & Multi-family)
Structural Materials - Floors, Walls, & Roofs**



Market Situation



STEEL IS THE NEW GREEN



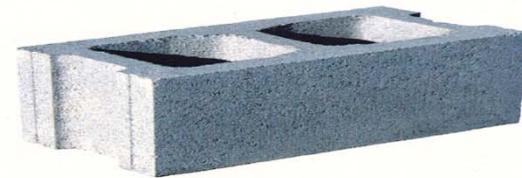
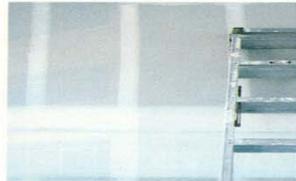
Pound for pound, no other building material is as cost-effective as cold-formed steel framing.

Cement Wants Our Share

What kind of construction makes more sense?
Wood frame and drywall... Or concrete block?



BENEFITS:



BENEFITS:

- Block is competitively priced.
- Block prevents heat loss which makes it energy-efficient.
- Block is quieter.
- Block manages moisture.
- Block does not burn.
- Block prevents the spread of fire to adjacent dwellings.
- Block greatly reduces the chances of structural collapse.
- Block does not produce toxic gas, smoke or fumes.
- Block can help lower insurance premiums.
- Block costs less to maintain, with no periodic testing or inspection required.
- Block eliminates mold growth.

You decide.

When it comes to construction — residential, commercial, industrial — concrete block makes (dollars and) sense. Concrete block is stronger and safer than wood. It is a more effective sound barrier. It retains its value, yet is easy to maintain — and is environmentally friendly.

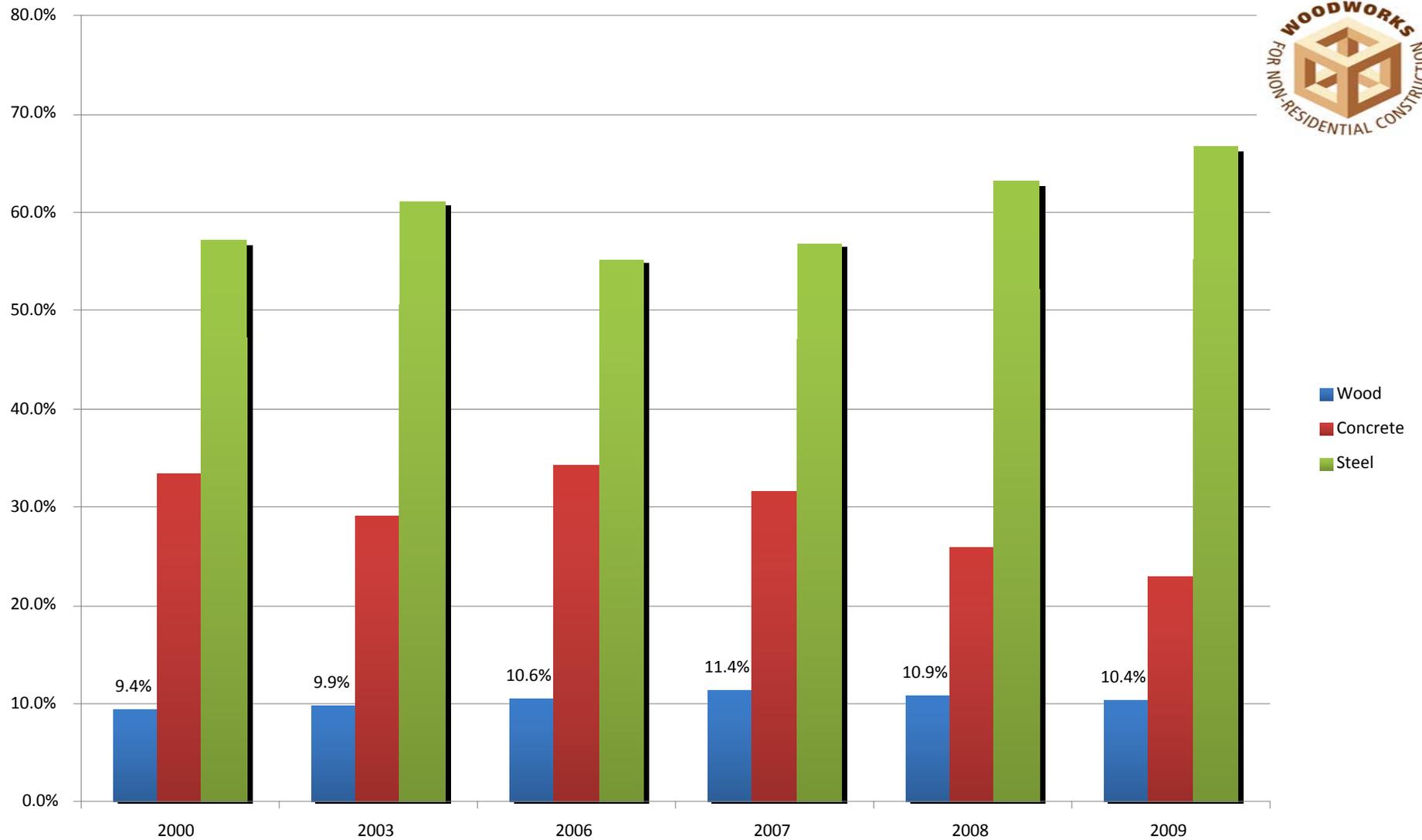
If you want it built to last,
make sure it's built with Block.

www.ccmpa.ca
information@ccmpa.ca
1-888-495-7497

Canadian Concrete Masonry
Producers Association
Region 6 of the National
Concrete Masonry
Association



Non-Residential Market Share Four Stories or Less



Program Recommendation

Program Size

Need \$20 million to make a difference

Goals: Increase – Maintain – Defend

Grow markets for softwood lumber

Reverse declining market share

Capture the environmental advantage

Build on BSLC's Work

Goals supported by:

- Codes and engineering
- Pro-wood: green/carbon positive messaging
- Consistent dissemination of messages

Focus:

Practicality, Affordability, Sustainability

Tremendous Opportunities Exist

BRC Objectives:

- **Stop** further erosion of market share –
single family residential markets
- **Increase** wood's market share –
multi-family residential construction
- **Significantly increase** wood use –
non-residential markets
- **Defend and rebuild** share –
outdoor living market

Binational Softwood Lumber Council

The Proof Point

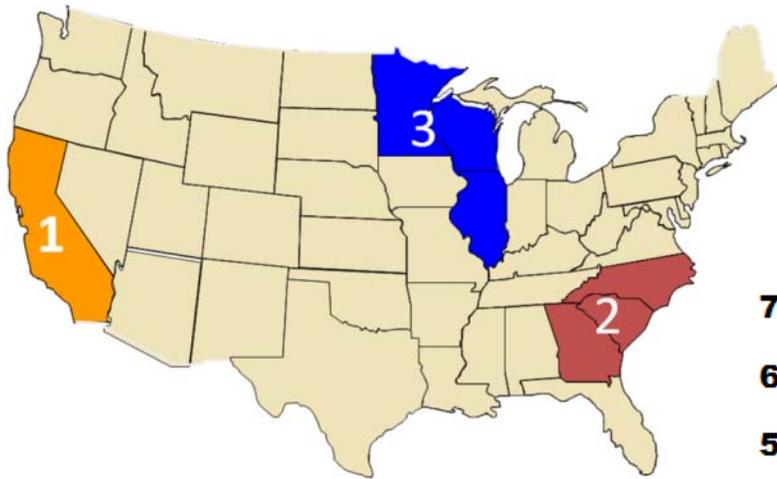
BSLC Projects:

- Provide a proof point that a check-off can be successful
- Feature strong B2B promotion enabled by environmental messaging
- Recommend products from certified forests to ensure sustainability
- Achieve 2:1 leveraging and 30:1 return

Messaging – Softwood Lumber

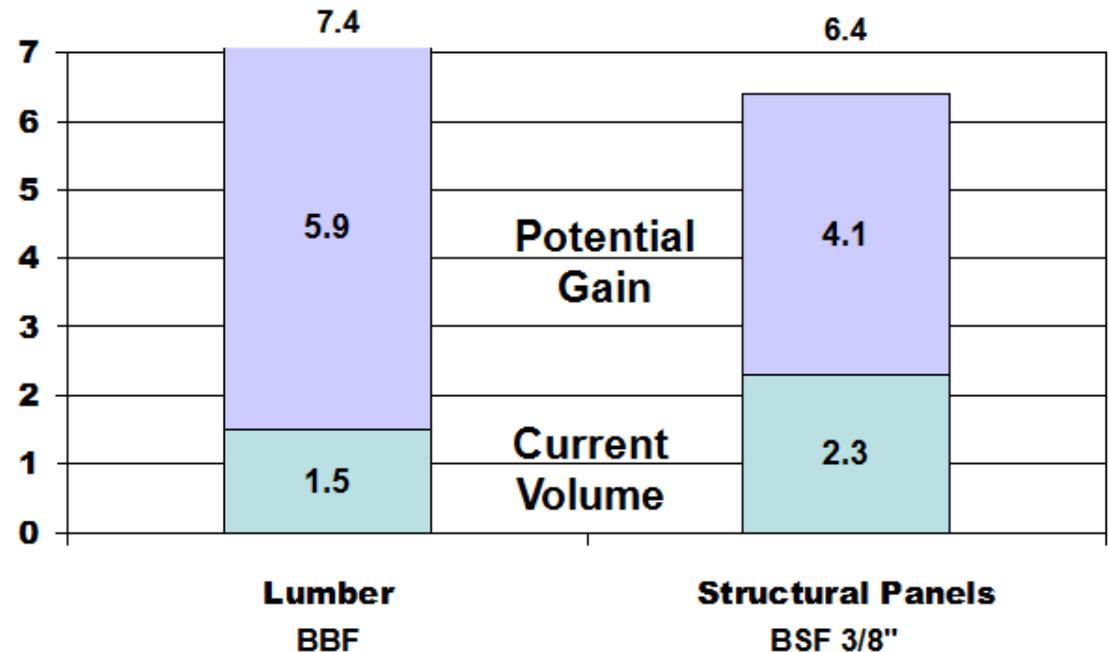
- Certified lumber: the ultimate “environmentally friendly” building material; renewable; energy efficient; part of the solution to climate change; an economic driver to maintain forests as forests.
- Offers unmatched versatility; suited for a broad range of structural and appearance applications in residential and non-residential sectors.
- Offers high, proven performance characteristics.
- Offers a significant price point advantage.

Game Changers – Non Residential

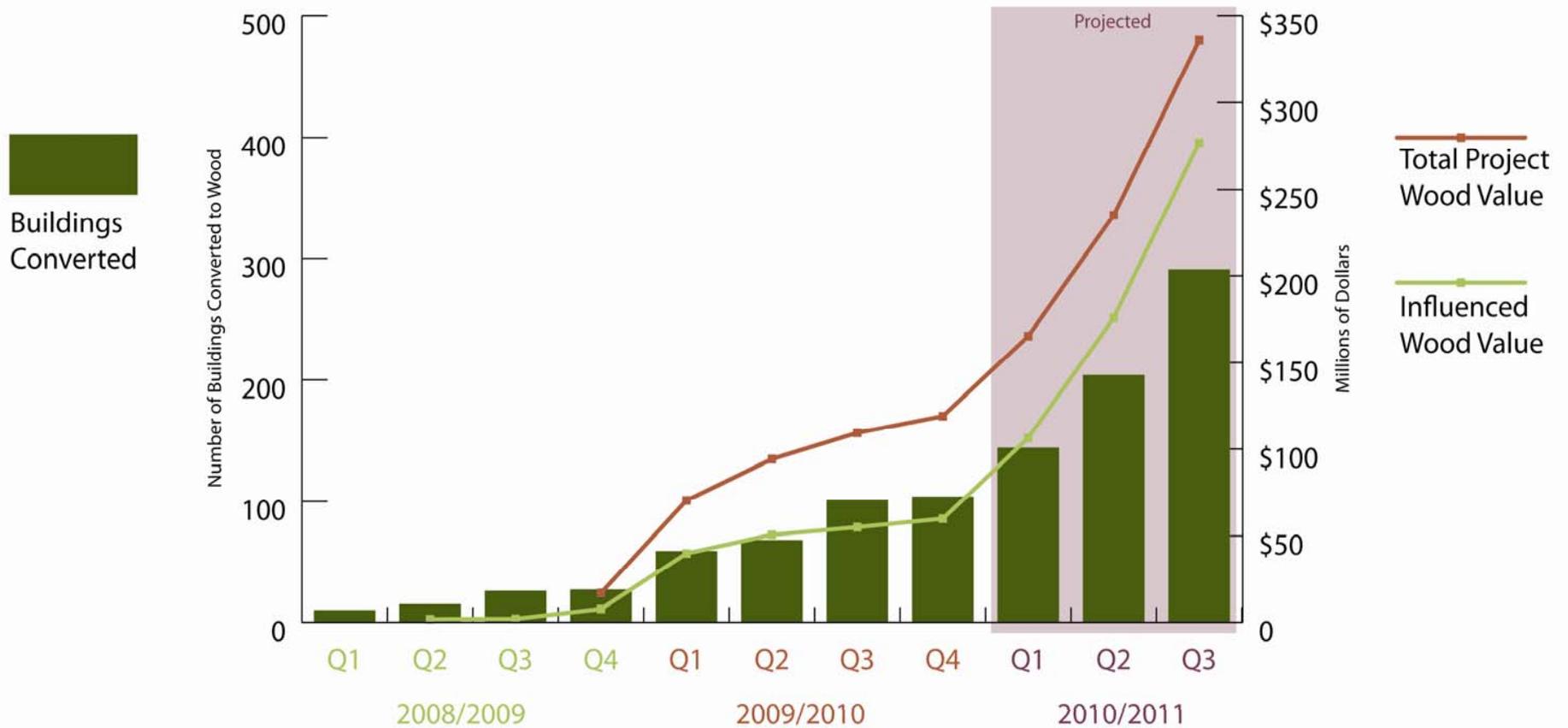


- Three regions:
- California
 - South East
 - North Central

WoodWorks goal: increase awareness and provide education for the use of wood products in non-residential applications.



Game Changers – Non Residential



Tremendous Opportunities Exist

- FPL puts market conservatively at 8 bbf
- Potentially \$3 billion annually
- At early stage BSLC ROI is 30:1
- Continuing BLSC efforts with check-off has potential to create a game-changing investment for softwood lumber

Assessment & Exemption

- **Recommendation #1**
 - Products covered by the check-off to include softwood lumber only, as defined in the Softwood Lumber Act of 2008.
- **Reason:**
 - Other wood building products sectors did not wish to participate at this time.

Assessment & Exemption

- **Recommendation #2**
 - Coverage to include all softwood lumber products shipped for consumption in the United States, both domestic and imports.
- **Reason:**
 - Intended as a generic program to benefit all players in US market, and therefore all should participate.

Assessment & Exemption

- **Recommendation #3**
 - Based on survey feedback, an assessment range of \$0.35 to \$0.50 / mbf with the first two years fixed at \$0.35 / mbf
- **Reason:**
 - Optimal level to be effective yet not create a burden for companies

Assessment & Exemption

- **Recommendation #4**
 - Exempt companies that manufacture or import less than 15mmbf per year
 - Exempt the first 15 mmbf per year from the assessment for all participants
- **Reason**
 - Strong feedback that this approach is considered fair by those being assessed

Governance & Nominations

- Board of 18/19 members—all manufacturers
- Seats apportioned regionally and internationally by production
- 12 US: from: US South (6), US West (5), NE and Lake States (1)
- 7 importers from: Canadian West (BC/Alberta) (4), Eastern Canada (2), overseas (1).
- Reapportionment every 5 years

Governance & Nominations

- Executive Committee of 5 Board members elected by the Board
- Open nominations process managed by BRC for first Board and then by the Board
- Nominations and appointments to include companies of all sizes, with emphasis on balance; seats for small independents

How will the check-off work?

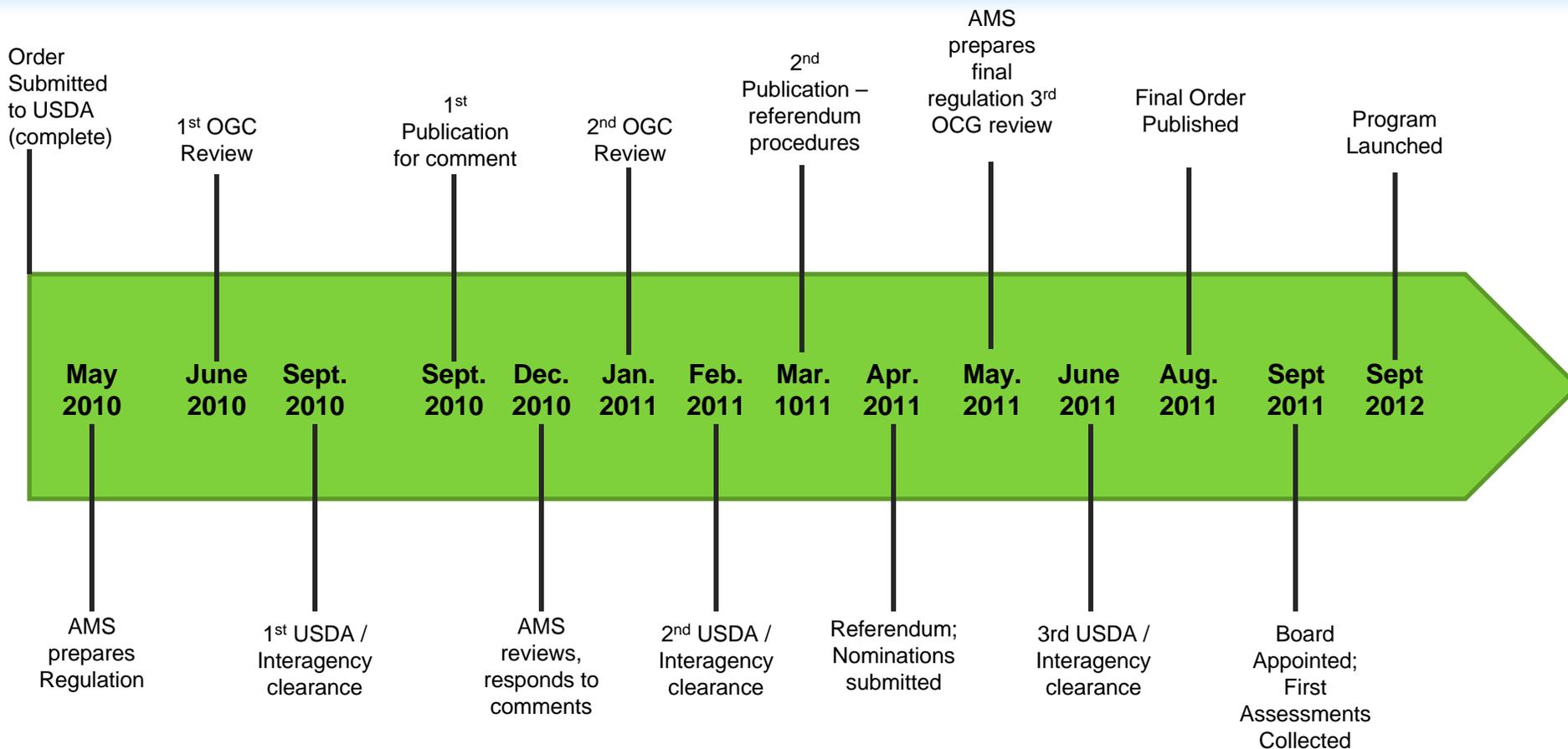
- Hands-on board
- Limits on administrative costs
 - Lean structure
 - Outsourcing
- Sunset clause
- Role of government
 - Appoint board
 - Approve budgets and work plans
 - Ensure compliance—no free riders

Summary of Recommendations

- Product coverage: 2006 SLA definitions
- \$20 million program
- Assessments: \$0.35-\$0.50
- Exemption: first 15 mmbf
- Regionally balanced Board of 18/19

Check-Off Timeline

Stretch Goal: assumes no delays. Desired completion dates shown.



For Further Information

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- www.usendowment.org/publications.html



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