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OREGON-CANADIAN -

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all of which supplement our Douglas Fir production," Holm continued. "Today there are some other competitors out there but no one else has the inventory, equipment or the personnel to do all the market services that we can provide."

Wayne Holm attributes his successes to a multitude of things. "The key elements in our success have been and still are: quality, knowledgeable people, an old-fashioned traditional attitude about what kind of business we do and who we do it with and strength in our relationships with our sawmills.

"We've had a number of excellent employees over the years, many of whom have gone on to run their own businesses," he said. "We have always operated our company in a relatively open communication system where we try to share with everybody how things need to be done. From the basic standards and ethics we want—to how we evaluate, how we manage, what we want to do, communication plays a huge role in our business.

"The most important factor is to have sawmill relationships that allow you to have the right raw material and as sawmills have changed from bigger log to smaller log, the number of mills that would cut or develop Clear lumber has reduced substantially. We've developed a system that is devoted to consistency and quality. There are several other remanufacturers, some of whom own their own material, some who work for others and do an excellent job. But they're doing work for other people. Our priorities are different, we're in a situation where we're able to control what goes on and who we work with."

A significant statement of longevity in an era of challenging economic struggles, Oregon-Canadian recently made an investment of $2.5 million in updating and improving their operation. Holm's son, Mike said, "Continuous improvement is something we strive for. If we can find a piece of equipment, that will make us more efficient, and save a few dollars—that's what we invest in. We recently installed a new fuel-fired boiler system so that we can utilize our own wood waste to heat our dry kilns versus using natural gas."

With about 6 million board feet of softwood lumber on the ground about 80 percent of Oregon-Canadian's products are sold in North America.

"One of the things we've done to adjust to the economic conditions of today is we added two major product lines to become a more valuable supplier to our customers," Mike noted. "Along with a few tropical species, our Doug Fir and Hemlock, we've now added a full line of Western Red Cedar Clears and a line of kiln-dried timbers."

And as the needs of the market change, Oregon-Canadian modifies its operating methods to accommodate their customers. "We used to run on 4-6 week order files, and rarely would we have more than one customer per truckload. We now will have several trucks per week that may have as many as 4-5 customers per truck," Mike continued. "It is a little more expensive but we've managed to adapt and continue to be of service to our customers and we always will."

Oregon-Canadian primarily serves wholesale distribution and industrial accounts. "We also do business with the big boxes—not a lot, but it is a component of our business," Wayne Holm said. "I think you have to have multiple components in order to be able to adapt and change in times like these."

The firm sources its products primarily from the Pacific Northwest. "Most of our raw material comes from Northern California through Canada," Wayne Holm said.

When asked what he believes kept Oregon-Canadian Forest Products in business all of these years, he said, "Timing has a lot to do with everything. The growth and expansion of our company came at a time when other sawmills were downsizing and our company was known as the place people could ship their lumber to and get a better value for it than in the commodity markets. Every single year our business has changed on some level. Whether it's the product mix we carry, different species—we've done things differently every year.

"The major contributing elements of managing any business are having good people who have the intelligence and personalities that fit with the general program."

Oregon-Canadian Forest Products Inc. is a member of the North American Wholesale Lumber Association (NAWLA), International Wood Products Association (IWPA), National Wood Flooring Association (NWFA) and the Western Wood Products Association (WWPA).

Oregon-Canadian Forest Products also supports responsible forest management. To demonstrate this, the firm has maintained Forest Stewardship Council (FSC) Chain-of-Custody certification since 2001. For more information visit www.ocfp.com.

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BUSINESS TRENDS (ABROAD)

Malaysia—According to analysts Malaysian log and plywood prices have risen substantially in response to demand for reconstruction projects after the tragic earthquake and subsequent tsunami in Japan.

For some, plywood prices in Japan rose between 30 to 50 percent immediately after the earthquake. Increases among plywood millers were more conservative. But some quarters have cautioned the timber industry in Malaysia against speculating on the immediate potential demand for logs and plywood from Japan.

Japanese government officials are currently working on drafting the first comprehensive blueprint for the reconstruction of infrastructures and housing in Japan. The blueprint may be released in October of this year. Japan anticipates sourcing much of its plywood needs from China and Indonesia.

Log prices continue to rise in Sarawak as availability has been affected by the ongoing flooding of the Bakun hydroelectric dam. Log production in Sarawak has fallen 23 percent from 2.35 million cu.m in the first quarter 2010.

Set to launch another international furniture show in September 2011, Malaysia's International Furniture Market exhibition is scheduled at the Malaysian Agro Exposition Park.

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Ghana—Primary products exported from Ghana are worth an estimated Euro 30,175,011 compared to Euro 39,525,381 during the same time period last year.

African markets accounted for around 43 percent of the total trade and in the first quarter were worth European 13,024,276. Mainly the African importers were the ECOWAS countries, especially Nigeria, Senegal, Niger, Gambia, Mali, Benin, Burkina Faso and Togo. Exports to the EU are around half the level of those to Germany, the United Kingdom, Belgium, Spain, Ireland and Holland.

Asian markets such as India, Malaysia, Taiwan, Singapore and Thailand contributed Euro 3,924,077 to total export earnings. The U.S. market currently accounts for approximately 10 of Ghana's export earnings.

•

Central West Africa—The market for West African sawn wood is firm according to sources. Premium timbers have particularly had some significant price gains. Prices of Billinga, Bubinga, Moabi, Padouk and Ovingui have all increased by between Euro 25-45 per cu.m. Prices are expected to rise further by strong demand, mostly from Asian buyers.

A sudden surge in demand for Sipo where FAS GMS prices are up by Euro70 per cu.m. has been reported. Officials say this is surprising as there has been a long period of poor demand and very weak prices for Sipo.

Wenge prices also have risen recently,

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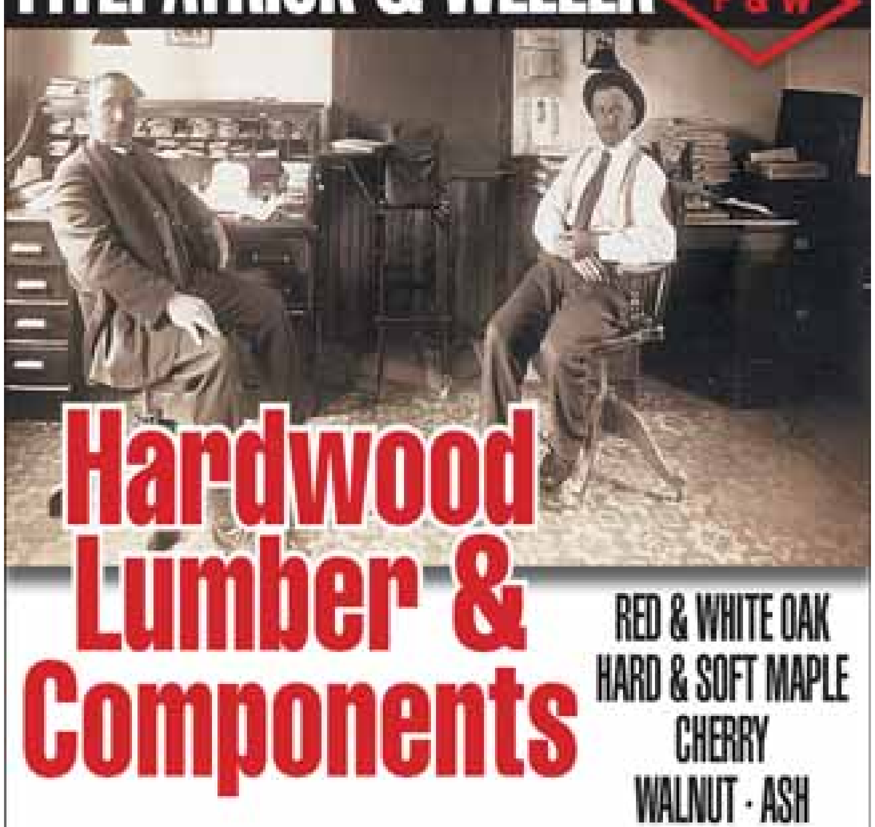

BUSINESS TRENDS (ABROAD)

Continued from page 17

affected by the decision of the Cameroon government to ban exports of Wenge and Bubinga. Wenge is reported as having availability issues. Supply is also limited for Bubinga, which is in high demand.

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China—The continued growth of China's economy and the gradual recovery of international demand has increased China's imports and exports this year.

Some 9.7 million cu.m. of logs were imported in the first quarter of 2011. Worth US$1,006 million, there was a 34.7 percent increase in volume and a 62 percent growth in value from the previous year. Hardwood log imports averaged 2.78 million cu.m., worth US$732.5 million, an increase of 10.5 percent in volume and 12.0 percent in value from the previous year.

China Customs reported approximately 4.35 million cu.m. of sawn wood in the first quarter of 2011 worth US$1,125.9 million, which corresponds to an increase of 55.0 percent in volume and 62.9 percent in value over the same time period last year.

Sawn wood imports were mainly from North America, Russia and Southeast Asian countries. The top five suppliers of sawn wood to China are: Canada, Russia, USA, Thailand and Indonesia.

Plywood imports totaled 44,800 cu.m. during the first half of 2011. Valued at US$26.3 million import volumes rose by 11 percent but import values were up 20 percent from the same time period in 2010.

Approximately 62.5 million wood furniture was exported at an estimated value of US$3,579.3 million, up 14.6 percent in value terms from last year.

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Japan—Recent statistics show that Japan's industrial output fell by 15 percent while household spending dropped dramatically. Impacted by both the earthquake and tsunami along with the nuclear power plant crisis, the figures show output was down by 32 percent.

The Japanese economy is expected to begin a turnaround as government and private sector spending grows to reconstruction efforts in the quake affected areas.

The latest data shows that exports fell for the first time in 16 months and retail sales fell at their second highest rate since records have been kept.

Large Canadian timber producers have come together to support the reconstruction efforts in Japan's quake and tsunami hit areas and they see that the expected demand for building materials will provide a much-needed stimulus to their industry.

British Columbia has a long history of supplying Japan and now they are able to contribute to efforts to rebuild infrastructure and provide materials for homes for the thousands left homeless after the disaster.

With reconstruction already underway, analysts foresee a spike in demand for Canadian lumber and other building products, providing an alternative market for the industry, which has been affected by weak markets and slumping U.S. housing demand.

In urgent need of pre-fabricated housing, Japanese authorities have requested pre-fabricated houses, laminated products, and other products that can be used immediately for the rebuilding efforts.

Sawmills and panel mills that were not affected by either the earthquake or tsunami will increase and this will require increased imports of both hardwood and softwood logs.

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Myanmar—Some analysts report that the market for Pyinkado is quiet while it remains active for Gurjan. The past few months have brought a shift in demand from Pyinkado to Gurjan.

Traders gave the impression that the availability of high-grade logs is falling. Higher grades such as sawing grades I, II and IV are not readily available and the same can be said for veneer grades like 2nd, 3rd, and 4th quality logs. Teak logs from areas known to produce high quality can be sold quickly, but these areas are now producing as much high quality Teak as can be sold quickly, but these areas are currently not producing as much as in the past.

Local observers believe there is a need to put more emphasis on conservation, and trade analysts seem to think that this is the direction the Ministry of Forestry is heading.

Analysts feel a change to reduced log harvests is likely to happen soon. Timber used to be the second most important foreign exchange earner for the country but this has changed as natural gas, gems, fisheries and agricultural products are becoming more important.

Because of these circumstances, many analysts agree that Myanmar has the opportunity to seriously consider a reduction in log harvests and a switch to more local processing and export of finished or semi-finished products. They say that this would be more beneficial for the country in the long run. At this point revenue from the forestry sector is made up of around 80 percent from log exports.

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Brazil—The value of exports of timber products (except pulp and paper) declined 5 percent to US$191 million compared to the level of US$201 million during the same time period of 2010.

Exports of Pine sawn wood dropped 2.2 percent in value in April compared to the level in the same month of 2010, from US$13.5 million to US$13.2 million. Volume was down 9.3 percent from 62,400 cu.m to 56,600 this year.

Tropical sawn wood exports fell both in volume and in value, from 46,500 cu.m. in 2010 to 33,700 in the same time frame of 2011.

Plywood exports however have increased 7.4 percent compared to the same time period in 2010, from $29.8 million to US$32 million. The export volume increased 2 percent from 84,000 cu.m. to 85,700 cu.m.

Brazilian furniture was mainly exported to Argentina last year. This year furniture exports have increased by 34 percent to US$40 million.

Exports to the U.S. and France, on the other hand, have declined so far this year. The third largest importer of Brazilian furniture, France dropped sharply from US$42.2 million to US$40.2 million.

The Brazilian Association of Furniture Industries stated US$17.3 million in exports to the U.S. in the first quarter of 2011. This is 11.5 percent lower than the same time period of 2010 when exports reached an approximate US$19.5 million.

Although according to the Ministry of Development, Industry and Foreign Trade, Brazilian wooden bedroom furniture is a favorite in the U.S. market and exports of these items have been increasing.

In economic news, the National Consumer Price Index closed near 79.9 percent recently. The accumulated rate for the year to date is 3.23 percent, 0.58 percent above the rate of the same period last year.

The Central Ban's Monetary Policy Committee recently raised the Selic rate by 0.25 percentage points, to 12 percent. This move continues to slow down the rate of increase in the prime interest rate that began in January, when the rate was raised by just 0.50 percent.

•

United Kingdom—Testing conditions facing the timber manufacturing industry in the United Kingdom show no signs of abating. Sources say there are more challenging times ahead. The Timber Packaging & Pallet Confederation (TIMCON) President John Dye detailed how 2010 saw another demanding year for the industry, which found itself up against issues on a number of fronts, including availability of raw materials, rising prices, biomass subsidies, potential threats from alternative packaging and a shortage of reconditioned pallets.

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BUSINESS TRENDS (ABROAD)

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Dye also said these conditions continue to concern the organization so far in 2011. Price and supply are also posing a threat on an international scale, he said, although in countries such as Germany and Turkey the sector is still achieving old growth. "It's not just the manufacturers who have to be alert to these threats," Dye said. "The sawmillers must also take note and be aware of the threat to their market."

Dye added that TIMCON is working hard to ensure the interests of the UK industry are prominent both at home and internationally. "The work TIMCON is doing in areas including the wood marking scheme, political lobbying, information films, newsletter and reports, is something we should be very proud of," he commented.

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Peru—The subdued demand for timber from Peru in international markets and the lack of effective policies on forest concessions has dropped Peruvian wood product exports by 11 percent according to the Association of Exporters (Adex).

The preliminary figures from Adex show timber sales valued at US$31.7 million compared with US$35.4 million during the same time period last year.

Exports of semi-manufactured products were valued at US$12.8 million compared to the US$16 million level during 2010. Lumber exports fell from 11.1 million to 8.7 million.

Fiberboard and particleboard exports however, grew significantly from the US$355,000 to US$1 million during the same time period this year. Adex stated the export figures reflect the status of some markets for Peruvian timbers such as China which, until recently had not resumed purchasing after the Chinese New Year holiday. Despite having reduced its purchases by 41 percent, China remains the largest importer of Peruvian wood followed by Mexico and the U.S.

Adex pointed out that some production capacity has been lost due to what the industry considers as constraints imposed on concession holders and producers by regional governments.

This, Adex said, is mainly due to the authorities not approving submitted management plans. Adex also recently identified the lack of supportive infrastructure in regional administrations to the point that entrepreneurs decided to no longer pursue timber related businesses. Indications from Adex suggest that for the industry to operate effectively an adequate legal framework is required and urged that the Congress approve the Forestry Law.

According to sources, the U.S. is anxious to see the Congress of Peru adopt the new forest law as soon as possible so that the free trade agreement between the two countries can come into force.

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BUSINESS TRENDS (CANADA)

ONTARIO

With the summer season in full swing, things were relatively quiet for areas contacted, with "business as usual" being the norm. Most of the primary market sectors in North America performed consistently, even though it is still a lower rate than in the past. Supply is keeping pace with demand for most species, grades and thicknesses. There does not appear to be a supply-based pressure on any particular item. Prices are reported as mostly static as the summer goes on.

Ash demand is not intense, but continues to equal if not outpace the production of most of its grades and thicknesses. The consistent flow of business on top of limited supplies has kept prices in an upward trend. Aspen production on the other hand has been limited by its market demand. Contacts report no change in activity for either green or kiln-dried stocks, with prices flat.

Hard Maple reports are varied according to region. Supplies are tight for the Common grades at this time in some areas, with sawmillers and manufacturers controlling Hard Maple production. For others, the challenge is with the saleability for Select and Better products rather than the Common grades.

Basswood demand is keeping up with its production. Green Basswood demand became more controlled as summer heated up. Green lumber markets were refreshed coming off the winter cuts and are now purchasing to replace materials sold or used. Contacts comment prices are stable.

Birch activity is reported as controlled but steady. Sales are based mainly on selected lengths, widths and color. Sometimes, buyers' expectations are reported as quite exacting. This results in price variances according to specification requirements. Prices for unselected Yellow Birch, however, are reported as mostly stable.

Supply of Oak strip flooring has been below its actual demand. Manufacturers took advantage of the Number 1 Common Red Oak favorable prices at this time. Manufacturers' production and finished goods inventories have declined, resulting in corresponding adjustments to raw materials. Limiting green lumber receipts was helped by the very wet spring weather conditions. For some contacts, volume restrictions have been relaxed.

At time of writing of last month's column, the country was headed for a federal election, which resulted in a majority government on the re-election of the Conservative party. The federal Budget 2011 delivered in June, which included all of the measures that were previously announced in the March 22nd budget, which was not adopted prior to the dissolution of Parliament on March 26, 2011, was rather disappointing, as they felt the forestry sector did not loom large in this budget, even though forestry is known as a mainstay to Canada's economy and how the world relates forest products to Canada. However, some tax and industrial investment credits, which will be extended to all sectors nationally will be useful, and the forest industry will benefit from these credits.

The forest industry allocation, supporting the transformation of the forestry sector by proposing to provide $60 million in 2011–12 to help forestry companies innovate and tap into new opportunities abroad, compared to the climate change allocation ($870 million over the next two years) is seen as largely government department and internal project funding for government groups. It is reported that none of that funding is anticipated to flow directly to any businesses in the forest sector. It is seen as department funding representing department status, and the climate change government departments will tower over forest industry government departments in priority.

The budget also allocated $400 million in 2011–12 for the ecoENERGY Retrofit – Homes program to help homeowners make their homes more energy efficient and reduce the burden of high energy costs, with more details on this program to be announced. It also provides assistance to Canada's manufacturing and processing sector by extending the temporary accelerated capital cost allowance rate for investment in machinery and equipment for two additional years.

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QUEBEC

Many seller contacts noted slowing exports to overseas regions. Asian demand was down as buyers pulled back. European markets were reported as quiet due in part to the normal seasonal slowing for holidays, and due also to turbulent economic conditions. Political uprisings continue to disrupt activity in the Middle East, and business is expected to slow during Ramadan in August. Many sawmills continue to operate on short schedules due to limited logs, markets and cash flow issues. Despite slower economic times there

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BUSINESS TRENDS (CANADA)

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are a few bright spots. Several mills expanded or changed their business focus, found niche markets, or are adding value to grade lumber and/or byproducts.

Demand for railroad ties continued to be good, it is reported. Residential flooring sales were also reported as steady, as remodeling projects keep some products moving. The U.S. housing sector remains low, which is a main problem for the hardwood industry's exports.

Production continued to be mixed according to areas contacted. Some mills indicated fewer operating hours due to low log decks. Early spring heavy rain across many regions also hampered the amount of cutting taking place. Some producers felt this wasn't such a bad thing as it was followed by the summer vacation period, lower log and production levels would help to keep inventories in-check. Reports indicated low to steady demand for most species. Supply and demand seem to have reached a relative balance across much of the region.

Some have expressed concerns about demand in the second half of the year. Most whitewoods have been processed by this point, so concerns of staining were minimal. Some smaller millwork shops reported as holding up better than some of their larger counterparts, and while the Canadian housing market is not great, it was in better shape than the U.S.

Sales of kiln-dried Ash items were continuing, with some contacts noting upper grades were moving fairly well. Aspen prices were reported as increasing for all grades due to lower inventory levels and a steady demand. Basswood inquiries were fair domestically, but overseas interest being somewhat lower. Sales were according to specific requests, such as longer lengths for Yellow Birch. Prices for kiln-dried Common Number 1 Cherry edged up due to low supply levels and some reports of increased demand from cabinet manufacturers.

The regionally important species, Hard Maple, reported as having low production this winter coupled with limited current production supported higher prices for many items of this species. One sawmiller stated that upper-grade Number 1 and 2 White Hard Maple was a tough sell. White Number 1 and Number 2 Common Hard Maple moved at a better pace with prices reported as higher. Quebec flooring plants purchased more Hard Maple. Soft Maple was moving well, noted one contact. As regional production shifts to more Red Oak this summer, prices on several items have begun to head lower. Overseas buyers, especially in China, have slowed purchases of Red Oak recently, with production appearing to be ahead of demand.

A Canadian-developed infrared sensor designed to help monitor forest fires, pollutants and volcanic activity was launched into space in early June. An Argentine satellite with eight instruments aboard - including the Quebec-built sensor - rocketed into orbit at the Vandenberg Air Force Base in California for a five-year mission. The sensor will detect: saltiness of the ocean; retrieve ocean surface temperatures; and monitor hot spots around the globe, such as forest fires and volcanic activity, said the Canadian Space Agency. It is hoped the data will help officials spot fires that cover as little as one square kilometre for firefighters to fight blazes as soon as possible and cut down on casualties, damage and carbon emissions. An average of more than two million hectares of Canadian forest burn each year, and researchers expect this number to rise due to climate change. The infrared sensor was developed by teams in Canada and in Argentina, and constructed by Quebec-based Institut national d'optique (National Optics Institute).

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BUSINESS TRENDS (U.S.A.)

LAKE STATES

Hardwood suppliers in the Lake States report improved business activity. In Indiana a source said, "We're busier than we were two years ago. Our projectory of where we're going looks really good right now."

As to the factors involved he said his operation has not been influenced by media or "doomsday" reports. "I try not to turn on the news and listen to the negativity. We know that housing is not good and that's always on our minds but we continue to do alright."

Handling Maple, Red Oak, Cherry and Alder, the contact said he is not experiencing any availability issues and prices are flat. "Everything is about the same. Cherry is down a little bit compared to where it was years ago. I don't think much has changed. Overall I think everything is flat," he explained.

The source did mention that trucking availability has been a small issue. "We're a small player so it hasn't been that big of a deal for us. We ship most of our products on our own trucks. So while it has affected us slightly, it's not a huge issue."

Marketing to kitchen cabinet manufacturers he said his customers' markets are picking up. "Everyone that I talk to is reporting increases in sales and slightly increased inquiries."

When asked about certified lumber products a source in Michigan said he isn't noticing any increased demand in that area. "I sell to some companies, honestly, that are certified, and were using those products early on. But when the market fell, and the recession hit, a lot of these guys said, 'we've got to get the lumber that's the lowest cost or we're going to go under.'"

Coming back from an 80 percent bankruptcy two years earlier, the contact said the slightest improvement in market conditions is a step in a positive direction. "We lost 80 percent of our operation to a bankruptcy two years ago. So we're thankful and grateful for even the smallest increase."

As for the remaining months in 2011, he said, "It's a different market than before so it's really hard to look ahead that far out. We have so many irons in the fire with customers that could blow up and become huge or just stay flat. My gut feeling tells me I'm blessed. If fuel prices keep coming down, the RV industry will pick up and they are a huge part of our business."

Elsewhere in Michigan a contact accounted for mixed market conditions. "Our business is about 30 percent better than six months ago," she commented.

She attributed the improvement to supply issues. "For our region, lack of supply and a slight seasonal pick up is the contributing factor," she explained. "My current customer base is busier because of the season."

Handling Hard and Soft Maple, Red Oak and Birch, the supplier said Soft Maple is moving the best and Yellow Birch is the slowest. "We're having problems with logs. We had a struggle with a late break-up and now its outside pouring again with more rain in the forecast for the next few days. We had some down time in the mill and we're hoping to continue to run steady but we're not sure at this point."

The contact said her inventory levels are fairly low and prices are flat. As for other factors impacting her particular operation she said transportation is difficult. "We're living through it but transportation is always difficult. We are located up in the upper peninsula of Michigan so freight has always been more expensive but it seems like there is less truck availability now than before."

With 70 percent of their production going to end users, 20 percent to distribution yards and the remaining 10 percent to brokers, the contact said her end user customers have been busier. "Our wholesale customers, however, are having a difficult time finding what they're looking for."

Forest Stewardship Council Certified, she said that area of their business is minimal. "We haven't had any increase in demand for the FSC products."

As for the next six months, she said, "We're nervous as hell. This time last year, business fell after the seasonal business was over. It seems like it's a little stronger this year but my crystal ball has been murky for the last couple of years. Hopefully we'll have a better year than 2010."

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NORTHEAST

Sources across the Northeast region report mixed market conditions. A Pennsylvania hardwood supplier said business is steady overall. "It could be better and it could be worse, but overall I would say it's steady."

When asked to compare sales activity to six months earlier, he said, "It's taken a step back. The overseas market is not purchasing as much as they did in the spring. That will probably change, but right now I think that's the biggest factor. The domestic market hasn't been doing hardly anything either."

Handling all Appalachian species, the source said Poplar and Red Oak are moving the best. "We're not really having any availability issues and we're managing our inventory. We keep a close eye on inventory, we run it pretty tight," he explained. "There seems to be a little more green lumber available. We're not having to go out and pay higher prices, so we are paying lower prices than we were in the spring." The contact also said he doesn't expect any price changes in the months ahead.

As for other issues the contact said while transportation is always a primary concern, it's not currently in the forefront. "Trucks are difficult to find but the freight costs are reasonable right now."

Marketing to end users and distribution yards the source said his distribution customers are slow. "I hear the distribution business is really slow right now, and that, of course, has an impact on us."

Looking into the remainder of the year he expects business to stay the same. "I don't really look for a lot of change. I think lumber may move a little bit better going into September and October but not by much."

"At this point we are limiting inventories to just the items and quantities needed to meet production and sales needs," a contact in Massachusetts mentioned. "By staying conservative we hope to prevent supply overruns," he explained.

The supplier said his export markets to China and Vietnam have slowed. "Supplies are still aligned with market demands," he explained. "Prices have been somewhat stable for both green and kiln-dried products."

As for species shortages, he added, "Hard Maple in the Common grades is becoming a little scarce and we see prices moving as a result. Prices on green Red Oak are firm and kiln-dried Red Oak prices are gaining incrementally."

A hardwood supplier in New Hampshire accounted for inconsistent market conditions. "Most people I talk to are finding the same problems. They'll have a good week or two and then things will slow up," he explained. "Some customers we ship to are getting a little busier and some are still very slow. It's a very spotty market."

However, the source did have some positive information. "There are some small bright spots. Some manufacturers are selling more product in our part of the country."

When asked about the factors involved he said, "It really depends on where you are on the chain. We are a small distribution yard/retail outlet and we used to do a lot of wholesale business but all the large manufacturers are gone in our area. So part of the issue for most distribution yards in our region is that our customer base has shrunk by 60 percent in the past 10 years.

"A shrinking customer base along with the customers we have are in a weakened financial condition because of the economy and it's hard to keep a good cash flow going," he continued. "As for the customers we do have, some are in a slump and some are getting busier. I would say some of the architectural millwork houses and custom woodworkers are seeing some improvement along with window and door manufacturers. I think the biggest thing in our region is there is not a lot of new home construction or new home sales. But a lot of people that are buying existing homes are doing remodeling work when they move in. So there is a lot of renovational work going on that is contributing to increased activity."

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SOUTHEAST

Hardwood lumber suppliers in the Southeast region have mixed feelings about the current market as well as what lies ahead in the fourth quarter of 2011.

A Georgia wholesaler said business conditions are slow. "We're not seeing extremely high demand. We are moving the low-grade lumber but we're a little concerned about what's going to happen on the kiln-dried market. We always shut down a week after the Fourth of July and when we came back, we didn't know what we were going to encounter. We kind of flat lined. We're getting orders but we have to hustle for them. I wouldn't say demand is any better and it may be lower than we saw six months ago."

When asked about the factors involved the source mentioned housing and banking as primary issues. "I just think concerns about housing starts and tight money issues are weighing heavily with people right now," he explained. "In our immediate area we're having issues with round pulpwood. With a lot of paper plants with real intense quotas, that affects our log supply."

Primarily handling Red and White Oak and Poplar, the contact said White Oak is moving well and Poplar has fallen off. "Our inventory is a little higher and our prices are going up. We're paying more but it's due to transportation. The extra is not going back to the mills it's going to the truckers for higher fuel costs. Our transportation issues are very real. Availability is off also. There seems to be fewer trucks and when you can get them, they are much more expensive."

He also said his export markets have dropped. "We've seen a drop off after the Fourth of July and we anticipate lower numbers to come."

Marketing to flooring distributors and conventional distributors along with moulding, millwork and pallet manufacturers, he mentioned his low-grade customers as a bright spot. "The pallet guys have pretty good activity right now and most of them are staying current. Normally the lower the grade, the slower the pay but right now the low-grade is a bright spot."

Looking at the months ahead he expects business to remain flat. "I look for flat conditions to continue. I don't think there is going to be any uptick in demand. Now there may be a supply decrease but I don't look for any demand pick up."

In North Carolina a hardwood supplier also accounted for slow market conditions. "I haven't seen a change in the past six months," he explained. "Housing is our primary issue and our foreign accounts have slowed also."

Handling Ash, Red and White Oak and Poplar he said Poplar is moving well and Red Oak is slowing. "Red Oak had been moving fairly good but it started slowing down in the last couple of weeks."

As for availability he said, "Log supply has been tight and it's directly related to weather."

An Arkansas hardwood supplier said his prices are stable and he expects them to remain flat. "Transportation cost is up and that affects our bottom line," he added. "We're also having some availability issues; it's tough getting containers right now."

He said his furniture and millwork manufacturer customers are quiet. "We haven't heard much from our customers as far as how their markets are, but the general slowness of our business is a pretty good indicator."

For the remaining months in 2011, the source is hopeful. "I'm looking on the half full side of the glass," he said. "I believe we'll see some improvements."

According to the Federal Reserve's Beige Book, other sources in the region

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BUSINESS TRENDS (U.S.A.)

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reported that economic activity moderated somewhat in recent weeks. Retailers experienced a deceleration in sales and traffic, which they attributed to periods of adverse weather and high gasoline prices. Tourism-related spending, however, increased across all segments of the industry. Homebuilders noted continued low levels of sales and construction, while brokers cited modest improvements in sales and traffic.

The Book said, overall, the majority of manufacturers continued to report increases in new orders and production.

Financial sources reported that loan demand had improved slightly from weak levels. Labor markets continued to improve gradually across the southeast.

Some firms expressed concern over rising commodity costs as margins remained tight and productivity gains became more difficult to realize.

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WEST COAST

On the West Coast, a hardwood flooring manufacturer in Oregon noted his operation is only purchasing supplies on an 'as-needed' basis. "We have a sizable inventory right now and while some material is priced decently, we don't have the order files to justify inventorying it."

The manufacturer also indicated he is not seeing many signs of an upturn in business in the near future. "With housing construction being so limited, much of our business is stagnant," he said. "Remodeling is our only bright spot right now. What business we are receiving is either in remodeling or caused by catastrophic events like fires and flooding."

His outlook for the remainder of 2011 is about the same. "I don't see any changes coming down the line until at least spring of 2012. We'll stay afloat but I don't look for any significant changes until then."

A California hardwood supplier noted home renovations as a portion of his increased activity. "A real estate agent that I know said times have never been better for existing home sales and because the prices are so low compared to 10 years ago, a lot of people are going into their homes with enough money to do some home improvement and sinking $50 to $75,000 into the home when they move in."

As for contributing factors, the contact said, "With the existing customers that we have a lot more of the sales are cheaper imported furniture so a lot of the loss that we're experiencing is imported secondary products that are directly impacting our customers and the manufacturers here."

Handling all domestic hardwoods along with some exotic hardwoods the source said availability is good. "Even though we've lost a lot of production the demand has gone down with it, so availability is good right now. We carry approximately $2.5 million worth of inventory each year. Back before the 'crash' we carried another $1 million in inventory because our sales warranted it. Our sales are still off conservatively about 40 percent compared to where they were three to four years ago. We're still feeling it and recovery is going to be very slow, painfully slow I think."

However he did say business is stable. "Things certainly are picking up a little for our customers, so that is encouraging."

Operating his own trucks, the contact said, "Fuel cost has gone up a little bit but we can manage that ourselves because we do it in-house. I would say the biggest challenge right now is the weak financial condition of our customers. We're having very tough cash flow issues as a result. This is a tough situation but we're making the best of it."

Marketing to furniture, kitchen cabinet, and architectural millwork manufacturers, he said the operation also has a retail division that manufactures hardwood flooring. "Our flooring sales are really strong. That's a pretty good indicator of what's happening in the economy. People still value quality hardwood flooring in their home. With a lot of renovations and remodeling going on right now, that's a major item and it's doing well."

The supplier expects more of the same conditions for the next six months. "I think we're in for more of the same," he explained. "Gas prices on the rise are certainly not helping. A lot of the spending I think that's happening now is the consumer is tired of holding on and waiting and this downturn has lasted so long people are just figuring well "we have to get on with our lives." So I think that people understand it's going to be a long grind and it's a "let's start living" attitude.

"I think it's a good sign when you know that things aren't going to get worse. A year or two ago nobody knew when it was going to stop, or where the bottom was. We have now bottomed out and are making a slow climb out of this. We just have to be patient and maintain the quality of our products and services and maintain the integrity of our businesses and hopefully we're one of the ones still standing when things get better."

Real estate and construction demand was largely unchanged according to sources. While conditions improved slightly in commercial real estate markets the pace of sales for new and existing homes on the West Coast continued to be very weak, with distressed properties and entry-level homes reportedly dominating the sales mix in some areas.

As a result, new home construction remained moribund and home prices were stable to down. Further improvements in demand were noted for several major markets. This was particularly the case in the San Francisco Bay Area and Seattle, with revived developer interest in new construction reported for the latter area according to the Federal Reserve's Beige Book.

Regional banking contacts indicated that loan demand and overall credit quality rose modestly in recent weeks.

The Book said some areas have exhibited a slight increase in their willingness

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IMPORT/EXPORT CALENDAR

AUGUST

Expo Guadalajara, Guadalajara, Mexico. Contact: +52 33 3343 3400. Aug. 17-20.

SEPTEMBER

Global Buyers Mission, Whistler, British Columbia. Contact: 604-891-1262. Sept. 7-10.

FMCChina, Shanghai World Expo Exhibition & Convention, Shanghai. Contact: www.fmc.com. Sept. 14-17.

Cairo Woodshow 2011, Cairo International Conference Center, Cairo, Egypt. Contact: www.cairowoodshow.com. Sept. 15-18.

National Hardwood Lumber Association, Annual Convention & Exhibit Showcase, Gaylord Opryland Resort and Convention Center, Nashville, Tenn. Contact: www.nhla-convention.com. Sept. 21-24.

Timber Expo, Ricoh Arena in Coventry, United Kingdom. Contact: www.timber-expo.co.uk. Sept. 27-28.

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BUSINESS TRENDS (U.S.A.)

Continued from page 21

to engage in expansionary capital spending, which caused demand for commercial and industrial loans to rise. Demand for consumer credit remained largely stable. Despite improvements in overall credit quality, lending standards remained relatively restrictive for many types of consumer and business loans. However, contacts reported that competition among lenders to extend credit to well-qualified small and medium-sized businesses has continued to intensify, placing downward pressure on rates and fees. Contacts also pointed to continued growth in venture capital financing activity, driven primarily by investments in the Internet and digital media sectors.

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NEWSWIRES

Reston, Virginia—The Hardwood Plywood & Veneer Association (HPVA), based here, recently announced Brian Beakler of Armstrong World Industries has been elected as 2011-2012 HPVA Chairman of the Board and Tim Heidt of The Penrod Company as Vice Chairman.


Brian Beakler

Founded in 1921, the Hardwood Plywood & Veneer Association (HPVA) represents the interests of the hardwood plywood, hardwood veneer, and engineered hardwood flooring industries. HPVA member companies produce 90% of the hardwood plywood stock panels and hardwood veneer manufactured in North America. For more information visit www.hpva.org.

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Alexandria, Virginia—The International Wood Products Association (IWPA), headquartered here, announced Ashley Amidon as the new IWPA Manager of Government and Public Affairs. Replacing outgoing Manager, Brigid Shea,

Amidon supported five Members of Congress as their D.C.-based fundraiser with Hammond & Associates. Prior to that, she worked on behalf of the Republican National Committee and on a variety of State and National political campaigns after receiving her Master of Arts in Globalization and Governance from the University of Hull in the United Kingdom.

"Miss Amidon's broad global perspective and detailed understanding for the ways of Washington benefits IWPA greatly," said Brent McClendon, IWPA Executive Vice President. McClendon continued, "She comes to the job already prepared to work with Congress, regulatory agencies, and a wide-variety of international stakeholders on policies that advance global trade in wood products."

"I am excited to work with IWPA members to assure we continue to project a strong voice for responsible policies and programs that grow the North American and global market for legal and sustainable hardwood and softwood products," Amidon commented.

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Seattle, Washington—The president of the Alliance for Free Choice & Jobs In Flooring (AFCJF), Jonathan Train, recently released a statement regarding the Department of Commerce's (DOC) announcement of the preliminary antidumping rates in effect between now and sometime this fall.

"We applaud the Department of Commerce (DOC) for their conscientious efforts that resulted in finding zero as an antidumping rate for two of the three mandatory companies investigated," he said. "The fact that the third mandatory received a rate of only 5 percent of what the petitioners had originally demanded proves our point that the petitioners' claims were exaggerated and wildly inaccurate.

"This means that more than 95 percent of imported flooring will receive the rate of 10.88 percent and much of it will enter at zero. The "all industry" rate of 82.6 percent applies only to an insignificant amount of imports.

"These rates are temporary until the final determination this fall. We are confident the rates announced at that time will be even lower. The result today affirms our belief that the whole case will be dismissed at the ITC final."

For more information visit www.choiceandjobs.com.

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Tauberbischofsheim, Germany—Weinig AG, based here, recently announced their satisfaction with the outcome of Ligna 2011 in Hanover.

The solid wood processing machine


Weinig Ligna 2011

and system manufacturer presented more than 30 exhibits, including a large number of innovations and refinements, showcased on a stand of over 3000 square meters at the leading sectoral trade fair. "Our full range of products and services for industrial and artisan applications is unique in the market and was rewarded in Hanover with lively demand and good sales figures," Weinig's CEO Wolfgang Poschl said. "In addition, our innovations have a wide scope of application, confirming our orientation to profitable quality products tailored perfectly to customers' individual requirements."

For more information visit www.weinig.com.

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Memphis, Tenn.—Home of the *Import/Export Wood Purchasing News*, *National Hardwood Magazine* and *The Softwood Forest Products Buyer* Newspaper, Miller Publishing recently changed names to Miller Wood Trade Publications, and as a result we are also changing our web address. Formerly www.millerpublishing.com, the new address effective immediately is www.millerwoodtradepub.com.

Please visit our new address for the latest up-to-date information on the forest products industry including:
- Feature Articles (current and archived)
- Media Kit Information
- Subscription Prices/Forms
- Advertising Rates
- Testimonials
- Current issues available online in PDF format

Check back frequently for future updates and options at www.millerwoodtradepub.com.

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India—According to sources India imported $4.8 million dollars worth of lumber, logs, veneer and flooring in 2010, a 65 percent increase over the previous year. The American Hardwood Export Council (AHEC) believes this increased demand will accelerate for 2011.

Focused on raising awareness along with educating, visiting import buyers, architects, furniture manufacturers, designers and construction companies attended DelhiWood 2011. The American Hardwood Pavilion focused on raising awareness along with educating attendees. U.S. logs have been in demand from India importers for quite some time, however, lumber saw a significant increase in 2010. Approximately 865,000 board feet of Walnut, Hickory, Ash, White Oak and Hard Maple was

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Classified Opportunities

Classified advertising accepted only for: Positions Available, Positions Wanted, Business Opportunities, Machinery For Sale, Machinery Wanted, Wanted To Buy, Services Offered.
Classified Rates: Display classified $45.00 per column inch, fractions of an inch will be charged as full inch. Line Ads are $8.00 per line.
All classified Ads must be received by the 15th of the preceding month. Example: Ads for October/November 2011 issue must be in by Sept. 15th.
Also please specify number of times Ad is to run. **All Ads to be inserted on prepaid basis only.**

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American – University and NHLA graduate looking for relationship with a European company looking for a buyer based in the U.S. to procure lumber/logs. Experienced.

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International lumber company is seeking a self-motivated lumber and log buyer for the global export market.

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Contact: Rachael Stokes
stokes@woodpurchasingnews.com

Export Business Development Mgr.

MBA professional with 20+ years experience in forest products export saless/marketing seeks position.

Contact: Thomas Collet at 541-255-3496 or tcollet@global.t-bird.edu

International Help Wanted

Graf Brothers Lumber & Flooring is seeking a market analyst to research and report on market conditions in Russia for the development of selling American lumber and hardwood flooring. Responsibilities include detailed marketing analysis and submittal of proposals for each region needed, gathering information on current suppliers, price levels, sales, and methods of marketing/distribution. The candidate should have experience or education in consumer purchasing habits and have first-hand experience in Russian culture to create a marketing campaign based on regional preferences and buying habits. Candidate must be prepared to travel and work on own initiative.

Requirements: Bachelor's Degree or higher in marketing or at least 4 years experience in marketing or consumer purchasing habits. Expert level English and Russian. Proficient in Microsoft Word, Excel and PowerPoint.

For more information, please contact:

Damon Graf at dgraf@grafbro.com or send resume to:
P.O. Box 458
South Shore, Ky 41175
Graf Brothers Lumber & Flooring

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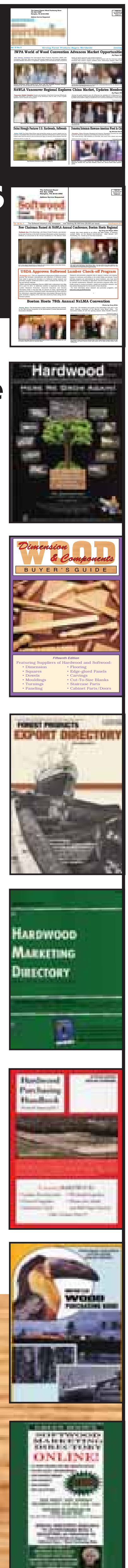

NEWSWIRES

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shipped in 2010. Lumber imports increased by 112 percent compared to 2009 and logs grew by 107 percent.

DelhiWood Trade Show participants met wood importers, interior designers, construction companies and furniture manufacturers.

Although India experienced the global recession, many sectors continue to have high interest in American hardwoods.

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Cologne, Germany—This year the Interzum show was held here and acclaimed a success by organizers and attendees. According to sources, the general mood was optimistic. The bi-annual show for material and component suppliers to the international furniture sector was attended by some 52,000 trade visitors, up 13 percent from the previous show in 2009.

Statistics show Interzum remains a key event for the European materials supplying sector. German companies are also listed as major investors and suppliers to the furniture sector in neighboring Poland with an output of approximately $7 billion.

The show received a 24 percent increase in visitor numbers from outside Germany this year. A total of 17,900 were in attendance from Germany and another 34,500 from 147 countries around the globe. Exhibitor numbers also increased by 6 percent compared to 2009. Out of 1,434 exhibiting companies 1,056 came from outside Germany. The most strongly represented country was Italy with 276 firms, followed by Turkey with 88 companies in attendance.

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Malaysia—The Malaysian Timber Council (MTC) recently paid a visit to the United States, including stops in Los Angeles, New Orleans and Memphis.

Delegates visited National Hardwood Lumber Association (NHLA) headquarters where NHLA Chief Inspector Dana Spesert gave a presentation on the NHLA grading rules for North American Hardwood Lumber. David Caldwell and Judd Johnson of the Hardwood Market Report also reported on hardwood market conditions.

Day two of the MTC's Memphis visit included a tour of the NHLA member facility, J.T. Shannon Lumber in Northwest Mississippi. Delegates had the opportunity to tour J.T. Shannon's green chain, grading stations, sorting and kiln facilities as well as the flooring manufacturing and packaging complex.

According to the MTC there were four outlined objectives for their trip:

•To enhance trade relations and increase timber trade with the U.S.

•To promote Malaysian timber products and create awareness on Malaysian Timber Certification Scheme (MTCS) in the U.S.

•To exchange business ideas and information on timber utilization and explore business opportunities.

•To look into remanufacturing opportunities with U.S. manufacturers and explore the possibility for sourcing American hardwoods.

The MTC Global WoodMart will be held October 4-6, 2012 in Kuala Lumpur, Malaysia.

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Canada—The eastern Canadian penalty tax has expired. Producers operating under Option B of the Softwood Lumber Agreement (SLA) have been paying the tax since April 2009 to cover a $C68.26 million penalty imposed by the London Court of International Arbitration. The court had ruled that Canada did not properly calculate quotas for the four Operation B provinces during the first six months of 2007.

The Canadian Revenue Agency bulletin noted that the full remedy amount has been satisfied and that the 10 percent export charge is terminated. The CRA will provide refunds to exporters if it determines any overpayments have been made. Exporters will not be required to file refund applications.

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OBITUARIES

James Edward Downes Jr.

Weston, Mass.—James Edward Downes Jr. recently passed away. He was a graduate of the Country Day School for Boys located in Newton, Mass. He obtained his degree from Harvard in 1935 and a law degree from Harvard Law School in 1938. A World War II veteran, Downes served as Lieutenant Colonel in Algeria, Italy, France, Germany and Austria. By April of 1945 he became Commanding Officer of the 93rd Armored Field Artillery Battalion. Downes received the American Defense Medal, six Campaign Stars, and the European-African-Middle-Eastern Service Medal with Bronze Arrowhead; the Bronze Star with one Oak Leaf Cluster; World War II Victory Medal and the Army of Occupation in Germany Medal.

After the war he joined Downes Lumber Co., Boston, Mass., which was founded by his father James Edward Downes in 1899, and was vice president and treasurer before his retirement in 1972.

Funeral services were held at the George F. Doherty and Sons Funeral Home, Wellesley, Mass. Donations may be made to the Massachusetts Eye and Ear Infirmary, 243 Charles St., Boston, Mass., 02114 or to Children's Hospital, 300 Longwood Ave., Boston, Mass. 02115.

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Donald Dunbar Benson

Dallas, Ga.—Donald Dunbar Benson, recently died. Born Feb. 22, 1923, Benson is survived by his wife of 57 years, Anne Swanson Benson; five children, Dawn M. West of Marietta, Ga., Uma J. Willard of Asheville, N.C., Kirsten I. Benson of Powder Springs, Ga., Lt. Col. John Benson, MD, USAF of Tampa, Fla., and Kai Bower of Williamsport, Pa.; and 10 grandchildren.

He was a member of Pine Street United Methodist Church, Williamsport, Pa., and served in World War II with the 10th Mountain Division of the Army.

Benson graduated from Penn State and Oregon State in Forestry and Wood Products, worked in lumber and wood products all of his adult life and was a member of the Wood Products Association.

Benson was also a Mayflower descendant, avid gardener, Boy Scout leader and Sunday school teacher.

In lieu of flowers, please make donations to the National Arbor Society.

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A guide to

U.S. /CANADIAN SOFTWOOD FOREST PRODUCTS EXPORT SUPPLIERS

Import/Export Wood Purchasing News' worldwide circulation is distributed to companies that purchase both Hardwood and Softwood products

A guide to U.S. /CANADIAN SOFTWOOD FOREST PRODUCTS EXPORT SUPPLIERS

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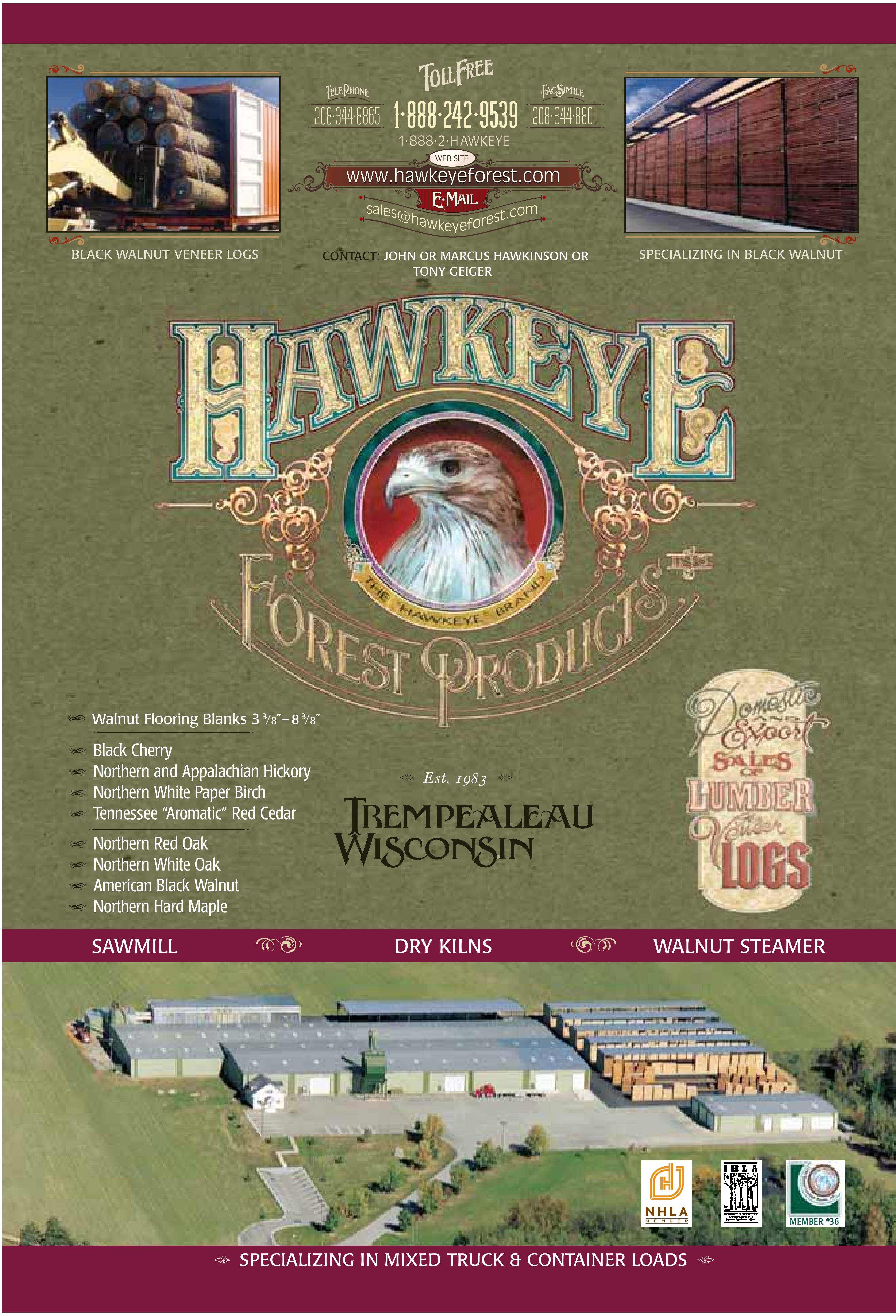
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