

# Status Report

# NAWLA Traders Market

# Magellan Network

October 21, 2011



**Blue Ribbon Commission  
for Check-off**

# Referendum Results

- **A majority of companies voted**
  - 311 eligible companies
  - Almost three times any previous check-off
- **Check-off approved by supermajority in both categories (numbers and volume):**
  - 67% voted in favor
  - Representing 80% of production volume

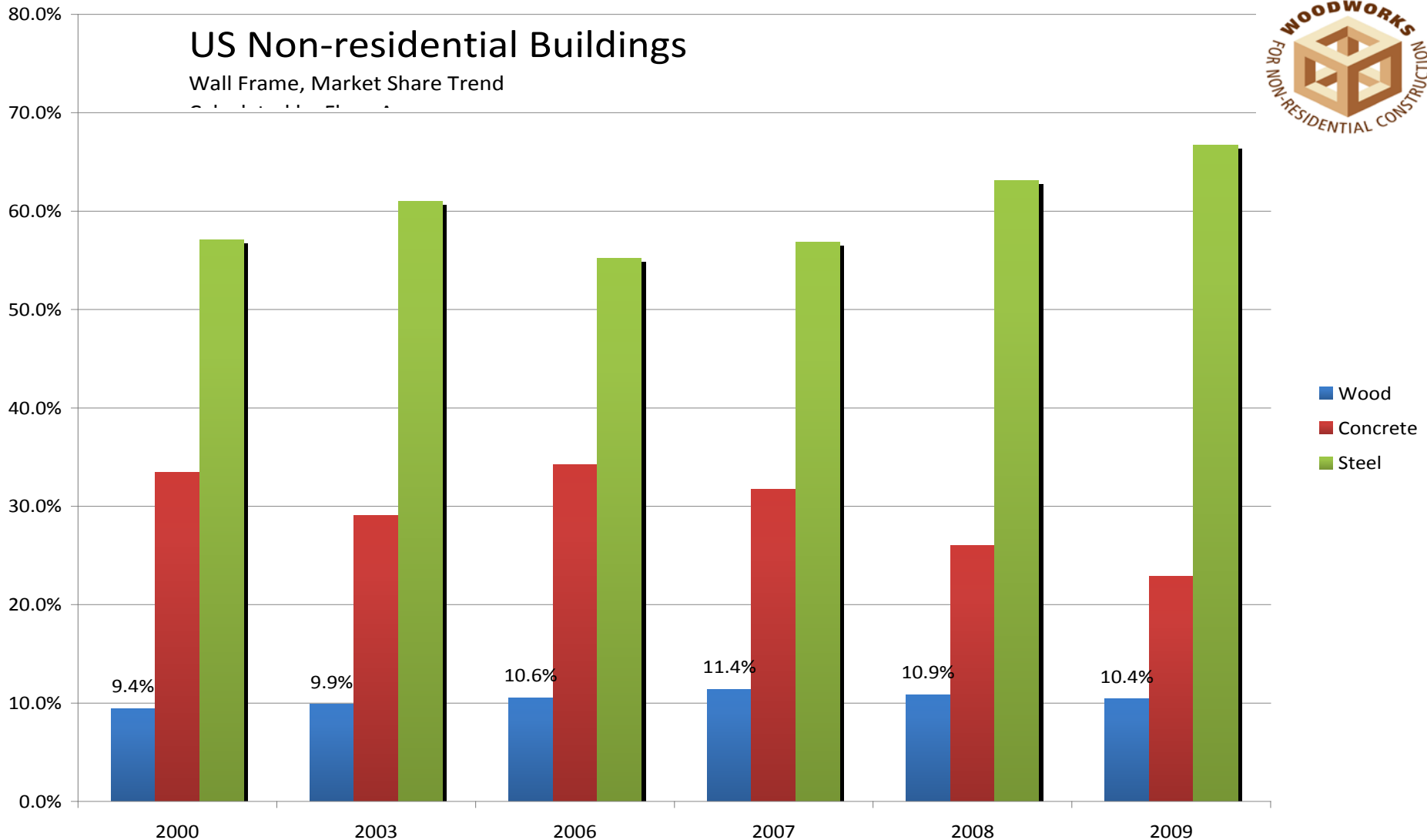
# Why A Check-off?

- Aggressive campaigns by competing products have dominated some markets and eroded market share in others.
- Significant potential exists to grow market share in non-traditional markets:
  - Wood holds only a 10% share of low rise non-residential construction;
  - Untapped opportunities offshore.

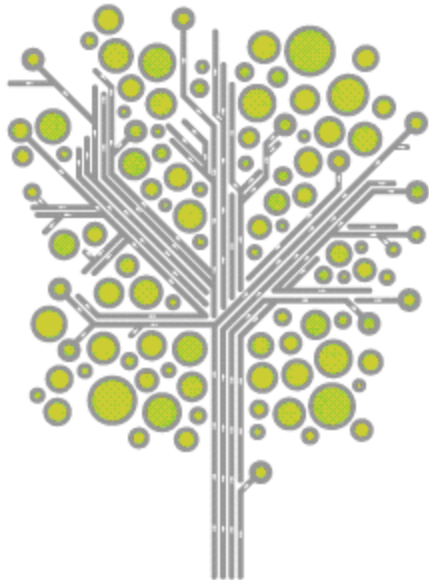
# Non-Residential Market Share Four Stories or Less

## US Non-residential Buildings

Wall Frame, Market Share Trend



# Market Situation



**STEEL** IS THE NEW GREEN



# Program Size and Cost

- **Funded by an industry assessment of \$0.35; option to go as high as \$0.50 / mbf in 3<sup>rd</sup> year.**
- **Sufficient to raise \$14-\$20 million.**
- **Experience suggests a 2:1 leveraging of funds is practical, for a \$28-\$40 mil. program.**

# Coverage

**What companies would be included?**

**What products would be covered?**

- **Mandatory for companies shipping into the US market.**
- **All companies exempt from paying on first 15mmbf; under 15mmbf exempt.**
- **Product coverage: 2006 SLA.**

# How Will Check-off Be Governed?

- Regionally balanced board; 19 seats: 12 U.S., 6 Canadian and 1 overseas.
- Governed by industry. Industry sets assessments; develops strategy determines programs / budgets; .
- Dedicated seats for small independents.
- Frequent turnover; 6 seats every year.
- Committees for marketing and research.

# How Will Check-off work?

- Functions like investment fund.
- Very lean organization.
- 8% cap on overhead (admin & staff).
- No bricks & mortar.
- All programs outsourced.
- Industry must re-approve in year 5.

# What Will Check-off Accomplish?

- Regain and expand market share in non-residential, residential/multi-family markets; recapture ground in outdoor living market.
- Build on recent offshore promotional successes, especially in China.
- A successful check-off would create enormous opportunities and be a game-changing investment in the future of softwood lumber.

# Expected ROI?

- Add incremental value to bottom line by improving profitability.
- 8.75% increase in lumber demand would result in a price increase of at least \$10.00/Mbf.
  - Applied to 40+ Bbf would generate added sector-wide revenues of over \$400 million per year.
- Mitigate business cycle.

# Check-Off Timeline

<b>Key Event</b>	<b>Timeline</b>
USDA publishes Final Rule	Aug 2, 2011
BRC submits board nominations	Aug 2, 2011
USDA vets and clears board nominations	Aug-Sept 2011
USDA Secretary appoints SLB	October 2011
First SLB meeting	Nov 29, 2011
Shipments subject to assessments	Jan 1, 2012
First assessments collected	Jan/Apr 2012

# For Further Information

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