

FOR IMMEDIATE RELEASE

Brooks Mendell  
President, Forisk Consulting  
P.O. Box 5070  
Athens, GA 30604  
678.984.8707  
[bmendell@forisk.com](mailto:bmendell@forisk.com)

#### US Recession Affects Forest Products Industry and Forest Owners; Jobs in Jeopardy

ATHENS, GEORGIA – February 3, 2009 – As the US slips further into a recession, housing starts continue to decrease, foreclosures are increasing, and jobs are continually put on hold. While most sectors of the economy have been noticeably affected by the recession in the past six months, the forest products industry has felt the economic slowdown for over two years. Fewer housing starts and home renovations lead to a decreased demand for lumber and, in turn, decreased demand for sawtimber-sized logs from forestlands. In fact, in 2008 housing starts were at the lowest level in the past 20 years, and were 50% lower than the peak in 2005.

Demand for pine and hardwood sawtimber continued to fall in the fourth quarter of 2008, as reported by Forisk's *Wood Demand Report*. Pine sawtimber consumption by mills across the South fell 6.2% during the fourth quarter, and was down 11.5% from a year ago. While it is characteristic of mills to schedule curtailments during the fourth quarter for the holiday season, many mills took extended downtimes, meaning more bad news for mill employees in the forms of layoffs and job losses.

Despite the ills of the lumber industry, the pulp and paper industry was less affected by economic downturn until the last quarter of 2008 when demand for paper products decreased dramatically. Since raw materials can be purchased in advance of orders, demand for raw materials did not decrease as drastically as demand for the end product. Overall pine pulpwood demand fell slightly during the fourth quarter 2008 in the US South.

Like sawmills and plywood mills, OSB (oriented strand board) mills felt weakening demand for their building product from the housing sector. OSB mills decreased their market share of pine pulpwood consumption by 3% in the fourth quarter. Many pulp mills consumed more pine pulpwood to offset a declining consumption of chips, a by-product of the lumber manufacturing process that pulp mills can use to make paper products. Although some mills curtailed operations, other mills increased consumption to keep overall demand stable.

Contact: Brooks Mendell 678.984.8707

About Forisk Consulting: Forisk provides research, consulting, and educational services to operating, finance and strategy executives and analysts making decisions associated with timber REITs, timberlands, and wood-using energy and manufacturing facilities. Featured products include the Wood Demand Report, a quarterly report that tracks actual wood volumes consumed in the US South and the Timber REIT Report, a bi-weekly report that tracks and analyzes the financial performance of timber real estate investment trusts. Forisk also provides stumpage price forecasting.

###