

STRATEGIC ISSUES FOR US PNW TIMBERLANDS

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SDS COMPANIES

SDS Lumber Company

- Lumber
 - Plywood
 - Energy
 - Chipping
 - Marine Transport
 - Forest Management
 - Logging/Trucking
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SDS COMPANIES

Stevenson Land Company

- 105,000 acres timberland, Oregon & Washington

Broughton Lumber Company

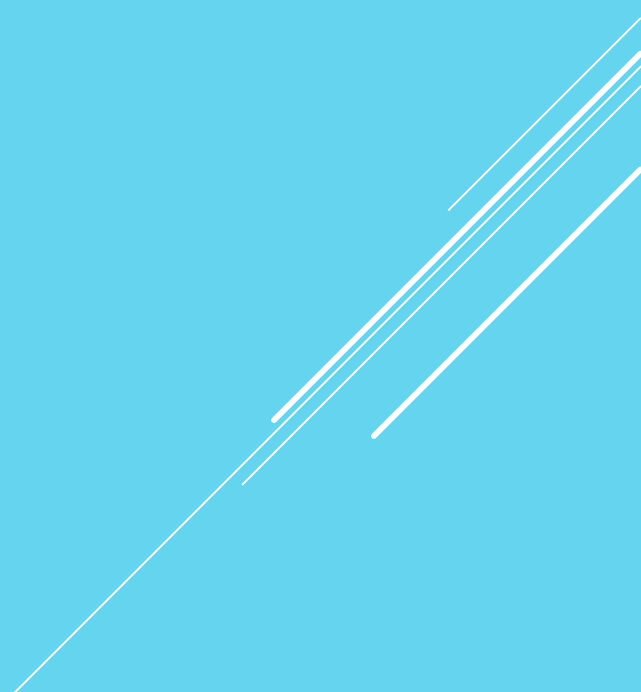
- 25,000 acres timberland

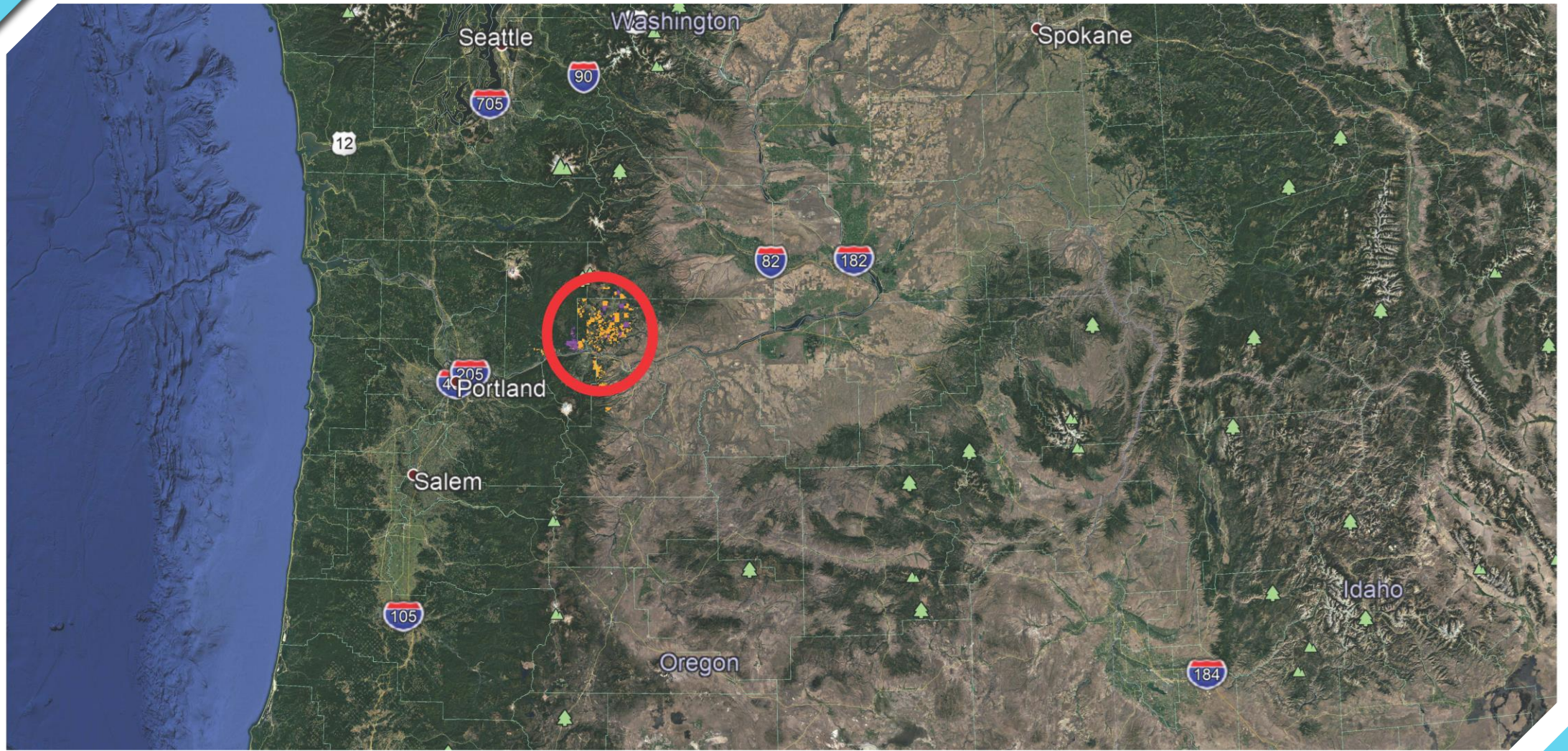
Mid – Columbia Gorge

Transition zone diversity

Non-declining flow

USFWS Safe Harbor Agreement





THREATS & OPPORTUNITIES IN TIMBERLAND?

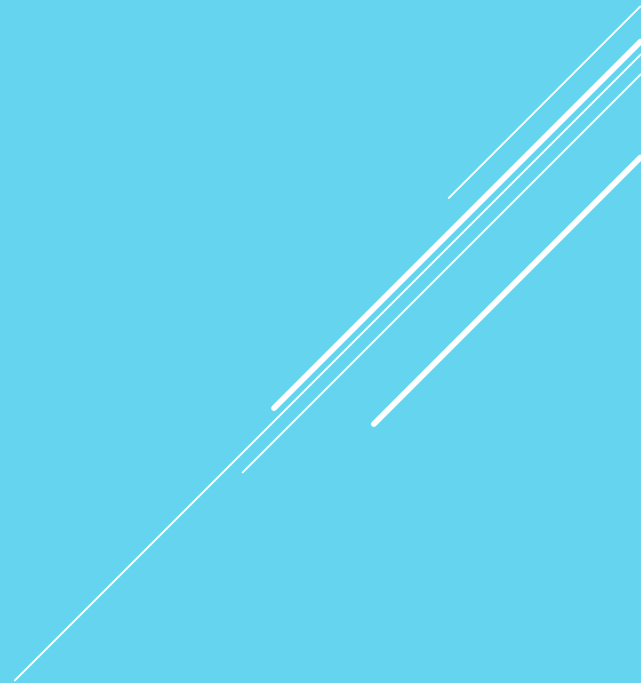
Positives

- ▶ Fundamentals of timberland ownership generally sound
 - ▶ Demand for fiber
 - ▶ Demand for timberland
 - ▶ Markets for products
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Concerns:

- ▶ Workforce
 - ▶ Foresters
 - ▶ Contractors

- ▶ Industry Manufacturing Capacity Headwinds
 - ▶ Rising costs
 - ▶ Tax environment
 - ▶ Regulatory environment
 - ▶ Workforce
 - ▶ laborers
 - ▶ Technicians
 - ▶ Localized fiber supply constraints



Concerns (cont'd)

- ▶ Continued consolidation of manufacturing capacity for survival will have implications for timberland owners
- ▶ **Regulatory Environment**
 - ▶ Herbicides
 - ▶ Endangered species – aquatic & upland
 - ▶ Unstable slopes
 - ▶ State Capital Gains tax
 - ▶ Carbon pricing

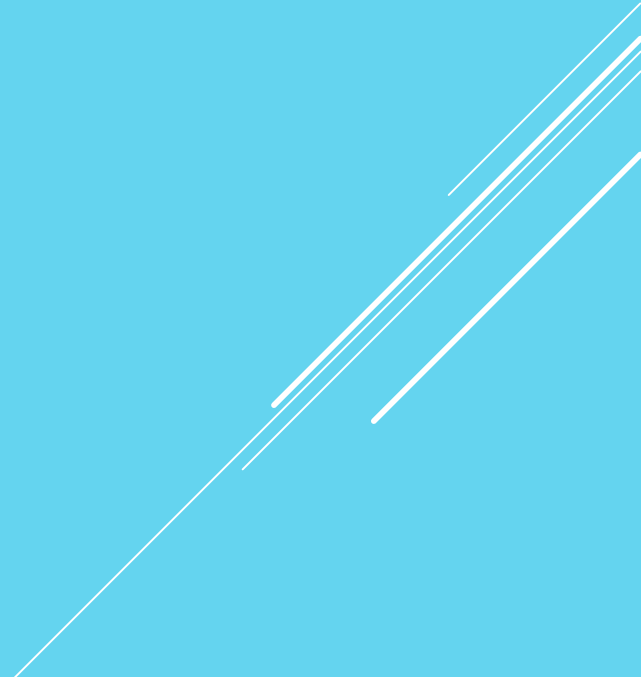
Regulatory set asides & loss of forestry tools = Loss of productive lands

OREGON & WASHINGTON REGULATORY ENVIRONMENTS IN COMPARISON

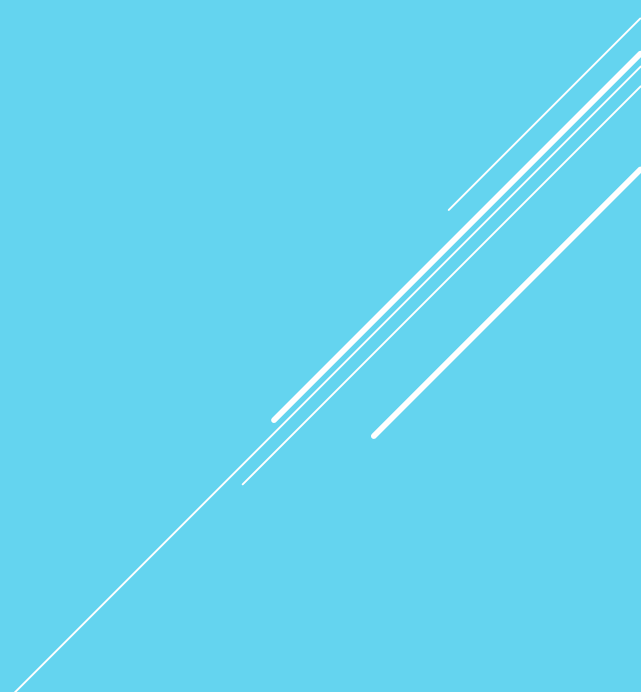
Oregon

- ▶ The land of Initiatives
 - ▶ Stream Buffers
 - ▶ Herbicides
 - ▶ Unstable slopes
 - ▶ Board of Forestry
 - ▶ Cap & Trade 2019
 - ▶ Cap & Trade 2020
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Oregon (cont'd)

- ▶ Significant uncertainty
 - ▶ Costly, time & energy consuming battles on the horizon
 - ▶ High risk of significant impacts to productive land base & timberland value
 - ▶ Approaches to these regulatory risks can be divisive
 - ▶ Oregon industry must remain unified in dealing with these risks
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Washington

- ▶ History in Washington
 - ▶ Timber Fish & Wildlife Agreement (1986)
 - ▶ Forest & Fish Agreement & HCP (2006)
 - ▶ Narrowing of issues
 - ▶ Political capital
 - ▶ Platform for cooperative, non-regulatory solutions
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Washington (cont'd)

- ▶ Carbon approaches in WA
 - ▶ Cap & Trade initiative rejected by voters
 - ▶ Carbon Tax proposals
 - ▶ Forest industry proposal

HB 2528/SB 6355

- ▶ Recognition that the forestry and wood products industry are net sequesters of carbon
- ▶ Forestry and wood products must be considered as an integrated system
- ▶ The manufacture and use of wood products (stored carbon) is an essential element
- ▶ Forestry and wood products are part of a sensible, natural carbon solution. Grow more wood, Use more wood.

CONCLUSION

- ▶ Significant regulatory/political and tax risks exist throughout the PNW for the forest industry
 - ▶ Diplomacy & cooperative solutions are more durable
 - ▶ The forest industry is the only industry with an opportunity to claim the re-frame the discussion on carbon
 - ▶ Re-defining the carbon issue, is an opportunity for our industry to offer solutions and lessen political and regulatory risks
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