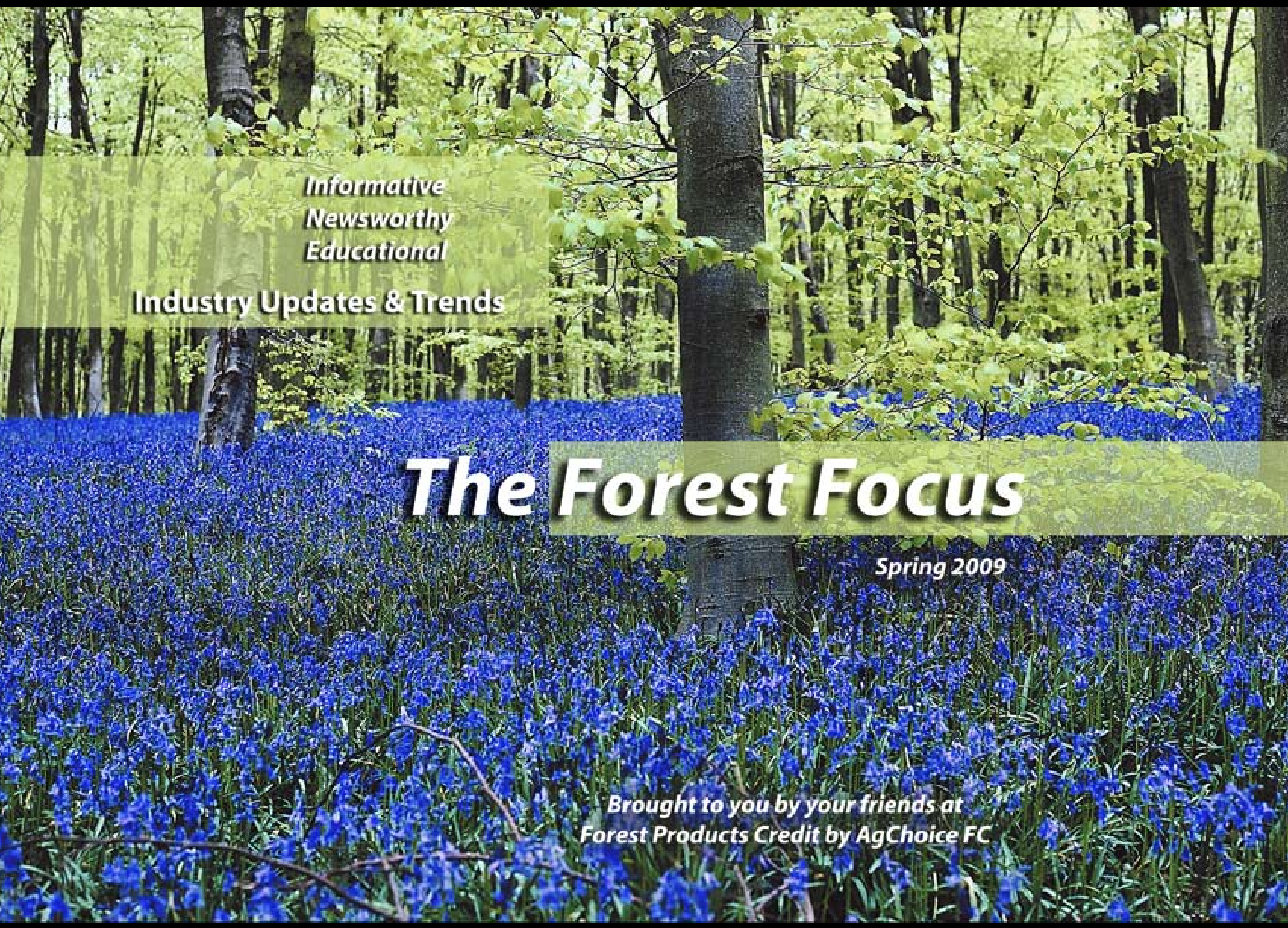


What's coming over the forest products horizon?

The following are three insights we'd like to offer:

1. The roller coaster ride known as oil and diesel — UP and down we go.

Crude oil and diesel prices hit all-time highs this past summer. On July 11, 2008 crude prices reached an all-time high of $147.27 per barrel compared to oil prices of $38 per barrel on February 24, 2009. In real inflation-adjusted terms, $38 oil represents a huge reduction in the cost of energy, which is a major cost component for U.S. forest products manufacturing. "On road" diesel approached $5.00 per gallon in many locations in 2008. Currently, "on road" diesel is approximately $2.20 per gallon. The sharp rise coincided with continued weakening in finished products prices for many forest products. The combination of high fuel costs and low revenues erased many firms' margins in 2008.

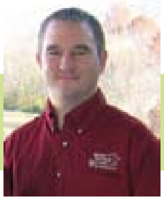
Now that the pain is temporarily gone, people may be lulled into a false sense of security — out-of-sight, out-of-mind. Long-term outlook is that prices will ramp back up. U.S. Department of Energy forecasts crude oil to average $43 through 2009, then $54 through 2010. They also forecast diesel at $2.27 for 2009, then $2.54 through 2010.

What can you do to avoid the pain associated with the oil and diesel run-up in 2008?

- Consider locking in prices for oil consumption in 2009 and 2010.
- Analyze ways to conserve fuel and make your operation more fuel efficient. Try to remember $5 diesel — spark creativity.
- Capitalize more on the green energy movement — consumers have not forgotten about the high oil cost of 2008.

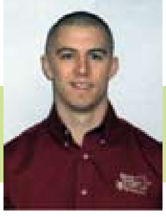
2. The Russian tariff is coming — sometime.

The Russian government chose to delay the January 1st implementation of its export tariff program. This delay has allowed Russia's huge timber supply to continue to flow-out to satisfy foreign nations' needs for logs and pulpwood. Once these tariffs go into full effect, watch for Russian log exports to drop and their value-added production to soar. The tariffs provide a disincentive for Russian firms to export logs and will force many Russian firms to add value to their forest products at home by manufacturing lumber, veneer, plywood, paper and other finished products before either consuming those finished products within their borders or shipping them abroad. The tariff program is aimed at creating more value-added commerce and, hence, jobs and wealth within Russian borders, rather than exporting that potential upside, and jobs, abroad. Once this tariff is implemented, it will help us temporarily and then, in the long-term, will make Russia more competitive with us on many finished products.



Today's featured writer:

Nathan Meiser
Loan Officer & Forest Products Specialist



Today's contributing editor:

Thaddeus Taylor
Loan Officer & Forest Products Specialist

What can you do to capitalize before and after the Russian tariff?

- Continue to establish and improve business relations in Europe and China.
- NEW log markets will open — sawmills particularly in China, Japan and Finland, will need to find additional suppliers of logs when the tariff is implemented. Log taxes by the Russian government could reach 80% of the log value.
- Europe and China will consider importing more processed forest products rather than logs in the future. U.S. forest products can capture the additional value added to the log.
- Continue to maintain and renew your competitive advantage as Russian and Eastern European production becomes more efficient and customer-oriented. The U.S. is currently the world's most competitive hardwood lumber supplier in terms of: consistency of quality, handling, drying, reliability of delivery, species diversity and overall value.

3. The forest products industry infrastructure — maintaining stability.

The U.S. has a highly efficient, productive and professional timber harvesting/trucking force — one which has increased its environmental awareness with more than 10 years of training courses sponsored by the Sustainable Forestry Initiative and many state associations. The current downtrend in demand for U.S. forest products threatens our ability to retain this valuable infrastructure and human resource for the long-term success of our industry.

How will our industry respond to an up-tick in forest products demand if the supply chain contains no surge capacity? Where will this trend leave us when the U.S. housing market picks up again?

What can you do to maintain the logistical infrastructure for your company?

- Continue to develop new backhaul business for your trucking fleet.
- Continue to maintain relationships with professional loggers that may temporarily exit the industry.
- Continue to explore new and alternative ways to utilize existing timber harvesting crews and trucking fleets.
- Create win-win relationships with other businesses that want to maintain professional loggers and trucking fleets — two companies can support together.

In the last year, opportunities and challenges have come over the forest products horizon that no one predicted or expected. Going forward, we (the forest products industry) need to keep very aware of the changes occurring that could impact our industry and your business. The horizon will begin to clear.

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