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CONTACT: Bryan Beck, 503-684-3406, bryanb@beckgroupconsulting.com

Softwood Sawmills in the Southern Pine and Inland West Regions Outperform Operations in Coastal West

Portland, OR – October 6th, 2011 - Two recently completed benchmarking studies illustrate the challenges faced by softwood sawmills operating in the coastal region of the Pacific Northwest. A surge in log demand from Asia has led to increased log costs and lower sawmill profitability relative to other regions of North America, according to The Beck Group, the firm conducting the studies.

On average, study participants with coastal stud mills took losses of more than \$10 per thousand board feet (MBF) of lumber production, while stud mills in the Inland West of North America were more than \$15 per MBF in the black. Southern pine mills in the Southeastern U.S. achieved profits of slightly less than \$10 per MBF. There was a wide range of profitability among study participants. The top quartile producers, the best performing mills in the studies, fared much better than the average performing mills in both studies, outperforming them by more than \$25 per MBF.

Rising sawlog costs are the latest challenge facing the coastal mills that, along with the rest of the lumber industry, have been battered by weak lumber demand and historically low lumber prices since mid-2006. During the same time period, mill curtailments and closures in the U.S. Southeast and Inland West have led to decreased log demand and log price levels, allowing many mills in those areas to operate with modest profits in spite of the depressed lumber market.

The two benchmarking studies focused on southern pine lumber mills in the U.S. Southeast and stud mills in the West (including British Columbia), and offered many insights, including details related to overall profitability, manufacturing costs, productivity, lumber recovery, sales revenue and product mix, safety record, and other key measures of performance. In the South, 30 mills representing 17 firms participated in the study. In the West, 13 mills representing 11 firms participated. In both cases, the data reflected performance during calendar year 2010, and the firms participating represented an excellent cross-section of the industry including representation by both publicly and privately held firms.

A more detailed summary of the benchmarking studies is available at:

http://www.beckgroupconsulting.com/Misc_PDF/AndersonColumnForestrySourceOctober2011.pdf

About The Beck Group

The Beck Group is the forest products industry leader in benchmarking, and offers a wide variety of planning and consulting services in North America and around the world. For more than 30 years, The Beck Group has assisted forest products companies with project planning, feasibility studies, mill modernizations, competitive assessments, due diligence, fiber supply, and timber procurement planning. www.beckgroupconsulting.com