

Status Report for the Southeastern Lumber Manufacturers Association

March 2, 2011



**Blue Ribbon Commission
for Check-off**

Today's Report

- **Quick review**
- **Q & A**

Quick Review

What is a Check-off?

- An industry-wide funding vehicle established under authority provided by Congress.
- Funds are used to support marketing and research programs to grow demand.
- USDA has primary oversight responsibilities.
- Successful check-offs are in place for a variety of agricultural products (i.e. milk, eggs, pork, beef, blueberries, etc).

Quick Review

What approvals are required?

- The softwood check-off must be approved in an industry wide referendum of eligible domestic mills and importers by 51% of companies and production.

Quick Review

Why 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.

Quick Review

What is program size and cost?

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

Quick Review

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.
- Products covered identical to those in 2006 Softwood Lumber Agreement.

Quick Review

What would funds hope to 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.

Quick Review

How would it be governed?

- Regionally balanced board; 19 seats: 12 U.S., 6 Canadian and 1 overseas.
- Governed by industry. Industry:
 - Sets assessments;
 - Develops strategic plan;
 - Determines programs and budgets;
 - Decides whether to continue program.
- Dedicated seats for small independents.

Quick Review

How would it work?

- Functions like investment fund.
- Very lean organization.
- 8% cap on overhead (admin & staff).
- No bricks & mortar.
- All programs outsourced.

Quick Review

What is the expected ROI?

- 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.

Check-Off Timeline

Key Event	Realistic Timeline
USDA review & agency clearance	Jan – Mar 2011
Publication of Final Proposed Rule	April 2011
Referendum (approximate timing)	May 2 – 16 2011
Preparation of Final Rule	May 2011
Final Rule published	June 2011
Board nomination and clearance	June-Aug 2011
Board appointed	September 2011

Southern BRC Members

For further information:

Jack Jordan, BRC Chairman

Hank Scott

Patrick Harrigan

Aubra Anthony / Kerlin Drake

Mike Case / Joe Patton

Fritz Mason

Adrian Blocker



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Questions and Discussion

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