



Exploring Georgia's Wood Products

A Product of the Forest Utilization Department

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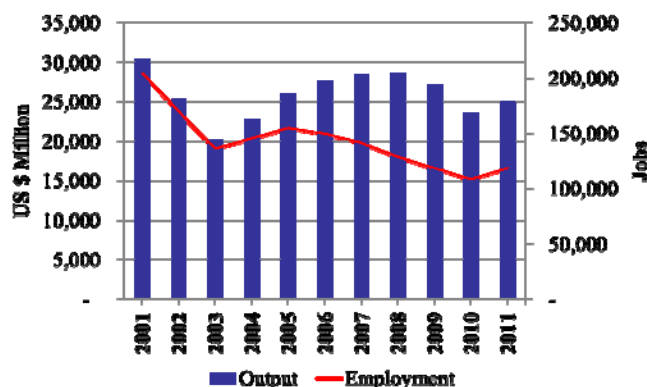
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New Report Shows Forest Industry is on the Rise

Georgia Tech's Enterprise Innovation Institute has released the 2011 Economic Benefits of the Forest Industry report which shows that the forest industry is on the rise after four years of decline. "It's great to finally see some positive numbers come out of the forest industry after so many years of decline," says John Sunday of the Georgia Forestry Commission.

The annual report which provides data on the total output, employment, and compensation supported by the forest industry shows an increase of 5.6%, 9.6%, and 20.7%, respectively. Sunday thinks "it is important to note that the annual increases for employment and compensation are sharper than the increase for output which may indicate that demand is rising and the industry is gearing up to increase its output."

The total output supported by the forest industry for 2011 was \$25 billion and although it is not at the \$28.7 billion peak in 2008, it is a sign that things are headed in the right direction. Sunday adds, "the industry has weathered a rough recession and I only believe that it will be stronger, more efficient, and more sustainable than ever before."



Additional Highlights:

Direct Output: \$15.1 Billion
Direct Compensation: \$2.9 Billion
Direct Employment: 46,378 Jobs

Total Compensation: \$6.5 Billion
Total Employment: 118,459 Jobs
Fiscal Impacts: \$487 Million

The full report and a brief fact sheet can be found at www.gatrees.org/utilization/economic-impacts/



Proposed Design Values for All Sizes and Grades of Visually Graded Southern Pine Dimension Lumber

Charged with establishing design values for Southern Pine lumber, the Southern Pine Inspection Bureau, in cooperation with Timber Products Inspection, recently completed testing on all grades and sizes of visually graded Southern Pine dimension lumber. In addition, as a cooperator in the entire design value approval process, the USDA Forest Products Laboratory (FPL) provides technical review of test data and procedures. This full In-Grade testing is required by consensus standard ASTM D1990, *Standard Practice for Establishing Allowable Properties for Visually-Graded Dimension Lumber from In-Grade Tests of Full-Size Specimens*.

In the first phase of testing only No. 2 2x4s were tested. Results of the tests indicated a significant reduction in mechanical properties for four of the six basic lumber properties: Bending, Tension parallel-to-grain, Compression parallel-to-grain, and Modulus of Elasticity. The reductions in mechanical properties led SPIB to propose new design values for Southern Pine sized 2" to 4" wide and 2" to 4" thick in No. 2 Dense and lower grades. After receiving approval by the Board of Review of the American Lumber Standard Committee (ALSC), SPIB published the new design values effective June 1, 2012, on an interim basis. Southern Pine lumber products affected by these new design values included site built construction and lumber remanufactured products, such as trusses, solid sawn I-joint flanges, header framing, and wall framing.

In the second phase of testing, Select Structural (SS) 2x4s, No. 2 and SS 2x8s, and No. 2 and SS 2x10s were tested to complete the full In-Grade testing matrix.

After analyzing the complete In-Grade testing data, SPIB submitted the resulting proposed design values to ALSC in September 2012. SPIB subsequently withdrew the submittal because of FPL's need for additional time to review the technical data prior to the ALSC Board of Review hearing. After SPIB and FPL completed their final analysis of the full In-Grade tests, SPIB made several minor revisions to its September 2012 submittal.

In December 2012, SPIB resubmitted proposed design values for all grades and sizes of visually graded Southern Pine dimension lumber to the ALSC. The ALSC Board of Review will convene on January 30, 2013, to hear testimony from interested parties before making a final decision.

Subject to the approval process, design values are expected to be adjusted upwards for 2x4s in No. 2 Dense and lower grades; while smaller reductions in design values are expected compared to current values for 2x6s through 2x12s (all visual grades) and 2x4s (SS and No. 1). This is positive news because the impact on joists, rafters, and headers is smaller than originally projected due to smaller reductions for the wider widths commonly used for these products.



Photo by: Risher Willard, GFC

For further information about the organizations named in this article and the role each plays in establishing design values, please visit:

- <http://southernpine.com> (Southern Forest Products Association-southern pine design values)
- www.alsc.org (American Lumber Standard Committee)
- www.spib.org (Southern Pine Inspection Bureau)
- www.astm.org (American Society for Testing & Materials)
- www.tpinspection.com (Timber Products Inspection)
- www.fpl.fs.fed.us (USDA Forest Products Laboratory)

For All of Your Reforestation Needs



A delay in reforestation of harvested stands can have significant negative economic impacts. Don't wait until next season!

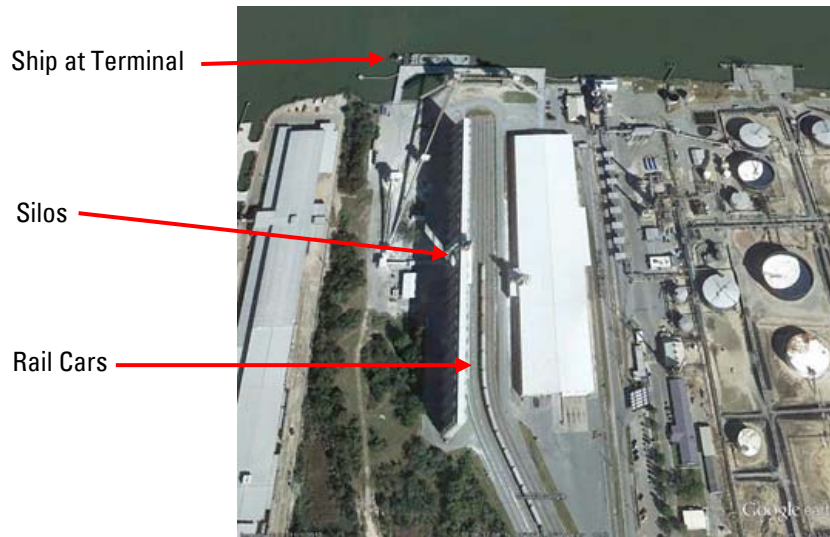
GFC's Flint River Nursery provides high quality tree seedlings adapted to Georgia's climate and soils. A wide variety of softwood and hardwood species are available for all of your reforestation and ornamental tree planting needs.

For ordering and pricing information, please contact your local GFC county office or visit us on the web at: GaTrees.org

Wood Pellet Update

Biomass resources from Georgia's productive forests continue to attract interest from the renewable energy community. The European Union's quest to achieve a target of 20% renewable energy production by 2020 is the catalyst for much of this biomass market. Wood pellets produced from lumber mill residues and small diameter trees are the preferred feedstock for the European utilities. Georgia's operating wood pellet mills are currently producing at a rate of over 1.2 million tons annually. Combining production from the SEGA Biofuels (Nahunta) and Varn Wood Product (Hoboken) mills currently under construction will yield an additional 314,500 tons annually. Other recently announced projects from Fram (Hazelhurst), Enova (Waynesville) and General Biofuels (Sandersville) could add 1.32 million additional tons to Georgia's wood pellet industry output. In summary, Georgia's wood pellet production is estimated at 2,834,500 tons per year in the next few years, if all goes according to published plans.

In December 2012, Enova Wood Pellet Group, entered into a long-term port agreement with Georgia Kaolin Terminals which will enable Enova to export up to 1.35 million metric tons of wood pellets per year through the port facility. Wood pellets will be railed to the facility and stored in twenty-six silos. The silos formerly used to store kaolin. GKT is a subsidiary of Savannah-based Colonial Group.



The most conservative projections (Poyry) predict an increase in European wood pellet use from 10.8 million tons to 23.8 million tons between 2010 and 2020. The same conservative projections list the southeastern US as the source for over 6 million tons by 2020, or a 4.5 million ton increase over current levels. This new demand could result in additional markets for 9 million green tons of wood across the Southeast.

UPCOMING EVENTS

Wood Solutions Fair

February 6, 2013; College Park, GA

www.woodworks.org

Georgia Forestry Association Bioenergy Conference

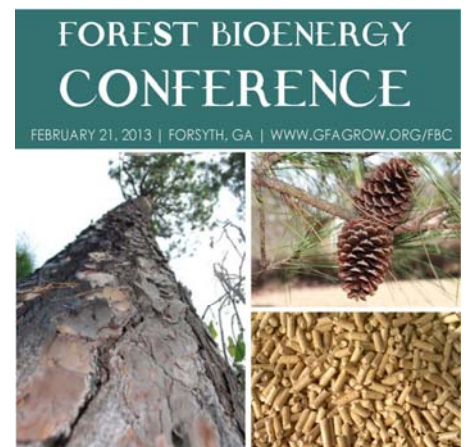
February 21, 2013; Forsyth, GA

www.gfagrow.org

Georgia Logistics Summit

March 19-20, 2013; Atlanta, GA

www.georgialogistics.com



EPD's: The New Environmental Label

Increased concerns over sustainability and environmental impacts have resulted in the voluntary use of environmental product declarations (EPDs) by many manufacturing companies. EPD's list the environmental impacts that occur as a result of manufacturing and use of a product and are based on internationally accepted standards (ISO). A typical EPD will list the energy consumption, resource depletion, global warming potential, other emissions, material content, toxicity, and several other items.

It is important that Georgia wood product companies are aware that EPDs may allow more international market access, or perhaps restrict market access in the future. Many countries in the European Union are encouraging the use of EPDs and France has passed legislation to potentially require EPDs on consumer products. Companies that directly or indirectly export wood products to Europe should be especially aware of this issue.

The American Wood Council is developing EPDs for selected wood products and will soon have a completed EPD that can be used by softwood lumber producers. EPDs for treated wood products are now available from the Treated Wood Council. International Paper Company and other paper manufacturers have also already developed EPDs for many paper products sold internationally.

More detailed information on EPDs is available in reports published by Dovetail Partners, Inc. at <http://www.dovetailinc.org/files/DovetailEPD1012.pdf>.

Workshops on Certification

Forest certification is becoming more important with the increasing demands from wood markets to document the sustainability of wood sources. The GFC is pursuing opportunities to inform landowners, forest consultants and industry of the challenges and opportunities of forest certification. Forest certification presentations were made at landowner and forester workshops in Statesboro, Athens and Griffin in late 2012. Certification was also presented as a training topic to GFC foresters and forest technicians in Macon this past December. The Utilization department is currently planning workshops for forest industry on forest certification and forest product chain of custody for spring/early summer 2013. A forest certification FAQ sheet and presentation is now available for viewing on the GFC website: <http://www.gatrees.org/utilization/forestcertificationprograms/>.



Cordele Plant Update

Montreal, Quebec-based, Stella-Jones' construction of its Cordele, GA (Crisp County) wood treating facility is nearing completion and should be operational in early February. The \$11 million facility, announced in November 2012, will create 85 jobs at full capacity according to Bruce Drennan, Executive Director of the Cordele-Crisp Industrial Development Council. The plant will utilize hardwoods supplied from one of Georgia's largest hardwood sawmills for the production of up to two million railway ties annually for domestic and international markets. The cross ties will be treated with a single-step creosote-borate treatment process. Other products may include utility poles and logs for log homes. Cordele's intermodal inland port will be used for transporting export products to the Port of Savannah.

New Biomass Demonstration Planting

The Georgia Forestry Commission has established a new demonstration planting on the Dixon Memorial Forest in Waycross. The site demonstrates how to integrate biomass into traditional pine product forest management. There are 3 different plantings with use of various native pine species and planting densities. Plans are to establish a similar site in the piedmont for the 2013/2014 planting season.

Other Industry News

Rayonier, Inc. and Interfor, Ltd. reached an agreement on January 22nd that will result in the sale of the three Rayonier sawmills in Georgia to Interfor. According to a release by Rayonier, the three mills in Baxley, Swainsboro, and Eatonton will be sold for \$80 million. CEO Paul Boynton indicated that this was part of Rayonier's strategy to focus the business operations on specialty chemicals. This transaction will be Interfor's first investment into the Southeast and will result in Interfor having 12 sawmills, with a milling capacity over 2 billion board feet. The nine other Interfor mills are located in British Columbia, Washington, and Oregon. Interfor also reports that the agreement includes retention of all employees in the wood products division being purchased.

Georgia Pacific is expected to complete the purchase of the Temple -Inland building products business from International Paper within the next 2 months. In Georgia, this impacts the Rome sawmill and the Thomson particleboard mill. Including the transactions described above, eight of the twenty largest operating softwood sawmills in Georgia have changed ownerships in the past 5 years. These eight mills have the capability of processing well over 1 billion board feet per year, or 45% of Georgia's softwood sawmilling capacity.