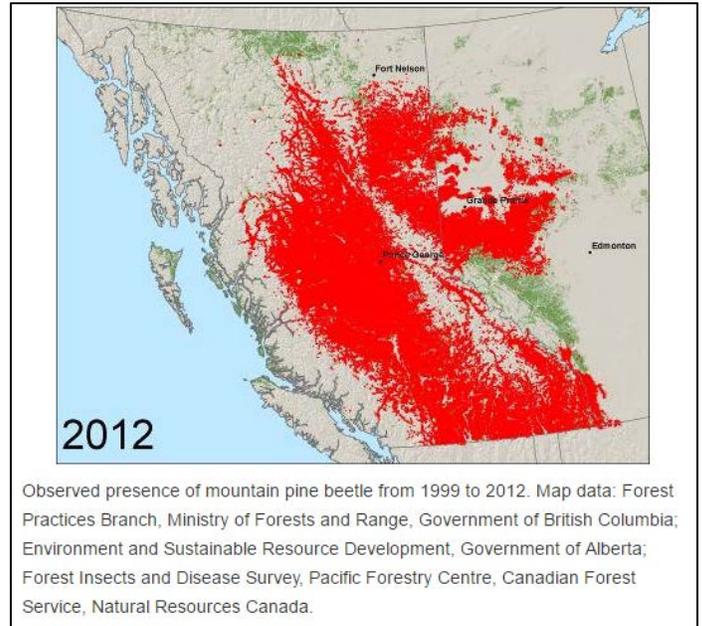


## Timber Supply Economics

There have been significant changes in the cost of resources affecting Belco's price models. We use many factors in determining the cost of our products, resource being one of many. Our supply-side research indicates tight fiber supplies in 2017.

*Canada's "allowable cut" reductions coupled with the potential penalties from SLA rulings indicate near term price increases of 10-15% with a potential peak of 20% during the high summer season.*



### SLA

The U.S. International Trade Commission voted 5-0 in a preliminary ruling that Canadian lumber imports have caused injury to the U.S. industry. This means the Department of Commerce will continue its investigation into a petition filed by the U.S. Lumber Coalition seeking Countervailing (CVD) and anti-dumping duties (AD) on Canadian lumber imports to the U.S. Commerce is expected to announce its ruling in the CVD investigation April 24. A ruling in the AD investigation will likely come about 60 days later. If it is ruled that "critical circumstances" apply in this case, duties could be applied retroactively up to 90 days prior to the preliminary determinations or back to February.

### Mountain Pine Beetle

The mountain pine beetle and its province-wide (British Columbia) onslaught could be viewed as a precursor to the CVD /AD investigation under the expired SLA. Climate change allowed the beetle to migrate further north than ever before while better firefighting provided the pine beetle with an unparalleled feast. The result: 44 million acres or roughly 60 percent of the mature pines in British Columbia were impacted by the beetle. The government increased the Allowable Annual Cuts 35% from 2009 to 2013. Those numbers began dropping in 2014. Given the strong regulatory regimes in place across Canada, harvest levels are expected to remain below the estimated sustainable wood supply, as they begin to recover from the worst beetle infestation in North American history.

At least one [Canadian mill](#) has shut the doors and more are expected as the impact on harvest reductions spread. One thing is still certain. Belco remains committed to providing our customers with the best product, at the best value, in a timely manner and stand behind it.

ABOUT BELCO FOREST PRODUCTS— In business since 1978, the company operates three manufacturing plants on 16 acres in Shelton, Washington. Belco produces a variety of exterior wood products including the best-selling ArmorCoat XT brand, a line of premium treated trim for residential and commercial applications. All Belco products are available through leading distributors nationwide.

