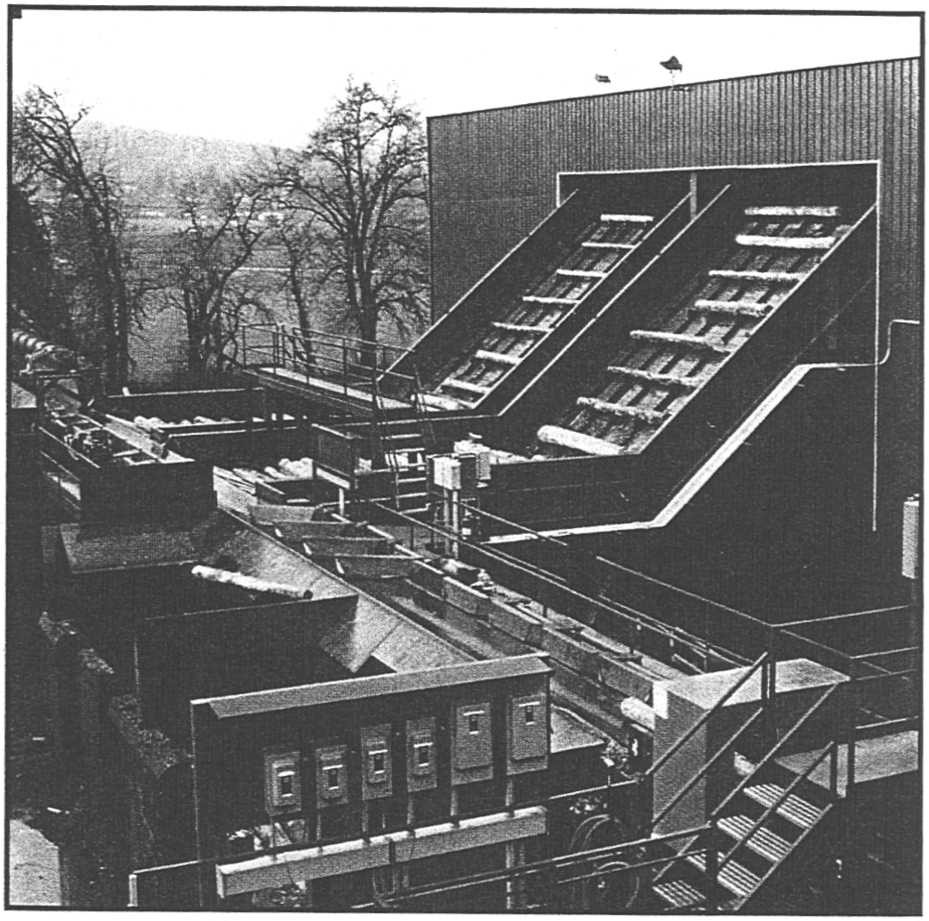
HAMPTON AT WILLAMINA IS #1

SENECA, WEYERHAEUSER MILLS FOLLOW

By
Henry Spelter



Hampton's mill at Willamina, Ore. produced 385MMBF in 2002.

Approximately 720 sawmills produce most of the softwood lumber in the U.S. The largest 200 of these, ranked mostly according to 2002 production, are displayed in the table on the ensuing pages. Where the actual production statistic was not released, it was estimated by subtracting from capacity any lost volume due to downtime. In a few instances where neither production nor indications of downtime were available, capacity was used to compile the listing.

This year the Hampton mill in Willamina, Ore. came out on top. According to a company source the 385MMBF output would have been even greater but for some downtime taken during the year. The highly regarded independent producer Seneca Sawmill in Eugene, Ore. came in second. It, however, dropped its third shift in April 2003. Weyerhaeuser's Cottage Grove, Ore. complex rounds out the top three. The long-time leader, the Simpson complex in Shelton, Wash., was estimated to have fallen to fourth due in part to downtime taken in the course of the year.

Downtime was a common theme in 2002. Lumber prices were weak and operating rates among the top 200 reflected this. For the 180 mills where both capacity and production were available, capacity utilization was 94%. Dividing reported Canadian and U.S. output by their total capacities shows an even lower 90%. And in the 2000-02 period, overall capacity use averaged less than 89% compared to 92% in 1997-99. The 3.2% difference is one measure of the excess that overhangs the softwood lumber industry today. Another is the amount of lumber production lost to closures and downtime. Between July 2002 and June 2003, curtailments reduced output by approximately 3.4 billion feet or 4.6% of capacity.

Capacity has been building for a number of years. One Canadian lumber official attributes the buildup as having been induced during 1996 to 2001 by the Softwood Lumber Agreement. In the four years between 1996 and 2000, Canadian/U.S. capacity surged by some 9 billion BF. Growth since then has been negligible.

A more global view shows that since the mid 1990s the U.S. dollar appreciated by about a third relative to its trading partners. The Canadian dollar also gained, but somewhat less. That handicapped North American exporters in Japan, Europe and the Caribbean. Offshore exports are a relatively small portion of total activity and their significance is easily overlooked, hut their effects on the margin have been major. The 1.2 billion feet that Canadian exporters have lost since the mid-1990s, coupled with the I billion foot drop in U.S. exports would have offset the 3.2% shortfall in capacity utilization. Together with less pressure from importers, these would have changed the course of recent lumber markets in North America.

One measure that should have braked imports was the combined duty/dumping 27% tariff that the U.S. government imposed on most Canadian producers in May 2002. However, Canadian exports grew by about 2%, as lumber prices fell to historic lows. We don't know what this would have been without the tariff.

Once upon a time a country could protect its industries from foreign competition by unilaterally enacting tariffs. In the contemporary era things are more complex, bounded by procedures and conditions that must be met before a tariff is final. In this case the determinations were immediately challenged, which created uncertainty as to their ultimate outcome. Thus Canadian producers faced a choice of curtailing and risk competitors filling the resulting vacuum or maintaining business as usual, swallowing the extra costs in the hope that they would eventually he returned. Attorneys assured Canadian producers that their case was solid. On that basis it appears that Canadian producers ➤ 71

1	385 MMBF	Hampton Affiliates	Willamina, OR
2	340 MMBF	Seneca Sawmill	Eugene, OR
3	335 MMBF	Weyerhaeuser Co.	Cottage Grove, OR
4	325 MMBF	Simpson Timber Co.	Shelton, WA
5	270 MMBF	Stimson Lumber Co.	Forest Grove, OR
6	260 MMBF	Weyerhaeuser Co.	Aberdeen, WA
7	260 MMBF	Weyerhaeuser Co.	Longview/Gr.Mtn., WA
8	240 MMBF	Weyerhaeuser Co.	Dierks, AR
9	236 MMBF	Simpson Timber Co.	Korbel, CA
10	235 MMBF	Simpson Timber Co.	Tacoma, WA
11	230 MMBF	Hampton Affiliates	Tillamook, OR
12	230 MMBF	Hampton Affiliates	Randle, WA
13	227 MMBF	Sierra Pacific Industries	Lincoln, CA
14	220 MMBF	Weyerhaeuser Co.	Wright City, OK
15	219 MMBF	Weyerhaeuser Co.	Bruce, MS
16	213 MMBF	Sierra Pacific Industries	Quincy, CA
17	210 MMBF	Weyerhaeuser Co.	Fernwood/McComb, MS
18	210 MMBF	Weyerhaeuser Co.	Philadelphia, MS
19	210 MMBF	Weyerhaeuser Co.	Ayden/Greenville, NC
20	208 MMBF	Nextor Fraser Papers	Ashland, ME
21	202 MMBF	Roseburg Forest Products	Dillard, OR
22	200 MMBF	International Paper Corp.	Riegelwood, NC
23	190 MMBF	Weyerhaeuser Co.	Plymouth, NC
24	190 MMBF	Weyerhaeuser Co.	Raymond, WA
25	186 MMBF	Louisiana-Pacific Corp.	Chilco (Athol), ID
26	182 MMBF	Hampton Affiliates	Morton, WA
27	181 MMBF	Potlatch Corp.	Warren, AR
28	180 MMBF	International Paper Cop.	McDavid, FL
29	180 MMBF	West Fraser Timber Co	Joyce, LA
30	180 MMBF	Weyerhaeuser Co.	Dallas, OR
31	180 MMBF	Weyerhaeuser Co.	Eugene/Coburg, OR
32	180 MMBF	Weyerhaeuser Co.	Enumclaw/Snoq., WA
33	178 MMBF	Douglas Co. For Prod	Winchester, OR
34	176 MMBF	Riley Creek Lumber Co	Laclede, IO
35	175 MMBF	RSG Forest Products	Mist, OR
36	173 MMBF	Potlatch Corp.	Prescott, AR
37	168 MMBF	Georgia-Pacific Corp.	Coos Bay, OR
38	165 MMBF	Rayonier	Baxley, GA
39	165 MMBF	RSG Forest Products	Estacada, OR
40	164 MMBF	Sierra Pacific Industries	Anderson, CA
41	162 MMBF	International Paper Corp.	Leola, AR
42	160 MMBF	Jordan Lumber & Supply Co.	Mount Gilead, NC
43	160 MMBF	Manke Lumber	Tacoma, WA
44	160 MMBF	Weyerhaeuser Co.	Warrenton, OR
45	159 MMBF	Potlatch Corp	Lewiston, ID
46	157 MMBF	Louisiana-Pacific Corp.	Moyie Springs, ID
47	156 MMBF	Floragon Forest Prod Inc	Molalla, OR
48	154 MMBF	Louisiana-Pacific Corp.	Gwinn, MI
49	150 MMBF	New South Industries	Camden, SC
50	150 MMBF	RSG Forest Products	Molalla, OR
51	147 MMBF	Vaagen Brothers Lumber	Colville, WA
52	145 MMBF	Harwood Products	Branscomb, CA
53	145 MMBF	International Paper Corp.	New Boston, TX
54	145 MMBF	Temple-Inland	Diboll, TX
55	144 MMBF	Joe N. Miles & Sons	Silver Creek, MS
56	144 MMBF	Stimson Lumber Co.	Priest River, ID
57	142 MMBF	Hood Industries	Waynesboro, MS
58	141 MMBF	Sierra Pacific Industries	Burney, CA
59	141 MMBF	Temple-Inland	Pineland, TX
60	141 MMBF	Seattle-Snohomish	Snohomish, WA
61	140 MMBF	Bibler Brothers	Russellville, AR
62	140 MMBF	International Paper Corp.	Newberry, SC
63	140 MMBF	Joe N. Miles & Sons	Bogalusa, LA
64	140 MMBF	Langdale Forest Products Co.	Valdosta, GA
65	138 MMBF	Mead WestvaCo	Coltonton, AL
66	137 MMBF	Temple-Inland	Dequincy, LA
67	136 MMBF	Temple-Inland	Buna, TX
68	135 MMBF	Crown Pacific	Gilchrist, OR
69	135 MMBF	Curt Bean Lumber Co.	Glenwood, AR
70	135 MMBF	Gulf Slates Paper	Moundville, AL
71	134 MMBF	Swanson Bros	Roseburg, OR
72	133 MMBF	Stimson Lumber Co.	Coeur d'Alene-Dearmond, ID
73	130 MMBF	Georgia-Pacific Corp.	Philomath, OR
74	130 MMBF	International Paper Corp.	Augusta, GA
75	130 MMBF	International Paper Corp	Meldrim, GA
76	130 MMBF	J.D. Lumber	Priest River, ID
77	130 MMBF	Weyerhaeuser Co.	Pine Hill, AL
78	130 MMBF	Weyerhaeuser Co.	Dodson, LA
79	126 MMBF	Georgia-Pacific Corp.	El Dorado, AR
80	126 MMBF	Portac	Beaver, WA
81	125 MMBF	Crown Pacific	Port Angeles, WA
82	125 MMBF	International Paper Corp.	Franklin, VA
83	125 MMBF	Swanson-Superior	Noli, OR
84	125 MMBF	Trinity River Lumber Co	Weaverville, CA
85	125 MMBF	Louisiana-Pacific Corp	Deer Lodge, MT
86	124 MMBF	International Paper Corp.	Gurdon, AR
87	123 MMBF	Bibler Brothers	Idabel, OK
88	123 MMBF	Deltic Timber Corp	Waldo, AR
89	122 MMBF	TreeSource	Glide, OR
90	120 MMBF	New South Industries	Conway, SC
91	120 MMBF	Rayonier	Swainsboro, GA
92	120 MMBF	South Coast Lumber	Brookings, OR
93	120 MMBF	Weyerhaeuser Co.	Holden, LA
94	118 MMBF	Shuqualak Lumber Co.	Shuqualak, MS
95	115 MMBF	Hampton Affiliates	Darrington, WA
96	115 MMBF	International Paper Cop.	Maplesville, AL
97	115 MMBF	International Paper Corp.	Sampit, SC
98	115 MMBF	Louisiana-Pacific Corp	Bonners Ferry, ID
99	115 MMBF	Tolleson Lumber Co.	Perry, GA
100	115 MMBF	Yakama For Plod	White Swan, WA
101	115 MMBF	International Paper Corp	Henderson, TX
102	114 MMBF	Sierra Pacific Industries	Camino, CA

103	112MMBF	DR Johnson Lumber Co.	Prairie City,	OR
104	112MMBF	International Paper Corp.	Moundville/Tuscaloo,	AL
105	111 MMBF	Pope & Talbot	Spearfish,	SD
106	110MMBF	Anthony Timberlands	Bearden,	AR
107	110 MMBF	Georgia-Pacific Corp	New Augusta,	MS
108	110MMBF	Tolleson Lumber Co.	Preston,	GA
109	109 MMBF	Pacific Lumber Co.	Fortuna,	CA
110	109 MMBF	Temple-Inland	Rome,	GA
111	107 MMBF	Georgia-Pacific Corp.	Bay Springs,	MS
112	107 MMBF	Georgia-Pacific Corp	Columbia,	MS
113	107 MMBF	Rosboro	Springfield,	OR
114	107 MMBF	Superior Lumber Co.	Glendale,	OR
115	105 MMBF	Travis Lumber Co.	Mansfield,	AR
116	104MMBF	Friesen Lumber Co.	St. Helens,	OR
117	103MMBF	Sierra Pacific Industries	Chinese Camp,	CA
118	103MMBF	Plum Creek Timber Co.	Kalispell/Evergr,	MT
119	102 MMBF	Deltic Timber Corp.	Ola,	AR
120	102 MMBF	West Fraser Timber Co.	Huttig,	AR
121	101 MMBF	Georgia-Pacific Corp.	Cross City,	FL
122	101 MMBF	Sierra Pacific Industries	Shasta Lake/Redding,	CA
123	100MMBF	Grayson Lumber Corp	Marianna/Cypress,	FL
124	100MMBF	Hankins Lumber Co..	Grenada,	MS
125	100 MMBF	Scotch Lumber Co.	Fulton,	AL
126	100MMBF	Weyerhaeuser Co.	New Bern,	NC
127	100MMBF	Weyerhaeuser Co.	Bauman,	OR
128	98 MMBF	Bowater Lumber Co.	Albertville,	AL
129	98 MMBF	Mead WestvaCo.	Greenville,	GA
130	97 MMBF	Georgia-Pacific Corp.	Fayette,	AL
131	95 MMBF	Georgia-Pacific Corp.	Prosperity,	SC
132	95 MMBF	Pacific Lumber Co.	Carlotta,	CA
133	93 MMBF	Gulf Lumber Co.	Mobile,	AL
134	93 MMBF	RSG Forest Products	Kalama,	WA
135	91 MMBF	Cal-Tex Lumber Co.	Nacogdoches,	TX
136	91 MMBF	Mead WestvaCo.	Summerville,	SC
137	90 MMBF	International Paper Corp.	Opelika,	AL
138	90 MMBF	International Paper Corp.	Folkston,	GA
139	90 MMBF	Packaging Corp.	Ackerman,	MS
140	90 MMBF	Weyerhaeuser Co.	Barnesville,	GA
141	89 MMBF	Georgia-Pacific Corp.	Warrenton,	GA
142	88 MMBF	Portac	Tacoma,	WA
143	88 MMBF	International Paper Corp.	Camden,	TX
144	88 MMBF	Potlatch Corp.	Bemidji,	MN
145	87 MMBF	Anthony Forest Products	Urbana,	AR
146	87 MMBF	Potlatch Corp.	Saint Maries,	ID
147	86 MMBF	Gilman Building Products Co.	Dudley,	GA
148	86 MMBF	Temple-Inland	Pineland,	TX
149	85 MMBF	Gilman Building Products Co.	Fitzgerald,	GA
150	85 MMBF	International Paper Corp.	Whitehouse,	FL
151	85 MMBF	Louisiana-Pacific Corp.	Saratoga,	WY
152	85 MMBF	New South Industries	Graham,	NC
153	85 MMBF	Louisiana-Pacific Corp.	Belgrade,	MT
154	84 MMBF	Sierra Pacific Industries	Susanville,	CA
155	83 MMBF	Hood Industries	Coushatta,	LA
156	83 MMBF	International Paper Corp.	Citronelle,	AL
157	83 MMBF	Rosboro	Springfield,	OR
154	83 MMBF	Sierra Pacific Industries	Standard,	CA
159	83MMBF	Plum Creek Timber Co.	Fortine,	MT
160	82 MMBF	Anthony Timberlands	Malvern,	AR
161	82 MMBF	Boise Cascade	LaGrande,	OR
162	81 MMBF	TreeSource	Tumwater,	WA
163	80 MMBF	Boise Cascade	Yakima,	WA
164	80 MMBF	Floragon Forest Prod Inc.	Molalla,	OR
165	80 MMBF	Harrigan Lumber Co.	Monroeville,	AL
166	80 MMBF	James River Timber Corp.	Old Town,	ME
167	80 MMBF	Jasper Lumber Co.	W. Jasper,	AL
168	80 MMBF	Merritt Bros Lumber Co.	Athol,	ID
169	80 MMBF	Moose River Lumber Co.	Moose River,	ME
170	80MMBF	Plum Creek Timber Co.	Columbia Falls,	MT
171	80 MMBF	R.Y. Timber	Livingston,	MT
172	80MMBF	Weyerhaeuser Co.	Millport,	AL
173	80 MMBF	Wilkins Kaiser Olsen	Carson,	WA
174	79 MMBF	Gilman Building Products Co.	Lake Butler,	FL
175	79 MMBF	Stimson Lumber Co.	Colville/Arden,	WA
176	79 MMBF	Sierra Pacific Industries	Arcata,	CA
177	78MMBF	International Paper Corp.	Seaboard,	NC
178	77 MMBF	Buse Tbr. Sales	Everett,	WA
179	76 MMBF	Collum's Lumber Products	Allendale,	SC
180	76 MMBF	Bennett Lumber Co.	Princeton,	ID
181	76 MMBF	Georgia-Pacific Corp.	Palatka,	FL
182	76 MMBF	Gilman Building Products Co.	Blackshear,	GA
183	75 MMBF	Croman	Ashland,	OR
184	75 MMBF	Georgia-Pacific Corp.	Ahoskie,	NC
185	75 MMBF	Gilman Building Products Co.	Maxville,	FL
186	75 MMBF	J D Irving/Highland	Dixfield,	ME
187	75 MMBF	Rayonier	Eatonton,	GA
188	75 MMBF	RSG Forest Products	Kalama,	WA
189	75 MMBF	Stimson Lumber Co.	Coeur d'Alene-Atlas,	ID
190	75 MMBF	T. R. Miller Mill Co.	Brewton,	AL
191	75 MMBF	Welco Lumber Co.	Marysville,	WA
192	74 MMBF	Boise Cascade	Kettle Falls,	WA
193	74 MMBF	Frank Lumber Co.	Mill City,	OR
194	73 MMBF	Chesterfield Lumber Co.	Darlington,	SC
195	73 MMBF	H. W. Culp Lumber Co.	New London,	NC
196	73MMBF	International Paper Corp.	Springhill,	LA
197	73 MMBF	Stimson Lumber Co.	Clatskanie,	OR
198	72 MMBF	Redwood Empire	Cloverdale,	CA
199	71 MMBF	Southern Lumber Co.	Hermanville,	MS
200	71 MMBF	Georgia-Pacific Corp.	Dudley,	NC

68 ➤ chose the latter course, resulting in the higher flow of imports.

The dumping portion of the tariffs especially may have had unintended effects: "Under the current process for determining anti-dumping penalties, Canadian companies named in the anti-dumping action can reduce future penalties by trimming their per-unit costs. The easiest way to reduce costs is to produce more lumber, thereby spreading production costs across more units." (Steven Rogel, Weyerhaeuser annual report) A look at the data hears this out: The six companies against whom a dumping duty was calculated increased their output by 1.5 billion feet. Canadian production as a whole increased by 1.3 billion feet, which means that those whose performance had no bearing on the dumping calculations decreased their output by 0.2 billion feet.

Cost cutting in Canada to offset as much of the tariff as possible was a priority. One company also took an opposite tack, adding resources to upgrade product mix to obtain even higher realizations. Some took advantage of the favorable hedging environment in which persistently strong housing induced substantial premiums in forward markets. Such steps, together with the refunded preliminary duties, help explain the ability of Canadian mills to sustain exports despite the burden of the tariffs and low prices.

In recent months relief for U.S. lumber producers arrived from changes in exchange rates. Since January, the Canadian dollar increased by about 12% while the euro rose even more. This was significant because, unlike the contested duties, these represented firm, nonrefundable increases in the cost of doing business. This has added about US$25/MBF to Canadian costs and, unlike the tariffs, it is having a more orthodox effect. For the first quarter of 2003, Canadian exports to the U.S. fell by 9%. Closures and curtailments picked up in May heralding further declines. Imports from non-Canadian suppliers also dropped by 4%, which was a sharp turnaround from prior trends. Thus, as one industry observer concluded "Clearly, money is more effective at controlling imports than is legislation." (Crows, May 9,2003)

Recent difficulties have accelerated trends towards consolidation and concentration of production in the hands of large, integrated producers. The biggest mill in the U.S. listing is topped by at least two sites in Canada, one of which is about to be transformed to a 600MMBF per year operation. The industry, however, is still highly disaggregated with 81 companies represented in the top 200. Even though the largest among them accounts for 22 plants, they constitute just 16% of the top 200's output. It takes the first dozen companies, who own 102 mills, to reach the 60% output mark. Closures are also remaking the list, as mills in Alabama (I-P Moundville), Mississippi (I-P Morton), Montana (L-P Belgrade), Washington (Vaagen Republic, Weyerhaeuser Enumclaw), and Wyoming (L-P Saratoga) were or will be shut down. One new mill, in Aberdeen, Wash., however, is likely to make the list next year.

These events are beginning to change the balance of market forces. Looking ahead, the increased pace of curtailments, the continued strength in housing, the possibility of labor disruptions and especially the weakness in the U.S. dollar portend an upward turn in lumber prices. TP

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