The U.P. Economy and the Role of Forest Products Industries

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Common Knowledge

- Over one million acres of forest lands changed ownership in the UP during 2005 and 2006—most CFP
- The new owners are institutional investors
- UP plays a fairly small role in the overall Michigan economy
- However, UP is very important for Michigan’s forest products industries which are central to the economy of the UP—over half UP manufacturing jobs
- Tourism is another important natural resource-based economic driver in the UP
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Somewhere in the Western UP…

Somewhere in the Eastern UP…
Somewhere in the Northern LP...

Company Strategy – Real Estate

Land Stratification Summary

- We have identified 250,000 to 300,000 acres of Potlatch land with values greater than timberland.
- Sales of these acres will occur in numerous retail transactions within the next 10 years.
- We expect to sell 15,000 to 20,000 acres in 2007.

<table>
<thead>
<tr>
<th>State</th>
<th>Total Acres (thousands)</th>
<th>RD Acres (thousands)</th>
<th>Average Value Range (thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maine</td>
<td>100-150</td>
<td>80-100</td>
<td>2,500-4,500</td>
</tr>
<tr>
<td>Arkansas</td>
<td>50-60</td>
<td>20-30</td>
<td>1,000-2,000</td>
</tr>
<tr>
<td>Minnesota</td>
<td>100-150</td>
<td>50-80</td>
<td>2,000-3,500</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>Currently Under Assessment</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Large-Tract Corporate Forest Lands Within Marquette County

Let's Review the Economic Context

- Population
- Employment
- Unemployment
- Dependency
- Timber Production
- Sectoral Linkages
- Economic Impacts
- Outlooks

From Gov’t sources and IMPLAN
Details in 50-page report


Employment and Unemployment, 1990 - 2005

Steady

Higher than LP
High seasonality
Dependency on Forest Products Industries, 2003

Pulpwood Production from All Lands in the WUP, EUP & LP, 1980 to 2004.

Sectoral Linkages

Examples of Potential Economic Impacts
Outlook

Competition, competition, competition.

Fuel UP
New markets?

Competition, competition, competition.

Land-use and Natural Resource Policies Will Need Careful Thought

Come UP
Drive UP

New markets?