

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...





POTLATCH CORPORATION | NAREIT INVESTOR FORUM June 6, 2007 | New York City

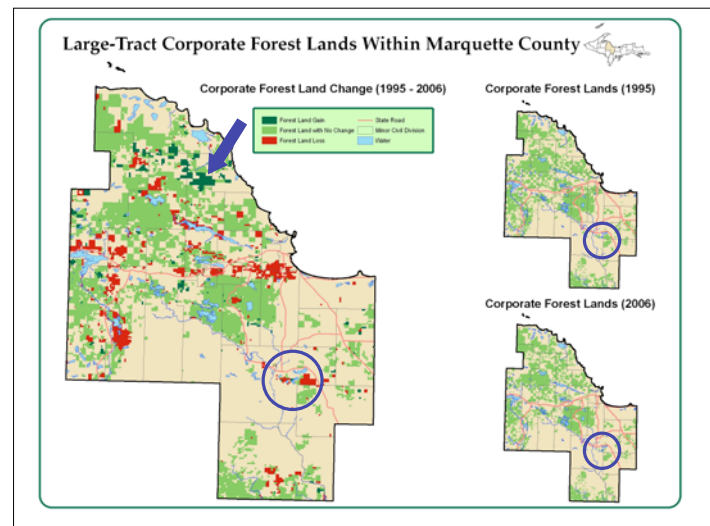
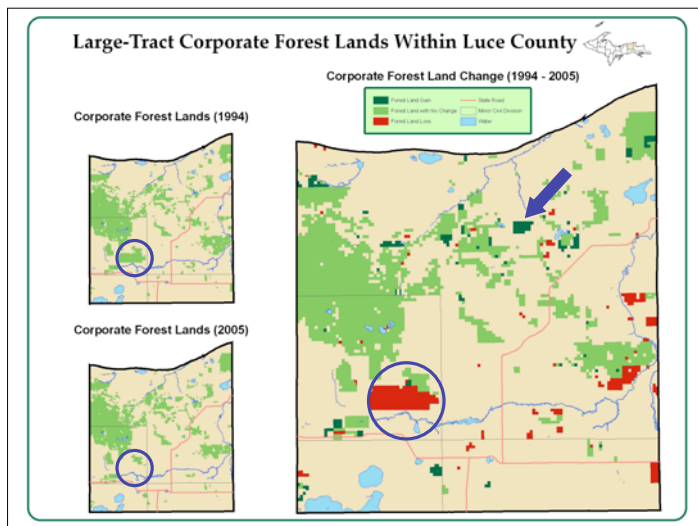
Company Strategy – Real Estate **A REIT**

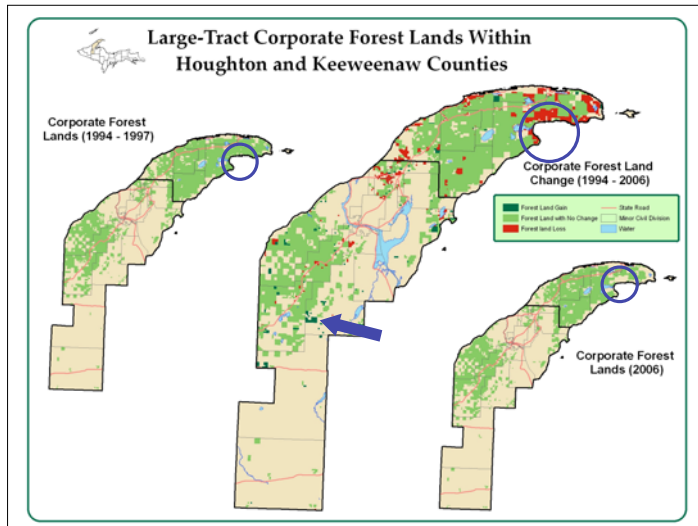
Land Stratification Summary

- 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.

Snapshot	Total Acres (thousands)	HBU Acres (thousands)	Average Value Range (\$/acre)	Non-Core Acres (thousands)	Average Value Range (\$/acre)
Idaho	100-120	60-70	2,500-4,000	40-50	1,000-2,000
Arkansas	50-60	20-25	1,500-2,000	30-35	700-1,200
Minnesota	100-120	50-60	2,000-3,000	50-60	900-1,500
Wisconsin			Currently Under Assessment		

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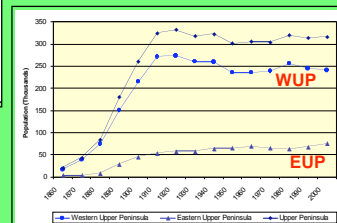
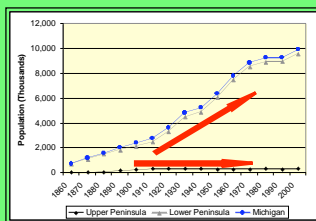
Let's Review the Economic Context

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

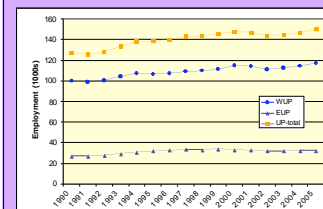
From Gov't sources
and IMPLAN

Details in 50-page report

Total Population, Michigan and the Upper Peninsula, 1860-2000.

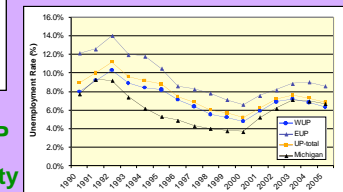


Employment and Unemployment, 1990 - 2005

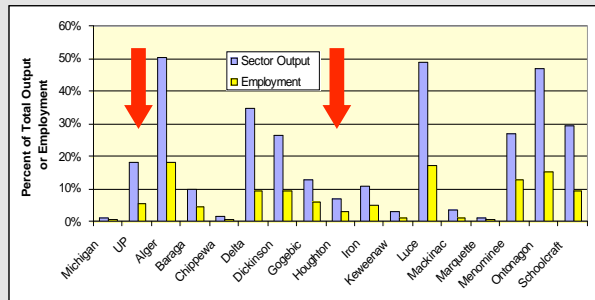


Steady

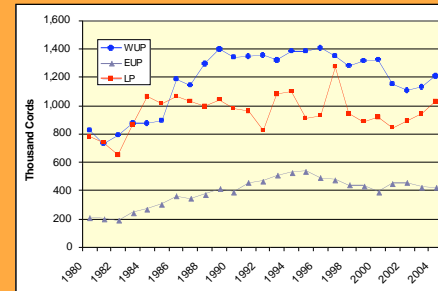
Higher than LP
High seasonality



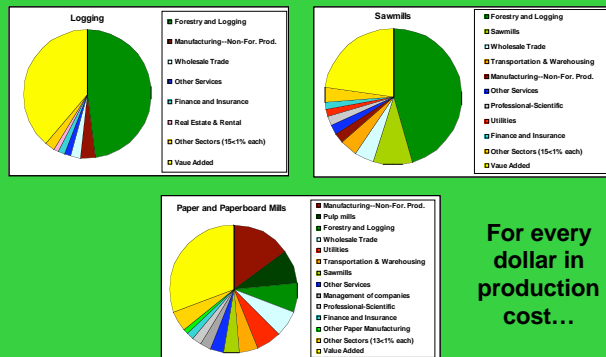
Dependency on Forest Products Industries, 2003



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



Sectoral Linkages



For every dollar in production cost...

Examples of Potential Economic Impacts

Type of impact	Potential Event		
	★ Home construction	★ Sawmill operation	★ Paper mill closure
Description	100 homes	200 employees mill	750 employees
Direct Impacts			
Output/Sales	\$10.6 mil	\$4.3 mil/year	\$82.4 mil
Employment	67 jobs	200 jobs	-750 jobs
Labor Income	\$2.7 mil	\$30 mil/year	-\$61.9 mil
Total Impacts			
Output/Sales	\$15.3 mil	\$7.3 mil/year	-\$569.5 mil
Employment	131 jobs	50 jobs	-2,431 jobs
Labor Income	\$4.5 mil	\$1.2 mil/year	-\$113.0 mil

Outlook

Fuel UP

New markets?

Competition,
competition,
competition.



Competition,
competition,
competition.



New
markets?

Come UP
Drive UP



Land-use and Natural Resource Policies Will Need Careful Thought



