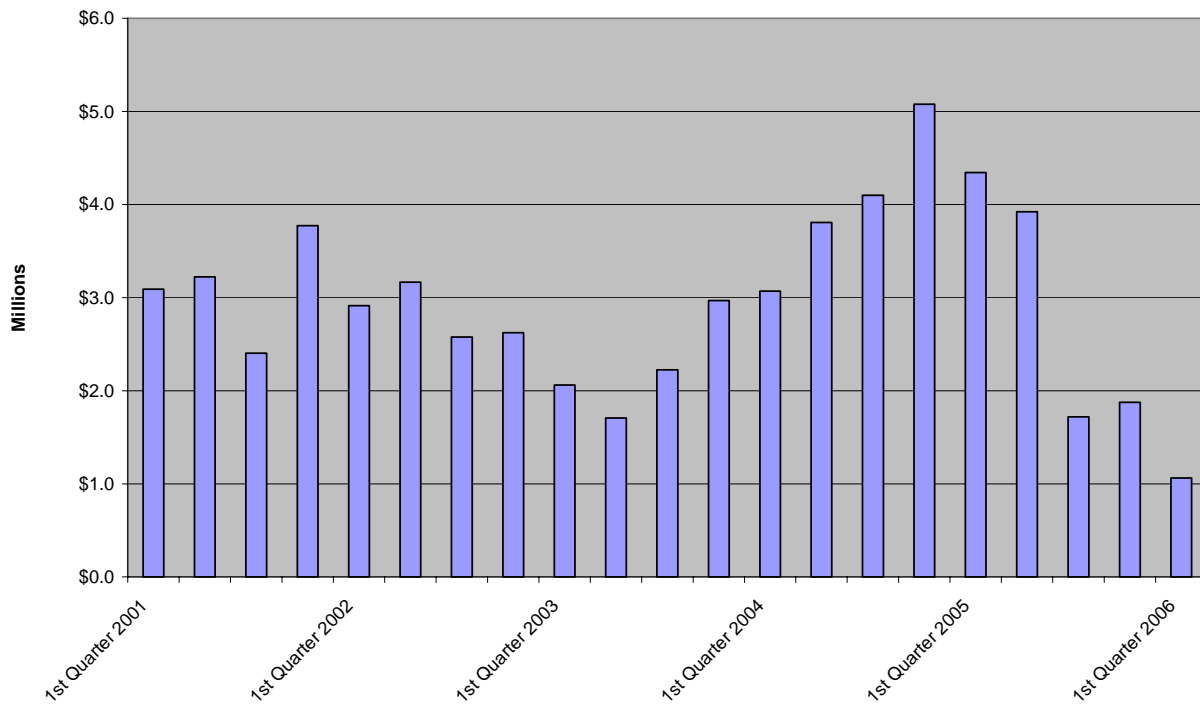


## U.S. Red Oak Lumber Sales to Saudi Arabia Off to Slow Start

American red oak lumber exports to Saudi Arabia are down 70 percent through the first four months of 2006. U.S. exports through April totaled only \$1.5 million, making this the worst start for red oak sales to Saudi Arabia since 1994. This follows a 25-percent decline in red oak exports to the Kingdom in 2005.

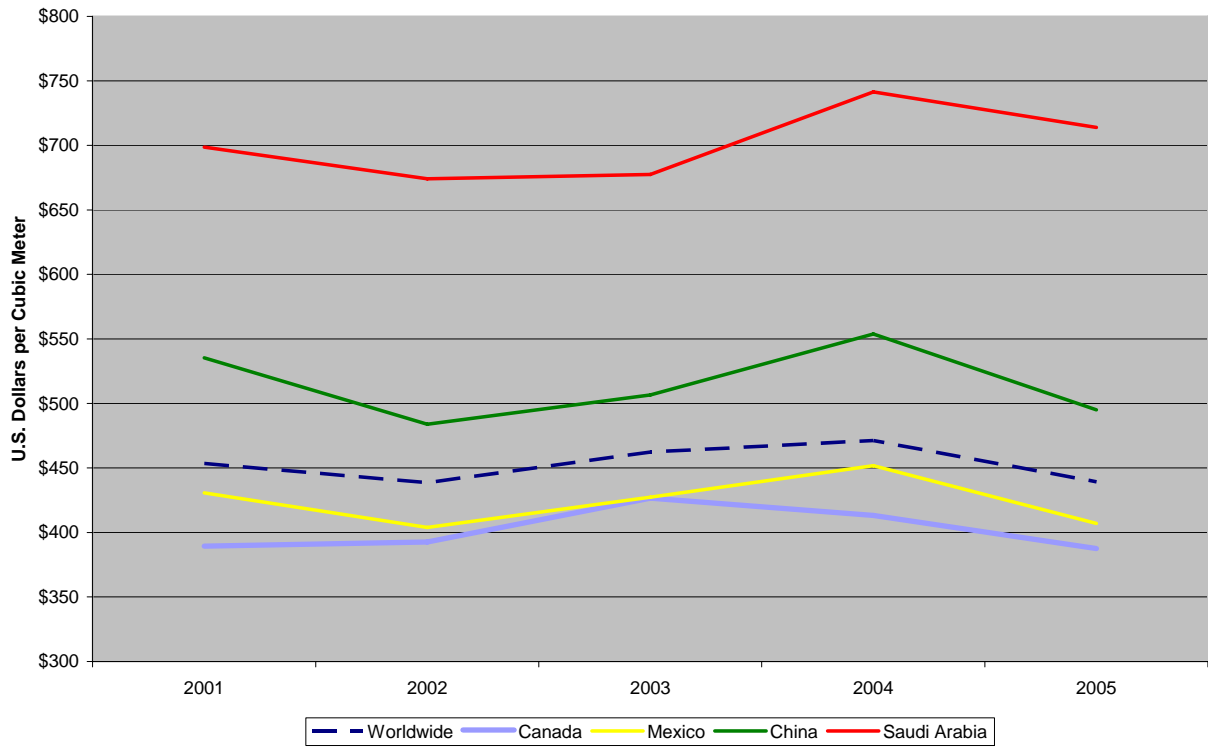
Quarterly U.S. Red Oak Lumber Exports to Saudi Arabia  
(2001 to Present)



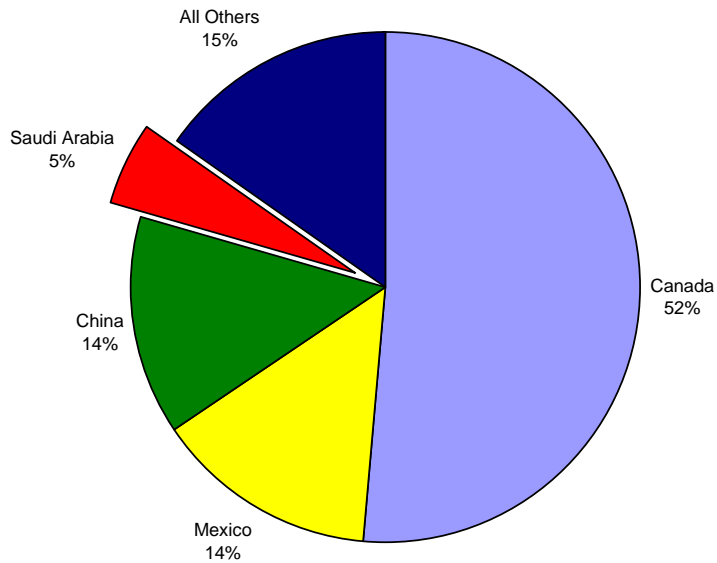
Sources indicate that the decrease in American red oak sales to Saudi Arabia may be related to a recent decline in quality offered to the market. Relatively new firms have reportedly offered red oak discounted as much as 30 percent in some instances, but with reduced quality as well. Those familiar with the market say that many of the traditional red oak buyers are likely to switch to other species unless corrective measures are taken.

Saudi Arabia has been an excellent red oak lumber market, buying the highest quality red oak from U.S. producers. The Kingdom is normally the United States' fourth largest red oak market, accounting for \$12 million in red oak lumber sales in an average year. Additionally, customers in Saudi Arabia consistently pay above average prices for American red oak lumber. Last year average unit values were more than \$700 per cubic meter. By comparison, the world-wide average for American red oak lumber is approximately \$450 per cubic meter.

### Average American Red Oak Lumber Export Price



### 2005 U.S. Red Oak Lumber Exports



If quality issues can be worked out, huge demand for high quality competitively priced red oak lumber is forecast. The macroeconomic foundation for strong demand remains as the economy is booming and the pace of construction activity continues unabated. Saudi Arabia's GDP is estimated to be growing at an annual rate of 6.1 percent, and high oil revenues have enabled the Kingdom to embark on massive infrastructure and construction spending. Analysts estimate that public sector building and infrastructure plans amount to more than \$35 billion. There are plans to build 600 factories, \$4 billion of schools, more than 600,000 homes, and increase electrical generation and desalination capacity. More than \$1 billion of hotel and office building projects are being developed in Riyadh alone. Additionally, there are a number of mega projects planned or underway such as the \$27 billion King Abdullah Economic City and the \$11 billion Jeddah Hills residential community of 20,000 units.

Additionally, the American Hardwood Export Council (AHEC) is active in the region, and plans to continue offering marketing support for American red oak. AHEC is planning to conduct targeted advertising and public relations work, make trade servicing calls, distribute key literature, including species guides and information on American lumber grading rules, and hold technical seminars in the region. In addition, AHEC is organizing an American hardwood pavilion at the Dubai Wood Show, February 27-March 1, 2007. As one of the premiere wood shows in the Middle East, the Dubai Wood Show draws attendees from across the region, including Saudi Arabia, and will be an excellent vehicle to target the Middle Eastern wood markets. (For more information on AHEC activities in Saudi Arabia, please contact AHEC's headquarters in Washington, DC on 202 463-2720 or visit the AHEC website at <http://www.ahec.org>.)

Although U.S. red oak lumber sales to Saudi Arabia are down, total U.S. exports to Saudi Arabia (including non-wood products) rose 30 percent in 2005, and are up 14 percent so far in 2006. The economy is booming and Saudi importers want American products. If quality issues can be resolved, Saudi demand for American red oak demand should grow over the next several quarters.