

Domestic Pellet Market Update

Seth Walker

RISI

7/29/2013

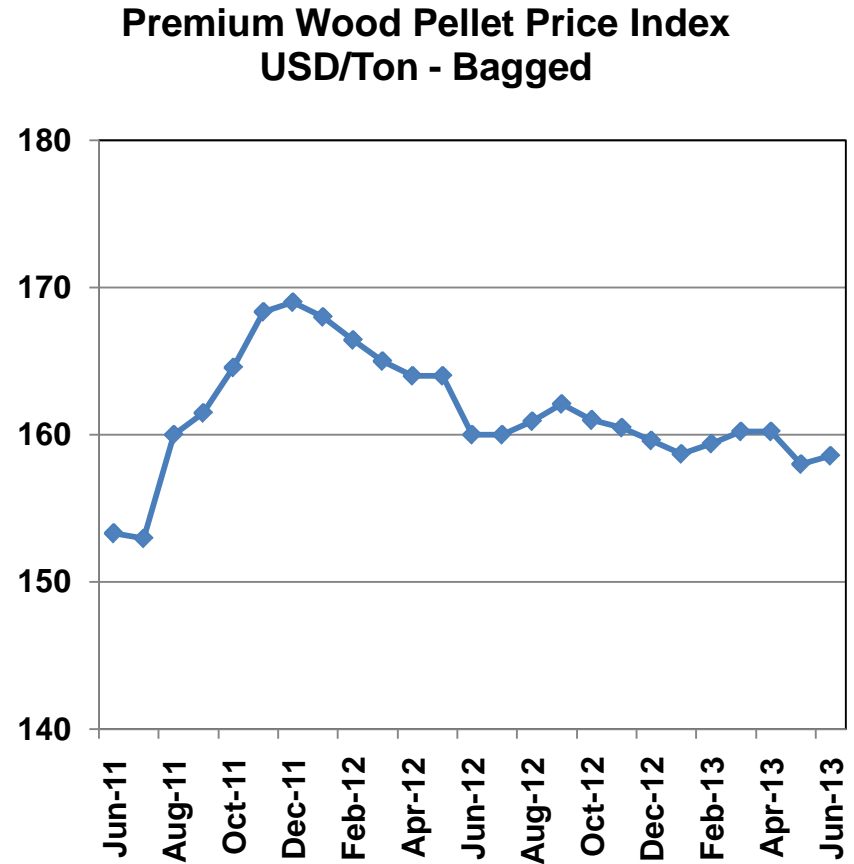


RISI and PFI Pellet Manufacturing Survey

Summary Statistics		
		% Change
Number of Mills Participating	17	6%
Average Annual Capacity	47,551	0%
Current Operating Rate	79%	0%
Average Inventory	4915	8%
Inventory as % of Capacity	10.3%	7%

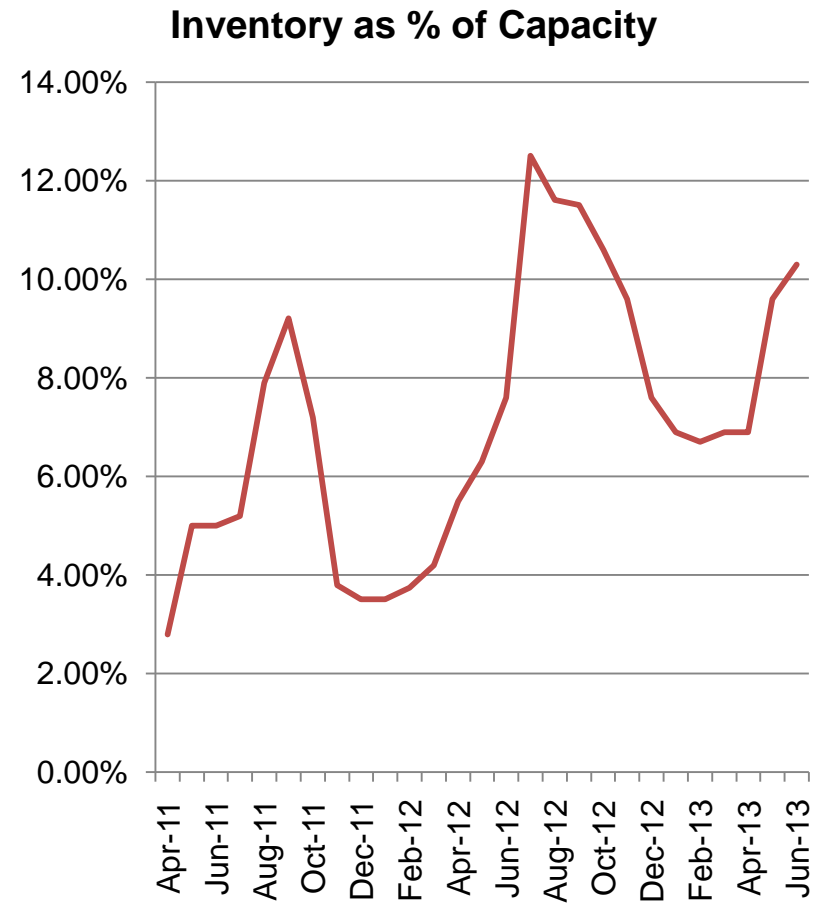
Wood Pellet Price Index

- Pellet prices have been flat for the past year (downward trend previously)
- No significant increase in price last winter
- Better hope for next year?

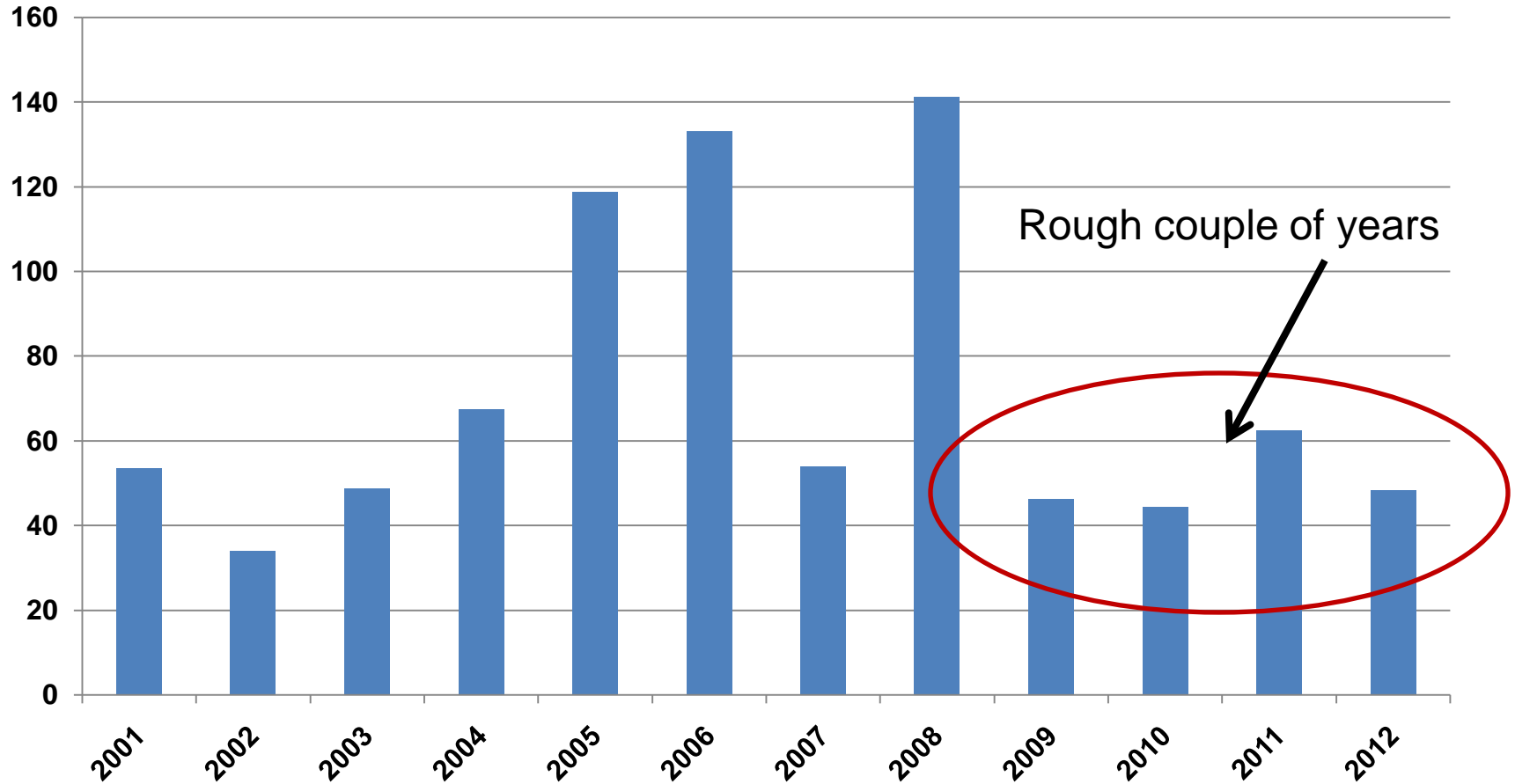


Inventory Levels

- June '13 10.3% of Capacity
 - 4,120 for a 40k ton mill
- Last year peaked in July at 12.5%
- Cautiously optimistic for better prices this winter
 - Better spring sell?
 - Lower inventory build
 - No new entrants to market



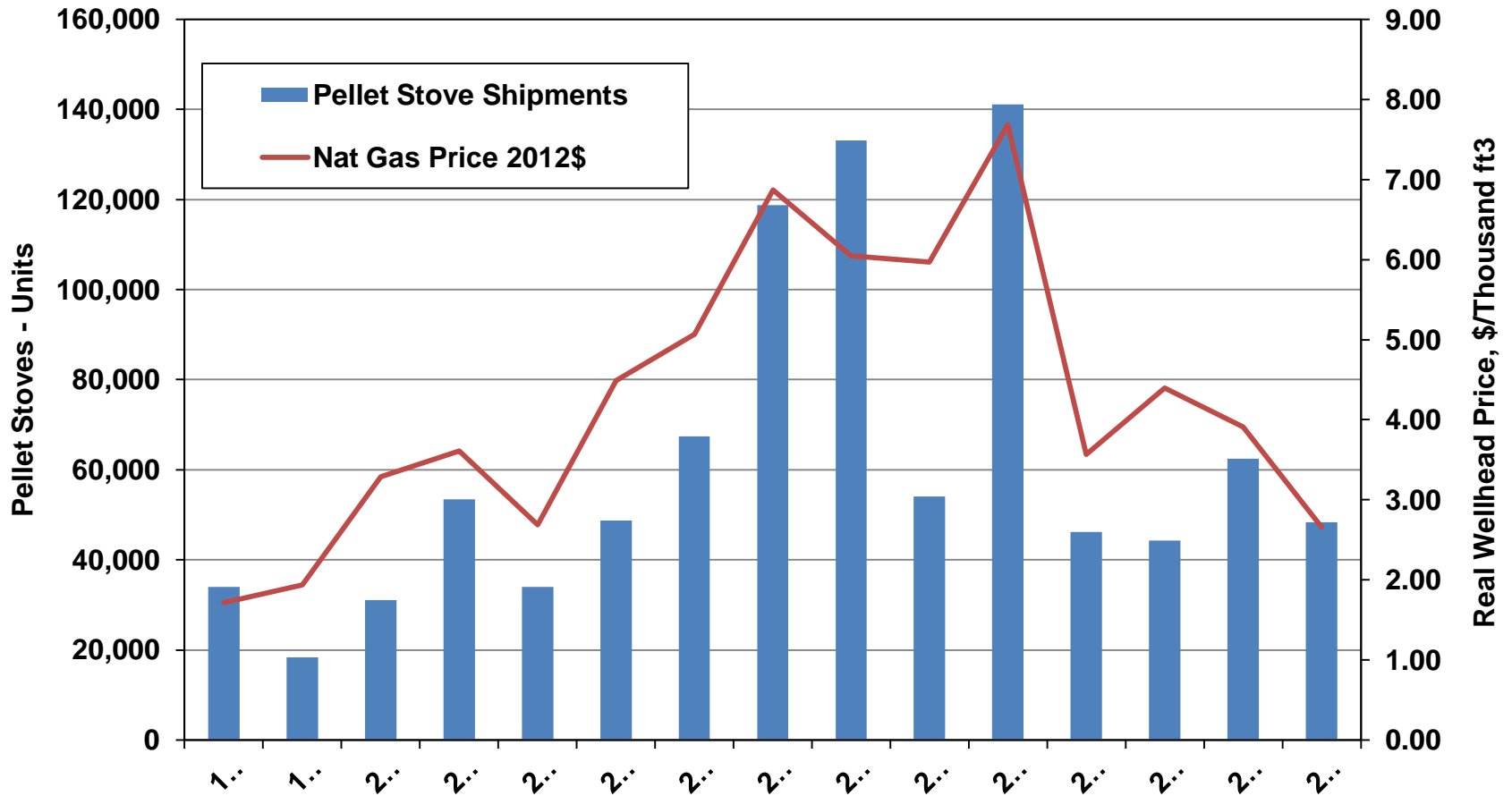
Domestic Market Growth



The Wood Pellet Value Proposition

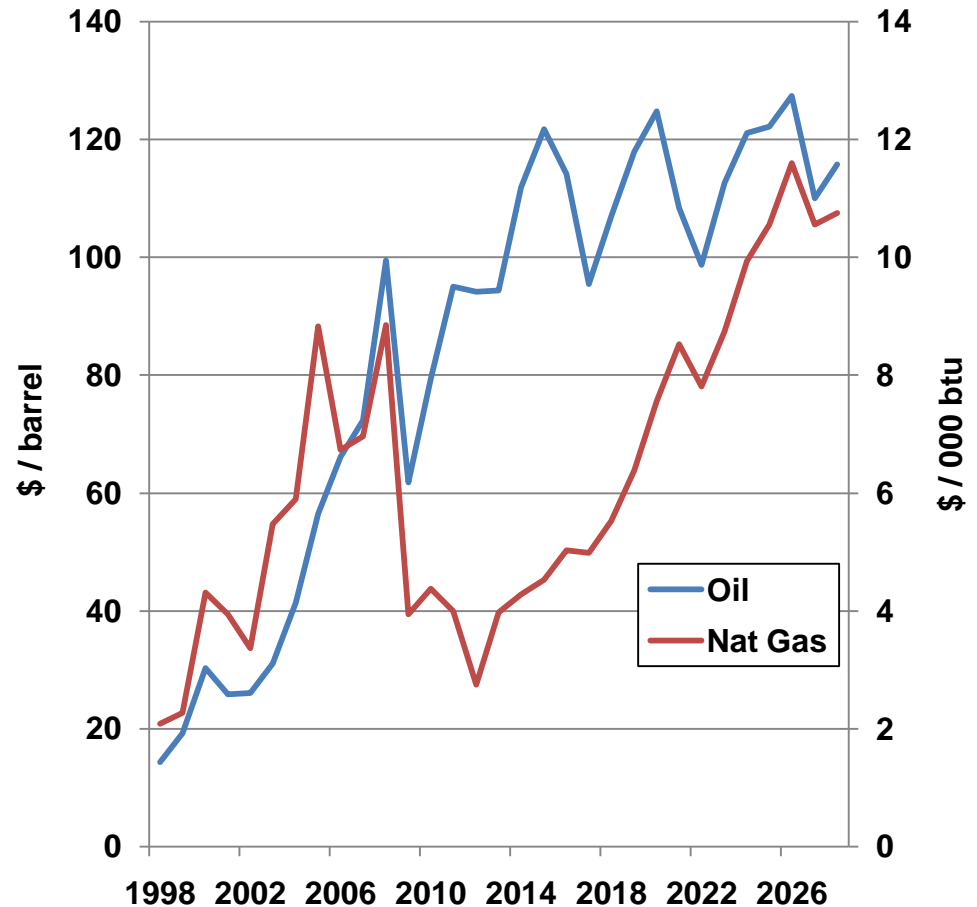
- What is more compelling to a consumer?
 - Renewable
 - Local
 - Sustainable
 - **Cheaper**
- In most instances, wood pellets are not currently cheaper than natural gas
- Limited the market to primarily outside of natural gas pipelines (rural New England)
- Pellet heating is still significantly cheaper than oil, propane, electricity (and gas again soon!)

Natural Gas and Pellet Stove Shipments



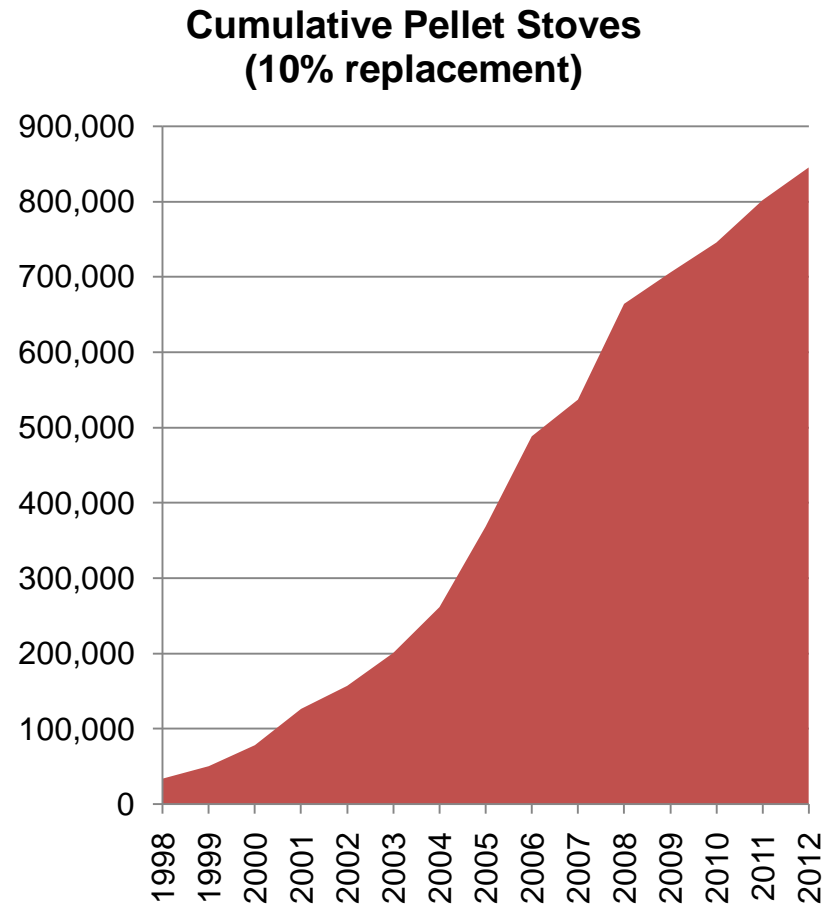
15 year Natural Gas and Oil Price Forecast

- Once upon a time natural gas and oil prices tracked closely
- Hydraulic fracking and the natural gas boom did away with that for now
- The good news: we are past the bottom and natural gas prices will continue to rise
- The bad news: in the short-mid term remain relatively low on an energy content basis



Domestic Heating Industry Growth

- RISI Calculations:
 - 2.75 tons/stove
 - 845,000 stoves
 - 2.33 mm tons demand
- Steady (but slow improvements)
 - 50-60k new units/year for the next 2-3 years
 - Accelerates to 60-90k 2016-2018
- Faster development?
 - Whole home systems
 - MESYS: average home in Maine 7k tons/year
 - Commercial / Industrial Use
 - Schools, Institutions, Agriculture



Thank You

Seth Walker


RISI

swalker@risi.com

781.734.8992

@BioEconomist



La Cité Verte, Quebec 
802 condos + commercial space
All heated with pellets!