

FOREST PRODUCTS TRANSPORTATION

May 12, 2026



Forest Products Transportation

Who is Stimson Lumber Company

Lumber Market Overview

How Logs & Lumber Move in the PNW

Lumber Supply Chain Flows

Why Transportation Matters

UP/NS Merger



Who is Stimson Lumber Company

Privately held company with roots dating back to the 1850's.

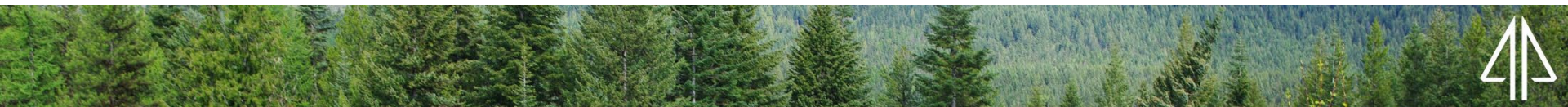
Vertically integrated – +600,000 Acres of SFI Certified Timberland.

Six production facilities

- 680 MMBF Annually of Commodity Lumber
 - Building a new HewSaw facility at FG – 120MBF/HR – ETA Fall '26
- 40MMSF Annually of Hardboard

Focus on Providing Commodity Studs to Home Centers

- 60% of Stimson's Sales
- 40% of sales are split equally between Industrials and Distribution/Wholesale accounts.



Lumber Market Overview

Supply-Driven Strength	<ul style="list-style-type: none"> • Weather and mill downtime tightened supply early in the year • Buying driven by replacement-cost risk, not housing demand • Home Center volumes maintained steady pace
Pricing Strengthened	<ul style="list-style-type: none"> • Framing Lumber Composite rose \$385 → \$482/MBF • Random-Lenth Dimension Composite rose \$416→ \$495/MBF • Stud Lumber Composite rose \$386→ \$492/MBF • Low-Grade Random Dimension Composite rose \$269→ \$383/MBF • Disciplined production extended order files • Tight supply and pallet demand
Transportation Costs Rising	<ul style="list-style-type: none"> • Higher oil and diesel prices • Tight truck capacity drove up freight costs and delays
Q2 Outlook	<ul style="list-style-type: none"> • Not dependent on housing-led demand growth • Supported by supply discipline and freight constraints • Rising fuel costs continue to add pressure on truck and rail shipments
Factors to Watch	<ul style="list-style-type: none"> • Canadian duties and global tariffs • Rail service patterns and costs • UP/NS merger discussions • Trucking capacity constraints and driver shortages

Company	AR6 - Amended Final			AR7 - Preliminary			Changes (Amended Final - Prelim)		
	CVD	AD	Total	CVD	AD	Total	CVD	AD	Total
Canfor	12.12%	35.47%	47.59%	14.17%	16.85%	31.02%	2.05%	(18.62%)	(16.57%)
West Fraser	16.82%	9.65%	26.47%	15.93%	4.77%	20.70%	(0.89%)	(4.88%)	(5.77%)
Resolute	14.63%	20.53%	35.16%	11.70%	13.25%	24.95%	(2.93%)	(7.28%)	(10.21%)
All Others	14.63%	20.53%	35.16%	14.17%	10.66%	24.83%	(0.46%)	(9.87%)	(10.33%)

Source: U.S. Department of Commerce, RBC Capital Markets



How Logs & Lumber Move in the PNW

Logs

Trucking

- Specialized mode and limited capacity
- Short-haul transport
- Smaller pool of drivers and local to area

Rail

- Intrastate moves and short hauls
- Re-positioning due to lack of available fiber resources or opportunistic sales (export)

Barge

- Serves niche corridors; typically export

Mode Substitution

- Lack flexibility to switch transport modes, intensifying capacity shortages

Lumber

Trucking

- Primary mode for mill-to-yard, yard-to-jobsite, and short-to-mid hauls and just-in-time mixed loads
- Typically, short-haul lumber transport
- Long-haul become less competitive and constrained by driver shortages and more regulations

Rail

- Primary long-haul option for high-volume regional moves
- Lowest cost option of transport in many cases
- Handles long-haul bulk shipments; consolidation limits competition and risks captive pricing

Reloads – Rail to Truck

- Forward placed wood for future use via rail
- Quick to market and ease of doing business

Barge & Intermodal

- Import and export with a world view
- Limited by geography, tariffs and exchange rates



Lumber Supply Chain Flows

Mill → Distribution Yard / Reload

- Bulk positioning closer to end use markets
- Often rail for volume; truck for shorter lanes or local delivery

Mill → Direct Customer

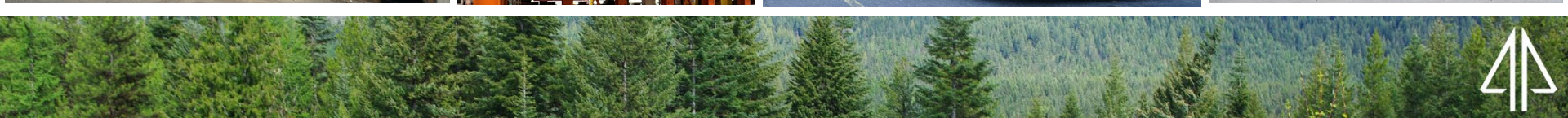
- Used for program business or large buyers
- Mode depends on distance, order size, and service requirements

Distribution Yard → Dealer / Retail / Jobsite (Last Mile)

- Truck-dominated
- Service level is critical

Mill → Port → Export Market

- Truck or rail to port; vessel to destination market
- Sensitive to port congestion and vessel timing



Lumber Supply Chain Flows

Centerbeam Flatcars (Stud, Dimensional Lumber & Engineered Wood Products)

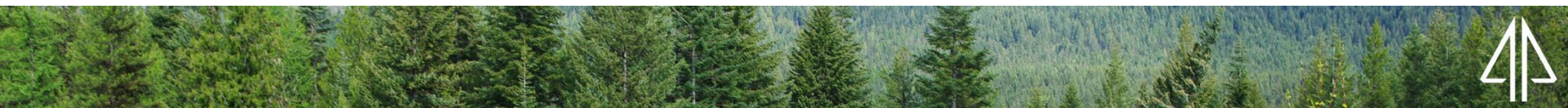
- Most common railcar type for lumber
- Requires strict securement and loading consistency

Bulkhead Flatcars (Timbers / Specialty / Export)

- Used for heavier or non-standard packages
- Flexible loading but can increase tare weight/cost

50' Box Car (Plywood, OSB, MDF, Hardboard)

- Enclosed railcars used to move lumber and wood products that require weather, moisture, and contamination protection
- Fully enclosed steel cars with sliding doors



Log and Lumber Truck Market

Cost Pressures – 8-10%

- Two forces are reshaping trucking economics:
 - Stricter Federal Motor Carrier Safety Administration (FMCSA) enforcement
 - Fuel volatility from the Iran conflict.
- Log trucking is affected differently than over-the-road freight due to regional operations and specialized equipment.

Existing Carrier Base

- Stricter enforcement removes non-compliant trucking capacity from the market.
- Most log truck drivers already meet standards and avoid disruption.
- Lumber will see reduced competition which strengthens leverage for haulers, tightening supply

Market Dynamics

- Log truck availability remains steadier than long-haul freight due to local operator pool
- Enforcement helps disciplined operators; fuel is the key swing factor.
- Expect firmer haul economics and less capacity over time
- Active fuel management and strong mill relationships are critical.



Rail Market

Cost Pressures—10%

- Rising fuel, labor, and maintenance costs
- Fuel surcharges have a lagging effect
 - For every \$0.05 increase above \$2.30/Gal, an increase of \$0.01 per mile in FSC.
- Fuel is 20-40% of total cost to haul.
- Increased cost has added +\$5/MBF

Existing Carrier Base

- Highly concentrated Class I network-UP & BNSF
- Fewer rail-to-rail alternatives with consolidation
- Captive shippers exposed to rail pricing power

Market Dynamics

- Reduced competition limits flexibility
- Service reliability uneven, integration risk rising
- Rail now a structural cost, not a relief valve
- Further consolidation with UP/NS proposed merger



Why Transportation Matters More Now

From Variable to Structured Cost

- Freight has shifted from a variable expense to a fixed structural constraint for producers

Converging Pressures

- Oil volatility, regulation, labor shortages, and consolidation have permanently reshaped freight costs

Service reliability has become less predictable

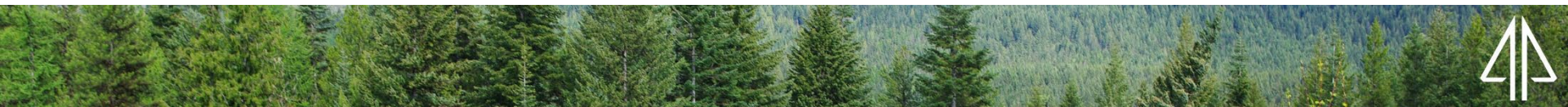
- Rail labor shortages, constrained capacity, and network optimization practices have increased shipment timing risk

Inventory strategies depend on transit performance

- Inconsistent rail and truck transit times force shippers to carry more safety stock or risk stockouts at home center DCs, distributors, and reloads

Strategic Planning is Required

- Transportation must now be treated as a fixed planning input, not a cost to optimize quarterly



UP–NS Merger: Impacts and Risks

Merger Overview

- Would create the first coast-to-coast railroad, controlling 40%+ of U.S. rail freight.

Reduced Competition

- Fewer alternatives and greater pricing power heighten risk for captive bulk shippers.

Integration Risk

- Merging coast-to-coast networks introduces execution risk and potential service disruptions potentially gateway changes in Midwest.

PNW Impact

- Service degradation or rate increases would disproportionately affect PNW lumber producers if merger didn't go as proposed



Merger Timeline and Current Status

Announced

- UP–NS merger announced July 2025—first coast-to-coast U.S. freight rail proposal.
- Positioned as a transformational consolidation aimed at improving national freight fluidity and competing more effectively with long-haul trucking.

STB Review – July thru January 2026

- Surface Transportation Board conducted pre-filing and review through early 2026.

Application Rejected (Jan 2026)

- STB rejected the filing as incomplete, requiring additional competitive analyses and disclosures.
- expanded detail on market concentration, commercial agreements, and potential impacts to captive shippers.

Preparation of Revised Filing

- UP and NS begin preparing revised application materials to address the STB's concerns.

Formal STB Review (If Accepted)

- If the revised application is accepted, the merger would enter full STB review, including hearings, testimony from shippers and competitors, and potential conditions imposed by regulators.

Outlook

- Decisions expected late 2026–2027; shippers should plan for evolving rail competition.
- the UP–NS merger remains a multi-year regulatory process, with no near-term structural relief for rail service or pricing.



The New Transportation Reality

Rising Structural Costs

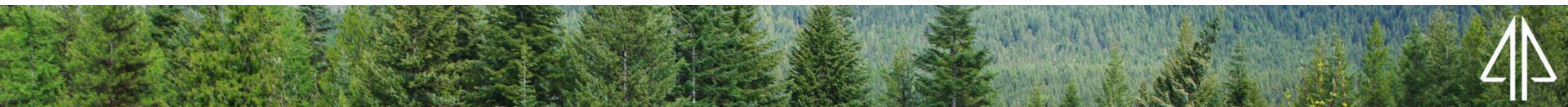
- Transportation is now a fixed structural constraint—costs rising, schedules increasingly disrupted.

Reduced Flexibility

- Consolidation limits options and strands inventory; fewer carriers means higher costs, less flexibility.

Strategic Response

- Secure reliable carriers, embed realistic costs, and diversify logistics to withstand ongoing volatility.



Questions?

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