



Dealing with Supply and Demand Volatility

April 28, 2010

Volatility in the biomass market is one of the most difficult challenges facing pellet manufacturers, appliance manufacturers, and retailers. This panel, composed of experienced representatives from each segment of our industry, will explore the following topics:

- Historical supply and demand patterns and the repercussions of these swings on the biomass industry, specifically with regard to the wood pellet market
- Consumer buying patterns, as a result of volatility in the wood pellet supply chain
- Strategies to weather – and even normalize – the effects of supply chain volatility
- Predictions for the coming year, in terms of factors that will likely shape demand

Moderator: Jon Strimling, President of American Biomass Corporation

American Biomass provides home delivery of bagged and bulk wood pellets for consumers and businesses. Working with mills throughout the US and Canada to offer home delivery in 16 states and truckloads nationwide.

Panelist Introductions

Chris Haley

President, Squier Lumber

- Owns and operates Squier Lumber, a family-run company that has been serving Massachusetts since 1874

Dale Charamut

General Manager, Northeast Distribution

- General Manager Northeast Distribution: a Specialty Hearth Distributor for New England, New York, and New Jersey and a wholesale distributor of hearth appliances and accessories for leading manufacturers of all things hearth related

Kevin Long

General Manager, Hearth & Home Technologies, Harman

- General Manager for Hearth & Home Technologies, Harman Stove Company, since 2008

Doug Middleton

Cypress Pacific Marketing / Viridis Energy

- Develops the New England pellet market for multiple brands represented by Cypress Pacific Marketing and plans to build a new mill, expand distribution of Cypress' pellet brands into the Midwest and overseas

George Soffron

CEO, Corinth Wood Pellets

- CEO of Corinth Wood Pellets, the premier wood pellet manufacturer in the state of Maine

Steve Walker

President & CEO, New England Wood Pellet

- In 1992, founded New England Wood Pellet, which is now the largest manufacturer and distributor of pellet fuels in the northeastern United States

Questions

1. Describe the supply and demand patterns in the biomass industry over the past four years.
 - Effects on the industry
 - Short-term and long-term repercussions
2. How have consumers' perceptions of the volatility and the market affected their buying patterns?
 - Over the past year
 - Year-to-year changes in perceptions / buying patterns
3. What strategies have you come to employ
 - Weathering the economic downturn and suppressed demand over the past year
 - Coping with the insatiable demand in years previous

Questions

4. What strategies do you recommend to normalize the effects of such swings?
 - How can a retailer or manufacturer minimize the effects of volatility on a business?
 - What forecasting methods do you employ and are there certain tools or processes you would recommend?

5. The cheapest place to store inventory is in a customer's basement.
 - What strategies/pricing incentives have mills and retailers found useful in smoothing out the demand curve, so customers buy early in quantities that will get them through the entire heating season?

Questions

6. How far into the future do either mills or retailers offer fixed pricing? 3 months?
- Do any of the panelists perceive a demand for longer-term forward pricing to consumers (12 months, like the heating oil industry)? If so, how can manufacturers and retailers protect themselves from price volatility?
 - Are there financial products that may allow for hedging against periods of low demand (buying crude oil put options, for example)?

Questions

7. In your opinion, what factors or events will shape demand the most in FY2010?
 - For example, BCAP, “Cash for Caulkers” legislation, oil prices, etc.

Questions From The Audience