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INdUSTRy StrUCtURe
1 US Fiber Cement Market Share by Company, 2012 .......... 194
US demand to rise 8.5% annually through 2017

Demand in the US for fiber cement products is forecast to rise 8.5 percent annually through 2017 to 2.9 billion square feet, valued at $2.2 billion. Advances will be driven by a rebound in residential building construction spending, particularly in the new housing segment. Growth will be further spurred by increasing use of fiber cement products because of their favorable aesthetic and performance properties.

New homes to be fastest growing market

The new residential market is expected to see the most rapid growth in fiber cement demand through 2017, advancing over 16 percent annually as housing starts rise from their low 2012 base. Home builders will be more likely to specify siding and exterior trim made from fiber cement because it can be made to look like such costly materials as brick and stone. Other builders may select fiber cement siding because it is perceived as more attractive than vinyl.

The residential improvement and repair market accounted for the largest share of fiber cement demand in 2012. Consumer interest in bathroom renovation projects supported demand for fiber cement backerboard installed beneath decorative tile flooring and bathtub and shower surrounds. Going forward, demand will be boosted by a favorable lending environment that will make it easier for homeowners to take out home equity loans to fund such improvement projects as siding replacement and the installation of tile floors.

Demand for fiber cement siding to advance rapidly

Siding accounted for the largest share of fiber cement products demand in 2012 with over two-thirds of the total. Fiber cement siding has seen its share of US siding demand rise over the past decade as builders and homeowners became more familiar with the performance and aesthetic advantages of the material. Siding made from fiber cement has largely supplanted wood siding because fiber cement is nearly impervious to degradation and requires less maintenance than wood. Through 2017, fiber cement siding demand will advance rapidly, fueled by rebounding housing starts.
Fiber Cement

Applications

Fiber Cement Backerboard Demand

Demand for fiber cement backerboard is expected to increase 6.7 percent annually to 690 million square feet in 2017, valued at $365 million. Gains will be spurred by rebounding building construction expenditures and the residential housing market. Many new homes contain large bathrooms and larger areas will be tiled. Because tile is often used in these rooms, increased use of tile for flooring and bathroom wet areas will propel demand for fiber cement backerboard.

The residential improvement and repair segment, which accounted for the leading share of fiber cement backerboard demand in 2012, will remain the largest segment in 2017. Continuing homeowner interest in installing tile floors and renovating bathrooms will boost demand. Advances will also be supported by use of fiber cement backerboard as an alternative to gypsum products in wet areas. Fiber cement backerboard is more expensive than gypsum backerboard but is also more durable. Compared to fiberglass-reinforced cement backerboard, fiber cement products are lighter and easier to handle. Fiber cement backerboard is also less costly, a significant advantage for some consumers.

Nonresidential demand for fiber cement backerboard is forecast to rise through 2017, boosted by the rebound in nonresidential building construction spending. Such structures as educational and medical facilities and hotels have many bathrooms with showers and bathtubs. Backerboard must be installed in these buildings to prevent moisture damage to walls. Fiber cement products will be specified by some designers as less expensive alternatives to fiberglass-reinforced cement backerboard.

Two manufacturers of fiber cement supply backerboard to the US market. James Hardie Building Products is the leading producer. Elementi USA will benefit from its recently acquired Nichihai US et al.

Table V-7:

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<thead>
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<th>Item</th>
<th>2002</th>
<th>2007</th>
<th>2012</th>
<th>2017</th>
<th>2022</th>
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<td>32.9</td>
<td>34.3</td>
<td>35.6</td>
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<td>000 sq ft new fiber cement/start sq ft I&amp;R fiber cement/stock unit</td>
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<td>Multifamily Fiber Cement Demand By Market:</td>
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<td>New</td>
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<tr>
<td>Molding &amp; Trim</td>
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<tr>
<td>Other</td>
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<tr>
<td>% multifamily</td>
<td></td>
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<td>Residential Fiber Cement Demand</td>
<td>154</td>
<td>246</td>
<td>222</td>
<td>297</td>
<td>367</td>
</tr>
</tbody>
</table>

Chart VII-1:

US FIBER CEMENT MARKET SHARE BY COMPANY
($1.2 billion, 2012)

- James Hardie: 76.6%
- Elementi USA: 23.4%
Sample Profile, Table & Forecast

COMPANY PROFILES

Canfor Corporation
100-1700 West 75th Avenue
Vancouver, British Columbia V6P 6G2
Canada
604-661-5241
http://www.canfor.com

Sales: US$2.7 billion (2012)
Employment: 5,310 (2012)
Key Products: northern bleached softwood kraft

Canfor is an integrated forest products firm that has the rights to extensive timber resources, and conducts logging at its forest operations to provide raw materials for use at its production plants. It produces softwood lumber, remanufactured lumber, and specialized wood products, which are sold mainly to customers in the US, Canada, and Asia. It operates in two segments: Lumber, and Pulp and Paper.

The Company participates in the US fiber cement industry through the Pulp and Paper segment, which recorded sales of US$924 million in 2012. The segment primarily operates via the Canfor Pulp LP subsidiary (Canada), or CPLP, a leading manufacturer of pulp and paper products with operations in central interior British Columbia, Canada. CPLP is owned by Canfor Pulp Products Incorporated (Canada), a holding company that is itself 50.2 percent held by Canfor Corporation’s Canadian Forest Products Limited subsidiary (Canada). CPLP, which has approximately 1,200 employees, is involved in the fiber cement market via the production and supply of northern bleached softwood kraft (NBSK), a type of long fiber pulp that can be used in the reinforcement of fiber cement board, among various other applications.

TABLE VI-7

MIDWEST FIBER CEMENT DEMAND
BY SUBREGION & APPLICATION
(million square feet -- 5/16 inch basis)

<table>
<thead>
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<th>Item</th>
<th>2002</th>
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<th>2012</th>
<th>2017</th>
<th>2022</th>
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<td>Midwest Construction (bil 2005$)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td>sq ft fiber cement/000$ construction</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Midwest Fiber Cement Demand</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>-</td>
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<tr>
<td>By Subregion:</td>
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<tr>
<td>East North Central</td>
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<tr>
<td>West North Central</td>
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<tr>
<td>By Application:</td>
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<td>Backerboard</td>
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<tr>
<td>Molding &amp; Trim</td>
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<tr>
<td>Other</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>% Midwest Fiber Cement Demand</td>
<td>12.8</td>
<td>12.5</td>
<td>12.3</td>
<td>-</td>
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</tr>
</tbody>
</table>

This Freedonia study, Fiber Cement, presents historical demand data for 2002, 2007 and 2012, plus forecasts for 2017 and 2022 by material, application, market and US region. The study also considers market environment factors, details the industry structure, evaluates company market share and profiles 23 US industry participants.
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