

Company Case Study: Boise Cascade Corporation

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Focus on Finance Newsletter, Maart 2001

Forest activists floated a giant Boise Cascade T-Rex balloon over downtown Boise in October 2000
Picture: Rainforest Action Network

Boise Cascade: one of the US largest forestry companies

Headquartered in Boise (Idaho), timber product company Boise Cascade Corporation is one of the largest forest products companies in the United States. The company recorded sales of US\$ 7.8 billion in 2000. It manufactures and sells timber products in the form of building products, office products and paper. The company owns and manages over 800.000 hectares of timberland in the United States. Forest products are furthermore purchased by Boise Cascade from third parties in the Amazon Basin, Southeast Asia, Russia, and elsewhere. To fulfil the annual fibre requirement of this single company, a forest area with the size of a small country like Luxembourg must be logged, each year. <1>

Clearcuts, old growth forests and human rights

In 2000, a new coalition of environmental groups in the USA reunited to call upon Boise Cascade to innovate its forestry and wood fibre purchasing policies. The NGO coalition expressed strong concerns about Boise Cascade's forest management and wood purchasing policies. In the US, Boise Cascade is the largest logger on federal public lands, and also the number one purchaser of timber from such lands. The company takes a lead in attempts to overturn the recently Roadless Initiative, designed to protect nearly 24 million hectares of forest land from road building. NGOs furthermore revealed that Boise Cascade sells wood products from International Forest Products (Interfor), the major logging company involved in clearcutting the old growth forests of the Great Bear Rainforest in British Columbia, Canada.

Boise Cascade is also chased by its past. Not long after the company signed a contract with the governor of Guerrero in April 1999 to purchase logs from local forestry holdings, farmer protests against the deal escalated and resulted in the death of 17 protestors. In June 1998, Boise closed its mills in the region, citing inconsistent wood supply and bad weather. In May 1999, two farmer-ecologists involved in the protests were arrested and molested before being convicted to sentences of no less than 6 and 10 years. Amnesty International designated the two as prisoners of conscience and started a campaign to free the prisoners. <2>

Boise Cascade faced yet another focused campaign against its plans to invest US\$ 160 million in a wood chipping and Oriented Strand Board (OSB) facility, Cascada Chile. NGOs expressed concern about the potential impact of this project on the Chili's endangered coastal temperate rainforests. The project was cancelled as recently as last February by Boise Cascade, who cited the "unfavourable supply/demand outlook for OSB" as the main reason for backing out. <3 >

WWF applauds Boise's withdrawal from the Cascada project

"Boise Cascade made a wise choice in cancelling this project in an area that has already suffered a massive loss of its original forest cover and unique species," said William Eichbaum, the vice president for endangered spaces of World Wildlife Fund US . "WWF could not sit by as Latin America's lone remaining temperate rainforest was converted into wood chips and shipped off in barges."

Using studies, maps and independent experts, WWF initiated constructive discussions with Boise Cascade 18 months ago to convince the Idaho-based company to abandon the Cascada project. Talks centred on the project's potential role as an accelerator of the already rapid and uncontrolled deforestation in the region, particularly given the lack of forestry regulation and scarce law enforcement. The project would have increased logging in the region by 27 percent due to the greater demand for native timber required by the mill. It is widely believed that the project would have initially sourced wood from the fragile Coastal Range, which is the most biologically diverse and least protected area of the Valdivian Forest. <4>

Though the Cascada project has been cancelled, the threats to the Chilean forest continue, WWF notes. And, as one NGO-commentator states: "we must remain vigilante. This is not the first time Boise Cascade has indicated this project was not to go forward". Another notes that "a logging corporation only closes an operation when it has found other best sources of raw material or for a adjustment market". Indeed, given its massive fibre requirements, Boise Cascade will continue to seek new supplies for its lost sources in the US, Mexico and Chile. <5>

"Corporate dinosaur"

The US NGO-coalition calls upon Boise cascade not to upkeep its old ways. "Boise Cascade is the dinosaur of the logging industry", stated Michael Brune, Old Growth Campaign Director for Rainforest Action Network . "However, the age of predatory logging is over. If Boise Cascade does not adapt to the emerging values in the new economy, it will not be able to survive in the modern marketplace." <6>

The coalition of environmental NGOs in the U.S. therefore calls upon Boise Cascade to:

Phase out logging and selling of all wood products from old growth forests.

Terminate all logging and selling of wood products from public lands in the United States.

Commit to no further conversion of native forests to plantations.

Cease development and planting of genetically modified trees.

Adopt logging standards that meet or exceed those of the Forest Stewardship Council. <7>

The coalition may wish to inform, activate and mobilise Boise Cascade's shareholders and creditors to convince the company to innovate. Focus on Finance identified the following facts on the financial institutions pulling the strings behind the scenes of Boise Cascade.

Financing of assets

At the end of 1999, the assets of Boise Cascade amounted to a total of US\$ 5.1 billion. The following stakeholders financed these assets:

Shareholders 31.4%

Bondholders 25.8%

Banks 11.9%

Other creditors 30.9%

This indicates that both the shareholders and the bondholders of the company play very important roles in financing its activities. Less important, but still very relevant, is the role of the company's banks. <8>

Shareholders

At the end of 1999, Boise Cascade had issued 57.2 million shares, representing equity of US\$ 1.6 billion. <9>

The common shares of the company are listed on the New York Stock Exchange. Most shares of Boise Cascade are held by institutional investors (insurance companies, mutual funds, pension funds, a.o.) from the United States. The following table shows all shareholders owning more than 1% of the BC shares. <10>

Major shareholders of Boise Cascade Corporation

Shareholder	Country	Shareholding	%
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Forstmann-Leff Associates Inc.			
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United States			
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\$282.782.489			
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14,978%			
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Dodge & Cox, Inc.			
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United States			
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\$136.030.504			
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7,205%			
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The Prudential Insurance Co. of America			
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United States			
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\$126.742.630			
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6,713%			
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Franklin Mutual Advisers Llc			
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N/A			
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\$102.421.685			
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5,425%			
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Franklin Mutual Advisers, Inc.			
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United States			
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\$93.365.935			
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4,945%			
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State Street Bank and Trust Co. Boston			
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United States			
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\$86.299.947			
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4,571%			
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Putnam Investment Management			
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United States			
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\$82.047.565			
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4,346%			
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Merrill Lynch Investment Managers (NJ)			
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United States			
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\$67.478.444			
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3,574%

Barclays Global Investors, N.A.

United States

\$58.265.091

3,086%

Jennison Associates LLC

United States

\$46.167.597

2,445%

Bernstein Investment Research & Mgmt

United States

\$42.662.857

2,260%

Morgan Stanley Dean Witter Invt (UK)

England

\$38.615.299

2,045%

Luther King Capital Management

United States

\$38.160.931

2,021%

Van Kampen

United States

\$35.504.797

1,881%

Dimensional Fund Advisors, Inc.

United States

\$33.325.160

1,765%

The Vanguard Group

United States

\$30.991.938

1,642%

Prudential Investments

United States

\$26.861.001

1,423%

George J. Harad

United States

\$25.148.707

1,332%

Peregrine Capital Management, Inc.
United States
\$24.499.920
1,298%

Trusco Capital Management Inc.
United States
\$23.483.239
1,244%

Bondholders

Boise Cascade and its subsidiary Boise Cascade Office Products have issued various forms of bonds (notes, debentures and revenue bonds) to finance their activities. Outstanding at the end of 1999 was US\$ 1.3 billion. As none of these bonds is listed on a stock exchange, it is very difficult to identify the bondholders. <11>

Banks

Boise Cascade and its subsidiaries owed US\$ 609 million to various banks at the end of 1999. Three loan agreements are responsible for the largest part of this amount:

A revolving credit agreement signed between Boise Cascade and a group of banks in March 1997, arranged by Bank of America National Trust and Savings Association, the Chase Manhattan Bank and National Westminster Bank. The agreement allows the company to borrow as much as US\$ 600 million at variable interest rates, and expires in June 2002. The agreement also contains an expansion option, which entitles the company to increase the borrowing to a maximum of US\$ 750 million.

At the end of 1999, Boise Cascade had borrowed US\$ 185 million under this agreement. The importance of this revolving credit agreement however goes beyond this figure: it gives the company the financial ability to react instantly at any investment opportunity which might arise.

The group of banks (with in brackets their nationality and financial commitment) consists of:

Bank of America National Trust and Savings Association (United States; US\$ 40 million)
Chase Manhattan Bank (United States; US\$ 40 million)
National Westminster Bank (United Kingdom; US\$ 40 million)
ABN-Amro Bank (The Netherlands; US\$ 30 million)
CIBC (United States; US\$ 30 million)
Mellon Bank (United States; US\$ 30 million)
Morgan Guaranty Trust Company of New York (United States; US\$ 30 million)
Toronto Dominion (Canada; US\$ 25 million)
Union Bank of Switzerland (Switzerland; US\$ 25 million)
Wachovia Bank of Georgia (United States; US\$ 25 million)
Bank of Montreal (Canada; US\$ 25 million)
Crédit Lyonnais (France; US\$ 25 million)
Nationsbank of North Carolina (United States; US\$ 25 million)
Northern Trust Company (United States; US\$ 25 million)
Royal Bank of Canada (Canada; US\$ 25 million)
Société Générale (France; US\$ 25 million)
U.S. Bank of Idaho (United States; US\$ 15 million)

Sanwa Bank (Japan; US\$ 15 million)
Wells Fargo Bank (United States; US\$ 15 million)
Crédit Suisse First Boston (Switzerland; US\$ 15 million)
First Bank National Association (United States; US\$ 15 million)
First Security Bank (United States; US\$ 15 million)
Industrial Bank of Japan (Japan; US\$ 15 million)
Long Term Credit Bank of Japan (Japan; US\$ 15 million)
Australia and New Zealand Banking Group (Australia; US\$ 15 million) <12>

Boise Cascade Office Products (BCOP), now a full subsidiary of Boise Cascade, signed a revolving credit agreement with a group of banks in June 1997, arranged by Morgan Guaranty Trust Company of New York and the Chase Manhattan Bank . The agreement allows BCOP to borrow as much as US\$ 450 million at variable interest rates, and expires in June 2001. At the end of 1999, BCOP had borrowed US\$ 190 million under this agreement.

The group of banks (with in brackets their nationality and financial commitment) consists of:

Morgan Guaranty Trust Company of New York (United States; US\$ 45 million)
Chase Manhattan Bank (United States, US \$ 45 million)
Bank of America National Trust and Savings Association (United States, US\$ 32.5 million)
CIBC (United States, US\$ 32.5 million)
Northern Trust Company (United States, US\$ 32.5 million)
Wachovia Bank (United States, US\$ 32.5 million)
Crédit Lyonnais (France, US\$ 25 million)
Mellon Bank (United States, US\$ 25 million)
NationsBank (United States, US\$ 25 million)
Royal Bank of Canada (Canada, US\$ 25 million)
Toronto Dominion (Canada, US\$ 25 million)
ABN-Amro Bank (Netherlands, US\$ 15 million)
Bank of Montreal (United States, US\$ 15 million)
Bank of New York (United States, US\$ 15 million)
First Bank National Association (United States, US\$ 15 million)
National Westminster Bank (United Kingdom, US\$ 15 million)
Union Bank of Switzerland (Switzerland, US\$ 15 million)
Wells Fargo Bank (United States, US\$ 15 million) <13>

Boise Cascade guaranteed a debt of US\$ 133 million with an unknown bank, to fund an employee stock ownership plan (ESOP) that is part of the Savings and Supplemental Retirement Plan for the company's U.S. salaried employees. <14>

Klabin Boise Madeiras

Boise Cascade in June 1999 signed an agreement with Industrias Klabin de Papel e Celulose S.A. from Brazil, to establish a 50-50% joint venture (Klabin Boise Madeiras S.A.) to produce and market pine lumber. The estimated US\$90 million investment in the sawmill project is financed primarily by equity contributed by the partners and by long-term debt financing from Banco Nacional de Desenvolvimento Economico e Social (BNDES) from Brazil. <15>

BNDES is one of the few financial institutions in the world that has made FSC certification a requirement for receiving loans from a recently approved credit package to finance the harvesting of timber and other forest products from natural forests. <16>

This project poses a new challenge to Boise Cascade, because Klabin's 219,000 hectares of plantation area is already FSC-certified. As 85% of the pine lumber will be exported, mostly to the USA, the question rises if Boise Cascade will market these products under the FSC-logo.

Conclusion

Old growth forests are an unrenovable natural resource, and NGOs have begun to push forestry industry away from these forests. At the same time, NGOs facilitate the industry by helping them to innovate and to open up new markets, for forest products from well managed forests. Boise Cascade's resistance to these processes enforces the company's image as a corporate dinosaur. For various reasons, the company increasingly seems to encounter serious difficulty in gaining and maintaining access to its fibre resources. While the company may well be close to completing yet another deal in an endangered forest area, the company's shareholders, bondholders and creditors, several of which have developed ethical and forest policies, may be interested to learn more about the perspectives of the NGO-coalition on how Boise Cascade could be prepared for the future.

Update June 2001: Boise Cascade is fighting the Roadless Policy

As one of its last acts, the Clinton Administration in February 2001 signed the U.S. Roadless Policy which is considered among the most significant land conservation measure of the past 100 years. It would have protected 23 million hectares of wilderness from commercial logging and road building in the United States.

Having withdrawn from logging operations in Chile, Mexico and Russia and seeing fibre rich forests in Canada being closed down for commercial logging, Boise Cascade Corporation relies more than ever on its access to old growth - therefore roadless - forests in the U.S.

It may be this context that drove Boise Cascade to be the first to file suit to defeat the Roadless Policy. The company formed a ten-member coalition - including several recreation groups, two Idaho counties, two land and livestock companies, and a Native American tribe - against the Department of Agriculture and the U.S. Forest Service regarding the proposed Roadless Area Rule. Boise Cascade scored a victory as the court reaffirmed its April 5 finding that ". . . the comment period was grossly inadequate and thus deprived the public of any meaningful dialogue or input into the process - an obvious violation of the National Environmental Policy Act."

This finding contrasts starkly with others who view the Roadless Policy the most popular federal policymaking decision in U.S. history, as it generated 1.6 million letters from citizens across the country, five times more than any other policy announcement. Ninety-five percent of respondents favoured the strongest possible protection.

"If this measure stands, our gloves come off in the fight against Boise Cascade in the U.S. marketplace" asserted RAN 's Michael Brune. "Boise Cascade will be permanently branded as a top enemy of forest protection and will face a steady wave of protests and contract cancellations the likes of which the company has never seen. If Boise Cascade is to get its way, what kind of future are we leaving to our kids and to future generations?" <17>

Notes

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