

WOOD MARKETS



HIGHLIGHTS

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Featuring Lumber, Panels and Wood Products Analysis

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2007 Billion Board Ft. Club U.S. Slump Wallops Big Players

To no one's surprise, WOOD MARKETS' "Billion Board Foot Club" for 2007 takes a big hit versus the 2006 results. **The number of companies decreases from 22 to 15 and sheds almost 10 billion bf (-21%) based on companies with reported lumber production of more than one billion bf of lumber, nominal basis (or more than 1.6 million m³, net basis).** Making the list in 2007 were six Canada-based companies, just four U.S.-based ones, four headquartered in Europe and one Southern Hemisphere-based company (table 1).

Weyerhaeuser again led all companies in lumber production, with 6.0 billion bf, nominal (9.65 million m³, net) in 2007 from its 31 softwood lumber operations in the U.S., Canada and Australia. With six fewer sawmills, Weyerhaeuser's volume was off by 10% (-680 million bf) from 2006.

West Fraser moved into second spot (following its first full year with all of its 13 I-P mills in the U.S. accounted for) with 5.05 billion bf (8.1 million m³, net). The company is also North America's second-largest producer of both SPF (11 mills) and SYP lumber (15 mills). Many of West Fraser's B.C. mills are in the middle of the mountain pine beetle outbreak, and increased output from processing extra timber accounted for some of the other increases (before market curtailments slowed output).

Canfor slipped into third place with 4.5 billion bf at its 20 sawmills. Canfor has been a pioneer in establishing very large "super mills" that operate on extra shifts. Despite adding one sawmill to its U.S. roster, the tough U.S. market started to impact its output later in 2007, reducing overall production by 245 million bf.

Stora Enso Timber remained in fourth place with 3.45 billion bf (a whopping 6.9 million m³). With operating sawmills in nine countries, Stora is by far the most diversified: the company has mills in Sweden, Finland, Estonia, Latvia, Lithuania, Austria, Czech Republic, Russia and Poland. This truly European company was under timber pressure in some regions (the Baltics and Finland, which accounted for mill closures), but was also expanding its operations in Russia and into Poland.

Rounding out the top five is recently merged **Abitibi-Bowater**, with 2.5 billion bf, jumping from seventh spot.

Other notable firms include the following:

- **#7 Klausner:** With just five operating sawmills, the company achieved the highest average mill production (estimated at over 380 million bf per mill).
- **#11 Arauco:** Headquartered in Chile, it is the largest wood products producer and plantation owner in the Southern Hemisphere.

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GLOBAL PRICE TRENDS

International WOOD MARKETS Group Inc. (IWMRI & R.E. Taylor & Associates Ltd.) is pleased to provide you with an overview of our monthly 12-page **WOOD Markets** newsletter. The excerpts displayed in this two-page summary showcase why, since 1996, **WOOD Markets** has been the leading report addressing strategic issues and global topics that impact the solid wood products sector.

WOOD Markets (full 12-page report) is available by annual subscription for US\$530 (international US\$565) or Cdn\$565 per year. Call 1-604-801-5996, by e-mail at info@woodmarkets.com, or visit www.woodmarkets.com.

www.woodmarkets.com**WHAT'S NEW:**

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2007 Billion Board Ft. Club

U.S. Slump Wallops Big Players

It is clear that the impact of lower housing starts and plunging demand has wreaked havoc on the output and financial positions of sawmills in 2007 and into 2008. Seven companies dropped off the billion board foot club list — six from North America.

European lumber producers have an increasing position on the billion board foot club, but the current market in Central Europe is described as volatile, fragile and unsteady due to log shortages and the U.S. downturn. Despite U.S. housing

collapse and lower prices, exports from Europe expanded.

Mega-mills are creating log supply and market issues. Seven world-class sawmills are in various stages of development for the 2007-09 period in Europe, plus a significant amount of new sawmill capacity was installed in Eastern Europe and Russia between 2005-07, with another four million m³ additional sawnwood capacity being planned. New strategies will be required for European sawmills to avoid direct competition. ■

(The full WOOD Markets article provides further details, including the Top Global Softwood Lumber Producers and Top 10 European Lumber Producers.)

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Chile Heating Up

Forest Products Exports Continue to Grow

The Chilean forest industry has undergone an incredible boom in the past 30 years, fueled entirely by pine and eucalyptus plantation forests. Plantation forests sustain 96% of the country's fast-growing forest industry. A full 50% of the 240,000 acres planted in the last decade were new plantations.

Chile's pine and eucalyptus log prices have been fairly stable versus many competing Southern Hemisphere regions.

Today, Chile's largest lumber export markets are Mexico and the Middle East.

Chile's plantation industry has a tremendous opportunity to continue to grow and prosper over the next twenty years. Although sustainable environmental practices and community/employee relations issues continue to be points of contention, there are no signs that Chile's escalating growth in the forest industry will be slowing down anytime soon. ■

(The complete WOOD Markets report provides further details of production, consumption and exports of Chilean wood products.)

WOOD MARKETS CHINA BULLETIN

The sixth issue of our newest publication, *WOOD MARKETS China Bulletin*, is ready for viewing at <http://newsletter.woodmarkets.com.cn>.

The Bulletin includes Chinese industry trends, topics of interest, statistics and prices relevant to the wood industry. For an interim period, this publication will be a free service to subscribers. To join, visit www.woodmarkets.com/china_products.html.

GLOBAL WOOD BOOK Trends & Statistics

Released in April 2007, this report features:

- Country profiles of softwood (and hardwood) wood products industries.
- Softwood/hardwood trends (prod'n/imports/exports/consumption) in timber harvests, lumber, plywood, OSB, MDF and particleboard.
- 550 pages, over 300 full data tables and 400 summary graphs.

For details go to www.woodmarkets.com.

CLEARWOOD REPORT Pine Lumber, Moulding & Millwork Sector Outlook to 2012 4th Edition

Scheduled for release in June 2008, IWGM will be publishing its 4th edition of its multi-client report on the supply/demand dynamics of:

- Global pine timber and appearance lumber;
- Mouldings: solidwood, finger-joint, MDF, & plastic (including five-year price forecasts); and
- Other millwork, including windows, doors, clear boards and other segments.

New to this edition is a cost benchmarking of finger-joint and MDF moulding producers from major producing regions, as well as updated analysis on the distribution channel for mouldings within the U.S.

This report provides our strategic insight of the current and anticipated trends in the clear pine lumber & moulding sector plus our analysis of the resulting downstream market implications. For information, please contact Peter Butzelaar (peterb@woodmarkets.com).

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