News Release

West Fraser now the #1 Softwood Lumber Producer in Canada and North America

"Top 20" Canadian softwood lumber producers suffer a stunning blow in 2008 due to market collapse.

For Immediate Release **March 25, 2009**

Vancouver, B.C. – The latest ranking of Canada's "Top 20" lumber producers in 2008, published annually by International WOOD MARKETS Group, indicates that total softwood lumber production by the Top 20 Canadian companies decreased by 16.7% compared to 2007. Similarly, total Canadian softwood lumber output dropped by a staggering 20.5% to reach just 23.8 billion bf in 2008 as compared to 29.95 billion bf in 2007. Unprecedented North American housing and softwood lumber market conditions drove prices below cost levels to lows not seen since the 1991-92 recession (and even 1982 for some specific products).

With a total production drop of 3.4 billion bf, the Top 20 Canadian producers did not share these reductions equally between regions or companies. Eastern Canadian firms in the Top 20 had the largest average production decrease of close to 27%, while Western Canadian firms saw an average decline of about 12% in 2008 versus 2007. "Five Canadian lumber production companies (2 in Quebec, 1 in Ontario and 2 in B.C.) reduced their 2008 output by a staggering one-third or more, while only two companies (in Western Canada) managed to increase production by more than 5% (another five companies in B.C. and Quebec produced about the same volume in 2008 as in 2007)" said Russell Taylor, President of International Wood Markets Group.

The variation in annual company lumber production in 2008 compared to 2007 generally indicates manufacturing cost advantages or disadvantages between various companies due to lower log and/or production costs, vertical integration with pulp and paper mills, and in some cases, deeper pockets to withstand current market conditions. "Companies with less downtime are perceived to be lower cost producers", commented G. Van Leeuwen, Vice President of International Wood Markets, "but every company still lost money on lumber in 2008".

Despite all the production curtailments by the top 20 Canadian companies in 2008, they managed to increase their share of total Canadian softwood lumber production from 68.5% to 71.8%. In fact, the top six companies accounted for more than one-half (50.5%) of total Canadian production.

On a softwood lumber production basis, special accolades are due to West Fraser Timber, as they displaced Canfor Corp. as Canada's largest softwood lumber producer – a position held by Canfor since 1999. In addition, West Fraser displaced Weyerhaeuser in its perennial position as North America's largest softwood lumber producer. Both companies operated 27 sawmills in Canada and the U.S. during part or all of 2008.

The magnitude of the total softwood lumber production decline in Canada (-20.5%) in 2008 compared to 2007 reflects the unprecedented severity of the current North American housing downturn on all Canadian softwood lumber producers. "As tough as 2008 has been on the Canadian sawmill industry, projections for further decreases in North American housing starts of another 30-40% in 2009 is guaranteed to further reduce softwood lumber demand and lead to more sawmill curtailments and permanent shutdowns – and even some possible bankruptcies in 2009," commented Mr. Taylor. "Softwood lumber demand is forecast to finally turn the corner and to increase slowly starting as early as third quarter, 2009 with a sustained rebound expected in 2010".

The only question remaining is the severity of pain inflicted on individual companies and sawmills in Canada – large and small. The Top 20 company production statistics for 2008 indicate that the pain will not be felt equally and this is expected to lead to further changes in the Canadian lumber industry landscape.

The Canadian Top 20 softwood lumber producers is researched and published annually by the global consultants at International WOOD MARKETS Group and is also published in its ***WOOD Markets International Monthly Report*** (March Issue) **–** now in its thirteenth year.

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