

PRESS RELEASE

Top 40 North America Lumber Companies Improve Output in 2010 by 13% - West Fraser remains Largest Producer.

China responsible for larger gains at mills in the West; Smaller gains occurred in the East and South

March 17, 2011 — Vancouver, BC

The WOOD MARKETS annual survey of “top 40” Canadian and U.S. softwood lumber producers in 2010 shows that output improved by 13% as compared to the low point in 2009.

West Fraser easily retained its position as the largest producer of softwood lumber in North America at 4.68 billion bf (10% of all output), while Weyerhaeuser (#2) again slightly exceeded the lumber output of Canfor (#3) in 2010 (3.30 billion bf versus 3.24 billion bf).

The single most important event that occurred in the North American softwood lumber industry in 2010 was the surprisingly strong growth of lumber exports to Asia (mainly China and Japan). This created the spark that lit the market at the beginning of 2010 and pushed lumber prices to a peak in April 2010 not seen since May/June 2006. The average annual FOB mill price for the benchmark W-SPF 2x4 KD #2&Btr R/L was only US\$181/Mbf in 2009; in 2010, it jumped to US\$255/Mbf, an incredible year-over-year gain of 41%!

As a result, total softwood lumber production in Canada and the U.S. grew, and this was even more evident for those companies in the “top 3” lists and in the full “top 20” lists for both the U.S. and Canada.

NORTH AMERICA TOP SOFTWOOD LUMBER PRODUCERS - 2010 (Million Bf)

Rank		Company	No. of Mills	Prod'n		% Change
2009	2010			2009	2010	
TOP 3 NORTH AMERICA						
1	1	West Fraser	24	4,152	4,683	12.8%
2	2	Weyerhaeuser	19	3,098	3,300	6.5%
3	3	Canfor	17	3,035	3,242	6.8%
TOP 3 US						
1	1	Weyerhaeuser	16	2,450	2,550	4.1%
2	2	Sierra-Pacific Ind.	13	1,605	1,672	4.2%
3	3	West Fraser	12	1,269	1,365	7.6%
TOP 3 CANADA						
1	1	West Fraser	12	2,883	3,318	15.1%
2	2	Canfor	14	2,767	2,887	4.3%
3	3	Tolko	10	1,577	1,854	17.6%

Source: Company Annual Reports/WOOD MARKETS Survey

In 2010, West Fraser, Canfor, and Tolko, were once again the top 3 Canadian lumber producers. These three firms produced a total of 8.1 billion bf (36.7% of Canadian lumber output) versus 7.2 billion bf (37.2%) in 2009. West Fraser retained its top position with output of 3.32 billion bf, 15.1% of total Canadian softwood lumber output. West Fraser had the largest lumber volume increase in 2010 (up 435 million bf), while International Forest Products (Interfor) had the largest percentage volume increase for the year (up 107% over 2009).

Output of the 13 western Canadian companies in the top 20 was up by an average of 30% in 2010, versus the seven eastern Canadian companies that expanded their production by an average of 15%. In the last three or four years, Western Canada has benefited from a growing fit of SPF dimension lumber in China; as the B.C. Interior dominates all other North American regions in China by a wide margin.

Similar to Canada, the top 3 companies in the U.S. in 2010 were the same as in 2009; Weyerhaeuser, Sierra-Pacific, and West Fraser (U.S. division). Within the top 20 U.S. producers, Hampton Lumber had the largest volume increase (up 150 million bf), while Canfor U.S. had the largest percentage volume increase in 2010 (up 32% over 2009).

The top 3 companies in the U.S. produced 22.5% (5.6 billion bf) of all U.S. lumber, while the top 3 companies in Canada produced 36.7% (8.1 billion bf) of Canadian lumber.

As western North American lumber producers look toward Asia, there is a sense of optimism that hasn't been seen in the industry for several years. It is expected that lumber output volumes in 2011 will exceed 2010 production levels. For mills in the rest of North America that can't take advantage of Asian markets, they will have to be patient and wait for the anticipated recovery in the U.S. housing market.

WOOD Markets Monthly International Report has been published since 1996 by WOOD MARKETS and provides analysis and forecasts on the North American and international lumber, panel and timber markets and industries.

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