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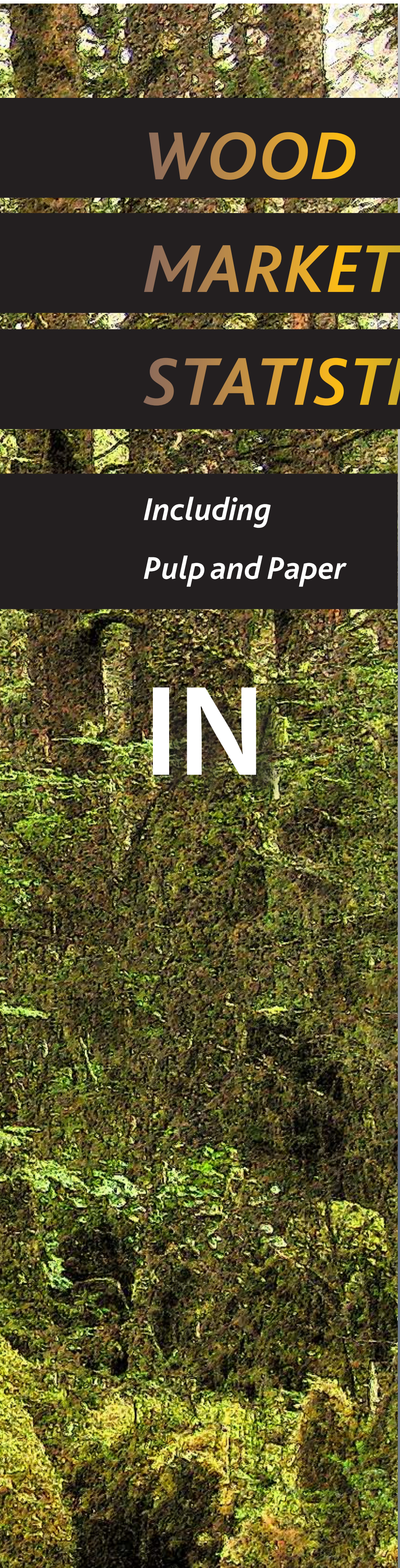

WOOD MARKET STATISTICS

Including Pulp and Paper

IN CANADA

2011 Edition

FPInnovations™ together with the Canadian Wood Fibre Centre of Natural Resources Canada, form the world's largest private, not-for-profit forest research institute. FPInnovations works towards optimizing the forest sector value chain. It capitalizes on Canada's fibre attributes and develops new products and market opportunities within a framework of environmental sustainability. The goal is leadership through innovation and a strengthening of the Canadian forest sector's global competitiveness through research, knowledge transfer and implementation.

FPInnovations provides members with innovative solutions, sound scientific advice, direct technical support, and relevant market and economic studies. It creates solutions for wood – from forest to market.

Acknowledgement

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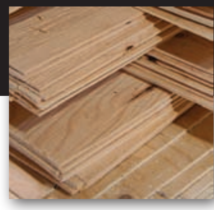



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DATA SOURCES:

APA – The Engineered Wood Association
BC Ministry of Forests and Range
Canadian Sustainable Forestry Certification Coalition
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Japan Lumber Journal
National Forestry Database, Canadian Council of Forest Ministers
National Resources Canada
Pulp & Paper Products Council
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WOOD MARKET STATISTICS

Since 2008, Wood Market Statistics (WMS) has continued to provide readers with quick and relevant statistics on Canada's forests and the forest industry. Information and topics covered in this document include, but are not limited to, growing stock, timber supply, production and export shipments of various major forest products, as well as employment and the industry's contribution to the nation's economy.

Compiled by FPInnovations

CANADA'S FOREST RESOURCE AND FOREST INDUSTRY

Credit: www.naturallywood.com

HIGHLIGHTS

- Canada remains the world leader in forest certification, with 150 million hectares certified by one or more of three (CSA, FSC and SFI) globally recognized certification standards.
- It was estimated that 609,297 hectares were harvested or 0.207% of the non-reserved forests (2009 data).
- Despite the continuing global economic struggles, production and exports of most Canadian forest products recovered in 2010 from records lows.

CANADA'S FOREST RESOURCE

LAND DISTRIBUTION

According to the last tally released by Canada's National Forest Inventory (CanFI 2001), which segregated land distribution by provinces instead of terrestrial eco-zones and boreal regions, Canada's total area is comprised of 882.1 million hectares of land and 88.3 million hectares of water. The nation's forests (310.1) and other wooded land (92.0) make up about 45.6% of its land mass, while the remaining (480.0) is categorized as non-forest land.

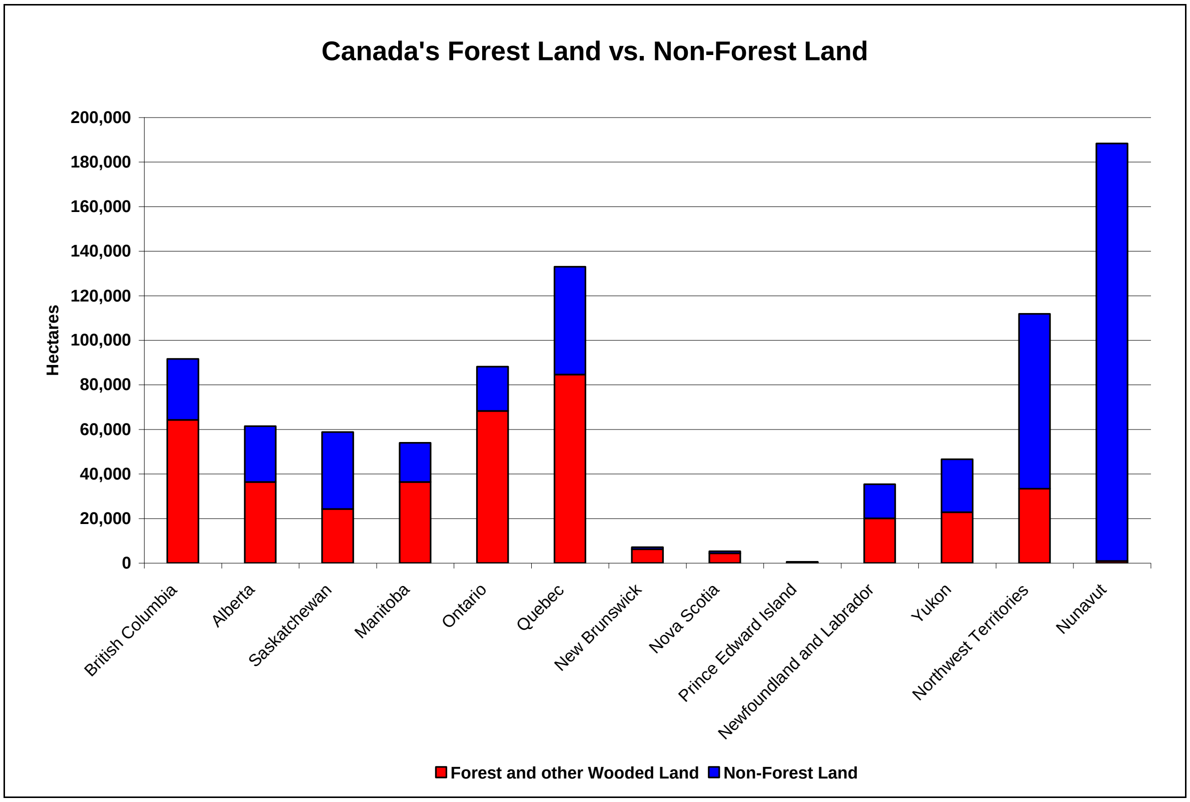
Canada's Land Area, hectares

	Forest Land	Other Wooded Land	Forest and other Wooded Land	Non-Forest Land	Total Land
British Columbia	57,910,000	6,337,000	64,247,000	27,397,000	91,644,000
Alberta	27,718,000	8,670,000	36,388,000	25,011,000	61,399,000
Saskatchewan	20,043,000	4,215,000	24,258,000	34,558,000	58,816,000
Manitoba	18,968,000	17,386,000	36,354,000	17,641,000	53,995,000
Ontario	53,758,000	14,536,000	68,294,000	19,816,000	88,110,000
Quebec	73,360,000	11,215,000	84,575,000	48,395,000	132,970,000
New Brunswick	6,091,000	116,000	6,207,000	922,000	7,129,000
Nova Scotia	4,240,000	107,000	4,347,000	930,000	5,277,000
Prince Edward Island	265,000	8,000	273,000	292,000	565,000
Newfoundland and Labrador	10,730,000	9,337,000	20,067,000	15,311,000	35,378,000
Yukon	7,884,000	14,906,000	22,790,000	23,808,000	46,598,000
Northwest Territories	28,352,000	4,994,000	33,346,000	78,508,000	111,854,000
Nunavut	815,000	125,000	940,000	187,427,000	188,367,000
Total	310,134,000	91,952,000	402,086,000	480,016,000	882,102,000

Source: Canada's National Forest Inventory - CanFI 2001. https://nfi.nfis.org/history.php?lang=en

Subtracting the reserved forests, Canada has about 294.8 million hectares available for commercial harvest. Of that area, about half (150 million hectares) is subjected to forest management, and of that half, only 0.9 million hectares are harvested annually.

Although Nunavut has the largest land area of any province or territory, forest area in Nunavut is negligible. With the exception of the three territories and Saskatchewan, forest and other wooded land represent more than half of each province's total land area.



Source: Canada's National Forest Inventory - CanFI 2001. https://nfi.nfis.org/history.php?lang=en

Of the 402.1 million hectares of forest and other wooded land, close to 93% of Canada's forests are publicly owned while the remaining 7% are operated by private owners.

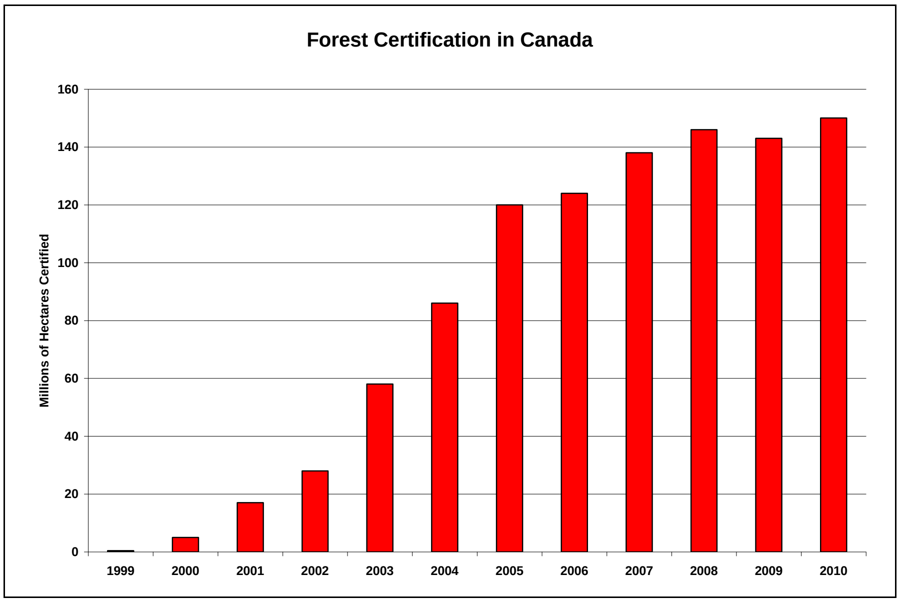
Canada's Forest Ownership

	Ownership	%	Hectares
Canada's Forest and other Wooded Land 402,100,000 hectares	Provincial	77%	309,617,000
	Federal	16%	64,336,000
	Private	7%	28,147,000

Source: Canada's Forests Web site, Natural Resources Canada. Reproduced with the permission of the Minister of Public Works and Government Services, 2010, and courtesy of the Canadian Forest Service. http://canadaforests.nrcan.gc.ca/statsprofile

FOREST CERTIFICATION

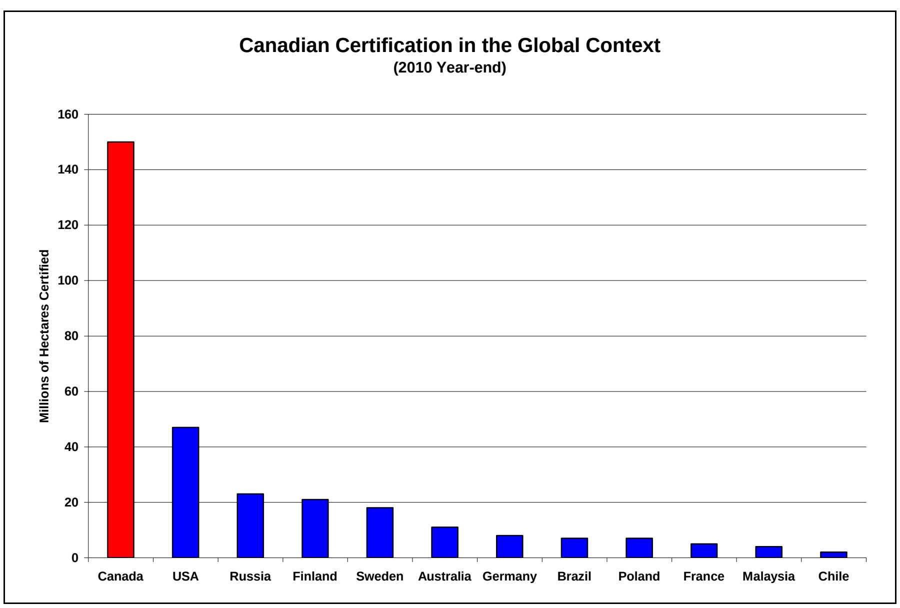
Forest certification assures customers that the products they purchase originate from well sustained and managed forests. In Canada, there are three voluntary certification systems available to forest companies: Canadian Standards Association (CSA), Sustainable Forestry Initiative (SFI) and Forest Stewardship Council (FSC).



Source: Canadian Sustainable Forestry Certification Coalition

By the end of 2010, approximately 150 million hectares of Canada's forest land was certified with one or more of the three aforementioned forest certification systems – more than 375 times the area recorded in 1999.

Another universally recognized certification system, which is used more throughout Europe, is Program for the Endorsement of Forest Certification (PEFC). As illustrated on the right, Canada remains the world leader in forest certification.



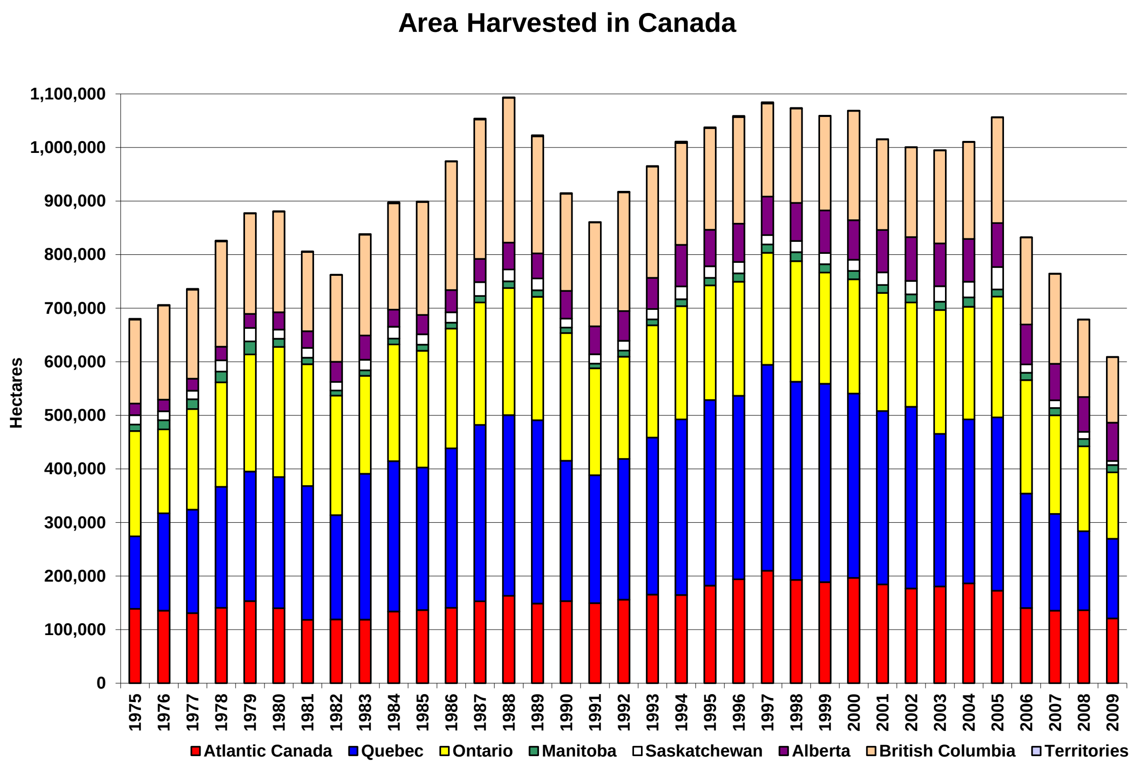
Source: Canadian Sustainable Forestry Certification Coalition

Forest Harvests

From 1994 to 2005, about one million hectares of forests have been harvested annually for commercial applications, and to a lesser degree for fuel. Since then, the harvest levels have dropped significantly, with notable declines observed in Quebec and Ontario due to their provincial harvest reductions. Another reason for the depressed harvest levels is the continuing economic downturn in the United States. As illustrated, the latest 2009 tally is even lower than the volume harvested in 1975.

Harvest of Canada's Forests, hectares

	2003	2004	2005	2006	2007	2008	2009
Atlantic Canada	180,740	186,195	172,747	140,234	135,353	136,027	120,966
Quebec	284,563	306,321	323,642	213,886	180,766	147,617	148,569
Ontario	231,217	210,226	225,213	211,874	183,985	158,651	123,965
Manitoba	15,584	17,528	13,648	13,648	13,648	13,736	13,648
Saskatchewan	29,053	29,241	41,825	15,433	14,588	13,078	7,920
Alberta	79,707	79,979	81,889	74,674	67,834	65,036	71,249
BC	174,101	180,959	197,599	162,328	168,273	144,610	122,620
Territories	75	99	162	326	261	250	360
Canada	995,040	1,010,548	1,056,725	832,403	764,708	679,005	609,297



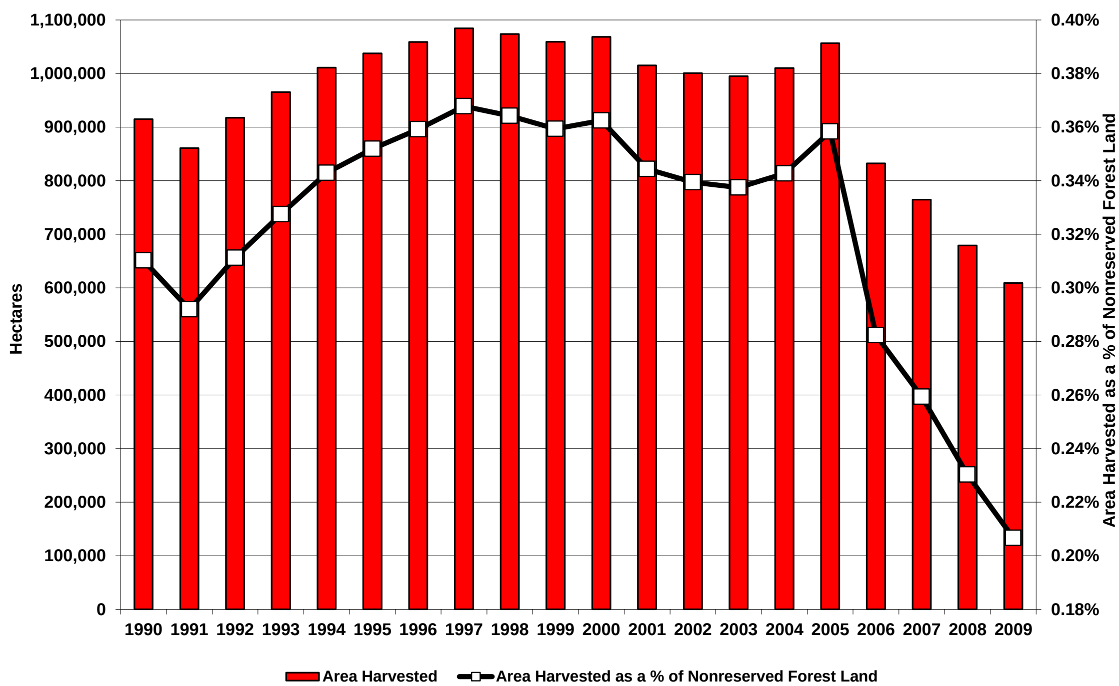
Source: National Forestry Database, Canadian Council of Forest Ministers (http://nfdp.ccfm.org)

As mentioned, approximately 1 million hectares were harvested annually from 1994 to 2005. Although that number seemed high, in retrospect it is less than 0.35% of the available non-reserved forest land in Canada. In the 2009 tally, only 609,297 hectares were harvested or 0.207% of the non-reserved forests.

Area Harvested in Canada, hectares

	Area Harvested	Non-reserved Forest Land	Area Harvested as a % of Non-reserved Forest Land
2000	1,068,754	294,836,000	0.362%
2001	1,015,319		0.344%
2002	1,000,758		0.339%
2003	995,040		0.337%
2004	1,010,548		0.343%
2005	1,056,725		0.358%
2006	832,403		0.282%
2007	764,708		0.259%
2008	679,005		0.230%
2009	609,297		0.207%

Area Harvested in Canada



Source: National Forestry Database, Canadian Council of Forest Ministers (http://nfdp.ccfm.org)

GROWING STOCK

Credit: www.naturallywood.com

Based on the findings released in the CanFI 2001, Canada is estimated to have a total growing stock (from both reserved and non-reserved forests) of 32.98 billion cubic metres, growing on Canada's 401.46 million hectares of forested land.

Canada's Growing Stock

	Forest Type	Cubic Metres	%
Canada's Growing Stock 32,983,000,000 m^3	Softwood	21,768,780,000	66%
	Hardwood	3,957,960,000	12%
	Mixedwood	7,256,260,000	22%

Source: Canada's Forests Web site, Natural Resources Canada. Reproduced with the permission of the Minister of Public Works and Government Services, 2010, and the courtesy of the Canadian Forest Service. http://canadaforests.nrcan.gc.ca/statsprofile

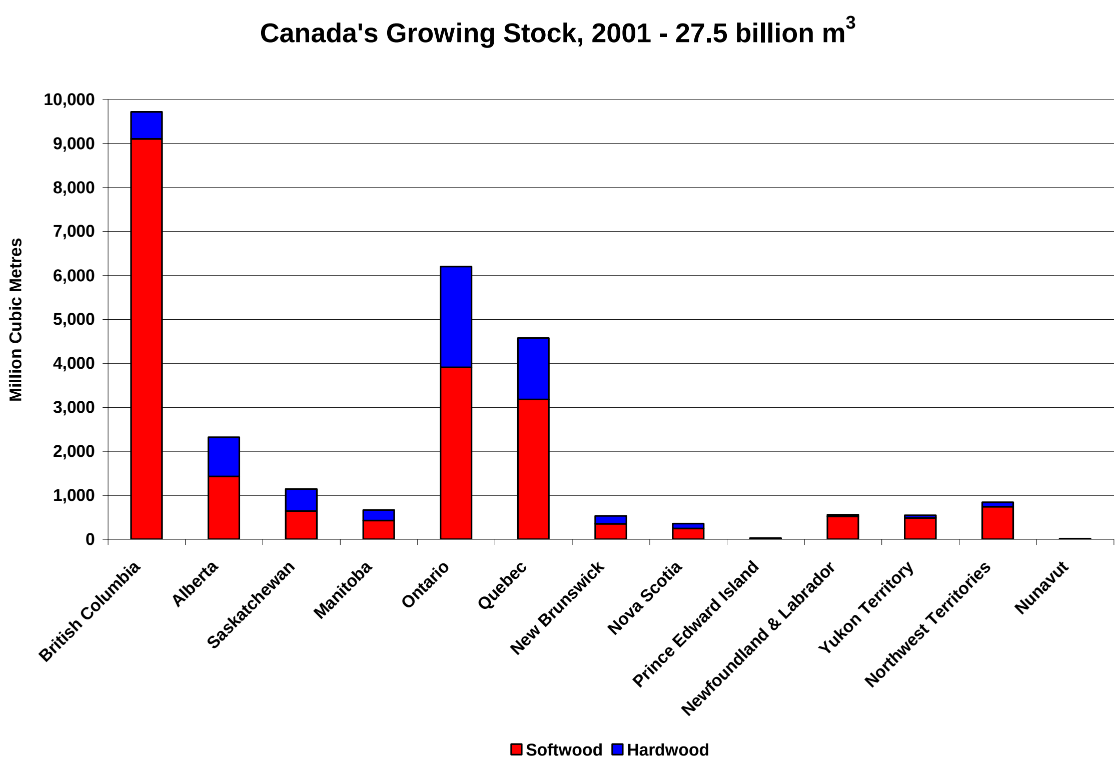
With well over 180 tree species, Canada's forests are considered to be extremely diverse. As illustrated above, close to 66% of the growing stock is of conifer (softwood) species, while broad-leaved (hardwood) accounts for about 12%, with the remaining 22% being mixed species.

Growing Stock on Non-Reserved Forest Land by Province

Although British Columbia is only the fifth largest province/territory in land area, its forests hold more than one-third of the nation's growing stock, and more than 43% of the softwood stock. On the other hand, Ontario and Quebec combine to hold more than 57% of Canada's hardwood growing stock.

Canada's Growing Stock on Non-reserved Forest Land, 2001

	Softwood		Hardwood		Total	
	million m^3	%	million m^3	%	million m^3	%
British Columbia	9,102	43.2%	617	9.6%	9,719	35.3%
Alberta	1,426	6.8%	893	13.8%	2,319	8.4%
Saskatchewan	642	3.0%	501	7.8%	1,143	4.2%
Manitoba	426	2.0%	241	3.7%	667	2.4%
Ontario	3,909	18.6%	2,291	35.5%	6,200	22.5%
Quebec	3,177	15.1%	1,397	21.7%	4,574	16.6%
New Brunswick	352	1.7%	180	2.8%	532	1.9%
Nova Scotia	247	1.2%	111	1.7%	358	1.3%
Prince Edward Island	14	0.1%	16	0.2%	30	0.1%
Newfoundland & Labrador	521	2.5%	37	0.6%	558	2.0%
Yukon Territory	484	2.3%	62	1.0%	546	2.0%
Northwest Territories	741	3.5%	100	1.6%	841	3.1%
Nunavut	13	0.1%	2	0.0%	15	0.1%
Total	21,054		6,448		27,503	



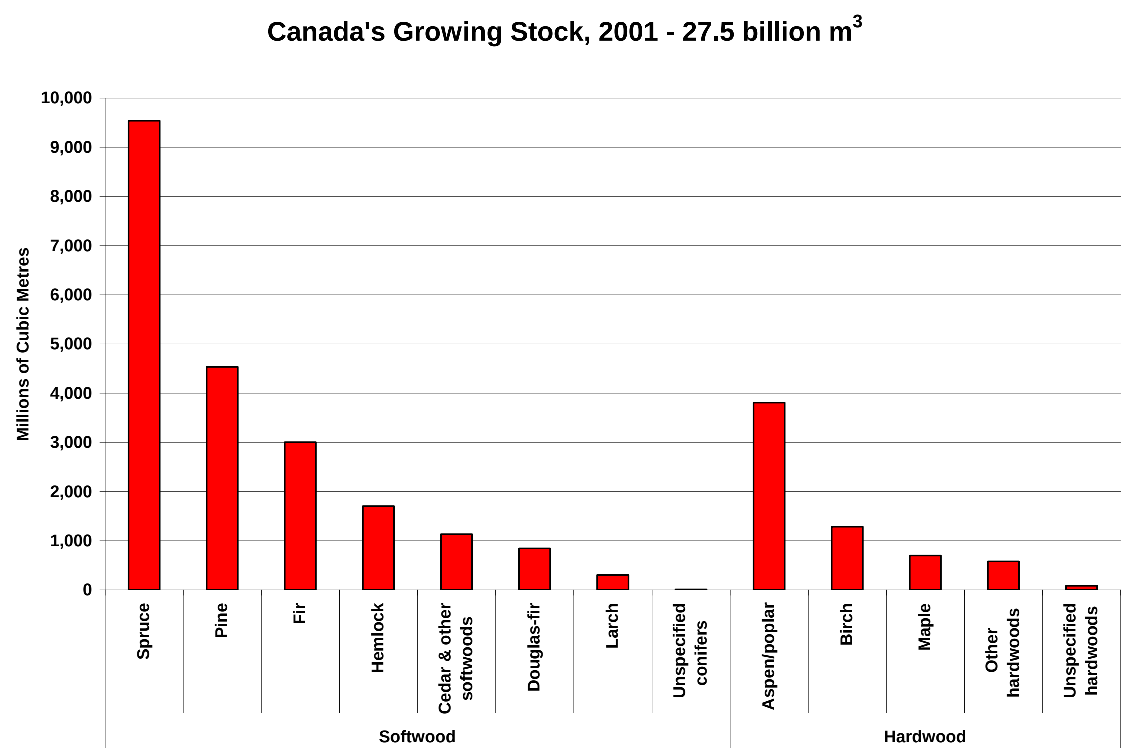
Source: Natural Resources Canada - Canada's Forest Inventory 2001 (http://NFI.nfis.org)

Growing Stock on Non-Reserved Forest Land by Species

Close to 77% of Canada's growing stock is of softwood species, while the remainder is hardwood species. As shown below, the growing stock of spruce alone is greater than all hardwood species combined. Collectively, spruce, pine and fir combine to represent more than 61% of Canada's growing stock. Aspen/poplar, representing more than 60% of all hardwood stock, is third overall.

Canada's Growing stock on Non-Reserved Forest Land, 2001

		Volume			
		million m^3	%	million m^3	%
Softwood	Spruce	9,537	34.7%	21,054	76.6%
	Pine	4,532	16.5%		
	Fir	3,000	10.9%		
	Hemlock	1,700	6.2%		
	Cedar & other softwoods	1,131	4.1%		
	Douglas-fir	844	3.1%		
	Larch	300	1.1%		
	Unspecified conifers	10	0.0%		
Hardwood	Aspen/poplar	3,805	13.8%	6,448	23.4%
	Birch	1,283	4.7%		
	Maple	699	2.5%		
	Other hardwoods	580	2.1%		
	Unspecified hardwoods	81	0.3%		



Source: Natural Resources Canada - Canada's Forest Inventory 2001 (http://NFI.nfis.org)

TIMBER SUPPLY AND HARVEST

Each provincial government is responsible for determining the amount of timber allowed to be harvested from the forests. This is often referred to as the timber supply (or annual allowable cut - AAC), which is used to regulate harvest levels such that it remains sustainable. As a nation, never once in history has the actual harvest been higher than the wood supply. However, British Columbia has had numerous occurrences since 1990, with the latest instances taking place in 2004 and 2005, as a direct result of the mountain pine beetle attacks and the booming US housing market.

While the wood supply for Canada has hovered around 225 million cubic metres since 1991, the actual harvest has cooled significantly since 2007, weighed down by the cooled housing market and the global economic turmoil. The 118.44 million cubic metres that were harvested in 2009 was the lowest volume recorded in the past 20 years.

Canada's Wood Supply vs. Roundwood Harvested, millions of cubic metres

2003	Atlantic Canada	QC	ON	MB	SK	AB	BC	NWT Yukon	Canada
Wood Supply	20.94	54.51	31.89	9.63	8.22	24.82	76.14	0.24	226.39
Actual Harvest	19.81	40.25	24.35	2.11	4.90	24.23	65.36	0.06	181.05

Source: National Forestry Database, Canadian Council of Forest Ministers (http://nfdp.ccfm.org)

2005	Atlantic Canada	QC	ON	MB	SK	AB	BC	NWT Yukon	Canada
Wood Supply	21.89	47.82	31.73	9.63	7.61	26.22	84.82	0.24	229.97
Actual Harvest	19.19	38.46	23.37	2.50	5.33	27.55	86.88	0.05	203.32

Source: National Forestry Database, Canadian Council of Forest Ministers (http://nfdp.ccfm.org)

2007	Atlantic Canada	QC	ON	MB	SK	AB	BC	NWT Yukon	Canada
Wood Supply	22.95	47.82	31.59	9.02	7.63	28.40	89.54	0.34	237.29
Actual Harvest	16.82	30.97	16.20	2.16	2.41	20.51	75.48	0.05	164.60

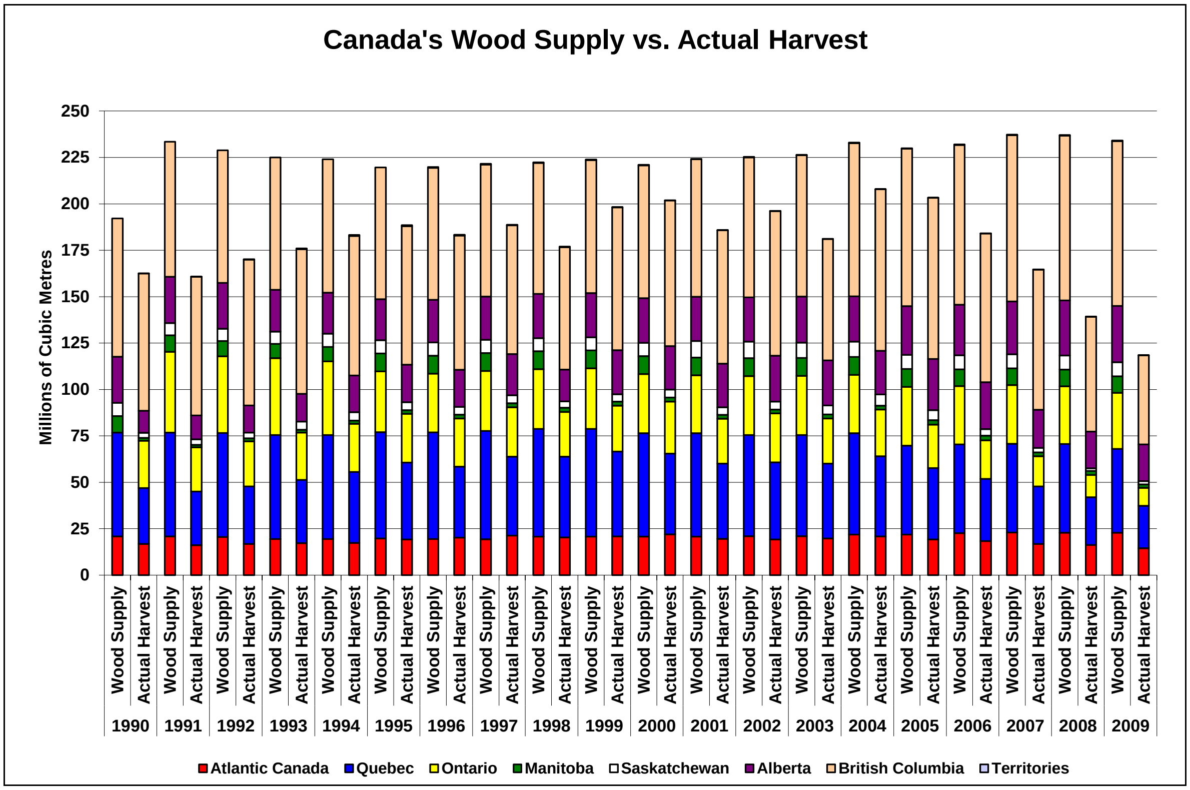
Source: National Forestry Database, Canadian Council of Forest Ministers (http://nfdp.ccfm.org)

2008	Atlantic Canada	QC	ON	MB	SK	AB	BC	NWT Yukon	Canada
Wood Supply	22.82	47.82	31.07	9.02	7.59	29.68	88.79	0.34	237.12
Actual Harvest	16.28	25.63	12.04	2.22	1.35	19.82	61.86	0.04	139.25

Source: National Forestry Database, Canadian Council of Forest Ministers (http://nfdp.ccfm.org)

2009	Atlantic Canada	QC	ON	MB	SK	AB	BC	NWT Yukon	Canada
Wood Supply	22.82	45.17	30.17	8.95	7.55	30.38	88.79	0.34	234.16
Actual Harvest	14.52	22.80	9.66	1.84	1.77	19.77	48.03	0.05	118.44

Source: National Forestry Database, Canadian Council of Forest Ministers (http://nfdp.ccfm.org)



Source: National Forestry Database, Canadian Council of Forest Ministers (http://nfdp.ccfm.org)

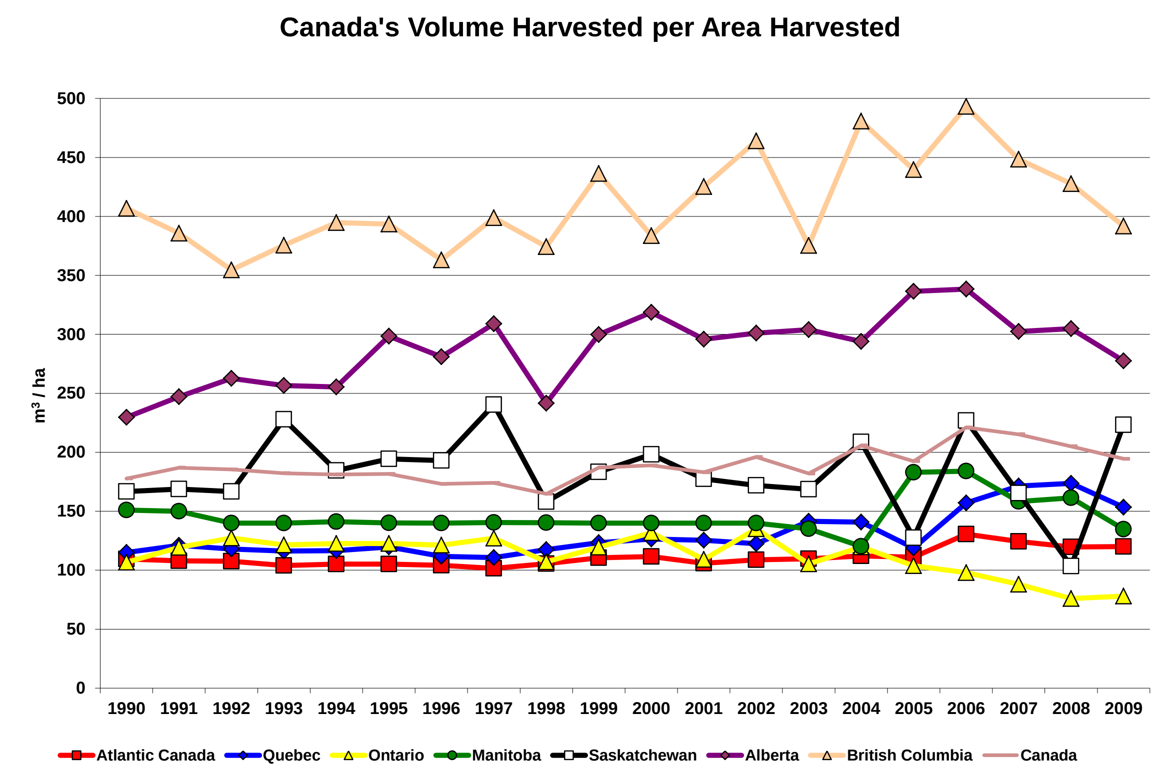
As mentioned, British Columbia's volume harvested was greater than the province's wood supply in several years. In 2005, the province's wood supply was set at 84.8 million cubic metres (36.9% of Canada's), while an estimated 86.9 million cubic metres were harvested. This is a direct reaction to the mountain pine beetle epidemic. The volume harvested in BC in 2005 translated to about 43.3% of all trees harvested in Canada.

Volume Harvested per Area

In 2005 the area harvested in Ontario and Quebec combined to represent more than half the nation's total. However, the volume generated from those forests was less than one-third of the total volume produced by Canada. Conversely, trees harvested from BC's forests represented more than 43% of the nation's volume while the province's area harvested was three times less than Ontario and Quebec combined. It can be seen that more volume per area is generated in British Columbia's forests. In fact, British Columbia's volume per area ratio remains two times greater than the nation's average.

Canada's Volume Harvested per Area, cubic metre per hectare

	Atlantic Canada	QC	ON	MB	SK	AB	BC	Canada
2000	111.5	126.4	131.8	140.0	198.3	318.7	383.7	188.9
2001	105.9	125.4	109.2	140.0	177.4	295.8	425.3	183.0
2002	108.9	122.5	135.1	140.0	171.9	301.0	464.1	196.0
2003	109.6	141.4	105.3	135.1	168.6	304.0	375.4	182.0
2004	112.1	140.8	119.6	120.2	208.7	294.0	480.8	205.7
2005	111.1	118.8	103.8	183.0	127.4	336.4	439.7	192.4
2006	130.6	157.0	97.9	184.0	226.9	338.4	493.2	221.1
2007	124.3	171.3	88.0	158.3	165.3	302.4	448.5	215.2
2008	119.7	173.7	75.9	161.3	103.5	304.8	427.8	205.1
2009	120.0	153.5	78.0	134.7	223.2	277.4	391.7	194.4



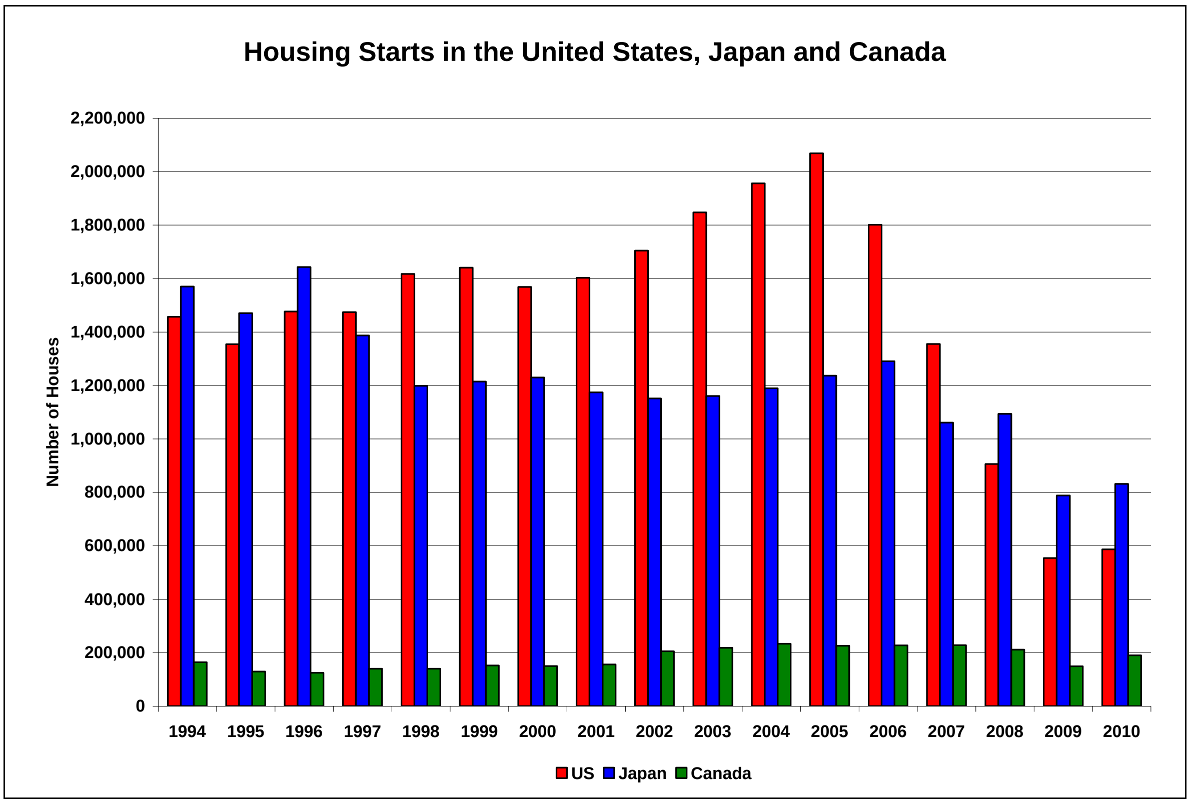
Source: National Forestry Database, Canadian Council of Forest Ministers (http://nfdp.ccfm.org)

CANADA'S FOREST INDUSTRY

As one of the largest forest products exporters in the world, Canada contributes significantly to world markets. Although Canada remains one of the top exporters of softwood lumber, oriented strandboard (OSB), various pulp products, and newsprint, most of the products are sold to the United States.

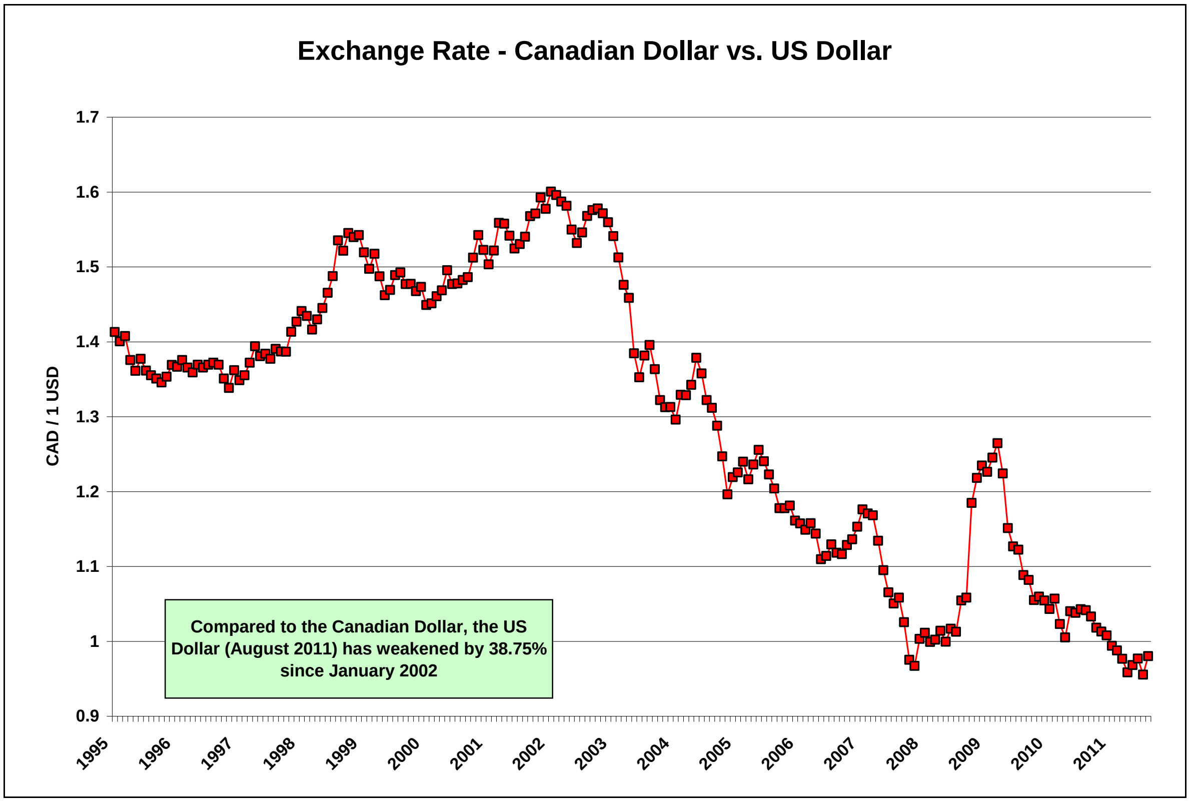
By being reliant on the United States, the well-being of the Canadian industry hinges on the state of the economy. From 2002 to 2005, record volumes of various wood products were produced and sold by Canadian manufacturers to supply the hot US housing market. When the housing bubble burst in late 2006, a negative ripple effect was felt throughout the entire forest industry, more so by the wood products sector. After topping off at 2.07 million units in 2006, only 1.35 million units were built in 2007. By 2008, residential construction in the United States fell below 1 million units, the lowest level since record keeping began in 1950. It was also the first time in a decade that starts in Japan were higher than the United States. Although a small recovery was observed in 2010 after a new record low of 2009, it was the third consecutive calendar year where US housing starts were below 1 million units.

As the United States works its way out of the latest recession, recovery by Canadian producers continues to be hampered by the after effects of the housing crisis (oversupply of unsold and foreclosed homes).



Source: US Census of Bureau, Canada Mortgage and Housing Corporation, Japan Lumber Journal

In addition to housing slump, the industry continues to deal with the increased strength of the Canadian dollar. By late 2007, parity with the US dollar was reached for the first time since 1976, which unfortunately made Canadian forest products less attractive to US customers. After strengthening in early 2009, the US dollar once again fell close to parity in the beginning of 2010.



The effect of these events forced a number of forest companies into financial crisis. For many that survived, and are still riding out this storm, some levels of production have been curtailed. Recovery in housing starts will rely heavily on the clearance of unsold and foreclosed homes – which will follow the resurgence of the US economy.

Pulp and paper producers are also faced with problems. With the anticipated drop of timber supply in Eastern Canada, along with the continuing mountain pine beetle infestation in the west, wood fibre costs are expected to rise across Canada. Both of these issues, along with other challenges, will hurt pulp and paper producers. Increased demand for pulp products from China will help offset the fall in shipments to the US and Europe.

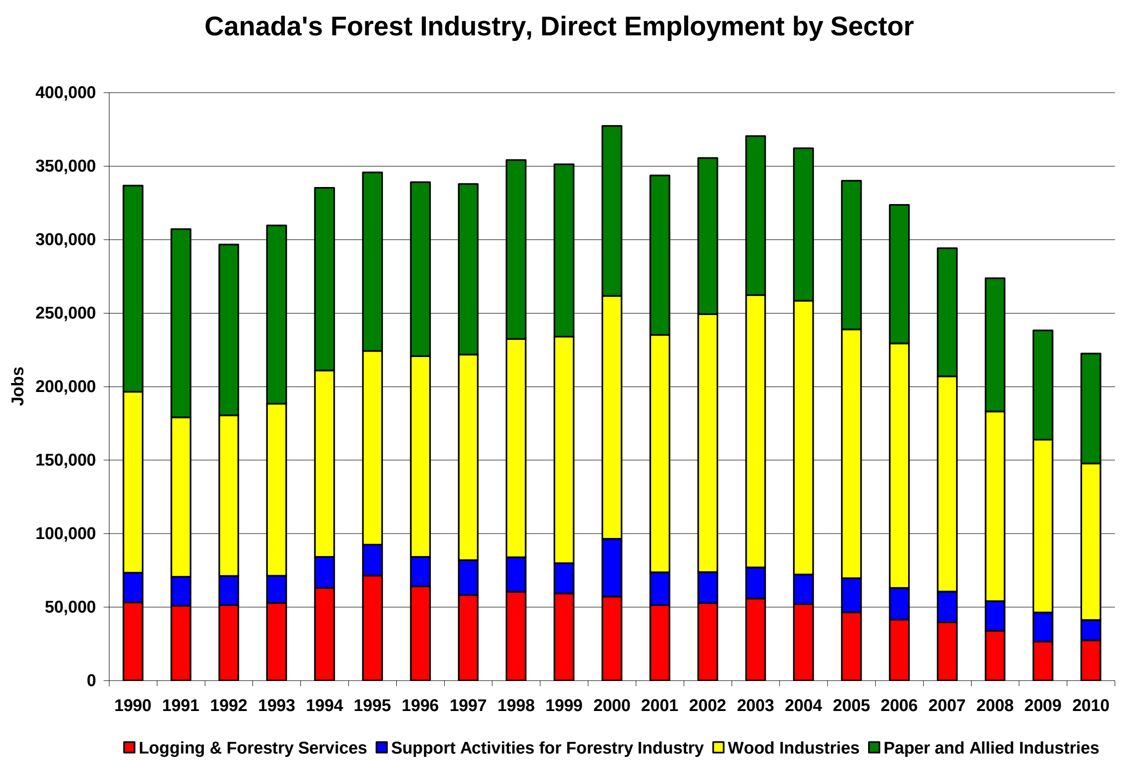
As a whole, volumes of wood products produced and exported recovered from a record low in 2010. Forest products exported in 2010 were valued at $27.3 billion, up $2.3 billion (9.4%) from the previous year, but still down $24 billion since 2000. Paper products accounted for $10 billion, followed by wood products ($8.7), pulp products ($7.3) and wooden furniture ($1.2).

FOREST INDUSTRY AND EMPLOYMENT

Despite the economic downturn, the Canadian forest industry continued to employ hundreds of thousands of Canadians across the nation. According to the Labour Force Survey, over 377,400 workers were employed by the industry in 2000. Unfortunately, that number has dwindled since and extended its loss as the economy continues to recover. In the latest survey collected, over 222,500 workers were working for the industry, the lowest level in the past two decades. A further breakdown shows that more than half the jobs were in the wood industry sector. Although the number of indirect jobs is unavailable, it is estimated that one direct job resides three indirect jobs.

Direct Jobs in Canada's Forest Industry, Labour Force Survey

	Logging & Forestry Services	Support Activities for Forestry Industry	Wood Industries	Paper and Allied Industries	Total
2003	55,800	21,100	185,300	108,200	370,400
2004	51,900	20,200	186,300	103,800	362,200
2005	46,400	23,200	169,300	101,200	340,100
2006	41,500	21,500	166,400	94,200	323,600
2007	39,700	20,800	146,500	87,100	294,100
2008	33,800	20,200	129,100	90,600	273,700
2009	26,500	19,800	117,600	74,300	238,200
2010	27,400	13,800	106,500	74,800	222,500



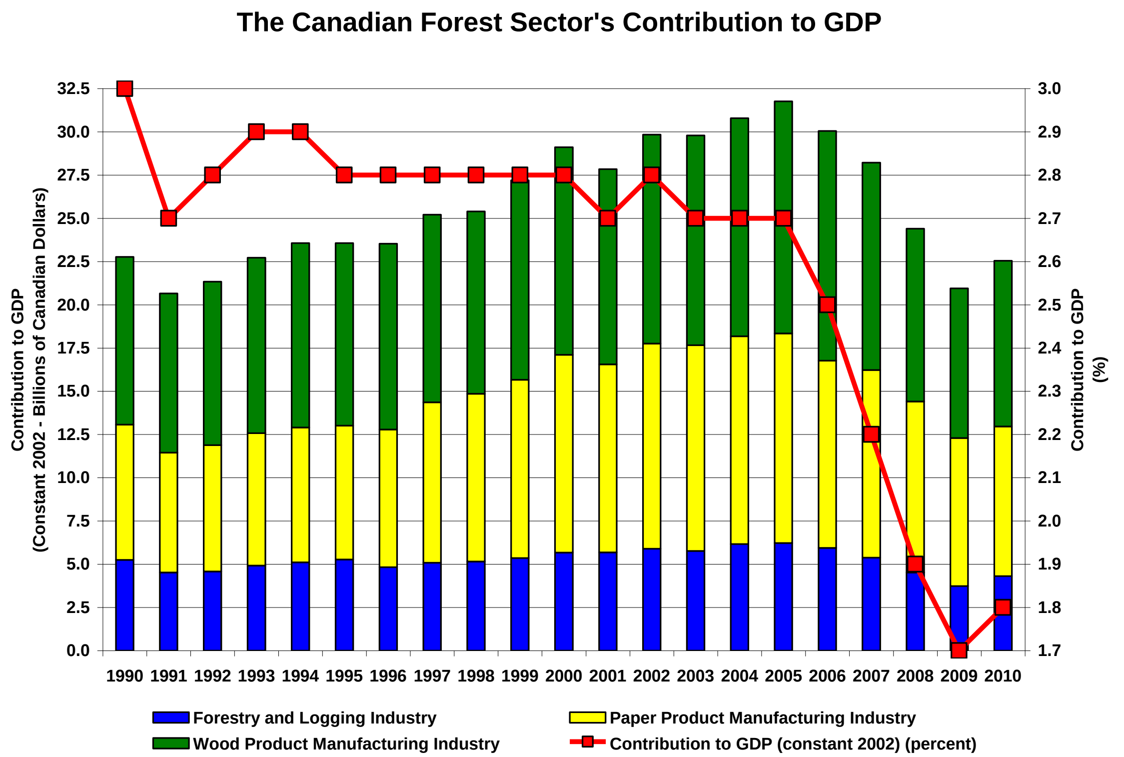
Source: Canada's Forests Web site, Natural Resources Canada. Reproduced with the permission of the Minister of Public Works and Government Services, 2010, and the courtesy of the Canadian Forest Service. http://canadaforests.nrcan.gc.ca/statsprofile

FOREST INDUSTRY AND GDP

Besides providing employment opportunities to Canadians across the country, the forest industry has also contributed significantly to the nation's gross domestic product (GDP). The industry's contribution (in value) has been on the rise since 1991, peaking at $31.76 billion in 2005. However, big declines were observed thereafter and by 2009, the contribution to GDP fell to $21 billion, erasing all gains since 1991. Aside from the drop, increased inputs from other sectors have dwarfed the forest industry's continuing efforts.

Forest Industry's Contribution to Canada's GDP, 2002 Dollars, billions of Canadian Dollars

	2004	2005	2006	2007	2008	2009	2010
Forestry & Logging Industry	6.17	6.23	5.94	5.38	4.52	3.73	4.31
Paper Product Manufacturing Industry	12.01	12.11	10.83	10.85	9.89	8.57	8.65
Wood Product Manufacturing Industry	12.60	13.42	13.28	11.98	9.99	8.64	9.58
Forest Sector $	30.78	31.76	30.05	28.21	24.40	20.94	22.54
Forest Sector %	2.7	2.7	2.5	2.2	1.9	1.7	1.8
ALL SECTORS	1,140.00	1,176.22	1,202.04	1,282.41	1,284.05	1,231.82	1,252.17



Source: Canada's Forests Web site, Natural Resources Canada. Reproduced with the permission of the Minister of Public Works and Government Services, 2010, and the courtesy of the Canadian Forest Service.
http://canadaforests.nrcan.gc.ca/statsprofile

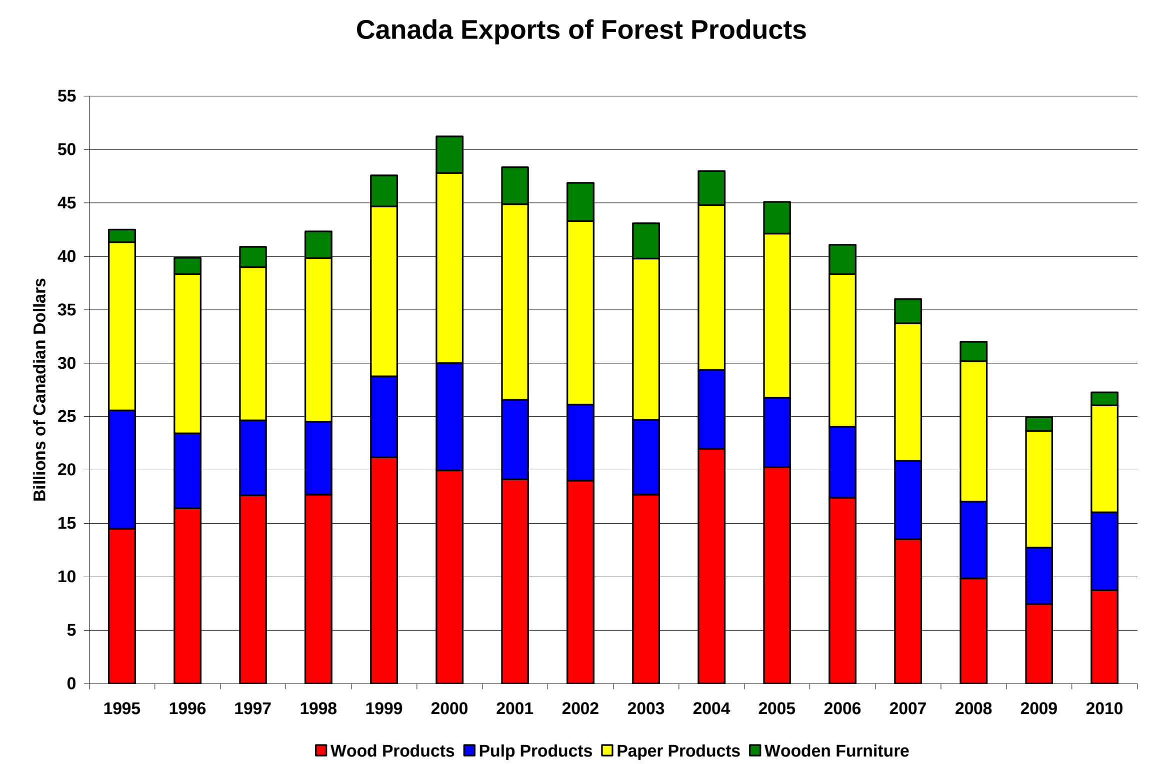
FOREST PRODUCTS INDUSTRY

The latest recession, which started in late 2008 and continued throughout 2010, was driven by the collapse of the US housing market, which created a chain reaction. Slow housing starts, along with the weak US dollar and the unstable US economy discouraged both imports and consumption of various wood products.

Led by the recoveries in both wood and pulp products, export sales by the Canadian forest industry in 2010 were up 9.4% to $27.3 billion from the lows of 2009. The past year also marked the first time that export sales by the entire industry exhibited growth since 2004. Despite this recovery, sales remained below $30 billion for the second consecutive year, and were still only a portion of those observed in 2000.

Canada Exports of Forest Products, millions of Canadian Dollars

	2006	2007	2008	2009	2010	% Change (09-10)
Wood Products	17,398.36	13,519.71	9,835.21	7,445.27	8,742.72	17.4%
Pulp Products	6,651.74	7,315.82	7,202.00	5,282.31	7,286.78	37.9%
Paper Products	14,285.99	12,892.75	13,157.60	10,930.84	10,020.51	-8.3%
Wooden Furniture	2,745.10	2,260.38	1,797.72	1,261.32	1,219.65	-3.3%
Total	41,081.19	35,988.66	31,992.53	24,919.74	27,269.66	9.4%

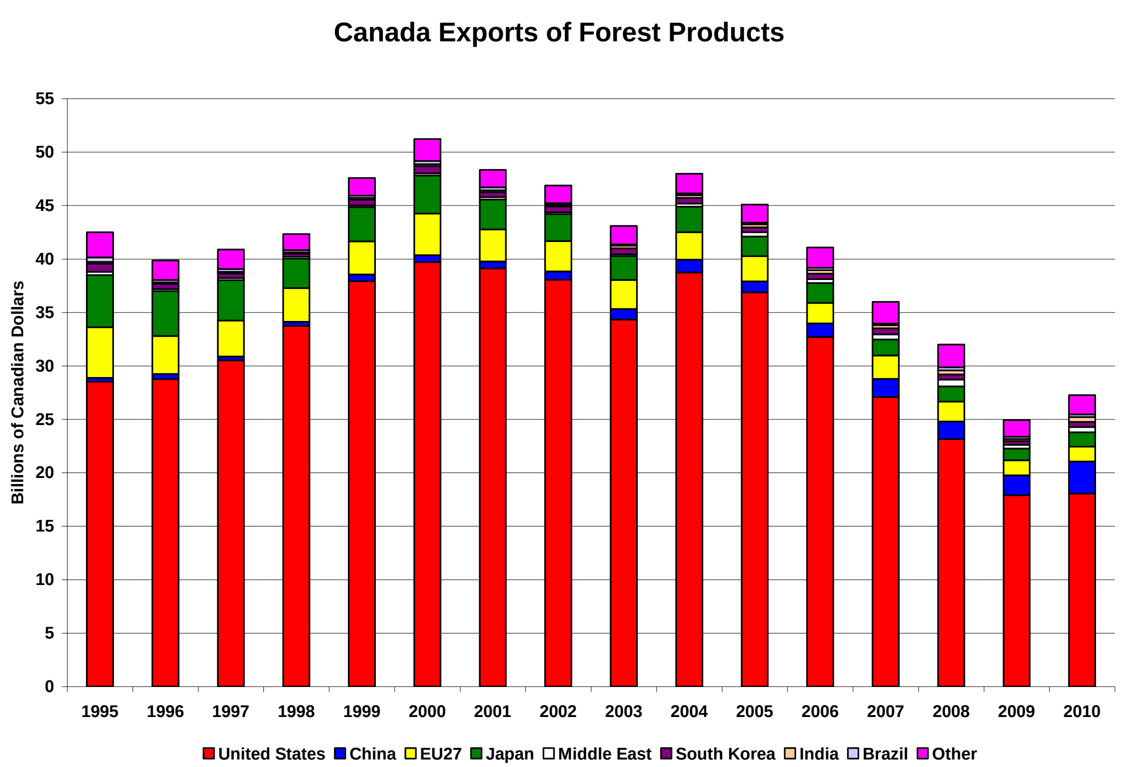


Source: Global Trade Information Services, Inc.

After dipping to $25 billion, export sales by Canada recovered 9.4% in 2010 to $27.3 billion, which was the first gain since 2004. While sales to the US remained unchanged at $18 billion, it was new sales generated in China that led the recovery in 2010. At the same time, products sold to the Middle East and India grew by 37.4% and 118.4%, respectively.

Canada Exports of Forest Products, millions of Canadian Dollars

	2007	2008	2009	2010	% Change (09-10)
United States	27,088.78	23,139.49	17,890.85	18,055.76	0.9%
China	1,697.58	1,661.09	1,869.26	2,999.39	60.5%
EU27	2,177.37	1,846.10	1,400.87	1,383.64	-1.2%
Japan	1,511.27	1,436.83	1,095.83	1,355.09	23.7%
Middle East	474.43	627.65	353.98	486.22	37.4%
South Korea	559.89	498.42	351.03	475.15	35.4%
India	280.08	375.53	205.94	449.83	118.4%
Brazil	166.84	285.38	205.94	251.38	22.1%
Other	2,032.42	2,122.03	1,546.04	1,813.21	17.3%
Total	35,988.66	31,992.53	24,919.74	27,269.66	9.4%



Source: Global Trade Information Services, Inc.

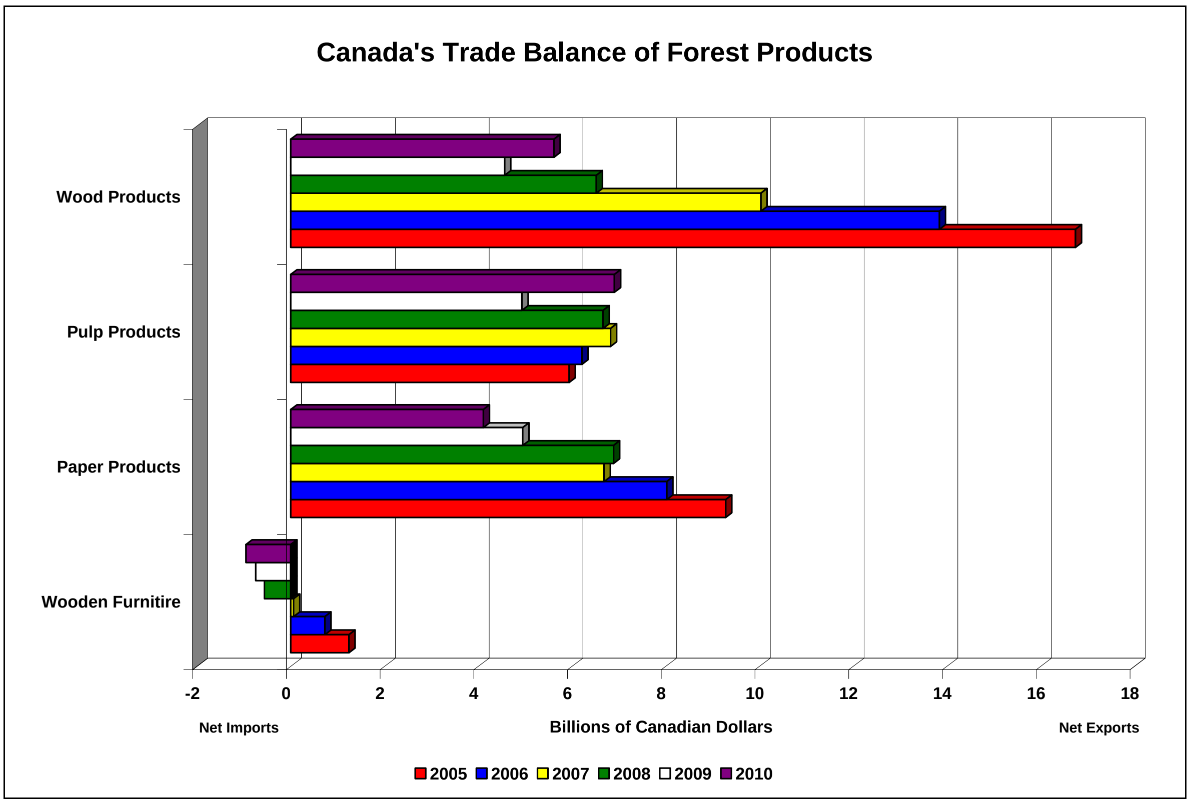
The balance of trade, also known as net exports, is defined as the difference between the monetary value of exports and imports in an economy (over a given period of time). A positive trade balance, known as a trade surplus, signifies that a jurisdiction has exported more than they have imported. Conversely, a negative trade balance is known as a trade deficit or a trade gap, and implies that the jurisdiction has imported more than they have exported. This measure also signifies whether that jurisdiction is self-reliant, or whether it requires incoming products to meet the consumption needs.

Canada's Trade Balance of Forest Products, millions of Canadian Dollars

	2005	2006	2007	2008	2009	2010	Change (09-10)
Wood Products	16,741.86	13,838.38	10,030.03	6,518.16	4,563.74	5,615.50	1,051.76
Pulp Products	5,939.81	6,211.94	6,821.11	6,663.89	4,932.68	6,905.29	1,972.61
Paper Products	9,277.67	8,021.86	6,685.54	6,886.23	4,949.12	4,108.28	-840.83
Wooden Furniture	1,241.58	728.49	60.43	-561.43	-749.87	-958.23	-208.35
Total	33,200.92	28,800.67	23,597.11	19,506.85	13,695.67	15,670.85	1,975.18

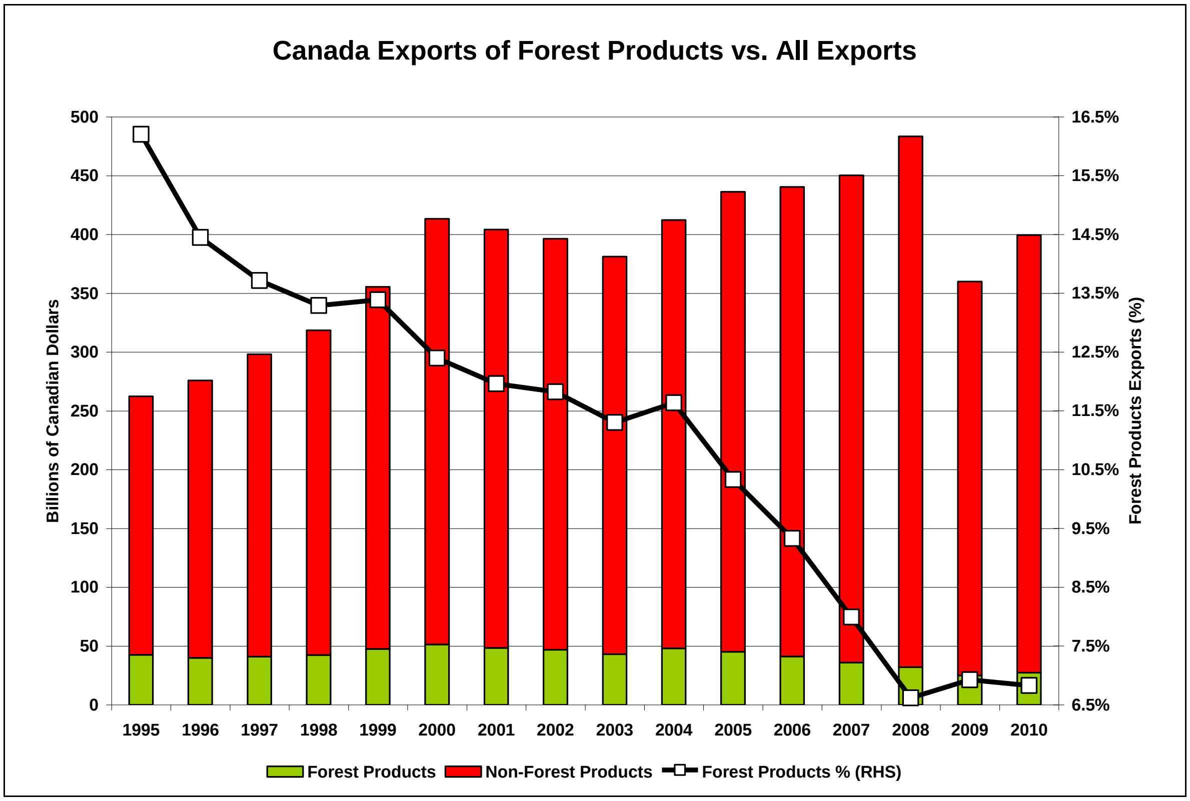
Source: Global Trade Information Services, Inc.

Canada's forest products industry has seen positive trade balances for all sectors over the past years (with 2004 being a peak year for the entire industry). Unfortunately, all four sectors have seen their trade balance shrink since the pinnacle. Due to the housing slump in the US, the trade balance of wood products' exports fell significantly – more than 55% or $17.5 billion since 2005, while wooden furniture has had a negative trade balance since 2008.



Source: Global Trade Information Services, Inc.

When compared to other manufactured products exported by Canada, forest products as a percentage have been dropping since 1995. As other industries continued to increase their exports, forest products became stagnant and remained at around $45 billion for much of the decade, until the big decline which began in 2006.



Source: Global Trade Information Services, Inc.

WOOD PRODUCTS INDUSTRY

Credit: www.naturallywood.com

Across the nation, the wood products industry produces thousands of products, including logs, dimension lumber, composite wood panels such as plywood and OSB, as well as other engineered wood products and wooden furniture. Since most of these wood products are sold to the United States for housing construction, the well-being of the Canadian wood industry relies heavily on the state of the US economy.

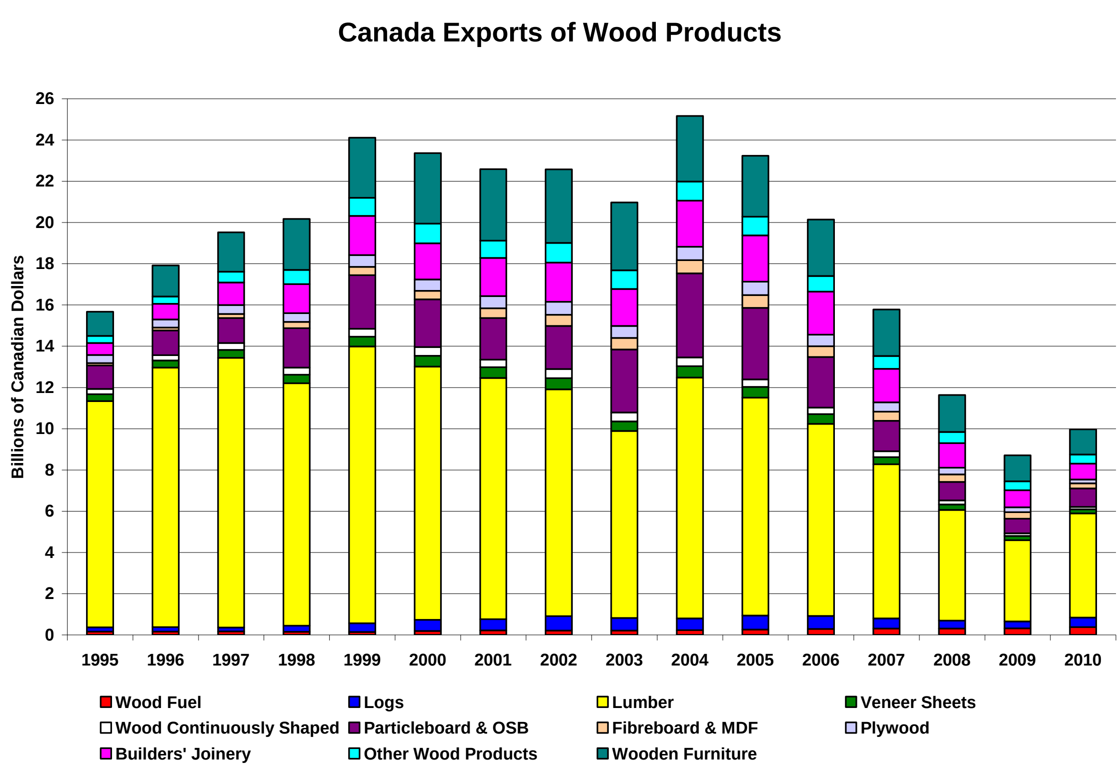
As the US economy fell into recession, so too did the nation's housing starts. Since experiencing a record of 2.07 million units in 2005, the housing starts subsequently cooled. After struggling through 2006 and 2007, only 905,000 starts were recorded in 2008, which was the first time since record keeping began in 1950s that the annual total was less than 1 million units. At the end of 2009, the housing numbers fell to another record low of 554,000 units. In the 2010 tally, a minuscule recovery was noted as housing starts were up 32,800 to 586,800 units.

Realistically, exports of wood products began to drop since peaking in 2004 at $25.2 billion. Once the housing market in the US cooled, the export figures fell drastically. In just 3 years, export sales (2007) were recorded at $15.8 billion, as close to $10 billion of shipments evaporated. After falling to $8.7 billion in 2009, export sales recovered by 14.4% to $9.96 billion.

Despite the recovery, the difference in sales of 2005 and 2010 are truly staggering. In 2010, the total exports were less than what was recorded for just lumber in 2005 ($10.6 billion). Although its share has decreased significantly, lumber remained the top wood product sold by the Canadian wood industry.

Canada Exports of Wood Products, millions of Canadian Dollars

	2006	2007	2008	2009	2010	% Change (09-10)
Wood Fuel	288.25	303.66	304.05	315.53	374.83	18.8%
Logs	624.66	489.67	385.25	333.38	464.12	39.2%
Lumber	9,323.55	7,479.25	5,370.26	3,944.52	5,050.13	28.0%
Veneer Sheets	466.52	346.84	262.14	199.64	199.51	-0.1%
Wood Continuously Shaped	314.82	279.56	198.01	129.96	112.91	-13.1%
Particleboard & OSB	2,451.09	1,478.33	894.84	713.15	899.25	26.1%
Fibreboard & MDF	529.31	449.41	362.10	316.55	244.06	-22.9%
Plywood	560.80	445.65	327.79	229.07	188.31	-17.8%
Builders' Joinery	2,081.61	1,625.62	1,188.15	829.14	771.25	-7.0%
Other Wood Products	757.76	621.70	542.63	434.31	438.03	0.9%
Wooden Furniture	2,745.10	2,260.38	1,797.72	1,261.32	1,219.44	-3.3%
Total	20,143.46	15,780.10	11,632.92	8,706.59	9,961.82	14.4%

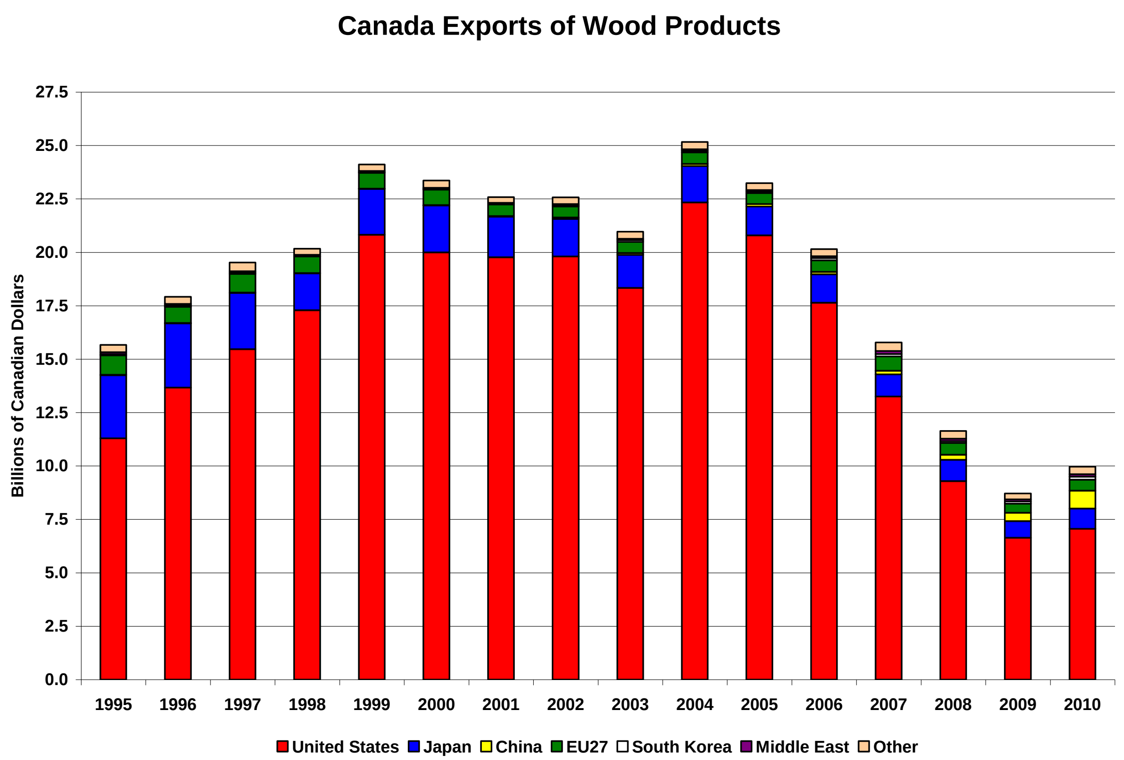


Source: Global Trade Information Services, Inc.

A small recovery in US housing starts this past year translated to a tiny bounce back in export sales of wood products by Canadian manufacturers. While sales to the US recovered by 6.3% to $7.1 billion, it was the new sales generated in China that garnered the headlines. In 2010, sales to China grew by a staggering 117% to $839 million, trailing second place Japan by just $109 million.

Canada Exports of Wood Products, millions of Canadian Dollars

	2007	2008	2009	2010	% Change (09-10)
United States	13,251.35	9,288.72	6,637.72	7,057.80	6.3%
Japan	1,036.34	1,002.41	785.05	948.76	20.9%
China	169.26	234.70	387.67	839.60	116.6%
EU27	665.95	550.72	428.07	510.37	19.2%
South Korea	112.17	89.03	98.04	144.53	47.4%
Middle East	141.09	111.02	97.84	112.22	14.7%
Other	403.94	356.32	272.20	349.08	28.2%
Total	15,780.10	11,632.92	8,706.59	9,962.37	14.4%

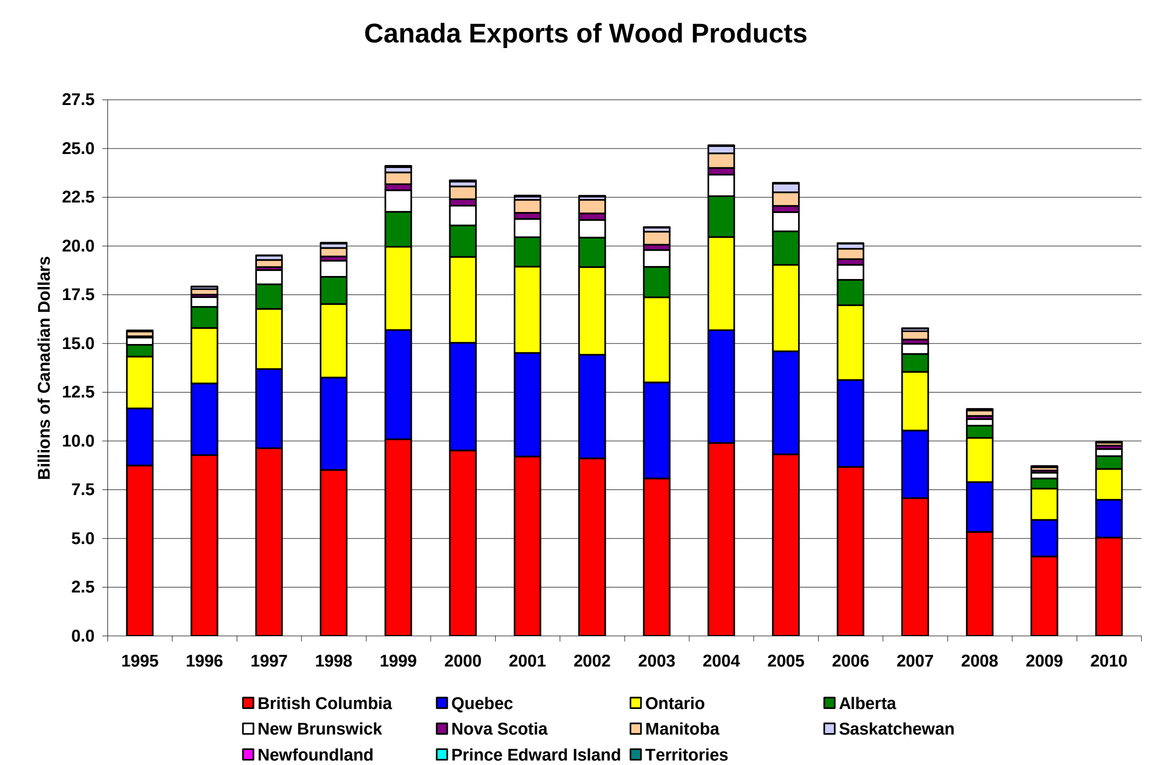


Source: Global Trade Information Services, Inc.

In 2010, exports by most provinces rose to a two year high but this recovery fell just shy of $10 billion. Led by British Columbia, which represents more than half of the sales, exports recovered 24% to settle at $5.05 billion. Despite this nationwide recovery, the sales recorded in 2010 ($9.96 billion) were less than the exports by just British Columbia in 1999 ($10.1 billion).

Canada Exports of Wood Products by Province, millions of Canadian Dollars

	2006	2007	2008	2009	2010	% Change (09-10)
British Columbia	8,670.39	7,066.58	5,332.47	4,069.97	5,046.74	24.0%
Quebec	4,455.16	3,460.08	2,557.18	1,882.15	1,934.53	2.8%
Ontario	3,829.60	3,010.25	2,269.06	1,601.55	1,577.70	-1.5%
Alberta	1,310.33	926.50	620.63	523.76	660.12	26.0%
New Brunswick	766.15	519.52	338.73	286.78	361.76	26.1%
Nova Scotia	289.40	215.02	158.62	115.22	177.92	54.4%
Manitoba	537.06	427.68	286.04	168.55	143.57	-14.8%
Saskatchewan	260.26	135.69	58.90	51.41	53.94	4.9%
Newfoundland	7.33	6.49	2.80	2.05	3.48	69.5%
Prince Edward Island	16.69	11.16	7.90	4.83	2.29	-52.7%
Territories	1.08	1.13	0.60	0.31	0.31	1.1%
Total	20,143.46	15,780.10	11,632.92	8,706.59	9,962.37	14.4%



Source: Global Trade Information Services, Inc.

CANADIAN LUMBER

Credit: www.naturallywood.com

After working through the challenging years, small recoveries in both production and export sales were finally observed in 2010. As the US economy continues to climb out of the recession, the number of new housing starts was recorded at 586,000 units, which was a 5.9% recovery from 2009. Since most of the lumber and wood products are sold to the US, the full recovery of the Canadian industry hinges on the resurgence of the United States.

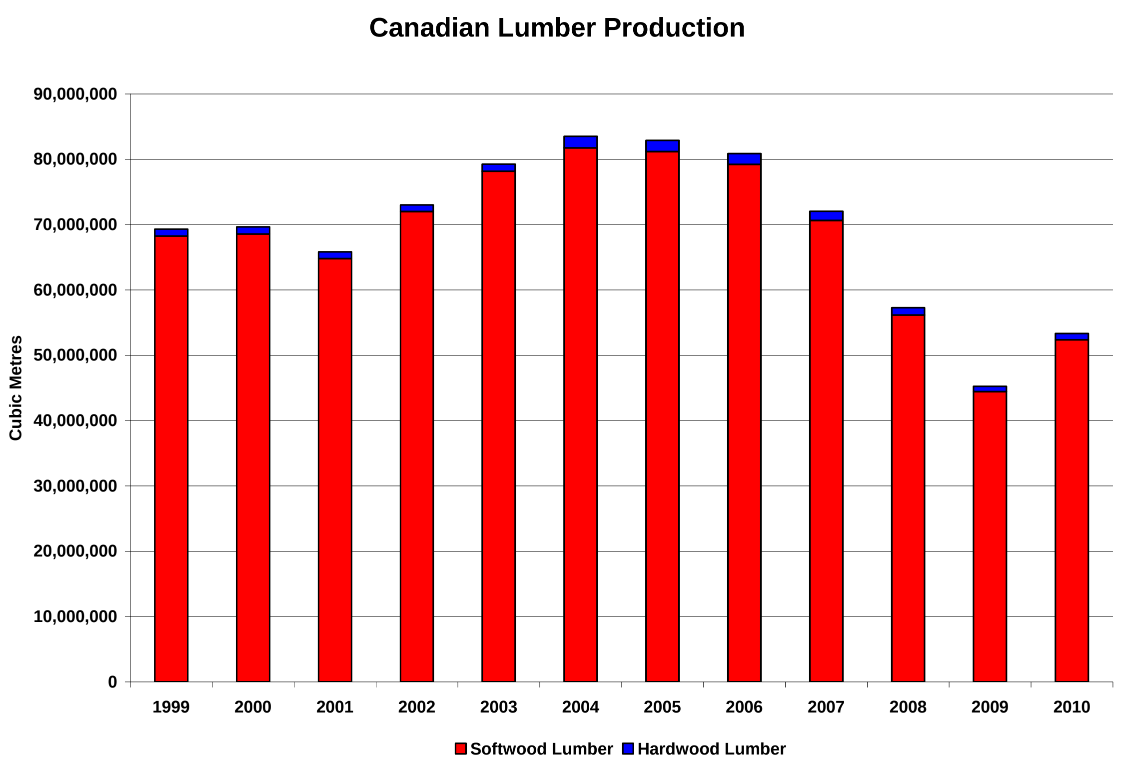
As sales to the US struggled during these past years, Canadian producers did not sit idle and wait for the recovery. Rather, there were increased efforts to identify new markets as reflected by the jump in export numbers to emerging clients such as China. For instance, the new sales generated (1.96 million m^3) in China outperform the volume (1.72 million m^3) recovered in the United States during 2010.

LUMBER PRODUCTION & SHIPMENTS

Production of softwood lumber continued to represent more than 98% of all lumber produced in Canada. Within the softwood group, the SPF species group remains the majority produced, accounting for about 90% in 2010. Since peaking at 81.7 million cubic metres in 2004, softwood lumber production started to cool, finally settling at 44.4 million cubic metres five years later. As illustrated below, the industry witnessed its first growth in 2010 since seven years ago. The resurgence of the lumber producers and the forest industry will rely on recovery of the US economy and its housing market.

Canadian Lumber Production & Shipments, cubic metres

	Production				Total Lumber Shipments
	SPF	Softwood	Hardwood	Total	
2003	67,452,200	78,158,200	1,090,200	79,248,400	79,352,400
2004	72,440,400	81,719,800	1,792,500	83,512,300	83,775,200
2005	72,699,200	81,173,600	1,717,000	82,890,600	83,148,000
2006	70,591,200	79,227,400	1,642,200	80,869,600	80,433,200
2007	62,727,100	70,641,500	1,401,300	72,042,800	72,161,500
2008	50,597,800	56,139,200	1,110,700	57,249,900	57,690,400
2009	40,126,500	44,435,500	813,100	45,248,600	46,734,200
2010	47,054,100	52,356,400	954,900	53,311,300	52,757,300



Adapted from Statistics Canada publication *Sawmills,* Catalogue 35-003, vols. 53-64, no. 12, http://www.statcan.gc.ca/bsolc/olc-cel/olc-cel?lang=eng&catno=35-003-X

Canadian Lumber Production, cubic metres

		2006		2007		2008	
British Columbia	Coast	5,503,400	41,050,100	3,914,600	36,677,300	3,179,800	28,191,500
	Interior	35,546,700		32,762,700		25,011,700	
Rest of Canada	Alberta	7,297,100	39,819,500	7,583,200	35,365,500	7,357,600	29,058,400
	Saskatchewan	511,200		x		x	
	Manitoba	494,700		x		x	
	Ontario	9,155,800		7,753,400		5,508,900	
	Quebec	17,235,900		14,588,200		12,400,700	
	New Brunswick	3,724,000		3,349,000		2,408,200	
	Nova Scotia	1,400,800		1,224,700		816,800	
	Total		80,869,600		72,042,800		57,249,900

		2009		2010	
British Columbia	Coast	2,421,500	22,974,700	2,868,100	27,094,900
	Interior	20,553,200		24,226,800	
Rest of Canada	Alberta	6,643,600	22,273,900	7,544,200	26,216,400
	Saskatchewan	x		x	
	Manitoba	x		x	
	Ontario	3,541,600		3,568,700	
	Quebec	9,432,800		11,625,000	
	New Brunswick	1,933,600		2,383,200	
	Nova Scotia	539,700		902,000	
	Total		45,248,600		53,311,300

Adapted from Statistics Canada publication *Sawmills,* Catalogue 35-003, vols. 53-64, no. 12, http://www.statcan.gc.ca/bsolc/olc-cel/olc-cel?lang=eng&catno=35-003-X

Further breakdown shows that the second largest lumber producing province, Quebec, produced less than half of British Columbia's volume. Within British Columbia, close to 90% of the lumber was produced in the interior while the remaining volume was from the coastal region.

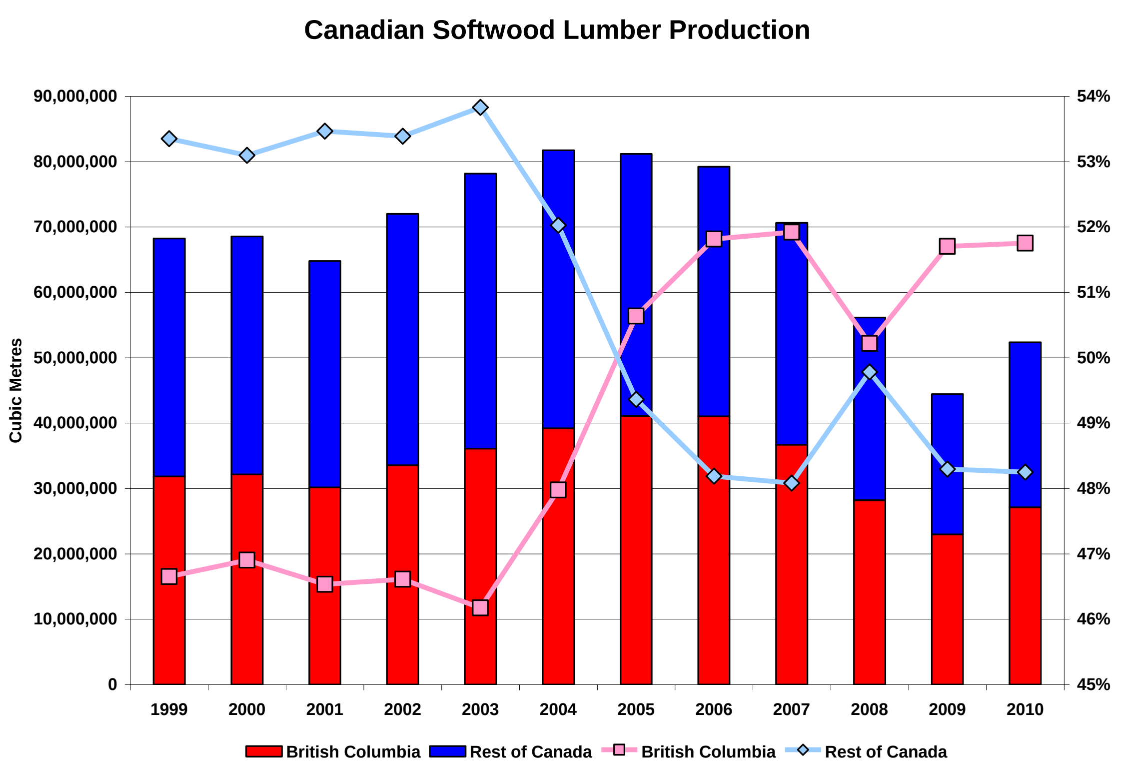
x - Suppressed to meet the confidentiality requirements of the Statistics Act

Softwood Lumber Production

Due to the economic struggles in the United States and the growing strength of the Canadian dollar, Canada's softwood lumber production cooled from 2004 to 2009 before a small recovery was observed in 2010. As illustrated below, British Columbia continued its tradition of producing half the nation's softwood lumber, a trend that began in 2005.

Canadian Softwood Lumber Production

	British Columbia		Rest of Canada		Total
	cubic metres	%	cubic metres	%	cubic metres
2000	32,155,500	46.9%	36,401,000	53.1%	68,556,500
2001	30,152,200	46.5%	34,644,800	53.5%	64,797,000
2002	33,555,000	46.6%	38,433,900	53.4%	71,988,900
2003	36,087,400	46.2%	42,070,800	53.8%	78,158,200
2004	39,204,700	48.0%	42,515,100	52.0%	81,719,800
2005	41,104,000	50.6%	40,069,600	49.4%	81,173,600
2006	41,050,100	51.8%	38,177,300	48.2%	79,227,400
2007	36,677,300	51.9%	33,964,200	48.1%	70,641,500
2008	28,191,500	50.2%	27,947,700	49.8%	56,139,200
2009	22,974,700	51.7%	21,460,800	48.3%	44,435,500
2010	27,095,000	51.8%	25,261,400	48.2%	52,356,400



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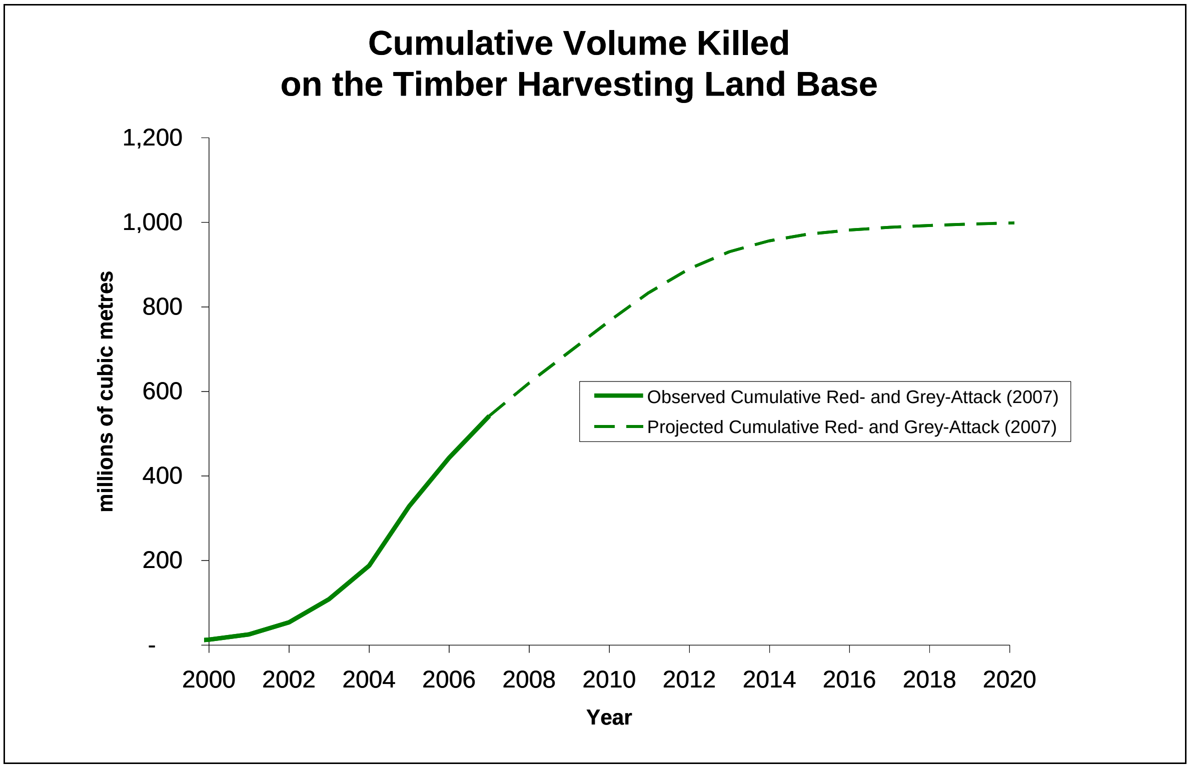
Aside from the surging US housing market, the rise in harvests was also encouraged by the mountain pine beetle infestation. According to the March 2010 release, the Ministry of Forests and Range estimated that about 16.3 million hectares of provincial Crown Forest was affected to some degree, or 675 million cubic metres of timber. By 2012, the cumulative volume is forecast to reach 900 million cubic metres.



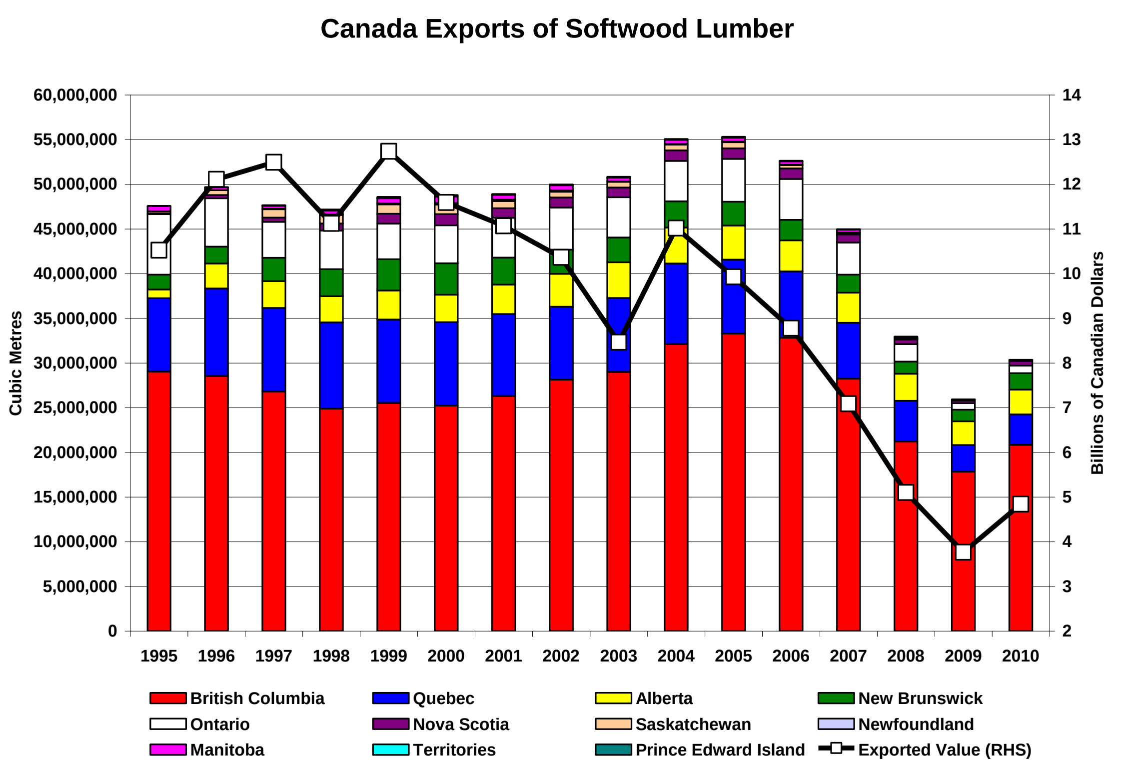
Source: BC Ministry of Forests and Range

SOFTWOOD LUMBER EXPORTS

Since setting a record in 2005, export sales of softwood lumber by Canada cooled thereafter, eventually reaching a bottom at 25.9 million cubic metres four years later. When comparing the volume exported in 2009 to the volume shipped two years ago, the volume from British Columbia (2007) alone is greater than the total sold by Canada (2009). During 2010, export shipments in volume recovered by 17% to 30.4 million cubic metres, equivalent to a 28.6% recovery from the fresh low to $4.84 billion.

Canada Exports of Softwood Lumber by Province, cubic metres

	2007	2008	2009	2010	% Change (09-10)
British Columbia	28,251,947	21,216,357	17,835,723	20,851,540	16.9%
Quebec	6,241,590	4,550,155	2,971,888	3,392,187	14.1%
Alberta	3,378,332	3,020,805	2,660,115	2,788,227	4.8%
New Brunswick	2,007,011	1,379,952	1,307,100	1,832,783	40.2%
Ontario	3,588,151	1,953,613	716,567	848,071	18.4%
Nova Scotia	914,283	522,713	311,232	518,419	66.6%
Saskatchewan	169,791	110,455	88,751	102,176	15.1%
Newfoundland	47,826	24,719	17,321	23,712	36.9%
Manitoba	339,464	181,485	32,266	6,999	-78.3%
Territories	540	283	304	92	-69.7%
Prince Edward Island	29,400	113	0	0	
Total	44,968,335	32,960,650	25,941,267	30,364,206	17.0%
CAD $	7,084,104,492	5,098,752,860	3,765,497,065	4,842,174,299	28.6%



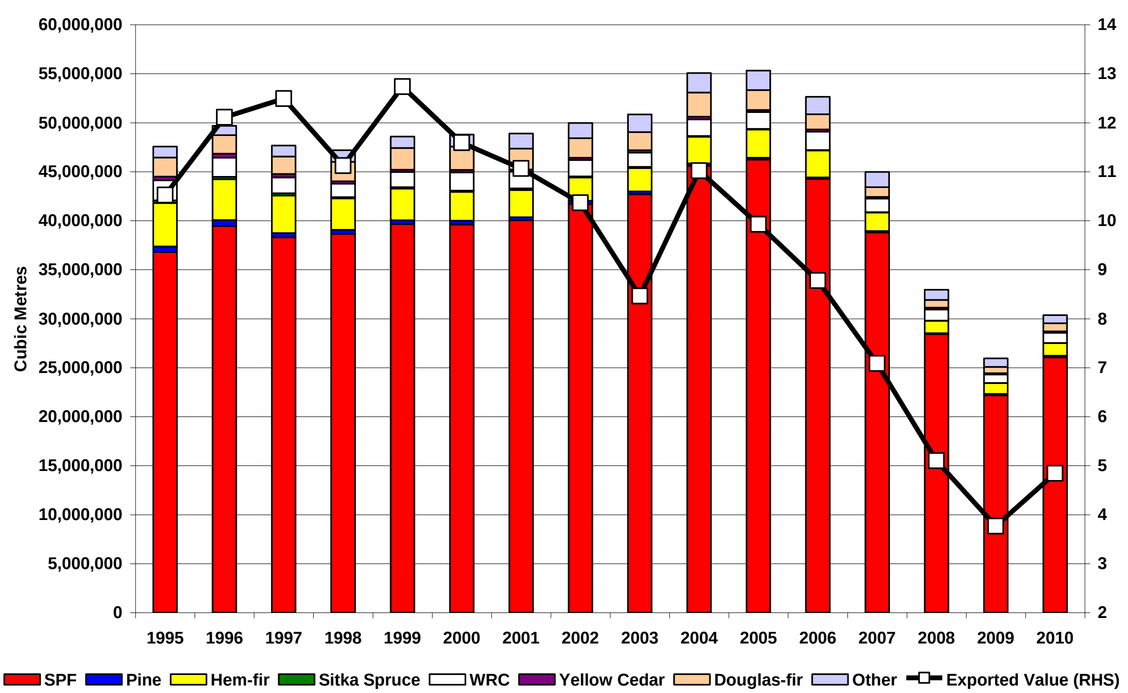
Source: Global Trade Information Services, Inc.

As previously mentioned, export sales in both dollars and volume recovered from their respective fresh lows of 2009. The SPF species group continued to lead the way in volume, followed by hem-fir, western red cedar and Douglas-fir. Despite the overwhelming lead in volume, the SPF group is still selling at a much lower unit price than these other species.

Canada Exports of Softwood Lumber by Species, cubic metres

		2007	2008	2009	2010	% Change (09-10)
SPF		38,791,074	28,408,998	22,183,184	26,042,558	17.4%
Pine		157,305	106,957	128,320	172,652	34.5%
Hem-fir		1,877,937	1,262,807	1,099,886	1,295,968	17.8%
Sitka Spruce		40,328	24,969	23,735	15,966	-32.7%
WRC		1,383,011	1,144,836	873,437	1,037,935	18.8%
Yellow Cedar		181,352	170,911	123,239	129,921	5.4%
Douglas-fir		990,051	789,811	635,683	839,135	32.0%
Other		1,547,277	1,051,361	873,783	829,713	-5.0%
Total		44,968,335	32,960,650	25,941,267	30,363,848	17.0%
CAD $		7,084,104,000	5,098,753,000	3,765,497,000	4,842,060,000	28.6%
$ / m^3	SPF	135.04	125.61	120.00	136.96	14.1%
	Hem-fir	215.83	250.52	244.67	257.43	5.2%
	WRC	551.23	625.62	502.05	448.30	-10.7%
	D-fir	280.26	282.79	290.42	279.62	-3.7%

Canada Exports of Softwood Lumber by Species

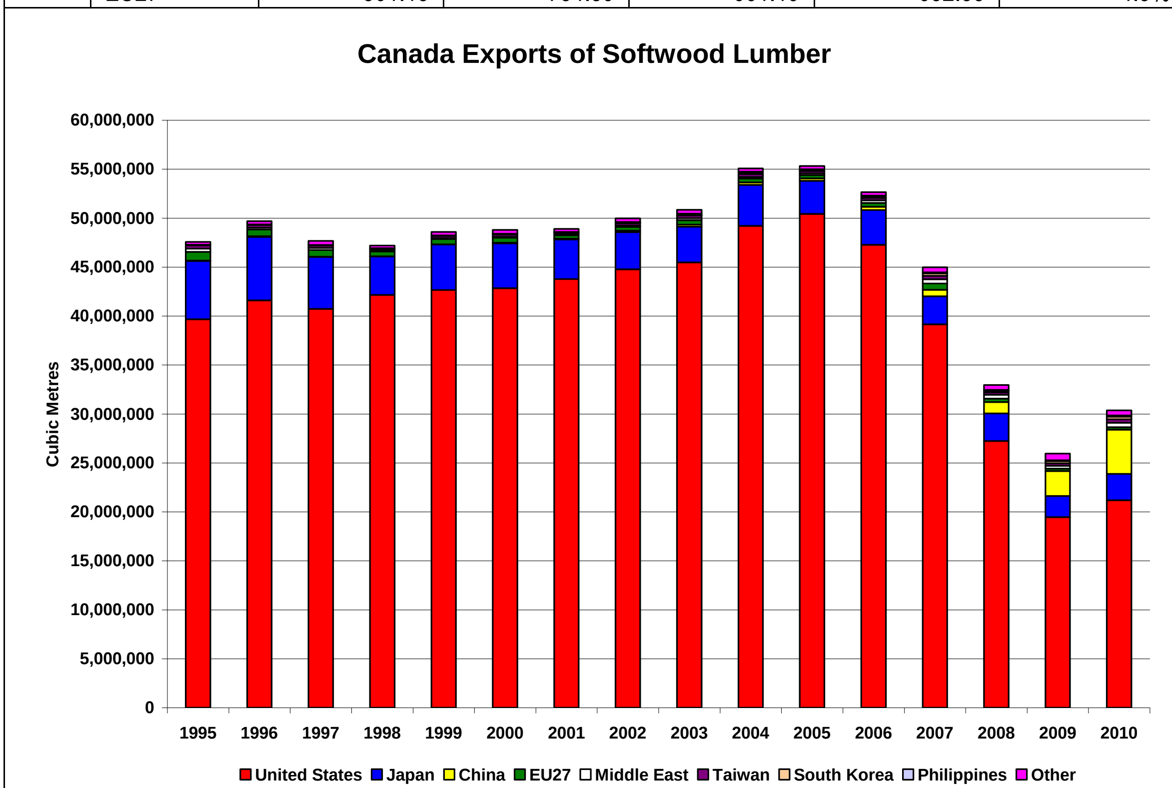


Source: Global Trade Information Services, Inc.

In the 2010 tally, shipments to the United States and Japan recovered by 8.8% and 24.5% respectively. However, it was the new sales generated in China that were the most noteworthy. The new sales generated (1.96 million m^3) in China outperformed the volume recovered (1.72 million m^3) in the US during 2010. China, since surpassing Japan as the second largest customer in 2009, has continued to increase its purchase of Canadian lumber. However, lumber sold to China did not command the same price premium achieved with Japan since the Chinese were seeking lower quality products. Nonetheless, the China story has been one of the few bright spots for the Canadian lumber industry these past years.

Canada Exports of Softwood Lumber by Destination, cubic metres

		2007	2008	2009	2010	% Change (09-10)
United States		39,140,343	27,231,245	19,456,495	21,177,454	8.8%
Japan		2,878,043	2,815,059	2,164,839	2,695,034	24.5%
China		651,113	1,168,941	2,550,266	4,514,551	77.0%
EU27		638,073	355,597	241,960	263,584	8.9%
Middle East		440,669	385,881	297,741	444,973	49.4%
Taiwan		358,640	240,469	234,040	356,058	52.1%
South Korea		250,884	186,106	245,874	258,812	5.3%
Philippines		97,582	66,617	78,569	140,095	78.3%
Other		512,988	510,735	671,483	513,287	-23.6%
Total		44,968,335	32,960,650	25,941,267	30,363,848	17.0%
CAD $		7,084,104,492	5,098,752,860	3,765,497,065	4,842,059,643	28.6%
$ / m^3	United States	141.48	132.04	125.44	138.72	10.6%
	Japan	264.96	265.98	266.78	265.85	-0.3%
	China	155.20	153.81	126.07	150.18	19.1%
	EU27	501.15	754.89	661.19	632.53	-4.3%



Source: Global Trade Information Services, Inc.

CANADIAN PANELS

Credit: www.naturallywood.com

The depression in US housing starts, which began in late 2006, not only cooled the demand for framing lumber, but also other building products such as OSB and plywood panels. As months passed, the economy continued to worsen, unemployment numbers surged resulting in more bank foreclosed homes. Combined with the unsold units, a large oversupply of housing inventory became available. As a result, housing starts (905,500 units in 2008) in the US fell below 1 million for the first time since record keeping began in 1950. By the end of 2009, that number dipped to 554,000. Although a small recovery was observed in 2010 (586,900 units), it was the third consecutive year that housing starts were below 1 million units.

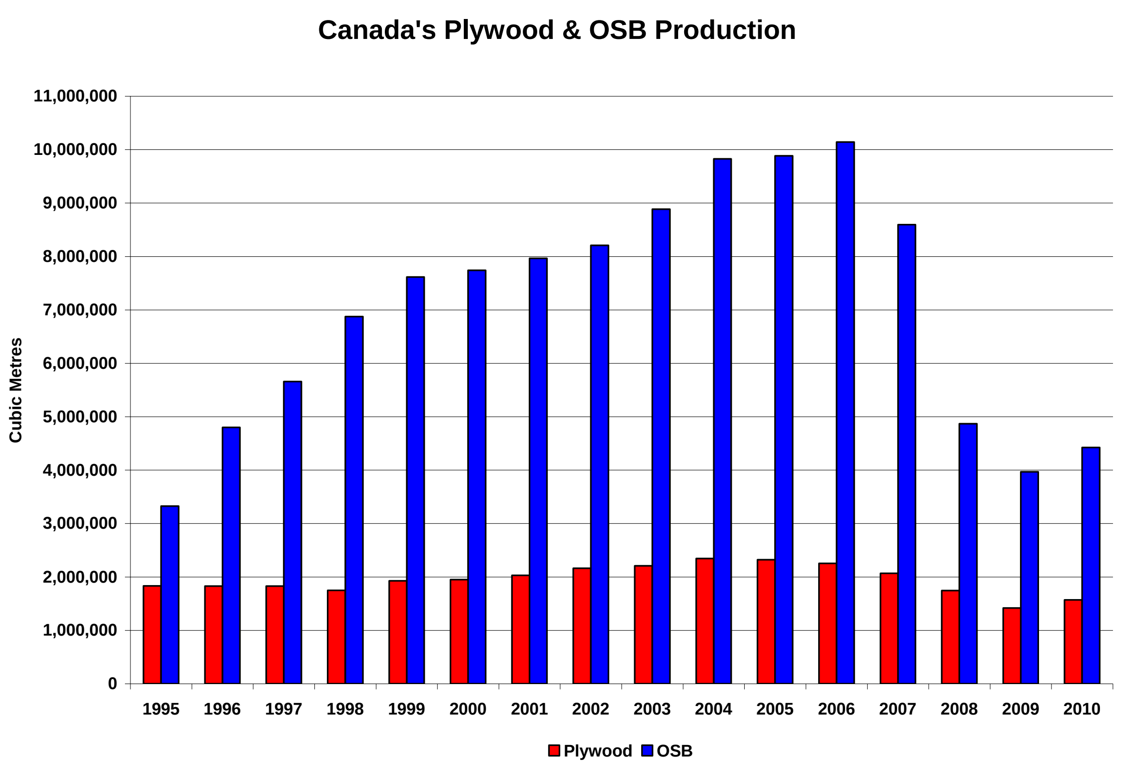
The resurgence of the US housing market will likely follow the recovery of the US economy and job markets. While the housing numbers are not expected to rebound in the immediate future, the repair and remodelling sectors will help maintain some consumption level of these panels and other building products.

Plywood & OSB Production

Compared to the peaks, plywood production fell in 2010 by more than 33% from 2004 while OSB dropped by more than 56% from 2006. With no significant recovery appearing on the horizon, the consumption for these structural panels will continue to ease until the housing market rebounds. In addition to dealing with the economic issues, the biggest battle for plywood is its substitute, competing product – OSB. With the continued preference for OSB over plywood by home builders, production (and demand) is expected to further decline.

Canada's Plywood & OSB Production

	Plywood		OSB		Total	
	million ft^2	m^3	million ft^2	m^3	million ft^2	m^3
2000	2,201	1,947,788	8,744	7,738,053	10,945	9,685,841
2001	2,291	2,027,434	8,998	7,962,832	11,289	9,990,265
2002	2,442	2,161,062	9,273	8,206,195	11,715	10,367,257
2003	2,493	2,206,195	10,040	8,884,956	12,533	11,091,150
2004	2,648	2,343,363	11,103	9,825,664	13,751	12,169,027
2005	2,625	2,323,009	11,168	9,883,186	13,793	12,206,195
2006	2,545	2,252,212	11,460	10,141,593	14,005	12,393,805
2007	2,335	2,066,372	9,710	8,592,920	12,045	10,659,292
2008	1,969	1,742,478	5,502	4,869,027	7,471	6,611,504
2009	1,602	1,417,699	4,484	3,968,142	6,086	5,385,841
2010	1,774	1,569,912	4,998	4,423,009	6,772	5,992,920



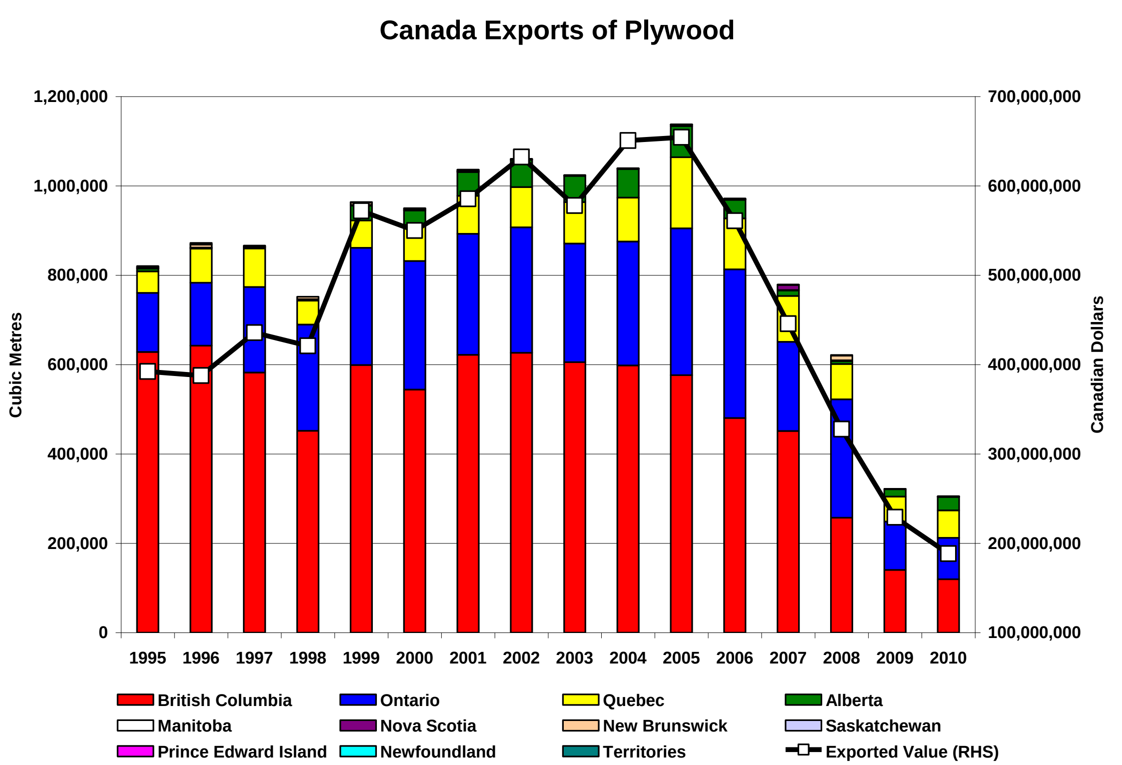
Source: APA – The Engineered Wood Association

PLYWOOD EXPORTS

While a small recovery in lumber shipments was observed, the same cannot be said for plywood panels. Export sales continued to decline since 2005, falling by more than 17.8% in value and around 5% in volume in 2010.

Canada Exports of Plywood by Province, cubic metres

	2007	2008	2009	2010	% Change (09-10)
British Columbia	451,548	257,057	140,440	119,720	-14.8%
Ontario	199,231	265,159	108,400	92,502	-14.7%
Quebec	102,647	79,237	55,909	61,451	9.9%
Alberta	12,627	6,243	16,005	29,984	87.3%
Manitoba	862	846	297	1,004	238.0%
Nova Scotia	11,245	935	472	503	6.6%
New Brunswick	337	10,529	289	122	-57.8%
Saskatchewan	610	524	145	84	-42.1%
Prince Edward Island	47	0	0	16	-
Newfoundland	22	657	7	7	0.0%
Territories	0	5	0	0	-
Total	779,176	621,192	321,964	305,393	-5.1%
CAD $	445,648,212	327,787,220	229,071,917	188,309,927	-17.8%



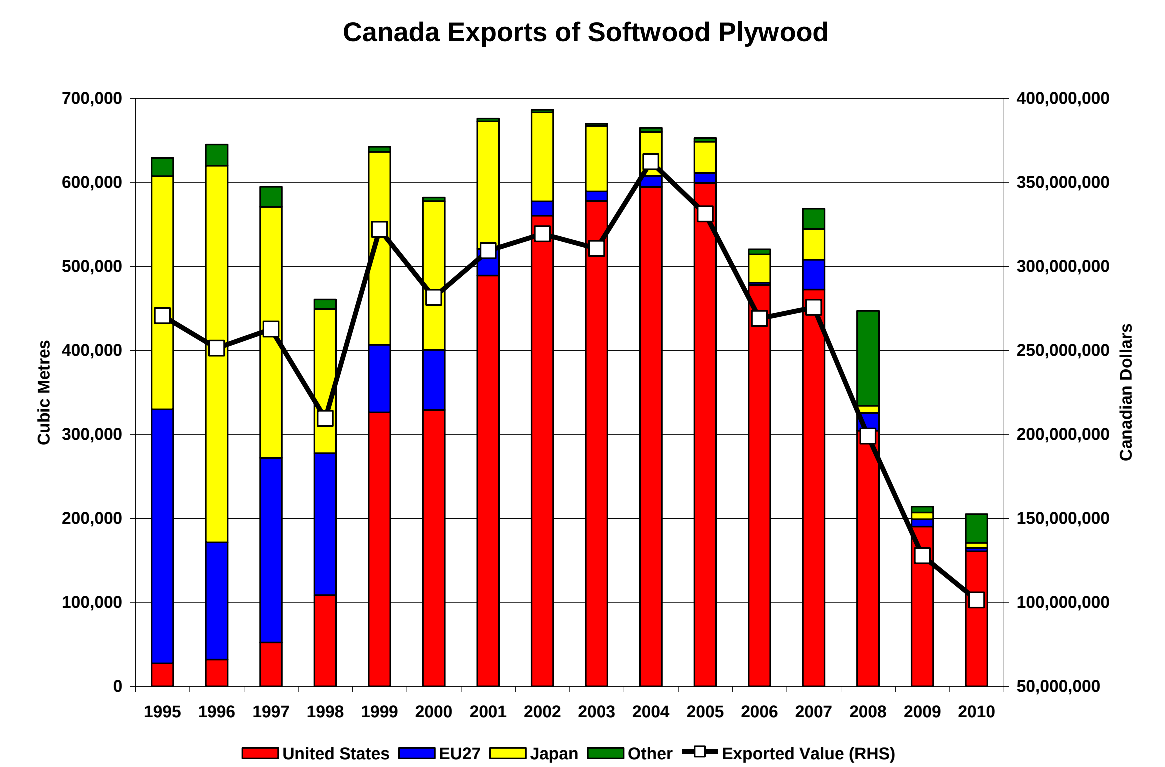
Source: Global Trade Information Services, Inc.

Softwood Plywood Exports

As the plywood industry in China keeps growing, its strength is felt around the globe – good for customers and painful for producers. Since the middle of the decade, exports of softwood plywood by Canada have dropped significantly. Shipments to traditional non-US markets such as EU27 and Japan have all but disappeared as those markets are flooded with less expensive Chinese products. As a quick remedy, much of the displaced products were routed to the US, until the housing market struggled in late 2006. In monetary terms, sales of softwood plywood fell 20.6% in 2010, equivalent to a drop of 4.2% in volume. It is worth noting that western Canada, specifically British Columbia, continues to be responsible for most of these softwood plywood exports.

Canada Exports of Softwood Plywood, cubic metres

		2007	2008	2009	2010	% Change (09-10)
United States		472,581	304,495	190,296	160,897	-15.4%
EU27		35,366	20,915	8,644	3,938	-54.4%
Japan		36,474	8,842	8,120	6,190	-23.8%
Other		24,323	112,821	6,987	34,011	386.8%
Total		568,744	447,073	214,047	205,036	-4.2%
CAD $		275,625,831	198,951,183	127,737,348	101,369,576	-20.6%
$ / m^3	United States	509.64	571.64	609.06	553.32	-9.2%
	EU27	434.84	647.65	531.26	633.42	19.2%
	Japan	364.68	411.19	385.53	394.58	2.3%



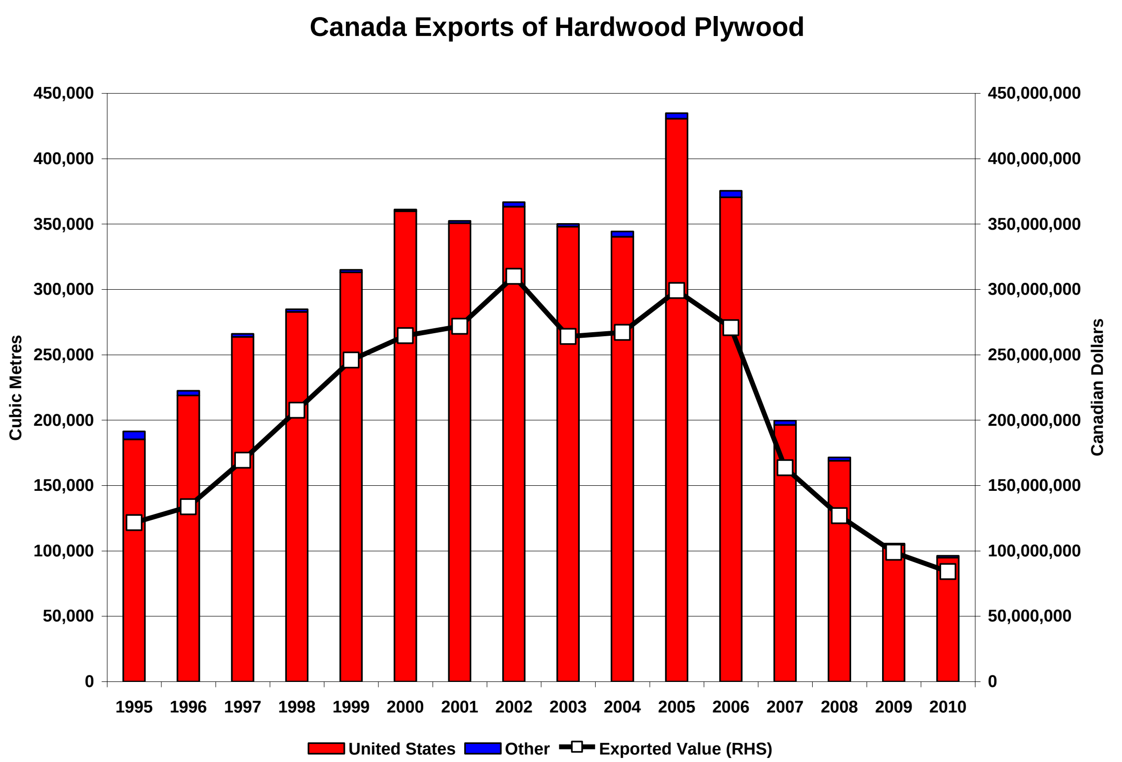
Source: Global Trade Information Services, Inc.

Hardwood Plywood Exports

Similar to softwood plywood, sales of these hardwood panels have also taken a large drop since the middle of the decade. According to the latest tally, 2010 was the first time in the past 15 years that less than 100,000 cubic metres of hardwood plywood was exported. Despite trailing in both volume and value sold, the average prices for hardwood plywood remained higher than softwood panels.

Canada Exports of Hardwood Plywood, cubic metres

		2007	2008	2009	2010	% Change (09-10)
	United States	196,283	169,025	104,382	94,748	-9.2%
	Other	3,365	2,364	1,109	1,415	27.6%
	Total	199,648	171,389	105,491	96,163	-8.8%
	CAD $	163,542,743	126,773,791	98,921,988	84,168,353	-14.9%
$ / m^3	United States	825.00	744.68	942.03	884.23	-6.1%
	Other	477.96	382.24	533.20	275.16	-48.4%



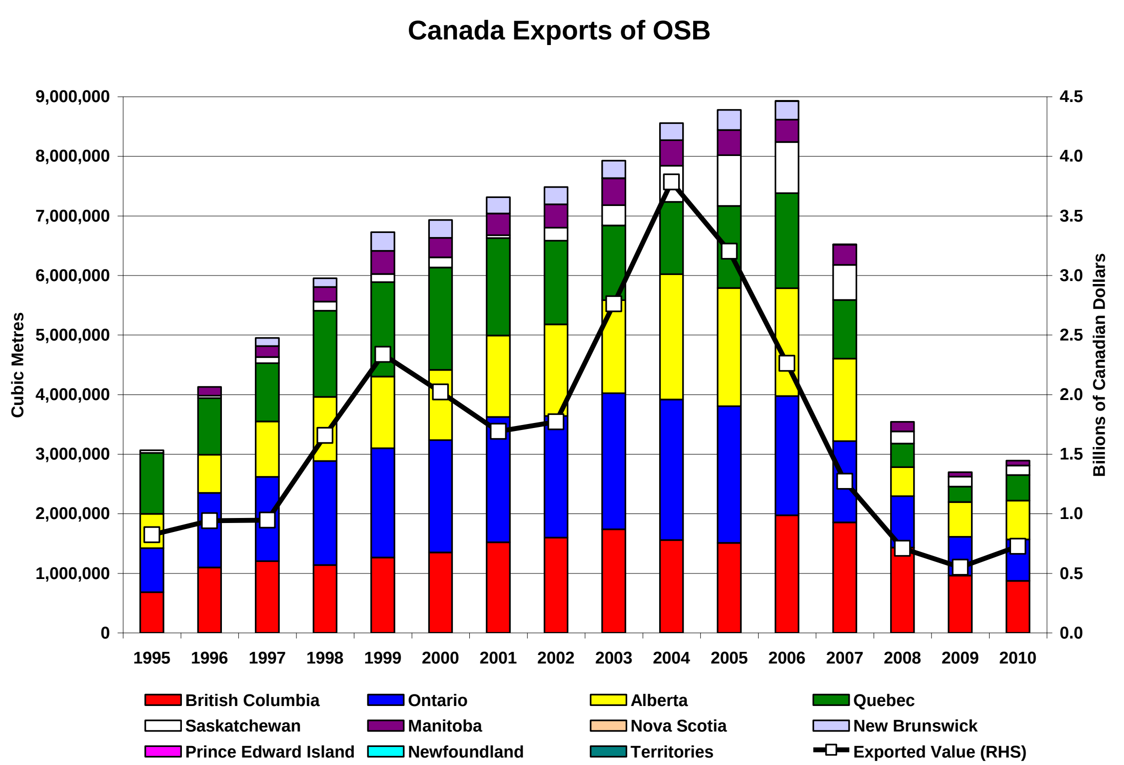
Source: Global Trade Information Services, Inc.

OSB EXPORTS

From 1995 to 2006, exports of OSB grew by a staggering 200%, tripling from 3 million cubic metres to 9 million. Strong housing starts, along with home builders' continued acceptance of OSB over plywood were the key factors leading to this growth. Unfortunately, this amazing growth came to an abrupt halt in 2007 – the outcome of the weak housing market and the financial crisis. It took the industry a decade to triple the output, yet it only took three years to see that entire growth vanish completely.

Canada Exports of OSB by Provinces, cubic metres

	2007	2008	2009	2010	% Change (09-10)
British Columbia	1,854,789	1,431,749	961,666	873,378	-9.2%
Ontario	1,362,521	861,981	651,936	695,416	6.7%
Alberta	1,383,277	488,280	580,160	652,051	12.4%
Quebec	985,556	396,598	262,251	428,112	63.2%
Saskatchewan	591,059	204,304	164,966	161,345	-2.2%
Manitoba	338,970	158,870	75,710	80,083	5.8%
Nova Scotia	60	110	27	142	425.9%
New Brunswick	5,653	0	216	0	-100.0%
Prince Edward Island	0	0	0	0	-
Newfoundland	138	0	0	0	-
Territories	0	0	0	0	-
Total	6,522,023	3,541,892	2,696,932	2,890,527	7.2%
CAD $	1,272,315,307	709,151,206	549,960,647	725,944,096	32.0%

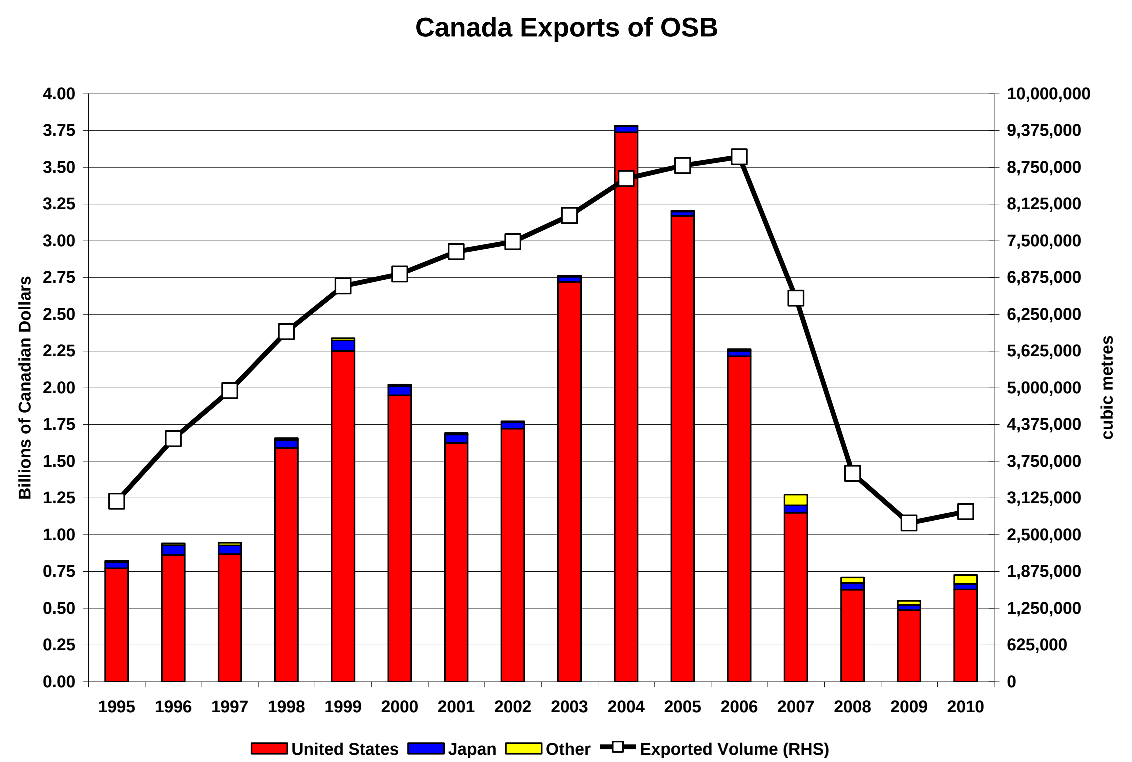


Source: Global Trade Information Services, Inc.

The decline in OSB is even more pronounced when exports are analyzed in monetary terms. Although shipments in volume were growing until 2006, it was achieved under diminishing prices, as sales in dollars fell at a drastic rate two years earlier. By 2009, offshore sales of OSB were valued at just $550 million, six times less than the value recorded in 2004. Although a 32% recovery in sales (and 7.2% in volume) was observed in 2010, the export sales recorded were still only a portion of those during the peak years.

Canada Exports of OSB, cubic metres

		2007	2008	2009	2010	% Change (09-10)
United States		5,998,217	3,188,918	2,411,895	2,463,328	2.1%
Japan		177,922	174,408	132,112	154,749	17.1%
Other		345,884	178,566	152,925	272,515	78.2%
	Total	6,522,023	3,541,892	2,696,932	2,890,592	7.2%
	CAD $	1,272,315,307	709,151,206	549,960,647	725,944,096	32.0%
$ / m^3	United States	191.60	196.21	201.66	254.64	26.3%
	Japan	283.87	266.15	264.94	240.81	-9.1%



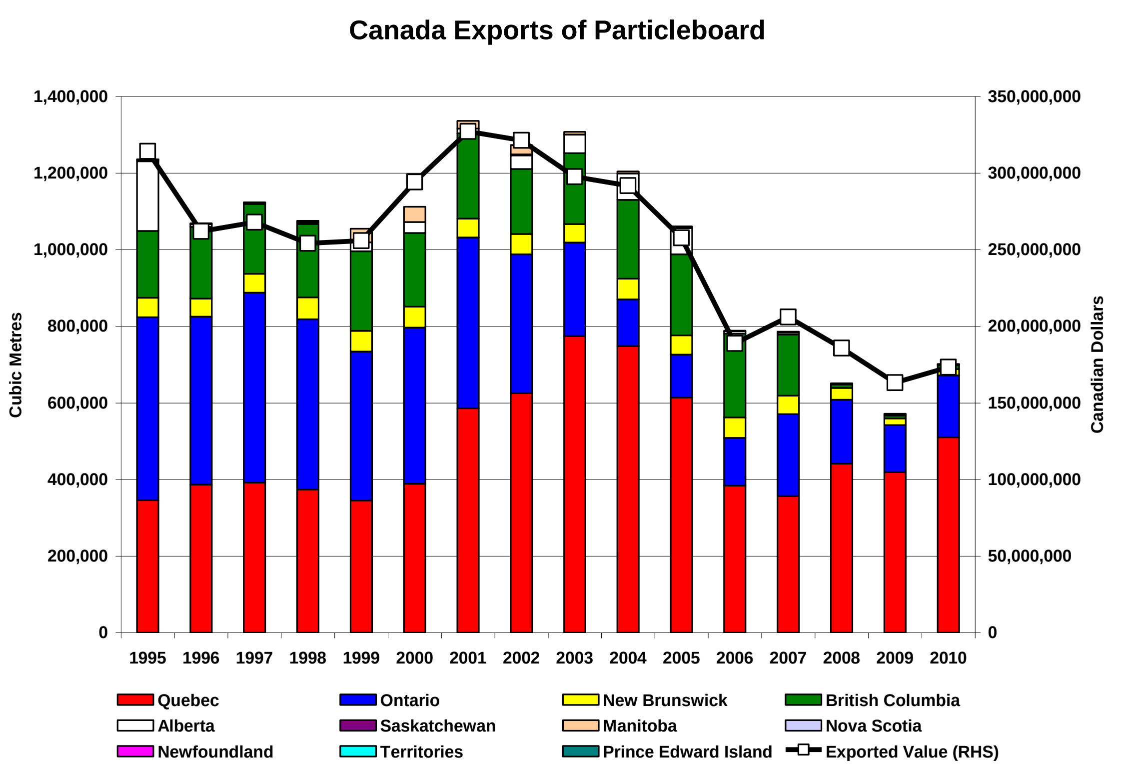
Source: Global Trade Information Services, Inc.

PARTICLEBOARD EXPORTS

Since 2001, exports of particleboard by Canada have declined gradually, with shipments from British Columbia and Alberta having all but disappeared. As other provinces continue to fade, Quebec and Ontario combine to represent more than 95% of the nation's particleboard export sales.

Canada Exports of Particleboard by Provinces, cubic metres

	2007	2008	2009	2010	% Change (09-10)
Quebec	356,341	441,394	419,148	510,386	21.8%
Ontario	214,449	166,923	122,645	161,550	31.7%
New Brunswick	48,024	30,438	17,538	16,519	-5.8%
British Columbia	159,928	9,167	7,788	9,837	26.3%
Alberta	5,169	2,159	3,040	1,735	-42.9%
Saskatchewan	496	536	1,452	549	-62.2%
Manitoba	1,570	298	179	920	414.0%
Nova Scotia	49	70	36	8	-77.8%
Newfoundland	0	0	0	0	-
Territories	0	0	0	0	-
Prince Edward Island	0	0	0	0	-
Total	786,026	650,985	571,826	701,504	22.7%
CAD $	206,014,923	185,685,044	163,188,560	173,307,620	6.2%

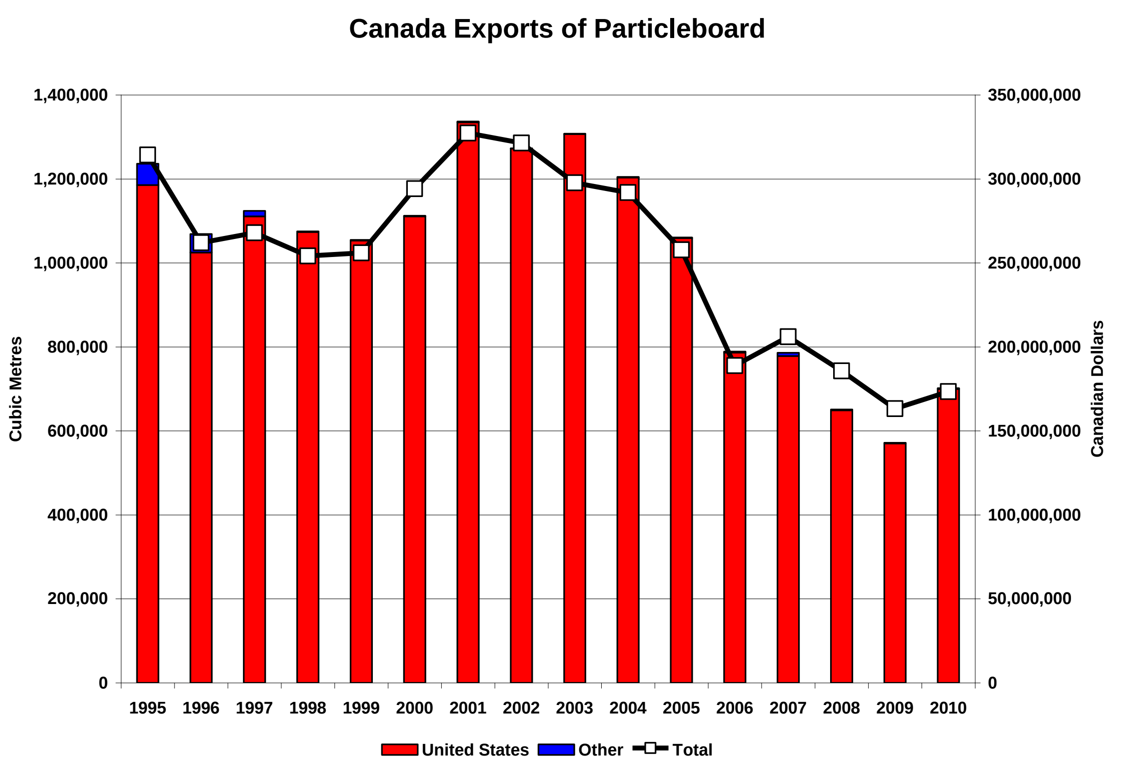


Source: Global Trade Information Services, Inc.

In 2010, offshore sales of particleboard recovered by 22.7% in volume, or 6.2% in monetary terms. Similar to OSB panels, much of the exported particleboard was sold to the US.

Canada Exports of Particleboard, cubic metres

		2007	2008	2009	2010	% Change (09-10)
	United States	778,221	648,907	570,396	699,543	22.6%
	Other	7,805	2,078	1,430	1,961	37.1%
	Total	786,026	650,985	571,826	701,504	22.7%
	CAD $	206,014,923	185,685,044	163,188,560	173,307,620	6.2%
$ / m³	United States	261.90	285.09	285.22	246.94	-13.4%
	Other	281.26	331.70	349.86	287.58	-17.8%



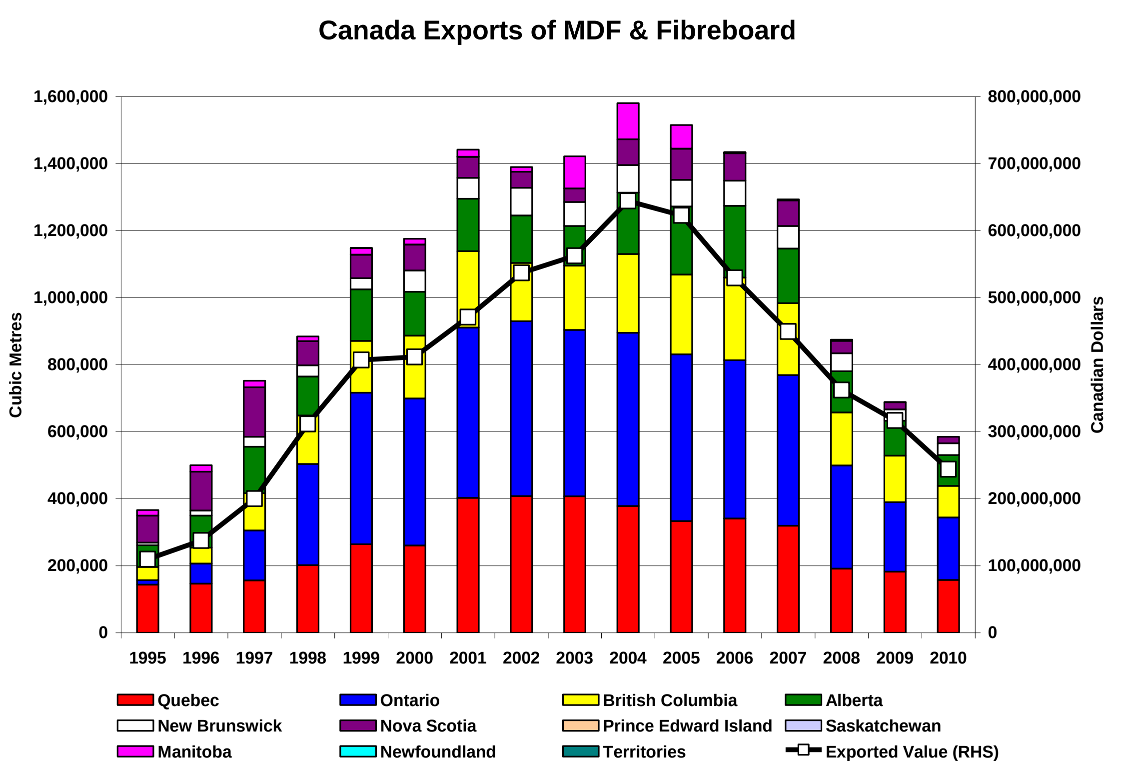
Source: Global Trade Information Services, Inc.

MDF & FIBREBOARD EXPORTS

After seeing exports dip below 1 million cubic metres in 2008, for the first time since 1998, sales continued to slide into 2010. As China and Europe continue to expand their production capacities and provide customers worldwide with less expensive MDF, Canadian (and US) producers will see their market share decrease.

Canada Exports of MDF & Fibreboard by Provinces, cubic metres

	2007	2008	2009	2010	% Change (09-10)
Quebec	319,407	191,296	182,325	157,626	-13.5%
Ontario	449,543	308,335	207,400	186,883	-9.9%
British Columbia	214,523	157,834	138,554	93,445	-32.6%
Alberta	162,964	122,896	104,389	92,383	-11.5%
New Brunswick	67,484	53,438	33,992	35,379	4.1%
Nova Scotia	76,683	37,208	21,161	18,905	-10.7%
Prince Edward Island	1,026	2,290	27	0	-100.0%
Saskatchewan	1,635	964	919	381	-58.5%
Manitoba	275	106	5	21	320.0%
Newfoundland	2	5	0	2	-
Territories	2	0	0	0	-
Total	1,293,544	874,372	688,772	585,025	-15.1%
CAD $	449,408,975	362,095,450	316,553,271	244,083,588	-22.9%

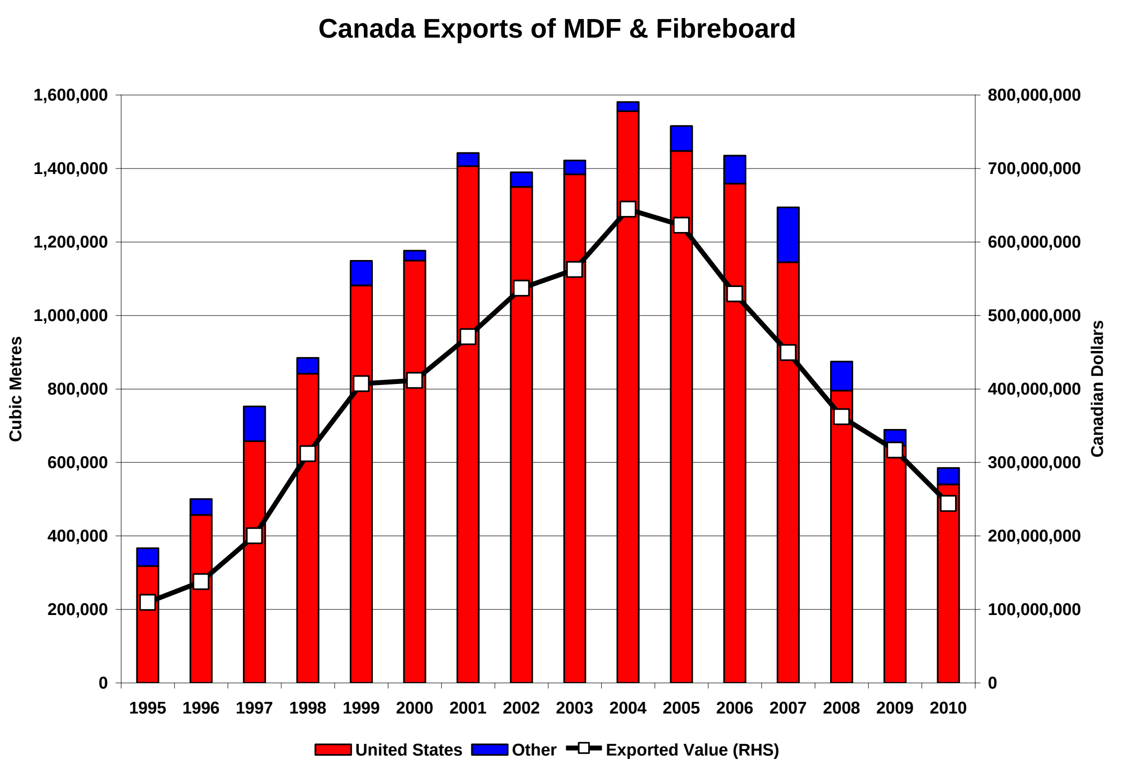


Source: Global Trade Information Services, Inc.

While exports in volume fell by more than 23% in 2010, shipments in monetary terms decreased by 15%. Similar to OSB and particleboard, most of the exported MDF and fibreboard was sold to the United States.

Canada Exports of MDF & Fibreboard, cubic metres

		2007	2008	2009	2010	% Change (09-10)
United States		1,144,345	795,280	644,782	540,133	-16.2%
Other		149,199	79,092	43,990	44,872	2.0%
	Total	1,293,544	874,372	688,772	585,005	-15.1%
	CAD $	449,408,975	362,095,450	316,553,271	244,056,268	-22.9%
$ / m^3	United States	345.31	414.36	459.49	409.70	-10.8%
	Other	363.62	411.72	461.01	507.28	10.0%



Source: Global Trade Information Services, Inc.

WOODEN FURNITURE INDUSTRY

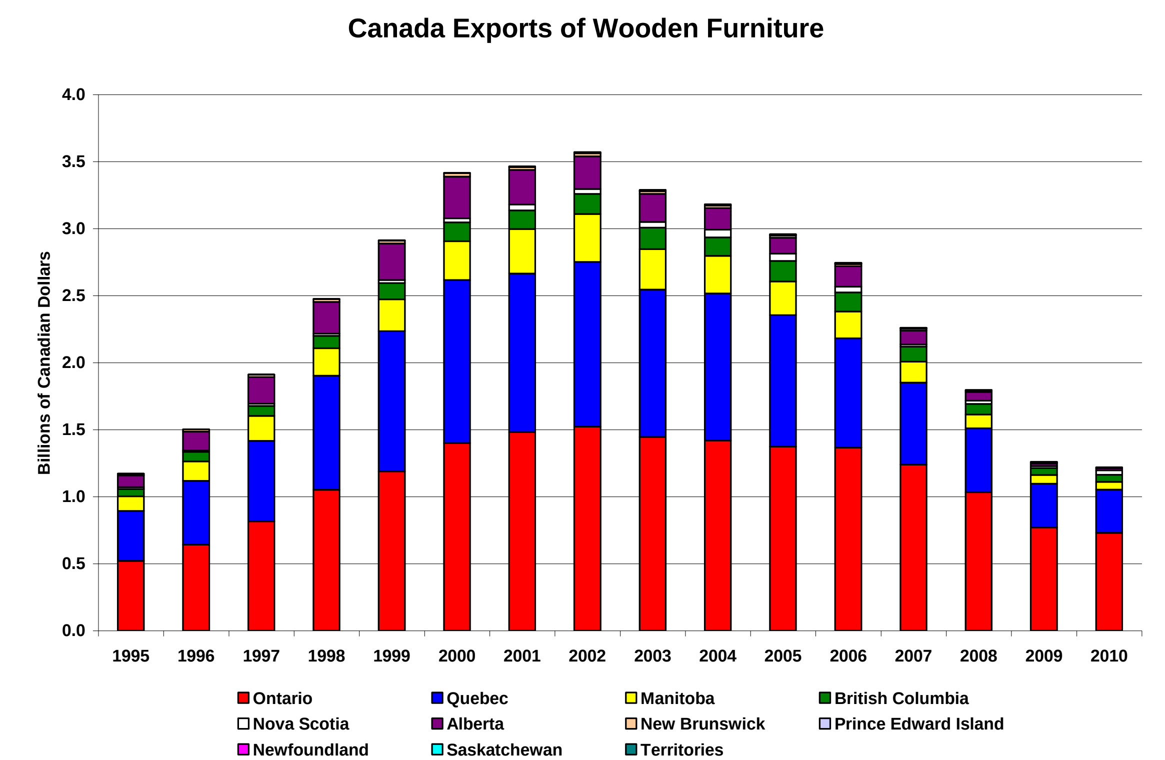
Credit: www.naturallywood.com

As competitors such as China and Thailand continue to strengthen their global reach, offshore sales of wooden furniture by Canada continue to fall. Exports sales by Canada during 2010 were little changed (down 3.3%) from the previous year at $1.22 billion, the lowest output since 1995.

Since 2002, export sales of wooden furniture by Canada have declined. Strong competition from overseas producers such as China will continue to put downward pressure on Canada's export results. Although down 5.4%, products from Ontario continue to represent more than half of the nation's export shipments.

Canada Exports of Wooden Furniture by Province, millions of Canadian Dollars

	2006	2007	2008	2009	2010	% Change (09-10)
Ontario	1,366.54	1,239.66	1,033.52	771.20	729.66	-5.4%
Quebec	814.71	612.05	476.60	325.57	323.46	-0.6%
Manitoba	201.31	155.20	102.80	64.64	57.36	-11.3%
British Columbia	142.03	112.42	79.61	51.84	52.49	1.3%
Nova Scotia	42.44	16.55	24.40	15.92	33.43	110.0%
Alberta	153.09	103.38	64.26	19.77	16.34	-17.4%
New Brunswick	15.14	13.83	9.90	7.85	4.23	-46.1%
Prince Edward Island	6.39	5.24	5.71	3.43	2.14	-37.6%
Newfoundland	0.71	0.32	0.05	0.13	0.30	129.6%
Saskatchewan	2.73	1.74	0.85	0.93	0.25	-73.5%
Territories	0.02	0.01	0.01	0.05	0.00	-94.9%
Total	2,745.10	2,260.38	1,797.72	1,261.32	1,219.65	-3.3%



Source: Global Trade Information Services, Inc.

The United States remains Canada's largest customer as it purchased over 97% of the wooden furniture exported. While Canada continues to lose ground in traditional markets such as the US, EU27 and Japan, small sales to other customers such as China and the Middle East can be observed. Despite the 71% cool off in 2010, sales to the Middle East remained higher than the products sold to EU27.

Canada Exports of Wooden Furniture, millions of Canadian Dollars

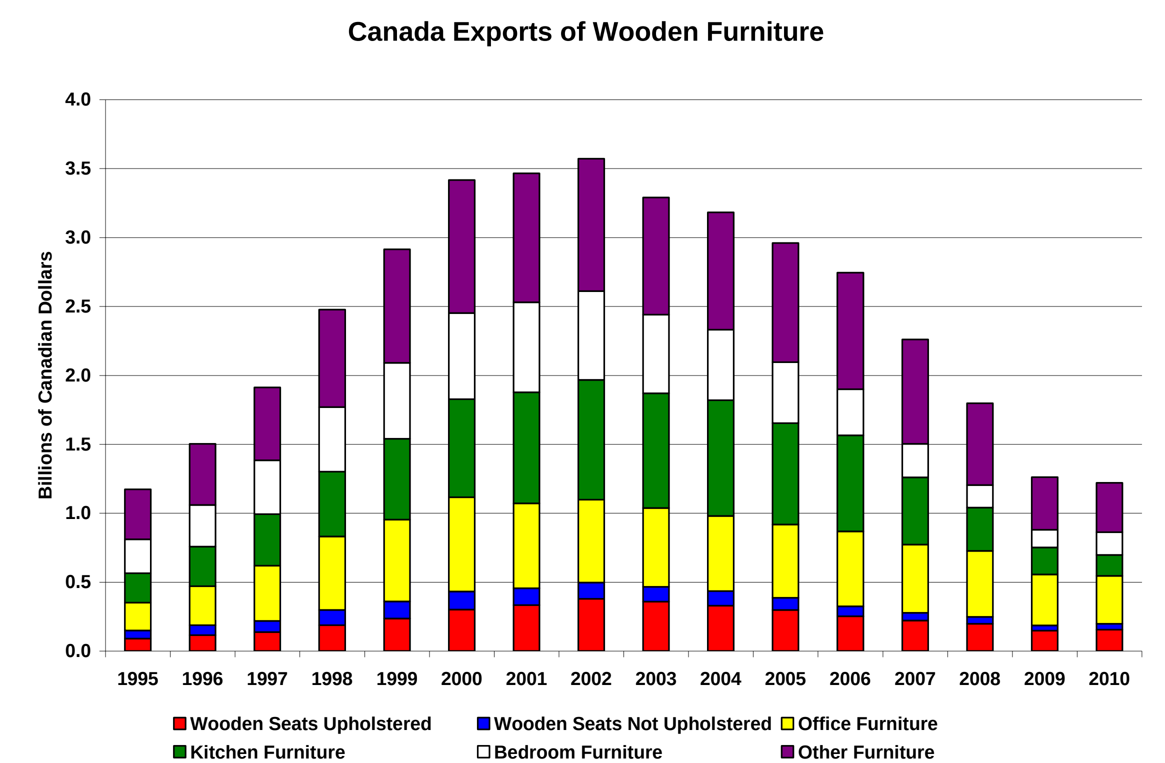
	2007	2008	2009	2010	% Change (09-10)
United States	2,210.27	1,749.77	1,213.00	1,185.49	-2.3%
Middle East	6.59	7.27	17.76	5.17	-70.9%
EU27	10.18	7.57	5.39	4.90	-9.0%
China	2.24	1.11	3.07	4.22	37.4%
Japan	1.77	1.23	1.25	1.18	-6.2%
Other	29.34	30.76	20.86	18.69	-10.4%
Total	2,260.38	1,797.72	1,261.32	1,219.65	-3.3%

Source: Global Trade Information Services, Inc.

Kitchen furniture, the once dominating product, continues to lose ground and now ranks as the fourth largest wood furniture exported by Canada. As a whole, wooden furniture exports cooled for the eighth consecutive year after sales dipped by another 3.3% in 2010.

Exports of Wooden Furniture, millions of Canadian Dollars

	2007	2008	2009	2010	% Change (09-10)
Wooden Seats Upholstered	221.15	197.85	147.10	154.67	5.1%
Wooden Seats Not Upholstered	56.26	49.34	37.98	43.48	14.5%
Office Furniture	494.72	478.51	370.07	346.27	-6.4%
Kitchen Furniture	487.69	314.19	196.73	152.97	-22.2%
Bedroom Furniture	242.93	163.55	126.98	164.98	29.9%
Other Furniture	757.63	594.29	382.46	357.28	-6.6%
Total	2,260.38	1,797.72	1,261.32	1,219.65	-3.3%



Source: Global Trade Information Services, Inc.

PULP & PAPER PRODUCTS INDUSTRY

Photo Credit: Adobe ID 317ASP879-43321771-879-43321771

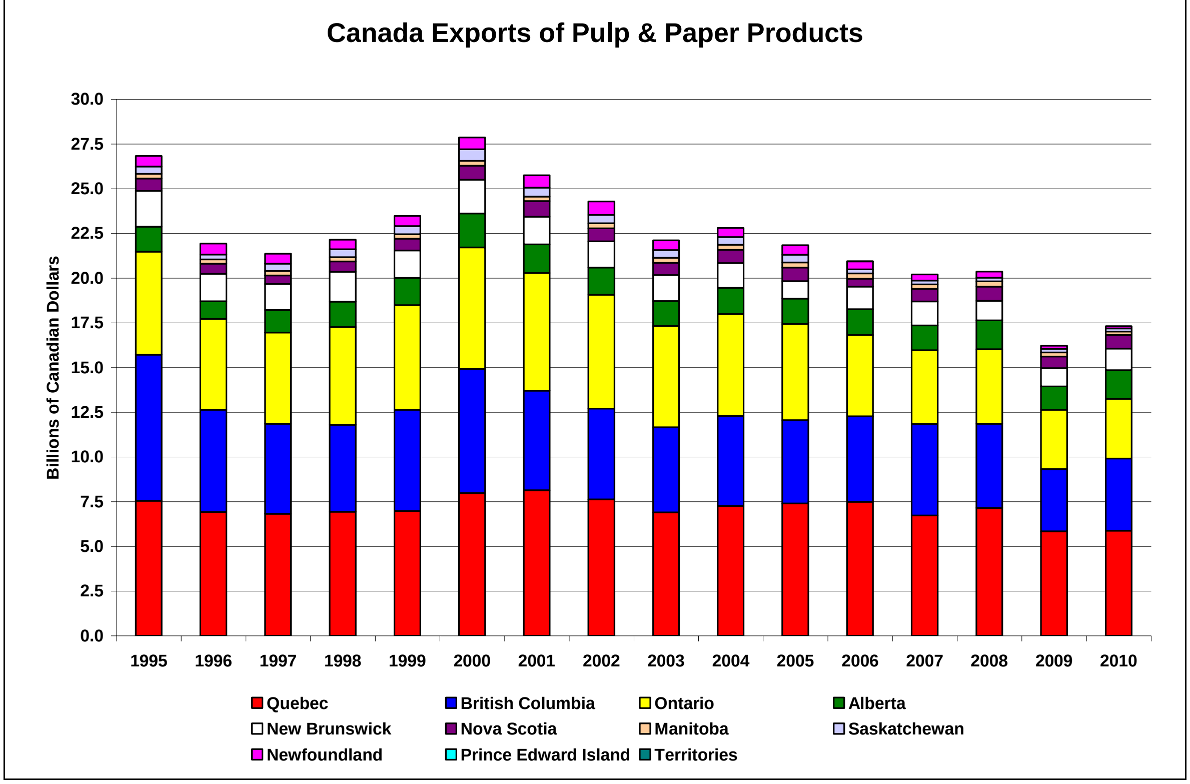
Although Canadian pulp is renowned and preferred by many for its high quality and long fibre length, eucalyptus nations continue their scientific research to try to extend the length of their pulp. In the coming decades, those competitive advantages that the pulp industry currently holds may no longer be found exclusively in Canadian products.

As for the paper sector, the advancement in electronic communication and the arrival of handheld tablet computers will continue to lower the consumption of paper products, particularly newsprint, and even printing & writing papers to some degree. While this reduction is predicted in developed nations, opportunities might be possible in developing countries. On the other hand, other paper products such as wrapping & packaging papers, and household & sanitary paper products are in battle with substitute products made with non-wood fibre – in addition to offshore competition.

The provinces of Quebec and Ontario continue to combine for more than half the nation's pulp and paper exports. While sales by the two eastern provinces remained unchanged in 2010, products shipped from British Columbia recovered by 16.2% to settle at $4.04 billion. It is worth mentioning that eastern Canada is responsible for producing paper products, while western Canada is known for its pulp production. As a whole, Canada's sales of pulp & paper products recovered by 6.7% in 2010 to $17.3 billion.

Canada Exports of Pulp & Paper Products by Province, millions of Canadian Dollars

	2007	2008	2009	2010	% Change (09-10)
Quebec	6,723.90	7,152.40	5,845.70	5,871.00	0.4%
British Columbia	5,121.46	4,699.27	3,475.86	4,037.66	16.2%
Ontario	4,115.52	4,171.02	3,311.50	3,342.61	0.9%
Alberta	1,388.50	1,609.27	1,315.40	1,601.90	21.8%
New Brunswick	1,342.07	1,089.74	1,016.76	1,197.98	17.8%
Nova Scotia	701.39	804.03	652.54	764.40	17.1%
Manitoba	259.74	288.99	224.54	198.76	-11.5%
Saskatchewan	213.80	206.74	202.66	171.23	-15.5%
Newfoundland	341.05	337.28	166.26	113.62	-31.7%
Prince Edward Island	0.93	0.83	1.89	7.79	311.2%
Territories	0.21	0.04	0.03	0.35	954.9%
Total	20,208.56	20,359.61	16,213.15	17,307.29	6.7%

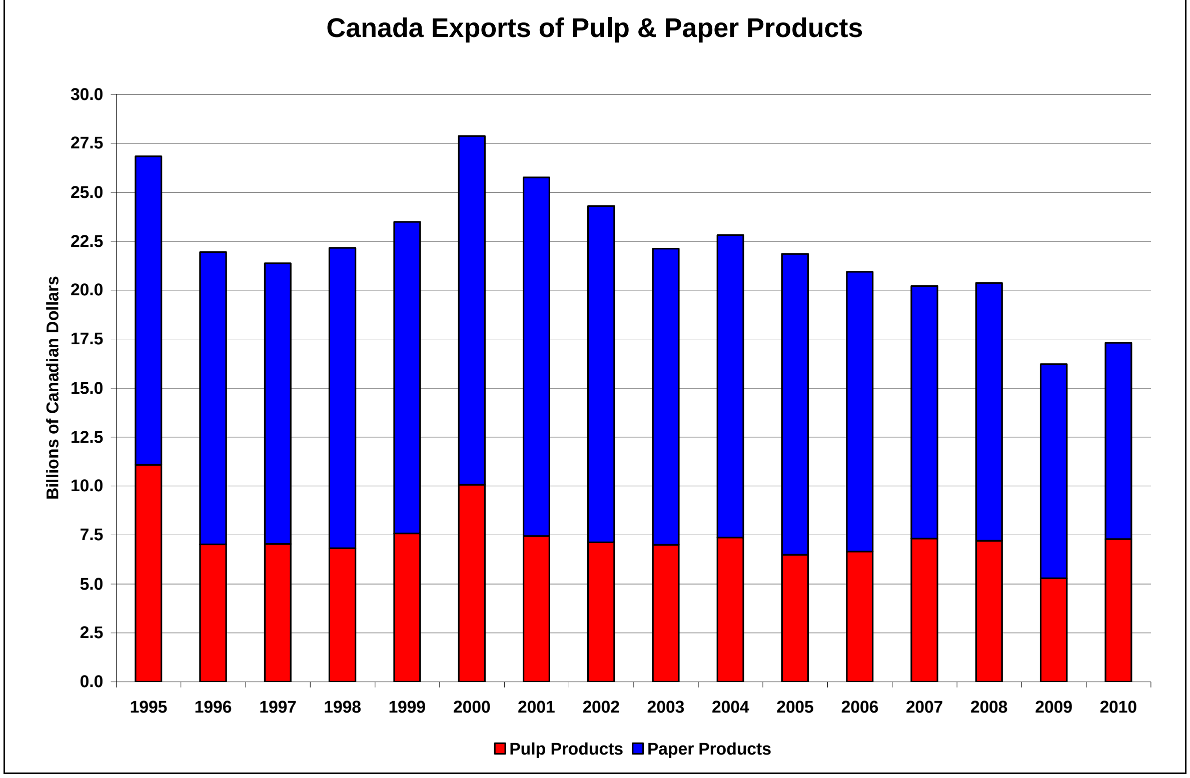


Source: Global Trade Information Services, Inc.

Since peaking at $27.9 billion in 2000, exports of pulp and paper products declined thereafter. While pulp products have fallen by 27.6% (or $2.8 billion), paper products dropped by 43.7% (or $7.8 billion). It should be noted that much of this downturn in paper sales is directly related to the drop in newsprint consumption.

Canada's Exports of Pulp & Paper Products, millions of Canadian Dollars

	2007	2008	2009	2010	% Change (09-10)
Pulp Products	7,315.82	7,202.00	5,282.31	7,286.78	37.9%
Paper Products	12,892.75	13,157.60	10,930.84	10,020.51	-8.3%
Total	20,208.56	20,359.61	16,213.15	17,307.29	6.7%

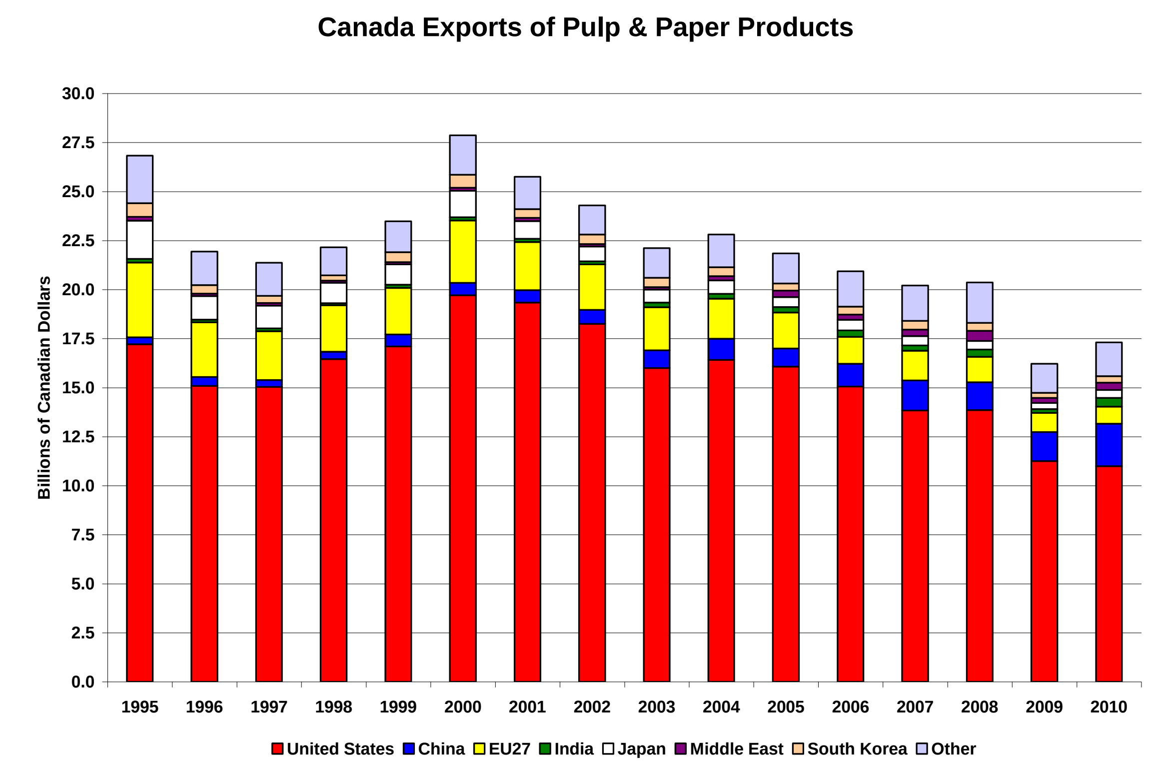


Source: Global Trade Information Services, Inc.

Similar to wood products, the United States has long been the dominant customer of Canada's pulp and paper products, but has eased its purchases since 2000. While sales to the US continued to fall in 2010, products sold to other notable nations led the 6.7% recovery. In less than four years since China surpassed EU27 to become the second largest customer, China's imports continued to increase while shipments to the European customers kept drifting downward.

Canada Exports of Pulp & Paper Products by Province, millions of Canadian Dollars

	2007	2008	2009	2010	% Change (09-10)
United States	13,837.43	13,850.77	11,253.13	10,997.96	-2.3%
China	1,528.32	1,426.39	1,481.58	2,159.78	45.8%
EU27	1,511.42	1,295.38	972.80	873.26	-10.2%
India	274.02	372.22	203.54	445.49	118.9%
Japan	474.92	434.42	310.78	406.33	30.7%
Middle East	333.35	516.64	256.14	374.00	46.0%
South Korea	447.72	409.40	253.00	330.62	30.7%
Other	1,801.38	2,054.40	1,482.18	1,719.85	16.0%
Total	20,208.56	20,359.61	16,213.15	17,307.29	6.7%



Source: Global Trade Information Services, Inc.

CANADIAN PULP PRODUCTS

Photo Credit: FPInnovations

Across the nation, Canadian producers manufacture numerous pulp products, including mechanical pulp, chemical pulp, and recovered paper from recycled products. Mechanical pulp is produced via physical grinding, and is used for products which require less strength (i.e., newsprint). Alternatively, chemical pulp is produced with the aid of chemicals, which help break down the lignin, and then bind the cellulose fibres back together. These chemical pulps are often the raw material for paper products which require more strength, such as printing & writing papers, and sanitary & household papers. Finally, recovered papers are often obtained by salvaging from recyclable paper products.

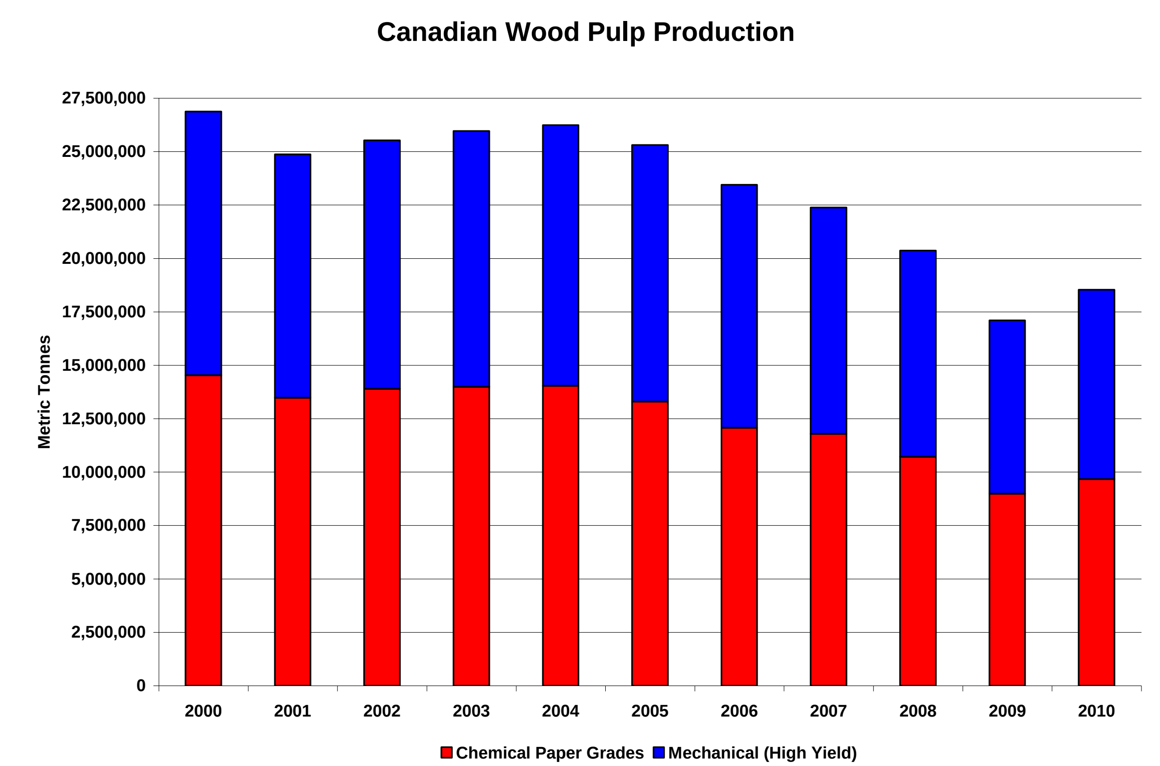
It is anticipated that the timber supply in Canada will continue to fall, resulting in a hike of wood fibre costs. While a harvest reduction in Quebec has been introduced by government, the fall in timber supply in the west is directly linked to the beetle infestation. This drop in timber supply will raise the cost of wood fibre, creating a big obstacle for many producers to overcome. Additionally, Canadian producers are faced with fierce competition from overseas, namely countries in Europe and South America.

PULP PRODUCTS PRODUCTION

In 2010, wood pulp production by the Canadian pulp industry recovered slightly to 18.5 million tonnes. While the domestic paper industry consumed over 9.4 million tonnes of that production, the remainder was sold and exported as market pulp. Of the market pulp sold, 7.1 million tonnes were chemical grades while the rest was of mechanical (high yield) grades.

Canadian Wood Pulp Production, metric tonnes

	Total Wood Pulp			Market Wood Pulp		
	Chemical Paper Grades	Mechanical (High Yield)	Total	Chemical Paper Grades	Mechanical (High Yield)	Total
2000	14,531,000	12,340,000	26,871,000	9,179,000	1,938,000	11,117,000
2001	13,484,000	11,385,000	24,869,000	8,053,000	1,619,000	9,672,000
2002	13,900,000	11,621,000	25,521,000	8,298,000	1,681,000	9,979,000
2003	13,995,000	11,968,000	25,963,000	8,529,000	1,817,000	10,346,000
2004	14,043,000	12,195,000	26,238,000	8,567,000	1,950,000	10,517,000
2005	13,300,000	12,010,000	25,310,000	8,793,000	1,979,000	10,772,000
2006	12,078,000	11,362,000	23,440,000	8,375,000	2,096,000	10,471,000
2007	11,793,000	10,588,000	22,381,000	8,183,000	2,109,000	10,292,000
2008	10,713,000	9,653,000	20,366,000	7,415,000	1,872,000	9,287,000
2009	8,990,000	8,106,000	17,096,000	6,520,000	1,826,000	8,346,000
2010	9,672,000	8,859,000	18,531,000	7,073,000	2,088,000	9,161,000



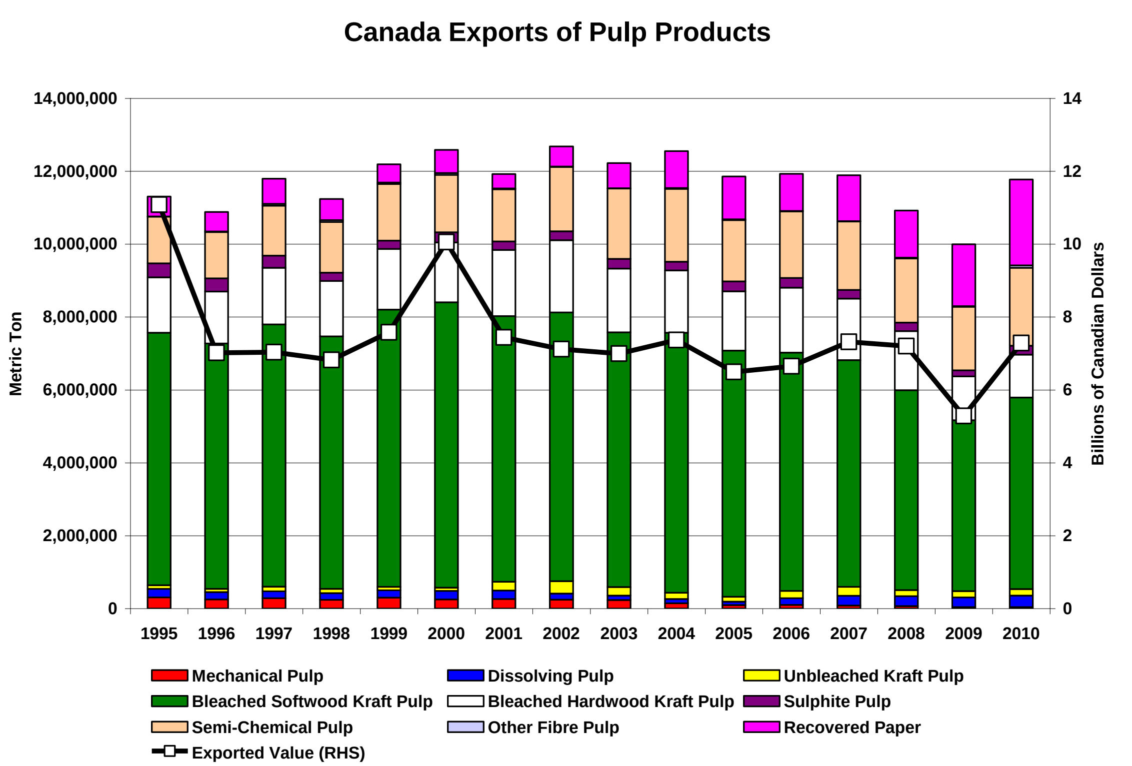
Source: Pulp & Paper Products Council

PULP PRODUCTS EXPORTS

Similar to many forest products, 2010 was a recovery year for the pulp industry. After seeing export shipments fall below 10 million tons the previous year, sales recovered by 17.8% to 11.8 million tonnes (or 37.9% to $7.29 billion). As growth in sales of various kraft pulps continued to lag, a surge in recovered paper was observed. Despite the rise in recovered papers, the impressive volume sold in 2010 (2.14 million tonnes) translated to just $270 million in sales.

Canada Exports of Pulp Products, metric tons

	2007	2008	2009	2010	% Change (09-10)
Mechanical Pulp	83,671	66,130	37,924	40,693	7.3%
Dissolving Pulp	269,406	271,993	267,881	316,350	18.1%
Unbleached Kraft Pulp	241,663	170,516	174,444	176,314	1.1%
Bleached Softwood Kraft Pulp	6,222,838	5,483,615	4,686,343	5,258,743	12.2%
Bleached Hardwood Kraft Pulp	1,684,730	1,623,040	1,203,322	1,174,534	-2.4%
Sulphite Pulp	241,796	228,579	166,136	243,299	46.4%
Semi-Chemical Pulp	1,875,416	1,760,375	1,742,870	2,142,023	22.9%
Other Fibre Pulp	14,094	23,600	15,961	64,958	307.0%
Recovered Paper	1,257,590	1,294,537	1,699,394	2,357,605	38.7%
Total	11,891,204	10,922,385	9,994,275	11,774,519	17.8%
CAD$	7,315,815,933	7,202,003,754	5,282,305,805	7,286,779,535	37.9%

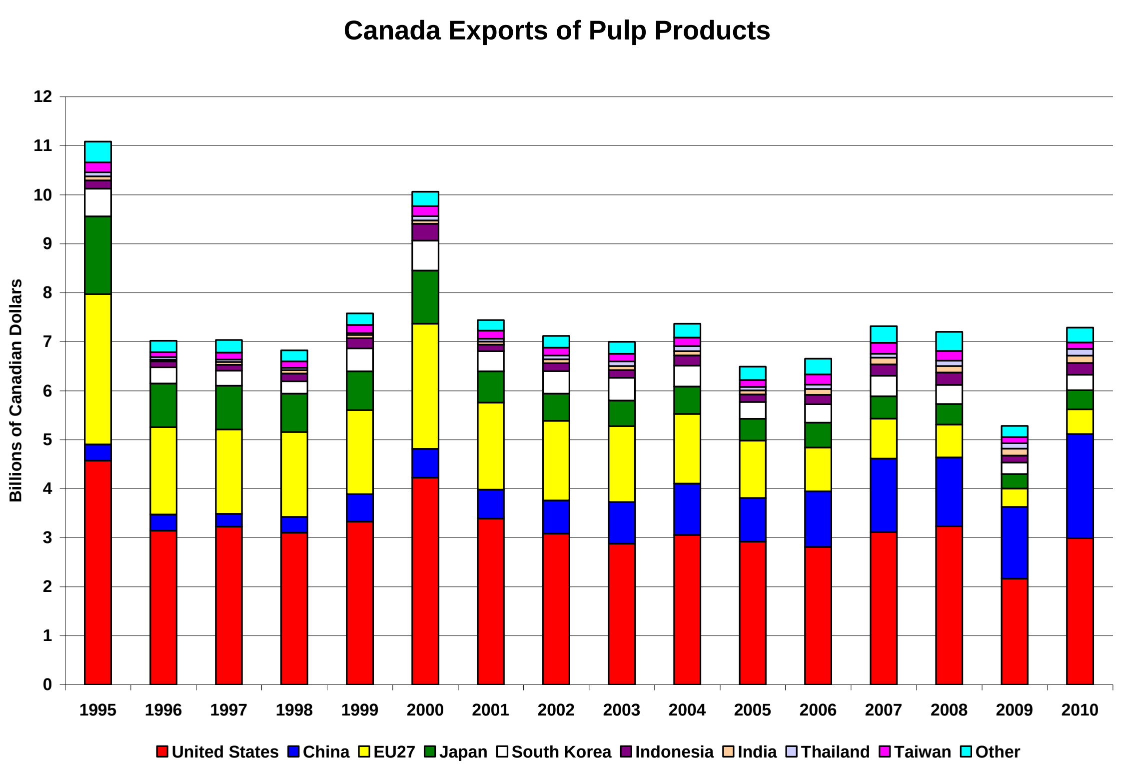


Source: Global Trade Information Services, Inc.

While offshore sales of various pulp products are on the decline, shipments to China have more than doubled since 2002. It needs be clarified that while customers such as the US, EU27 and Japan are purchasing chemical (kraft) pulp, China is largely importing recovered paper from around the globe. After extracting from recovered papers, the high quality fibres are fed to the paper mills in China and in turn they produce high quality paper products for exports.

Canada Exports of Pulp Products by Destination, millions of Canadian Dollars

	2007	2008	2009	2010	% Change (09-10)
United States	3,111.82	3,234.73	2,162.45	2,987.89	38.2%
China	1,500.30	1,404.47	1,462.79	2,128.93	45.5%
EU27	818.89	672.11	380.83	503.29	32.2%
Japan	453.52	418.27	292.34	388.33	32.8%
South Korea	419.00	390.47	234.89	317.23	35.1%
Indonesia	232.78	251.31	142.15	241.56	69.9%
India	138.24	134.30	139.29	148.80	6.8%
Thailand	78.57	106.65	115.36	134.97	17.0%
Taiwan	222.33	197.34	121.66	134.63	10.7%
Other	340.37	392.35	230.54	301.15	30.6%
Total	7,315.82	7,202.00	5,282.31	7,286.78	37.9%

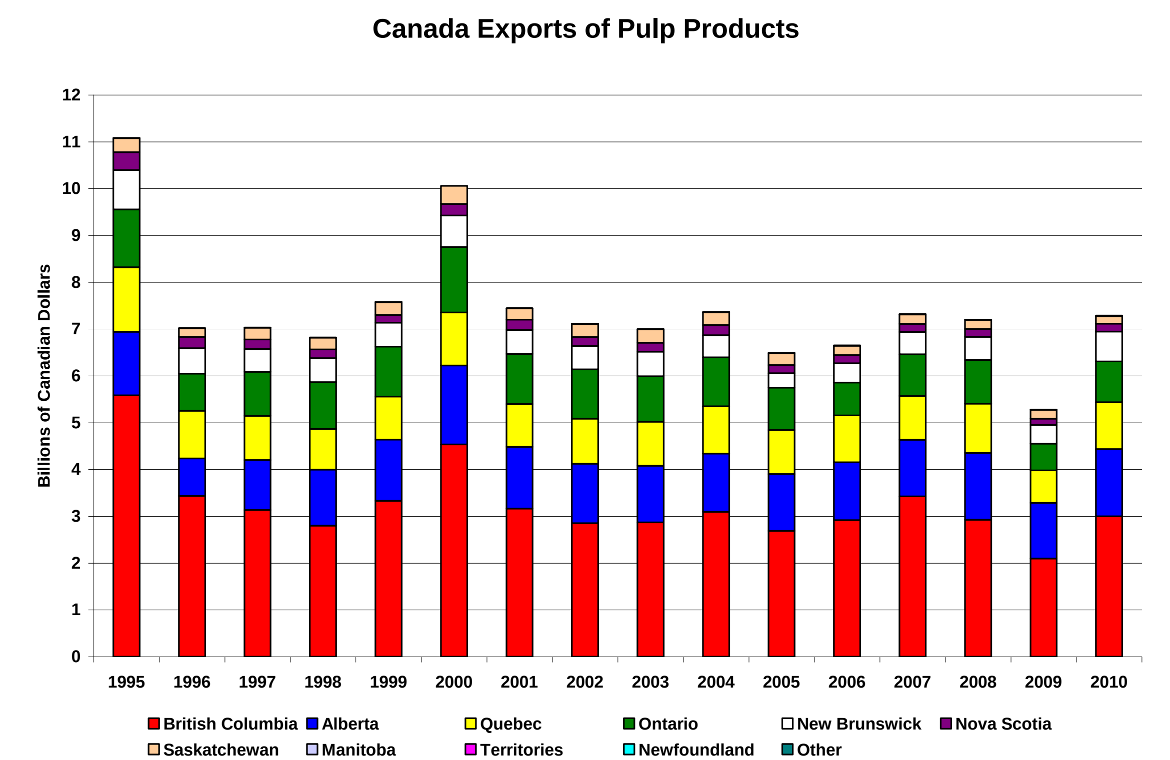


Source: Global Trade Information Services, Inc.

For much of the decade, exports by Canada fluctuated around $7 billion. After seeing exports fall below $6 billion, Canada's export sales recovered by 38% to $7.3 billion, back to the decade's norm.

Canada Exports of Pulp Products, millions of Canadian Dollars

	2007	2008	2009	2010	% Change (09-10)
British Columbia	3,423.02	2,924.66	2,098.51	2,999.97	43.0%
Alberta	1,211.46	1,429.03	1,185.77	1,433.25	20.9%
Quebec	938.40	1,051.10	693.68	1,003.52	44.7%
Ontario	885.45	931.73	574.10	870.14	51.6%
New Brunswick	478.49	497.59	400.67	638.50	59.4%
Nova Scotia	171.12	165.27	132.01	167.36	26.8%
Saskatchewan	200.58	195.81	192.60	163.65	-15.0%
Manitoba	6.96	6.67	4.79	9.93	107.3%
Territories	0.14	0.01	0.00	0.30	-
Newfoundland	0.13	0.14	0.15	0.14	-5.9%
Prince Edward Island	0.07	0.01	0.02	0.02	-10.1%
Total	7,315.82	7,202.00	5,282.31	7,286.78	37.9%



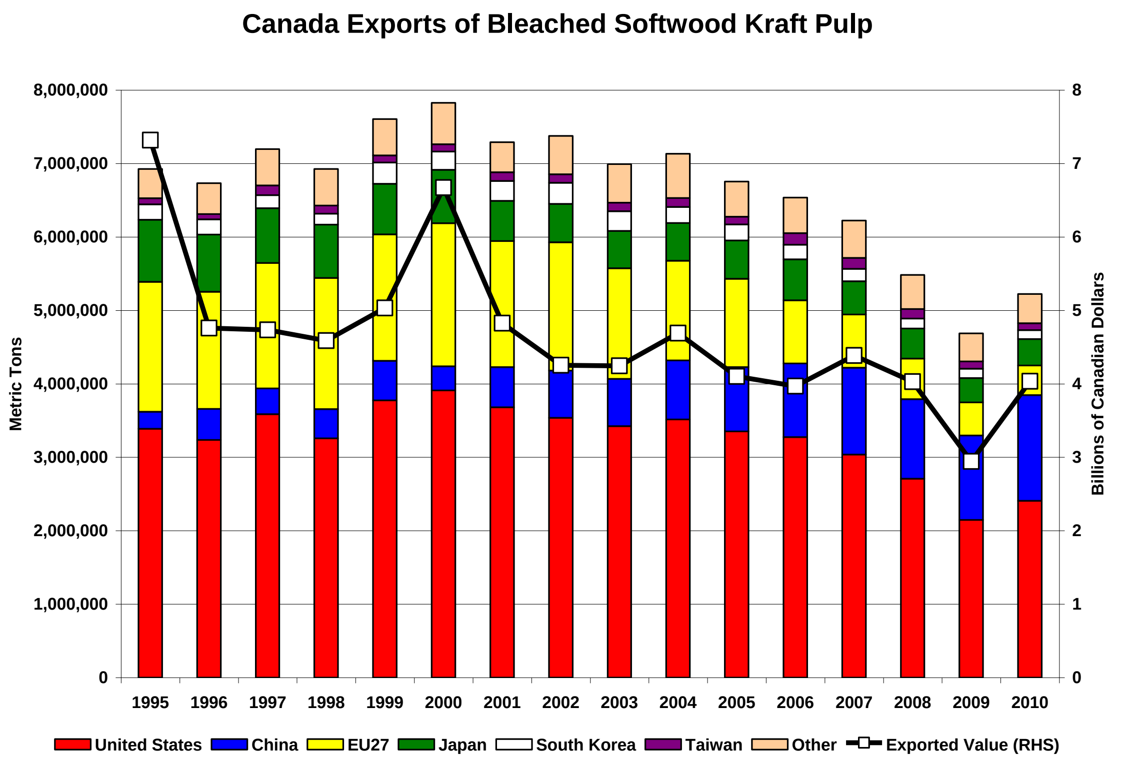
Source: Global Trade Information Services, Inc.

Bleached Softwood Kraft Pulp Exports

With the exception of 2000 and 2009, sales have hovered between $4 billion and $5 billion since 1996. After falling to just $2.9 billion in 2009, sales recovered by 37% to $4 billion (or 11.5% in volume to 5.2 million metric tonnes). Even though the US remains Canada's largest market, sales to China have garnered more momentum since surpassing EU27.

Canada Exports of Bleached Softwood Kraft Pulp, metric ton

		2007	2008	2009	2010	% Change (09-10)
	United States	3,036,907	2,707,843	2,146,953	2,406,549	12.1%
	China	1,183,089	1,084,763	1,150,787	1,439,060	25.1%
	EU27	724,833	552,783	448,558	404,355	-9.9%
	Japan	451,396	406,629	333,455	359,890	7.9%
	South Korea	170,516	136,580	126,431	120,342	-4.8%
	Taiwan	147,014	130,459	98,973	94,339	-4.7%
	Other	509,083	464,558	381,186	398,546	4.6%
	Total	6,222,838	5,483,615	4,686,343	5,223,081	11.5%
	CAD $	4,384,357,323	4,029,217,702	2,942,668,827	4,035,837,016	37.1%
$ / m^3	United States	699.15	771.80	667.08	787.37	18.0%
	China	702.76	684.59	587.32	745.39	26.9%



Source: Global Trade Information Services, Inc.

CANADIAN PAPER PRODUCTS

Credit: www.naturallywood.com

Canada produces a wide variety of paper products, including newsprint, numerous printing & writing papers, countless household & sanitary paper products, as well as wrapping & packaging paper products. Up to 2006, newsprint represented more than half of Canada's production volume.

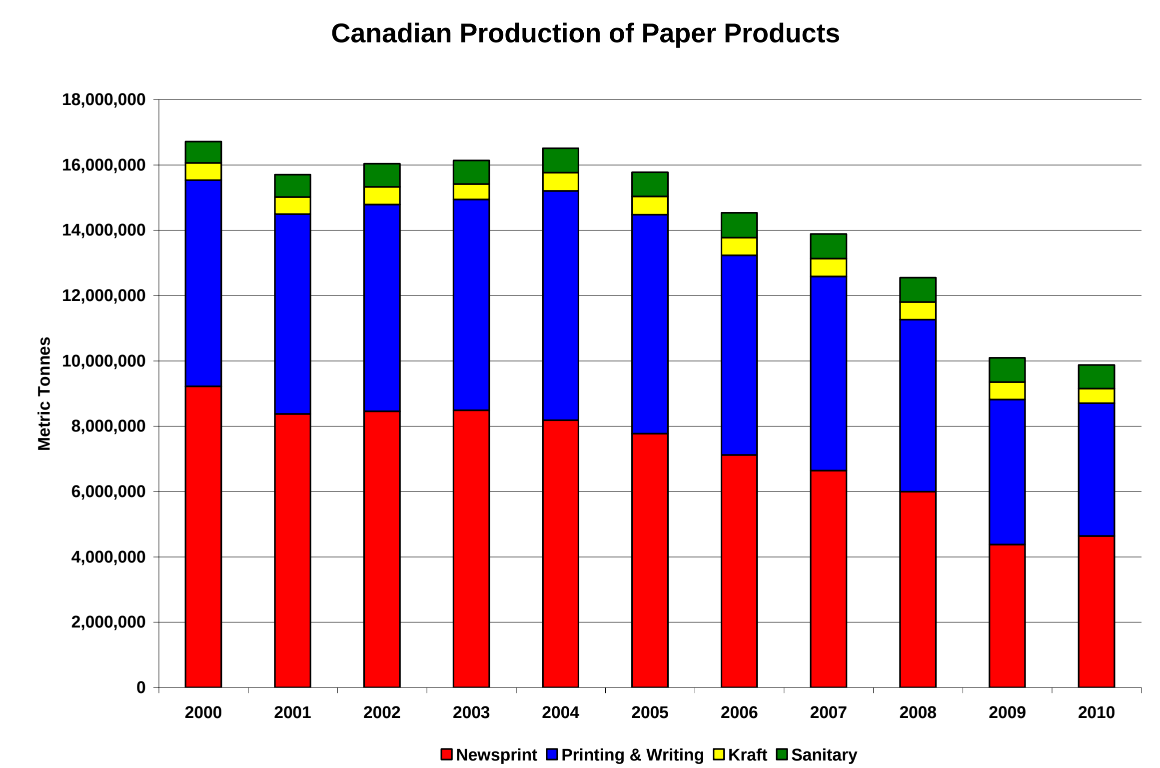
With electronic readers and handheld tablet computers becoming popular in recent years, a number of newspapers have gone to online circulation, resulting in the plunge in newsprint demand. Although not as dramatic, the movement towards electronic communication has also hurt the consumption of printing & writing papers. On the other hand, not only do household and wrapping paper products face stiff competition from similar products made by other countries, they also have to deal with substitute products made with other materials such as rubber and plastic.

Paper Products Production

After a decade of dominance, newsprint no longer represents the majority of paper products manufactured in Canada, as it was overtaken by printing & writing papers. Continuing the tradition, close to 90% of the newsprint produced in 2010 was exported. While kraft paper and sanitary papers minimized their loss in recent years, communication papers such as newsprint, and printing & writing papers have seen their production numbers continue to slide.

Canadian Paper Production, metric tonnes

	Newsprint	Printing & Writing	Kraft	Sanitary	Total
2000	9,221,000	6,313,000	529,000	651,000	16,714,000
2001	8,373,000	6,120,000	523,000	684,000	15,700,000
2002	8,455,000	6,331,000	538,000	713,000	16,037,000
2003	8,487,000	6,456,000	473,000	717,000	16,133,000
2004	8,180,000	7,020,000	561,000	747,000	16,508,000
2005	7,770,000	6,706,000	560,000	741,000	15,777,000
2006	7,122,000	6,106,000	546,000	755,000	14,529,000
2007	6,640,000	5,947,000	544,000	754,000	13,885,000
2008	5,993,000	5,266,000	543,000	748,000	12,550,000
2009	4,378,000	4,441,000	533,000	737,000	10,089,000
2010	4,640,000	4,062,000	452,000	720,000	9,874,000

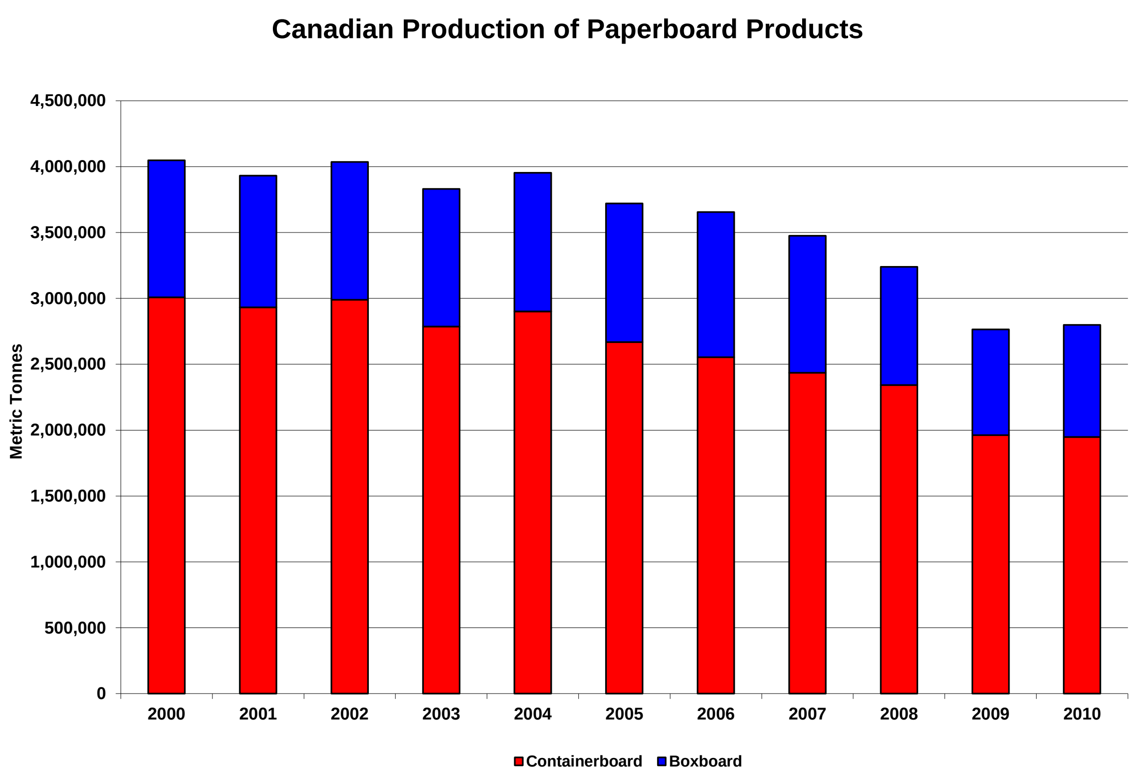


Source: Pulp & Paper Products Council

In the first half of the decade, production of paperboard products by Canada hovered around 4 million metric tonnes annually. However, production volumes have declined gradually thereafter and had fallen to below 3 million metric tonnes by 2009 before a miniscule recovery in 2010. A closer examination shows that containerboard represented about two-thirds of the production while the remainder is of boxboard material.

Canadian Paperboard Production, metric tonnes

	Containerboard	Boxboard	Total
2000	3,008,000	1,040,000	4,048,000
2001	2,932,000	1,000,000	3,932,000
2002	2,990,000	1,046,000	4,036,000
2003	2,786,000	1,045,000	3,831,000
2004	2,901,000	1,053,000	3,954,000
2005	2,669,000	1,052,000	3,721,000
2006	2,553,000	1,102,000	3,655,000
2007	2,435,000	1,040,000	3,475,000
2008	2,342,000	897,000	3,239,000
2009	1,962,000	802,000	2,764,000
2010	1,948,000	850,000	2,798,000



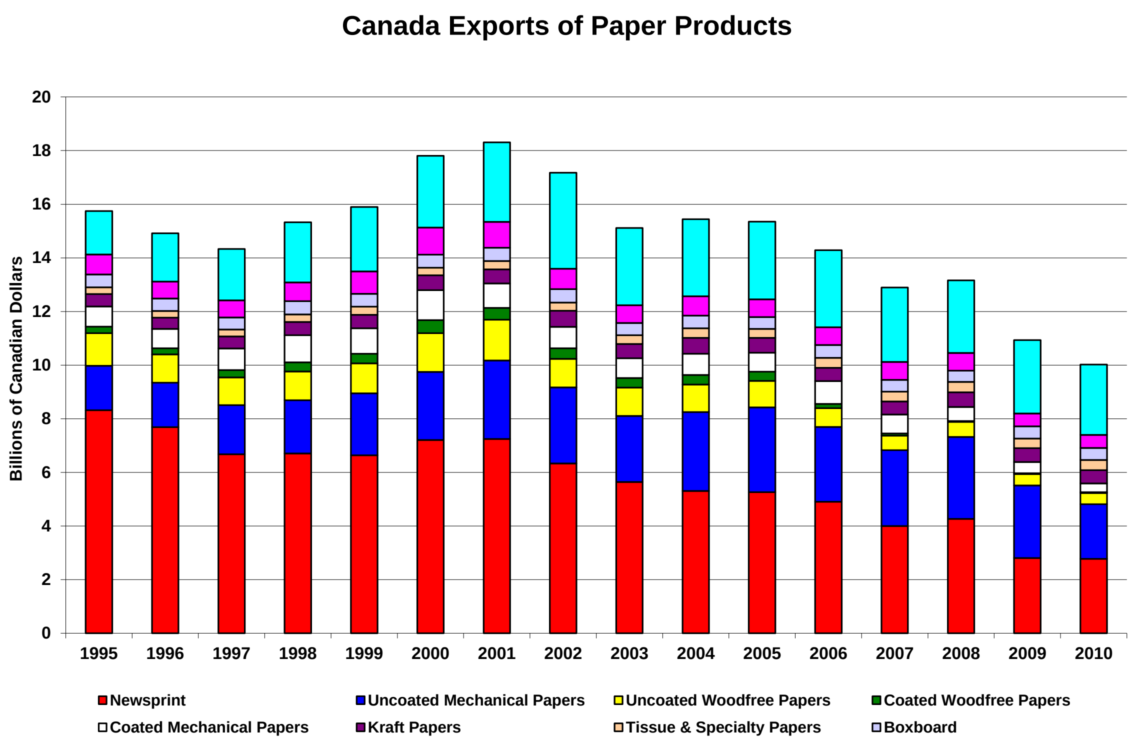
Source: Pulp & Paper Products Council

PAPER PRODUCTS EXPORTS

In 2010, exports of paper products by Canada cooled by another 8.3% to settle at $10 billion, more than $8 billion below the record witnessed in 2001. Amid the drop in offshore sales, newsprint and printing & writing papers continued as the two largest exports, with each being close to 28%. Since 1995, sales of newsprint have declined severely, from $8 billion to just $2.8 billion in the latest 2010 tally. As print continues to shift from paper to digital, exports of various printing & writing papers are expected to face more challenges ahead.

Canada's Exports of Paper Products, millions of Canadian Dollars

	2007	2008	2009	2010	% Change (09-10)
Newsprint	3,999.91	4,264.23	2,803.05	2,778.76	-0.9%
Uncoated Mechanical Papers	2,830.76	3,061.05	2,711.56	2,033.02	-25.0%
Uncoated Woodfree Papers	537.45	560.31	423.65	416.82	-1.6%
Coated Woodfree Papers	82.47	31.58	29.19	32.13	10.1%
Coated Mechanical Papers	705.66	523.15	417.49	331.38	-20.6%
Kraft Papers	487.54	545.85	517.10	490.97	-5.1%
Tissue & Specialty Papers	362.78	389.40	360.25	383.00	6.3%
Boxboard	447.84	414.08	458.61	443.99	-3.2%
Containerboard	667.62	662.15	473.77	491.82	3.8%
Other Paper Products	2,770.72	2,705.81	2,736.18	2,618.63	-4.3%
Total	12,892.75	13,157.60	10,930.84	10,020.51	-8.3%

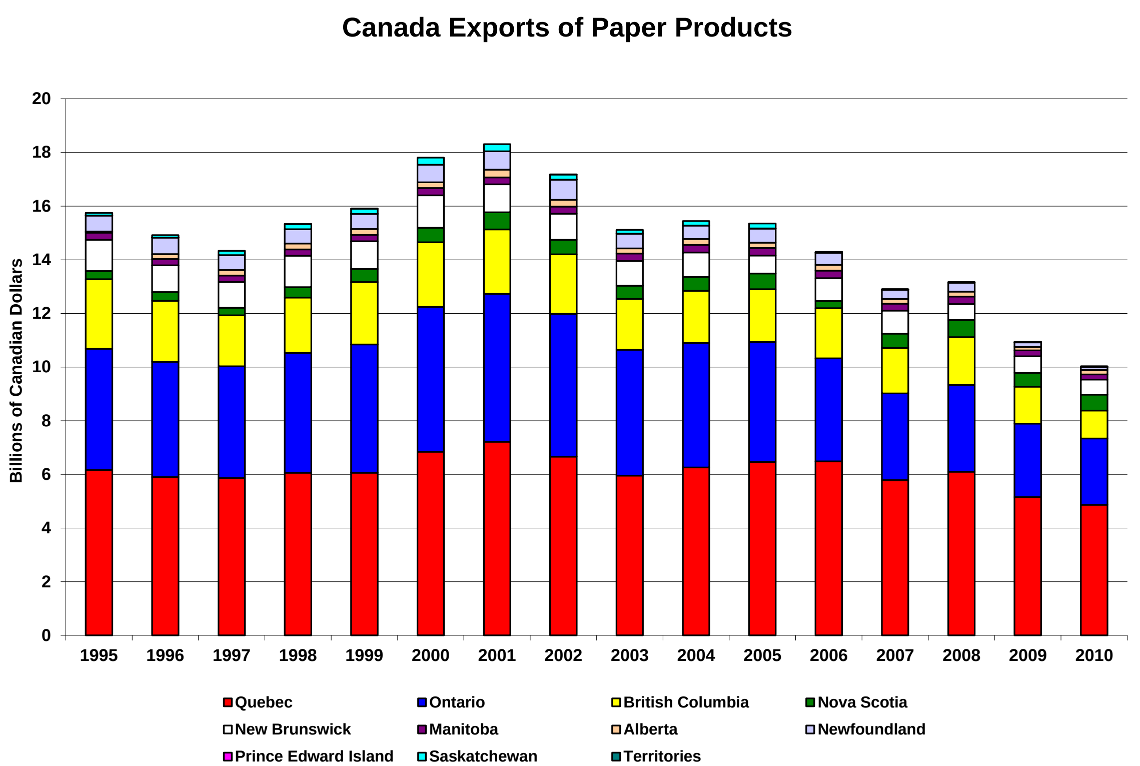


Source: Global Trade Information Services, Inc.

Since reaching sales of $18.3 billion in 2001, Canada's exports of paper products have fallen by about 45%, or $8.29 billion. Amid this downward trend, the industry did have small rebounds in 2004 and 2008. The eastern provinces, namely Quebec and Ontario, continued to lead the way for offshore sales of paper products.

Canada's Exports of Paper Products, millions of Canadian Dollars

	2007	2008	2009	2010	% Change (09-10)
Quebec	5,785.49	6,101.30	5,152.02	4,867.48	-5.5%
Ontario	3,230.07	3,239.29	2,737.40	2,472.47	-9.7%
British Columbia	1,698.44	1,774.62	1,377.35	1,037.69	-24.7%
Nova Scotia	530.27	638.76	520.53	597.03	14.7%
New Brunswick	863.59	592.15	616.10	559.48	-9.2%
Manitoba	252.78	282.33	219.75	188.83	-14.1%
Alberta	177.04	180.25	129.62	168.65	30.1%
Newfoundland	340.92	337.14	166.11	113.48	-31.7%
Prince Edward Island	0.86	0.82	1.87	7.76	315.5%
Saskatchewan	13.22	10.93	10.06	7.58	-24.7%
Territories	0.07	0.03	0.03	0.05	58.4%
Total	12,892.75	13,157.60	10,930.84	10,020.51	-8.3%

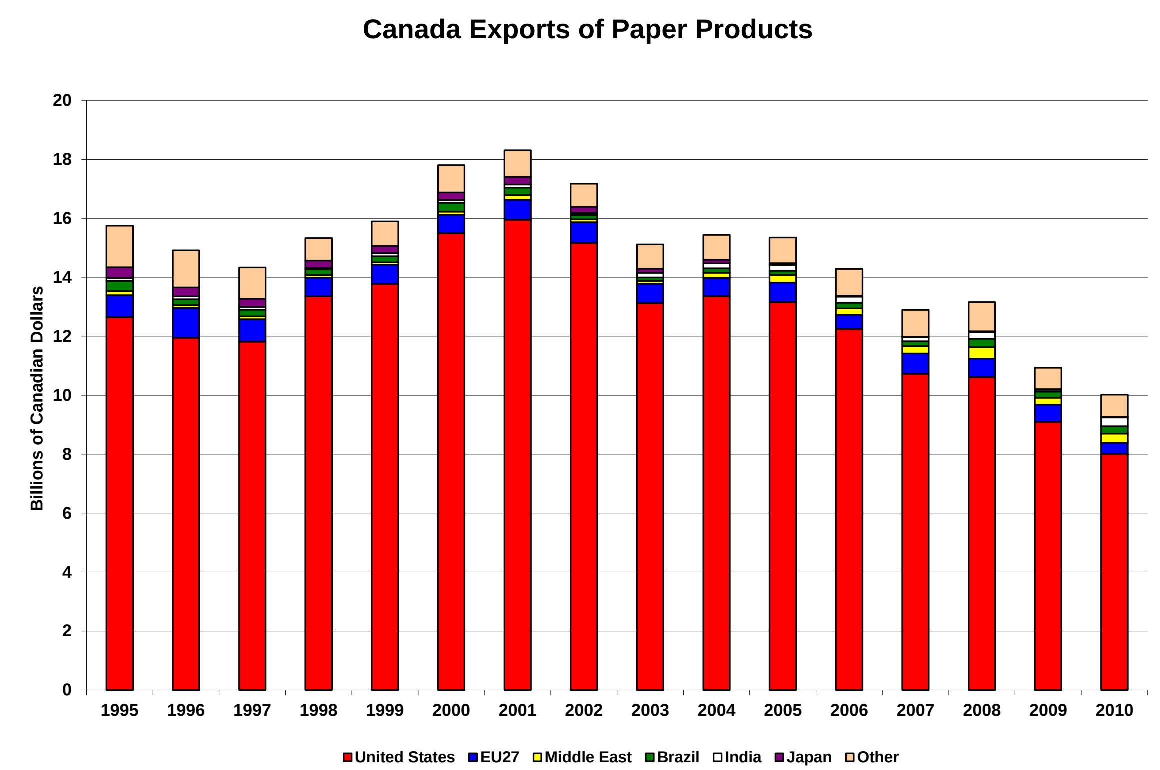


Source: Global Trade Information Services, Inc.

After a 2% recovery in 2008, exports of paper products plunged 17% in 2009 to $10.9 billion, and then another 8.3% in 2010 to settle at $10 billion. As with other forest products, the US continues to be the biggest client for Canada's paper products; however, shipments to the US in 2010 were at another all-time low. Fortunately, sales to other markets such as the Middle East, Brazil and India experienced mild growths in recent years.

Canada's Exports of Paper Products, millions of Canadian Dollars

	2007	2008	2009	2010	% Change (09-10)
United States	10,725.61	10,616.04	9,090.68	8,010.07	-11.9%
EU27	692.53	623.27	591.96	369.98	-37.5%
Middle East	244.42	391.65	232.33	315.32	35.7%
Brazil	164.60	282.70	205.22	249.72	21.7%
India	135.79	237.92	64.26	296.70	361.7%
Japan	21.41	16.15	18.44	18.00	-2.4%
Other	908.40	989.88	727.95	760.72	4.5%
Total	12,892.75	13,157.60	10,930.84	10,020.51	-8.3%



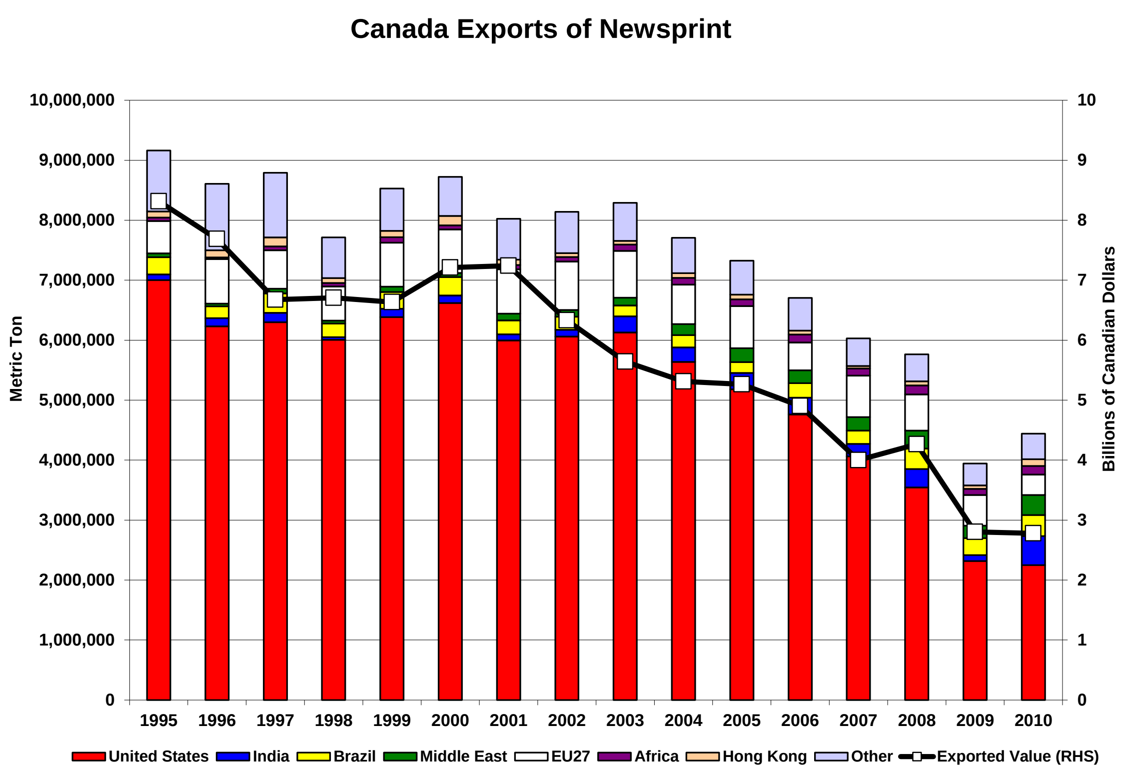
Source: Global Trade Information Services, Inc.

NEWSPRINT EXPORTS

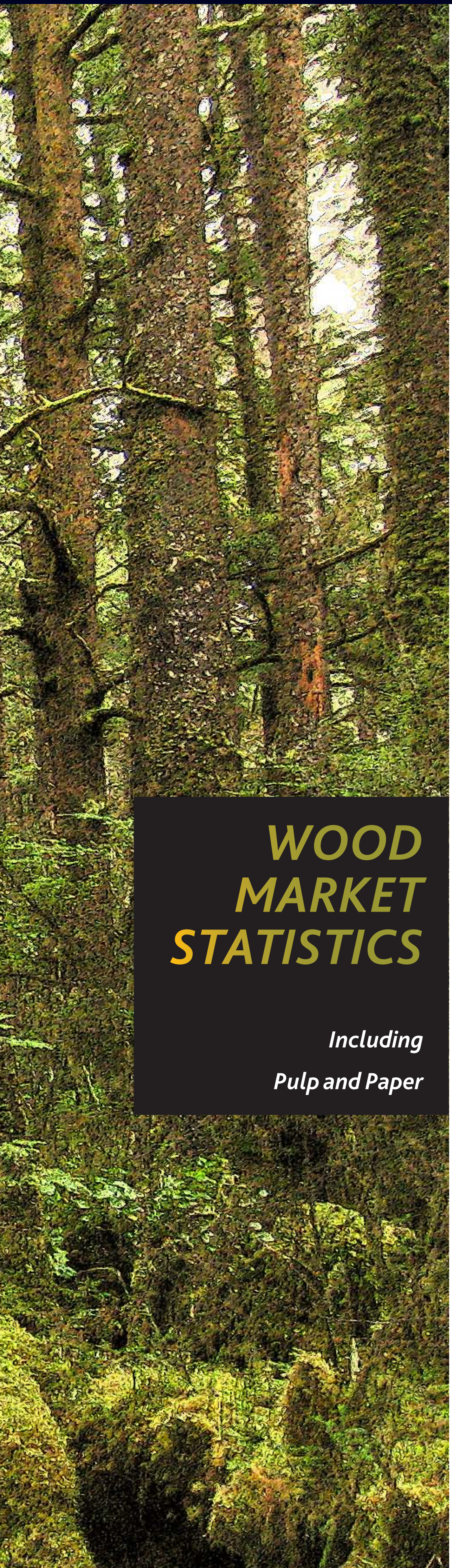
With electronic reading devices and tablet computers becoming popular in recent years, more newspaper agencies in North America and Europe have gone to online circulation, resulting in the drop in newsprint demand. Even though shipments recovered 12.6% to 4.4 metric tons during 2010, sales in value fell slightly to $2.8 billion. As with most forest products, the US continues to be Canada's largest newsprint customer.

Canada's Exports of Newsprint, metric tons

	2007	2008	2009	2010	% Change (09-10)
United States	4,063,332	3,545,198	2,318,243	2,249,929	-2.9%
India	208,178	307,292	99,159	482,412	386.5%
Brazil	220,983	339,678	280,465	351,511	25.3%
Middle East	225,168	300,478	210,493	334,190	58.8%
EU27	691,720	603,925	508,392	339,690	-33.2%
Africa	118,587	147,193	103,144	143,827	39.4%
Hong Kong	41,026	69,539	57,245	114,180	99.5%
Other	461,304	449,071	366,618	426,364	16.3%
Total	6,030,298	5,762,374	3,943,759	4,442,103	12.6%
CAD $	3,999,909,306	4,264,225,995	2,803,045,419	2,778,757,291	-0.9%



Source: Global Trade Information Services, Inc.



FPInnovations

WOOD MARKET STATISTICS in CANADA

Including Pulp and Paper