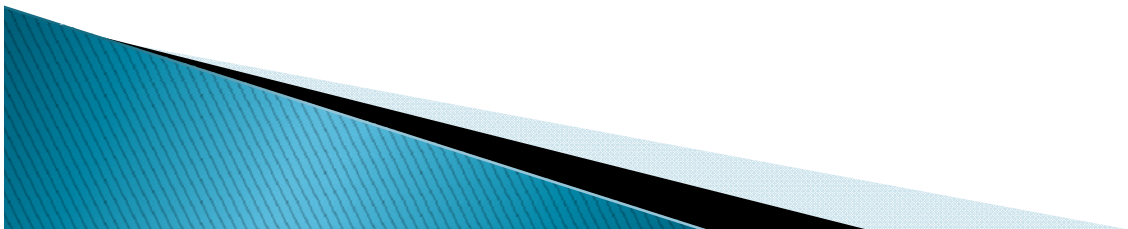


Economic State of The B.C. Forest Sector

February 2011

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Mines and Lands



Outline

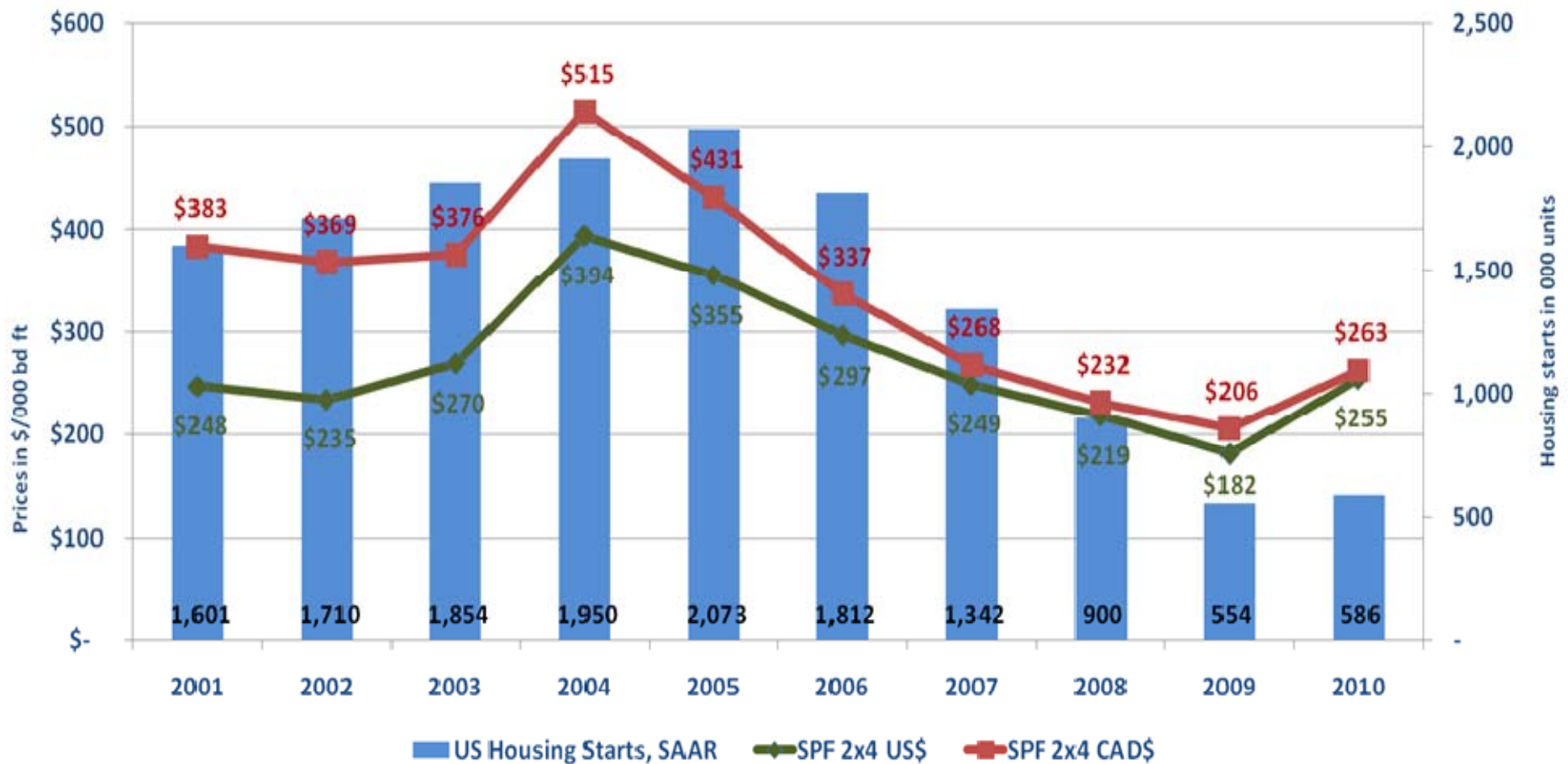
- ❖ Overview
- ❖ Key Messages
- ❖ General Economic Indicators
- ❖ Major Exports Markets
 - China
 - U.S.
- ❖ Main Forest Products
 - Softwood Lumber
 - Pulp
- ❖ Conclusions & Outlook
- ❖ Q & A

Overview of B.C. Forest Sector

- ❖ Includes forest management, harvesting, reforestation and manufacturing.
- ❖ Has played a key role in the provincial economy.
- ❖ highly export-oriented, depending heavily on global markets and exchange rates.
- ❖ is very cyclical, affected by the ups and downs of the global forest commodity markets.

Key Message 1 – Recent Business Cycle

Main drivers: U.S. Lumber Market, lumber Prices and Exchange Rates

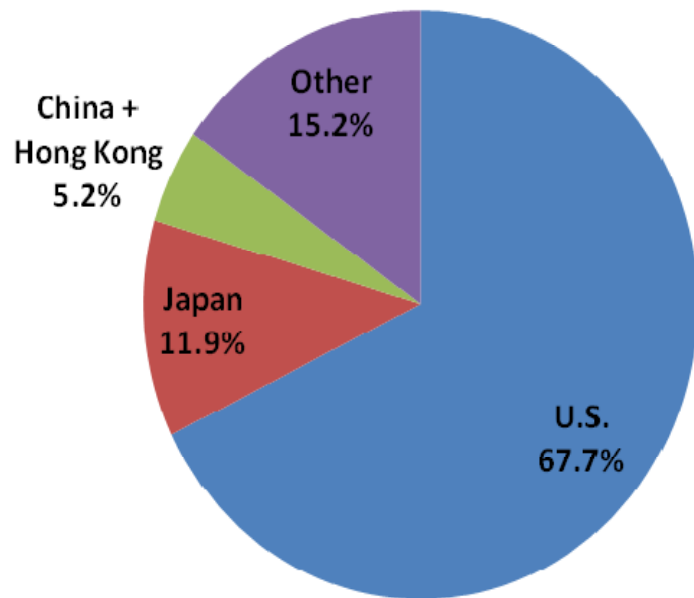


Data sources: US Census Bureau and Statistics Canada.

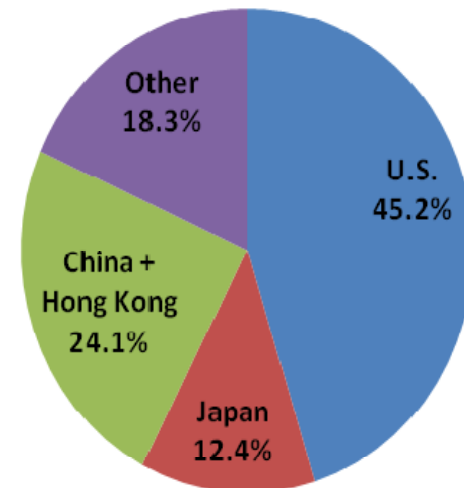
Key Message 2 – Market Structure Changes

Shares of B.C. Forest Products Exports (value) by Destination

Share of BC Forest Products Exports (\$14.1 billion)
in 2005



Share of BC Forest Products Exports (\$9.1 billion)
in 2010

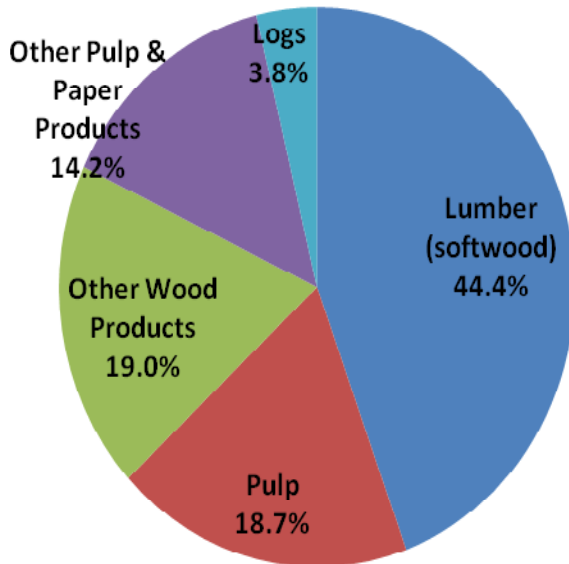


Data source: B.C. Stats

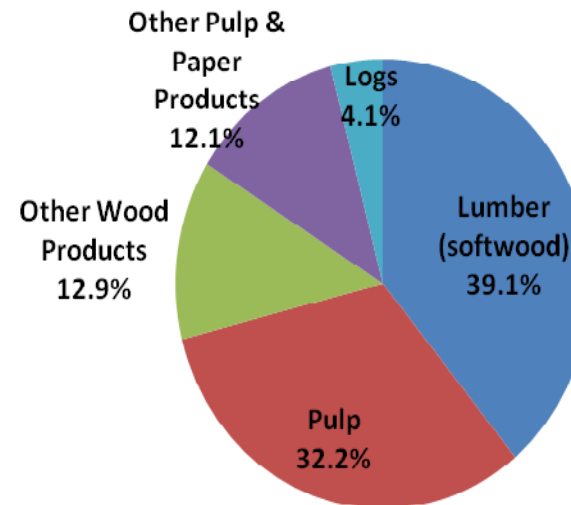
Key Message 3 – Product Mix Changes

Shares of B.C. Forest Products Exports (value) by Product

B.C. Forest Products Exports by Product in 2005 (\$14.1 billion)



B.C. Forest Products Exports by Product in 2010 (\$9.1 billion)

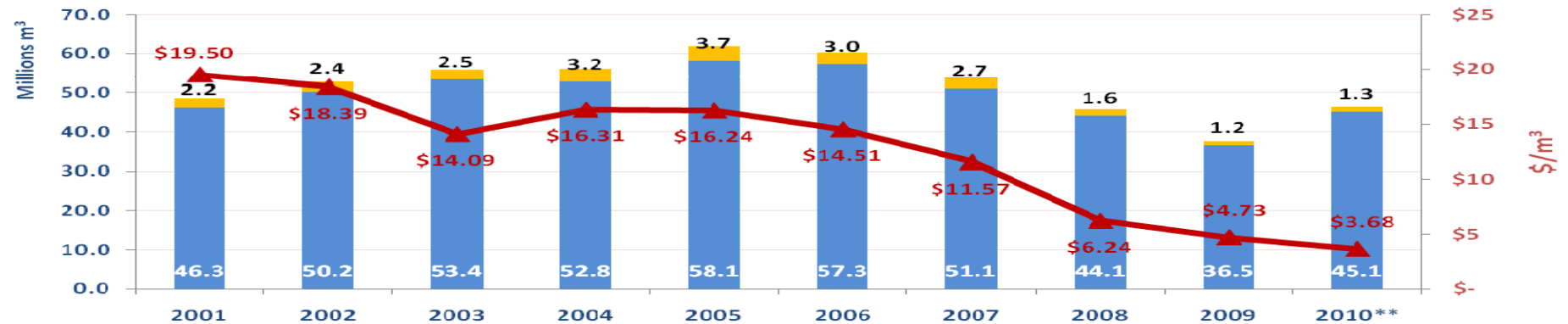


Data source: B.C. Stats

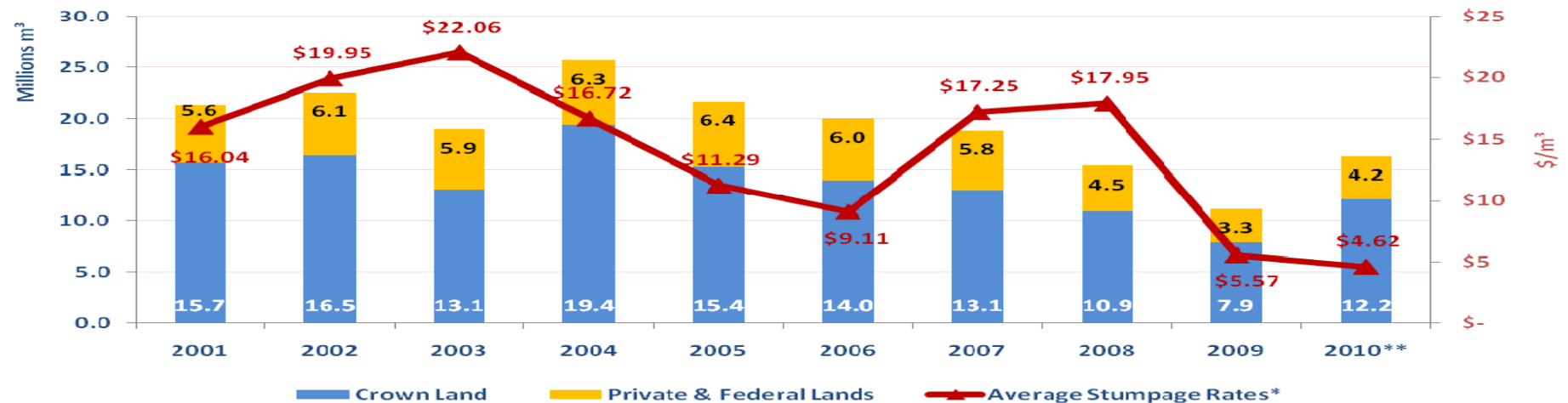
General Indicator – Timber Harvest

B.C. Coast and Interior Timber Harvest Volume and Average Stumpage Rates

B.C. Interior



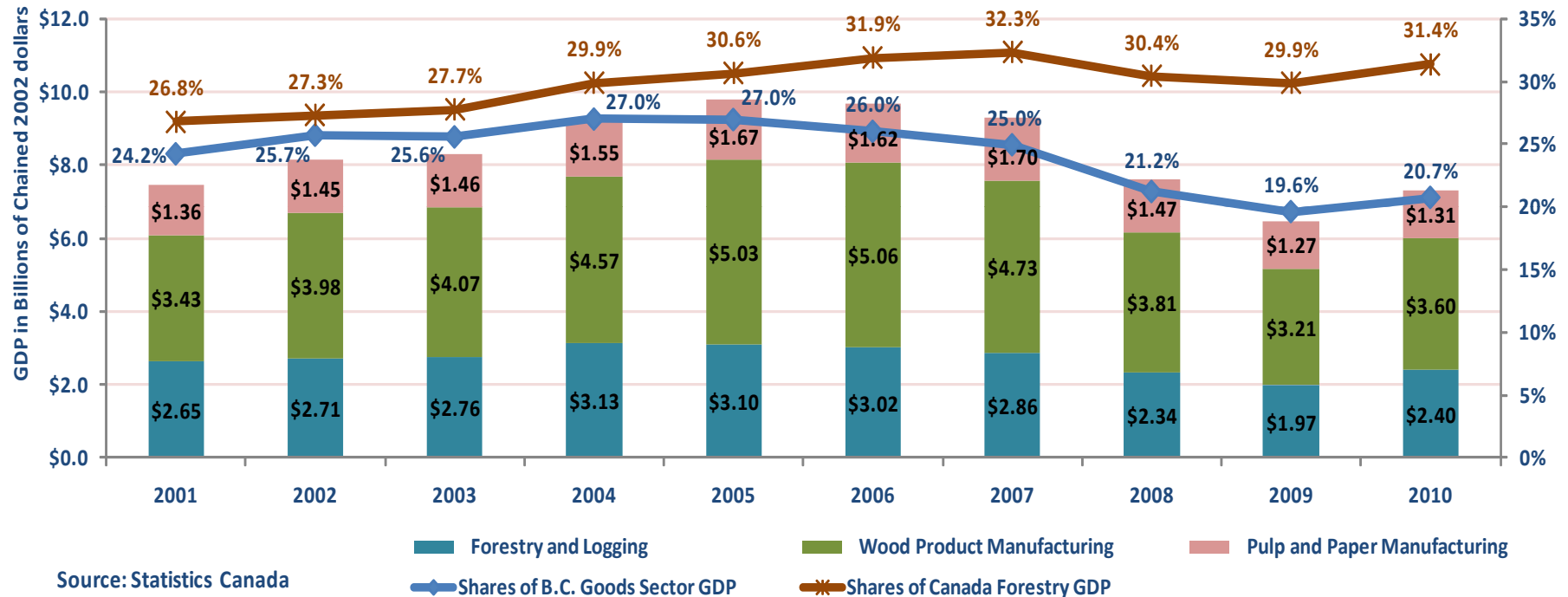
B.C. Coast



General Indicator – Gross Domestic Product

BC Forestry GDP by Sector and Shares of B.C. Goods Sector GDP and Canadian Forestry GDP

B.C. Forestry Gross Domestic Product (GDP), 2001 - 2010

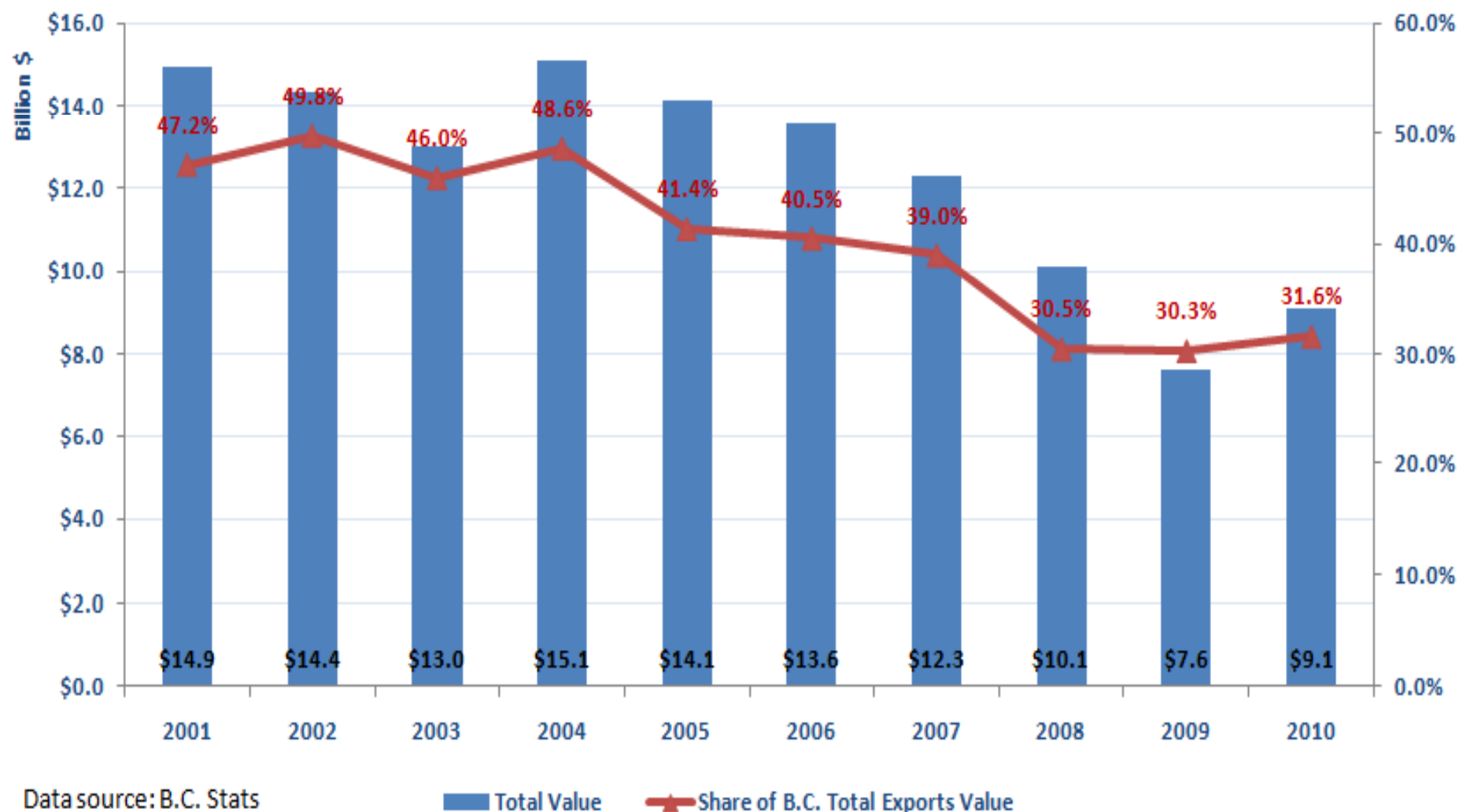


B.C. Forest Sector GDP (in billions of chained 2002 \$)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
\$7.44	\$8.15	\$8.30	\$9.25	\$9.80	\$9.69	\$9.28	\$7.62	\$6.45	\$7.30
% Change	9.5%	1.9%	11.5%	5.9%	-1.1%	-4.2%	-17.9%	-15.5%	13.2%

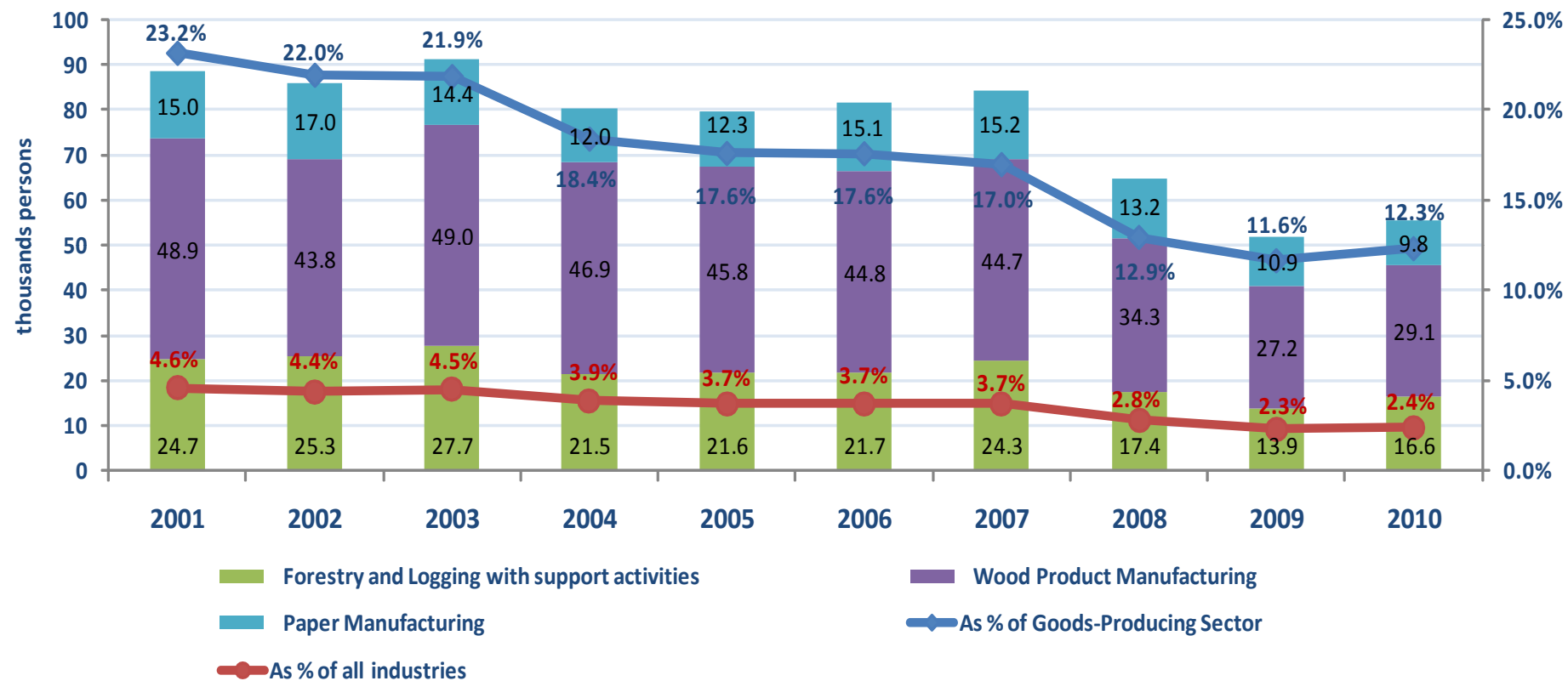
General Indicator – Exports

B.C. Forest Products Exports Value and Shares of B.C. Total Exports



General Indicator – Employment

BC Forestry Sector Direct Employment and Share of B.C. Total Employment



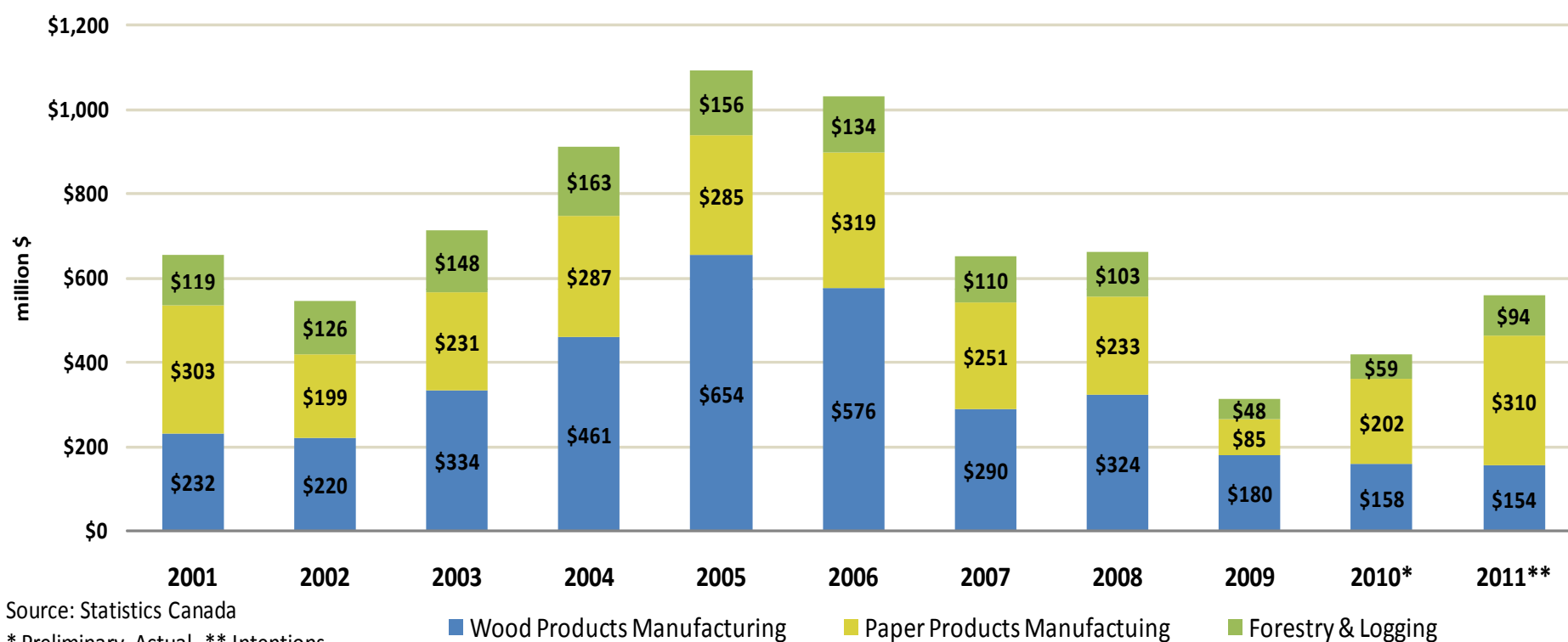
B.C. Forest Sector Employment (persons), 2001 - 2010

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
88,600	86,100	91,100	80,400	79,700	81,600	84,200	64,900	52,000	55,500

Source: Statistics Canada – Labor Force Survey

General Indicator – Investments

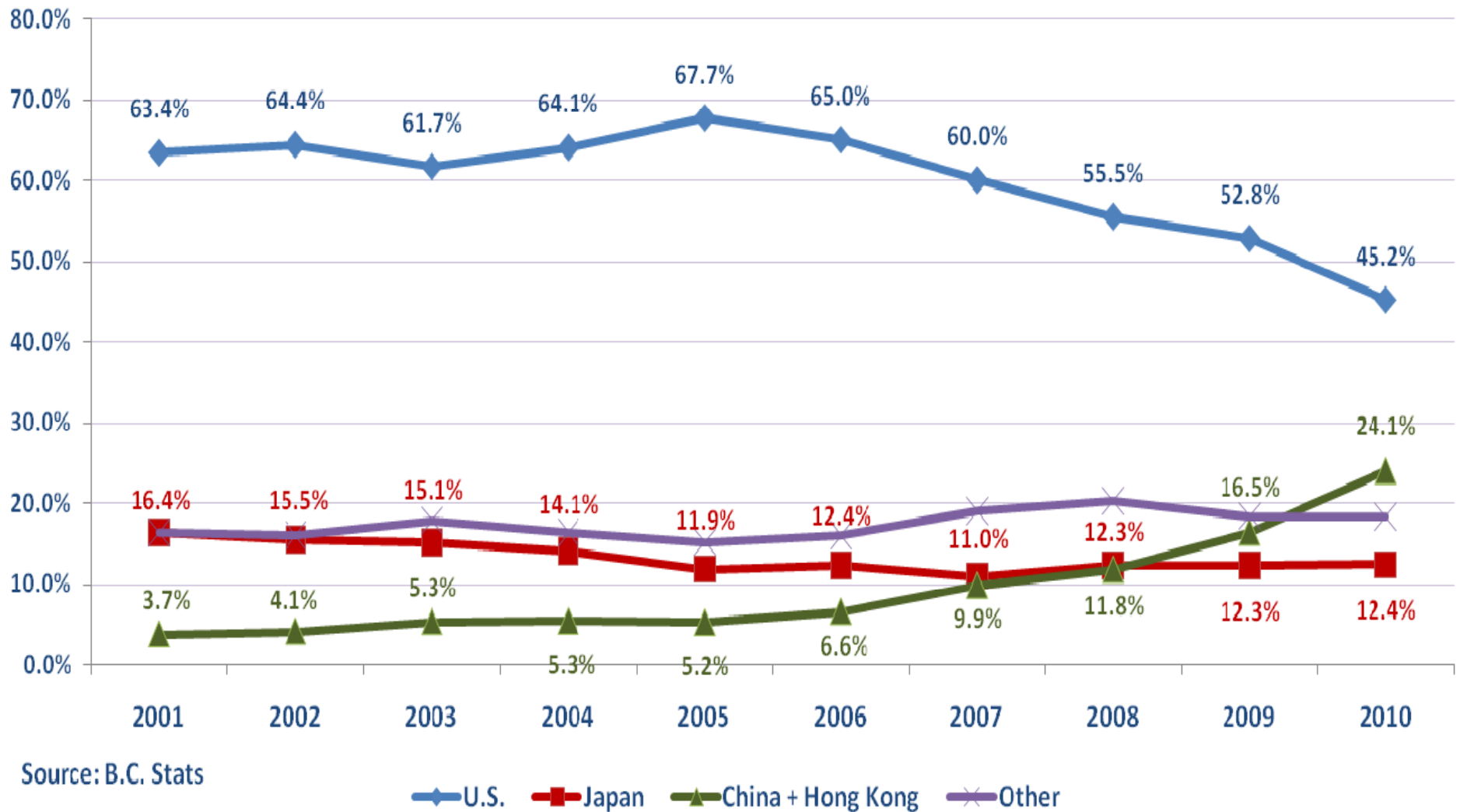
B.C. Forestry Capital Expenditures



B.C. Forest Sector Capital Expenditures (in million \$), 2001 - 2010

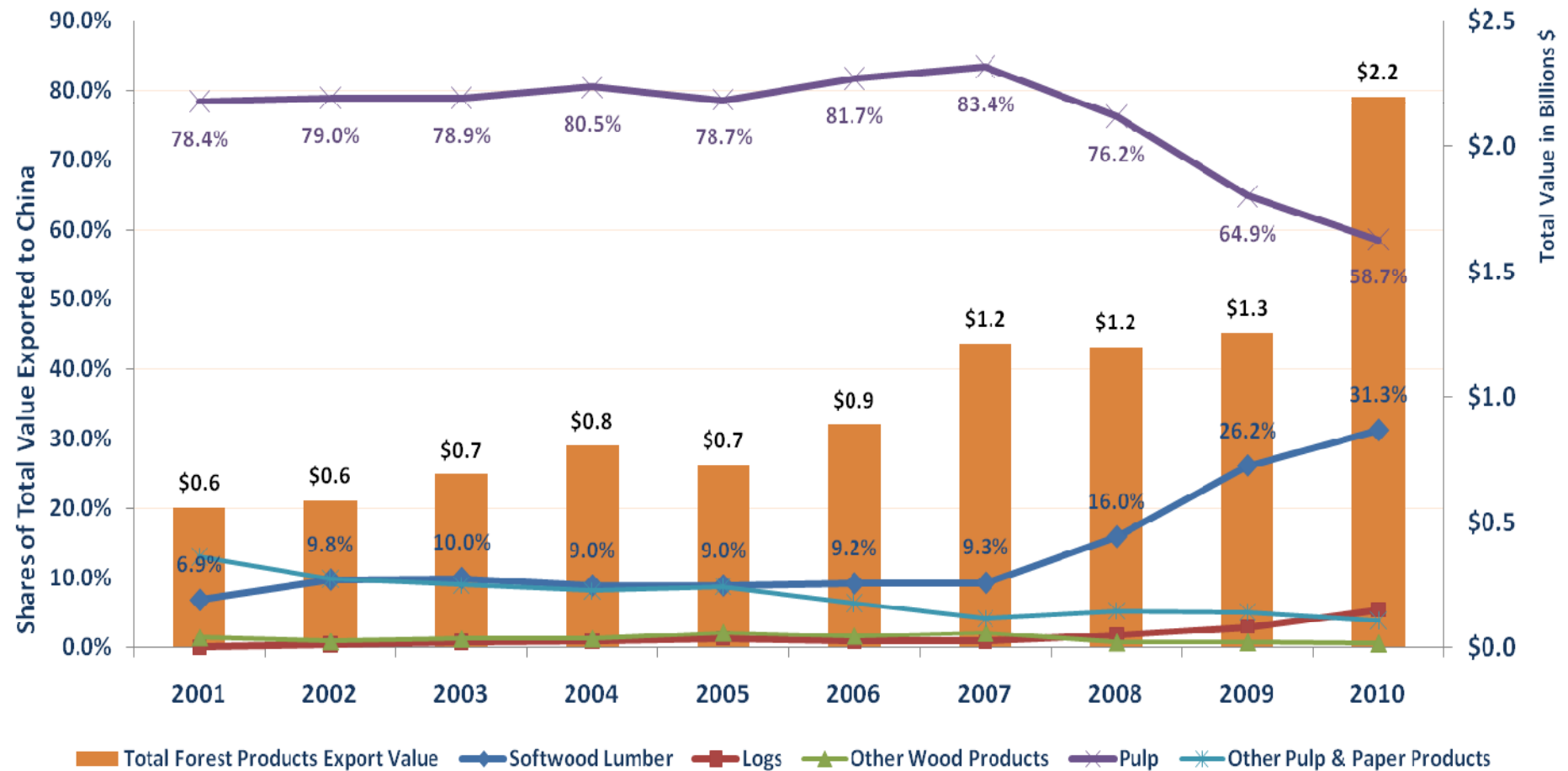
2001	2002	2003	2004	2005	2006	2007	2008	2009	2010*	2011**
\$654	\$545	\$713	\$911	\$1,094	\$1,030	\$651	\$660	\$312	\$419	\$558

Major Export Markets – Shares of B.C. Forest Products Exports (value) by Destination



China Market –

B.C. Forest Products Exports (value) to China and the Product Mix



Source: B.C. Stats

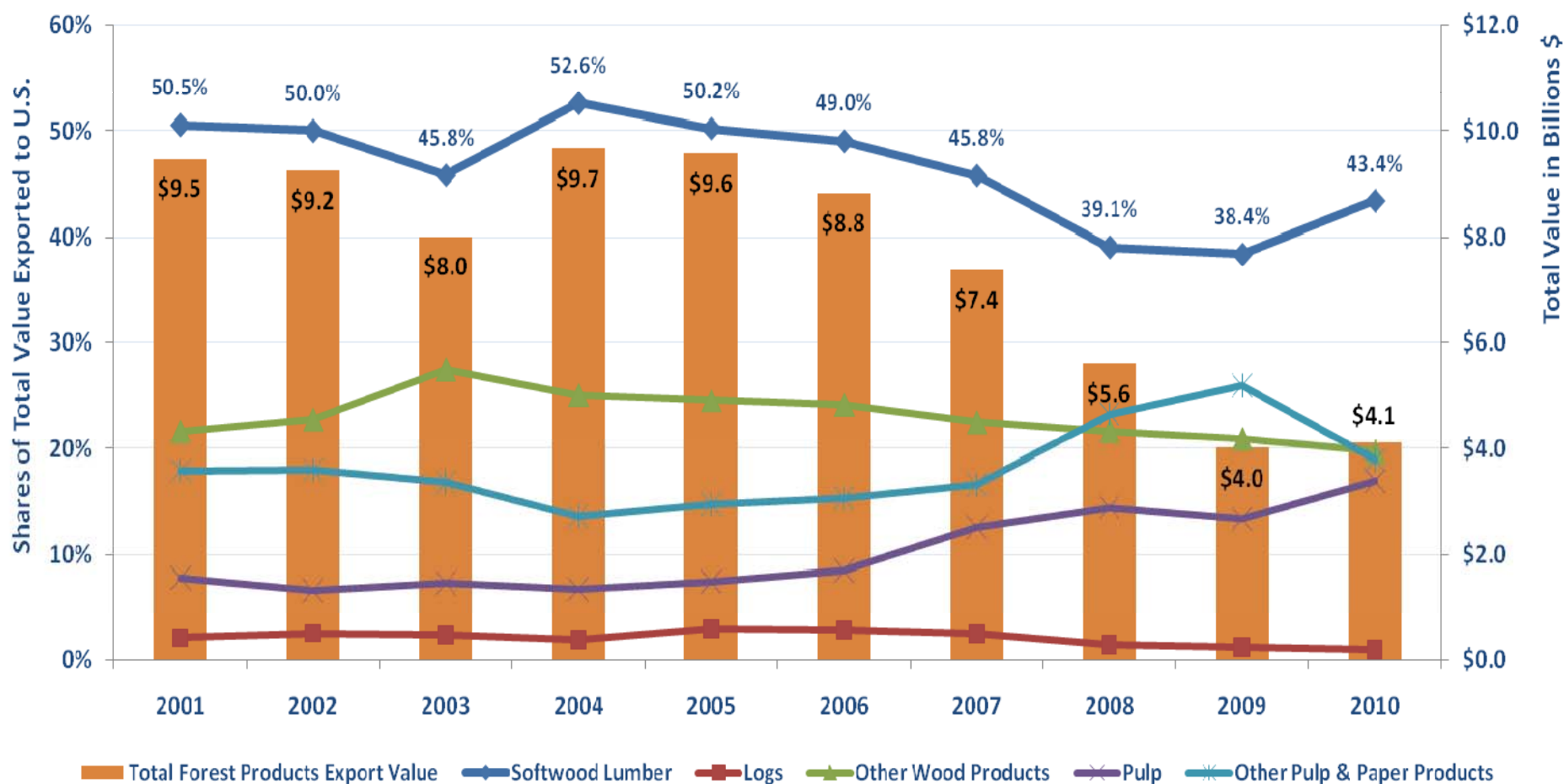
China Market –

Main Drivers for China's Robust demand for B.C. Forest Products

- ❖ China's increasing demand for forest products to meet its rapidly growing economy.
- ❖ Lower lumber prices due to the weak U.S. lumber demand.
- ❖ Russia's high log export tax (25%).
- ❖ Various initiatives and strategies adopted by the Provincial and Federal Governments, working collaboratively with the industry.
- ❖ B.C.'s convenient location to serve Asian markets (ports of Vancouver and Prince Rupert).

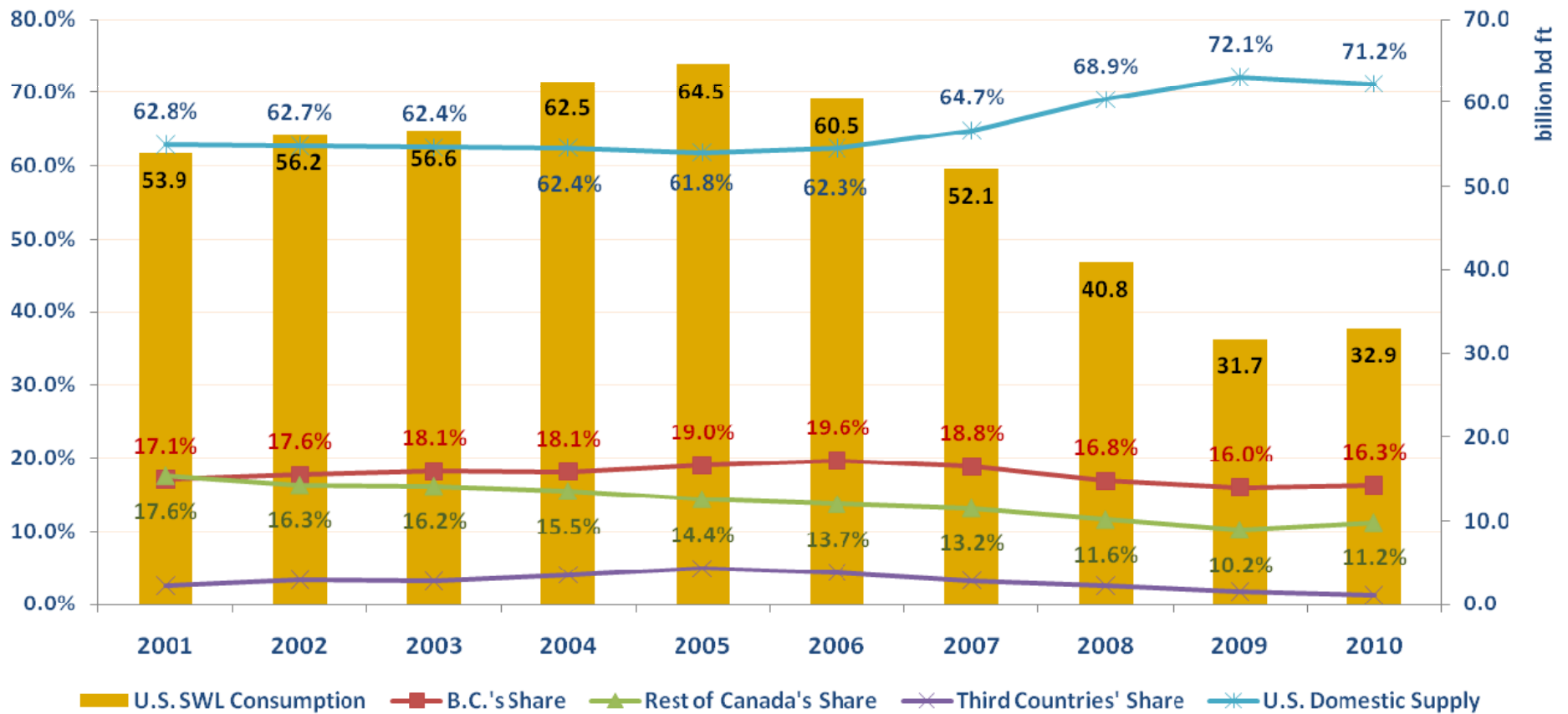
U.S. Market –

B.C. Forest Products Exports (value) to U.S. and the Product Mix



Source: B.C. Stats

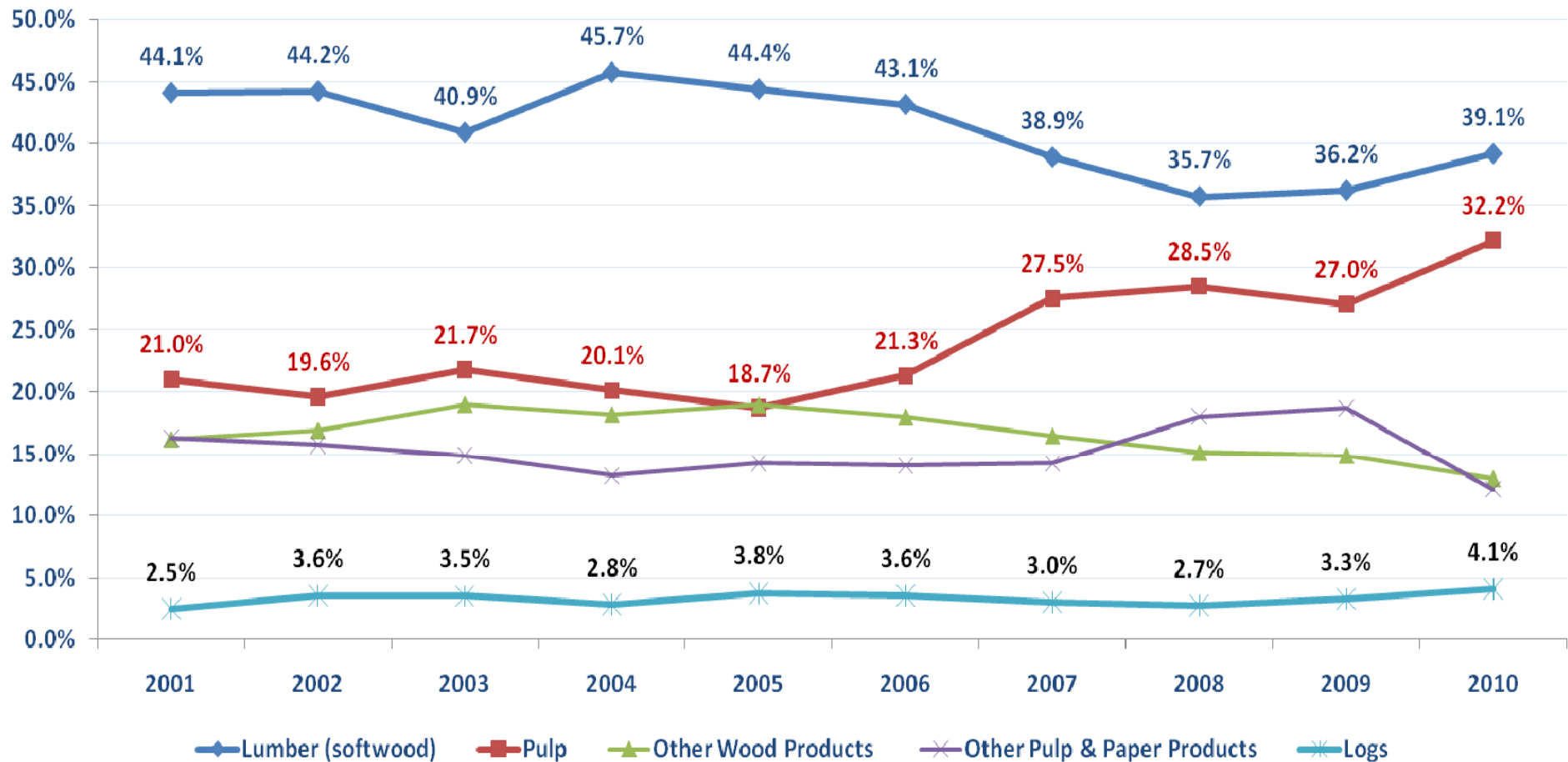
U.S. Market – Shares of U.S. Softwood Lumber Consumption



Data source: WWPA. * Estimated by comparing first 10 months of 2010 with first 10 months of 2009.

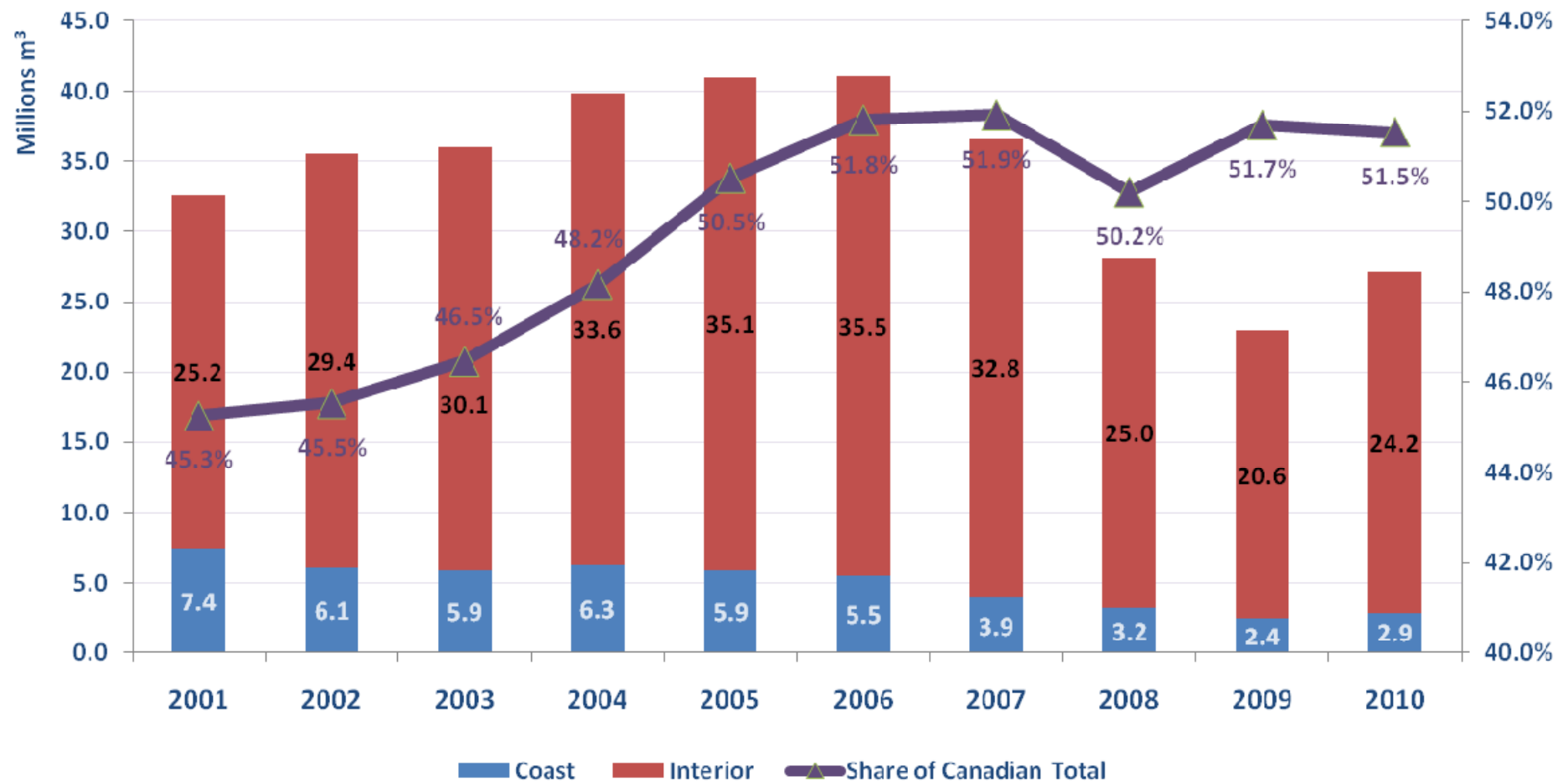
Product Mix –

Shares of B.C. Forest Products Exports (value) by Product



Data source: B.C. Stats

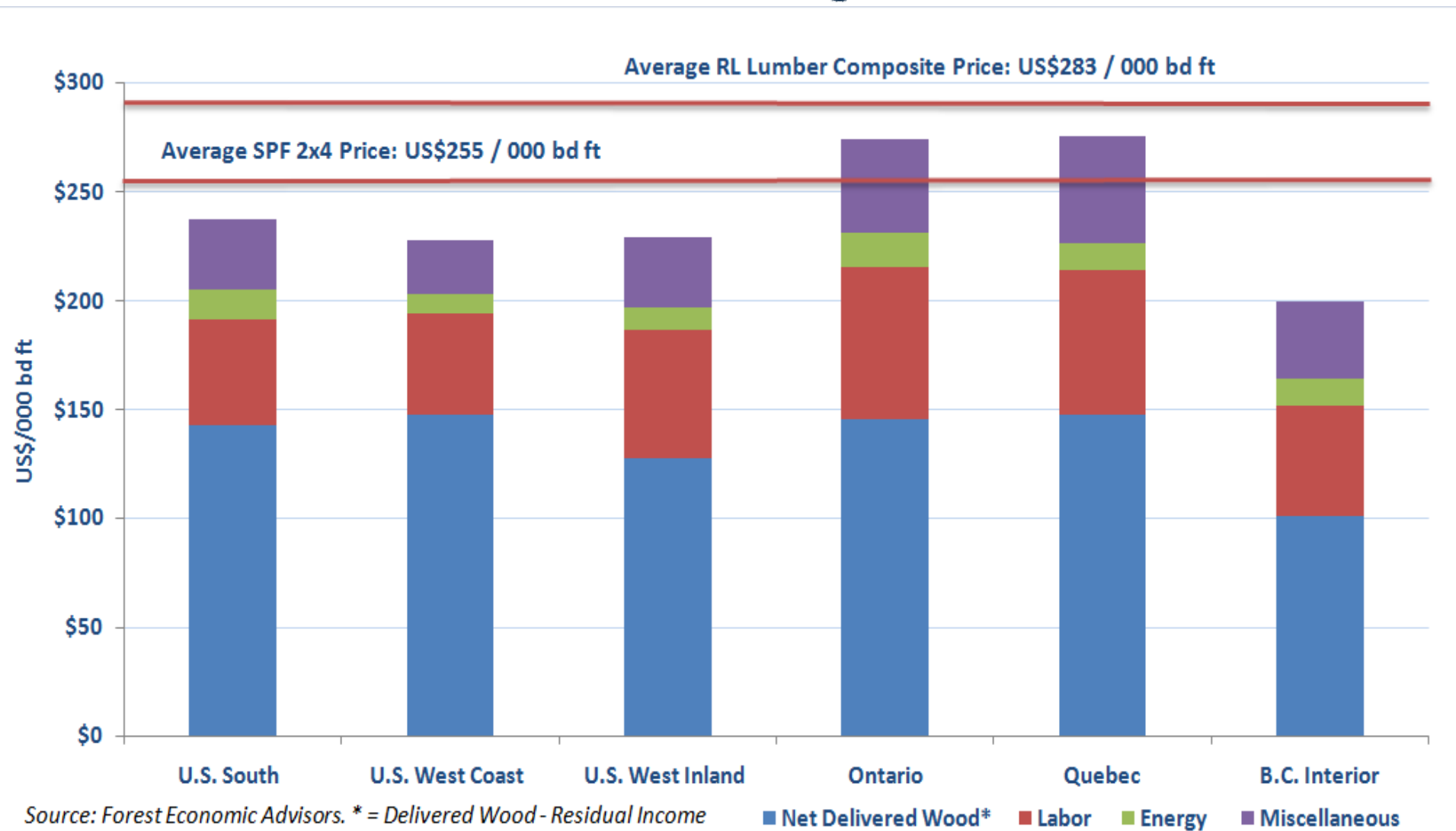
Softwood Lumber – B.C. Softwood Lumber Production and Shares of Canada Total



Data source: Statistics Canada. * Estimated by comparing first 10 months of 2010 with first 10 months of 2009.

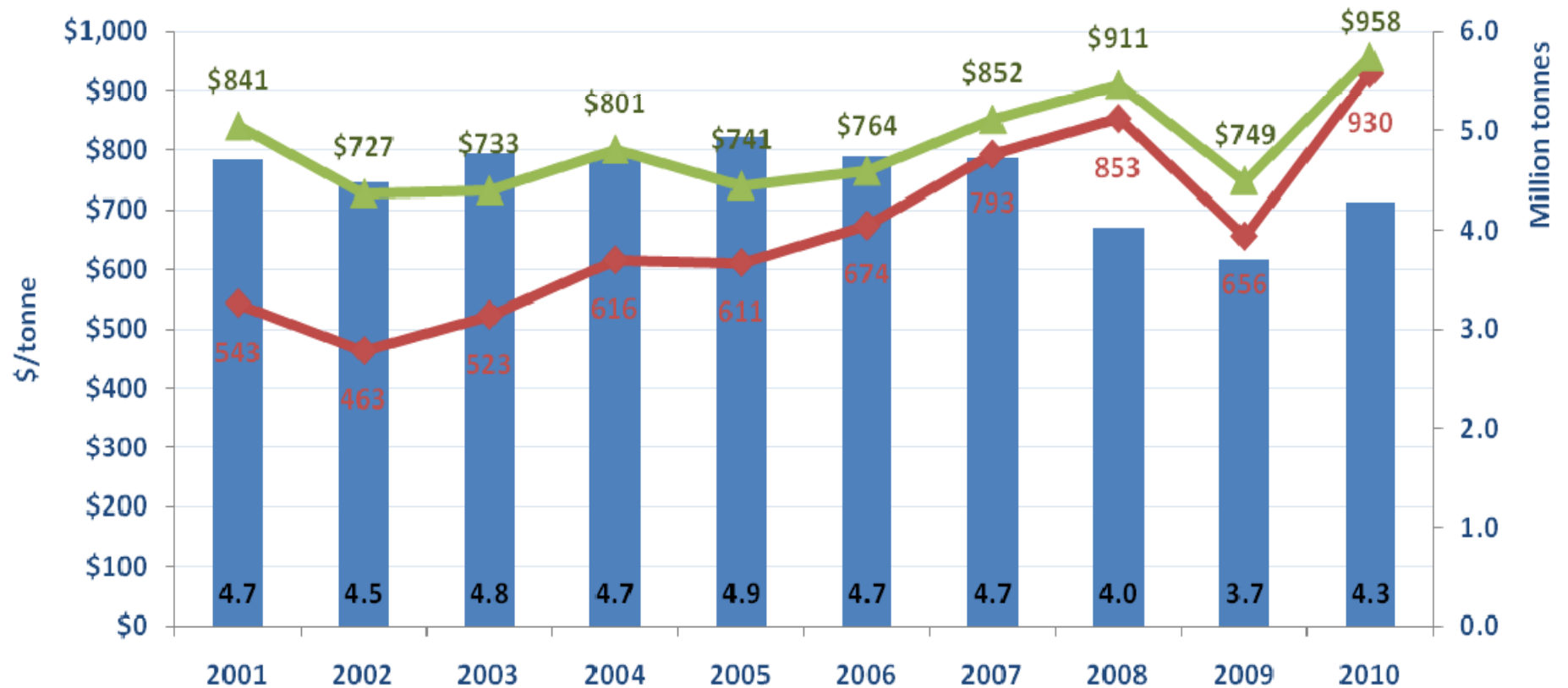
Softwood Lumber –

2010 North American Lumber Mills Average Variable Costs



Pulp –

NBSK Pulp Prices & B.C. Shipments



Source: FOEX Index, B.C. Stats

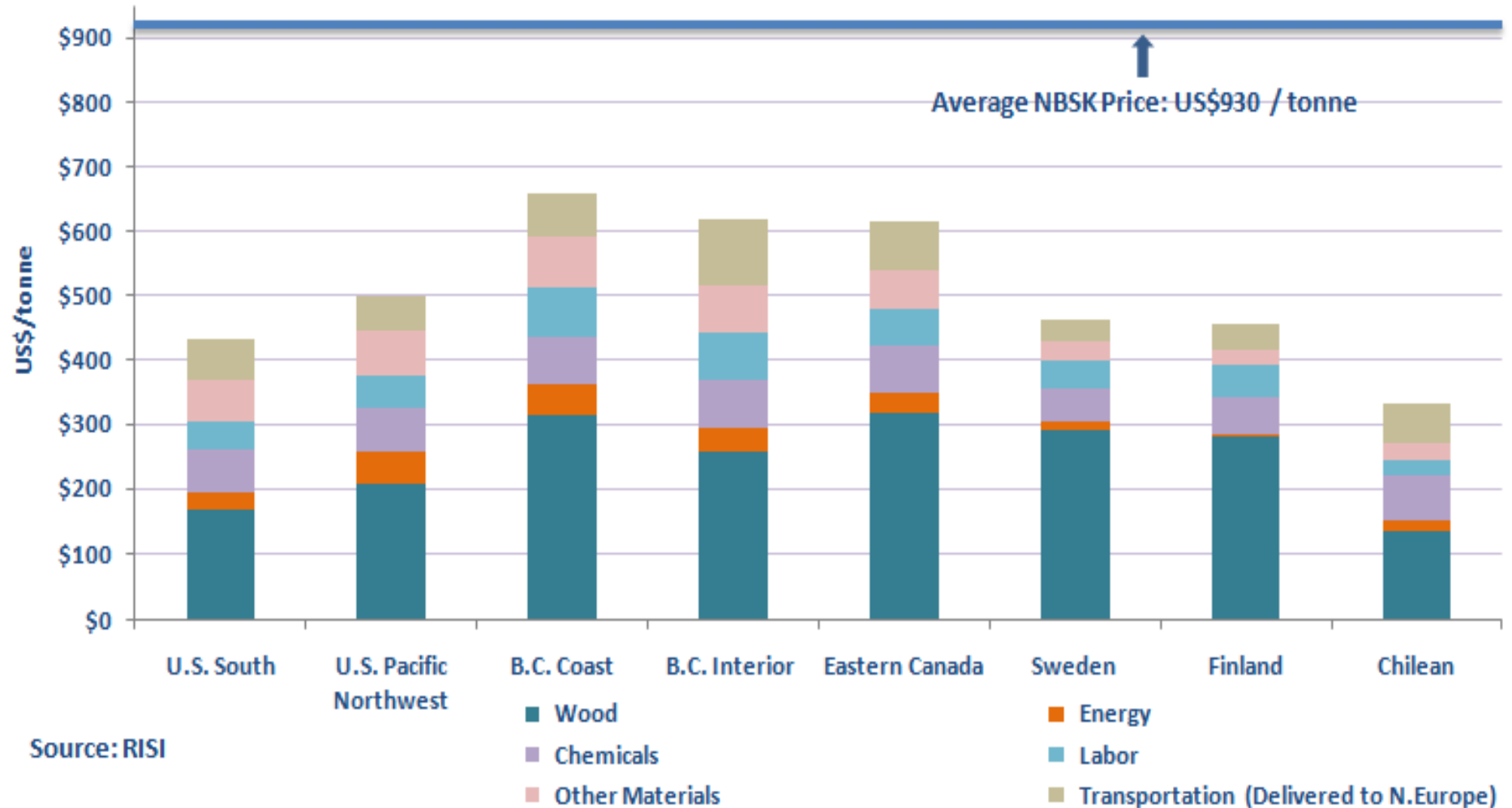
■ Pulp shipments

◆ NBSK (del. Europe) U.S.\$

▲ NBSK (del. Europe) CAD\$

Pulp –

2010 World Bleached Softwood Kraft Pulp Producers Average Variable Costs



Conclusions and Outlook

- ❖ Bottomed out at 2009 and recovered moderately in 2010.
- ❖ Less dependent on U.S. Market with increasing share of China market.
- ❖ Increasing share of pulp and other products.
- ❖ China's demand is expected to stay strong.
- ❖ U.S. Lumber market is expected to recover slowly from the recession.
- ❖ Lumber prices are expected to increase due to stronger demand and weaker supply (MPB).
- ❖ Innovations in markets, products & technologies and investments will make the sector more competitive.

Q & A