



A Selection of Monthly Economic Statistics



Points of interest:

Softwood Lumber Agreement

On January 18, 2011, the United States Trade Representative formally requested **arbitration** under the **Softwood Lumber Agreement** related to British Columbia's **interior timber pricing policies**.

Forest Sector Employment

In 2010, the B.C. forest sector had **direct employment of 55,500 jobs**, adding **3,500 more jobs** than 2009.

- **Forestry & Logging:** 16,600 jobs, up 19.4% from 2009;
- **Wood Products:** 29,100 jobs, up 7.0% from 2009; and
- **Paper Products:** 9,800 jobs, down 10.1% from 2009.

Source: Statistics Canada Labour Force Survey

Exports to India

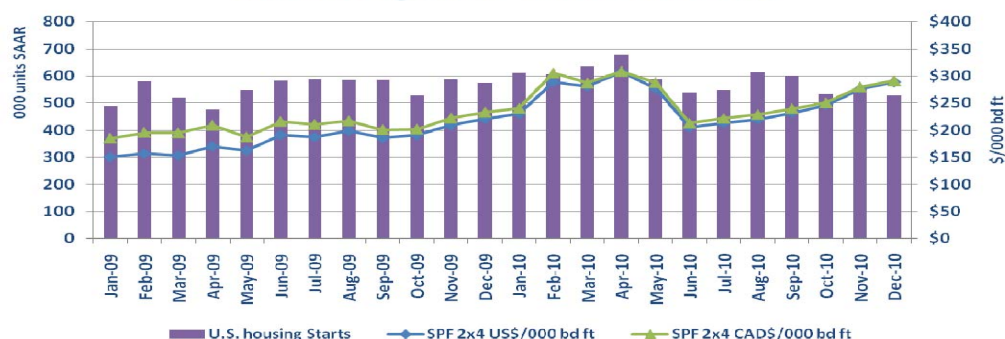
Recently, the **government of India lifted the restriction** on spruce/pine/fir imports from B.C. and Canada, which is expected to have a **positive impact** on B.C.'s wood exports to India. B.C. forest products **exports to India** totalled **\$51.7 million** in the first 11 months of 2010, **up 104% YTD** from 2009 level, accounting for **0.6%** of the total value of B.C. forest products exports in 2010 YTD.

For further information please contact:

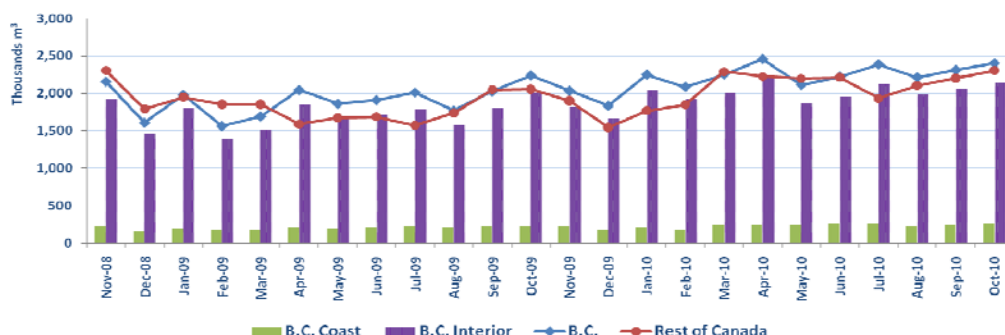
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LUMBER PRICES & U.S. HOUSING

U.S. Housing Starts* and SPF 2x4 Prices



Softwood Lumber Production, B.C. vs. Rest of Canada



Data sources: Madison's, U.S. Census Bureau and Statistics Canada. * private-owned housing starts.

- **U.S. privately-owned housing starts** in **December** were at **529,000 SAAR**. This is **4.8% lower** than the revised November estimate of 553,000, and is 8.2% below the December 2009 rate of 576,000. **U.S. housing starts** are expected to **rise marginally** in 2011, and as a result, **U.S. lumber demand will remain weak** through 2011.
- Despite the weak U.S. lumber demand, lumber prices have been steadily increasing partly due to robust Chinese demand. **SPF 2x4s** averaged **\$255** in 2010, **up 40.1%** from 2009. **Random Lengths Lumber Composite** averaged **\$283** in 2010, **up 27.5%** from 2009. **China's demand for B.C. wood products** is expected to continue to grow for the next 3-5 years due to its massive fibre-supply gap.
- **B.C. Lumber production increased** by **18.8%** in 2010 YTD from 2009 level. Of the totalled **22.7 million m³** produced in the first 10 months of 2010, **10.6%** came from **B.C. Coast** and **89.4%** came from **B.C. Interior**. Output in the **rest of Canada** totalled **21.1 million m³**, **up 17.0%** YTD from 2009 level.

Common Abbreviations:

YTD- year-to-date

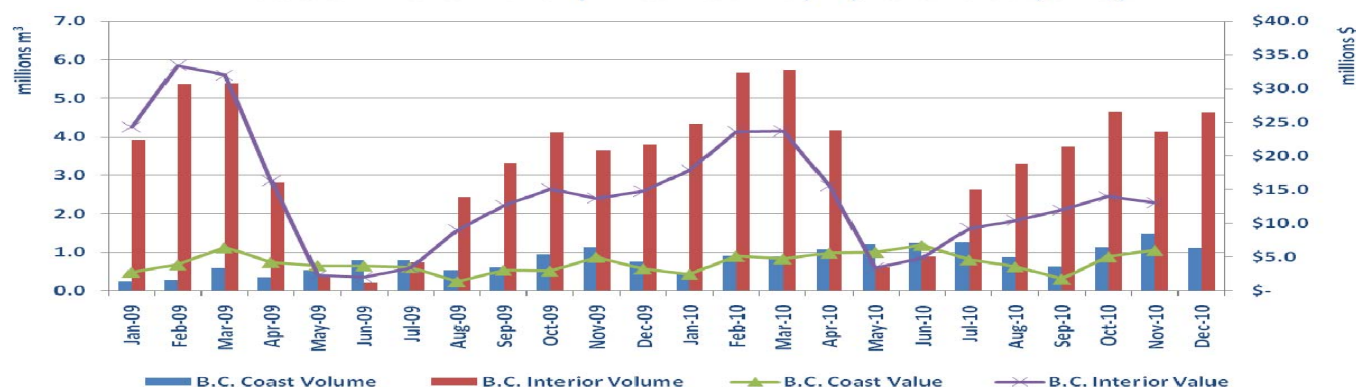
M/M- % change from the previous to current month

Y/Y- % change from the same month in the previous year to the current year

SAAR- Seasonally Adjusted Annual Rates

China- refers to China, including Hong Kong

HARVESTING

B.C. Crown Land Monthly Billed Volume (m³)* and Value (CAD\$)

Data source: Harvest Billing System of MFML. Value and volume are based on the invoice date and may not reflect actual harvest and stumpage revenue in the given month.

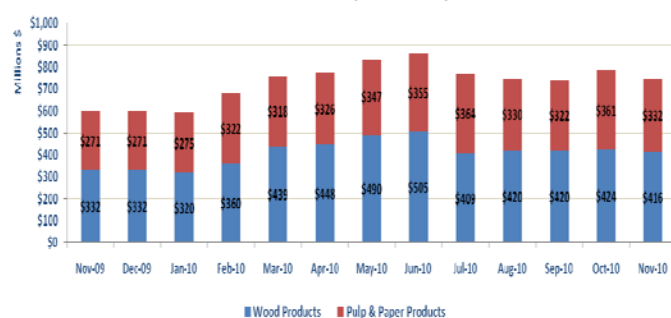
*All logs, special forest products, species and grades billed to crown land excluding waste, reject and Christmas trees.

COAST Crown land billed volume was **1.12 million m³** in **December**, contributing to a total of **12.3 million m³** in **2010**. This is an **increase of 61.7%** from 2009. Billed value was **\$4.7 million** in **December**, contributing to a total of **\$56.2 million** in **2010**. This is an **increase of 28.3%** from 2009. Slower increase in value than the volume in 2010 continue to reflect the impacts of the U.S. market downturn.

INTERIOR Crown land billed volume was **4.64 million m³** in **December**, contributing to a total of **44.5 million m³** in **2010**. This is an **increase of 23.3%** from 2009. Billed value was **\$17.7 million** in **December**, totalling **\$165.5 million** in **2010**, **down 7.6%** from 2009. The decline in value despite the increase in volume is due to the impacts of the U.S. market downturn, as well as the deteriorating impact of the Mountain Pine Beetle on timber quality.

EXPORTS

B.C. Forest Products Export Value by Sector

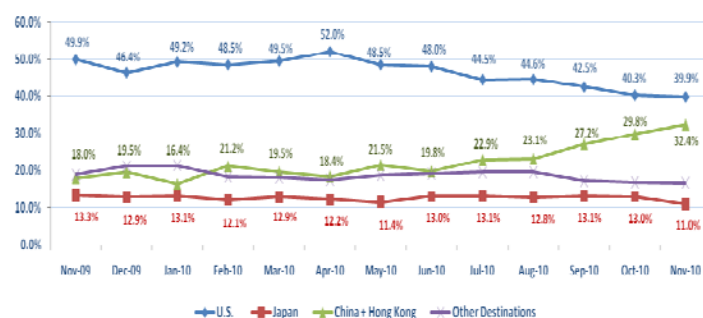


Data source: BC Stats.

B.C. forest products exports totalled **\$748 million** in November, **down 4.8%** from October and **up 19.1% YTD** from 2009 level;

- **Wood products exports** totalled **\$416 million** in November, **down 1.9%** from October and **up 22.8%** from the 2009 level YTD; and,
- **Pulp & paper products** totalled **\$332 million** in November, **down 8.1%** from October and **up 14.7%** from the 2009 level YTD.

Share of B.C. Forest Products Export Value



The destination with the **largest share of the B.C. forest products export value** in November has been the **U.S.** at **39.9%**, while:

- **China** accounted for **32.4%** and
- **Japan** accounted for **11.0%**.

In the first 11 months of 2010, the **U.S. share** of the total value of B.C. forest products exports has been gradually declining since April 2010 to **46.1%**. **China's share** increased to **23.0%** and **Japan's share** remained stable at **12.5%** in 2010 YTD.

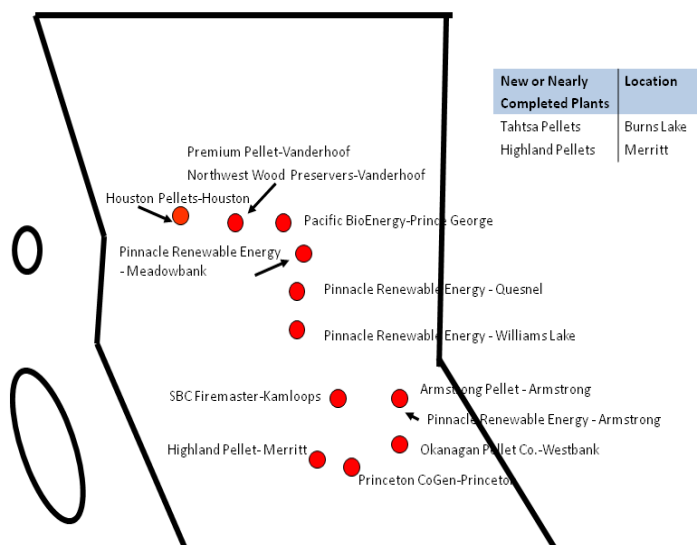
A CLOSER LOOK AT FOREST-BASED BIOENERGY IN B.C.

- The **B.C. Bioenergy Strategy** is helping to realize the value of our abundant biomass resources, such as beetle-killed timber, wood wastes and agricultural residues for renewable energy and other value-added products.
- **Forest biomass** is the **most important resource** in estimates of B.C.'s **bioenergy potential**. B.C.'s forest biomass, sourced from sustainable forestry practices and a 20-year supply of mountain pine beetle-killed wood (with current forest biomass usage discounted), is estimated to be able to physically **provide almost half of B.C.'s energy consumption** of 920 PJ per year*.
- **Policy developments** in the Ministry of Forests, Mines and Lands are **supporting bioenergy opportunities** and are **encouraging increased utilization of beetle-attacked timber**:
 - the ability to award **non-replaceable forest licences** to energy producers;
 - **fibre supply licences to cut** to utilize logging debris that is left behind on landings and roadsides;
 - **innovative timber sale licences** (ITSLS or lump sum area-based sales). Since their introduction in September 2008, ITSLS have offered over **13 million cubic metres** to the market; and,
 - moving to **stand-as-a-whole pricing** and **cruise-based billing**.
- The provincial government's **Innovative Clean Energy (ICE) Fund** has contributed \$60 million, in over 41 projects across B.C., to advance bioenergy and other clean energy technologies. Examples of funded bioenergy projects include a **combined heat and power system, fuelled by biomass**, at UBC's Vancouver campus; a bio-refinery in Quesnel to convert woody biomass into **cellulosic ethanol, lignins and xylose**; and the use of **excess capacity from an existing industrial biomass energy system** to produce electricity and heat for community facilities in Quesnel.
- The **B.C. Bioenergy Network** and the **Wood Pellet Association of Canada** are assessing the feasibility of commercially producing **torrefied pellets**. Benefits of these enhanced pellets include:
 - a **40-50 % reduction in transportation and storage costs**, compared to traditional wood pellets, due to their **higher energy density and water-repellence**;
 - they are **more practical for converting coal-fired power stations**; and,
 - they have the potential to make B.C.'s wood pellet industry even **more competitive on a global scale**.
- **District energy projects**, located throughout B.C., locally produce and distribute heat (and in some cases heat and electricity) to community users e.g., the **district heating system in Revelstoke** uses **wood residues** from **Downie Street Sawmills** to heat city buildings and provides low pressure steam to operate the mill's dry kilns.
- In support of B.C.'s Energy Plan, **B.C. Hydro's Bioenergy Phase 2 Call** has a target to **acquire up to 1,000 gigawatt hours per year of cost-effective electricity**. In October 2010, 8 projects were selected to proceed to the next phase of the Request for Proposals. The selected proposals are located in communities throughout B.C. and would **use biomass from a number of sources**, including sawmill and manufacturing residuals, roadside debris, logging slash, sort yard debris, and biomass derived from standing timber.

* PJ – Petajoule: 1 PJ = 10¹⁵ Joules or 278 million kilowatt hours

* **Source:** An Information Guide on Pursuing Biomass Energy Opportunities and Technologies in British Columbia (2010)

B.C.'s Wood Pellet Plants



- B.C.'s **wood pellet industry** is playing a major role in **developing renewable bioenergy sources** locally and internationally with growing **production and export markets**:
- **Wood pellet production** improves utilization by using sawmill residues, logging debris and an increasing supply of timber killed by the mountain pine beetle;
- In 2010, **B.C.'s pellet mills** produced **1.2 million tonnes** of pellets (from a capacity of 1.4 million tonnes), and **almost all of the production was shipped to Europe**. Planned new capacity for 2011 is about 0.4 million tonnes;
- **Europe** is the world's largest market for pellet products. **Green energy policies** in Europe — where power companies earn carbon credits by replacing coal with renewable wood fuel — have resulted in **increased pellet demand**;
- In 2010, B.C. exported 0.06 million tonnes of pellets to Japan. **Emerging energy policies** in **Asian countries** e.g., South Korea, are also expected to drive increased pellet demand.

DATA SUMMARY

Monthly Economic Statistics - January 2011

	<u>Latest Month</u>	<u>Month Ago</u>	<u>M/M Change</u>	<u>Year Ago</u>	<u>Y/Y Change</u>	<u>2010 YTD</u>	<u>2009 YTD</u>	<u>YTD/YTD* Change</u>	
Lumber Prices (U.S. \$/000 bd ft)									
SPF 2x4	Dec 10	\$289	\$276	4.7%	\$221	30.8%	\$255	\$182	40.1%
Random Lengths Lumber Composite	Dec 10	\$282	\$275	2.5%	\$252	11.9%	\$283	\$222	27.5%
SPF 2x10	Dec 10	\$333	\$322	3.4%	\$308	8.1%	\$318	\$247	28.7%
SPF Stud	Dec 10	\$253	\$246	2.8%	\$226	11.9%	\$253	\$191	32.5%
Cedar 2x4	Dec 10	\$650	\$650	0.0%	\$650	0.0%	\$650	\$623	4.3%
Hemlock Squares	Nov 10	\$753	\$780	-3.5%	\$767	-1.8%	\$779	\$767	1.6%
Panel Prices (CDN\$/000 sq ft)									
Plywood	Dec 10	\$298	\$299	-0.3%	\$307	-2.9%	\$333	\$311	7.1%
OSB	Dec 10	\$198	\$204	-2.9%	\$200	-1.0%	\$250	\$202	23.8%
Pulp & Paper Prices (U.S.\$/tonne)									
NBSK Pulp	Dec 10	\$950	\$957	-0.7%	\$796	19.3%	\$930	\$656	41.8%
Newsprint (U.S. Eastcoast)	Dec 10	\$625	\$623	0.3%	\$508	23.0%	\$582	\$578	0.7%
CAD\$/U.S.\$ Exchange Rate									
	Dec 10	1.0078	1.0128	-0.5%	1.0544	-4.4%	1.0299	1.1366	-9.4%
Housing Starts (000 units)									
U.S. (Seasonally Adjusted Annual Rates)	Dec 10	529	553	-4.3%	576	-8.2%	586	554	5.8%
Canada	Dec 10	172	198	-13.5%	178	-3.5%	192	148	30.4%
Japan (Wood-based)	Nov 10	41	41	1.1%	41	1.6%	417	389	6.9%
B.C. Lumber Production (000 m³)									
Coast	Oct 10	2,400	2,311	3.8%	2,238	7.2%	22,690	19,105	18.8%
	Oct 10	256	249	2.8%	229	11.7%	2,395	2,024	18.3%
Interior	Oct 10	2,144	2,062	4.0%	2,009	6.7%	20,296	17,080	18.8%
B.C. Market Pulp Shipments (000 tonne)									
	Nov 10	345	405	-14.8%	293	17.7%	3,863	3,114	24.1%
B.C. Origin Forest Products Exports by Products (million \$)									
Wood Products	Nov 10	\$748	\$785	-4.8%	\$603	24.1%	\$8,304	\$6,972	19.1%
	Nov 10	\$416	\$424	-1.9%	\$332	25.3%	\$4,652	\$3,789	22.8%
Pulp & Paper products	Nov 10	\$332	\$361	-8.1%	\$271	22.6%	\$3,652	\$3,183	14.7%
Shares of B.C. Forest Products Exports Value (%)									
U.S.	Nov 10	39.9%	40.3%	-1.0%	49.9%	-20.0%	46.1%	53.4%	-13.7%
China & Hong Kong	Nov 10	32.4%	29.8%	8.7%	18.0%	80.0%	23.0%	16.2%	42.0%
Japan	Nov 10	11.0%	13.0%	-15.4%	13.3%	-17.3%	12.5%	12.2%	2.5%
Other	Nov 10	16.7%	16.9%	-1.2%	18.9%	-11.6%	18.4%	18.2%	1.1%
Market Shares of U.S. Lumber Consumption (%)									
B.C.	Oct 10	14.0%	13.7%	2.5%	16.5%	-15.2%	16.4%	17.2%	-5.1%
Rest of Canada	Oct 10	12.9%	12.2%	6.1%	10.4%	24.7%	11.3%	10.4%	8.4%
U.S.	Oct 10	73.1%	74.2%	-1.5%	73.1%	0.0%	72.4%	72.4%	0.0%
3rd Country	Oct 10	1.1%	1.4%	-21.3%	1.6%	-32.3%	1.3%	1.9%	-30.6%
B.C. Crown Land Billed Volume (000 m³)									
Coast	Dec 10	5,760	5,612	2.6%	4,564	26.2%	56,762	43,686	29.9%
	Dec 10	1,117	1,478	-24.4%	761	46.8%	12,258	7,579	61.7%
Interior	Dec 10	4,643	4,134	12.3%	3,803	22.1%	44,503	36,107	23.3%
B.C. Crown Land Billed Value (million \$)									
Coast	Dec 10	\$22.4	\$19.1	17.0%	\$18.0	23.9%	\$221.7	\$223.0	-0.6%
	Dec 10	\$4.7	\$6.0	-22.7%	\$3.3	42.8%	\$56.2	\$43.8	28.3%
Interior	Dec 10	\$17.7	\$13.1	35.3%	\$14.8	19.7%	\$165.5	\$179.2	-7.6%
B.C. Forestry Employment (LFS) (000 jobs)									
Forestry & Logging	Dec 10	54.4	55.7	-2.3%	55.4	-1.8%	55.5	52.0	6.7%
	Dec 10	11.8	13.9	-15.1%	17.5	-32.6%	16.6	13.9	19.4%
Wood Products	Dec 10	33.3	31.5	5.7%	29.0	14.8%	29.1	27.2	7.0%
Paper Products	Dec 10	9.3	10.3	-9.7%	8.9	4.5%	9.8	10.9	-10.1%
B.C. Log Exports									
Volume (000 m³)	Nov 10	307	235	30.6%	293	4.6%	3,609	2,571	40.4%
Value (million \$)	Nov 10	\$30	\$24	27.1%	\$26	17.4%	\$339	\$239	41.8%

* based on calendar year, change % from the same year-to-date period of the previous U.S. year to the year-to-date of current year.