Source: Ministry of Forests

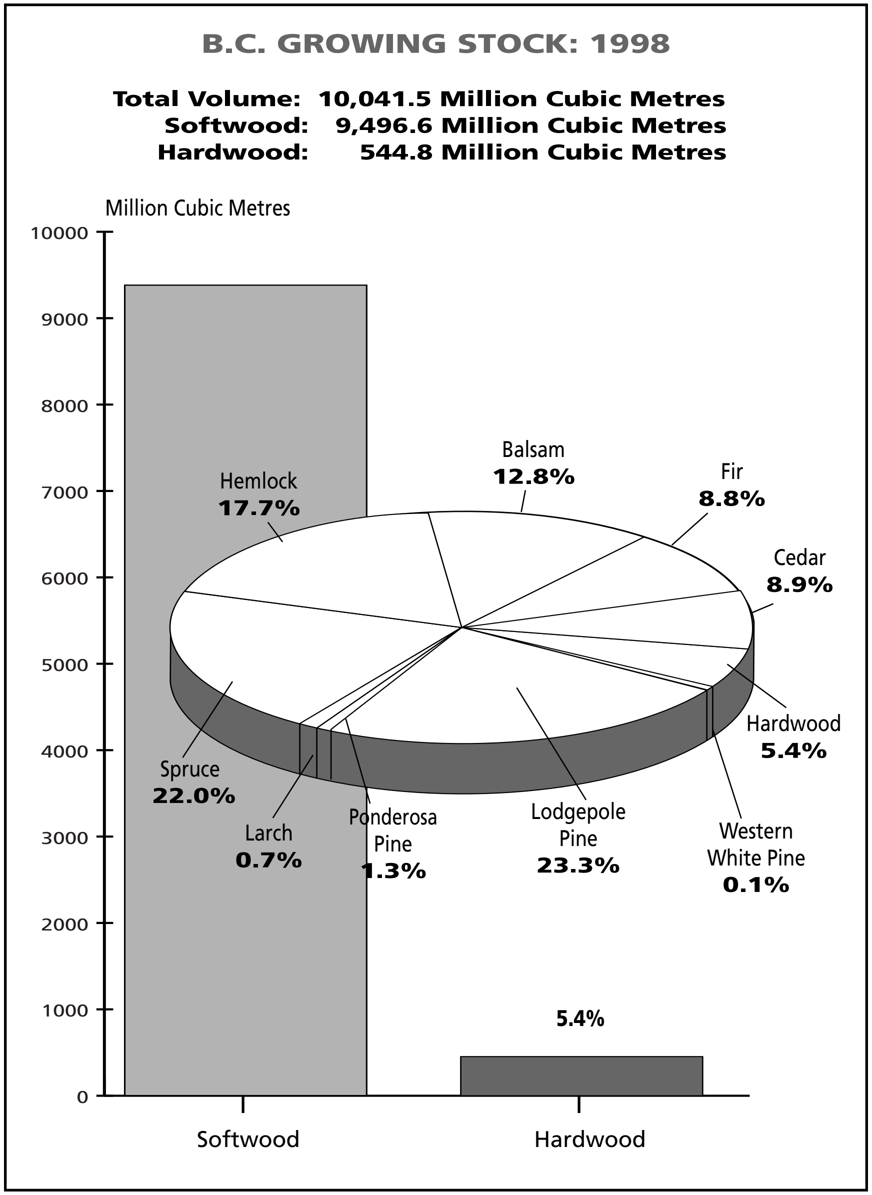
Part III

B.C.'S FORESTS AND FOREST INDUSTRY

B.C. GROWING STOCK

B.C.'s total growing stock, which includes both immature and mature trees by all ownership, totalled 10,041.5 million cubic metres in 1998. The predominant species are softwood, or coniferous, accounting for 94.6 per cent of the total, or 9,496.6 million cubic metres. Hardwood, or deciduous trees, make up the balance of 5.4 per cent or 544.8 million cubic metres.

In 1998 the total harvest in B.C. was 67.6 million cubic metres and in 1999 the harvest level rose to 76.9 million cubic metres.



B.C.'S ALLOWABLE ANNUAL CUT AND VOLUME HARVESTED

The allowable annual cut or AAC is the volume of timber that the Chief Forester of British Columbia determines can be harvested from the lands regulated by the province.

Every five years the Chief Forester reassesses the allowable annual cut (AAC) for the 37 timber supply areas (TSA's) and 34 tree farm licence areas (TFL's) within B.C.'s working forests. The timber supply review AAC determinations completed in December 1996 resulted in total provincial AAC being reduced by 325,000 cubic metres. This is a 0.5 per cent reduction since the timber supply review began in 1992. The AAC before and after the timber supply review, however, are not entirely comparable. The conventional timber supply of coniferous wood was reduced by 5.2 per cent while some wood previously harvested under special licences outside the AAC, such as pulpwood forests and over mature cedar and hemlock, are now included in the AAC. After allowing for the changes described above, the real reduction in terms of the pre-timber supply review AAC is somewhat greater and is in the range of one or two per cent. The next phase of the TSR is scheduled for completion by Dec. 2001 and again new AACs will be determined for all the TSA's and TFL'S in the province.

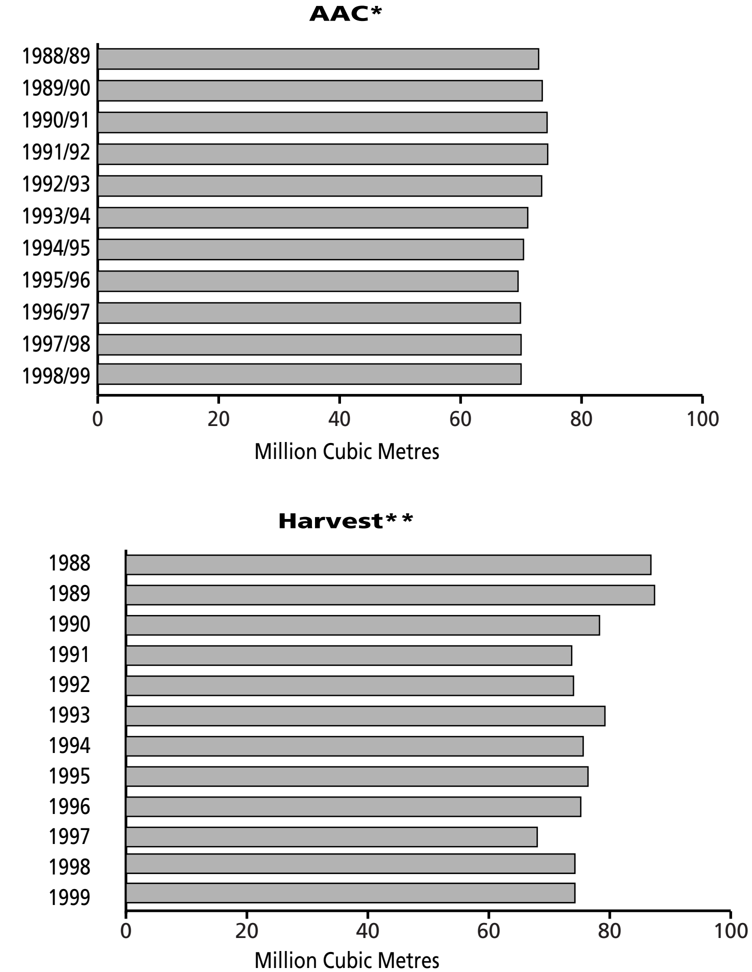
The Chief Forester's determinations underscore the fact that B.C. is in a period of transition. While original forests will continue to be a significant source of timber for another 25-50 years, B.C. is moving towards an era of increased management and utilization of second growth forests.

In the final analysis, the future AAC will be what British Columbians decide to make it. Achieving and maintaining the level of AAC necessary to assure ongoing benefits from the forest resource ultimately requires the involvement of everyone who receives those benefits.

Timber can also be harvested from lands that are not included in the AAC determination in particular, private lands. As a result, the actual harvest can exceed the AAC without jeopardizing the principles on which the AAC is determined. As well, on regulated lands, the law permits harvesting to fluctuate from the AAC by 50 per cent each year as long as the harvest is within 10 per cent of the AAC over a five-year period. This allows for variations in the harvest due to market conditions, adverse weather, insect infestation and other factors than can influence the level of harvest.

Source: B.C. Ministry of Forests

B.C.'S ALLOWABLE ANNUAL CUT & VOLUME HARVESTED: 1988 - 1999



* *Applies to Timber Supply Areas and Tree Farm Licences on a fiscal year basis.*

** *Includes logs harvested from both public and private lands and represents a larger land base than that from which the AAC is derived.*

B.C. LOG HARVEST

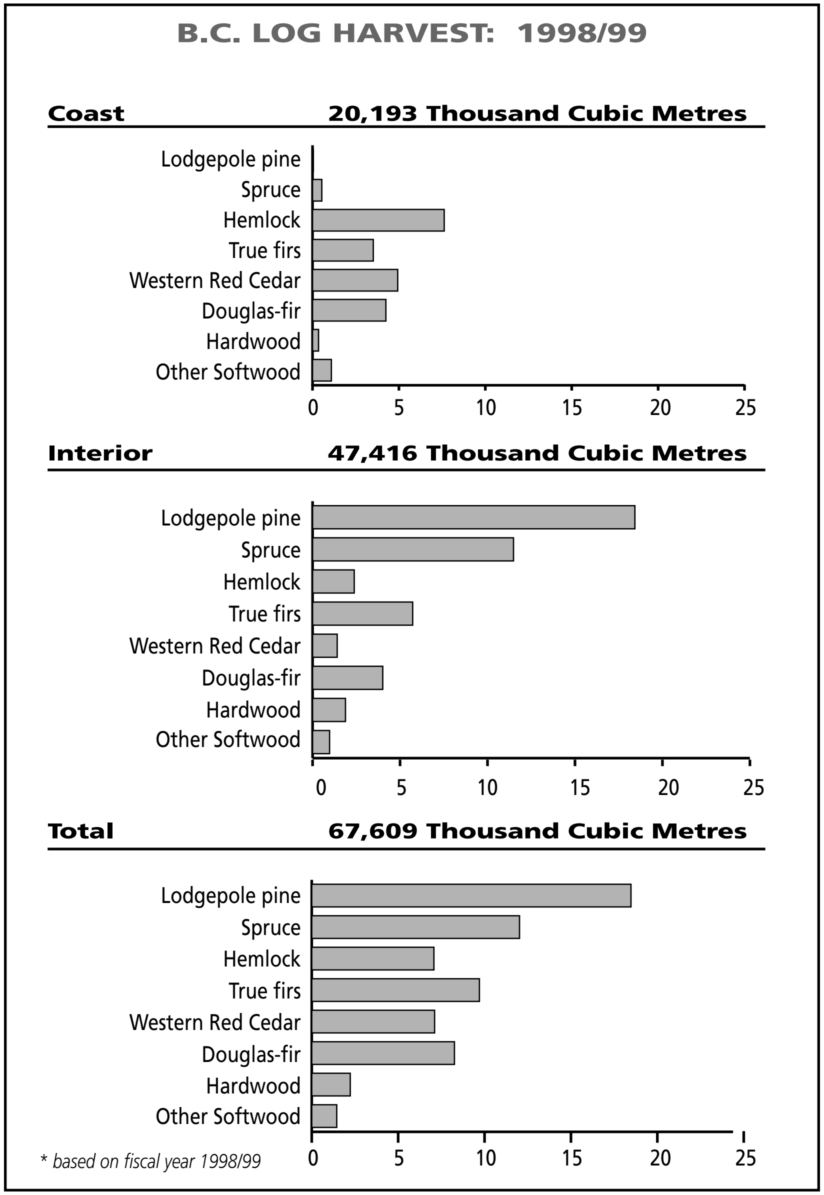
In 1998 the B.C. log harvest was 67,609 thousand cubic metres, a decline of 1.5 per cent from the 68,629 thousand cubic metres harvested in 1997. The logs were harvested from both private and public lands.

Close to one-third of the 1998 B.C. log harvest came from Coastal forests. Hemlock comprised the largest volume, followed by Western Red Cedar, Douglas fir, true firs, and spruce.

Roughly two-thirds of the logs harvested were from the Interior. Lodgepole pine comprised the largest volume, followed by spruce, true firs, Douglas fir and hemlock.

B.C. hardwood species make up 3.7 per cent of the log harvest.

Source: B.C. Ministry of Forests



B.C. LOG EXPORTS

Provincial forest policy continues to encourage the domestic use of logs for processing in B.C. mills.

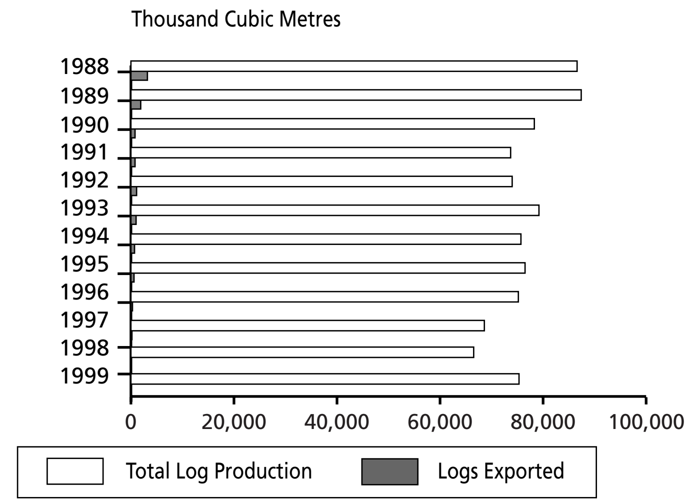
Generally, the government permits only those logs deemed to be surplus to B.C. milling requirements to be exported. Exemptions may be given when timber cannot be processed economically within the province.

In 1988 the province exported 3.2 million cubic metres of logs, or 3.7 per cent of total log harvest. By 1999 log exports had declined to 1.8 million cubic metres, or 2.3 per cent of the province's total log harvest.

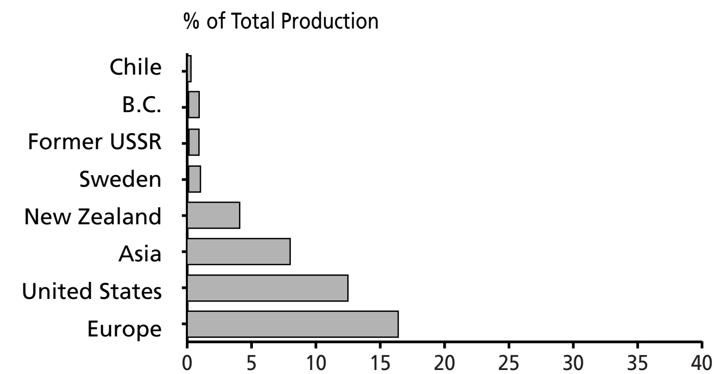
*Sources: COFI and B.C. Ministry of Forests **Sources: B.C. Ministry of Forests, U.N. Food & Agriculture Organization

B.C. LOG EXPORTS: 1988 - 1999

B.C. LOG EXPORTS COMPARED TO TOTAL LOG PRODUCTION - 1988 - 1999*



B.C. LOG EXPORTS COMPARED TO LOG EXPORTS BY OTHER JURISDICTIONS - 1999**



BC. FOREST PRODUCTS EXPORTS

The total value of forest products exported from B.C. in 1999 was $15.3 billion, up 18.6 per cent from $12.9 billion in 1998.

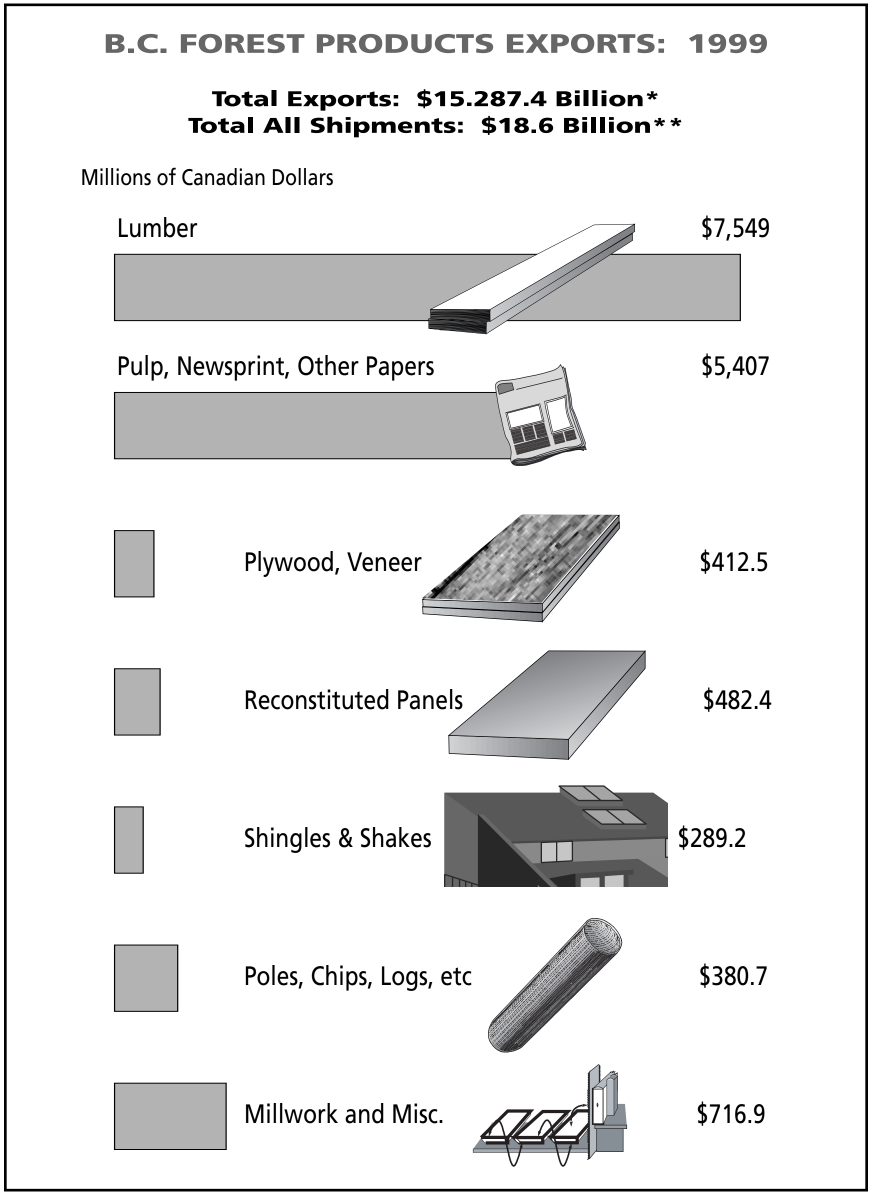
In 1999 B.C.'s lumber exports totalled $7.5 billion, up 13.0 per cent from 1998. Lumber accounted for 49.0 per cent of total forest products exported. B.C.'s major market, the U.S. accounted for 73.3 per cent of total softwood exports. Our second largest market, Japan accounted for 21.3 per cent.

In 1999 pulp, newsprint and other paper products exported from B.C. totalled $5.4 billion, up 12.5 per cent from 1998. Pulp and paper products accounted for 35.3 per cent of all forest products exported in 1999.

Plywood exports were $270.2 million in 1999, up 33 per cent from 1998. Veneer exports totalled $142.3 million, up 36 per cent from 1998.

The balance of exports were made up of chips, logs, poles, shingles/shakes, millwork and reconstituted panels accounting for $1.9 billion.

*Source: *Statistics Canada, International Trade Division **Statistics Canada. Catalogue 31-001*



DESTINATION OF B.C. WOOD PRODUCTS – BY VALUE (Excluding pulp & paper)

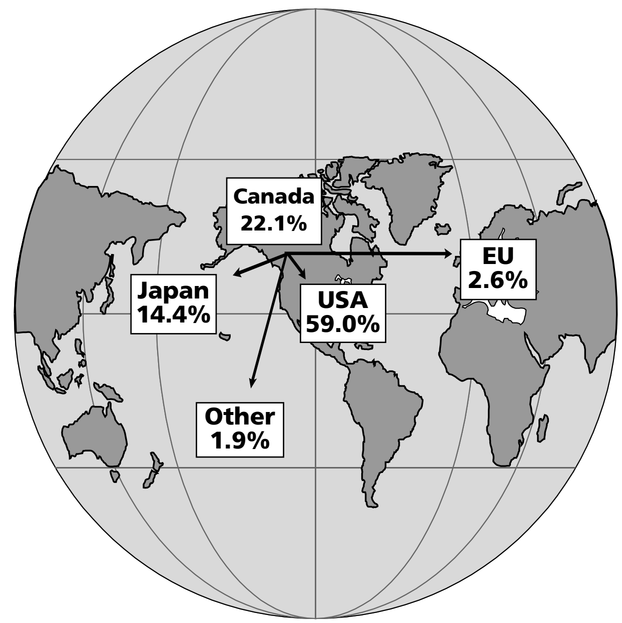
The value of B.C.'s domestic and overseas wood products shipments (excluding pulp and paper products) totalled $12.2 billion in 1999, compared to $10.2 in 1998, an increase of 19.6 per cent.

In 1999 exports of B.C.'s wood products (excluding pulp & paper) accounted for $9.5 billion or 78 per cent of total shipments. Canada consumed $2.7 billion or 22.1 per cent of the total. As the largest consumer of B.C. wood products, the United States received 59.0 per cent of shipments. The second largest consumer, Japan, received 14.4 per cent, while the European Union (EU) accounted for 2.6 per cent and the remaining countries took the balance of 1.9 per cent.

Source: Statistics Canada, Catalogue 31-001

DESTINATION OF B.C. WOOD PRODUCTS – BY VALUE (Excluding pulp & paper): 1999

Total Exports: $9.5 Billion
Total Value All B.C. Wood Products* Shipments: $12.211 Billion



*** Includes lumber, plywood, shingle/shakes and millwork*

DESTINATION OF B.C. PULP, PAPER AND PAPERBOARD PRODUCTS – BY VOLUME

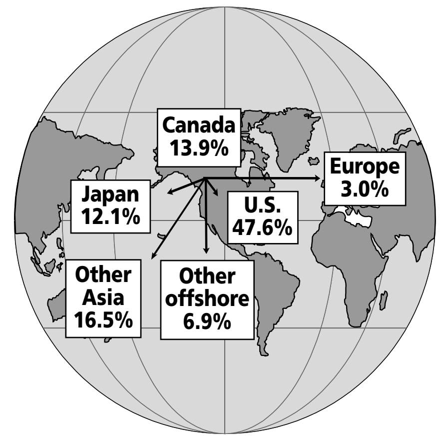
The volume of B.C.'s newsprint shipments totalled 1,381 thousand metric tonnes in 1999. The largest customer, the United States, accounted for 47.6 per cent of total exports. Asia (excluding Japan) accounted for 16.5 per cent, while Japan received 12.1 per cent, Europe 3.0 per cent and all other offshore exports amounted to 6.9 per cent. Domestic shipments were 13.9 per cent in 1999.

B.C. pulp, paper and paperboard shipments (excluding newsprint) totalled 6,690 thousand metric tonnes in 1999. The largest customer was Europe, representing 24.7 per cent, followed by other Asian countries (excluding Japan) with 27.3 per cent, the United States with 24.5 per cent, Japan with 11.9 per cent, and all other offshore exports with 3.9 per cent. Domestic shipments accounted for 7.7 per cent in 1999.

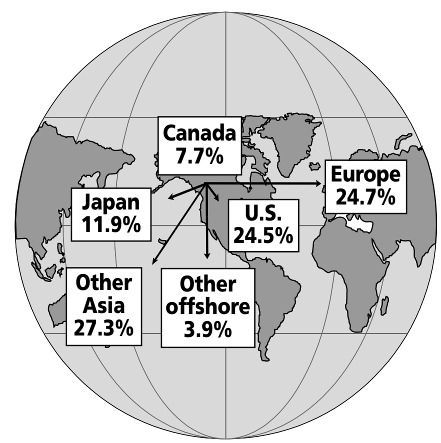
Source: Canadian Pulp and Paper Association

DESTINATION OF B.C. PULP, PAPER & PAPERBOARD PRODUCTS – BY VOLUME: 1999

Destination of newsprint by volume



Destination of pulp, paper and paperboard by volume (excluding newsprint)

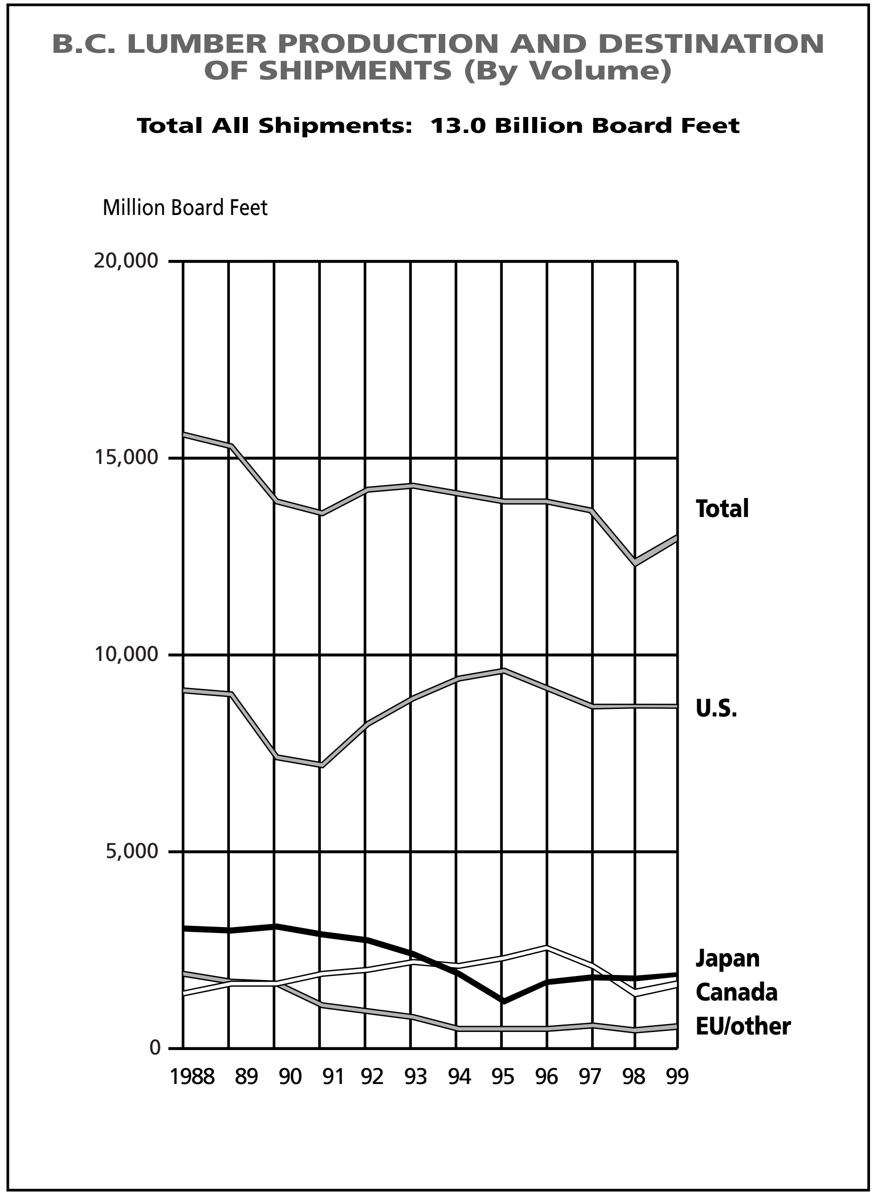


B.C. LUMBER PRODUCTION AND DESTINATION OF SHIPMENTS (By Volume)

Shipments of B.C. lumber totalled 13.0 billion board feet in 1999, up 2.4 per cent from 1998.

Statistics Canada reported shipments to the United States in 1999 totalled 8.7 billion board feet, down less than one per cent from 1998. Japan received 1.8 billion board feet, up 12.5 per cent from 1.6 billion board feet in 1998. Canada's domestic consumption in 1999 was 2.1 billion board feet, up 5.0 per cent from 2.0 billion board feet in 1998. The balance of 441.9 million board feet was shipped to the European Union and other countries in 1999, and was up 16.1 per cent from 380.7 million board feet in 1998.

Source: Statistics Canada



Source: Statistics Canada

B.C. LUMBER PRODUCTION BY REGION

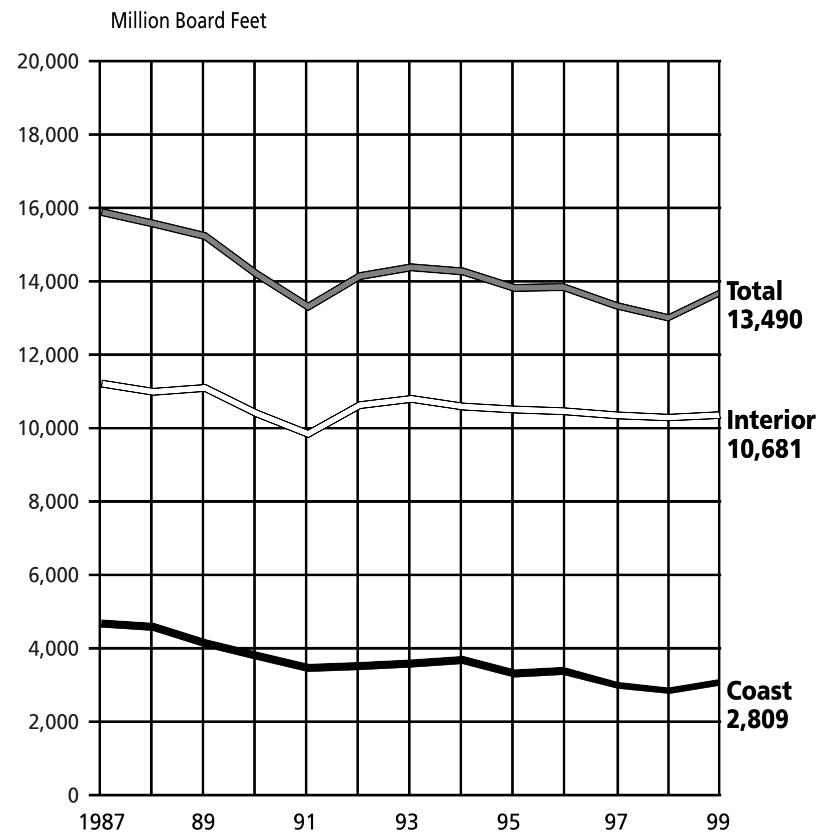
Total B.C. softwood lumber production was 13.490 billion board feet in 1999, up from 12.813 billion board feet in 1998.

Interior lumber producers accounted for 79.2 per cent of all softwood lumber; the remaining 20.8 per cent was produced by the Coast lumber manufacturers.

Lumber production fluctuates in response to world supply and demand and other factors including price, exchange rates, capacity levels and the impact of trade decisions.

B.C. SOFTWOOD LUMBER PRODUCTION BY REGION: 1997 - 1999

1997 Total: 13.490 Billion Board Feet



TRANSPORTING B.C. LUMBER TO MAJOR MARKETS

The cost of transporting B.C. lumber to world markets is critical to the industry's competitiveness.

Transportation carriers deliver lumber to the United States market primarily by rail and road. B.C. sawmills shipped 5.6 billion feet, or 64.4 per cent by rail in 1999, while road accounted for 2.7 billion board feet, or 31.0 per cent and waterborne shipments totalled 368 million board feet, or 4.2 per cent. Overall shipments to the United States totalled 8.7 billion board feet.

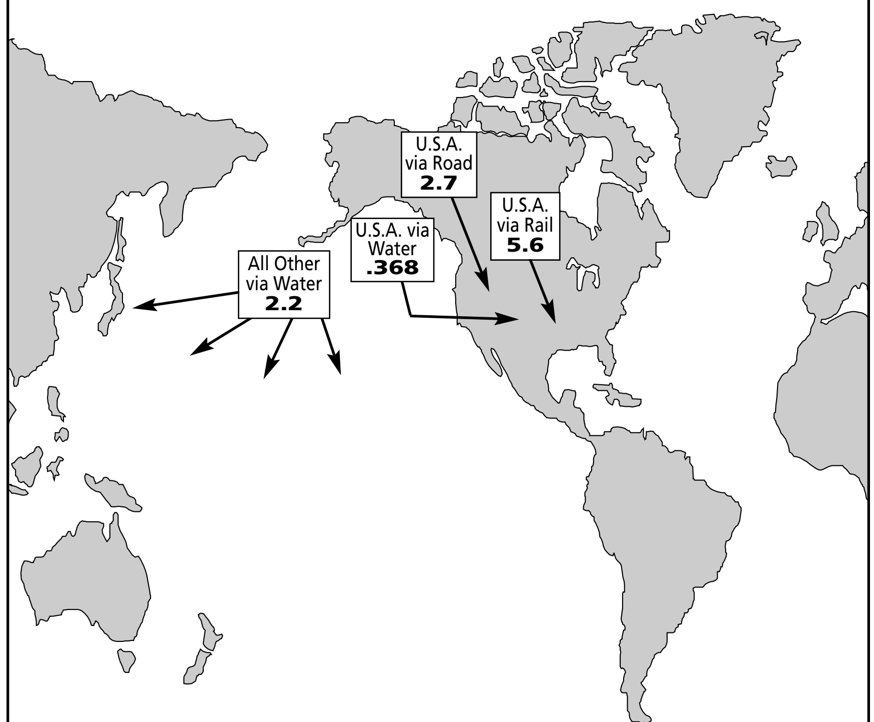
B.C. waterborne lumber exports to offshore markets amounted to 2.2 billion board feet in 1999.

Sources: Statistics Canada and COFI

B.C. SOFTWOOD LUMBER EXPORTS BY MODE OF TRANSPORT

Billion Board Feet

Total 10.9



Source: Statistics Canada

B.C. MARKET DIVERSIFICATION OVERSEAS

Over the decade B.C. has steadily lost market share in European lumber markets.

Progress was made, however, in finding other markets for B.C. lumber under the Cooperative Overseas Market Development Program (COMDP), which involved the forest industries and governments of both B.C. and Alberta as well as the Canadian federal government.

The Pacific Rim markets including Japan, China, South Korea, Taiwan, Australia, other Asia and other Oceania accounted for nearly 2.0 billion board feet of lumber shipments in 1999, up from 1.7 billion in 1998.

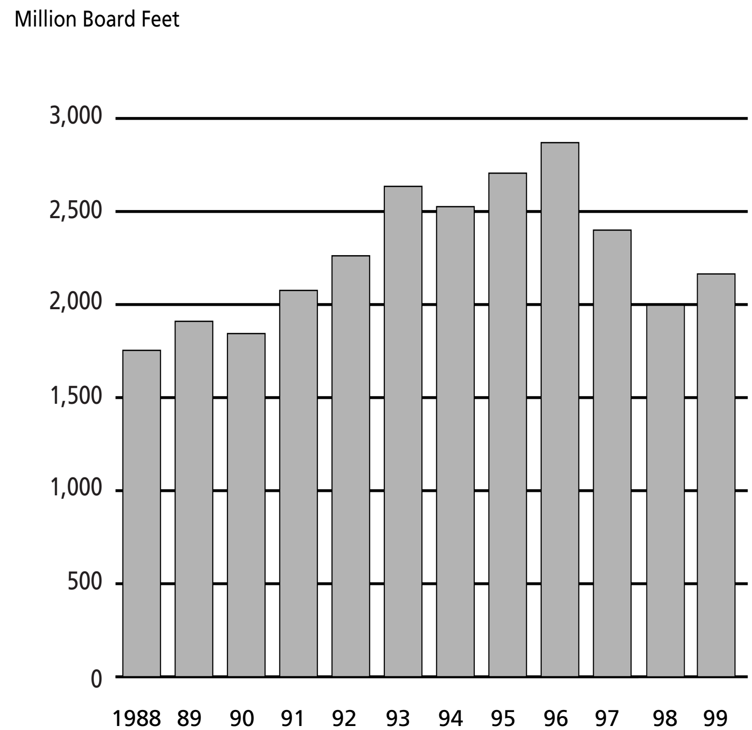
Overall, total offshore lumber exports were 2.2 billion board feet up from 2.0 billion board feet, in 1998.

Japan is B.C.'s largest overseas market for softwood lumber and grew from 699 million board feet in 1970 to over 2.1 billion board feet in 1997. Japanese lumber imports have declined significantly from their peaks of 1996-97. B.C. imports of softwood lumber dropped to 1.6 billion board feet in 1998 - recovering slightly to 1.8 billion board feet in 1999. The Japanese market is recovering, but market acceptance of traditional North American lumber has declined in the face of kiln-dried products and 5-ply laminated posts from Scandinavia. Coastal producers have responded by initiating a program, which is aimed at improving market acceptance for coastal hemlock and research on drying strategies.

B.C. MARKET DIVERSIFICATION OVERSEAS: 1988 - 1999

Total Overseas Lumber Exports 1999: 2.2 Billion Board Feet

Total Pacific Rim Lumber Exports 1999: 2.0 Billion Board Feet

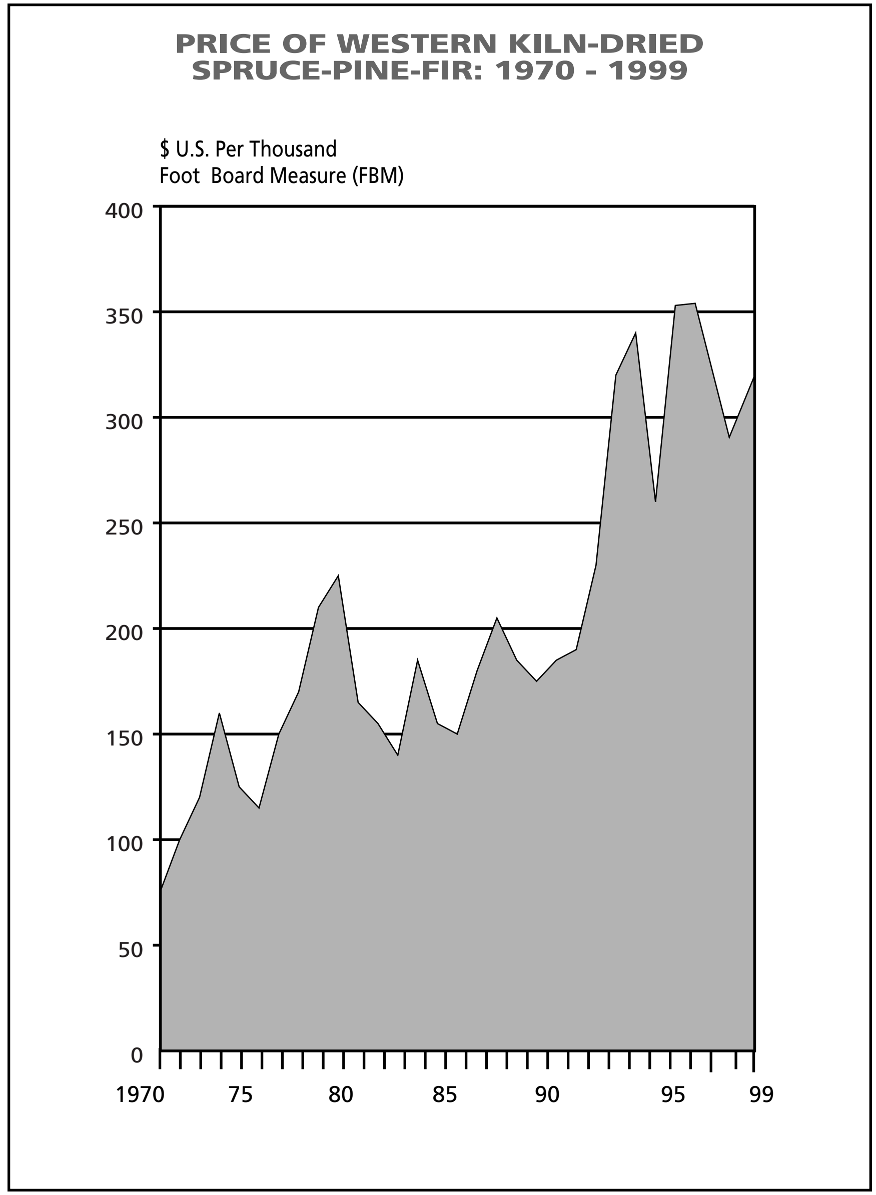


** Pacific Rim Countries include: Japan, China, S. Korea, Taiwan, Australia, Other Asia & other Oceania.*

PRICE OF WESTERN KILN-DRIED SPRUCE-PINE-FIR

The F.O.B. mill price of Spruce-Pine-Fir (SPF) 2x4 is recognized as the industry benchmark for commodity lumber prices. In 1999 the average annual SPF lumber price was US$343, up from US$288 in 1998. The monthly average price in January was US$319, the lowest for the year, while the monthly average price in July was US$422, the highest for the year. Prices are affected by several factors including, supply and demand, trade restrictions, exchange rates and inventories.

Source: Random Lengths Yearbook



Source: Western Wood Products Association

SOFTWOOD LUMBER END USES (U.S. MARKET)

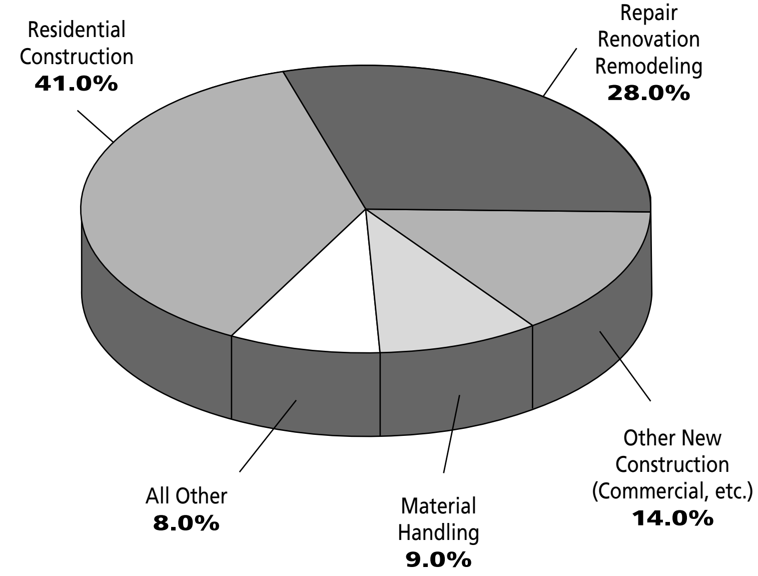
The United States buys more B.C. lumber than any other country in the world.

The end-use consumption of softwood lumber by the U.S. was 54.3 billion board feet in 1999, up from the 52.2 billion board feet record in 1998.

Residential housing construction consumed 41.0 per cent of all softwood lumber used in the United States in 1999. The repairs and remodelling market, including the home renovation market, consumed 28.0 per cent of total softwood lumber.

Other new construction, including commercial buildings, accounted for 14.0 per cent in 1999, while material and handling consumed 9.0 per cent. All other accounted for the balance of 8.0 per cent.

SOFTWOOD LUMBER END USES: 1999 (U.S. MARKET)



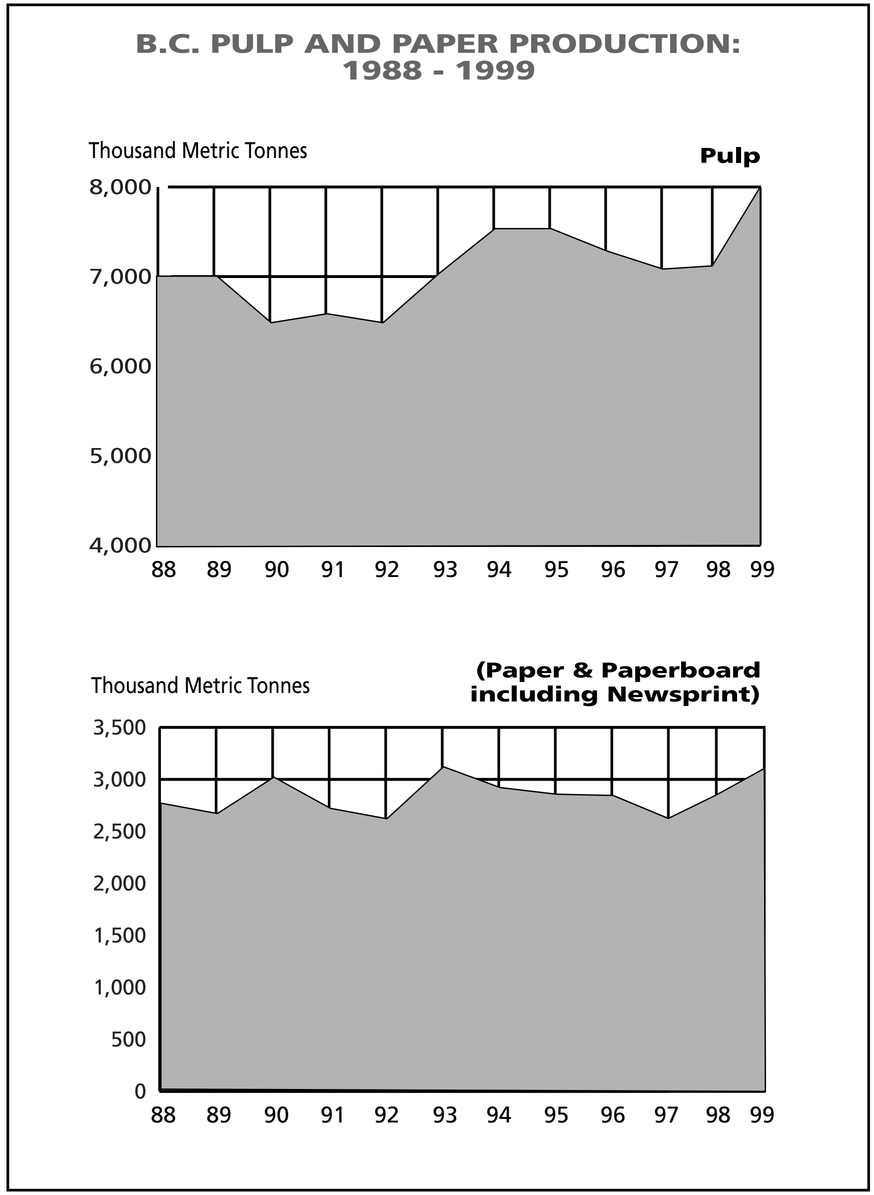
B.C. PULP AND PAPER PRODUCTION

The B.C. pulp industry produced 7,990 thousand metric tonnes in 1999, up from 7,076 metric tonnes in 1998.

Paper and paperboard production (including newsprint) was 3,069 thousand metric tonnes in 1999, up from 2,781 thousand metric tonnes in 1998.

Pulp prices fluctuated substantially through most of the 1990s and have been largely responsible for contributing to the industry's financial losses. Prices in December of 1993 were at a low of US$390 per tonne before climbing to an all-time high to US$1,000 per tonne in October of 1995. The windfall was short-lived and prices started to tumble and bottomed at US$500 per tonne in 1996. January 1999 started out the year with prices at US$500 and by yearend they had climbed to US$610. The increase in prices in 1999 was attributed to stronger sales volumes, up 18 per cent, from 1998.

Source: Canadian Pulp and Paper Association

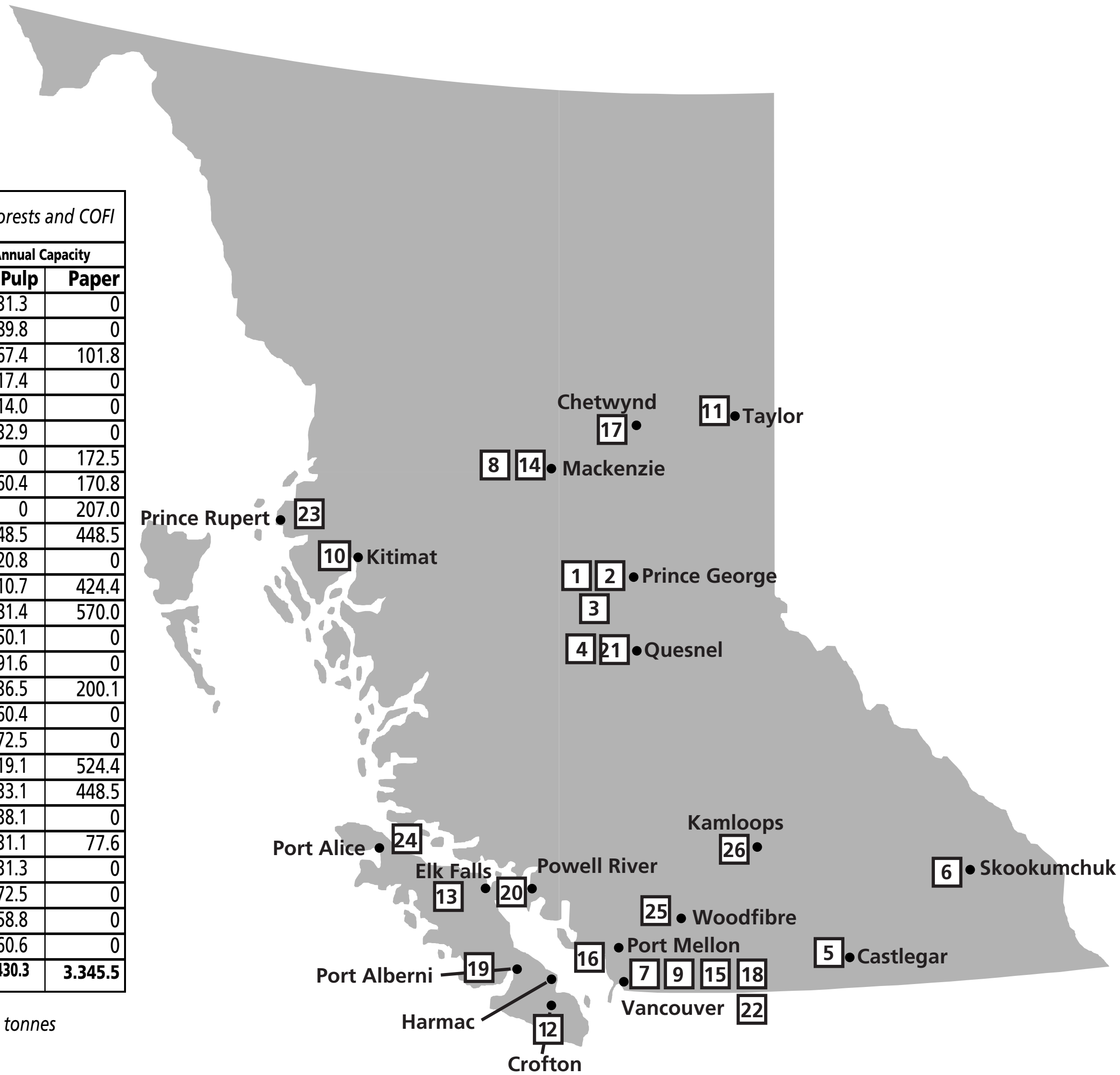


PULP AND PAPER MILLS IN B.C.

Map#	Company	Location	Annual Capacity	
			Pulp	Paper
1	Canfor Corp. (Northwood)	Prince George	531.3	0
2	Canfor Corp. (Pr. Geo. P&P)	Prince George	289.8	0
3	Canfor Corp. (Intercontinental)	Prince George	267.4	101.8
4	Cariboo Pulp & Paper	Quesnel	317.4	0
5	Celgar Pulp Company	Castlegar	414.0	0
6	Tembec Industries Inc.	Skookumchuk	232.9	0
7	Crown Packaging	Burnaby	0	172.5
8	Donohue Forest Products ltd.	MacKenzie	160.4	170.8
9	Domtar Inc. (Island Paper)	New Westminister	0	207.0
10	Eurocan Pulp & Paper	Kitimat	448.5	448.5
11	Slocan Forest Products (Fibreco.)	Taylor	220.8	0
12	Norse Skog Canada Ltd.	Crofton	710.7	424.4
13	Norse Skog Canada Ltd.	Elk Falls	781.4	570.0
14	Norse Skog Canada Ltd.	MacKenzie	250.1	0
15	Pope & Talbot Ltd.	Harmac	391.6	0
16	Howe Sound Pulp & Paper	Port Melon	536.5	200.1
17	Chetwynd Pulp Company. (L-P)	Chetwynd	160.4	0
18	Newstech Recycling Inc.	New Westminister	172.5	0
19	Pacifica Papers	Port Alberni	219.1	524.4
20	Pacifica Papers	Powell River	633.1	448.5
21	Quesnel River Pulp	Quesnel	338.1	0
22	Scott Paper Ltd.	New Westminster	31.1	77.6
23	Skeena Cellulose	Prince Rupert	431.3	0
24	Western Pulp Partnership	Port Alice	172.5	0
25	Western Pulp Partnership	Squamish	258.8	0
26	Weyerhaeuser Canada Ltd.	Kamloops	460.6	0
	Total		8,430.3	3.345.5

Source: BC Ministry of Forests and COFI

* *Total Market Pulp & Paper Annual Capacity in Thousands of metric tonnes*



B.C. PLYWOOD

B.C. plywood production in 1999 was 1.8 billion square feet (1.6 million cubic metres) representing 84.0 per cent of total plywood produced in Canada.

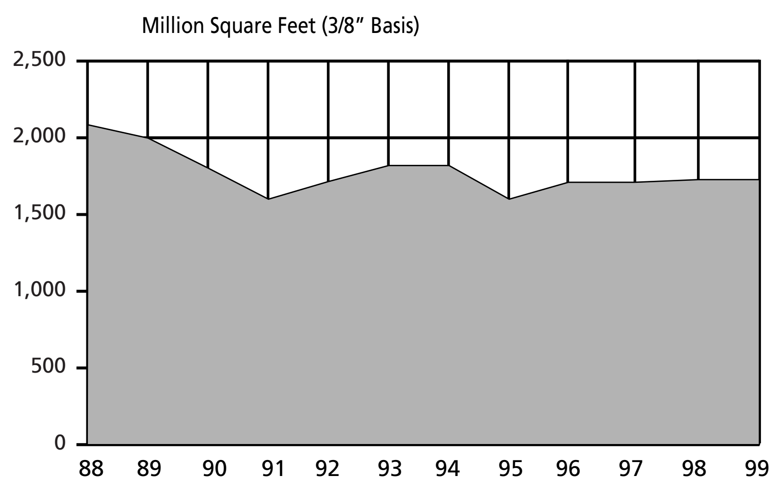
Total Canadian plywood shipments were 2.2 billion square feet (1.9 million cubic metres), of which domestic shipments accounted for 1.6 billion square feet (1.4 million cubic metres). The balance of 600 million square feet (530 thousand cubic metres), or 28 per cent, was exported from Canada in 1999.

In spite of the growing market for oriented strandboard (OSB), plywood manufacturers have maintained production through the development of new markets, product innovation and more efficient manufacturing processes.

The increasing production of plywood specialty products and grades designed for specific end uses is expected to continue.

Source: Statistics Canada and Canadian Plywood Association

B.C. PLYWOOD PRODUCTION: 1988-1999



Source: B.C. Ministry of Forests

PLYWOOD MILLS ANNUAL CAPACITY IN MILLION SQUARE FEET 3/8" BASIS

Map#	Company	Location	Capacity
1	Ainsworth Lumber	Savona	150
2	Canfor	Prince George	170
3	Federated Co-op	Canoe	108
4	Louisiana Pacific	Golden	155
5	Richmond Plywood	Richmond	220
6	Riverside Forest Products	Armstrong	250
7	Riverside Forest Products	Kelowna	160
8	Slocan Group Tackama	Fort Nelson	260
9	Tolko Industries	Heffley Creek	162
10	Weldwood of Canada	Quesnel	190
11	Weldwood of Canada	Williams Lake	195
Total	**Annual Plywood Capacity in Millions of Square Feet**		**2,020**