



COALITION FOR FAIR LUMBER IMPORTS

FOR IMMEDIATE RELEASE

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Coalition for Fair Lumber Imports Comments on BC Stumpage Pricing Practices

Washington, DC, December 16, 2008 – The Coalition for Fair Lumber Imports shares the U.S. government's stated concerns that a large and increasing volume of timber is being sold for as little as C25 cents per cubic meter in British Columbia and that timber is then being used to produce softwood lumber products.

Using the pine beetle epidemic as an excuse, a dramatically increasing volume of timber harvested in the BC Interior is being sold to lumber producers for as low as C25 cents per cubic meter -- the equivalent of a telephone pole -- allegedly because the quality of the timber is so degraded that it can only be used as pulpwood. Representatives of the BC industry have confirmed that this "pulpwood" is being processed into lumber.

Through a method of heating the wood in a kiln, the quality of timber otherwise suitable to make lumber becomes checked or cracked. This would normally mean it is not suitable for lumber production. However, only a small sample of this wood is heated, allowing the BC government to grade a much larger volume at abysmally low stumpage levels.

This dramatically increases the already large existing BC government subsidy to its lumber producers. Over 36% of timber now harvested in the BC Interior is being sold for only C25 cents. About 95% of commercial timberlands in BC are controlled by the provincial government.

Steve Swanson, Chairman of the Coalition for Fair Lumber Imports, states that "while the entire North American industry is suffering through one of the worst downturns in history, the BC government is virtually giving away their taxpayer owned natural resource."

Swanson continued, "the change in BC grading practices constitutes a violation of the U.S.-Canada Softwood Lumber Agreement, and that violation has made matters worse in the marketplace. All to benefit a specific set of companies."

Background:

The BC government owned timber harvested in the Interior by lumber companies is graded 1, 2 or 4. The top grades, 1 and 2, are generally sold on stumpage bases for about C\$9 per cubic meter.

Grade 4 timber is supposed to be pulpwood quality, for a variety of reasons including the pine beetle. It is sold for C25 cents per cubic meter. The BC lumber industry, through the

Council of Forest Industries, concedes BC companies are using Grade 4 to make lumber.

While even selling timber at Grade 1 or 2 standards constitutes an enormous subsidy since it is far below even current market prices, there is no justification for selling timber for C25 cents even affected by pine beetle -- particularly if, as COFI admits, much of it is being processed into lumber.

The BC industry claims the C25-cent price charged for Grade 4 timber is appropriate on the grounds that one can recover less lumber from Grade 4 logs and that Grade 4 logs are more costly to process than Grade 1 and 2 logs. The industry also suggests that lumber produced from Grade 4 logs is of lower quality than the lumber produced from other logs.

The BC industry's argument implies that the decrease in lumber recovery and increase in production costs associated with Grade 4 logs makes such logs only 3% as valuable as Grade 1 and 2 logs. This claim is not credible, given the volume and type of lumber being made from Grade 4 logs. In the U.S. market, even this low quality sawtimber sells for the equivalent of at least C\$15-20 per cubic meter.

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About the Coalition for Fair Lumber Imports

The U.S. Coalition for Fair Lumber Imports is an alliance of large and small lumber producers from around the country. The Coalition is united in opposition to Canada's unfair lumber-trade practices, including its gross under-pricing of timber. For more information, please visit the Coalition's website at www.fairlumbercoalition.org.