**2009 Wood Costs Remained Unchanged for Canadian Pulp Mills Despite Tighter Wood Chip Supply, Reports The North American Wood Fiber Review**

*The pulp industry in Canada has sharply reduced production the past two years both as a result of weaker pulp and paper markets worldwide and also because of less competitive pulp manufacturing facilities. Wood costs have increased for many plants as the result of reduced availability of relatively inexpensive sawmill residuals, according to the North American Wood Fiber Review.*

For Immediate Release

SEATTLE/EWORLDWIRE/Nov. 6, 2009 --- The North American Wood Fiber Review affirms that wood fiber supply to Canadian pulp mills has shifted from lower-cost residual chips from local sawmills to higher-cost wood chips manufactured from roundwood. The low operating rates for many sawmills has decreased the availability of relatively inexpensive residual chips, which has forced many pulp mills to either reduce production or to furnish their mills with high-cost fiber.

Lumber production in Canada has been substantially lower in 2009 as compared to earlier years. However, production levels in both western and eastern Canada are probable close to the bottom, and with the US lumber market predicted to improve in the latter half of 2010, Canadian sawmills are likely to be running at higher operating rates a year from now.

Because lumber production has declined by about 50 percent over the past three years but pulp production has only fallen by 25 percent, many pulp mills throughout the country have increasingly had to rely on more expensive chips manufactured from roundwood.

Residual chip prices, in Canadian dollars, have stayed practically unchanged the past three quarters through all provinces of Canada, according to the North American Wood Fiber Review. In British Columbia and Alberta, where softwood residual chip prices are often linked to the market pulp price (NBSK), fiber prices reached bottom this summer and are likely to move up in the fourth quarter. In the Eastern provinces, wood chip prices have remained flat this year while roundwood costs have declined slightly and were in the 3Q, between five and eight percent lower than a year ago.

Many Canadian paper companies sell their products into the U.S. market and are therefore competing with the U.S. domestic pulp and paper manufacturers. Pulp mills in Eastern Canada have been at a big disadvantage the past few years, partly because of having substantially higher wood fiber costs. In the third quarter 2009, pulp mills in Eastern Canada had approximately 70 percent higher conifer fiber costs than the low-cost region of North America, the US South. As a result, many pulp and paper mills in Ontario, Quebec and the Maritime Provinces have been forced to reduce production more than other regions of North America the past 12 months.

Pulpwood and wood chip market updates are included in the 24-page publication North American Wood Fiber Review. The report, established in 1982 and with readers in most of the large forest companies in North America, tracks wood chip and pulpwood prices in 15 key markets of the U.S. and Canada.

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