SLB® SOFTWOOD LUMBER BOARD

Quarterly Investment Update

Fall 2018

Assessing the Export Opportunity

A Letter from Canfor CEO Don Kayne

Dear Colleagues,

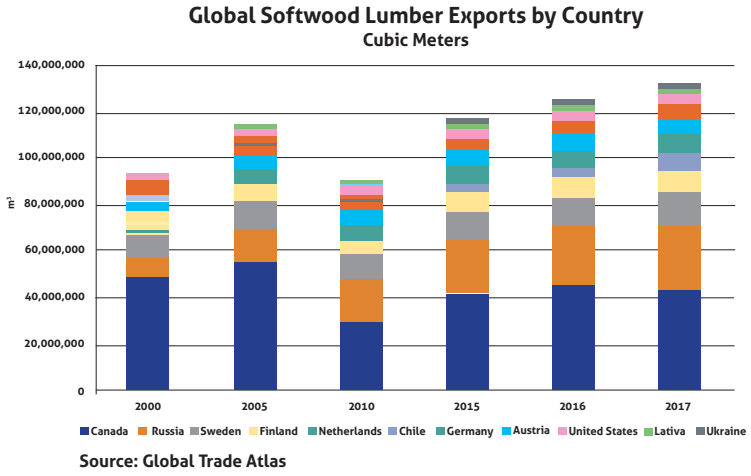
Earlier this year, domestic manufacturers and importers of softwood lumber voted overwhelmingly to renew the Softwood Lumber Board (SLB) for a second five-year term, confirming the industry's confidence in the SLB's strategic direction, programs, and leadership. The vote has opened the door to an exciting new phase for the SLB and affirmed our commitment to identify new opportunities and means to promote softwood lumber and aggressively defend and grow markets for our products.

The United States' largest export market is China, which was valued at around $225 million in 2017, followed in order by the Caribbean, Mexico, Canada, Japan, South Asia, and Southeast Asia.

The export market for U.S. softwood lumber is high on our list of opportunities to explore and capture. The SLB recently teamed with the Center for International Trade in Forest Products (CINTRAFOR) at the University of Washington's School of Environmental and Forest Sciences to take a closer look at international markets and trade trends, identify opportunities and threats for U.S. softwood lumber, and recommend actions to develop current and new export markets.

Global trends on both the supply and demand sides suggest that the export market offers future growth for U.S. producers and an important opportunity to diversify. For example, available data indicates that global softwood lumber production is up 22% since 2000, with continued growth expected. Global consumption of softwood lumber is also increasing, and besides servicing a growing domestic market, U.S. producers have consistently exported 1.5–1.7 billion board feet, or $1 billion worth, of softwood lumber annually for the past seven years.

The United States' largest export market is China, which was valued at around $225 million in 2017, followed in order by the Caribbean, Mexico, Canada, Japan, South Asia, and Southeast Asia. These six markets account for 87% of U.S. softwood lumber exports. Southern yellow pine now dominates exports to China and the Caribbean, while Mexico imports a broader mix of species.



Source: Global Trade Atlas

The next opportunity and challenge for U.S. producers is to extend reach, increase export volume, and avoid relinquishing market share to competing suppliers, including those from other countries which are upgrading quality and value-added capacity.

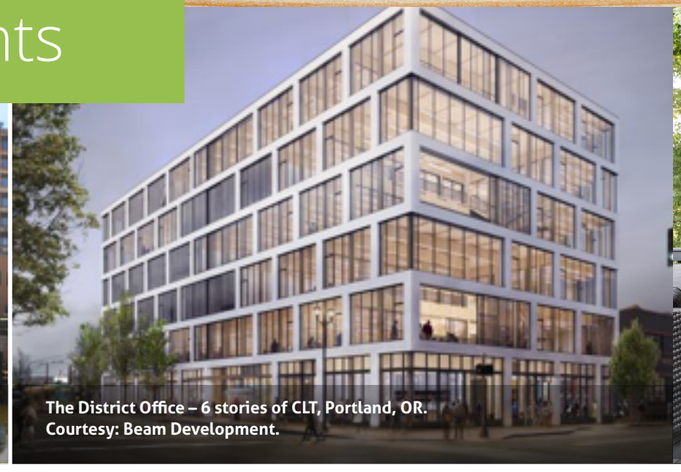
The SLB will collaborate with organizations active in offshore promotion, such as SFPA and SEC, to enhance and extend the impact and effort of current and new programs. Partnerships with other producing regions that have a shared interest in growing softwood lumber demand outside of the United States, will also be explored.

Export continued page 8

WHAT'S INSIDE?

2ND Quarter Highlights

Seven Stories of Mass Timber in Milwaukee, WI. Rendering by Korb + Associates Architects



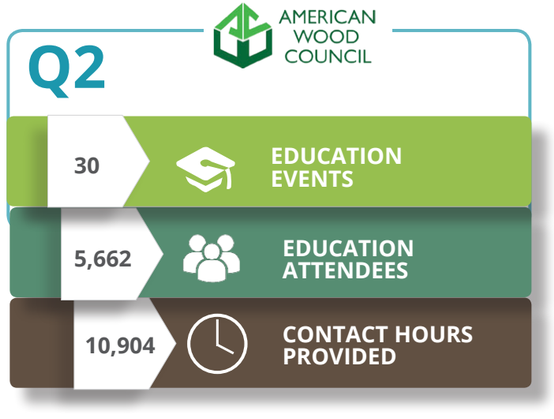
The District Office – 6 stories of CLT, Portland, OR. Courtesy: Beam Development.

Wood, Naturally campaign photograph, created by partner Brian Patrick Flynn

Haven at Avalon, 360,000 square feet of light frame construction. Courtesy: Dwell Design Studio

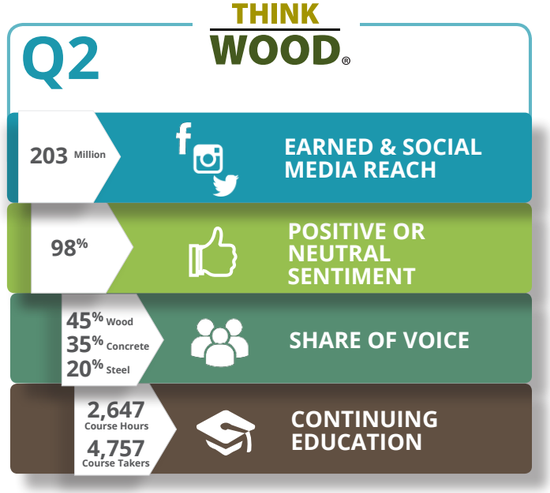
Building Standards: American Wood Council

- The efforts of the American Wood Council (AWC) resulted in 33 of 40 pro-wood changes being recommended for approval during committee hearings on the 2021 International Building, Fire, and Wildland Urban Interface codes.
- AWC launched a study on vertical strength distribution in mid-rise wood frame buildings to counter recent computer model simulations that suggest relative vulnerability.
- AWC's education offerings reached nearly 5,700 building officials, engineers, and architects with 11,000 contact hours.
- AWC launched the Mass Timber Coalition and new marketing efforts in support of proposed changes to the 2021 International Code Council (ICC) building standards that will allow mass timber buildings up to 18 stories tall.



Non-Residential Communications: Think Wood

- Think Wood has reached designers and specifiers with pro-wood messaging over 574 million times year-to-date, nearly doubling 2017 reach.
- Over 175,000 design and building professionals accessed Think Wood's light frame and mass timber resources.
- Think Wood continued to outperform competing materials in social media engagement.
- Think Wood nurtured 3,300 prospects, and the wood pavilion at the 2018 American Institute of Architects Convention generated 564 new leads for partner organizations to move from interest to specification of softwood lumber.

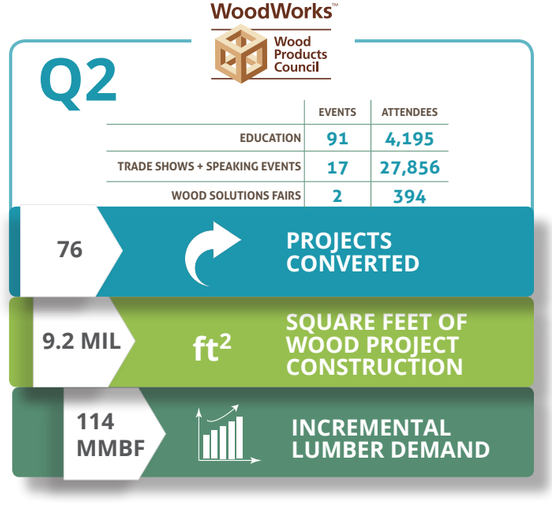


Residential Promotion: Wood, Naturally

- Wood, Naturally's content reached 13.6 million people and generated over 1,200 referrals to partnering species associations.
- Wood, Naturally partnered with well-known designers and contractors such as Sandra Powell, Jen Woodhouse, Ron Hazelton, Mark Clement, and Brian Patrick Flynn to publish 20 pro-wood blogs in time for decking season.
- Wood, Naturally's content on Facebook and Pinterest resulted in over 2.5 million engagements.
- Surveys showed that Wood, Naturally's content resulted in an 8.7% lift in net purchase intent and a 21.9% lift in purchase consideration.

Design and Construction: WoodWorks

- WoodWorks' 976 individual interactions resulted in 184 newly influenced projects.
- 76 projects converted by WoodWorks went to construction, representing 114 million board feet of incremental softwood lumber demand.
- WoodWorks delivered 9,469 education hours through 110 hosted and third-party events.
- WoodWorks-hosted events introduced the program to 873 new contacts and generated over 758 leads.
- WoodWorks increased interest in mass timber construction across the United States



Program News

Think Wood Builds Strategic Relationships With Design Experts at AIA 2018

This year's American Institute of Architects (AIA) annual conference in New York City offered a high-profile opportunity where Think Wood's striking new pro-wood displays showed what's possible in wood construction to a highly engaged audience of architects, builders, and developers. Think Wood helped create a unified wood presence, nurturing 3,300 prospects and capturing 564 quality leads for WoodWorks, the American Wood Council, the NELMA, the WWPA, the SFPA, and the WRCLA to assist and provide detailed answers to specific project questions. High-profile, in-person events continue to be another strong driver of building trust while maintaining awareness and open lines of communication across these SLB-funded programs.

AIA 2018 Think Wood booth that included AWC, NELMA, SFPA WoodWorks and WRCLA in New York City

Expert Hour at AIA

Think Wood hosted a first-ever Expert Hour that proactively brought together 20 experts with experience in building and planning prominent wood structures. This group of architects and engineers discussed and shared their current projects and lessons learned with each other, media, and attendees. By bringing together a high-caliber group of pro-wood experts from the design community, Think Wood continues to play a role in nurturing professional collaborations to seed the design teams that are critical for getting innovative wood structures built.

Think Wood facilitated numerous media interactions, including discussions with ArchDaily to provide story ideas for potential upcoming features and with The Architect's Newspaper to serve as a follow-up to its initial mass timber issue.

Wood, Naturally Influencers Promote Aesthetic and Economic Benefits of Wood Decks

In a continued focus on deck season, Wood, Naturally is partnering with contractors and designers to create credible and authentic content that refutes competitors' false claims and highlights wood's benefits. In June, Jen Woodhouse, a third-party influencer engaged by Wood, Naturally, published a blog post, "$10k Deck: Wood vs. Composite," that illustrated in a side-by-side comparison the affordability of a pressure-treated wood deck relative to a composite deck, which was only half the size. Wood, Naturally promoted it on Facebook, resulting in 16,000 engagements. Her Facebook post drove the most responses among branded posts in June, as people shared their own wood decks and expressed love for wood over composite, with comments such as "love this! However—never composite—ever" and "I've seen far more dissatisfied customers with composite decks than I ever have with wood."

The campaign also worked with Sandra Powell ("Sawdust Girl") to publish video, blog, and social content on How to Build a Deck With Pressure-Treated Wood. Her content was viewed 295,000 times and drove 16,400 engagements among her audience, all without any paid support.

Turning Mass Timber Interest Into Projects

The SLB's support of the WoodWorks program is a key part of its effort to foster market acceptance of mass timber products such as nail laminated timber (NLT) and cross laminated timber (CLT). As a result, mass timber projects have become a more significant percentage of WoodWorks' measured impact. Furthermore, mass timber represents an important and strategic segment for the lumber industry—it enables the industry to capture share in non-residential construction, and mass timber buildings use as much as three times more lumber than those using light frame construction.

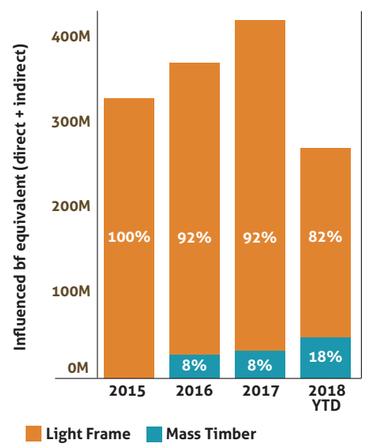
In 2015, WoodWorks provided technical assistance on a handful of projects in which the architect, engineer, or developer had an interest in using mass or heavy timber.

WoodWorks Reported Mass Timber Projects Through Q2 2018

That number has grown to 158 projects in 2017, and already to 127 in the first half of 2018. WoodWorks expects to convert nearly 100 mmbf of mass timber projects in 2018—about 20% of its total impact.

WoodWorks is a leading provider of mass timber education, through wood solutions fairs, wood design symposiums, lunch-and-learn workshops, and webinars. These events generate many project leads.

Mass timber is no longer a novel concept used elsewhere in the world. Curiosity is turning into expertise, and structures are being built. As of June 2018, more than 400 multifamily, commercial, or institutional projects are in design or have been constructed with mass or heavy timber across the United States, 195 of which are CLT or NLT.



WoodWorks-Built Capacity Links Up for New Mass Timber Project

Platte Fifteen—Denver, CO

PROJECT DETAILS

Description	Four stories of mass timber over a podium
Size	170,000 square feet
Volume of lumber	2.3 million board feet (equivalent)
Value of wood products	$2.4 million
Status	Under construction

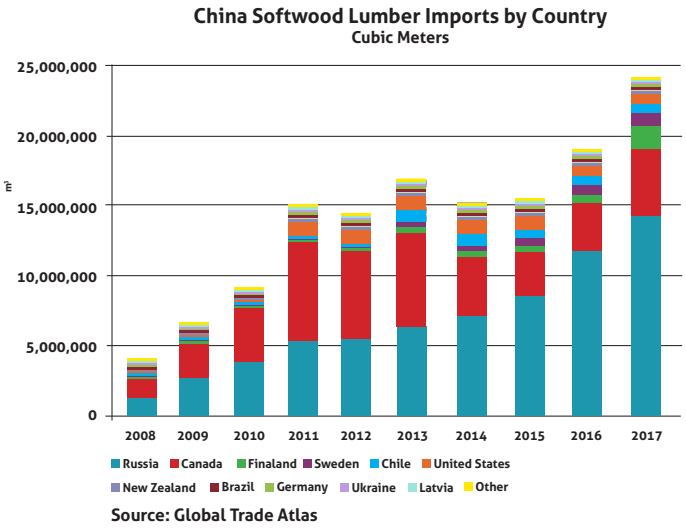
Over the course of a year, WoodWorks provided expert technical assistance to a general contractor, an architecture firm, and an engineering firm, only to see the new capacity of all three groups link up for Platte Fifteen, a four-story, 170,000-square-foot, mass timber over podium office building currently under construction in Denver, Colo.

WoodWorks came into contact with Adolfson & Peterson Construction in early 2016 when the company's staff attended a WoodWorks-hosted lunch seminar on cross laminated timber (CLT) and requested project assistance and a list of mass timber installers as they prepared to bid for Platte Fifteen. Concurrently, WoodWorks was approached by structural engineer KL&A to discuss Platte Fifteen, which at the time had been designed for steel, concrete, or mass timber. KL&A wanted to learn more about the PRG-320 standard, CLT suppliers, and mass timber testing.

Fast forward a year, OZ Architects invited WoodWorks to meet with the firm's mass timber group to discuss Platte Fifteen, ICC product reports, fire testing, and trends in mass timber. This was soon followed by the news that Adolfson & Peterson Construction had won the Platte Fifteen bid, effectively corralling WoodWorks' technical assistance in one mass timber project.

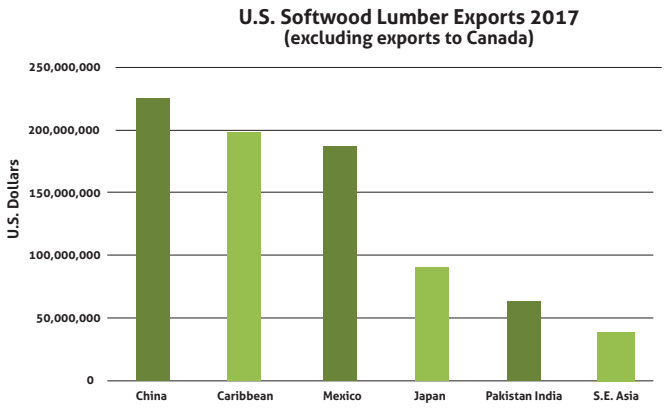
Export Opportunity

China remains the United States' top market prospect and offers tremendous growth potential, as both import and consumption volumes climb year after year. Patterns of consumption are changing in China, with imports shifting from logs to lumber, increased domestic consumption versus process and re-export and increasing consumption of higher value lumber. High-value exporters such as Finland and Sweden have collectively grown their market in China by $450 million over the past five years, yet these figures represent a fraction of the Chinese market.



Additional research is necessary to better understand China's evolving use of wood, including a scenario analysis for China's wood fiber supply.

Outside of China, there is also significant opportunity. The Caribbean islands, when analyzed as a single collective market, make up the U.S.'s second largest softwood lumber importer. Caribbean imports have grown steadily since 2010, with 94% coming from the United States—mostly Southern yellow pine—and growth is expected to continue. Mexico is a steady, but not a well understood, market with supply fluctuating between the United States, Chile, and Brazil. More market research will likely uncover opportunities to increase the volume of Southern yellow pine exports. Across the Pacific, Pakistan and India have seen increased sales from U.S. and German producers in recent years, but penetrating these markets in recent years.



The SLB is actively exploring the possibility of partnering with the U.S. Foreign Agriculture Service (FAS) to explore these opportunities in greater detail. Following the next phase of market research, the SLB will develop clear strategies to grow market share in targeted export markets. We will keep you abreast of our progress as we explore this important area of growth for our industry.

Sincerely,

Don Kayne
SLB Vice Chair and Chair, Programs Committee
President & CEO, Canfor

MIT Research Highlights the Benefits of Lumber

Funded in part by the Softwood Lumber Board, research by MIT's Joint Program on the Science and Policy of Global Change quantifies the economic and carbon emission benefits of substituting lumber-based building materials for carbon-intensive sectors such as cement.

Researchers found that the CO2 intensity of lumber production is about 20% less than that of fabricated metal products, less than 50% that of iron and steel, and less than 25% that of cement. Across the range of substitution options, the GDP savings range from less than $50 million to more than $2 billion. Given the advances in engineered wood products such as mass timber, researchers suggest that it seems likely that the actual substitution potentials may be toward the middle or high end of this range.

This study provides strong and credible third-party validation of one of our key message points—that building with softwood lumber is the right choice for the economy and the environment.

www.globalchange.mit.edu/sites/default/files/MITJPSPGC_Rpt331.pdf

SLB® SOFTWOOD LUMBER BOARD

About the SLB

The Softwood Lumber Board (SLB) is an industry-funded initiative established to promote the benefits and uses of softwood lumber products in outdoor, residential, and non-residential construction and to increase demand for appearance and softwood lumber products.

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