

2021 has been an eventful year in every sense of the term, and forest products markets were no exception.

A quick glance at the first two charts below tells a great story:

- Prior to 2020, the all-time high price for softwood lumber was just over \$600/mfbm USD fob mill in 2018, and the usual trading range was \$250-\$400 prior to that.
- In 2020, the market bottomed in the mid-\$200s just as the COVID-19 pandemic became a factor in March, and ended the year approaching the year's all-time highs close to \$900.
- The range on softwood lumber in **2021** was \$448 to \$1711 ( a new all-time high) and the market is running up towards \$1100 as this is written, effectively doubling since the beginning of November.

There are a few reasons that we're seeing this recent strength in commodity lumber and panels to close out the year:

1. The most recent housing start and permit numbers in Canada and the US are very strong, leading to the expectation of higher demand
2. Transportation issues have resurfaced, and appear to be impacting the availability of truck, rail, and now intermodal traffic
3. Recent extreme weather events in the Pacific Northwest and BC have exacerbated some of the transportation and production issues
4. Labour markets have not loosened up, so most mills are unable to produce at capacity

It is important to note that softwood lumber, hardwood lumber, OSB, plywood, and specialty products such as forming plywood and lagging have their own supply-demand dynamics and are not at all dependent on the same factors. Here's a quick rundown of how they appear to be ending the year:

- **Plywood** products are seeing dramatic gains in the last few weeks, not fully reflected in the fourth chart below
- **Forming plywood** has been trending up again after some weakness in late summer/autumn. Competition for inputs and transportation challenges are important contributing factors.
- **OSB**, like most commodity plywood products, is seeing dramatic gains in the last few weeks, also not fully reflected in the fourth chart below
- **Industrial hardwood lumber** supply is still extremely challenged and trading at record high levels



- **Softwood timbers** are experiencing labour issues throughout the supply chain and trading at high levels
- **Lagging and shoring lumber** is in very short supply, somewhat related to the general hardwood and softwood timber markets, with recent price increases in effect

The volatility this year has been historic for both softwood lumber and panels. The good news is that Weston Forest customers have generally been somewhat sheltered from much of the unpredictability of the last two years: our main goal is to ensure we have inventory for you while doing our best to manage your costs.

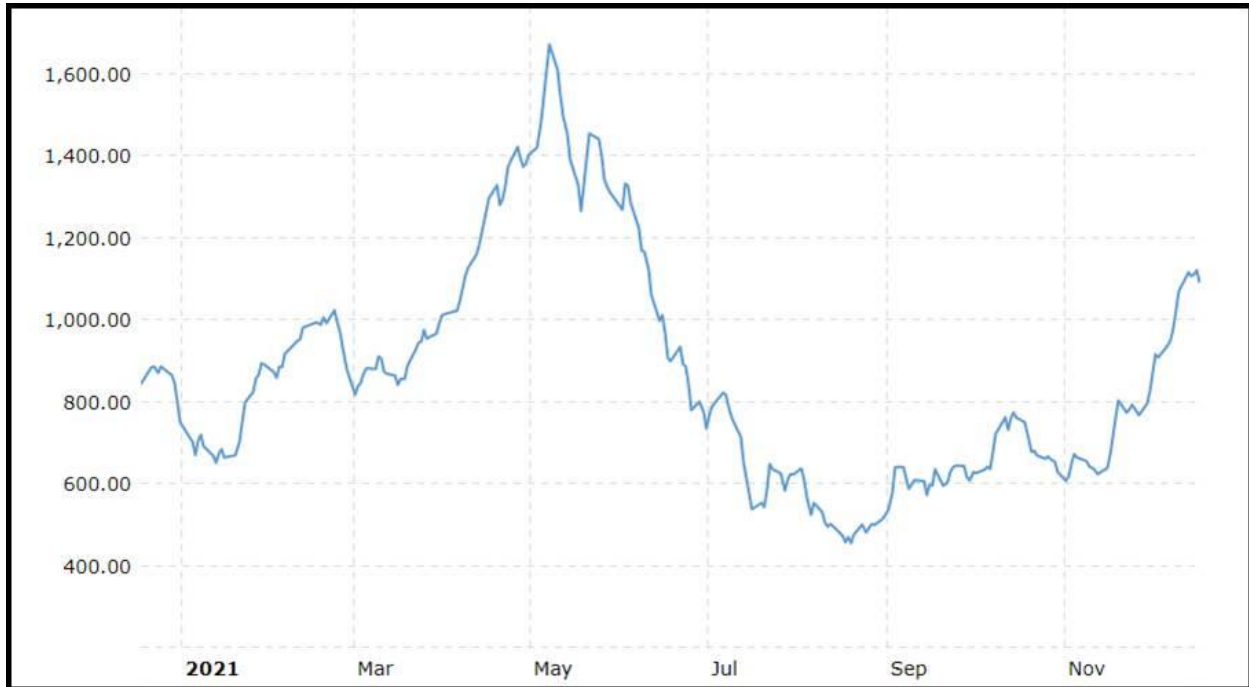
We will continue to work hard to have everything you need, when you need it, at a price that is fair to both of us. And we'll continue to do everything we can to make sure you continue to love doing business with us.

We've also had an exciting 2021 at Weston Forest. We started the year by announcing our new partnership with the Watermill Group, whose timing in entering the forest products industry was incredible. We brought on Ryan McInerney as a new member of the Executive team in the role of Vice-President – Industrial Sales. We achieved Platinum Club status as one of Canada's Best Managed Companies. Weston Forest also received a fourth consecutive Canadian Business Excellence Awards for Private Businesses. We requalified for our sixth consecutive year as one of Canada's Most Admired Corporate Cultures, and most recently announced our certification as a Great Place to Work®! Along the way we also did a bunch of our usual stuff: virtual social events and awards ceremonies, announced our annual scholarship winners, and worked on several charity initiatives including a Habitat for Humanity build day.

We hope that your 2021 has been a good one. We at Weston Forest wish you and your family Happy Holidays, and all the best for a happy, healthy, and prosperous New Year.



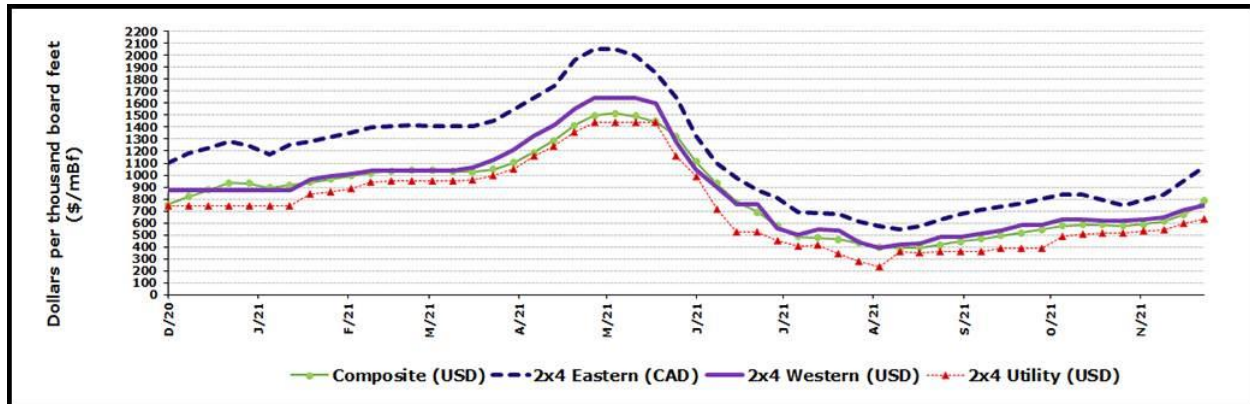
1. CME Lumber Futures Spot Price One Year to December 2021 (\$USD/mfbm fob mill)



2. CME Lumber Futures Spot Price Ten Years to December 2021 (\$USD/mfbm fob mill)

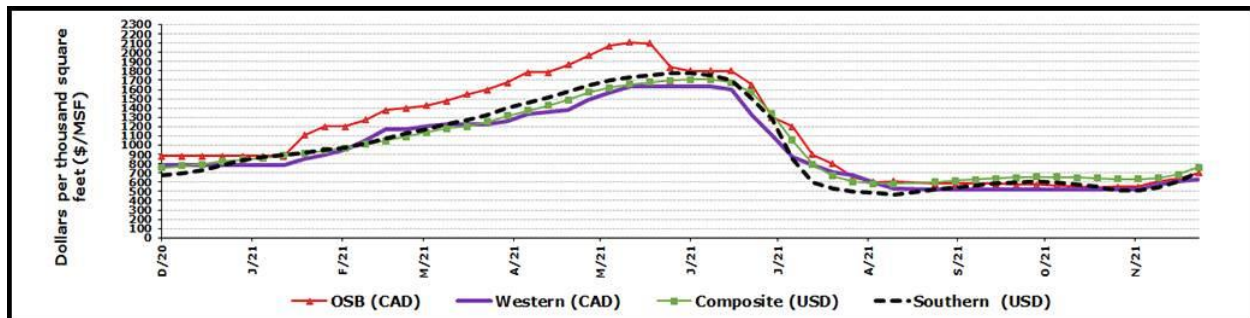


### 3. Weekly lumber prices in North America



**Note:** Eastern spruce-pine-fir 2x4 #2 and better, Random Lengths composite prices and western spruce-pine-fir 2x4 #2 and better, kiln dried

### 4. Weekly panel prices in North America



**Note:** Random Lengths structural panels composite prices, 15/32" 4-ply exterior southern, 1/2" 4-ply exterior western and 7/16" oriented strand board (north central)