

## Weyerhaeuser Loses \$1.2 Billion, Other Companies Post Gains, Losses

**A**cross the nation, forestland-owning companies are struggling to keep their heads above water as ripples from the economic downturn affect virtually every US business sector.

Last month, Weyerhaeuser Company announced a net loss of \$1.212 billion for the fourth quarter of 2008, of which about \$827 million was related to its iLevel building products division and cellulose fibers businesses.

“During the fourth quarter alone, annual construction plummeted to a rate we haven’t seen since 1959,” said company president Daniel S. Fulton in a teleconference with investment analysts. “Not only have we seen a 77 percent drop in housing starts since 2005’s peak level of 1.7 million, but the pace of this decline has accelerated. By 2007, starts had fallen to a level of one million. In 2008, they plunged to 620,000, and by December, starts had dropped to an annualized rate of 398,000.”

In January, Weyerhaeuser announced the permanent shutdown of a sawmill and veneer mill in Aberdeen, Washington. On February 5, the company announced the indefinite curtailments at its veneer and lumber mills in Pine Hill, Alabama. The company shut down or indefinitely curtailed operations at seven facilities in 2008.

Weyerhaeuser was not alone in announcing closures. Ainsworth Lumber Company Ltd., a corporation in Vancouver, British Columbia, said it would permanently close its two Oriented Strand Board (OSB) mills in Minnesota; a third was closed in August. Ainsworth will continue operations at three OSB mills in Canada.

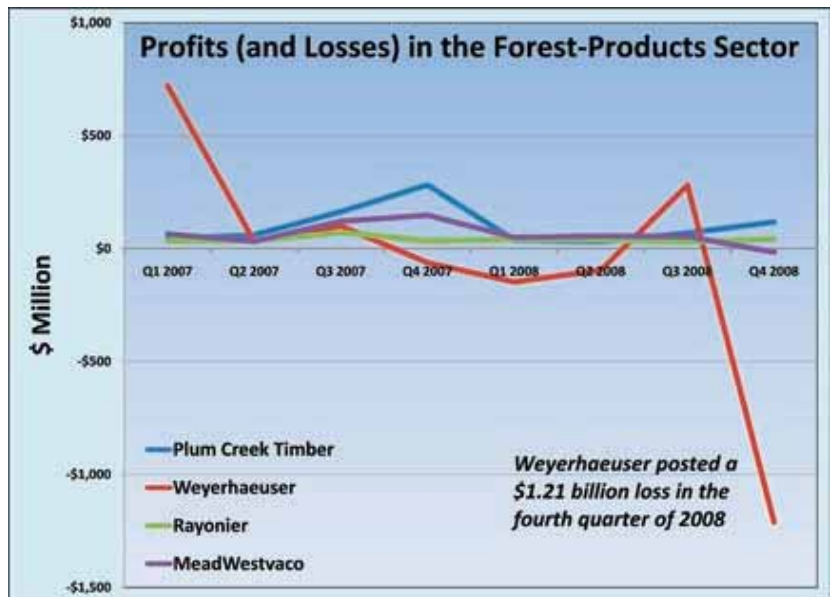
Plum Creek Timber Company said its 2008 net income of \$256 million was about 17 percent less than its net income for 2007. Company president Rick Holley said the decline was primarily due to slower residential construction and an overall weakening economy.

“In 2009 we’ll continue to defer harvests in weak markets to protect value. Our value focus is evident in our real estate segment as well. We’ve removed listings from weak markets such as Florida and responded to attractive markets in other regions such as Mississippi. We’ve also made tough decisions in our manufacturing business, announcing the permanent closure of one sawmill and the curtailment of others,” he said.

In 2008, Plum Creek realized income of \$245 million from real estate sales, down slightly from \$250 million in 2007. The company sold about 92,000 acres of lower-productivity timberlands and 46,000 acres of recreation properties for a total of \$171 million, and 130,000 acres of Montana timberland to The Nature Conservancy and The Trust for Public Land, for \$74 million.

Rayonier Inc. reported profits in all four quarters in 2008, for a total net income of \$150 million. After seven profitable quarters, MeadWestvaco Corp. reported a \$16 million loss in the fourth quarter of 2008, but finished the year with overall net income in 2008 of \$144 million.

Brooks Mendell, president of Forisk Consulting, which is based



Three of the top four forest products companies held their own through 2008, whereas Weyerhaeuser lost more than 1.2 billion in the fourth quarter of 2008. Data from company financial reports.

in Athens, Georgia, said the economic downturn has affected individual forest products companies in different ways, based on their exposure to marketplace sectors.

“Each of the publicly traded firms has quite a different profile, so they are not all feeling the pain in quite the same way,” he said. “At Rayonier, for example, a publicly traded real estate investment trust (REIT), the bulk of its revenues are not coming from timber, so if you want to know about the performance of the firm, you have to look at its performance fibers business as well as real estate. If you look at Weyerhaeuser, which is not a REIT yet, its exposure is in wood products. It is so directly exposed to what’s going on in housing that it really swamps all of the potential benefits from its other assets in the short term.”

Real estate sales will bear close watching this year, said Mendell.

“Companies such as Plum Creek and Rayonier, for example, are anticipating land sales in 2009 that are similar in terms of acres to what they were in 2008. Rayonier said it expects to get the same dollars-per-acre in 2009 that it received in 2008,” he said.

In 2008, Rayonier acquired about 110,000 acres of high-value timberlands and sold 50,000 acres of nonstrategic properties, including nearly 30,000 acres in Georgia and Alabama, which it sold in the fourth quarter at an average of about \$1,440 per acre.

In January, Potlatch Corporation said it had sold about 24,800 acres of timberland in southwest Arkansas for \$43.3 million, or about \$1,746 per acre.