

WEYERHAEUSER CO
Form 10-K
February 26, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 1-4825

WEYERHAEUSER COMPANY

A WASHINGTON CORPORATION

91-0470860

(IRS EMPLOYER IDENTIFICATION NO.)

FEDERAL WAY, WASHINGTON 98063-9777 TELEPHONE (253) 924-2345

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS
Common Shares (\$1.25 par value)

NAME OF EACH EXCHANGE ON WHICH REGISTERED:
Chicago Stock Exchange
New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of June 30, 2009, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$6,289,093,380 based on the closing sale price as reported on the New York Stock Exchange Composite Price Transactions.

As of February 4, 2010, 211,358,955 shares of the registrant's common stock (\$1.25 par value) were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the *Notice of 2010 Annual Meeting of Shareholders and Proxy Statement* for the company's Annual Meeting of Shareholders to be held April 15, 2010, are incorporated by reference into Part II and III.

WEYERHAEUSER COMPANY > 2009 ANNUAL REPORT AND FORM 10-K

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OUR BUSINESS

We are a forest products company that grows and harvests trees, builds homes and makes a range of forest products essential to everyday lives. Our goal is to do this safely, profitably and responsibly. We are committed to operate as a sustainable company in the 21st Century. We focus on increasing energy and resource efficiency, reducing greenhouse gas emissions, reducing water consumption, conserving natural resources, and offering products that meet human needs with superior sustainability attributes. We operate with world class safety results, understand and address the needs of the communities in which we operate, and present ourselves transparently.

We have offices or operations in 10 countries and have customers worldwide. We manage 22 million acres of forests, and in 2009, we generated \$5.5 billion in net sales from our continuing operations.

This portion of our Annual Report and Form 10-K provides detailed information about who we are, what we do and where we are headed. Unless otherwise specified, current information reported in this Form 10-K is as of the fiscal year ended December 31, 2009.

We break out financial information such as revenues, earnings and assets by the business segments that form our company. We also discuss the development of our company and the geographic areas where we do business.

We report our financial results and condition in two groups:

Forest Products our forest products-based operations, principally the growing and harvesting of timber, the manufacture, distribution and sale of forest products and corporate governance activities; and

Real Estate our real estate development and construction operations.

Throughout this Form 10-K, unless specified otherwise, references to we, our, us and the company refer to the consolidated company, including both Forest Products and Real Estate.

WE CAN TELL YOU MORE

AVAILABLE INFORMATION

We meet the information-reporting requirements of the Securities Exchange Act of 1934 by filing periodic reports, proxy statements and other information with the Securities and Exchange Commission (SEC). These reports and statements information about our company s business, financial results and other matters are available at:

the SEC Internet site www.sec.gov;

the SEC s Public Conference Room, 100 F St. N.E., Washington, D.C., 20549, (800) SEC-0330; and

our Internet site www.weyerhaeuser.com.

When we file the information electronically with the SEC, it also is added to our Internet site.

WHO WE ARE

We started out as Weyerhaeuser Timber Company, incorporated in the state of Washington in January 1900 when Frederick Weyerhaeuser and 15 partners bought 900,000 acres of timberland.

OUR BUSINESS SEGMENTS

In the Consolidated Results section of Management's Discussion and Analysis of Financial Condition and Results of Operations, you will find our overall performance results for our business segments:

- Timberlands;
- Wood Products;
- Cellulose Fibers;
- Real Estate;
- Corporate and Other;
- Fine Paper (divested in 2007); and
- Containerboard, Packaging and Recycling (sold in 2008).

Detailed financial information about our business segments and our geographic locations is in *Note 2: Business Segments* and *Note 22: Geographic Areas* in the *Notes to Consolidated Financial Statements*, as well as in this section and in the *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

CURRENT MARKET CONDITIONS

For the last few years we experienced the most severe recession since the 1930's. The U.S. housing market experienced a significant downturn in this recession. The health of the U.S. housing market strongly affects our Real Estate, Wood Products and Timberlands segments. Real estate focuses on building single family homes. Wood Products primarily sells into the new residential building and repair and remodel markets, and demand for domestic logs is strongly correlated with the production of wood-based building products. Cellulose Fibers is primarily affected by global demand for absorbent pulp products and the value of the U.S. dollar.

COMPETITION IN OUR MARKETS

We operate in highly competitive domestic and foreign markets, with numerous companies selling similar products. Many of our products also face competition from substitutes for wood and

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wood-fiber products. In real estate development, our competitors include numerous regional and national firms. We compete in our markets primarily through price, product quality and service levels.

Our business segments competitive strategies are as follows:

Timberlands Extract maximum value for each acre we own or manage.

Wood Products Deliver high-quality lumber, engineered wood products and integrated solutions to the residential construction and industrial markets.

Cellulose Fibers Concentrate on value-added pulp products.

Real Estate Deliver unique value propositions in target markets.

SALES OUTSIDE THE U.S.

In 2009, \$1.6 billion 28 percent of our total consolidated sales and revenues, including sales from discontinued operations, were to customers outside the U.S. The table below shows sales outside the U.S. for the last three years.

SALES OUTSIDE THE U.S. IN MILLIONS OF DOLLARS			
	2009	2008	2007
Exports from the U.S.	\$ 1,247	\$ 1,666	\$ 2,020
Canadian export and domestic sales	73	240	583
Other foreign sales	247	563	513
Total	\$ 1,567	\$ 2,469	\$ 3,116
Percent of total sales	28%	22%	18%

OUR EMPLOYEES

We have approximately 14,900 employees. This number includes:

13,450 employed by our corporate operations and forest products-based business segments in North America,

750 employed by our Real Estate segment and

700 employed by our operations outside of North America.

Of these employees, approximately 4,000 are members of unions covered by multi-year collective-bargaining agreements.

COMPARABILITY OF DATA

Over the last five years, we have made an acquisition to complement our key operations and have exited businesses that did not fit our long-term strategic direction. As you review our results for the past five years, it may be helpful to keep in mind the following acquisition and divestitures and the segments affected.

Summary of Recent Divestitures and Acquisition

YEAR	TRANSACTION	SEGMENTS AFFECTED
2009	Trus Joist®Commercial division sold	Wood Products segment
2008	Containerboard, Packaging and Recycling segment sold	Containerboard, Packaging and Recycling segment

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2008	Australian operations	sold	Corporate and Other segment
2008	Uruguay operations	partition completed	Timberland and Corporate and Other segments
2007	Fine Paper and related assets	divested	Fine Paper, Timberlands and Wood Products segments
2007	New Zealand operations	sold	Corporate and Other segment
2007	Canadian wood products distribution centers	sold	Wood Products segment
2006	North American and Irish composite panel operations	sold	Wood Products and Corporate and Other segments
2006	Maracay Homes	acquired	Real Estate segment
2005	Coastal British Columbia operations and timberlands (B.C Coastal)	sold	Wood Products and Timberlands segments
2005	French composite panel operations	sold	Corporate and Other segment

Additional information related to our discontinued operations can be found in *Note 3: Discontinued Operations* in the *Notes to Consolidated Financial Statements*. Information pertaining to segment comparability can be found in *Note 2: Business Segments* in the *Notes to Consolidated Financial Statements*.

WHAT WE DO

This section provides information about how we:

- grow and harvest trees;
- manufacture and sell products made from them;
- build and sell homes; and
- develop land.

For each of our business segments, we provide details about what we do, where we do it, how much we sell and where we are headed.

TIMBERLANDS

Our Timberlands business segment manages 6.6 million acres of private commercial forestland worldwide. We own 5.8 million of those acres and lease the other 760,000 acres. In addition, we have renewable, long-term licenses on 15.2 million acres of forestland located in four Canadian provinces. The tables presented in this section include data from this segment's business units as of the end of 2009.

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WHAT WE DO

Forestry Management

Our Timberlands business segment:

- grows and harvests trees for use as lumber, other wood and building products and pulp and paper;
- exports logs to other countries where they are made into products;
- plants seedlings and in parts of Canada we use natural regeneration to reforest the harvested areas using the most effective regeneration method for the site and species;
- monitors and cares for the new trees as they grow to maturity; and
- seeks to sustain and maximize the timber supply from our forestlands while keeping the health of our environment a key priority.

Our goal is to maximize returns by selling logs and stumpage to internal and external customers. We focus on solid wood and use intensive silviculture to improve forest productivity and returns while managing our forests on a sustainable basis to meet customer and public expectations.

International operations in this segment consist principally of forest plantations, forest licenses and converting assets in South America. We serve as managing partner in these operations which are either wholly-owned subsidiaries or joint ventures. In China, we are the managing partner in a joint venture established in 2007. We own 51 percent of this joint venture and Fujian Yong An Forestry Company owns the remaining 49 percent. As of December 31, 2009, the joint venture managed 45,000 acres of timberlands with 486,000 seedlings planted in 2009.

Sustainable Forestry Practices

We are committed to responsible environmental stewardship wherever we operate, managing forests to produce financially mature timber while protecting the ecosystem services they provide. Our working forests include places with unique environmental, cultural, historical or recreational value. To protect their unique qualities, we follow regulatory requirements, voluntary standards and implement the Sustainable Forestry Initiative® (SFI) standard. Independent auditing of all of the forests we own or manage in the United States certifies that we meet the SFI standard. In Canada, we certify our forests to the Canadian Standards Association (CSA) standard. Our forestlands in Uruguay are the model for the developing Uruguayan national forest certification standard, and we have designed them to meet the Program for the Endorsement of Forest Certification (PEFC).

Canadian Forestry Operations

In Canada, we have licenses to operate forestlands that provide the volume for our manufacturing units in various provinces. When we harvest trees, we pay the provinces at stumpage rates set by the government and generally based on prevailing market prices. We do not generate any profit in the Timberlands segment from the harvest of timber from the licensed acres in Canada.

Other Values From Our Timberlands

In the United States, we actively manage mineral, oil and gas leases on our land and use geologic databases to identify and market opportunities for commercial mineral and geothermal development. We recognize leasing revenue over the terms of agreements with customers. Revenue primarily comes from:

- royalty payments on oil and gas production;
- upfront bonus payments from oil and gas leasing and exploration activity;
- royalty payments on hard minerals (rock, sand and gravel);
- geothermal lease and option revenues; and

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the sale of mineral assets.

In managing mineral resources, we generate revenue related to our ownership of the minerals and, separately, related to our ownership of the surface. The ownership of mineral rights and surface acres may be held by two separate parties. Materials that can be mined from the surface, and whose value comes from factors other than their chemical composition, typically belong to the surface owner. Examples of surface materials include rock, sand, gravel, dirt and topsoil. The mineral owner holds the title to commodities that derive value from their unique chemical composition. Examples of mineral rights include oil, gas, coal (even if mined at the surface) and precious metals. If the two types of rights conflict, then mineral rights are generally superior to surface rights. A third type of land right is geothermal, which can belong to either the surface or mineral owner. We routinely reserve mineral and geothermal rights when selling surface timberlands acreage.

Timberlands Products

PRODUCTS	HOW THEY ARE USED
Logs	Logs are made into lumber, other wood and building products and pulp and paper products
Timberlands	Timberland tracts are exchanged to improve our timberland portfolio or are sold to third parties by our land development subsidiary within this segment
Timber	Standing timber may be sold to third parties or converted into chips and other raw materials to be made into pulp and paper products
Minerals, oil and gas	Sold into construction and energy markets
Other products	Includes seed and seedlings, poles, as well as plywood and hardwood lumber produced by our international operations, primarily in South America

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HOW WE MEASURE OUR PRODUCT

We report Timberlands data in cubic meters. Cubic meters measure the total volume of wood fiber in a tree or log that we can sell. Cubic meter volume is determined from the large- and small-end diameters and length and provides a more consistent and comparative measure of timber and log volume among operating regions, species, size and seasons of the year than other units of measure.

We also use two other units of measure when transacting business including:

thousand board feet (MBF) used in the West to measure the expected lumber recovery from a tree or log, but it does not include taper or recovery of nonlumber residual products;

green tons used in the South to measure weight, but factors used for conversion to product volume can vary by species, size, location and season.

Both measures are accurate in the regions they are used, but they do not provide a meaningful basis for comparisons between the regions.

The conversion rate for MBF to cubic meters varies based on several factors including diameter, length and taper of the timber. The average conversion rate for MBF to cubic meters is approximately 6.7 cubic meters per MBF.

The conversion rate from green tons to cubic meters also varies based on the season harvested and the specific gravity of the wood for the region where the timber is grown. An average conversion rate for green tons to cubic meters is approximately 0.825 cubic meters per green ton.

WHERE WE DO IT

Our timberlands assets are located primarily in North America. In the U.S. we own and manage sustainable forests in nine states for use in wood products and pulp and paper manufacturing. We own or lease:

4.1 million acres in the southern U.S. (Alabama, Arkansas, Louisiana, Mississippi, North Carolina, Oklahoma and Texas); and

2.1 million acres in the Pacific Northwest (Oregon and Washington).

Our international operations are located primarily in Uruguay and China where, as of December 31, 2009, we own a total of 315,000 acres and have long-term leases on another 71,000 acres.

In addition, we have renewable, long-term licenses on 15.2 million acres of forestland owned by the provincial government of four Canadian provinces.

Our total timber inventory including timber on owned and leased land in our U.S. and international operations is approximately 306 million cubic meters. The timber inventory on licensed lands in Canada is approximately 383 million cubic meters. The amount of timber inventory does not translate into an amount of lumber or panel products because the quantity of end products:

varies according to the species, size and quality of the timber; and

will change through time as the mix of these variables adjust.

The species, size and grade of the trees affects the relative value of our timberlands.

DISCUSSION OF OPERATIONS BY GEOGRAPHY

Summary of 2009 Timber Inventory and Timberland Locations

United States

GEOGRAPHIC AREA	MILLIONS OF CUBIC METERS		THOUSANDS OF ACRES AT DECEMBER 31, 2009	
	TOTAL INVENTORY	FEE OWNERSHIP	LONG-TERM LEASES	TOTAL ACRES
U.S.				
West	160	2,063		2,063
South	140	3,424	690	4,114
Total U.S.	300	5,487	690	6,177

Western United States

Our Western acres are well situated to serve the wood product markets in Oregon and Washington. Their location near Weyerhaeuser mills and many third-party facilities, allows for multiple sales opportunities. In addition, our location on the West Coast provides access to higher-value export markets for Douglas fir and hemlock logs in Japan, Korea and China. The size and quality of our Western timberlands, coupled with their proximity to several deep-water port facilities, positions us to meet the needs of Pacific Rim log markets.

Our lands are composed primarily of Douglas fir, a species highly valued for its structural strength. Our coastal lands also contain western hemlock but to a lesser degree than our fir stands. Our management systems, which provide us a competitive operating advantage, range from research and forestry, to technical planning models, mechanized harvesting, and marketing and logistics.

The average age of timber harvested in 2009 was 50 years. Most of our U.S. timberland is intensively managed for timber production, but some areas are conserved for environmental, historical, recreational or cultural reasons. Some of our older

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trees are protected in acreage set aside for conservation, and some are not yet logged due to harvest rate regulations. While over the long term our average harvest age will decrease in accordance with our sustainable forestry practices we will only harvest approximately 1.5 percent of our Western acreage each year.

Southern United States

Our Southern acres predominantly contain southern yellow pine and encompass timberlands in seven states. This area provides a constant year round flow of logs to a variety of internal and third-party customers. We sell grade logs to mills that manufacture a diverse range of products including lumber, plywood and veneer. We also sell chips and fiber logs to oriented strand board, pulp and paper mills. Our timberlands are well located to take advantage of road, logging and transportation systems for efficient delivery of logs to these customers.

We intensively manage our timber plantations using forestry research and planning systems to optimize grade log production. We also actively manage our land to capture revenues from our oil, gas and hard minerals resources. We do this while providing quality habitat for a range of animals and birds, which is in high demand for recreational purposes. We lease more than 95 percent of our acres to the public and state wildlife agencies for recreational purposes.

The average age of timber harvested in 2009 was 31 years for southern yellow pine. In accordance with our sustainable forestry practices, we harvest approximately 3.0 percent to 3.5 percent of our acreage each year in the South.

International

GEOGRAPHIC AREA	MILLIONS OF CUBIC METERS		THOUSANDS OF ACRES AT	
	TOTAL INVENTORY	FEE OWNERSHIP	LONG-TERM LEASES	DECEMBER 31, 2009
Uruguay	6	315	26	341
China ⁽¹⁾			45	45
Total International	6	315	71	386

(1) Includes Weyerhaeuser percentage ownership of timberlands owned and managed through joint ventures

Our forestlands in Uruguay are approximately 50 percent loblolly pine and 50 percent eucalyptus. On average, the timber in Uruguay is in the first third of its rotation age. It is entering into that part of the growth rotation when we will see increased volume accretion. About 80 percent of the area to be planted has been afforested to date. The afforestation program is planned to be completed within the next four years.

In Uruguay, the target rotation ages are 21 to 22 years for pine, and 14 to 17 years for eucalyptus. We manage both species to a grade (appearance) regime.

We also operate a plywood mill in Uruguay with a production capacity of 140,000 cubic meters and a production volume of 80,000 cubic meters reached in 2009. Construction to more than double this capacity is under way and is expected to be completed in 2010.

In Brazil, Weyerhaeuser is a managing partner in a joint venture. We own 67 percent and Fibria Cellulose SA owns 33 percent. A hardwood sawmill with 72,000 cubic meters of capacity produces high-value eucalyptus (Lyptus[®]) lumber and related appearance wood products. The mill's production in 2009 was 60,000 cubic meters.

Our investment in China is a joint venture with a public company that is controlled by the state and local governments. Weyerhaeuser is the managing partner in a joint venture started in 2007. Ownership is 51 percent Weyerhaeuser and 49 percent Fujian Yong An Forestry Company. The joint venture currently manages 45,000 acres of timberlands with 486,000 seedlings planted in 2009.

In China, the target rotation age is seven years, since we are managing the forests of loblolly pine and eucalyptus for fiber.

Canada Licensed Timberlands

GEOGRAPHIC AREA	MILLIONS OF CUBIC METERS	THOUSANDS OF ACRES AT	
		DECEMBER 31, 2009	
	TOTAL INVENTORY LICENSED STANDING VOLUME	LICENSE ARRANGEMENTS	TOTAL ACRES
Canada			
Alberta	246	5,357	5,357
British Columbia	24	2,255	2,255
Ontario	33	2,598	2,598
Saskatchewan	80	4,968	4,968
Total Canada	383	15,178	15,178

We lease and license forestland in Canada from the provincial government to secure the volume for our manufacturing units in the various provinces. When the volume is harvested, we pay the province at stumpage rates set by the government and generally based on prevailing market prices. The harvested logs are transferred to our manufacturing facilities at cost (stumpage plus harvest, haul and overhead costs less any margin on selling logs to third parties). Any conversion profit is recognized at the respective mill in either the Cellulose Fibers or Wood Products segment.

Table of Contents**Five-Year Summary of Timberlands Production**

PRODUCTION IN THOUSANDS					
	2009	2008	2007	2006	2005
Fee depletion cubic meters:					
West	6,359	10,626	10,403	10,666	10,630
South	8,996	12,363	12,645	13,246	13,219
Canada					856
International ⁽¹⁾	503				
Total	15,858	22,989	23,048	23,912	24,705

(1) International forestlands started commercial thinning in 2009 leading to production volumes.

Our Timberlands annual fee depletion represents the harvest of the timber assets we own. Depletion is a method of expensing the cost of establishing the fee timber asset base over the harvest or timber sales volume. The decline in fee depletion from 2008 through 2009 reflects the company's decision to defer harvest and preserve the long-term value of the assets.

HOW MUCH WE SELL

Our net sales to unaffiliated customers over the last two years were:

\$714 million in 2009 down 21 percent from 2008; and
\$899 million in 2008.

Our intersegment sales over the last two years were:

\$537 million in 2009 down 48 percent from 2008; and
\$1.0 billion in 2008.

Five-Year Summary of Net Sales for Timberlands

NET SALES IN MILLIONS OF DOLLARS					
	2009	2008	2007	2006	2005
To unaffiliated customers:					
Logs:					
West	\$ 329	\$ 547	\$ 565	\$ 667	\$ 625
South	144	97	56	57	67
Canada ⁽¹⁾	13	20	38	58	69
Total	486	664	659	782	761
Pay as cut timber sales	31	32	25	32	33
Timberlands sales and exchanges ⁽²⁾	66	73	128	96	145
Higher and better use land sales ⁽²⁾	11	11	33	35	39
Minerals, oil and gas	62	61	40	48	47
Products from international operations ⁽³⁾	44	40	12	6	3
Other products	14	18	25	24	22
Subtotal sales to unaffiliated customers	714	899	922	1,023	1,050
Intersegment sales:					

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United States	392	817	983	1,093	1,110
Other	145	217	363	593	691
Subtotal intersegment sales	537	1,034	1,346	1,686	1,801
Total	\$ 1,251	\$ 1,933	\$ 2,268	\$ 2,709	\$ 2,851

(1) Reflects the divestiture of our B.C. Coastal operations in May 2005 and the Domtar Transaction in March 2007.

(2) Higher and better use timberland and other non-strategic timberland are sold through Forest Products subsidiaries.

(3) Includes logs, plywood and hardwood lumber harvested or produced by our international operations, primarily in South America.

Five-Year Trend for Total Net Sales in Timberlands

Table of Contents**Percentage of 2009 Sales to Unaffiliated Customers****Log Sales Volumes**

Logs sold to unaffiliated customers in 2009 decreased approximately 1.4 million cubic meters 14 percent from 2008.

Sales volumes in the West decreased 2.5 million cubic meters 36 percent due to weaker domestic and export markets. Our Western sales to unaffiliated customers are generally higher-grade logs sold into the export market and domestic-grade logs sold to West Coast sawmills.

Sales to unaffiliated customers in the South increased 1.2 million cubic meters 51 percent primarily due to sales of fiber logs to International Paper for use at locations that previously were owned by Weyerhaeuser and higher grade log sales to domestic customers. Our southern sales volumes to unaffiliated customers are generally lower-grade fiber logs sold to pulp or containerboard mills. We use most of our high-grade logs in our own conversion facilities.

Sales volumes from Canada decreased 120,000 cubic meters 23 percent in 2009. This reduction in volume was primarily due to having fewer manufacturing operations and production curtailments.

Sales volumes from our international operations decreased 24,000 cubic meters 7 percent in 2009. This reduction in volume was due to weaker global markets.

We sell three grades of logs domestic grade, domestic fiber and export. Factors that may affect log sales in each of these categories include:

domestic grade log sales lumber usage, primarily for housing starts and repair and remodel activity, the needs of our own mills and the availability of logs from both outside markets and our own timberlands;

domestic fiber log sales demand for chips by pulp and containerboard mills; and

export log sales level of housing starts in Japan, where most of our North American export logs are sold.

All our domestic and export logs are sold to unaffiliated customers or transferred at market prices to our internal mills by the sales and marketing staff within our Timberlands business units.

Five-Year Summary of Log Sales Volumes to Unaffiliated Customers for Timberlands

SALES VOLUMES IN THOUSANDS					
	2009	2008	2007	2006	2005
Logs cubic meters:					
West	4,479	6,967	6,212	6,602	6,380
South	3,536	2,347	1,581	1,698	1,925
Canada	409	529	925	1,425	1,745
International	305	329		55	31
Total	8,729	10,172	8,718	9,780	10,081

Reflects the divestiture of our B.C. Coastal operations in May 2005 and the Domtar Transaction in March 2007.

Log Prices

The majority of our log sales to unaffiliated customers involves sales to the export market and to other domestic sawmills in the Pacific Northwest. Following is a five-year summary of selected export log prices.

Five-Year Summary of Selected Export Log Prices

(#2 Sawlog Bark On \$/MBF)

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Our log prices are affected by the supply of and demand for grade and fiber logs and are influenced by the same factors that affect log sales. Export log prices are particularly affected by the Japanese housing market.

Average 2009 log realizations in the West and South decreased from 2008 primarily due to lower domestic log prices caused by the steep decline in lumber prices during the year. Western

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export prices also declined due to the weak Japanese economy. Export prices were also influenced by the lower domestic prices.

Minerals and Energy Products

Mineral revenue increased in 2009. Decreased royalties from oil and gas and mining was offset by increases in oil and gas leasing revenues and revenues from the sale of selected oil and gas producing properties. Royalty revenue decreased as a result of weaker energy prices and reduced demand for construction aggregates. New drilling activity in the Haynesville Shale area in North Louisiana increased dramatically in late 2009, but due to the timing of initial production the effect on revenue was small. The company continued to explore geothermal opportunities in Washington and Oregon and entered into a lease for wind power development in Washington.

Catchlight Energy

Catchlight Energy is Weyerhaeuser's joint venture with Chevron, which is focused on the commercialization of liquid transportation fuels produced from conversion of forest-based material. During 2009, Catchlight was engaged in research and development work in the areas of sustainability, feedstock sourcing and scalability, and conversion technologies. Catchlight Energy also spent time developing relationships with selected technology partners. Results of Catchlight Energy are reported in the Corporate and Other segment.

WHERE WE'RE HEADED

Our competitive strategies include:

- managing forests on a sustainable basis to meet customer and public expectations;
- reducing the time it takes to realize returns by practicing intensive forest management and focusing on the most advantageous markets;
- efficiently delivering raw materials to internal supply chains;
- building long-term relationships with external customers who rely on a consistent supply of high-quality raw material;
- continuously reviewing our portfolio of land holdings to create the greatest value for the company;
- investing in technology and advances in silviculture to improve yields and timber quality;
- positioning ourselves as one of the largest, lowest-cost growers of global softwood and hardwood timber;
- leveraging our mineral ownership position; and
- positioning ourselves to take advantage of new market opportunities that may be created by energy and climate change legislation and regulation.

In addition, we believe we will generate additional revenues from new products and services, such as wetland mitigation banking and conservation easements, and from participating in emerging carbon and energy markets.

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WOOD PRODUCTS

We are a large manufacturer and distributor of wood products in North America.

WHAT WE DO

Our wood products segment:

- provides a family of high-quality softwood lumber, engineered lumber, structural panels and other specialty products to the residential structural frame market;
- delivers innovative homebuilding solutions to help our customers quickly and efficiently meet their customers' needs;
- sells our products and services primarily through our own sales organizations and distribution facilities and supplements our product offerings with building materials that we purchase from other manufacturers;
- sells certain products into the repair and remodel market through the wood preserving and home-improvement warehouse channels;
- exports our engineered building materials and industrial hardwood products to Europe and Asia; and
- makes and sells hardwood lumber to manufacturers of furniture and cabinetry in more than 40 countries.

Wood Products

PRODUCTS	HOW THEY'RE USED
Softwood lumber	Structural framing for new residential, repair and remodel, treated applications, industrial, and commercial structures
Engineered lumber	Floor and roof joists, and headers and beams for residential and commercial structures
Solid section	
I-joists	
Structural panels	Structural sheathing, subflooring and stair tread for residential and commercial structures
Oriented strand board (OSB)	
Plywood	
Veneer	Intermediate raw material for plywood and engineered lumber manufacturing
Hardwood lumber	Furniture, pallets, ties, moldings, panels, cabinets, architectural millwork, components and retail boards
Other products	Complementary building products such as cedar decking, siding, insulation, rebar and engineered lumber connectors

WHERE WE DO IT

We operate manufacturing facilities in the United States and Canada. We distribute through a combination of Weyerhaeuser and third-party locations. Information about the locations, capacities and actual production of our manufacturing facilities is included below.

Principal Manufacturing Locations

Locations of our principal manufacturing facilities as of December 31, 2009, by major product group were:

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Softwood lumber

U.S. Alabama, Arkansas, Louisiana, Mississippi, North Carolina, Oklahoma, Oregon and Washington
 Canada Alberta and British Columbia

Engineered lumber

U.S. Alabama, Georgia, Louisiana, Minnesota, Oregon and West Virginia
 Canada British Columbia and Ontario

Oriented strand board

U.S. Louisiana, Michigan, North Carolina and West Virginia
 Canada Alberta, Ontario and Saskatchewan

Plywood and veneer

U.S. Alabama, Arkansas, Louisiana and Oregon

Hardwood lumber

U.S. Michigan, Oregon, Washington and Wisconsin

In December 2009, we announced the sale of one lumber mill in Warrenton, Oregon and the closure of one distribution center located in Sacramento, California expected to be completed in first quarter 2010.

Summary of 2009 Wood Products Capacities

CAPACITIES IN MILLIONS	PRODUCTION CAPACITY	NUMBER OF FACILITIES
Softwood lumber board feet	5,210	23
Engineered solid section cubic feet	47	9
Engineered I-joists lineal feet	320	3
Oriented strand board square feet (3/8")	3,485	7
Plywood square feet (3/8")	460	2
Veneer square feet (3/8")	1,145	5
Hardwood lumber board feet	300	7

Capacities include:

- one lumber facility sold in early 2010; and
- one lumber facility, four engineered solid section facilities, one engineered I-joist facility, two oriented strand board mills and two veneer mills that were indefinitely closed.

Table of Contents**Five-Year Summary of Wood Products Production**

PRODUCTION IN MILLIONS					
	2009	2008	2007	2006	2005
Softwood lumber board feet ⁽¹⁾	3,098	4,451	5,490	6,355	6,986
Engineered solid section cubic feet ⁽²⁾	11	22	28	41	41
Engineered I-joists lineal feet ⁽²⁾	109	218	339	473	483
Oriented strand board square feet (3/8")	1,448	2,468	3,428	4,166	4,078
Plywood square feet (3/8") ⁽³⁾	150	333	423	900	1,155
Veneer square feet (3/8") ⁽³⁾⁽⁴⁾	349	872	1,150	1,739	1,979
Composite panels square feet (3/4")				666	1,080
Hardwood lumber board feet	201	253	294	324	364

(1) Reflects the divestitures of our B.C. Coastal operations in May 2005, North American composite panel operations in July 2006 and the Domtar Transaction in March 2007.

(2) Weyerhaeuser engineered I-joint facilities also may produce engineered solid section.

(3) All Weyerhaeuser plywood facilities also produce veneer.

(4) Veneer production represents lathe production and includes volumes that are used to produce plywood and engineered lumber products by our mills.

HOW MUCH WE SELL

Revenues of our Wood Products business segment come from sales to wood products dealers, do-it-yourself retailers, builders and industrial users. We provide products and services to the residential construction market under the iLevel® brand. In 2009, our net sales were \$2.2 billion compared with \$3.8 billion in 2008.

Five-Year Summary of Net Sales for Wood Products

NET SALES IN MILLIONS OF DOLLARS					
	2009	2008	2007	2006	2005
Softwood lumber ⁽¹⁾	\$ 885	\$ 1,443	\$ 2,241	\$ 2,997	\$ 3,624
Engineered solid section	238	414	608	794	833
Engineered I-joists	162	284	467	670	704
Oriented strand board	234	416	589	939	1,164
Plywood	92	202	366	529	735
Hardwood lumber	206	291	355	398	390
Other products produced ⁽¹⁾	146	225	226	214	277
Other products purchased for resale	271	493	847	1,361	1,551
Total	\$ 2,234	\$ 3,768	\$ 5,699	\$ 7,902	\$ 9,278

(1) Reflects the divestitures of our B.C. Coastal operations in May 2005, North American composite panel operations in July 2006 and the Domtar Transaction in March 2007.

Five-Year Trend for Total Net Sales in Wood Products**Percentage of 2009 Net Sales in Wood Products****Wood Products Volume**

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The volume of wood products sold in 2009 decreased from 2008 primarily due to a significant decline in market demand, resulting from the downturn of the homebuilding and repair and remodel markets. In response to these market conditions in 2008 and 2009, we sold or closed a number of facilities and curtailed production at several other mills. The sales and closures include:

Sales:

- 2009 T[®] Commercial business, Albany Trucking and one veneer mill; and
- 2008 seven U.S. distribution centers.

Permanent closures:

- 2009 four lumber mills, two engineered lumber mills and six distribution centers; and
- 2008 three lumber mills, four U.S. distribution centers and two Canadian OSB mills that were indefinitely curtailed in 2007.

Indefinite closures:

- 2009 one lumber mill, three engineered lumber mills and two veneer mills; and
- 2008 one Canadian OSB mill and one engineered lumber mill.

Table of Contents**Five-Year Summary of Sales Volume for Wood Products**

SALES VOLUMES IN MILLIONS					
	2009	2008	2007	2006	2005
Softwood lumber ⁽¹⁾ board feet	3,353	4,722	6,538	7,871	8,650
Engineered solid section cubic feet	13	23	30	36	38
Engineered I-joists lineal feet	139	227	338	456	484
Oriented strand board square feet (3/8")	1,432	2,438	3,466	4,096	3,948
Plywood square feet (3/8")	298	565	1,049	1,663	2,180
Hardwood lumber board feet	252	324	363	412	427

(1) Reflects the divestiture of our B.C. Coastal operations in May 2005 and the Domtar Transaction in March 2007.

Wood Products Prices

Prices for wood products in 2009 declined from 2008.

In general, the following factors influence prices for wood products:

Demand for structural wood products used in new residential construction and the repair and remodel of existing homes affects prices.

Residential construction is affected by the rate of household formation and other demographic factors, mortgage interest rates, the need for replacement of existing housing stock and the demand for secondary or vacation homes. Repair and remodel activity is affected by the size and age of existing housing inventory and access to home equity financing and other credit.

The availability of supply of commodity building products such as lumber and plywood affects prices. A number of factors can affect supply, including new capacity, weather, raw material quality and availability and rail and truck transportation availability.

Demand for home construction fell dramatically from 2006 through 2009, with a corresponding drop in demand for the products that we produce and sell. This has put significant and prolonged downward pressure on prices and is evident in the following graphs.

Five-Year Summary of Selected Published Lumber Prices \$/MBF**Five-Year Summary of Selected Published Oriented Strand Board Prices \$/MSF****Five-Year Summary of Selected Published Plywood Prices (1/2 CDX) \$/MSF**

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WHERE WE'RE HEADED

Our competitive strategies include:

- responding to difficult market conditions by actively managing our network of production facilities to balance supply with market demand;
- taking advantage of our size, scale, expertise and breadth of products that make us unique in serving the residential structural-frame marketplace;
- developing and delivering innovative homebuilding solutions, such as residential structural frame construction, to meet customers' needs;
- continuing to meet the needs of home-improvement repair and remodel customers;
- achieving operating excellence through the delivery chain;
- differentiating our products and services from other manufacturers to create demand for them in the marketplace, which could generate higher prices;
- meeting international demands for hardwood products by aligning and improving our global supply; and
- conducting our activities in an environmentally sustainable manner and developing and marketing the environmental attributes of our products and solutions.

CELLULOSE FIBERS

Our cellulose fibers segment is one of the world's largest producers of absorbent fluff used in products such as diapers. We also manufacture liquid packaging board and other pulp products. We have a 50 percent interest in North Pacific Paper Corporation (NORPAC) – a joint venture with Nippon Paper Industries that produces newsprint and high-brightness publication papers.

WHAT WE DO

Our cellulose fibers segment:

- provides cellulose fibers for absorbent products in markets around the world,
- works closely with our customers to develop unique or specialized applications,
- manufactures liquid packaging board used primarily for the production of containers for liquid products and
- generates energy, of which 86 percent is from black liquor produced at the mills and biomass.

Cellulose Fibers Products

PRODUCTS	HOW THEY'RE USED
Pulp	Used in sanitary disposable products that require bulk, softness and absorbency
Fluff pulp (Southern softwood kraft fiber)	Used in products that include printing and writing papers and tissue
Papergrade pulp (Southern and Northern softwood kraft fiber)	

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Specialty chemical cellulose pulp

Liquid packaging board
Other products

Slush pulp

Wet lap pulp

WHERE WE DO IT

Used in textiles, absorbent products, specialty packaging, specialty applications and proprietary high-bulking fibers
Converted into containers to hold liquid materials such as milk, juice and tea
Used in the manufacture of paper products

Our cellulose fibers (pulp) products are distributed through a global direct sales network, and our liquid packaging products are sold directly to carton and food product packaging converters in North America and Asia. Locations of our principal manufacturing facilities by major product group are:

Pulp

U.S. Georgia (2), Mississippi and North Carolina
Canada Alberta

Liquid packaging board

U.S. Washington

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Table of Contents**Summary of 2009 Cellulose Fibers Capacities**

CAPACITIES IN THOUSANDS		PRODUCTION CAPACITY	NUMBER OF FACILITIES
Pulp air-dry metric tons		1,835	5
Liquid packaging board tons		300	1

Five-Year Summary of Cellulose Fibers Production

PRODUCTION IN THOUSANDS					
	2009	2008	2007	2006	2005
Pulp air-dry metric tons ⁽¹⁾	1,629	1,760	1,851	2,588	2,502
Liquid packaging board tons	282	297	283	282	264

(1) Reflects Domtar Transaction in March 2007.

HOW MUCH WE SELL

Revenues of our Cellulose Fibers segment come from sales to customers who use the products for further manufacturing or distribution and for direct use. Our net sales decreased to \$1.5 billion in 2009, or 14 percent, compared with \$1.8 billion in 2008.

Five-Year Summary of Net Sales for Cellulose Fibers

NET SALES IN MILLIONS OF DOLLARS					
	2009	2008	2007	2006	2005
Pulp ⁽¹⁾	\$ 1,148	\$ 1,357	\$ 1,478	\$ 1,657	\$ 1,482
Liquid packaging board	290	290	247	229	203
Other products	73	118	107	70	51
Total	\$ 1,511	\$ 1,765	\$ 1,832	\$ 1,956	\$ 1,736

(1) Reflects Domtar Transaction in March 2007.

Five-Year Trend for Total Net Sales in Cellulose Fibers**Percentage of 2009 Net Sales in Cellulose Fibers****Pulp Volumes**

Our sales volume of cellulose fiber products were 1.7 million tons in 2009 and 2008.

Factors that affect sales volumes for cellulose fiber products include:

growth of the world gross domestic product and demand for paper production and diapers.

Five-Year Summary of Sales Volume for Cellulose Fibers

SALES VOLUMES IN THOUSANDS					
	2009	2008	2007	2006	2005
Pulp air-dry metric tons ⁽¹⁾	1,697	1,704	2,070	2,621	2,502
Liquid packaging board tons	288	302	286	275	258

(1) Reflects the Domtar Transaction in March 2007.

Pulp Prices

Our average pulp prices in 2009 decreased compared with 2008 due to the:

relative strength of the U.S. dollar,
level of demand and
world economic environment.

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Five-Year Summary of Selected Published Pulp Prices \$/TON

WHERE WE'RE HEADED

Our competitive strategies include:

- improving our cost-competitiveness through operational excellence and noncapital solutions;
- focusing capital investments on new and improved product capabilities, cost-reduction, and green energy opportunities;
- collaborating with third parties to develop new value-added products; and
- focusing research and development resources on new ways to expand and improve the range of applications for cellulose fibers and new product opportunities.

REAL ESTATE

Our Real Estate business segment includes our wholly-owned subsidiary Weyerhaeuser Real Estate Company (WRECO) and its subsidiaries.

WHAT WE DO

The Real Estate segment focuses on:

- constructing single-family housing and
- developing residential lots for our use and for sale.

Real Estate Products and Activities

PRODUCTS	HOW THEY'RE USED
Single-family housing	Residential living
Land	Residential lots and land for construction and sale, master-planned communities with mixed-use property

WHERE WE DO IT

Our operations are concentrated in metropolitan areas in Arizona, California, Maryland, Nevada, Texas, Virginia and Washington.

HOW MUCH WE SELL

We are one of the top 20 homebuilding companies in the United States as measured by annual single-family home closings.

Our revenues decreased to \$904 million in 2009 – 36 percent – compared with \$1.4 billion in 2008, primarily due to a 32 percent decline in single-family closings and lower average sales prices. The decline in home closings was affected by weak consumer confidence, high unemployment and increasing foreclosures. Increased inventory of homes available for sale due to foreclosures also continued to put downward pressure on pricing.

The following factors affect revenues in our Real Estate business segment:

Variances in market prices of the homes that we build.

The product and geographic mix of sales, which may vary based on the following:

The markets where we build vary by geography.

The types of homes we build which range in price points to meet our target customers' needs from entry-level products in Washington state to move-up, custom homes in Southern California and the Washington, D.C., metro area.

The mix of price points since we build traditional, single-family, detached homes and attached products such as townhomes and condominiums.

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Land and lot sales are a component of our activities. These sales do not occur evenly from year to year and may range from approximately 5 percent to 15 percent of total Real Estate revenues annually.

From time to time, we sell apartment buildings we have built and commercial properties in which we have an ownership interest.

Five-Year Summary of Net Sales for Real Estate

REVENUE IN MILLIONS OF DOLLARS					
	2009	2008	2007	2006	2005
Single-family housing	\$ 832	\$ 1,294	\$ 2,079	\$ 2,951	\$ 2,686
Land	68	99	213	310	202
Other	4	15	67	74	27
Total	\$ 904	\$ 1,408	\$ 2,359	\$ 3,335	\$