

FINAL TRANSCRIPT

Canfor Corporation

First Quarter Analyst Call

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PRESENTATION

Operator

Good morning, ladies and gentleman. Welcome to the Canfor and Canfor Pulp First Quarter Analyst Call.

A recording and transcript of the call will be available on the Canfor and Canfor Pulp websites.

During this call Canfor and Canfor Pulp's Chief Financial Officer will be referring to a slide presentation that is available in the Investor Relations section of each Company's website.

Also the Companies would like to point out that this call will include forward-looking statements, so please refer to the press releases for the associated risks of such statements.

I would now like to turn the meeting over to Mr. Don Kayne, Canfor and Canfor Pulp's Chief Executive Officer. Please go ahead, Mr. Kayne.

Don Kayne — President and Chief Executive Officer, Canfor Corporation

Thank you, Operator, and good morning. And thank you for joining the Canfor and Canfor Pulp Q1 2016 results conference call this morning. I'll make a few brief opening comments about the quarter before I turn things over to Alan Nicholl, our Chief Financial Officer for both Canfor Corporation and Canfor Pulp Products Incorporated. Alan will provide a more detailed overview of our performance in Q1 after which we will take questions.

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In addition to Alan, with me today are Brett Robinson, our President of Canfor Pulp; Peter Hart, our Vice President of Pulp Sale; Wayne Guthrie, our Senior Vice President of Lumber Sales and Marketing; and Stephen Mackie, our Senior Vice President of Operations.

Canfor Pulp had another strong quarter with solid operational performance. Markets for pulp were steady in the quarter, and our higher-grade premium reinforcing pulp continues to see solid demand. Looking ahead, we see modest price improvements for the second quarter as the industry goes through their annual maintenance shutdowns.

Looking forward, we are cautious about the back half of the year with additional tonnage expected to enter the market in both softwood and hardwood pulp. However, we expect our solid operational performance and high value PRP focus to continue to benefit us.

Turning to the lumber side of our business. In the first quarter, we continued to see the benefits of our US South acquisitions. Pricing was solid for our unique, high-value specialty products, and spreads for wider woods improved during the quarter; a trend we expect to continue in Q2 and Q3.

Our Canadian mills continued to perform well in quarter one with solid productivity gains, cost improvements, as well as increased recovery of higher value products. Additionally, the weaker Canadian dollar improved realizations, also contributing to improved profitability in the quarter.

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In early April, we completed our purchase of Wynndel Lumber in Southeastern BC, and as with our recent US South purchases, Wynndel produces high-quality specialty products.

Looking at markets briefly. In China, we've seen continuing improvements in underlying demand, order files are increasing, pricing is moving higher, and inventories are decreasing. We are confident we will achieve our targets in China in 2016.

In the US, we continue to see solid demand. As mentioned previously, we expect to see the usual seasonal improvement in spreads for southern yellow pine wider widths in Q2 and Q3; a clear trend that has occurred in each of the last four years. Inventories overall appear balanced, and we expect supply to grow slowly during the year, in line with demand. We expect pricing to slowly improve throughout the year.

With that, I'll turn the call over to Alan Nicholl to provide an overview of our financial results.

Alan Nicholl — Senior Vice President, Finance and Chief Financial Officer, Canfor Corporation

Well, thanks, Don, and good morning, everyone. As usual, my comments this morning will focus principally on our financial performance for the first quarter of 2016 by reference to the previous quarter. Full details of our results are contained in the Canfor Pulp and Canfor news releases, both of which were issued yesterday morning.

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As always, you'll find an overview slide presentation on both the Canfor and Canfor Pulp websites in the Investor Relations section under webcasts. The presentation highlights consolidated and segmented results, and I'll be referring to this presentation during my comments.

For the first quarter of 2016, Canfor reported shareholder net income of \$26 million or \$0.20 a share, up from net income of \$2 million or \$0.01 a share reported for the fourth quarter of 2015 and down from net income of \$29 million, or \$0.22 a share, reported for the first quarter of 2015.

On Slide 3 of our presentation we highlight various non-operating items net of tax and non-controlling interests, which affect the comparability of our results between the quarters.

In the first quarter of 2016, net foreign exchange gain on long-term debt had a positive impact of \$7 million, or \$0.05 a share, which more than offsets a negative mark-to-market adjustment on derivative instruments of \$2 million, or \$0.01 a share. After taking account of these adjustments, the first quarter adjusted shareholder net income was \$21 million, or \$0.16 a share, compared to similarly adjusted net income of \$8 million or \$0.06 a share for the previous quarter.

Results for the Lumber segment are highlighted on Slide 5 of our presentation. The Lumber segment recorded operating income of \$33 million, a \$32 million increase from the \$1 million reported for the previous quarter, after taking account of onetime adjustments in Q4.

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The increase reflected a full quarter of earnings from Anthony Forest Products, our most recent acquisition in the US side, as well as a modest improvement in lumber market conditions and a solid improvement in productivity, particularly at our Western Canadian sawmills.

Unit sales realizations were slightly higher in Canada, reflecting a weaker Canadian dollar and slightly higher US dollar prices. In the US, higher benchmark pricing and improving prices for wider dimensions increased realizations in that region as well.

Overall, unit manufacturing costs were in line with the previous quarter, reflecting the impact from the aforementioned productivity gains, which largely offset a modest increase in unit log costs in Western Canada.

Lumber shipments were flat compared to the fourth quarter, but were up 16 percent compared to the first quarter of 2015, reflecting our growth in the US side during 2015 and to a lesser extent, productivity gains.

Canfor's Pulp and Paper segment comprises the results of Canfor Pulp Product Inc. As you can see on Slide 6, Canfor Pulp reported net income of \$23 million, or \$0.34 a share, compared to net income of \$30 million, or \$0.43 a share, for the fourth quarter, a net income of \$28 million, or \$0.40 per share, for the first quarter of 2015.

As you'll see on Slide 6, Canfor Pulp had no adjusting items in the first quarter. In the fourth quarter of 2015 adjusted net income was \$29 million, or \$0.42 a share, and in the first quarter of 2015, adjusted net income was \$35 million or, \$0.50 per share.

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The lower income on an adjusted basis in the first quarter reflected principally foreign exchange losses on US dollar working capital balances in contrast to gains in both of the comparative periods.

Canfor Pulp's operating results are summarized on Slide 7. The solid performance in the current quarter reflected a relatively balanced softwood pulp market, as increased customer restocking absorbed additional supply during the quarter. Pulp sales realizations were slightly lower reflecting lower transaction prices and a lower proportion of North American shipments, partially offset by the weaker Canadian dollar.

Total pulp shipments were 10 percent lower than the previous quarter, reflecting a return to more normalized sales levels following a drawdown of inventory in the previous quarter. Unit manufacturing costs were moderately lower, principally reflecting lower fiber and maintenance costs.

Results in the Paper segment were up from the previous quarter by \$2 million, largely reflecting the positive impact of the weaker Canadian dollar on paper sales realizations as well as an increased proportion of higher priced prime product shipments in the current quarter.

Looking ahead to the second quarter, the scheduled major maintenance shutdowns at Intercon on Northwood will reduce production by around 38,000 tonnes and will have a related impact on shipments and earnings in the second quarter.

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Turning to capital spending. Capital spending in the first quarter of 2016 totalled \$47 million, of which \$33 million was in the lumber business and \$13 million was for Canfor Pulp. 2016's capital spend is projected to be around \$150 million for Canfor and \$75 million for Canfor Pulp.

During the first quarter, Canfor Pulp repurchased approximately 413,000 of its common shares at an average price of \$11.87 per share. There were no shares repurchased for Canfor, recognizing that the Company is prioritizing debt reduction in 2016 after the significant growth that we've undertaken in 2015.

For the first quarter, Canfor Pulp's Board of Directors approved a continuance of a quarterly dividend of \$0.0625 per share.

And at the end of the first quarter, Canfor, excluding Canfor Pulp, had net debt of \$485 million with available liquidity of 145 million. Canfor Pulp had net debt of \$27 million with available liquidity of \$121 million. Net debt to total capitalization, excluding Canfor Pulp, was 26 percent. For Canfor Pulp it was 5 percent, and on a consolidated basis, 24 percent.

And with that, Don, I'll turn the call back over.

Don Kayne

All right. Thanks, Alan. And Operator, we'll now turn the call over to questions.

Q&A

Operator

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Thank you. We will now take questions from financial analysts.

If you have a question, please press *, 1 on your telephone keypad. If you are using a speakerphone, please lift your receiver and then press *, 1. If at any time you wish to cancel your question, please press *, 2. Please press *, now 1, if you have a question. There will be a brief pause while participants register for questions. Thank you for your patience.

Your first question comes from Anojja Shah from BMO. Please go ahead.

Anojja Shah — BMO

Hi there. We were hoping to get an update on the US-Canadian Lumber Trade negotiations, if possible.

Don Kayne

For sure. It's Don. I'd be happy to do that, although it'll be pretty brief. But overall I mean from our understanding the USTR in the United States and the feds are continuing to talk, continue to try to figure out if there's a deal to be done here. Of course we've been supportive. We'll continue to support that.

We're hopeful, of course, that we'll be able to do something, although there's lots of challenges. Time's running out. We think that we're getting—we don't have a lot of time left here to try to get a deal, but we're certainly hopeful that that's what will occur.

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But on the same, I guess, on the same vein, we're also prepared for other outcomes, if they were also to occur. So that's really all I can say at this point. Probably hopefully we'll know more here over the next two to four weeks.

Anojja Shah

Right. Okay. Thank you. And then do you think Canadian producers would ever accept a quota-based approach?

Don Kayne

Well, I can't speak for anybody else other than ourselves, but I mean, I think that, in terms of Canfor's view on that, we would not. Quota is a very challenging option for us for sure, and we would have a difficult time agreeing to anything to do with a quota.

Anojja Shah

Okay. Thank you for that. And then if we could just get a quick update on the Chinese market? I'm not sure if I missed it, and your volumes into China.

Don Kayne

Yeah. For sure. Maybe I'll pass it on to Wayne to give you some comments on that, Wayne.

Wayne Guthrie — Senior Vice President, Sales and Marketing, Canfor Corporation

Yeah. Excuse me. On the lumber side, it's steady. It kind of bottomed out in late 2015, and it's been steadily improving ever since. I think we're not going back to the heydays of 2013, but I think

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lumber shipments out of Canada into China for 2016 will be about on par with last year. It's a little bit better than we expected. It's improved better than we expected. Inventory levels are in good shape in China, and I think the consumption of our lumber over there has changed a little bit from a pure construction play to a lot more consumption in manufacturing, in industrial packaging, and in furniture. So I think that that evolution is continuing here.

Our volume will actually be off a little bit, we think, by the end of 2016, but only because with a little bit better log we're producing less low-grade. So that's going to impact our volume. But the market is steady there.

Don Kayne

Maybe, Peter, maybe on the pulp side, you've got a few comments you can make around China as well.

Peter Hart — Vice President of Marketing, Canfor Pulp Products, Canfor Corporation

Thank you, Don. Yes. Right now we're seeing positive correction in China through the second quarter, particularly as the industry goes through its spring maintenance. And overall, China buys approximately 30 percent of the world's softwood, and that typically goes up every year. So we expect that to continue.

Anojja Shah

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Great. Thank you very much. And if I could just ask one last one. Any impact from the recent strengthening of the Canadian dollar on your lumber and pulp businesses? Just some specifics on that.

Don Kayne

Yeah. Well, I mean I think that our view on that is that the dollar's going to do what the dollar is going to do, period. And I mean we're really more focused on what we can control and that's really around the controllables at our sawmills and our pulp mills, making sure that we're getting the maximum utilization out of everything and the best recovery and productivity we can possibly get. And we're certainly seeing that, and that's what we're really heavily focused on. And of course, we'd like to see a lower dollar maybe, but at the end of the day, it's going to do what it's going to do, so.

Anojja Shah

Okay. Thank you very much.

Don Kayne

Okay.

Operator

Thank you. Your next question comes from Sean Steuart from TD. Please go ahead.

Sean Steuart — TD Securities

Thanks. Good morning, everyone.

Don Kayne

Hi, Sean.

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**Sean Steuart**

Couple questions. At the Canfor level, you weren't active on your buyback in Q1 despite a weaker average share price through the quarter. Wondering, Don, if you can comment on capital allocation priorities. You've levered up the balance sheet a little bit to facilitate some of your recent growth. And I guess what I'm wondering is, is there a bias to preserving liquidity in advance of potential softwood lumber trade action. Does that factor into your short-term capital allocation decisions?

Don Kayne

Yeah, for sure. Maybe Alan, you can talk first, and then I'll jump in there.

Alan Nicholl

Yeah. Yeah. Good morning, Sean. I made the point about our debt reduction focus, and I think you touched on it in your initial comments. Clearly, we've grown quite significantly in the last couple years. We're very, very pleased with our US acquisitions. They're all running very well.

But as you've noted, our debt cap has risen somewhat, and we've typically guided before to wanting more a trend 20 percent debt-to-cap or something in that neighbourhood. And we've always, I think, been on record as saying that's one of our top priorities. So what you're seeing there is really more of our focus on having a strong balance sheet. It's not being driven by what you indicated, maybe, or you thought might have been the case in your latter comments there.

Sean Steuart

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Got it. And second question is on log costs in BC. Your largest competitor is expecting 4 to \$6 per cubic metre inflation come July. Is that consistent with what you guys are expecting for your BC interior mills?

Don Kayne

Yeah. For sure, Sean. Maybe I'll just talk about that a bit. I think there's a few—there's lots to areas around log costing; maybe we should just talk briefly on it.

First of all, we've guided before, and we're still consistent with that. Four to 5 percent is what we've said last few quarters, and so that's clearly still what we feel. I think though—and there's a bit more to it. And in addition to that, I think it would be safe to say, from our operations standpoint for our viewpoint, is that we also, through that, we're seeing a better quality of logs in some cases as well, as we green up from the post-beetle era.

Not to say we still don't have that in some areas, for sure, but definitely the quality overall has improved, along with some of those increases that we're forecasting, which gives us an opportunity, and we're seeing it, in terms of improving our top-line growth. And that's the direct result of additional specialty products that we have been focused on for some time, but even more, I think there's even more opportunity going forward here, and I think—so there's that.

The other part of it is, as you're aware, and we've spent significant dollars and capital over the last several years, and we're seeing—we saw it this quarter; we saw some of it last quarter, but as we now operate at full production rates, we're certainly starting to see the productivity increases

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at all the mills that have had capital, to a positive degree, as well as a conversion cost as well. So we're seeing some of that, which we think will further mitigate some of the price inflation that we will see on logs overall.

And I think the other part of it is we also believe in British Columbia, just talking in British Columbia, that we've taken the tough medicine ourselves. Like, we believe our fibre position now, as a result of the 8 or 10 mills that we've shut over the last 10 years, are, from a fibre standpoint, we believe we're well positioned there now going forward. And but on the same breath, there's still, we believe, in the province, going to need to be probably another five or eight mills that are going to still have to make some of those tough decisions.

So from our standpoint, it's a long-winded answer, Sean, but just want to give you a little more colour there around that whole log-cost piece, because it's something that we've spent an awful lot of time on, and will continue to, because it's pretty important, right? So hopefully that gives you a little bit broader explanation there.

Sean Steuart

That's great detail. Thanks very much, Don.

Operator

Thank you. Your next question comes from Paul Quinn from RBC Capital Markets. Please go ahead.

Paul Quinn — RBC Capital Markets

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Yeah. Thanks very much. Morning, guys.

Don Kayne

Morning.

Alan Nicholl

Morning.

Paul Quinn

Just a question on North American lumber markets; just where you characterize inventory levels at right now, it seems like we had a first rally a couple months ago, and now it looks like we've got a second rally in lumber prices, whether you think this is sustainable as well.

Don Kayne

For sure. So maybe I'll pass it on to Wayne here. Wayne, you want to give that—Paul a...

Wayne Guthrie

Sure. Sure. I think inventory levels are pretty lean here, Paul. I think most of our customers, and a lot of them are pretty sharp buyers, I think they thought there'd be a bit more of a pullback here in Q2, which is typical. But you're right. Things have started to rally a little bit quicker than we thought.

To us, it's very clear that business was a little bit better than they expected in Q1. If you look at the actual number of starts, it was much better than the seasonally-adjusted headline. I think the guys got caught by surprise with a little bit better business, and they're back in buying, not because

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they're speculating at these numbers, but because there's demand out there that's maybe a little bit better than they expected. So we think inventory—I know for ourselves, our inventory's in very good shape. I don't remember it being in such good shape going into Q2. And I think our customers are quite—I mean, no one's talking about running away, but they're quite bullish and need more lumber today.

So lumber prices will always be volatile, so I'm not sure about the word sustainable, but we do think prices will be a little higher in the second half than they were in the first half of this year.

Paul Quinn

Okay. Great. Thanks, Wayne. And maybe, Don, you referenced the five to eight sawmills coming out of BC in the future. Just wondering if you see any of those mills having some tough financials, given where lumber prices and the Canadian dollar specifically now. Is there—do you see any movement in 2016? Or is this going to be 2017, sort of wait to see what happens on the trade file?

Don Kayne

Yeah. I mean, good question. I think the trade file issue, for sure, depending on the outcome there, can certainly speed up any decisions around that, without a doubt, right? I think that's probably the single biggest impact we'll see. And then, of course, just overall pricing levels as we go through the balance of this year. If it was to stay at relatively low levels, I think with some of the bidding behaviours that we're seeing out in the marketplace, and some of the pricing for particularly the

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purchase wood, that pretty much everybody in the province has to get involved in, that could also have an impact, right?

But I mean there's been several reports out in the last 12 to 18 months that have really articulated what I've said and our view around the number of mills, at least, that have to, at some point here, go away.

Paul Quinn

Okay. And then just back to the trade file. I mean, you guys sound hopeful, which is probably typically Canadian, on getting a deal before the summer. But if that doesn't happen, can you walk us through what happens on potential litigation or action from the US coalition and what the timing of potential duties would be?

Don Kayne

Yeah. Well, I mean—not to skate around that, Paul; it's hard to say exactly because what we're facing this time around is there's kind of a lot of uncertainty around that. They've literally—the Department of Commerce—can do different things. They're pretty flexible. But what we do know as the standstill ends—I think it's October 15th, Alan, or thereabouts anyway—and by the time that there's probably—what we've heard and whether that's true or not; hard to know until we're in that—but that it'll probably be three to four months after that before there's actually duties collected. And so now it'll be retroactive, no doubt, though, back into mid-October, but we probably won't actually see any collections done until sometime in the first quarter of 2017.

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And in terms of trying to comment on—I think what you're referring to is TDD versus ADD and how all that works at this point; hard to know yet. I mean we're doing a lot of our own modelling for different scenarios, of course, but at the end of the day I can't really comment much more on it than that.

Paul Quinn

Great. Thanks very much for the colour. Best of luck.

Don Kayne

Okay. Thanks, Paul. See you.

Operator

Your next question comes from Daryl Swetlishoff from Raymond James. Please go ahead.

Daryl Swetlishoff — Raymond James

Thanks, and good morning. Don, in your initial comments, just on the Chinese market, you mentioned that you're hopeful that you'd achieve your targets for 2016. I was hoping you could share some of those. Are they volume? Grade? End use? Or a combination of those?

Don Kayne

Yeah. I think there's a few parts to that, but again, if it's—maybe, Wayne, you're doing a lot of work on that, so maybe give Daryl some comments there?

Wayne Guthrie

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Yeah. I think it's all of those, Daryl. As I mentioned, our volume, on an absolute basis, overall might be off a little bit because of our higher grade mix, which is part of the reason why we've got the push on in China to try to move up that chain a little bit. We had a really good first quarter on the high grades there; a little bit slower in the second quarter, but I think over the course of the year we'll stay on track of achieving that higher grade focus into China.

Geographically, with the Russian influence, you want to have a little bit of focus on the southern half of China, because you're going to get away from your biggest competitor. And we're still trying to develop some interior cities.

Last thing on China; we've tried hard to get some material volumes of yellow pine going there. Haven't really had too much success yet, but we think over the next year or two, we'll start to move material volumes out of that region as well.

Daryl Swetlishoff

What sort of mill net—or not mill net—but what sort of net profitability difference would there be to get the yellow pine versus the SPF just on transportation?

Wayne Guthrie

Well, we've got a fine thing—oh, I see what you mean. So if you look at the yellow pine price matrix, right, there's a huge spread between some of the discounted lengths and some of the premium lengths because it's really a North America focus down there. So what we're trying to do, Daryl, is take some of those items that are obvious clearly over-supplied in the US market, that we

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think would offer good value for our Chinese customers, and by doing that we think we can drive— get rid of some of those discounts that we're having to take down in America. So it'll actually be positive, but that'll take some time to develop.

Daryl Swetlishoff

Okay. Makes sense. Sticking with just lumber prices and the markets. Don, again, you mentioned that the spread with the wides narrowing in the second and third quarters as, I think you said, typically the case. What would normally be the drivers of that seasonal change between narrows and wider widths in the southern yellow pine?

Don Kayne

Yeah. Wayne, why don't you talk about that?

Wayne Guthrie

Yeah, maybe if I could jump in there. So just to clarify, Daryl, we said that actually Q2 and Q3 are positive for the spreads in wides.

Daryl Swetlishoff

Right.

Wayne Guthrie

And historically, if you go back and look at the last few years, that's been the case. Building season is part of it. What we're seeing the bigger impact today, though, is that some of the weather that's impacted the west and central zone mills, they have not been able to get in and get the real big

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timber out. So there's been a lack of supply of wides. Often they're derailed over to the east side. And if you look at the east side, wide prices come up substantially here, and that's because there's just a little bit of a lack of supply right now.

Now we're going into the building season, so we'll get a little run on demand as well. So I don't think 2 X 10 will set any records here, but I think we'll go back to the positive spreads for Q2 and Q3. Two by twelve is really, really strong, and that's because it's very thinly produced. There's very few producers who are out that make material volume, and we're lucky to be one of them. So we're enjoying that 2 X 12 (unintelligible), and we expect that to continue here for a while.

Daryl Swetlishoff

That's very helpful. Thanks, guys.

Don Kayne

Right. Thanks, Daryl.

Operator

Thank you. Your next question comes from Hamir Patel from CIBC. Please go ahead.

Hamir Patel — CIBC

Hi. Good morning.

Don Kayne

Good morning.

Hamir Patel

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Wayne, just following up on Daryl's question there, on the 2 X 12, what proportion of your southern yellow pine volumes is that?

Wayne Guthrie

We don't actually release the actual number there, but I can tell you, it's a very small number on the east side, which is typical of east side mills. But it's a substantial part of our mix the further west you go. So sorry, we don't release the actual number, but I can tell you it's a big part of what we do on the west side.

Hamir Patel

Fair enough. And just in terms of production growth for the year in the south, what are your expectations for volumes?

Don Kayne

In 2016? You got that there, Alan?

Hamir Patel

Yeah. Yeah. On an annual basis, and maybe where that trend is for 2017.

Alan Nicholl

I think, in terms of capacity, we're running probably 90 percent of rated capacity, the number we've typically put in our annual report, something close to that. Clearly our margin focus expresses in just pure volume, but we are working on a few upgrades as well, and we expect to get

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some more volume out of a couple of our mills here before the end of the year and into next year. But roughly 90 percent of what you see has rated capacity.

Hamir Patel

Thanks, Alan. And then, Don, just a question on the Glulam business; it seems like there's now some assets up for sale with, I guess, Rosboro. Is that a market which you'd be interested in growing in more? Or is it still—I mean, I guess you just got into it a few months ago, so.

Don Kayne

Yeah. I think it's too early to tell. I mean we're certainly pleased with it, for sure, with what we've seen so far. I was down there—I stopped a couple of weeks ago, seeing both the plants in Georgia and one in Arkansas, and definitely a unique business. And I think what's encouraging for us is if you look at the increased vertical integration that we've started to see, all the raw material that goes to those two plants, which is pretty significant, comes from our own sawmills, right? So it's a real opportunity to add value.

And they've got a great brand, the brand that—that Power Beam that they manufacture, which you're probably familiar with, is a pretty solid reputation across United States, particularly on the east side. So so far, first of all, we like what we got into there, and I think we'll have a better view of that probably in a year's time in terms of what we may want to do further.

Hamir Patel

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Okay. Thanks. That's helpful. And just following up on Sean's questions on the log prices.

You talked about BC. What are your expectations in the US South and Alberta?

Don Kayne

In the US South, we've seen a real modest inflation in terms of log costs, if any. It'd be mostly probably flat, but maybe with the odd area you might have a little bit here and there, but for the most part not much change there at all. And in our case, anyway, we've got significant available timber in every single operation that we have, from South Carolina, North Carolina, and then all across the Deep South.

We really, really like the fibre position that we're in down there, and it's big fibre for the most part. It gives us a lot of options, a lot of flexibility, which I think, in these markets nowadays, that's something that you want to have, if it's possible to have. And we really believe that's a strength that we've developed over the last 10 years. And going forward, we should be able to capitalize on that even further.

In terms of Alberta, I mean there's lots of things in Alberta. We're a relatively small producer in Alberta, but an important one, and it's an important area for us, for sure. But there's some additional concerns there that we have that we didn't used to have to consider so much, and whether that's from the species at risk, whether it's the caribou, whether it's the CBFA, there's lots of different issues, I guess, that we're facing there that we didn't before. But still, it's still a very good place to do

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business, and we're real pleased with our operation at Grande Prairie there with the 45 million or so, Stephen, that we put there in capital...

Stephen Mackie

Yeah.

Don Kayne

So hopefully that answers your question.

Hamir Patel

No, it does. And just a final question on the softwood lumber file. If duties were to hit, what, assuming maybe you would flex some of your volume more into offshore markets, but what would you say, in 2017, is the amount of volume that would still be crossing that border into the US?

Don Kayne

You're talking just from Canfor's point of view?

Hamir Patel

Yeah. Canfor, from your Canadian mills south.

Don Kayne

Yeah. Yeah. I mean, just a really difficult question. What I will say—just hard to answer at this stage. But what I will tell you, though, is we're think we're equipped for it and prepared for it, and it's mostly it's from the standpoint is that our growth in the south continuing; that's been aggressive; we've got lots of options there, looking at even going forward, what we might do there;

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the whole focus on the fibre side and the higher value on the top line concentration, along with the controllable focus.

And even in Canada, really, with the capital that we've spent to make sure that, notwithstanding any duties that we may be faced with, at least we know that we're as competitive as we can be and have a solid fibre base on a relative basis. And that's really all that's controllable. That's all that we can focus on.

But clearly the offshore business, and Wayne and his guys, and Stephen and his guys in the operations side in terms of lumber, and then Peter and Martin and Brett on the pulp side, I mean clearly it's been a focus to keep diversifying, and I think it's the wise thing to do and we'll continue to do, not only as a company, but as an industry.

Hamir Patel

Okay. Great. Thanks, Don. That's all I had.

Don Kayne

Okay. Thank you. Take care.

Operator

Thank you. There are no further questions. I will now turn the call back over to your presenters.

Don Kayne

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Thank you, Operator, and thanks, everybody, for joining the call, and look forward to talking to you at the end of Q2.

Operator

Ladies and gentlemen, this concludes today's conference call. We thank you for participating, and we ask that you please disconnect your lines.

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