

BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION

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Softwood Lumber from Canada)	Inv. Nos. 701-TA-566 and
_____)	731-TA-1342 (Final)

**Testimony of Mark Feldinger
Senior Vice President – Energy, Environment,
Transportation and Sourcing
Canfor Corporation**

1. Good afternoon. I am Mark Feldinger, the Senior Vice President for Energy, Environment, Transportation and Sourcing at Canfor Corporation. I have been with Canfor for 33 years. Canfor is one of the largest producers of softwood lumber in North America. In Canada, Canadian Forest Products Ltd (CFP) produces lumber at 12 sawmills in British Columbia and 1 mill in Alberta. CFP's sawmills produce a variety of dimension lumber, primarily from Spruce/Pine/Fir, or SPF, and some Douglas Fir. In the United States, Canfor Southern Pine Inc. produces a variety of dimension lumber from Southern Yellow Pine (SYP) at 11 sawmills operating in North Carolina, South Carolina, Georgia, Alabama, Mississippi, and Arkansas.

2. The operations of CFP and Canfor Southern Pine are completely separate and are operated as different divisions in the company. CFP sells to its customers in the United States who are purchasing SPF and Douglas Fir. Canfor Southern Pine sells to customers who are looking for SYP. While Canfor may sell

SPF and SYP products to the same customers, the two operations do not intermingle or substitute customer orders from each other. They operate as separate entities.

3. The biggest issue that Canfor and other producers in British Columbia face is one of fiber supply. Since the late 1990s, BC forests have faced a massive outbreak of Mountain Pine Beetle that has destroyed millions of hectares of pine forest. This has resulted in substantial reductions in harvestable fiber, which in turn has led directly to mill closures throughout the BC Interior. Since 2011, deteriorating fibre supply has led us to permanently close four sawmills in British Columbia, with an aggregate capacity of over 800 mmbf. I understand that Petitioners have claimed that producers are unlikely to curtail or close production capacity in Canada because of the risk of permanently losing a license to harvest timber in government-owned forests. As our experience shows, this simply is not true. There is no minimum or mandatory cut requirement in BC or Alberta, no obligation to process timber harvested from our tenures, and no restrictions on shutting down capacity when market conditions compel that result. Mill closures are a fact of life in BC and Alberta and a direct consequence of diminishing fiber supply. I would add that during the Great Recession, the B. C. Interior curtailed more sawmill capacity and production than any other region in North America.

4. Faced with the prospect of declining fiber supply in British Columbia, Canfor began investing in sawmills in the southern United States in 2006. The motivation was two-fold. First, the US South has the most abundant and low cost fibre supply in North America. Second, the lumber produced in the Southern United States is Southern Yellow Pine, and does not compete directly with and is indeed complementary to the SPF lumber that we produce in Canada. So these acquisitions brought us additional business by allowing us to sell a different product that would not cannibalize our existing U.S. business selling SPF lumber but allowed us to expand our business with our highly valued US customers.

5. Since 2006, Canfor has made a number of investments in the South. We also made a number of capital investments to upgrade and improve the performance and competitiveness of the mills we acquired. We directly employ 1,345 American workers in our 11 sawmills. We focused our investment dollars on upgrading sawmill and drying capacity. We closed facilities used to treat SYP for outdoor applications so that we could concentrate on sawmill production. Now treaters are some of Canfor Southern Pine's largest customers because, unlike SPF, SYP is well suited for treating and there is a substantial U.S. market for treated lumber. Considerable SYP production goes to treating. That is a market we cannot serve from our Canadian sawmills.

6. As you know from the financial data we have provided, Canfor Southern Pine has been very profitable during the POI. We also have made significant capital expenditures in recent years, and there have been no impediments to that investment. Frankly, I don't know how my colleagues testifying earlier today who produce SYP can possibly claim that they are injured at all given the current operating profits that we and they are making, or that they somehow lack the cash flow to make additional investments. That certainly is not our experience. Our management is extremely pleased with results from Canfor's U.S. operations, which have far outperformed our Canadian operations over the past few years because of the lower cost of timber in the South and because the U.S. mills are closer to the U.S. market.