

Canfor Corporation & Canfor Pulp

Third Quarter 2021 Analyst Call

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Sean Steuart

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Hamir Patel

CIBC Capital Markets — Analyst

Mark Wilde

Bank of Montreal — Analyst

Paul Quinn

RBC Capital Markets — Analyst

PRESENTATION

Operator

Good morning. My name is Sylvie and I will be your conference operator today. Welcome to the Canfor and Canfor Pulp Third Quarter Analyst Call. All lines have been placed on mute to prevent any background noise. 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 the 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 like to turn the meeting over to Mr. Don Kayne, Canfor and Canfor Pulp's Chief Executive Officer. Please go ahead, sir.

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

Thanks, Sylvie, and good morning, everyone. Thanks for joining the Canfor and Canfor Pulp Q3 2021 results conference call. I'll make a few comments before I turn things over to Pat Elliott, our Chief Financial Officer of Canfor Corporation and Canfor Pulp and our Senior Vice President of Sustainability. Pat will provide a more detailed overview of our performance in Q3. In addition to Pat and I, we are joined by Kevin Pankratz, our Senior Vice President of Sales and Marketing.

Before talking about our financial results I want to start by discussing the important changes we made to our senior leadership team earlier this month. These changes further position Canfor for long-term success and diversification. Pat has taken on the role of CFO in addition to his responsibility as the

Senior Vice President of Sustainability. Given Pat's long history with Canfor and his over ten years of senior leadership with the finance team, we are very pleased to have Pat in this role.

In addition, we have formed a new business unit for bio-based solutions and bio-innovation, which is being led by Alan Nicholl, who has taken on the position of Executive Vice President, Bio-Based Solutions and Pulp Operations. Alan's team is focused on unlocking the full value of each log by diversifying our business into bio-based solutions. We are very pleased to have Alan lead the development of this business unit for Canfor. Alan's previous experience as our CFO will ensure we bring a disciplined approach to developing the bio-based solutions that represent the greatest potential for sustainable return on investments we make in this area.

Alan and Pat's roles are also both integral to Canfor's sustainability journey. Over the last year we have been doing significant work across the business to develop our comprehensive sustainability strategy that was launched at the beginning of October. We have a bold ambition to become a global leader in sustainability. We've defined our strategy around three focus areas: people, planet, and products. Sustainability isn't a new priority for us. We're very proud of the positive impact our sustainability efforts have had so far, but we know we can do a lot more. We have focused our initial work on setting ambitious goals and comprehensive targets for the areas of safety, health, and wellness; inclusion and diversity; Indigenous relations; and sustainable forestry.

In Q1 2022 we'll be announcing our climate change targets. Our business is facing tremendous growth opportunities as the green carbon storing benefits of wood products is increasingly recognized and valued around the world. We realize we have an opportunity to forge new paths and become leaders,

not simply as a producer of natural resource solutions but as a producer of climate change solutions, and we're excited to take on this challenge.

Turning to our financial results, our lumber business reported operating income of \$326 million in the third quarter supported by record high earnings in Europe. Despite lower shipments associated with seasonal downtime, European results benefitted from a significant increase in sales realizations in the third quarter, reflecting continued strong demand in that region as well as a lag in contract pricing. In North America, sales realizations declined sharply in the third quarter, reflecting a significant decrease in benchmark lumber prices following record high pricing in quarter two. Notwithstanding the impact of lower commodity benchmark prices and ongoing supply chain challenges, our sales realizations were supported by significantly higher offshore pricing, particularly in Japan and European pricing.

As a result of the significant supply chain challenges and market uncertainty, we implemented reduced operating schedules at our B.C. sawmills, with the exception of WynnWood, at the end of August. We recognize the impact that volatile lumber markets have on our employees, on our contractors, and on our communities. We have been working with them to mitigate the negative impacts. We appreciate the commitment from labour leaders and many of our Indigenous partners to work together and find creative solutions that are mutually beneficial.

BC continues to be a challenging jurisdiction to operate in with a smaller fibre basket in the post mountain pine beetle era and we continue to be concerned about the overall competitiveness within the forest sector of B.C. We are focused on developing a strong and sustainable primary industry so that it will enable us to continue to support value-added producer small business, pellet plants, and pulp mills, to

name just a few examples. It is important for industry and government to work together in partnership with all groups to develop a modern, sustainable, and competitive global industry that can support everyone's interests. While we continue to operate on a reduced basis in Western Canada, we are encouraged by underlying demand fundamentals with solid U.S. housing activity, steadily improving R&R demand, supporting increased pricing in recent weeks.

Turning to our pulp business, Canfor Pulp reported operating income of \$16 million in the third quarter. Results in our pulp business reflected the impact of scheduled and unscheduled downtime as well as global supply chain challenges, which resulted in reduced shipments in the third quarter. While global pulp pricing declined in the third quarter, Canfor Pulp benefitted from slightly higher sales realizations reflecting timing of shipments and a weaker Canadian dollar. Global pulp pricing has continued to decline heading into the fourth quarter, reflecting softening demand in Asia, elevated global inventories, and ongoing logistic constraints. Notwithstanding current market uncertainty, Canfor Pulp is anticipated to benefit from increased production in Q4 following recent scheduled and unscheduled downtime.

Our greenfield sawmill in Louisiana is progressing as scheduled with start-up anticipated late next year. We continue to assess additional internal and external opportunities to grow our business on a global basis, although we are prepared to remain patient and disciplined for the right opportunities that meet our strategic and financial criteria.

I will now turn it over to Pat to provide an overview of our financial results.

Pat Elliott — Chief Financial Officer, Canfor Corporation & Canfor Pulp Products, Inc. and Senior Vice President, Sustainability, Canfor

Thanks, Don, and good morning everyone.

The Canfor and Canfor Pulp quarterly results were released yesterday afternoon and come together with our overview slide presentation in the Investor Relations section of the respective companies' websites. In my comments this morning, I'll briefly speak to our quarterly financial highlights, a brief summary of which is included in our overview slide presentation.

Our lumber segment reported operating income of \$326 million in the third quarter, which included a \$27 million non-cash expense associated with anti-dumping duty accrual rate adjustments in Q3 and prior quarters. Our results were down from the record high earnings reported in Q2. Our high-value strategy and regional diversification supported our results in the quarter. Our lumber segment benefitted from record high earnings in Europe as improved sales realizations more than offset the impact of seasonally lower production and moderately higher log costs. Operating income from our European operations contributed over 50% of our lumber segment earnings in the third quarter.

In North America, while sales realizations benefitted from strong offshore pricing, results generally reflected the sharp decline in North American lumber pricing as well as the impact of reduced production. British Columbia log costs increased significantly in the third quarter with a further increase expected in Q4, both reflecting the lag in market-based stumpage adjustments and the very high lumber prices seen in the summer of this year. Looking ahead to 2022, we anticipate a material reduction in B.C. stumpage affected from January 1st. Log costs in our other jurisdictions saw more modest log increases.

Our pulp business reported operating income of \$16 million in the third quarter compared to \$51 million in the previous quarter. Results for the current quarter reflect significantly lower pulp shipments, as Don has highlighted, offset in part by modestly higher sales realizations.

Capital additions were approximately \$130 million in the third quarter, including approximately \$30 million on our greenfield sawmill, which is progressing as scheduled. We currently anticipate the 2021 capital spend to be approximately \$330 million in the lumber segment and \$50 million to \$60 million for Canfor Pulp excluding capitalized major maintenance. Taking account of our remaining greenfield spend, the Arbios biofuel investment, and planned organic and sustaining capital, our preliminary 2022 CapEx forecast is \$450 million to \$500 million inclusive of pulp.

As Don mentioned, we continue to review various organic and external growth opportunities and currently anticipate increased capital spend in 2022, as I just mentioned, including the remaining greenfield spend and contribution to the new biofuel joint venture. In addition, we will continue to assess further the repurchase of shares under our share buyback program on an opportunistic basis.

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

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

All right, thanks, Pat, and, operator, we'll turn it back to you and we will take questions from analysts.

Q & A

Operator

Certainly, sir. Ladies and gentlemen, as stated, we will now take questions from financial analysts. If you have a question, please press star one on your telephone keypad, and if you are using a speakerphone, please lift your receiver and then press star one. If at any time you wish to cancel your question, please press star two. Please press star one now if you do have any questions. Thank you for your patience.

And your first question will be from Sean Steuart at TD Securities. Please go ahead, Sean.

Sean Steuart — Analyst, TD Securities

Thank you. Good morning, everyone. First of all, congrats to Pat. Very happy to see the announcement and best of luck going forward.

Pat Elliott — Chief Financial Officer, Canfor Corporation & Canfor Pulp Products, Inc. and Senior Vice President, Sustainability, Canfor

Thanks, Sean.

Sean Steuart — Analyst, TD Securities

I'll start with Europe. Really strong results there, very good margins. I'm hoping you can give some context on the relative strength you're seeing in that market. There was some reference in the MD&A to UK being especially strong. Can you give us some context on the sales mix from Europe this quarter? And there was reference to things softening a little bit in Q4. Any parameters you can give us on the magnitude of that market weakness you're seeing in the current quarter?

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

For sure, Sean. I'll do my best here. First of all, like you mentioned, Europe was a good positive quarter for us and a lot of the things that we anticipated kind of came true again in Q3. In terms of the sales distribution that I think you're speaking more directly about, I mean clearly the UK is an important market for us for Sweden. It's probably in the order of magnitude 25%, 30% of our business. And it continues to be strong, like a lot of the areas that we've been shipping to out of our Swedish mills. I think the area though, similar to North America, that's been and continues to be particularly solid is on the R&R side, at least it has been through Q3. As we look forward into Q4, like you mention, there'll certainly be some minor reductions in returns through Q4. It looks pretty good on a short-term basis here, you know, over the next four weeks it looks still pretty strong for sure, partly because of the lag, as you know, in European pricing. But anyway, despite the fact it'll come off to some degree, we're still pretty positive overall on the European customer base that we have.

Sean Steuart — Analyst, TD Securities

Okay. Thanks for that detail, Don. Also I have a question on the Arbios joint venture. Encouraged to see that moving forward. Can you give any detail on Canfor's spend for this project and any context on project economics? I assume this is a small scale to start with, but are there any details you can give us there?

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

I guess maybe the one key detail that you're probably interested in, Sean, is the net, and it's about \$25 million on a net basis after some of the subsidies and so forth.

Sean Steuart — Analyst, TD Securities

And will that be financed off Canfor Pulp's balance sheet?

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

No. Canfor.

Sean Steuart — Analyst, TD Securities

Okay. One last question for now. You guys have been less aggressive on share buybacks than your competitors and you've clearly got a rising CapEx spend to end this year off and into 2022. Pat or Don, can you give us some thoughts on how you think about the intrinsic value of your shares right now and being less aggressive on buybacks than some of your peers and how you weigh those returns against asset-based growth initiatives and the returns you might see there?

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

For sure. Maybe, Pat, you go ahead and comment maybe for Sean on that.

Pat Elliott — Chief Financial Officer, Canfor Corporation & Canfor Pulp Products, Inc. and Senior Vice President, Sustainability, Canfor

Sure, Sean. I mean absolutely. I mean we've been trading around our book value here at various times and I would agree with you the intrinsic value is higher. So we have had a modest program, as you

know, since the summer, and I think it's reflective of signalling that we agree with that premise. But at the same time, as Don said many times, we're a growth company and we believe that the value for shareholders over time is through reducing the volatility of our business and that comes through diversification of products and regions. I think it's, frankly, in the best interest of us and shareholders to continue to follow that strategy and so it's really going to be a limited program. I think going forward you can anticipate similar levels of buybacks as we continue to pursue accretive growth opportunities.

Sean Steuart — Analyst, TD Securities

Okay. That's all I have for now. Thanks very much, guys.

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

Thanks, Sean.

Operator

Thank you. Next question will be from Hamir Patel at CIBC Capital Markets. Please go ahead.

Hamir Patel — Analyst, CIBC Capital Markets

Hi. Good morning. Don, we've seen a sawmill recently transact in the U.S. South at record valuations. Has some of that sort of froth in the market changed how you look at valuation parameters?

And when you look at the various regions where you're focused on growth, is Europe perhaps looking more appealing today than the U.S. South?

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

Yeah, I think it's something we clearly look at all the time. I think that operation I think you're referring to certainly was a good operation in a good part of the country and so we thought that was certainly a good acquisition by the party that made the acquisition. I think for us, again, we look at a lot of different factors to make any acquisition and merger decisions that we might make, and I think if you look around the world, certainly in Europe, it continues to be a focus for us, as it does in the U.S. South, right?

So I mean really, I think at the end of the day we just look at each one on its own merits and determine whether it meets both the financial metrics, but also the strategic criteria that we have as a Company, you know, and how does it fit in with the growth strategies that we have, right? And I think that's a real key part of it. So there's going to be some variability with that, but our focus, as Pat mentioned, has not changed. We are a growth company, Hamir, as you know, and we're clearly focused on Europe and the U.S. South.

Hamir Patel — Analyst, CIBC Capital Markets

Great. Thanks, Don. That's helpful. And I also wanted to follow up on some of your comments about R&R rebounding, and I know it seemed like we had a bit of a destocking cycle play out in that channel

this year. Given the sort of growth maybe you're expecting through the end of the year, how do volumes in that channel compare this year versus last year in terms of maybe a percentage? I don't know, I'm assuming it's positive growth. And then what's your view as to what sort of growth you might expect there in 2022?

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

Oh, for sure, Hamir. Maybe I'll get Kevin to talk a bit about that, because I know he's done a lot of work on that himself.

Kevin Pankratz — Senior Vice President, Sales & Marketing, Canfor Corporation

I think when you look at year to date 2021 versus 2020, we're actually slightly, we're slightly down, just because of the unprecedented takeaway that we saw last year, but when you look at towards the end of Q3, we are actually starting to trend higher than 2020 numbers, especially southern yellow pine was probably the first to respond, and we've seen that growth continue even up to October and expecting that to continue into early November. SPF was a little bit later to respond. We saw that activity really pick up in September and, again, we are trending at higher than 2020 levels for Q3 and going into Q4.

Hamir Patel — Analyst, CIBC Capital Markets

Okay, great. Thanks, Kevin. That's helpful. And maybe just the last question for me for Pat: Pat, you highlighted you're expecting a meaningful reduction in B.C. stumpage in January. Are you able to quantify yet what that might be?

Pat Elliott — Chief Financial Officer, Canfor Corporation & Canfor Pulp Products, Inc. and Senior Vice President, Sustainability, Canfor

Well, Hamir, as you know, the October price will be a part of that calculation, but we'd anticipate, I guess, in general terms, that the Q3 and Q4 increases would all come out in Q1. So, depending on how those play out, that'll be the change. So I think we'll be back to sort of what we saw in Q2 of 2021 for the first quarter of next year.

Hamir Patel — Analyst, CIBC Capital Markets

Okay, great. Thanks, Pat. That's all I had. I'll turn it over.

Operator

Thank you. Next question will be from Mark Wilde at BMO. Please go ahead, Mark.

Mark Wilde — Analyst, Bank of Montreal

Good morning, Don. Good morning, Pat, and congratulations to Pat.

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

Good morning, Mark.

Pat Elliott — Chief Financial Officer, Canfor Corporation & Canfor Pulp Products, Inc. and Senior Vice President, Sustainability, Canfor

Thanks, Mark.

Mark Wilde — Analyst, Bank of Montreal

I wanted to start out, ah, you're going to have an increase in duties on sales to the U.S. near year end. Can you just remind us of how large that change will be for you and then how that will factor into your thinking about production and also from the standpoint of where you sell B.C. lumber?

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

For sure, Mark. Maybe, Pat, you go ahead with that one.

Pat Elliott — Chief Financial Officer, Canfor Corporation & Canfor Pulp Products, Inc. and Senior Vice President, Sustainability, Canfor

Yeah. Well, on the duty rate, Mark, we're just under 5% now and moving up to 21.5%. So that's really all in the antidumping and that'll be effective at the end of December. Now, just to keep in mind, I know you mentioned it will be in effect, but likely only to the summer of next year 'til probably August. And so it will probably be in effect for eight months.

Mark Wilde — Analyst, Bank of Montreal

And how will that kind of weigh into your thinking, Pat? I mean it's a 16.5% increase, so it's fairly significant.

Pat Elliott — Chief Financial Officer, Canfor Corporation & Canfor Pulp Products, Inc. and Senior Vice President, Sustainability, Canfor

Right. So, Mark, this is where I think some of our offshore market opportunities are going to be elevated, because there's obviously no duties going into those markets, so focus a on that. And then of course we've got some, with higher-value programs like MSR that we have and square edge going to the United States at higher values, it's going to support some stronger pricing to offset some of that. Notwithstanding, there will be challenges, but we're going to have to focus on some of those higher-value strategies.

Mark Wilde — Analyst, Bank of Montreal

Okay. And then, Don, I wondered if you could give us some sense of what the M&A pipeline might look like right now in both North America as well as over in Europe, just in general terms.

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

I think nothing really surprising comes to mind, Mark, really. There are certainly pockets in certain areas. You always have, particularly on the independent side, companies that, for one reason or another, have chosen to go to market, whether that's family issues or whatever the case may be. You see that once in a while and we're certainly attuned to that and look at those as we think it makes sense. And the same thing in Europe as well, really. Although when we look at Europe, we're pretty clear in terms of where

within Europe we think some of the opportunities may be, but there's no more than usual and it's kind of typical conditions right now, Mark, frankly. And with the way things have gone here, we haven't really seen any kind of accelerated number of companies on the market or anything at all, from our standpoint anyway.

Mark Wilde — Analyst, Bank of Montreal

Okay. That's helpful. Pat, I want to just come back on this question of share repurchase activity, because what's striking to me is that you've actually bought back a lot less stock this year than you did back in 2018 and I think any of us in the financial community would look at your stock today and say, you know, at \$27 today adjusting for all the cash you're sitting on, it's a much cheaper piece of equity than it was when you were buying stock at the \$28 range back in 2018. And you bought back a lot more in 2018. So any thoughts on that?

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

Mark, I think, you know, I mean we look at it like we spoke about all the time and trying to determine whether there's a reason to increase that from where we're at today, but in the meantime, I think some of the things though, since 2018, Mark, I think we were a growth company then, but I think even more so now, and I think we really, really see the opportunity. If you look at, at least from our own point of view anyway, the diversification, the aggressive diversification plan that we've been on for some time now, the last two, three years it's been really accelerated, both on the product side and also on the regional side. And I think for us, I mean we certainly believe that that's the right strategy and we're going to continue to go down that road in an increasing way. Pat talked already about some of the additional

CapEx we're going to spend next year, recognizing the cash balances that we do have and investing not only in sustainable capital, like we always do, but also in organic, and there's lots of opportunities that we see internally too that we can invest in. So, absolutely, it probably isn't up from 2018, as you said, but some of these other priorities have become what we think much more strategic and much more of an opportunity than they were even a short three years ago.

Mark Wilde — Analyst, Bank of Montreal

Okay. I mean that's fair enough, Don. I guess just kind of playing the other side of it here, I mean it seems pretty clear to me that capital costs have gone up in terms of new project costs, and it also looks, from what we can see on the outside, like deal valuations have gone up on acquisitions. So it's striking to me, given that new investment or M&A has gone up and that actually, since your stock is much cheaper today than it was three years ago, that you wouldn't be a little more active on your stock.

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

No, fair comment, Mark. Appreciate it.

Mark Wilde — Analyst, Bank of Montreal

Okay. Finally, any thoughts around what we might expect in terms of your Asian markets in the fourth quarter from both a volume and from kind of a pricing standpoint?

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

For sure, Mark, and that's been a real positive surprise, maybe in a good way. So, Kevin, maybe fill Mark in a little bit more on what you're doing there.

Kevin Pankratz — Senior Vice President, Sales & Marketing, Canfor Corporation

Sure. I'd maybe just highlight the two markets there, Mark. The first one, Japan, Q3 was our record high pricing and Q4 is going to be off but still at extremely elevated levels compared to historical norms. And we even see that trend continuing into Q1. So, fairly positive for Japan and our volumes are pretty consistent there. It's a big priority for us, it's a key market and been there for over 30 years, and so we have a very consistent approach there.

China, very similar. We had some record high pricing in China that helped, obviously, offset some of the downward pressure in North America. We do have a good order file into Q4, maybe similar volumes again as we saw in Q3, but prices are definitely off, but still very competitive and above some of the North American indexes for the similar products.

Mark Wilde — Analyst, Bank of Montreal

That's super helpful. Thanks, Kevin. I'll turn it over.

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

Thanks, Mark. Take care.

Operator

Thank you. Next question will be from Paul Quinn at RBC. Please go ahead, Paul.

Paul Quinn — Analyst, RBC Capital Markets

Good morning, guys, and congratulations, Pat.

Pat Elliott — Chief Financial Officer, Canfor Corporation & Canfor Pulp Products, Inc. and Senior Vice President, Sustainability, Canfor

Thanks.

Paul Quinn — Analyst, RBC Capital Markets

Hey, just in your risk and uncertainty section you highlight that Blueberry River First Nation decision. Just wondering how that would affect Canfor and is it really just the Chetwynd and Fort St. John sawmills that are at risk.

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

I'm not sure at all what's at risk yet at all. I mean clearly we're working through some of the challenges with that decision for sure. But like we do with a lot of the First Nations that we deal with, we are spending a lot of time trying to understand, as we look forward here, what the impacts are going to be on us for us directly. I think there are lots of things still that we don't know that we're working on as we go through it, so it's probably a bit early, probably better next quarter to answer that, Paul. We can give you a little bit more colour around that, just because things are developing as we speak, and I think maybe leave it at that.

Paul Quinn — Analyst, RBC Capital Markets

Okay. Fair enough. Congratulations on the record in Europe. Just wondering, and I understand that that market is a lot less volatile than North America here, but the Q4 price drop that we'll see in that market, is that going to be similar to what we saw in North America in Q3? And maybe just what you're experiencing. I mean we've heard from others in the market that log costs continue to increase, so is that another factor on margins for Q4?

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

Yeah, for sure. I'll let Kevin talk about the market. In terms of log costs there, though, just one quick comment on that.

I mean, I think it would be fair to say that, quarter over quarter, they're probably up about the neighbourhood of 10%, you know, that kind of 8% to 12%, in that area. But like we've mentioned before, Paul, and it's the case again, is one thing about Europe that we like is it attracts, the log prices, there's a lot of discipline between log prices and mill nets, and so this is no different here, right, with some of the performance on the mill nets that you've seen here in Europe. So it wasn't unexpected, I guess, to see a bit of a log cost increase, right?

In terms of, Kevin, the overall market share on a comparative basis, maybe you can...

Kevin Pankratz — Senior Vice President, Sales & Marketing, Canfor Corporation

Yeah, I would say that we're probably closer, Mark, sorry, Paul, to that 15% kind of range. It does vary by country to some degree, but I think we could guide to about a 15% drop versus what we saw in Q4 here for the SPF market in North America.

Paul Quinn — Analyst, RBC Capital Markets

Okay. And then just anticipating this Russian log export issue, that they're going to stop in 2022, do you expect that to be a material boost for Asian lumber shipments going forward?

Kevin Pankratz — Senior Vice President, Sales & Marketing, Canfor Corporation

I would definitely see it, Paul, as a real positive. And also, given the fact that China is really trying to reduce energy consumption and particulates in the air, so kiln-dried lumber in general, I think, would be positive, be positioned to offset the reduced volume of log exports coming to that market. So I think we'll see how that plays out and if it actually comes to fruition, but I think that would be my expectation.

Paul Quinn — Analyst, RBC Capital Markets

Okay. That's all I had. Thanks very much, guys.

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

All right. Thanks a lot, Paul. Take care.

Operator

Thank you. There are no further questions. I'll turn it back over to Don Kayne for closing comments.

Please go ahead, Mr. Kayne.

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

All right, thanks, Sylvie, and thanks, everyone, for your participation this morning. We appreciate your support of Canfor and all the best to all of you and we'll look forward to talking to you at the end of the year, I guess. Take care.

Operator

Thank you, Mr. Kayne. Ladies and gentlemen, this does indeed conclude your conference call for today. Once again, thank you for attending, and at this time we do ask that you please disconnect your lines.