

The Cost of Lumber, U.S. Homebuilding and the Softwood Lumber Trade Cases



Duties to offset Canadian lumber subsidies have not harmed U.S. homebuyers

Lumber only makes up 1.5-3.5% of the cost of a new home—with near zero impact on homebuyers

It's been three years since the U.S. government imposed countervailing and anti-dumping duties on imported Canadian softwood lumber. Despite claims that these duties—which simply offset the subsidies that Canadian producers receive from their government and the resulting unfair trade—would harm U.S. homebuilding, the reality shows that those claims were, and continue to be, wrong.



NAHB's claim that import duties cause today's high lumber prices and therefore drive up the cost of homes are false. Supply and demand, not the import duty, cause price fluctuations. Let's break it down: In 2017-2018, the average price for softwood lumber was \$408 for a thousand board feet. The U.S. Census Bureau's average cost for a new home sold was \$378,563. About 16,000 board feet of lumber is used to construct an average 2,000 square foot home; thus, the total cost of lumber was \$6,528 or only about 1.7% of the price of an average new home. Such false claims are unfortunate and harmful to U.S. companies, their workers and the thousands of communities they support.



Since import duties were implemented in 2017, home construction has accelerated. In August 2020, housing starts increased 22.6%, the biggest gain since October 2016. Single-family housing starts increased by 8.2 percent in July 2020 compared to the similar timeframe the previous year.



Homebuilder optimism is at a 35-year record high. The NAHB's "confidence index" of its members for present and future homebuilding was 63 before November 2016, when the U.S. industry filed its trade case. This index just reached a 35-year high of 85 in September 2020. Any number above 50 shows that the industry is optimistic for growth.



Homebuilders continue to receive the lumber they need. From 2016 to the first six months of 2020, U.S. lumber shipments have increased by 7.6 billion board feet. That increase is equivalent to the amount of lumber needed to build about half a million homes. U.S. companies continue to invest in expanding their production capabilities to mill lumber from American trees by American workers to build American homes. The unprecedented pandemic period posed challenges for both U.S. and Canadian producers, but the industry is working diligently through these challenges.



Removing duties against Canada won't lower lumber prices. NAHB is trying to leverage the pandemic to maintain U.S. home builders' ability to take advantage of cheap, subsidized Canadian lumber at the cost of American jobs. They're suggesting the current short-term disruption experienced by North American and Canadian lumber producers mandate drastic changes to the enforcement of the U.S. trade laws. Instead, they should support the enforcement of U.S. trade laws to maximize long-term domestic production and availability.



Lumber prices have risen along with those of other building materials. As with any commodity, lumber prices fluctuate due to market conditions. The prices for other wood-based commodity homebuilding products such as plywood and oriented strand board (OSB), that are not subject to duties have also experienced price fluctuations over the past three years. These price fluctuations are caused by demand and supply market forces.



750,000 U.S. jobs are at stake if duties against Canada are lifted. Reversing the course on enforcing U.S. trade laws against subsidized and unfairly traded Canadian lumber imports would be devastating to the 750,000 U.S. workers who depend on the forestry industry, with severe economic consequences for the thousands of rural communities across the country who also depend on the industry. It would lower the availability of domestically produced softwood lumber, forcing the United States to rely on foreign manufacturers to provide the wood needed to build U.S. homes. It would also be potentially devastating to millions of private landowners who depend on a vibrant U.S. manufacturing industry.



For more information on the U.S. softwood lumber trade dispute and its impact on U.S. homebuilding visit:

www.uslumbercoalition.org