

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 3% of the cost of a new home – the import duty on Canadian lumber has near zero impact on homebuyers, at around \$2 per month in a new 30-year mortgage, at worst.



It's been four years since the U.S. government imposed countervailing and anti-dumping duties on subsidized and unfairly traded Canadian softwood lumber. Despite claims by homebuilders 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.



National Association of Home Builders' (NAHB) claim import duties cause today's high lumber prices and therefore drive up the cost of homes are false. Supply and demand, not the import duties, cause price fluctuations. Let's break it down: The U.S. Census Bureau's average cost for a new home sold in March 2021 was \$398,000. About 15 thousand board feet of lumber is used to construct an average 2,500 square foot home. At the end of June 2021, the price of lumber was \$930 for a thousand board feet; thus, the total cost of lumber was \$13,950, or only about 3.2% of the price of an average new home. Canada supplies about a quarter of U.S. lumber consumption, and the duty is 9 percent. So even if Canadian exporters passed-along the entire duty to the U.S. importer the math shows that only \$21 (= 25% * 9% * \$930) of today's lumber price is a Canadian duty.



Since import duties were implemented in 2017, home construction has accelerated. Housing starts are at highs not seen since 2006. Privately-owned housing starts in February were at a seasonally adjusted annual rate of 1,421,000. Likewise, multifamily completions rose to 364,600 in 2020, the highest annual rate since 1988.



Homebuilder optimism is near 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 is near a 35-year high of 82 in March 2021. Any number above 50 shows that the industry is optimistic for growth.



Homebuilders continue to receive the lumber they need. From 2016 to 2021, U.S. lumber shipments have increased by 11 billion board feet and counting. These increases have more than offset any decline in unfairly traded Canadian imports. 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 all lumber producers in North America are working tirelessly to responsibly maximize their production levels while maintaining a safe workplace environment. U.S. Wood Product manufacturing is at a 13-year high.



The enforcement of U.S. trade laws will maximize long-term domestic production and lumber availability. NAHB is trying to leverage the changed dynamics caused by the pandemic and natural disasters to maintain home builders' ability to take advantage of subsidized and unfairly traded Canadian lumber at the direct cost of American jobs. The U.S. Lumber Coalition continues to urge the homebuilders to support U.S. lumber manufacturing rather than seek importation of unfairly traded Canadian lumber. Enforcing U.S. trade laws will maximize long-term domestic production and lumber availability.



Lumber prices have risen along with other wood building materials. As homebuilders and building materials dealers are well aware – and indeed state publicly – the prices of other wood materials used in the building of homes have fluctuated significantly recently – not just lumber. While these commodity items do not have any duties placed on them as a result of a trade case, their price fluctuation has been on par with softwood lumber. The antidumping and countervailing duties administered by the U.S. Commerce Department long predate the recent price fluctuation caused by market supply and demand dynamics and are not a cause of the recent price fluctuations.



Hundreds of thousands of U.S. jobs depend on a vibrant U.S. forestry industry. Reversing the course on enforcing U.S. trade laws against subsidized and unfairly traded Canadian lumber imports would be devastating to the hundreds of thousands of 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, necessitating more imported product to build U.S. homes. It would also be 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