

U.S. Trade Law Enforcement Results in Dramatic Growth of Domestic Lumber Supply



Enforcement of the U.S. Trade Laws is a win-win for America – The softwood lumber trade cases to offset Canadian lumber subsidies and unfair trade have resulted in more U.S. lumber being produced by U.S. workers to build U.S. homes. Every Administration since the Reagan Administration has investigated the lumber trade issue with the same conclusion – import duties are warranted because Canadian lumber producers are subsidized and unfairly trade in the U.S. market to the detriment of U.S. companies and workers. U.S. trade laws duties simply offset the subsidies that Canadian producers receive from their government and the resulting unfair trade, allowing U.S. lumber manufacturers to grow to their natural size.

Since the filing of the trade cases by the U.S. industry in 2016, U.S. sawmill investment and capacity expansion has been robust. The U.S. industry appears on track to have produced an additional 17.5 billion board feet of lumber through 2021, averaging 3.5 billion a year. These increases have more than offset any decline in unfairly traded Canadian imports and are enough lumber to build about 1.2 million single-family American homes. Any consideration of the value of the softwood lumber trade case to the U.S. economy must consider the lumber supply situation had the domestic industry not added this new capacity since 2016.

And more capacity-expansion is underway as U.S. companies continue to invest in expanding their production capabilities. Milling more lumber from American trees by American workers to build American homes also creates more American jobs, not just in the mills themselves but also in typically rural communities that support those workers.

Since import duties were implemented in 2017, home construction has accelerated. Housing starts remain at levels not seen since 2006. Homebuilder optimism overall remains high. The National Association of Home Builders' "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 was at 83 in November 2021. Any number above 50 shows that the industry is optimistic for growth. Yet homebuilders continue to argue for the ability to have unfettered access to subsidized and unfairly traded Canadian lumber imports to augment profit margins, at the direct cost of American manufacturing and forestry industry jobs.

Reality shows that claims by homebuilders that trade law enforcement has harmed U.S. homebuyers are wrong:



Lumber only makes up about 2% of the cost of a new home – with price fluctuations having near zero impact on homebuyers, at less than \$2 per month in a new 30-year mortgage, at most.



The U.S. Census Bureau's average cost for a new home sold in October 2021 was \$477,800. About 15 thousand board feet of lumber is used to construct an average 2,500 square foot home. In late November 2021, the price of lumber was \$611 for a thousand board feet; thus, the total cost of lumber to the builder was \$9,165, or less than 2% of the price of an average new home.



The Commerce Department recently adjusted import duties upward to reflect the levels of unfair trade by Canadian Exporters. A Canadian Imperial Bank of Commerce analyst estimated that the upward adjustment in duties will result in a total of \$99 per thousand feet of softwood lumber Canada exports to the United States – Canada supplies about a quarter of the U.S. market, so this means only about \$375 dollars per house.



One must look elsewhere for a solution to new home prices. Land cost, labor costs, and the free market reality of the soaring homebuilding demand that has boosted all homebuilding input prices, not just lumber.

Continued full enforcement of the U.S. trade laws is exactly what must happen to expand U.S. lumber manufacturing and availability to meet strong building demand to build more American homes. Lowering the duties would not further accelerate booming U.S. construction – particularly in the face of so many other building constraints. Failure to fully enforce the trade laws would only undermine long-term confidence in expanding U.S. sawmilling capacity and jobs in the American softwood lumber industry.

The enforcement of U.S. trade laws will maximize long-term domestic production and lumber availability. Trade law enforcement has resulted in dramatic growth of U.S. made lumber by mitigating the harmful effects of Canada's subsidized and unfairly traded imports. The U.S. Lumber Coalition continues to urge the homebuilders to support the Administration's trade law enforcement in order to maximize U.S. lumber production and domestic availability long-term.



For more information on the positive results of U.S. trade law enforcement on American softwood lumber production to supply U.S. homebuilding visit:

www.uslumbercoalition.org