January 2026

TOO BIG FOR ITS OWN GOOD: WHY CANADA'S SOFTWOOD LUMBER INDUSTRY NEEDS TO SHRINK

Canada's complaining that the U.S. government is unfair to Canadian lumber companies is just a PR stunt diverting attention from the real problem: the Canadian lumber industry's unwillingness to reduce capacity in response to market realities.

- The Canadian industry maintains a massive level of excess lumber production capacity and ships 60 to 70 percent of its total production into the United States – flooding the U.S. market and suppressing lumber prices below normal market rates.

- Canadian industrial policy promotes domestic production, and therefore exports, by charging below-market prices for standing timber on Crown land. With this and other policy-induced advantages, Canadian producers were able to compete successfully in the U.S. market.

- The Canadian industry also relied on the practice of dumping, which is selling at prices below those charged in Canada or below the cost of production. This practice is particularly damaging to the U.S. softwood lumber industry as it depresses lumber prices and shifts sales volumes from domestic sawmills to their Canadian rivals, making it difficult for U.S. producers to maintain and expand capacity.

- The current U.S. antidumping and countervailing ("AD/CVD") duties on imports of Canadian softwood lumber at 35.16 are a direct result of Canada's trading behavior. Canadian companies shipped large quantities of softwood lumber to the United States throughout 2023 as U.S. demand for softwood lumber was weakening, leading to large losses at both U.S. and Canadian firms.

- Had Canadian firms responded to market realities responsibly, their current antidumping and countervailing duty margins would be much lower. Instead, the Canadian response has been to throw new subsidies at its industry, in effect doubling down on its unfair trade practices.

The true aim of the trade remedy measures and the Section 232 tariff is to enable the U.S. industry to grow to its potential without market-disrupting surges of imported lumber, and eight years of enforcing AD and CVD laws have already demonstrated that U.S. producers are prepared to capitalize on that opportunity.

- With successful petitions by the U.S. industry to offset Canada's unfair trade with AD and CVD duties, Canadian companies have faced a new level of discipline in the market that has enabled a significant expansion of U.S. capacity.

- U.S. annual softwood lumber capacity increased by approximately 8 billion board feet from 2015 to July 2025. Another decade of growth at this rate would enable to the U.S. industry to achieve a capacity level sufficient to meet U.S. consumption needs in a typical year.

- The Section 232 tariffs implemented by President Trump have the potential to accelerate U.S. capacity expansions by creating additional pressure on Canada to reduce its excess capacity.

- Continued full enforcement of the U.S. trade laws will bolster achieved increases in domestic softwood lumber production to further strengthen domestic supply lines for the U.S. housing market, adding good paying jobs in rural communities across America. Adding a shift to an existing mill nearly doubles employment at that mill. For every new 250 million board foot production facility, approximately 500 direct and indirect jobs are created in rural communities where the impact is considerable. There is no reason these jobs should be artificially supported in Canada at the expense of American workers, families, and communities.

Bottom line: Canada's softwood lumber industry needs to shrink -- continued enforcement of U.S. trade laws will accelerate U.S. softwood lumber capacity expansions by creating additional pressure on Canada to reduce its excess capacity.

- Canada's softwood lumber industry excess capacity is too high and cannot be absorbed fully by demand in Canda and non-U.S. markets.

- Production capacity in the United States is growing, diminishing the amount of Canadian lumber that the United States needs to consume.

- Time has come for Canada to right-size its lumber industry consistent with market realities.

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TOO BIG FOR ITS OWN GOOD: WHY CANADA'S SOFTWOOD LUMBER INDUSTRY NEEDS TO SHRINK

Canada has spent the better part of the last decade complaining that the U.S. government is unfair to Canadian lumber companies. Those protests have only grown over the last several months, first with the long-anticipated increase of U.S. antidumping and countervailing ("AD/CVD") duties on imports of Canadian softwood lumber to 35.16 percent in August, and then, in September, with the Trump Administration's levy of a 10 percent tariff on imports of wood products, including softwood lumber from Canada.

The increase in AD/CVD duties should have come as no surprise. Indeed, Canfor, one of Canada's largest producers whose pricing contributes to the AD/CVD rates for Canada as a whole, noted in its financial report for 2023:Q4 that its estimated dumping rate in 2023 exceeded 35 percent (an estimate that turned out to be quite accurate).[1] That shockingly high rate reflected the fact that Canfor and other Canadian companies shipped large quantities of softwood lumber to the United States throughout 2023 as U.S. demand for softwood lumber was weakening. The unrelenting supply of Canadian lumber in the face of that declining demand further drove down prices, leading to large losses at both U.S. and Canadian firms. Had Canadian firms responded to market realities responsibly, their current antidumping and countervailing duty margins would be much lower. Instead, Canadian firms can only express dismay that they are facing consequences for their behavior.

The Canadian response has been to throw subsidies at its industry, in effect doubling down on its unfair trade practices. On August 5, 2025, for example, Ottawa announced a package of subsidies valued at CDN $1.2 billion, CDN $700 million of which consists of loan guarantees that will enable Canadian softwood lumber producers to access much needed funds.[2] On November 26, 2025, Ottawa announced an additional CDN $500 million in loan guarantees and reduced rail rates for lumber shipped across Canada.[3] A number of additional subsidies have been announced by Canada's federal and provincial governments.

The Canadian government and its U.S. allies also have gone on a public relations offensive. They claim that increased tariffs and duties on Canadian lumber imports responding to unfair trade are increasing costs for U.S. consumers and contributing to the housing affordability crisis in the United States. They claim that Canada will walk away from the U.S. market by redoubling efforts to export lumber to other markets. And they claim that the U.S. lumber

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[1] Canfor Corporation 2023 Quarter 4 Interim Report for the Three Months Ended Dec. 31, 2023, Note 12 at 15.
[2] National Resources Canada, "Measures to transform Canada's softwood lumber industry," at https://natural-resources.canada.ca/forest-forestry/forest-industry-trade/measures-transform-canada-softwood-lumber-industry.
[3] Government of Canada Press Release, "Prime Minister Carney announces new measures to protect and transform Canada's steel and lumber industries," at https://www.pm.gc.ca/en/news/news-releases/2025/11/26/prime-minister-carney-announces-new-measures-protect-and-transform.

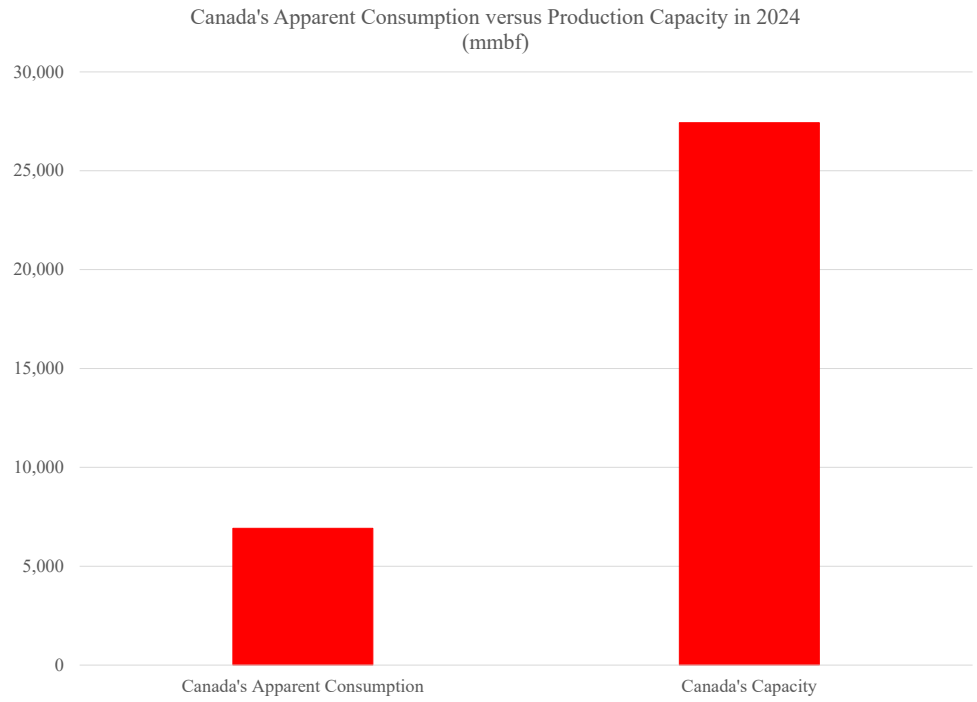
industry does not have enough capacity to replace Canadian lumber when it leaves our market.

The Canadian government's PR efforts are diverting attention from the real problem: the Canadian lumber industry's unwillingness to reduce capacity in response to market realities.

Flooding the U.S. market now comes with a cost.

Canada's softwood lumber industry is built to export. As shown in Figure 1, Canada's softwood lumber production capacity exceeds its domestic consumption by a factor of four. Consequently, the Canadian softwood lumber industry has for decades relied on the U.S. market to absorb the vast majority of its output. Canadian industrial policy promoted domestic production, and therefore exports, by charging below-market prices for standing timber on Crown land. With this and other policy-induced advantages, Canadian producers were able to compete successfully in the U.S. market.

Figure 1. Canada's production capacity exceeds its domestic consumption by a factor of four.[4]



The Canadian industry also relied on the practice of dumping to gain and maintain its U.S. market share, which is selling at prices below those charged in Canada or below the cost of production. This practice is particularly damaging to the U.S. softwood lumber industry as it depresses lumber prices and shifts sales volumes from domestic sawmills to their Canadian rivals, making it difficult for U.S. producers to maintain and expand capacity.

[4] Source: WWPA.

For the last eight years, however, U.S. trade laws have ensured that this unfair behavior comes at a cost to the Canadian industry by requiring them to pay AD/CVD duty deposits that directly offset their subsidies and dumping. These deposit rates are updated on an annual basis by the U.S. Department of Commerce ("Commerce") based on Canadian companies' actual level of dumping and subsidies over the prior 12-months, meaning that current AD/CVD deposit rates are controlled by Canadian behavior. That is, if Canadian companies choose to price their U.S. sales in a way that triggers higher dumping margins, or if they choose to accept more subsidies that result in higher CVD rates, those choices will be reflected in higher AD and CVD deposit rates going forward. This is precisely what resulted in the increased rates announced by Commerce in August 2025, and it is the discipline imposed by that ongoing, dynamic case that has been instrumental in reducing unfair Canadian softwood lumber exports to the U.S. market.

Other markets for Canadian softwood lumber have shrunk significantly since 2016.

Canadian politicians, B.C.'s Minister of Forests Ravi Parmar in particular, are going to great lengths to tout Canada's potential to increase exports of softwood lumber to other markets, particularly in Asia. They have also attempted to showcase efforts to build more Canadian housing domestically.

But the fact of the matter is that weak demand for Canadian lumber in international markets and in Canada has led to increased reliance on the U.S. market, increasing unused capacity that is uniquely destabilizing for the U.S. lumber market.

Figure 2 and Figure 3 illustrate the problem. Following the Great Financial Crisis in the United States, China became a major market for Canadian lumber, surpassing Japan. However, as shown in Figure 2, Chinese purchases subsequently collapsed while sales to Japan and other countries also fell. As a result, Canada's exports to non-U.S. markets are running approximately 4,500 mmbf lower now than they were during the 2012-2014 period. Figure 3 shows the reason why Canada's consumption of softwood lumber has plummeted. Single-family housing starts in Canada have been grinding lower for more than two decades.

Figure 2. Canada's Exports to Non-U.S. Markets Have Collapsed.[5]

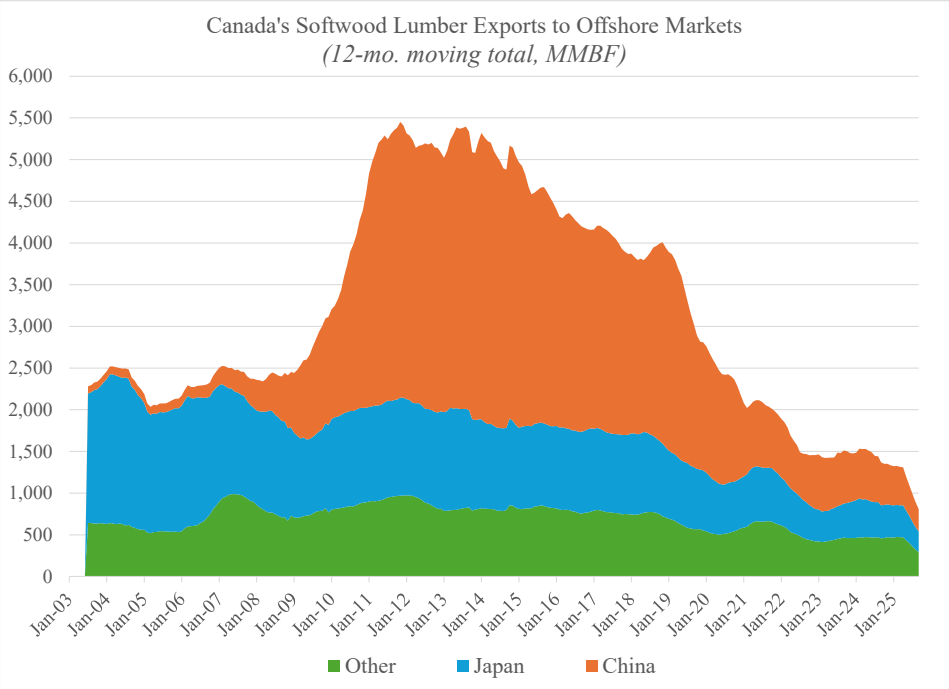
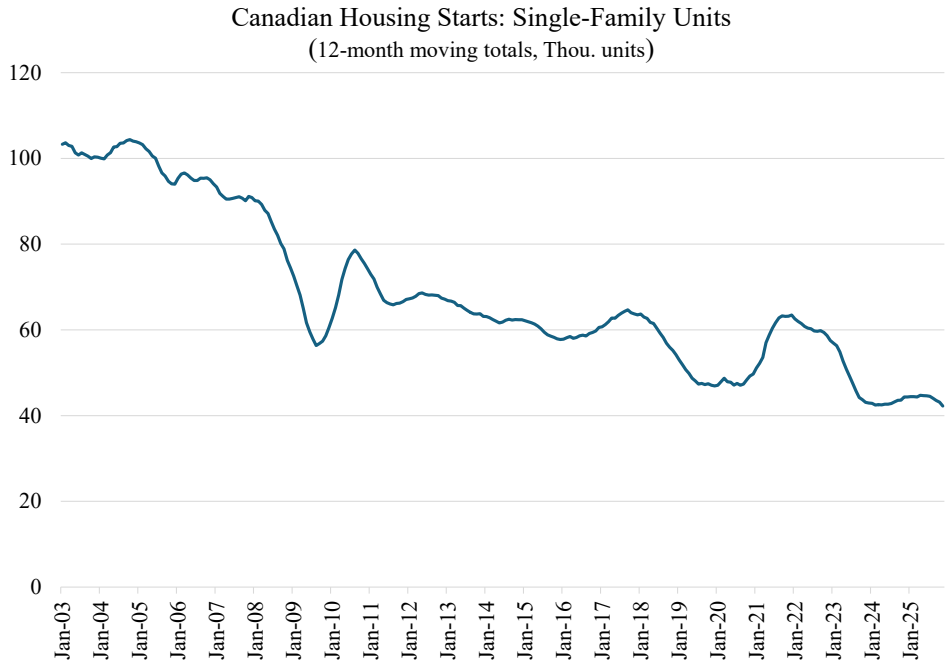


Figure 3. Single-Family Housing Starts in Canada Are at Historically Low Levels.[6]



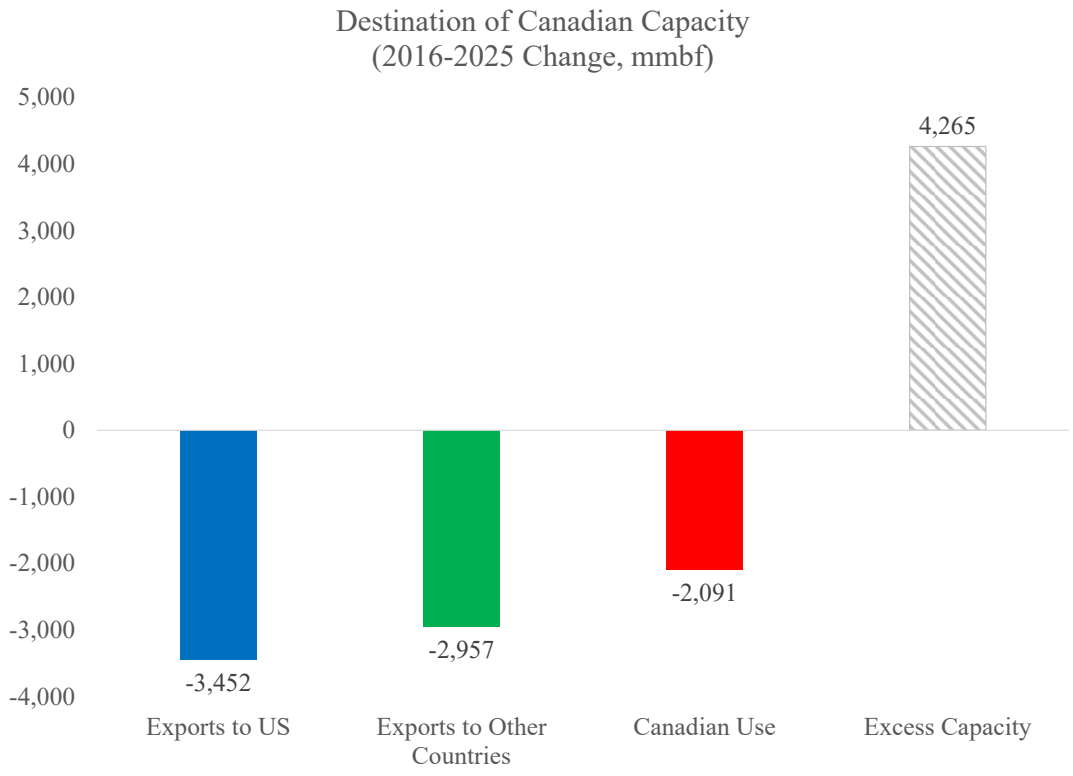
[5] Source: Global Trade Atlas.

[6] Source: Canada Mortgage and Housing Corporation. Reflects housing starts in centers of population with more than 10,000 inhabitants.

Figure 4 deconstructs changes in the destination of Canadian production from 2016 to 2025.[7] Canada has seen its exports to the U.S. market decline by 3,452 mmbf, exports to other countries decline by 2,957 mmbf, and a reduction in domestic Canadian use of 2,091 mmbf. Put differently, the market for Canadian lumber in areas not affected by trade remedies declined by 5,048 mmbf from 2016 to 2025, exceeding the decline in exports to the U.S. market.

These flagging markets for Canadian lumber have contributed to the most pronounced change over the past 11 years, the 4,265 mmbf increase in Canada's excess capacity. This capacity hangs like a sword of Damocles over the heads of U.S. producers because softwood lumber is a pure commodity product. Canada's enormous excess capacity relative to its output and consumption also increases pressure on Canadian producers to dump into the United States so that they can maintain sustainable capacity utilization rates for their Canadian factories. This dumped output, in turn, depresses output and capacity utilization in the U.S. industry.

Figure 4. Excess capacity in Canada has increased as shipments to all its major markets have declined.[8]



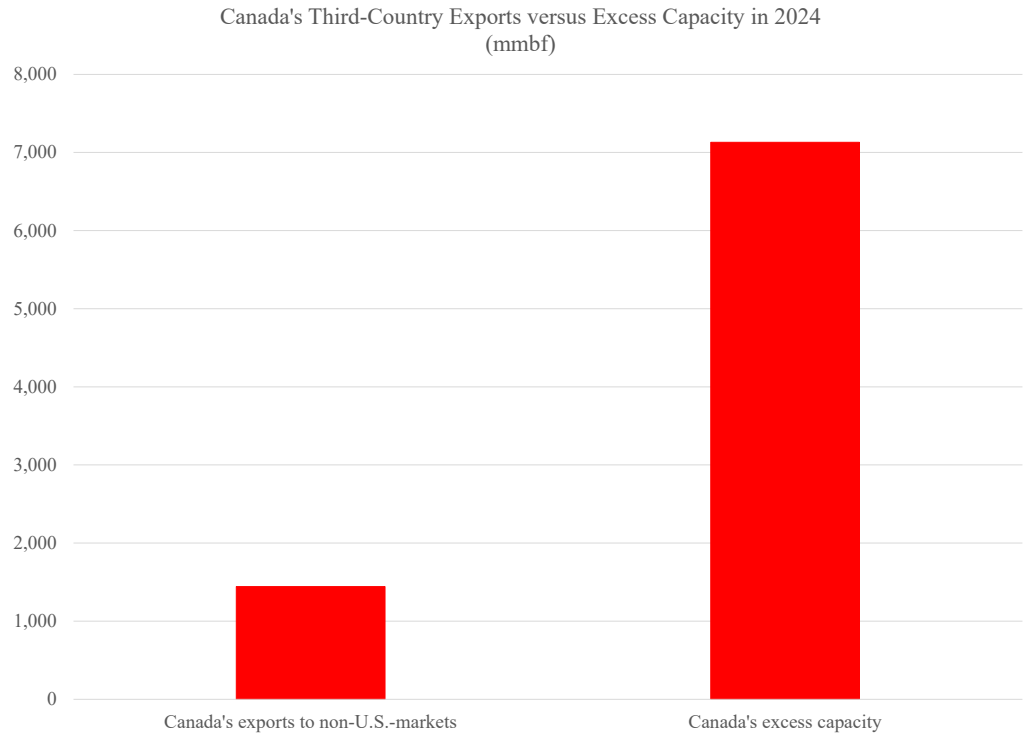
[7] These calculations are based on annualized data through July 2025.
[8] Western Wood Products Association, Lumber Track, various issues.

Canada has too much excess capacity.

Canada's real problem is not that the United States enforces laws against unfair trade, but that Canada has too much lumber capacity given the size of its domestic market. According to WWPA, Canada has the capacity to produce approximately 27,000 mmbf of softwood lumber per year for a market that only consumes approximately 7,000 mmbf per year. Thus, Canada's lumber industry has two choices: export by any means necessary (i.e., dumping) or downsize.

Only one of those options appears to be realistic. Canada has reduced its capacity by approximately 4,000 mmbf since 2016, but its total export and domestic shipments have declined by more than double that volume (8,500 mmbf). Indeed, as shown in Figure 5, Canada's excess capacity in 2024 was approximately triple its exports to non-U.S. markets. If international markets were truly an accessible outlet for growth, Canadian producers certainly had sufficient capacity to sell more lumber overseas while still maintaining their disruptive shipments to the United States. They did not, and even Canadian advocates admit that their industry is not well-suited to service international markets.[9]

Figure 5. Excess capacity in Canada far exceeds its current exports to non-U.S. markets.[10]



[9] Russ Taylor Global, "BC/Canada's Dilemma in the US AND Export Markets," (July 16, 2025) at https://russtaylorglobal.com/bc-canadas-dilemma-in-the-us-and-export-markets/ ("If that were easy, it would have been done years or even decades ago.").
[10] Western Wood Products Association, Lumber Track, various issues; and Global Trade Atlas.

This is the essence of Canada's problem and why it so craves the U.S. market—its domestic market is just too small for its industry, and other markets are not accessible.

Consequently, Canada's dependence on the U.S. market is staggering. British Columbian sawmills, for example, sent 67 percent of all softwood lumber shipments to the U.S. market in 2024. Ninety percent of Canada's softwood lumber exports were destined for the United States that same year.[11] Thus, while Canada and its U.S. mouthpieces argue that the United States needs Canadian lumber, the reality is that Canada needs, and is wholly dependent on, the U.S. lumber market.

Canada does not want to adjust its capacity or cede any more ground to U.S. producers who are more than capable of supplying U.S. customers. It therefore has gone to great lengths to maintain its share of the U.S. market. For example, Canadian mills have continued to ship large quantities of softwood lumber to the United States during a period of weak housing demand and low lumber prices, knowing full well that these conditions would lead to the higher antidumping deposit rates they now bemoan. And now Canada is ramping up subsidies to enable Canadian producers to continue their excessive lumber production and dependence on the U.S. market where their unfairly traded product is not needed.

U.S. sawmill capacity is growing.

One of Canada's primary arguments against the enforcement of AD/CVD law is that the United States needs Canadian lumber because it lacks the capacity to fully supply U.S. demand. Imported softwood lumber remains necessary in a limited sense—according to the WWPA, the United States' annual rate of consumption over the past five years has averaged 51,900 mmbf, while current U.S. capacity stands at 45,920 mmbf per year. But that current need does not mean that the U.S. requires distortive, unfairly traded imports, and the current (though narrowing) gap between U.S. capacity and U.S. consumption is a direct consequence of Canada's damaging focus on the U.S market. This is because, without sufficient demand for Canadian lumber at home and abroad, Canada's only alternative to reducing capacity is to take volume from U.S. producers, which not only hurts current U.S. operations but limits their ability to expand to meet future demand.

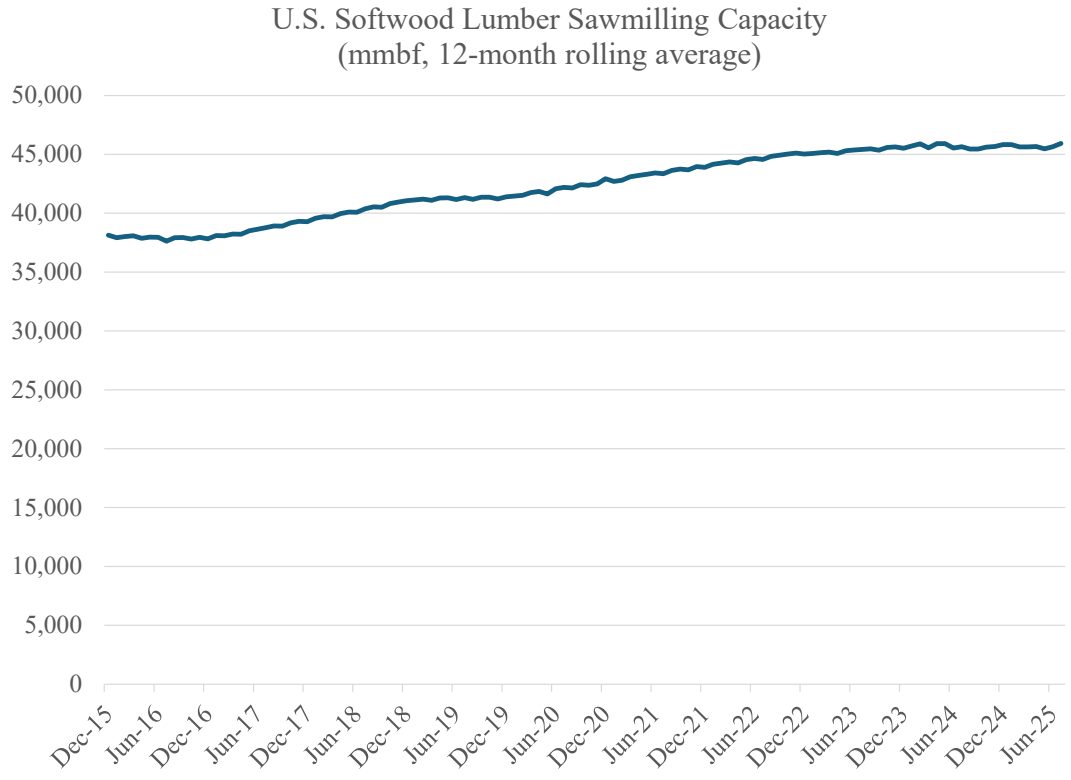
The relief to U.S. industry offered by AD and CVD duties has demonstrated why this imbalance need not continue. A review of WWPA data indicates that Canadian sawmills routinely ran at a utilization rate of 90 percent or higher from May 2015 to May 2017, five percentage points higher than the average U.S. mill. This disparity was fueled by Canadian government subsidies and dumping by Canadian producers, which allowed Canadian producers to gain and maintain U.S. market share at the direct expense of their U.S. counterparts.[12] With successful petitions by the U.S. industry to offset this unfair trade with

[11] Id.

[12] *See Softwood Lumber Products from Canada*, Inv. Nos. 701-TA-566 and 731-TA-1342 (Final), USITC Pub. No. 4749, at 50 (Dec. 2017) ("{W}e have found the volume and market share of {Canadian} imports to have

AD and CVD duties, however, Canadian companies have faced a new level of discipline in the market that has enabled a significant expansion of U.S. capacity. As Figure 6 demonstrates, the WWPA data show that U.S. annual softwood lumber capacity increased by approximately 8,000 mmbf from 2015 to July 2025, mostly concentrated in the U.S. South. Another decade of growth at this rate would enable the U.S. industry to achieve a capacity level sufficient to meet U.S. consumption needs in a typical year. With the right domestic policies, U.S. industry can reach this goal even sooner. U.S. policies to improve access to timber in the other major U.S. lumber producing regions, particularly in the Pacific Northwest, have the potential to build on this expansion of U.S. capacity beyond the U.S. South.

Figure 6. U.S. softwood lumber capacity increased markedly since the trade case.[13]



The Section 232 tariffs implemented by President Trump also have the potential to accelerate U.S. capacity expansions by creating additional pressure on Canada to reduce its excess capacity. U.S. producers have already demonstrated their willingness to make and expand capital investments in their operations with the protections against unfair trade that AD and CVD duties have provided, and those producers' confidence in their ability to generate a

increased significantly over the period of investigation, resulting in the domestic industry losing market share while prices were significantly suppressed even as apparent U.S. consumption increased.").

[13] Western Wood Products Association, Lumber Track, various issues.

return on those investments will only grow as Section 232 tariffs further limit Canada's ability to prop up their operations with distortive export behavior.

A frequent Canadian response to the expansion of U.S. capacity in the South is that Southern Yellow Pine (SYP), the tree species used by Southern mills to produce softwood lumber, is not a viable substitute for Canadian Spruce-Pine-Fir (SPF) varieties. This is not true. First, from 2016 to 2024, U.S. imports from Canada declined 3,107 mmbf while, over the same period, production of SYP increased by 4,748 mmbf. SYP does and can continue to replace Canadian SPF in the U.S. market. Second, SYP has a higher density than other softwoods and, therefore, has a better load-bearing capacity and strength-to-weight ratio. SYP also outperforms other softwoods with respect to bending, tension, and compression. Its practical applications therefore overlap significantly with Canadian SPF lumber. And third, even if there are limits to some U.S. builders' willingness to use SYP in place of SPF, producers in the U.S. Pacific Northwest and the U.S. Northeast produce lumber from the same and very similar varieties as the adjacent forests in Canada. The continued expansion of sawmill production and capacity in those areas offers a direct and growing substitute for Canadian lumber. In short, the idea that the inherent characteristics of Canadian SPF render it superior or irreplaceable in the U.S. market is more puffery than fact.

Another false Canadian claim is that the U.S. requires Canadian lumber without trade restrictions because the U.S. market cannot become self-sufficient for many more years. It is true that the additional capacity investments needed to achieve self-sufficiency will take time, but those investments cannot occur as long as Canada has free reign to distort the U.S. market for its own gain. The true aim of the trade remedy measures and the Section 232 tariff is to enable the U.S. industry to grow to its potential without market-disrupting surges of imported lumber,[14] and eight years of enforcing AD and CVD laws have already demonstrated that U.S. producers are prepared to capitalize on that opportunity. Continued enforcement of U.S. trade laws will accelerate that process.

For example, in the short term, many U.S. producers can increase output to make up for a reduction in Canadian volumes by adding shifts, which can be done on existing capital equipment. And while localized labor availability for a second or even third shift can vary, direct labor requirements at modern mills are relatively modest and offer attractive wages.

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[14] *See Softwood Lumber Products from Canada*, Inv. Nos. 701-TA-566 and 731-TA-1342 (Review), USITC Pub. No. 5479, at 57 (Dec. 2023) (finding that "improvements in the state of the domestic industry during the period of review are, at least in part, related to the orders," and that, in the absence of the AD/CVD orders, "the volume of {Canadian} imports would likely be significant" and that Canadian producers "would likely use lower prices to gain sales in the U.S. market" which would "have an adverse impact on the industry's profitability and employment, as well as its ability to raise capital and make and maintain necessary investments."). *See also Adjusting Imports of Timber, Lumber, and Their Derivative Products Into the United States*, 90 Fed. Reg. 48,127, 48,128 (Oct. 6, 2025) ("I concur with the Secretary's finding that wood products are being imported into the United States in such quantities and under such circumstances as to threaten to impair the national security of the United States . . . the actions in this proclamation will, among other things . . . increase domestic capacity utilization for wood products such that the United States can fully satisfy domestic consumption{.}").

The true limiting factor for adding U.S. shifts remains the continued operation of second and third shifts at Canadian mills that dump into the U.S. market because they do not have the domestic or export markets to justify such output. Indeed, according to Canadian reporting in September 2025, Canadian mills were still running multiple shifts even though current prices for 2x4s (a standard industry measure) are generating losses of $220 per thousand board feet for these mills.[15] The continued enforcement of trade remedy measures helps to ensure that Canada pays a price for this behavior.

By the same token, U.S. mills can replace Canadian supply in the U.S. market by expanding capacity utilization at existing mills. For example, U.S. mills in 2024 operated at an 80 percent utilization rate according to WWPA. Increasing that rate to 88 percent, well below the rates achieved by Canadian mills in the runup to the trade remedy cases, would have resulted in an additional 3,667 mmbf of U.S. output—approximately four months' worth of softwood lumber imports from Canada.

Enforcement of trade remedy measures has also meant that U.S. producers have the economic incentives to expand capacity now so that they, instead of Canada, can service more of the U.S. market once market demand recovers. The latest issue of the *Forisk Research Quarterly* identifies the following planned and actual capacity changes at U.S. sawmills, most of which are occurring in 2025 and 2026.

Table 1. Planned capacity additions in the U.S. industry through 2026 are enough to replace two months of imports from Canada.[16]

	U.S. South	U.S. West & North	Net Change
Capacity increases	663	486	1,149
New facilities	540	62	621
Re-openings	415	485	900
Closures	-577	-200	-777
Net capacity change	1,060	833	1,893

These capacity changes are expected to increase U.S. capacity by a net 1,893 mmbf—more than two months' worth of Canadian exports.[17] Moreover, most of these expansions are occurring at existing facilities, which are less costly to bring online than greenfield facilities because the need for new transport and power infrastructure is limited, and because there is already access to sufficient timber.[18] This, again, reflects the U.S. industry's willingness and

[15] Derrick Penner, "B.C. lumber sector takes another hit from weak markets, low prices," (Sep. 26, 2025).
[16] Forisk Research Quarterly Report 2025 Q4, at 24-25.
[17] But for the 777 mmbf in closures, the planned added capacity over this period would have been 2,670 mmbf, almost *three* months' worth of imports from Canada.
[18] Some analysts mistakenly ignore these critical pathways to increasing capacity and output by focusing only on new facilities. See, for example, "Softwood lumber: Tariffs, turbulence, and new trade flows, Global outlook 2025-2030" Kelly Acumen (October 2025) at 37.

ability to invest in expanded production when trade enforcement makes such investments more feasible.

In other words, with the benefit of trade law enforcement and other domestic policy measures, including, importantly, a sustained and effective Section 232 action, the drive toward greater U.S. self-sufficiency in softwood lumber is underway and is likely to continue for the foreseeable future. The U.S. market can easily absorb any loss of Canadian production or any shift of that production to other markets if Canada's efforts to reverse its decade-long losses in those markets succeeds – which history suggests is unlikely.

Softwood lumber price increases are very modest compared to other construction inputs.

Page one of the Canadian playbook is to trot out the inflation bogeyman, with statements from industry advocates claiming some version of the following:

> Any increase in duties or tariffs on imported Canadian lumber (or from any other country) will only result in an increase in the price of lumber to the U.S. end-users. Indeed, inducing higher prices will be the intended result of these trade actions.[19]

The facts have not been kind to this argument.

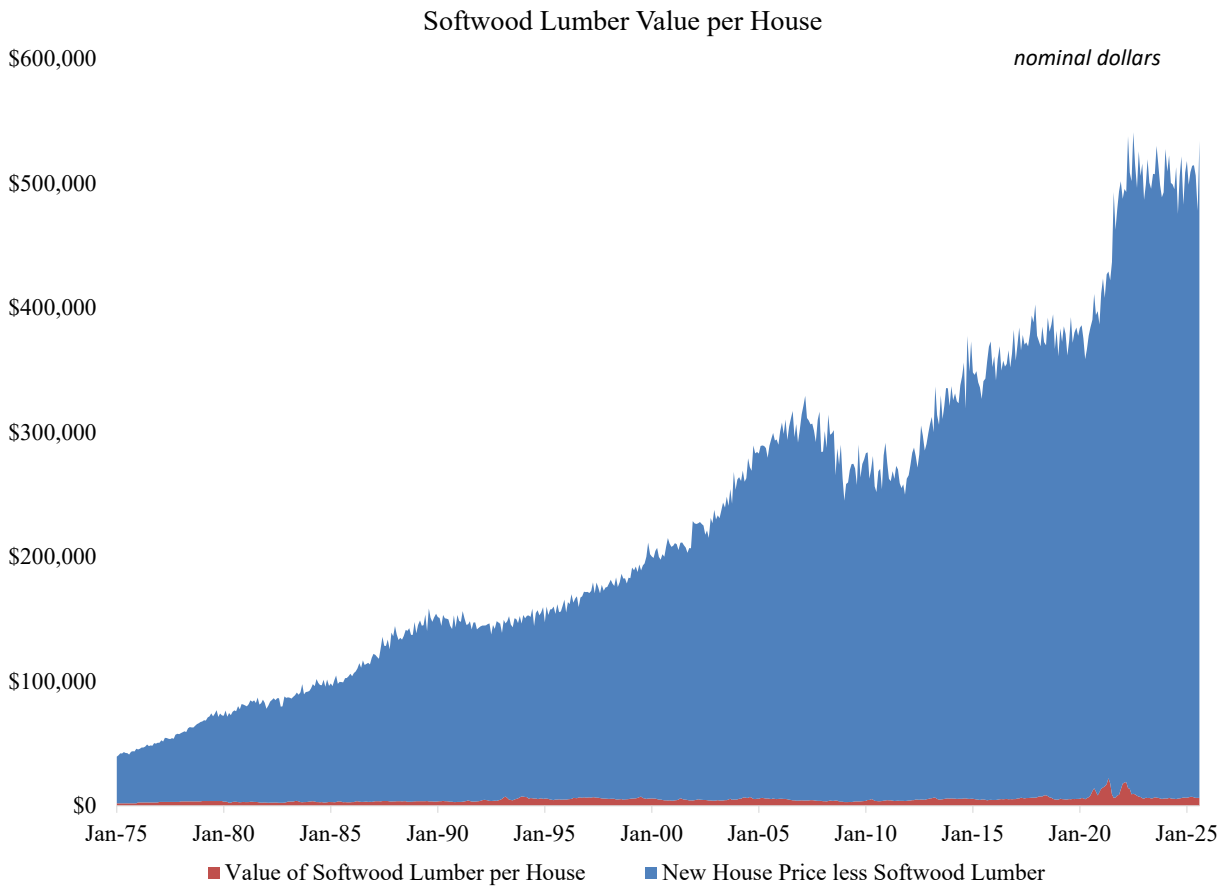
The Associated Builders and Contractors (ABC) group publishes a monthly report on construction input price trends based on U.S. government data.[20] The report identifies 20 commodities used in construction and provides data on how the prices of these commodities have changed over one-month and 12-month periods, and since February 2020, the month before COVID shutdowns. The data show that the price of softwood lumber *declined* by 4.2 percent in September 2025 relative to August 2025, and that the price also declined by 1.4 percent relative to September 2024. Meanwhile, AD/CVD rates on softwood lumber from Canada rose from 8.05 percent to 14.40 percent in August 2024, and again to 35.16 percent in August 2025. There is simply no data supporting the Canadian argument that enforcing U.S. trade laws have a direct inflationary effect on the softwood lumber market as opposed to correcting for Canadian-induced distortions in that market.

Remarkably, given the constant drumbeat of pro-Canada commentary about trade actions leading to inflation, softwood lumber prices have increased far less over the longer term than the other 19 commodities tracked by the ABC, with overall construction input prices increasing by 43.3 percent since February 2020 while softwood lumber prices increased by 10

[19] Russ Taylor and David Elstone, "Setting the Record Straight on The Softwood Lumber Trade between Canada and the United States," (July 28, 2025) at https://russtaylorglobal.com/setting-the-record-straight-on-the-softwood-lumber-trade-between-canada-and-the-united-states/.
[20] See, for example, "ABC: Construction Materials Prices Continue To Rise, Up 3.5% Since Last September," (November 25, 2025) at https://www.abc.org/News-Media/News-Releases/abc-construction-materials-prices-continue-to-rise-up-35-since-last-september.

percent. Price increases for the other 19 commodities range from 25.6 percent to 62.8 percent, which is 2.5 to 6.3 times more inflation than experienced for softwood lumber. In any event, softwood lumber prices are hardly the cause of the long-term increase in U.S. housing prices. The figure below separates the price of the average U.S. home into two components, the amount paid for the 15 thousand board feet of softwood lumber used to build the average home, and the amount paid for everything else, including builder profits. Builder profits, by the way, account for a much larger share of the price paid for a new home than the price of softwood lumber.

Figure 7. The Notion that Softwood Lumber Prices Are Driving Home Price Increases Is Divorced from Reality[21]



[21] Sources: Random Lengths Composite Price via Fastmarkets and CRS Report for Congress: Softwood Lumber Imports from Canada: History and Analysis of the Dispute, Feb. 2, 2001 at 22 (annual data from 1975-1994); Census Historical Time Series: Median and Average Sales Price of New Houses Sold. Assumes 15,000 board feet of softwood lumber per house. The price of lumber excludes wholesaler profits and transportation.

It is embarrassing that organizations, consultants, and governments who know of these data continue to parrot a false narrative about the impact of the softwood lumber duties and the President's Section 232 tariff.[22]

Softwood lumber duties and tariffs are a rounding error in the housing affordability crisis.

The irony of the Canadian and homebuilder arguments is that even if Canadian producers were passing on the full cost of duties to their customers, they could not possibly be a meaningful factor in U.S. housing affordability. There are many causes of the affordability crisis, including land price inflation, regulatory burdens, general inflation of material and labor inputs, high interest rates, slower real income growth, high homebuilder profits, etc. Any impact of remedial duties is tiny when compared to the cost of the average home, and they remain an insignificant factor in housing affordability.

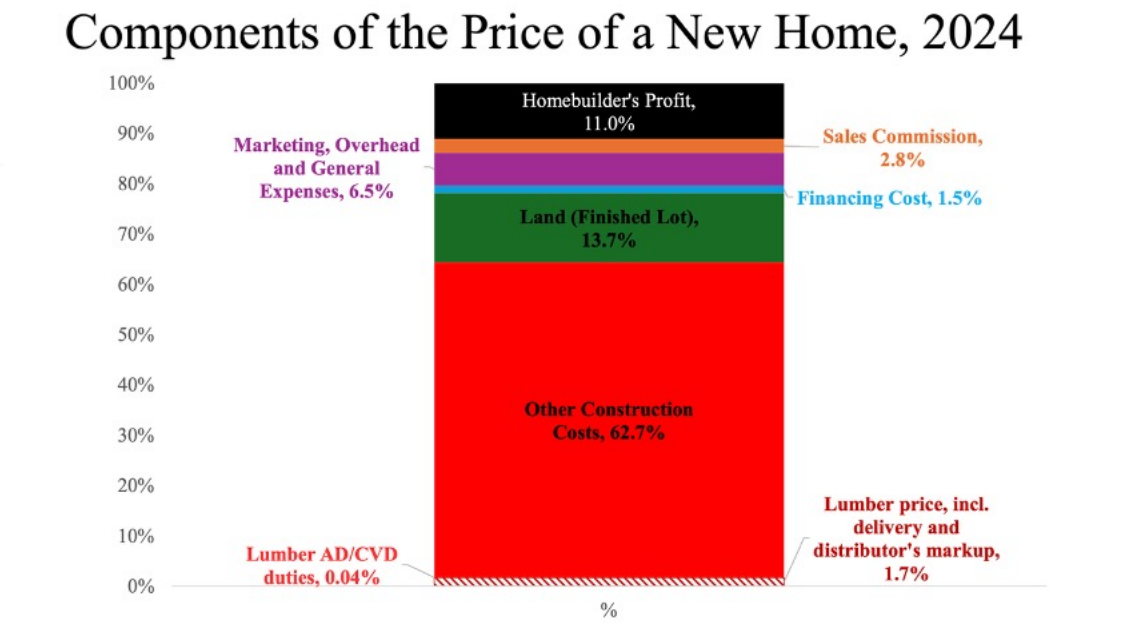
Critically, as shown in Figure 8, the cost of lumber currently makes up just two percent or less of the price of an average new home.[23] Thus, even if combined duties and tariffs applied to the entire softwood lumber supply (both domestic and imported) instead of just softwood lumber imports from Canada, those duties and tariffs would only account for an additional 0.9 percent increase in the price of an average new home. By contrast, the average new home price in August 2025 was 38.3 percent higher than the average price of a new home in February 2020—far higher than 0.9 percent.[24] But even that small increase dramatically overstates the reality because, even if Canadian producers were passing on the total value of AD/CVD duties and the Section 232 tariff to U.S. consumers (which they are not), Canadian lumber accounts for less than a quarter of the U.S. lumber supply. This means that any inflationary impact of the trade measures against Canada would, at most, amount to an increase of about 0.2 percent in the price of a home.

[22] The pass-through from border trade measures like duties and tariffs to end use prices depends on a number of factors, including relative elasticities, the availability of other sources of supply, and the extent to which other links in the supply chain (e.g., wholesalers, retailers, and builders) absorb the price increase. One of the most important reasons that trade remedy measures have had a more modest impact on lumber prices is that the duties are paid by the importers of record, which in this case are Canadian lumber producers. By and large, Canadian importers have been internalizing the cost of duties and tariffs rather than directly passing those costs to their customers. It is that internalized cost—not a direct inflationary effect on customers—that has mitigated Canadian producers' ability to distort the U.S. market.

[23] West Fraser Group Investor Presentation, (October 2025) at 21. The presentation indicates the combined cost of lumber and oriented strand board, a product not covered by the trade cases, typically account for approximately two percent of new home selling prices.

[24] St. Louis FRB database (FRED) series ASPNHSUS; (Census Bureau, "New Residential Construction" mean sales price, not seasonally adjusted). The math: $534,100 / $386,200 – 1 = 38.3%.

Figure 8. The Cost of Lumber Currently Makes Up Just Two Percent Or Less of The Price of an Average New Home



Source: NAHB, Cost of Constructing a Home – 2024; Random Lengths. For lumber, assumes delivery costs of $70/mbf and a distributor's markup of 18 percent over the delivered price.

Perhaps the most telling evidence that lumber is a tiny factor in affordability comes from the Canadian city of Vancouver, the capital of the province of British Columbia, Canada's top lumber producer. Vancouver has been described as the "epicenter" of Canada's housing affordability crisis, among the top "impossibly unaffordable" cities in the world, despite the abundance of subsidized Canadian lumber available at its doorstep.[25] Clearly, something other than trade enforcement and the price of softwood lumber is driving the affordability crisis in North America. That Canadians even make this claim to their U.S. audience is ridiculous.

Canada has a choice.

Canada's softwood lumber industry is at a crossroads, and clumsy PR is not going to save it. The industry's excess capacity is too high and cannot be absorbed fully by demand in Canada and non-U.S. markets. Production capacity in the United States is growing, diminishing the amount of Canadian lumber that the United States needs to consume. Canada can either allow its industry to right-size consistent with market realities or continue to prop it up with subsidies. This is Canada's choice to make, but it is no longer entitled to choose the latter without consequence.

[25] Nadine Yousif, "'My home is worth millions - but young people are priced out of this city'," *BBC.com* (April 17, 2025) at https://www.bbc.com/news/articles/cy70y75v5l7o.