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## FACTSHEET

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Ministry of Forests, Lands and Natural Resource  
Operations

### **Canada-U.S. softwood lumber trade: Why it should matter to Americans**

#### **History**

- In the 1970s a number of events occurred at the same time which led to B.C. becoming a significant supplier of softwood lumber to the U.S. This included:
  - expansion of power and transportation infrastructure in B.C.'s interior allowing new sawmill investments;
  - a boom in U.S. housing demand;
  - lumber supply shortages in the U.S. because of new environmental concerns; and,
  - depreciation of the Canadian dollar.
- Canada's market share of U.S. consumption grew to 28% by the end of the 1970s, climbing to an average of about 33% or higher prior to the recession of 2007-2010. In 2016 Canada's market share stood at 32%.
- B.C. is the largest provincial producer and exporter of softwood lumber accounting for 50% of Canada's exports to the U.S.

#### **Lumber in the U.S. economy**

- Lumber consumption is driven by a number of factors with the key one being housing demand, along with home renovations and repairs. Currently U.S. housing demand is forecast to continue to increase (in 2009, U.S. housing starts were 0.6 million and climbed to an estimated 1.2 million in 2016). This means there will be a sustained demand for Canadian lumber exports.
- The U.S. does not have enough of its own sawmilling capacity to supply 100% of its domestic needs. (In 2016, U.S. lumber consumption was an estimated 46.7 billion board feet, but U.S. production was only 32.4 billion board feet.)
- Whenever the U.S. has taken steps to reduce Canada's market share through quotas or litigation any reduction in share from Canada has usually been filled by third countries from Europe or South America.
- The added shipping charges from these continents are passed on directly to the U.S. consumer.
- Many parts of the U.S. prefer British Columbia spruce-pine-fir because of its quality and versatility.
- More recently, wood is seen as a preferred green building material, given its benefits in fighting climate change, and its use in new applications such as tall wood buildings.

#### **The Cost of Trade Constraints**

- There are many losers in lumber trade disputes, but only one winner (the U.S. lumber producer). U.S. imposed tariffs and/or Canadian imposed quotas and taxes serve to

- constrain Canadian exports leading to U.S. supply shortages and higher consumer prices.
- In turn, the cost of a home for a U.S. family increases.
  - Two studies illustrate this point. In an analysis of the 1996-2001 agreement that imposed quotas on Canadian lumber exports, a U.S. think tank (Cato Institute) determined that the effect of the quota was to drive up U.S. lumber prices, which in turn made a home unaffordable for over 300,000 families. While U.S. saw-millers saw increased earnings (and employment) the housing services sector suffered significant employment losses.
  - MEI, a Quebec-based think tank, recently estimated that the 2006-2015 Softwood Lumber Agreement that imposed taxes and/or quotas on Canadian lumber exports cost the U.S. consumer US\$6.4 billion. Meanwhile, American producers were better off by US \$4.6 billion.
  - According to a January 2017 Angus Reid survey, 80% of Americans believe the Trump administration should approach Canada as a valued partner and ally, and 77% of Americans feel that U.S.-Canada trade benefits both countries equally.
  - There are recent discussions in the U.S. media regarding the negative impact on consumers from a U.S. border adjustment tax on Mexico. The lumber tariff will act just like the U.S. tax on Mexico – lumber prices will go up and the cost of building a home will increase potentially putting housing affordability beyond the reach of many Americans.

### **Summary**

- B.C. is Canada's largest producer of softwood lumber accounting for over half of overall production.
- While B.C. has made great strides in opening up Asian markets, the U.S. is still B.C.'s number one market for softwood lumber. In 2016, the value of B.C. lumber exports to the U.S. was \$4.6 billion.
- Forestry is one of B.C.'s key economic drivers and key employers – providing more than 60,000 direct jobs. About 40% of B.C.'s rural communities are dependent on forestry.
- U.S. trade litigation against Canadian lumber exports benefits a select number of sawmill owners while negatively impacting i hundreds of thousands of American consumers by either increasing the cost of homeownership or in many instances preventing them from becoming home owners.

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