

CANADIAN LUMBER AND TARIFFS: A VIEW DOWN THE RABBIT HOLE

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About the same time the Canadians took to US courts again arguing that their tariffs were unfair, we had an election. One of the first things that happened was a boost in Canadian tariffs on lumber. Whether these were fair or not, and whether the President even possessed the authority to do this in peacetime was challenged in the courts. It is useless to predict at this stage what will happen next. So, this will not be an assessment of the impacts, other than to say that it is one more major uncertainty. Canadian lumber has been tariff-free since 2015, but as of this writing, the US has set a 35% duty, though that may be a negotiating tactic. Considering all sources, the US imports 36% of its consumption.

At one time I followed this closely as editor of a newsletter for the northeastern lumber industry. I even did one consulting project for both sides jointly. It brought people together for a meeting but otherwise did not accomplish much. Since the newsletter days I haven't followed it, viewing it as like the weather – there is little that can be done about it.

Further, there appears to be little justice on both sides of the border which is one reason why it so intractable. There is little to be gained by arguing about what is fair. These are some things, though, that readers might be less familiar with.

Perspectives

Both Canadian national production and exports to the US are depressed (see graphs). Exports fell by more than half in the post 2005 recession, in tune with then US, which also fell significantly. While Canadian exports are up a bit to 2024, they did not help production grow at all.

All Lumber by Canadian Companies is not Canadian

First, it is useful to see the extent to which Canadian firms have attempted to escape tariffs and the associated uncertainty by buying or building capacity in the US. For this we can use the capacity database by Forintek. Let's note that capacity is actually a hazy concept. It is based on the nameplate capacity of machinery in the mill. But translating that into potential output is fuzzy. Sawmills are often in remote communities, and most are affected by the same, often magnified, factors. It is already virtually impossible to recruit a half shift for an extra shift for periods of high demand. Indeed, mills are shorthanded now. The tariffs on steel are making procuring spare parts for mills and loggers uncertain.

Further, it is well known that wood availability cannot be assumed out of hand. First, the paper industry has downsized one mill at a time but cumulatively large at least in the East. Loggers are under a number of stresses, since pulp supplied an important part of their volumes. They are also worried about the effects of tariffs on parts supplies, which for many items come from Canada or overseas. And beyond that the landscape is steadily "yuppie-fying" with ever larger share of the real estate off limits to harvesting, especially on public land. When people

move from suburbia to the north woods – even seasonally – they believe they have just got a vote on land use – and you know which way that goes. To put it bluntly, the capacity figures are probably an overestimate on both sides of the border of potential production. To be clear, the total capacity for both countries together is about 76 billion feet, where actual production was only 52 billion feet in 2024.

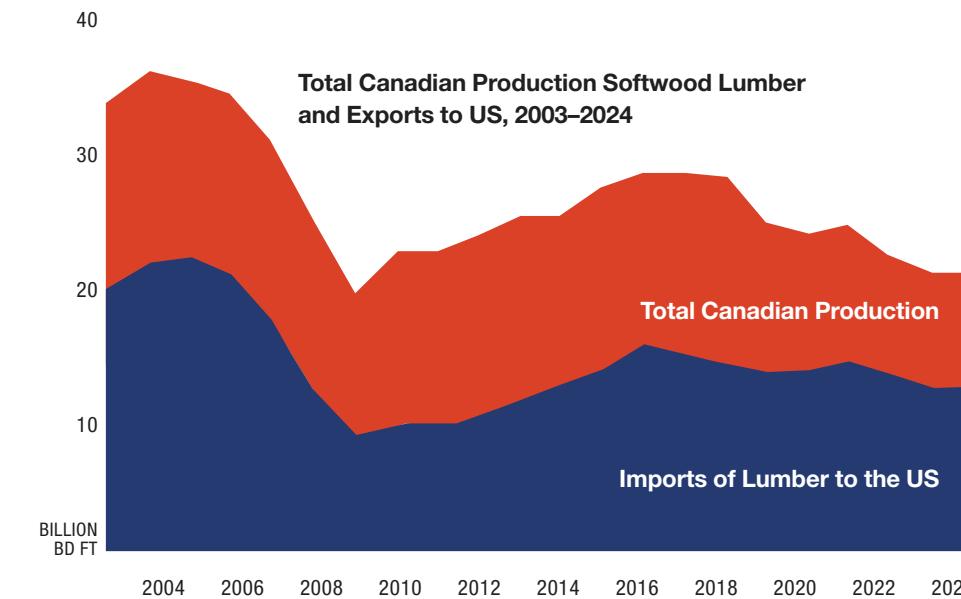
The leading company is Weyerhaeuser, primarily US-based, but it has significant operations and timberland ownership in Canada. Today, the top four Canadian companies could make more than 8.3 billion board feet in the US! There are surely smaller ones that would add to the list. Interestingly, Biewer, a midwestern firm, makes the list now. JD Irving Limited, as of this writing, makes about 215 million feet at Dixfield and Masardis, Maine, and about a million more in Canada at a grand total of 10 mills.

All Lumber is Not Framing

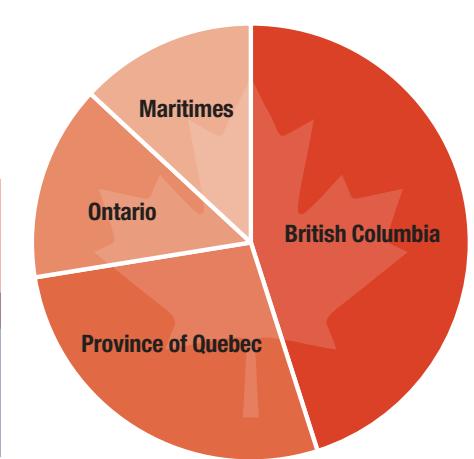
Most Canada lumber is lower grade framing lumber already cheaper than US sources. This is due primarily to the small size of most Canadian trees. In the biggest province of all, British Columbia, the allowable cut has come down as a bug has chewed through many of the trees.



Delivered price is not the only variable quality is too. A series of different piles of lumber in a Maine Manufactured Housing Company: Maritime Lumber Bureau (MLB); CIFQ is the Quebec grading agency, and the third is obvious.



Imports of Lumber, 2024



Further, at times in the past, anyway, the US Coalition tried to argue to the International Trade Commission that white pine and cedar should be included as framing lumber. And they fell for it (lawyers). Anyone with a smattering of knowledge of these industries knows that they are not framing and not substitutes for SPF framing. They may be affected by some of the same forces but should be analyzed separately. They are a small part of the volume though. Mechanical equipment has substituted for human effort, but the weight of southern pine is still an issue.

The broad category of "lumber" is a quasi-commodity but not a commodity. A true commodity is, for example, #2 red winter wheat – every bushel is like every other bushel, and you can order it over the phone. When the builder orders lumber, they order specific species, sizes, and lengths, and not others.

The Stumpage Question is Hard

Stumpage in the US and Canada differ. In the US, stumpage is now largely second growth in the US South and priced on a market basis. In Canada, the key objective is economic development. The Crown (term for Provincial governments) had to do this because of the remoteness of much of the forest. They allocated larger territories to single producers because at the time this was done, there were no producers at all. In the US, by contrast, before the National Forests were created there were small mills in most places, so sales by small units became the norm.

In BC, the largest producer, the harvest of Crown timber has fallen 6.5% per year from 2013 to 2023. This is partly due to tariffs and restrictions on the US. Comparison is made difficult by a host of factors, which differ for each province. The Canadian forests are predominantly publicly owned. These lands vary widely across Canada from large Douglas fir-hemlock forests in coastal BC, to smaller pine forests, to spruce-fir in Quebec and to the East.

The federal forests are largely in the west, and Oregon and Washington traditionally held sway. It is not well recognized that the federal timber harvest on US lands has fallen from 13 billion bd. ft. to two or three billion feet since the early '70s. Counting in the substantial overruns on much of this timber, this is a huge reduction in US supply. This has occurred for reasons both good and bad, but a significant part was unnecessary. But much of that timber has now burned. Much of the timber is steep and remote and it is hard to get timber sales done. I have done work for both parties on this in the past. All the comparisons I have seen between stumpage prices are suspect.

The US Depends on Canadian Lumber

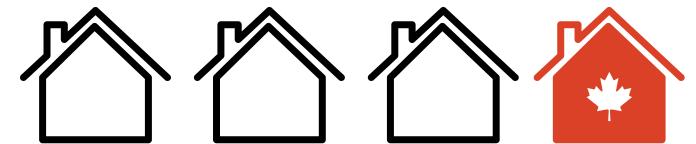
The simplest way to express this is with a picture. It shows that we build 25% of our houses – even more in some years – with Canadian wood. Wood that we could cut in our own forests but won't.

The US Exports the Environmental Impact of Lumber Production

Harvesting and growing wood always causes some degree of environmental impact. Too often in the past we have been sloppy about this. We conducted excessively large clearcuts, and we ran skidders through the creeks. We don't anymore. We

Top Ten US Softwood Lumber Producers by Current Production Capacity (MMBF), 2024

1	Weyerhaeuser	4,600	
2	West Fraser	3,375	
3	Sierra Pacific Industries	3,271	
4	Georgia-Pacific Co	2,568	
5	Interfor	2,555	
6	Canfor	2,385	
7	Hampton Affiliates	1,740	
8	Idaho Forest Group	1,520	
9	Potlatch Deltic	1,191	
10	Biewer Lumber	910	
Total Top 10		24,115	
Total NA		47,943	



One of every four new homes built in the US in 2024 used Canadian lumber.

have more to do but look around the world: the ways forests are managed elsewhere are much worse, with a very small number of exceptions, which do not count for much area compared with the world. And regions well adapted to the sort of wood we use are sparse. This means that when we import one third of the lumber we use each year, we are exporting the effects.

Conclusion

The bad news is that this is something of a "plague on both your houses." Both nations are struggling with excess capacity, which won't be remedied by higher demand anytime soon. As said above, the excess capacity is smaller than some believe but rising house prices and the "build it somewhere else" attitudes ensure that it won't be soon put to work. The US Coalition calculates that this gap could be filled if the high tariff persists for five years. It won't work, though, unless perceived to last well beyond that. Companies won't trust that it will last long enough to pay off investments. And Canada has to take the bulk of the downfall. That sounds unrealistic to me.

The Administration has taken on an industry representative to oversee the Forest Service, with firm orders to increase timber cut. But this has been tried before. The barriers are now formidable. Looks a lot like we'll keep exporting our environmental costs while patting ourselves on the back for being such good environmentalists.

BC Council of Forest Industries (COFI) assisted in obtaining some of the data included in this article.

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