



U.S. Lumber Benefiting From A Trade Dispute That Trump Didn't Start

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Back in 2012, one of the major employers in Montrose, Colorado, a sawmill, was in receivership and on the brink of collapse. At the time, local media reported that the cost of logging timber had become prohibitively expensive, and the log yard was nearly empty.

These days, logs are stacked high next to a humming mill. Production is up 20 percent from even just 2016. To meet the growing demand for lumber, Neiman Enterprises owner Jim Neiman has workers pulling 10-hour shifts instead of eight and is planning on investing \$20 million in upgrades — something he never would have dreamt of a few years ago.

After years of stagnation, the price of lumber is steadily climbing, according to the U.S. Bureau of Labor Statistics. The rural communities with softwood sawmills, located primarily in the northwestern U.S., are booming; the Montrose Economic Development Corporation estimates the sawmill generates 250 direct jobs and adds \$32 million to the local economy.

A machine piles pine logs for processing at the Montrose Forest Products sawmill. In 2012, this Colorado log yard was nearly empty. (Photo by Esther Honig, Harvest Public Media)

“There’s a number of factors, the market’s one. The consumer confidence has been restored,” he said. “The Canadian tariff is a big part of it.”

That’s right: This turnaround is due in part to a little-known and long-running trade dispute between the U.S. and Canada — one that wasn’t started by President Donald Trump. The tariffs (technically, countervailing duties and anti-dumping duties, but terms are often used interchangeably) have been in place since April 2017.

For decades, Canada has been a major exporter of softwood lumber to the U.S. market; pine and spruce trees used primarily to frame homes and buildings. But America can’t meet domestic demand for this lumber on its own. After the most recent lumber trade agreement expired in 2015, the countries were unable to negotiate a new one.

So, the U.S. lumber industry petitioned the U.S. Department of Commerce, saying they had been unfairly harmed by cheap wood coming across the northern border. The agency agreed and imposed duties, on average about 20 percent, on Canadian exporters.

Neiman said companies like his just want a fair deal, and these tariffs level the playing field.

“When another country can supply wood cheaper into this country than we can, something’s wrong,” he said.

Ripple effects

The dispute is between two industries that don’t work in the same way. Canada harvests softwood timber from public lands, and provincial governments determine the price. The U.S. logs softwood from mostly private lands, where prices are tied to the market.

The current tariffs are meant to protect the U.S. lumber industry, but as is the case with most protectionist policies, they’ve impacted other economic sectors.

“It does come at the cost of putting upward pressure on prices and contributing to hike lumber prices in the U.S.” according to Amanda Countryman, an ag economist at Colorado State University who specializes in international trade.

National Homebuilders Association numbers show the tariffs have added almost \$9,000 to the cost of a typical new family home; the NHA didn’t specify what the typical home is.

Owner Jim Neiman bought the sawmill back in 2012, when it was struggling to stay open. He’s the owner of three other sawmills in South Dakota and Wyoming, and the third generation in his family to run the company. (Photo by Esther Honig, Harvest Public Media)

Worker Bob Calvert repairs the blades used for trimming and cutting the wood. He says the recent boom due to the softwood lumber tariffs is good for his industry, but it’s also good for Montrose. (Photo by Esther Honig, Harvest Public Media)

It may not sound like much compared to the price of \$500,000 home, said Dan Ikenson, who works for the CATO Institute, a free-market think tank, but he said it adds up.

“If we didn’t have those tariffs in place and the cost of lumber went down, every household would have more money to save or to spend in more parts of the economy,” he said.

Ikenson said the tariffs are a burden to overall economic growth in the U.S. But on a local level, they would appear to have the opposite effect. Dennis Long, who is in his 20th year at the Montrose sawmill, said business has never been so good — and no one minds the extra hours.

“Especially when they see their paychecks every two-weeks,” said Long, who is a planer, overseeing the machine that shaves and finishes the rough cuts of lumber that are used to frame homes and buildings. “That’s always a kicker for them.”

A new agreement

Canadian government officials hope the U.S. will come to the negotiating table for a new long-term deal, and soon.

Ikenson said the Trump administration might fold this into upcoming NAFTA renegotiations, but the president has quite a few trade disputes on his hands, so there’s a good chance Canada will be left waiting.

That’s been the case for the last several months, said Stéphane Lessard, Consul General of Canada in Denver. He maintained that Canada does not subsidize its lumber industry, and that the tariffs go against international trade terms that the U.S. agreed upon.

With past U.S. tariffs, Canada's government challenged the U.S. in court and won. The country has done so with the current tariffs, too, filing complaints with the World Trade Organization and NAFTA, both of which have a dispute settlement process.

Lessard said he's confident his government will come out on top. But until then, rural Canadian sawmills are doing what U.S. sawmills — the one in Montrose, included — did a few years back: laying off workers and cutting hours to survive what has become a tough market.