

THE ROOTS OF A SOLUTION?

JULY 2017



Interrelated factors are contributing to volatility in building materials, especially lumber. Domestic housing starts are spiking and new U.S. tariffs are due to take effect. And more crucially, the October 2015 expiration of the Softwood Lumber Agreement (SLA) led to sharp price increases in late 2016. And, price has remained buoyant since President Trump's imposition of tariffs in April.

SUBSIDIZING THE COMPETITION

A majority of timber in Canada is owned and subsidized by provincial governments, exempting lumber producers from having to price their product competitively.



U.S. LUMBER NON-SUBSIDIZED
Must be Priced Higher



CANADA LUMBER SUBSIDIZED
Can be Priced Lower

DUTY IMPOSED ON CANADIAN LUMBER IF PRICED BELOW AGREED-UPON LEVEL
U.S. Lumber Industry Agreement with U.S. Department of Commerce, 1982



OLD AGREEMENTS ON THE CHOPPING BLOCK

OCTOBER 2015
SLA Expired, Lifting Anti-Dumping Duties on Canada's U.S. Lumber Exports

JANUARY 2017
Canadian Softwood Lumber Products Have Materially Hurt U.S. Producers
Source: U.S. International Trade Commission

TODAY
33% of Lumber Used in the U.S. Is Produced in Canada

2016
\$4.7 BILLION Canadian Lumber Exports to U.S.
Source: U.S. Department of Commerce (USDOC)

TARIFF
APRIL 2017
New Tariff on Canadian Lumber Imposed by President Trump

TARIFF
SEPTEMBER 2017
Final Tariff Determination Expected

54%–90%
PINE FOREST KILLED BY PINE BEETLE
British Columbia

▼ 50%
Estimated Government Harvest Allowances

RAISING THE ROOF

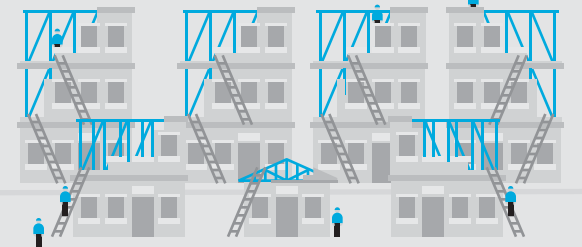
Housing starts continue to outpace mill capacity, potentially causing further supply concerns.

▲ 15%
U.S. HOUSING STARTS

1.3 MILLION STARTS
Projected in 2017



1.5 MILLION STARTS
Projected in 2018



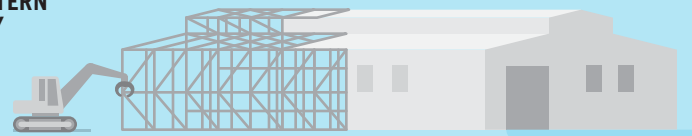
HOME ON THE RANGE

133,590 PEOPLE
Pace of People Moving to Texas Every Year Enticed by Cheap Housing and No Income Tax



EASTERN CANADA AND WESTERN U.S. MILLS ARE AT CAPACITY

2 YEARS
Time Required for a New Mill to Become Operational



LAYING A FOUNDATION FOR CHANGE

As states compete for family mobility with business incentives and low taxes, more housing starts and consequent pressure on lumber producers could ensue. If the Trump Administration continues to implement protectionist policies, price hikes may be on the horizon, as more imports are brought in line with U.S. producers and domestic mills struggle to catch up with new demand.

TO LEARN MORE, DOWNLOAD GA'S BUILDING MATERIALS MONITOR AT GREATAMERICAN.COM/RIGHTONTHEMONEY