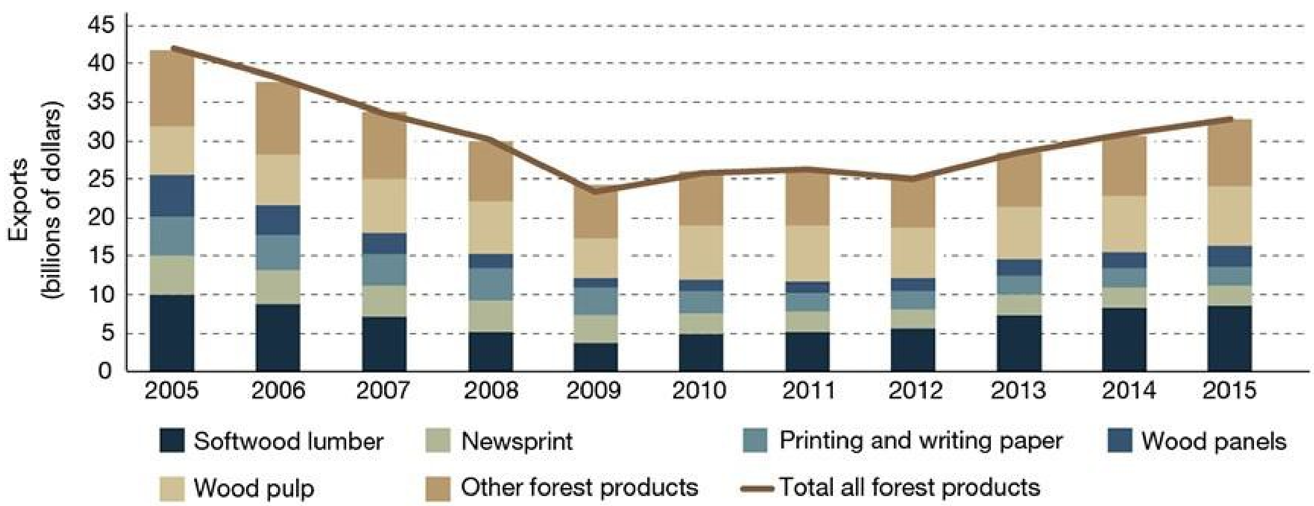
The Crucial Necessity to Negotiate a Renewed Softwood Lumber Agreement – Supplemental to the 2016 Policy "The Need for a Renewed Softwood Lumber Agreement"

Negotiating a renewed softwood lumber agreement with the United States is an imperative and vital necessity to Canada's forest industry and overall economy. Having the Canadian government work in conjunction with provincial/territorial governments and related forestry and lumber industry associations, such as the British Columbia Lumber Trade Council and the Forest Products Association of Canada, is a key strategy towards securing a successful agreement. In 2015, the value of Canada's forest exports increased by 6.3% over 2014, rising to $32.7 billion from $30.8 billion. On the wood product side, the U.S. housing recovery continued to drive Canadian softwood lumber exports. In 2015, softwood lumber exports totalled $8.6 billion, a 3% increase over 2014. The value of wood panel exports increased by 18%, to $2.68 billion with significant increases in all panel types, especially plywood (29%) and fibreboard (28%). Exports of Canadian forest products, 2005-2015 Statistics Canada. Merchandise trade data. (April 20, 2016)



In 2015, direct employment in the Canadian forest industry, as measured by Statistics Canada's System of National Accounts, increased by 1.5% from 2014 levels, to 201,645 jobs. The job gains are in line with other positive indicators, such as increasing forest sector contribution to Canada's gross domestic product (GDP) and financial metrics. But employment did not improve in all forest sub-sectors: employment in the pulp and paper sector decreased as a result of poor market conditions for newsprint and other paper products, which has caused several mill closures. Within Canada, wood product manufacturing and forestry and logging employment is concentrated in BC and Quebec. Statistics Canada.[1]

The Canadian forest sector provides well-paying jobs for thousands of Canadians, many of them in rural and indigenous communities, and contributes taxes for important services across the country. As an integrated sector, it is made up of many interconnected and interdependent sub-sectors so it can make the most efficient use of all the fibre harvested.

One of these is the value-added or secondary wood manufacturing sub-sector. The value-added sub- sector includes innovative and entrepreneurial companies across Canada. In alignment with the aforementioned Statistics Canada Systems of National Accounts statistic, is its 2015 Labour Force Survey

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[1] CANSIM table 383-0031: Labour statistics consistent with the System of National Accounts (SNA), by province and territory, job category and North American Industry Classification System (NAICS). (June 17,2016)

which reported that the wood product manufacturing sector had 148,817 jobs, leading the remaining three sub-sectors (forestry and logging; pulp and paper manufacturing and support activities for forest industry) which had a combined total of 110,333 jobs.[2]

The previous Softwood Lumber Agreement expired October 2015. A new agreement must be in place or there will likely be a protracted and aggressive trade action on Canadian lumber similar to what was experienced before the last agreement which was in effect from 2006 to 2015.

The U.S. Lumber Coalition is expected to ask for export duties starting in Q2, 2017. It is anticipated that these duties could be in the 25 to 30% range. The softwood lumber dispute is designed to impact commodity, structural, construction lumber as it is a dimensional/structural lumber concern.

Within the lumber industry, high value, specialized products remain a key component of exported lumber. These value-added, specialty products consist of finger-jointed lumber, decking, siding, plywood, OSB (oriented strand board) and veneer; cabinets and components; household, commercial and outdoor furniture; windows and doors; architectural millwork; log homes and packaged homes; pallets, boxes, poles and posts; musical instruments; shakes and shingles and wood crafts. Although the key focus of this dispute is not about high value, specialized products, these products still represent an integral component of any future softwood lumber agreement and should not be downplayed or overlooked. The high value producer position is consistent with industry messaging being given to the federal negotiators. An additional duty on high value products could be devastating to those companies that have invested in and have created a business that extracts maximum value possible from the public resource.

Recommendation

That the federal government:

1. Work closely with provincial/territorial governments to carry through and include the high value (value added) product recognition as part of any negotiated settlement.
2. Must take into account the specificities of the forestry regimes of each province in the context of a possible softwood lumber agreement.

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[2] **Labour Force Survey**
Source: Statistics Canada, Labour Force Survey (special extraction).
Note: *Employment*–includes jobs held by people employed directly in the following industries: forestry and logging, industries involved in support activities for forestry, pulp and paper product manufacturing, and wood product manufacturing. Data are sourced from Statistics Canada's Labour Force Survey (LFS). The LFS data are used to capture the level of self-employment in the forest sector.