



## COALITION FOR FAIR LUMBER IMPORTS

FOR IMMEDIATE RELEASE  
May 16, 2001

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### LUMBER COALITION SPOKESMAN HAILS ITC RULING CONFIRMING INJURY TO U.S. INDUSTRY

Today the independent International Trade Commission (ITC) in Washington, D.C. found that the U.S. lumber industry is threatened with injury from a flood of subsidized Canadian softwood lumber dumped in the U.S. market. The finding was a preliminary decision, finding a reasonable indication of threat of injury, set in motion by an April 2 petition from the U.S. Coalition for Fair Lumber Imports, an organization comprised of U.S. lumber companies and associations and supported by their employees, woodland owners and others. Coalition members are alarmed by the growing share of the U.S. softwood lumber market taken by imported Canadian lumber that is heavily subsidized by Canada's provincial governments. Coalition Chairman, Rusty Wood, President and CEO of Tolleson Lumber Co. of Perry, GA, made the following statement:

“Not surprisingly, in light of the end of the softwood lumber agreement, the ITC has found compelling evidence that lumber companies like mine all over the country are threatened by subsidized and dumped lumber from Canada. We've done everything possible to cut our costs and produce lumber more efficiently. We are as efficient as our Canadian counterparts and have comparable or lower transportation and labor costs. But we are powerless to do any more against the timber subsidies that Canada gives to our competitors, and the requirements that Canadian mills operate regardless of market conditions. These practices help their industry, but at the expense of ours.

Unfortunately, Canada has stubbornly refused to stop its unfair trade practices, even after similar rulings in 1992-93 and 1986, when the ITC found the U.S. industry was materially injured by subsidized Canadian imports. Import levels are far higher and lumber prices have been far lower than they were then.

The Coalition now looks forward to the Commerce Department's ruling on our petition. The evidence of massive subsidies and dumping is overwhelming. We're confident that once again, as it has in the past, the department will find illegal subsidies are fueling Canadian lumber imports and order appropriate remedies.

Finally, we are closely monitoring the level of imports. If unfairly traded imports continue to surge, as they apparently did in April, Commerce must find critical circumstances and impose duties retroactively.”

-USCFI-



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### **FACT SHEET: ITC RULING SUPPORTS THE U.S. LUMBER INDUSTRY**

- May 16, 2001 – The U.S. International Trade Commission, by a unanimous vote, found that there is a reasonable indication that domestic softwood lumber mills are materially injured or threatened with material injury due to subsidized and dumped lumber imports from Canada. The record in support of the ITC's decision is voluminous.
- From 1999 to 2000, U.S. softwood lumber production fell by about 700 million board feet, while Canadian production actually rose by more than 50 million board feet and imports rose by almost 90 million. The same pattern continued into 2001. The Canadian industry's claim that both U.S. and Canadian mills contributed equally to the market downturn is simply not supported by the facts.
- A partial list of mill closures compiled by Random Lengths shows 137 temporary and 29 permanent U.S. mill closures from poor market conditions since August. During the same period, there were only 4 permanent Canadian closures reported by this independent source.
- While U.S. mills fought in the first half of 2000 to maintain market share by lowering prices to match Canadian imports, prices became too low for many firms to cover costs, forcing massive U.S. mill closures, curtailments and unemployment. In the latter half of 2000, import penetration rose sharply as prices collapsed. Operating income for the U.S. industry fell dramatically into the red.
- Sound economics supports the ITC decision: Softwood lumber is a highly substitutable product. High volumes of unfairly traded Canadian lumber imports steal U.S. sales and depress domestic prices. Under these conditions, the ITC has repeatedly found that imports with even a small subsidy or dumping can have a substantial impact.
- The ITC ruling runs counter to the deeply flawed arguments of Canadian producers:
  - The Canadian industry argued that unfairly traded imports could not possibly injure the U.S. industry because, in signing the 1996 U.S.-Canada Softwood Lumber Agreement (SLA), the U.S. industry said that it would not bring an injury case during the term of the Agreement. This legal fiction that injury "did not exist" during the Agreement is inconsistent with the market reality. The statute requires the ITC to make a determination based on the facts. Further, the industry representations accompanying the SLA specifically state that they have "no force or effect" after the term of the Agreement.
- Second, Canadian producers and U.S. consumer groups argued that U.S. and Canadian softwood lumber are not substitutable and do not compete directly on price. This is baldly inaccurate:



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- This argument focused almost exclusively on Southern Yellow Pine, ignoring the other 60% of U.S. production.
- Over the past 25 years, the Canadian share of the U.S. market has increased dramatically, displacing U.S. species over time. This would have been impossible if U.S. and Canadian species were not substitutable.
- Many groups, including NAHB and NLBMDA, have repeatedly issued studies and reports that U.S. and Canadian lumber are highly substitutable, commodity products. Numerous dealers' customer information and virtually all independent industry analysts support this fact.
- Price correlation coefficients show almost perfect parallelism in Canadian and U.S. lumber prices. In fact, the correlation has increased as unfairly traded Canadian lumber has increased its share of the U.S. market.
- Finally, Canadian producers argued that the increase in Canadian market share was too small to be responsible for the sharp drop in price in 2000 and the domestic industry's performance during the period of investigation. This analysis ignored the quarterly changes over the past year. Moreover, as the ITC has found in numerous other cases, in a commodity market such as this, a small increase in imports can have a substantial impact on the market.
- The next step in the investigation is for the U.S. Department of Commerce to measure the subsidies and dumping. The evidence support countervailing duty and dumping margins up to 80 percent. After Commerce imposes duties, the International Trade Commission should confirm in its final analysis that the U.S. industry has been injured by the unfair trade.
- The U.S. industry has also alleged that expiration of the SLA may result in a flood of unfairly traded Canadian lumber. If this occurs, as preliminary data for April suggest, the Commerce Department should exercise its authority to impose duties retroactively based on "critical circumstances."