

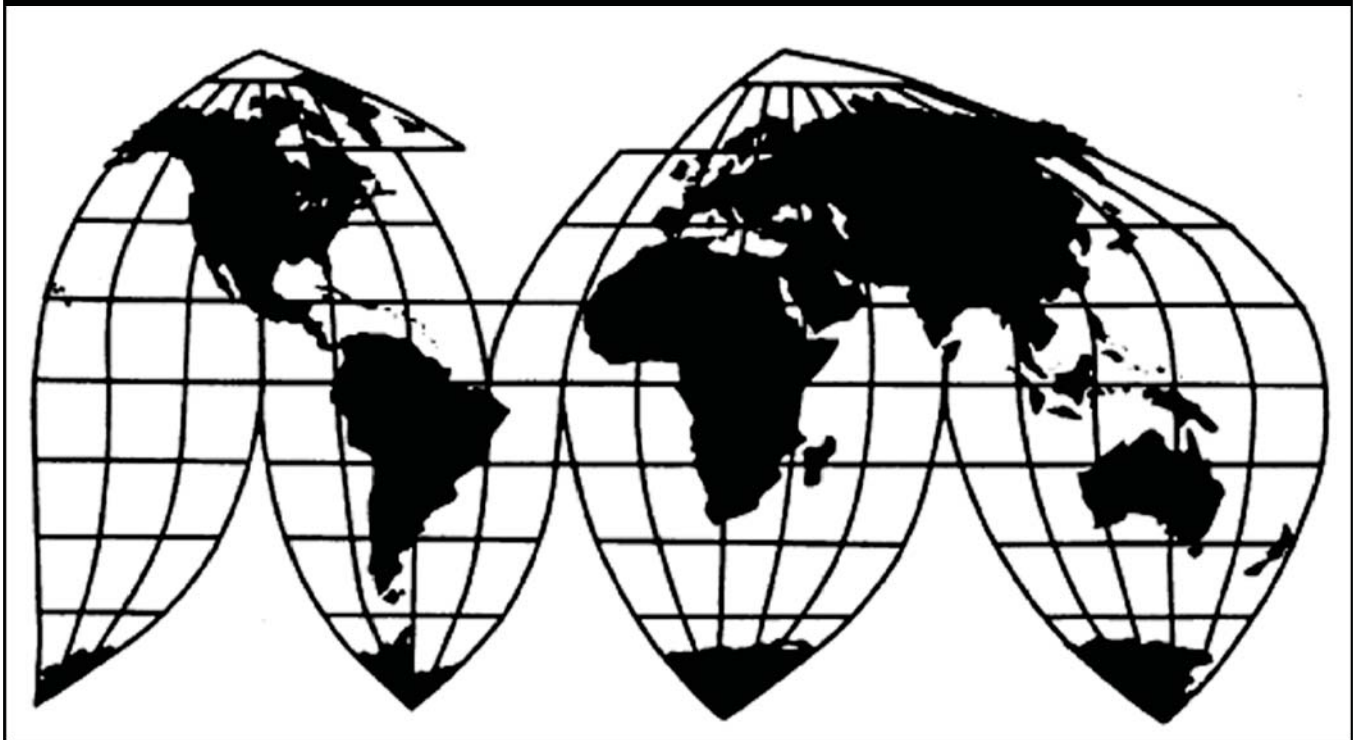
# **SOFTWOOD LUMBER PRODUCTS FROM CANADA**

Investigation Nos. 701-TA-566 and 731-TA-1342 (Final)

**Publication 4749**

**December 2017**

**U.S. International Trade Commission**



Washington, DC 20436

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# U.S. International Trade Commission

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## UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 701-TA-566 and 731-TA-1342 (Final)

Softwood Lumber Products from Canada

### DETERMINATIONS

On the basis of the record<sup>1</sup> developed in the subject investigations, the United States International Trade Commission (“Commission”) determines, pursuant to the Tariff Act of 1930 (“the Act”), that an industry in the United States is materially injured by reason of imports of softwood lumber products from Canada, provided for in subheadings 4407.10.01, 4409.10.05, 4409.10.10, 4409.10.20, 4409.10.90, 4418.90.10 of the Harmonized Tariff Schedule of the United States, that have been found by the Department of Commerce (“Commerce”) to be subsidized by the government of Canada and sold in the United States at less than fair value (“LTFV”).<sup>2</sup>

### BACKGROUND

The Commission, pursuant to sections 705(b) and 735(b) of the Act (19 U.S.C. 1671d(b) and 19 U.S.C. 1673d(b)), instituted these investigations effective November 25, 2016, following receipt of a petition filed with the Commission and Commerce by the Committee Overseeing Action for Lumber International Trade Investigations or Negotiations (“COALITION”).<sup>3</sup> The final phase of the investigations was scheduled by the Commission following notification of preliminary determinations by Commerce that imports of certain softwood lumber from Canada were subsidized within the meaning of section 703(b) of the Act (19 U.S.C. 1671b(b)) and sold at LTFV within the meaning of 733(b) of the Act (19 U.S.C. 1673b(b)). Notice of the scheduling of the final phase of the Commission’s investigations and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the

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<sup>1</sup> The record is defined in sec. 207.2(f) of the Commission’s Rules of Practice and Procedure (19 CFR 207.2(f)).

<sup>2</sup> The Commission made a negative finding concerning critical circumstances with regard to LTFV imports of this product.

<sup>3</sup> The COALITION is an ad hoc association whose members are: U.S. Lumber Coalition, Inc., Collum’s Lumber Products, L.L.C., Hankins, Inc., Potlach Corp., Rex Lumber Company, Seneca Sawmill Company, Sierra Pacific Industries, Stimson Lumber Company, Swanson Group, Weyerhaeuser Company, Carpenters Industrial Council, Giustina Land and Timber Company, Sullivan Forestry Consultants, Inc. COALITION is “an association, a majority of whose members is composed of interested parties” described in Section 771(9)(C) of the Act, 19 U.S.C. §§ 1677(9)(C).

Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* on July 13, 2017 (82 FR 32376). The hearing was held in Washington, DC, on September 12, 2017, and all persons who requested the opportunity were permitted to appear in person or by counsel.

## Views of the Commission

Based on the record in the final phase of these investigations, we determine that an industry in the United States is materially injured by reason of imports of softwood lumber from Canada found by the U.S. Department of Commerce (“Commerce”) to be sold in the United States at less than fair value and to be subsidized by the government of Canada. We also find that critical circumstances do not exist with respect to the entities exporting the subject merchandise for which Commerce made affirmative critical circumstances determinations.

### I. Background

The Committee Overseeing Action for Lumber International Trade Investigations or Negotiations (the “COALITION” or “Petitioners”), an association (a majority of whose members produce softwood lumber in the United States), filed the petitions in these investigations on November 25, 2016.<sup>1</sup> Representatives appeared at the hearing accompanied by counsel and the COALITION submitted prehearing and posthearing briefs, and final comments.

Several respondent entities participated actively in the final phase of these investigations. The government of Canada (joined by the governments of the Provinces of Alberta, British Columbia, New Brunswick, Ontario, and Quebec), the British Columbia Lumber Trade Council (an association a majority of whose members are producers or exporters of subject merchandise), and Canadian producers J.D. Irving, Ltd., Eacom Timber Corp., and Tembec, Inc. (collectively, “Joint Respondents”) appeared at the hearing and submitted prehearing and posthearing briefs and final comments.<sup>2</sup> Representatives of the National Association of Home Builders (“NAHB”) (a trade association of home builders and related industries) appeared at the hearing and filed a posthearing brief.<sup>3</sup> Counsel for Western Forest Products Inc. (a Canadian producer and U.S. importer of softwood lumber), Interfor Corporation (a U.S. and Canadian producer and U.S. importer of softwood lumber), and Downie Timber Ltd. (a Canadian producer and U.S. importer of softwood lumber) (collectively, “Cedar Respondents”) appeared at the hearing and filed prehearing and posthearing briefs and final comments. Counsel for Ontario Forest Industries Association (“OFIA”), Conseil de L’Industrie

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<sup>1</sup> The COALITION is an ad hoc association; eight of its thirteen members are U.S. producers of softwood lumber (Collum’s Lumber Products L.L.C.; Hankins, Inc.; Potlach Corp.; Rex Lumber Company; Seneca Sawmill Company; Stimson Lumber Company; Swanson Group; and Weyerhaeuser Company). Its other members include: U.S. Lumber Coalition, Inc.; Carpenters Industrial Council; Giustina Land and Timber Company; Sierra Pacific Industries; and Sullivan Forestry Consultants, Inc.

<sup>2</sup> The Alberta Softwood Lumber Trade Council, Canfor Corporation, and West Fraser Mills Ltd. support Joint Respondents’ submissions. The Governments of Canada and of the Provinces of Ontario and Quebec also support the submissions by other Canadian parties, including OFIA, CIFQ, and Resolute. Joint Respondents’ Prehearing Brief at 1; Joint Respondents’ Posthearing Brief at 1.

<sup>3</sup> NAHB also supports, adopts, and incorporates by reference the arguments made in Joint Respondents’ Posthearing Brief with respect to the analysis of volume and economic impact of subject imports. NAHB’s Posthearing Brief at 1 n.1.

Forestiere du Quebec (“CIFQ”), Resolute Forest Products Inc. (“Resolute”), and Rene Bernard Inc. (collectively, “OFIA”) appeared at the hearing and jointly filed prehearing and posthearing briefs and final comments.<sup>4</sup> Finally, counsel for a group of companies that are U.S. importers and U.S. producers of specialty softwood lumber, primarily Old-Growth Coastal Timber (“OGCT”), appeared at the hearing and jointly filed prehearing and posthearing briefs.<sup>5</sup>

U.S. industry data are based on the questionnaire responses of 49 producers, accounting for 59.0 percent of U.S. production of softwood lumber in 2016, and data from Western Wood Products Association (“WWPA”) publications.<sup>6</sup> U.S. import data are based on official Commerce import statistics and questionnaire responses from 60 U.S. importers, accounting for 79.6 percent of total imports and 82.1 percent of U.S. imports from Canada in 2016.<sup>7</sup> The Commission received responses to its questionnaires from 53 Canadian producers/exporters, accounting for approximately 81.6 percent of production of softwood lumber in Canada in 2016 and 82.4 percent of U.S. imports of softwood lumber from Canada over the January 2014 to June 2017 period of investigation (“POI”).<sup>8</sup>

## **II. Domestic Like Product**

### **A. In General**

In determining whether an industry in the United States is materially injured or threatened with material injury by reason of imports of subject merchandise, the Commission first defines the “domestic like product” and the “industry.”<sup>9</sup> Section 771(4)(A) of the Tariff Act of 1930, as amended (“the Tariff Act”), defines the relevant domestic industry as the “producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”<sup>10</sup> In turn, the Tariff Act defines “domestic like product” as “a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation.”<sup>11</sup>

The decision regarding the appropriate domestic like product in an investigation is a factual determination, and the Commission has applied the statutory standard of “like” or

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<sup>4</sup> OFIA, CIFQ, Resolute, and Rene Bernard also endorse and incorporate by reference the arguments presented in the Joint Respondents’ submissions. OFIA’s Prehearing Brief at 1 n.1; OFIA’s Posthearing Brief at 3 n.4.

<sup>5</sup> The OGCT companies include Oregon-Canadian Forest Products, Inc. (“OCFP”), Rogue Valley Door, Northwest Clearwoods, Inc., Bright Wood Corporation, Matthaeis Camco, Inc., Siskiyou Forest Products, Fred Tebb and Sons, Inc., and EMS Manufacturing.

<sup>6</sup> Confidential Report (“CR”)/Public Report (“PR”) at I-5.

<sup>7</sup> CR at I-5 and IV-1; PR at I-4 and IV-1.

<sup>8</sup> CR at VII-6; PR at VII-5.

<sup>9</sup> 19 U.S.C. § 1677(4)(A).

<sup>10</sup> 19 U.S.C. § 1677(4)(A).

<sup>11</sup> 19 U.S.C. § 1677(10).

“most similar in characteristics and uses” on a case-by-case basis.<sup>12</sup> No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.<sup>13</sup> The Commission looks for clear dividing lines among possible like products and disregards minor variations.<sup>14</sup> Although the Commission must accept Commerce’s determination as to the scope of the imported merchandise that is subsidized or sold at less than fair value,<sup>15</sup> the Commission determines what domestic product is like the imported articles Commerce has identified.<sup>16</sup>

## **B. Product Description**

Commerce defined the scope of the imported merchandise under investigation as follows:

. . . softwood lumber, siding, flooring and certain other coniferous wood (softwood lumber products). The scope includes:

- Coniferous wood, sawn, or chipped lengthwise, sliced or peeled, whether or not planed, whether or not sanded, or whether or not

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<sup>12</sup> See, e.g., *Cleo Inc. v. United States*, 501 F.3d 1291, 1299 (Fed. Cir. 2007); *NEC Corp. v. Department of Commerce*, 36 F. Supp. 2d 380, 383 (Ct. Int’l Trade 1998); *Nippon Steel Corp. v. United States*, 19 CIT 450, 455 (1995); *Torrington Co. v. United States*, 747 F. Supp. 744, 749 n.3 (Ct. Int’l Trade 1990), *aff’d*, 938 F.2d 1278 (Fed. Cir. 1991) (“every like product determination ‘must be made on the particular record at issue’ and the ‘unique facts of each case’”). The Commission generally considers a number of factors, including the following: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) price. See *Nippon*, 19 CIT at 455 n.4; *Timken Co. v. United States*, 913 F. Supp. 580, 584 (Ct. Int’l Trade 1996).

<sup>13</sup> See, e.g., S. Rep. No. 96-249 at 90-91 (1979).

<sup>14</sup> *Nippon*, 19 CIT at 455; *Torrington*, 747 F. Supp. at 748-49; see also S. Rep. No. 96-249 at 90-91 (Congress has indicated that the like product standard should not be interpreted in “such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not ‘like’ each other, nor should the definition of ‘like product’ be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.”).

<sup>15</sup> See, e.g., *USEC, Inc. v. United States*, 34 Fed. Appx. 725, 730 (Fed. Cir. 2002) (“The ITC may not modify the class or kind of imported merchandise examined by Commerce.”); *Algoma Steel Corp. v. United States*, 688 F. Supp. 639, 644 (Ct. Int’l Trade 1988), *aff’d*, 865 F.3d 240 (Fed. Cir.), *cert. denied*, 492 U.S. 919 (1989).

<sup>16</sup> *Hosiden Corp. v. Advanced Display Mfrs.*, 85 F.3d 1561, 1568 (Fed. Cir. 1996) (the Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); *Cleo*, 501 F.3d at 1298 n.1 (“Commerce’s {scope} finding does not control the Commission’s {like product} determination.”); *Torrington*, 747 F. Supp. at 748-52 (affirming the Commission’s determination defining six like products in investigations in which Commerce found five classes or kinds).

finger-jointed, of an actual thickness exceeding six millimeters.

- Coniferous wood siding, flooring, and other coniferous wood (other than moldings and dowel rods), including strips and friezes for parquet flooring, that is continuously shaped (including, but not limited to, tongued, grooved, rebated, chamfered, V- jointed, beaded, molded, rounded) along any of its edges, ends, or faces, whether or not planed, whether or not sanded, or whether or not end-jointed.
- Coniferous drilled and notched lumber and angle cut lumber.
- Coniferous lumber stacked on edge and fastened together with nails, whether or not with plywood sheathing.
- Components or parts of semi-finished or unassembled finished products made from subject merchandise that would otherwise meet the definition of the scope above.
- Finished products are not covered by the scope of this investigation. For the purposes of this scope, finished products contain, or are comprised of, subject merchandise and have undergone sufficient processing such that they can no longer be considered intermediate products, and such products can be readily differentiated from merchandise subject to this investigation at the time of importation. Such differentiation may, for example, be shown through marks of special adaptation as a particular product. The following products are illustrative of the type of merchandise that is considered “finished,” for the purpose of this scope: I-joists; assembled pallets; cutting boards; assembled picture frames; garage doors.

The following items are excluded from the scope of this investigation:

- Softwood lumber products certified by the Atlantic Lumber Board as being first produced in the Provinces of Newfoundland and Labrador, Nova Scotia, or Prince Edward Island from logs harvested in Newfoundland and Labrador, Nova Scotia, or Prince Edward Island.
- U.S.-origin lumber shipped to Canada for processing and imported into the United States is excluded from the scope of the investigations if the processing occurring in Canada is limited to one or more of the following: (1) Kiln drying; (2) planing to create smooth-to-size board; or (3) sanding.
- Box-spring frame kits are excluded if they contain the following wooden pieces—two side rails, two end (or top) rails and varying

numbers of slats. The side rails and the end rails must be radius-cut at both ends. The kits must be individually packaged and must contain the exact number of wooden components needed to make a particular box spring frame, with no further processing required. None of the components exceeds 1" in actual thickness or 83" in length.

- Radius-cut box-spring-frame components, not exceeding 1" in actual thickness or 83" in length, ready for assembly without further processing are excluded. The radius cuts must be present on both ends of the boards and must be substantially cut so as to completely round one corner.

Softwood lumber product imports are generally entered under Chapter 44 of the Harmonized Tariff Schedule of the United States (HTSUS). This chapter of the HTSUS covers "Wood and articles of wood." Softwood lumber products that are subject to this investigation are currently classifiable under the following ten-digit HTSUS subheadings in Chapter 44: 4407.10.01.01; 4407.10.01.02; 4407.10.01.15; 4407.10.01.16; 4407.10.01.17; 4407.10.01.18; 4407.10.01.19; 4407.10.01.20; 4407.10.01.42; 4407.10.01.43; 4407.10.01.44; 4407.10.01.45; 4407.10.01.46; 4407.10.01.47; 4407.10.01.48; 4407.10.01.49; 4407.10.01.52; 4407.10.01.53; 4407.10.01.54; 4407.10.01.55; 4407.10.01.56; 4407.10.01.57; 4407.10.01.58; 4407.10.01.59; 4407.10.01.64; 4407.10.01.65; 4407.10.01.66; 4407.10.01.67; 4407.10.01.68; 4407.10.01.69; 4407.10.01.74; 4407.10.01.75; 4407.10.01.76; 4407.10.01.77; 4407.10.01.82; 4407.10.01.83; 4407.10.01.92; 4407.10.01.93; 4409.10.05.00; 4409.10.10.20; 4409.10.10.40; 4409.10.10.60; 4409.10.10.80; 4409.10.20.00; 4409.10.90.20; 4409.10.90.40; and 4418.99.10.00.

Subject merchandise as described above might be identified on entry documentation as stringers, square cut box-spring-frame components, fence pickets, truss components, pallet components, flooring, and door and window frame parts. Items so identified might be entered under the following ten-digit HTSUS subheadings in Chapter 44: 4415.20.40.00; 4415.20.80.00; 4418.99.90.05; 4418.99.90.20; 4418.99.90.40; 4418.99.90.95; 4421.91.70.40; and 4421.91.97.80.

Although these HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this investigation is dispositive.<sup>17</sup>

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<sup>17</sup> Certain Softwood Lumber Products from Canada: Final Affirmative Determination of Sales at Less Than Fair Value and Affirmative Final Determination of Critical Circumstances, 82 Fed. Reg. 51806, 51809 (November 8, 2017); Certain Softwood Lumber Products from Canada: Final Affirmative (Continued...)

### C. Arguments of the Parties

Petitioners maintain that there is no new evidence on the record of the final phase of these investigations that would warrant a reconsideration of the Commission's findings in the preliminary determinations or prior investigations that all softwood lumber constitutes a single domestic like product. They contend that the argument for a cedar/redwood group to be treated as a separate like product is based on prior arguments, rejected by the Commission, that Western Red Cedar ("WRC") should be a separate like product. They contend the argument also is without merit because, although there are differences in lumber species at the extreme ends of the range of softwood lumber products, these differences do not create a clear dividing line. Consequently, they argue that the domestic like product should be defined coextensively with the scope as all softwood lumber.<sup>18</sup>

Respondents raised in the final phase a new domestic like product argument, pertaining to a group of species of softwood lumber, cedar/redwood. This argument is a variation on the argument regarding WRC addressed in the preliminary determinations and prior softwood lumber investigations. Respondents assert two additional arguments they also raised in the preliminary phase. These concern Eastern White Pine ("EWP") and bed frame components.<sup>19</sup>

Cedar Respondents argue that cedar/redwood is a separate domestic like product from the other softwood lumber products. They contend that cedar/redwood has distinct physical characteristics that make it uniquely suitable for certain end uses, is not interchangeable with structural softwood lumber, is sold primarily through distinct wholesalers, is perceived as a distinct premium product, requires specialized equipment and lower yield production, and is sold at higher prices.<sup>20</sup>

The OFIA group relies primarily on the same evidence discussed in the preliminary determinations to argue that EWP and bed frame components each constitute a separate and distinct like product from softwood lumber.<sup>21 22</sup>

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(...Continued)

Countervailing Duty Determination, and Final Negative Determination of Critical Circumstances, 82 Fed. Reg. 51814, 51817 (November 8, 2017).

<sup>18</sup> Petitioners' Posthearing Brief at A-58-80 and C-79-101.

<sup>19</sup> Joint Respondents indicated that the Commission "should recognize the distinct characteristics of Cedar/Redwood, Eastern White Pine, and bed frame components, and treat these as separate like products for which independent determinations are warranted." Joint Respondents' Posthearing Brief, Appendix A at A- 95.

<sup>20</sup> Cedar Respondents' Prehearing Brief at 12-37.

<sup>21</sup> OFIA's Prehearing Brief at 13-29; OFIA's Posthearing Brief at 11. In its posthearing brief, OFIA broadens its argument for the first time to claim that the Commission should consider "a clear dividing line between framing (or construction) lumber . . . and smooth, knot-free appearance grade lumber that will not bear a load and is too expensive and valuable to hide behind a wall." OFIA's Posthearing Brief at 12-14. OFIA did not raise this argument in sufficient time for the Commission to collect separate data on this product. See 19 C.F.R. § 207.20(b). Moreover, OFIA did not purport to define what constitutes appearance grade products. We consequently do not discuss this argument further.



#### D. Domestic Like Product Analysis

Based on the record, we define a single domestic like product consisting of softwood lumber.<sup>23</sup>

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(...Continued)

<sup>22</sup> While OGCT Respondents contend that OGCT should be a separate domestic like product, this issue focuses mostly on premium subject imports from Canada that may not be produced in the United States. OGCT Respondents' Prehearing Brief at 5-11; OGCT Respondents' Posthearing Brief at 3-7. They define OGCT as "a narrowly-circumscribed segment of {fine-grain} Douglas Fir, Hemlock, and Western Red Cedar defined by specie, size and grade that are commercially harvested from Vancouver Island and from the Coastal Regions of British Columbia." OGCT Respondents' Prehearing Brief at 7-8. In their prehearing brief, they also noted that "no record evidence exists in this proceeding to demonstrate that any commercially significant production of Old-Growth Coastal Timber exists in the United States." *Id.* at 4 and 12. However, OGCT Respondents indicated at the hearing and in their posthearing brief that All-Coast Forest Products and Herbert Lumber Company ("Herbert") opposed their scope exclusion request in the Commerce proceeding on the grounds that they and others domestically produce OGCT in the United States. OGCT Respondents' Posthearing Brief at 8 (Herbert opposition letter states, "Fine grained timber of the Douglas Fir species is produced by Herbert Lumber in Riddle, Oregon and it is our understanding that there are other U.S. companies producing high grade clears in Hemlock, Douglas Fir and Western Red Cedar."). While OGCT Respondents claim that this opposition to their exclusion request indicates that a domestic OGCT industry exists, the opposition letter to Commerce from Herbert also indicates that "there are several bases for concern about circumvention engendered by through this exclusion." OGCT Respondents' Posthearing Brief, Exhibit 3 at 2. In addition, OGCT Respondents indicate that U.S. domestic production is constrained by U.S. environmental laws and that they only had knowledge of former purchases of OGCT from Herbert in very small quantities. *Id.* at 2, 8-9, Exhibit 1 at 2, and Exhibit 2 at 2. Cedar Respondents point out that no party requested that the Commission collect separate like product data regarding OGCT when commenting on draft questionnaires and that there seems to be some ambiguity as to the definition of OGCT and whether there is U.S. production of OGCT. They argue that, to the extent there is U.S. production, the Commission should not conflate OGCT with cedar/redwood, despite cedar apparently being included in the proposed definition by OGCT Respondents. Cedar Respondents' Posthearing Brief, Appendix I at 9-10.

OGCT Respondents made their arguments for the first time in their prehearing brief, did not seek data collection for their proposed like product in comments on the draft questionnaires, and have provided an ambiguous definition with mixed statements about whether a domestic industry exists and what it produces. We decline to consider these arguments as they are both untimely and do not provide a sufficiently specific basis for data collection. *See Finished Carbon Steel Flanges from Spain, Inv. No. 731-TA-1333 (Final), USITC Pub. 4696 at 7-8 (June 2017)*. In any event, the record on this point does not support finding a "clear dividing line" for OGCT, and similar considerations that support not finding cedar/redwood or EWP to be separate domestic like products also pertain to OGCT.

<sup>23</sup> The Commission must base its domestic like product determination on the record in these investigations, and it is not bound by prior determinations pertaining even to the same imported products. *Nippon Steel Corp. v. United States*, 19 CIT 450, 455 (1995); *Asociacion Colombiana de Exportadores de Flores v. United States*, 693 F. Supp. 1165, 1169 n.5 (Ct. Int'l Trade 1988); *Citrosuco Paulista, S.A. v. United States*, 704 F. Supp. 1075, 1087-88 (Ct. Int'l Trade 1988). We nevertheless find the Commission's prior like product findings useful in our analysis in these investigations. We have relied on some information from the record of the prior investigations when the current record does not (Continued...)

## 1. Cedar/Redwood

In considering like product arguments concerning a specific type of cedar, WRC, in the preliminary phase of these investigations and in *Lumber IV*, the Commission found that there were both similarities and differences between WRC and other softwood lumber products in terms of physical characteristics and uses; similarities in terms of interchangeability, manufacturing facilities, production processes, and employees, and channels of distribution; and differences in terms of customer and producer perceptions and price.<sup>24</sup> The Commission found that the differences did not provide a clear dividing line between WRC and other species of softwood lumber and did not outweigh the similarities. As explained below, much of the analysis for WRC in the preliminary phase of these investigations also holds true for the broader cedar/redwood product grouping at issue here.

Redwood grows in the coastal northwestern United States, from southwestern Oregon to central California. Cedar grows on the northwest and northeastern coasts of North America. There are several types of cedar (WRC, Port Orford, Northern White, Alaskan Yellow, and others) that are known to grow in specific areas.<sup>25</sup> Cedar/redwood accounts for about one percent of total reported domestic softwood lumber production.<sup>26</sup>

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(...Continued)

contain more recent information or indicate that such information is no longer correct. In the preliminary phase of these investigations and in each of the four prior investigations (three countervailing duty and one antidumping duty/countervailing duty) of softwood lumber from Canada, the Commission found one domestic like product consisting of softwood lumber, notwithstanding the fact that softwood lumber varies based upon characteristics such as species, size, shape, stage of manufacture, moisture content, and grade, and the fact that not all softwood lumber is suitable for all uses. *Softwood Lumber from Canada*, Inv. No. 701-TA-197 (Prelim.), USITC Pub. 1320 at 4-5 (Nov. 1982) (“*Lumber I*”); *Softwood Lumber from Canada*, Inv. No. 701-TA-274 (Prelim.), USITC Pub. 1874 at 5-7 (July 1986) (“*Lumber II*”); *Softwood Lumber from Canada*, Inv. No. 701-TA-312 (Final), USITC Pub. 2530 at 5-11 (July 1992) (“*Lumber III*”); *Softwood Lumber from Canada*, Inv. Nos. 701-TA-414 and 731-TA-928 (Final), USITC Pub. 3509 at 6-12 (May 2002) (“*Lumber IV*”). In *Lumber III*, the Commission considered and rejected arguments raised by certain parties that remanufactured products (and in particular wooden bed frame components) were a separate domestic like product. In *Lumber IV*, the Commission considered and rejected arguments raised by certain parties that WRC, white pine, or remanufactured products (and in particular wooden bed frame components and flangestock) were separate domestic like products, and found that there was a single domestic like product that was coextensive with the scope of investigation. USITC Pub. 3509 at 6-12 (May 2002).

<sup>24</sup> USITC Pub. 4663 at 12-14; USITC Pub. 3509 at 6-8.

<sup>25</sup> For example, Port Orford cedar grows in the Pacific Northwest of the United States. WRC grows in the United States in the coastal and interior forests of Washington, Idaho, and Montana, as well as in parts of Alaska, Oregon, and California, and in Canada in British Columbia. CR at I-33; PR at I-29.

<sup>26</sup> CR at I-33; PR at I-29.

*Physical Characteristics and Uses.* Cedar/redwood has several physical characteristics that may distinguish types of cedars and redwood from each other<sup>27</sup> as well as from all other softwood lumber products. These include coloring; fragrance; high heartwood to sapwood ratio (which enables cedar/redwood to withstand harsh weather conditions and insulate well); natural toxicity to decay-causing fungi; natural resistance to insect attack; hygroscopic nature (which gives cedar/redwood a low shrinkage factor, more dimensional stability, and lower likelihood of warping, twisting, checking, swelling, or cracking); and light weight.<sup>28</sup>

Cedar/redwood lumber generally is not used as a framing lumber in general construction, in contrast to other softwood lumber products, and generally is viewed as having a superior appearance, making it suitable for a variety of non-structural uses.<sup>29</sup> Because the end uses for appearance lumber, including cedar/redwood, often do not involve its strength, the grading process is different for appearance grade lumber than for other softwood lumber used for more standard/structural applications, which are generally graded on characteristics such as strength, durability, utility, and/or appearance.<sup>30</sup> Nevertheless, many softwood lumber species also have higher-end appearance grades in addition to lower structural/strength grades.<sup>31</sup>

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<sup>27</sup> For example, redwood typically differs from cedar in color, grain, and appearance, but is similar with respect to durability and maintenance. Redwood has a reddish-brown hue whereas cedar has a yellow tone which can vary by type of cedar. Redwood that is harvested from old growth trees has fewer knots and typically is smoother than cedar. CR at I-34; PR at I-30.

<sup>28</sup> CR at I-33; PR at I-29; *see also* Cedar Respondents' Prehearing Brief at 13-14 ("In contrast to other softwood lumber products, which must be treated with (often toxic) chemicals to extend their useful life, Cedar/Redwood is an inherently durable group of lumber and is resistant to decay and infestation because of naturally occurring extractives and a high heartwood to sapwood ratio."); Cedar Respondents' Posthearing Brief at 7 ("Cedar/Redwood is the only product group that possesses this unique combination of pleasant aesthetics and natural durability. Neither "old growth" douglas fir and hemlock nor Eastern White Pine share these characteristics and do not fall within the category of naturally durable Cedar/Redwood."); Petitioners' Posthearing Brief at A-61-69, C-82-90.

<sup>29</sup> These include shakes, shingles, siding, clapboards, paneling, shutters, fencing components, arbors, trellises, benches, planter boxes, bird houses, hot tub skirts, playground equipment, agricultural stakes, lawn furniture, gazebos, exterior trim, indoor paneling, specialty window treatments, and other applications where appearance is emphasized. CR at I-34 n.68; PR at I-25 n.68.

<sup>30</sup> CR at I-34; PR at I-25. Cedar Respondents note that there are separate grading rules for different species within the cedar/redwood category, such as WRC and redwood. Cedar Respondents' Prehearing Brief at 16-17.

<sup>31</sup> For example, southern yellow pine in grades No. 1 Prime and No. 2 Prime are "recommended where appearance and strength are prime considerations . . . with appearance-limiting factors, such as knots, largely excluded." Petitioners' Posthearing Brief at A-65, C-86 and Exhibit 50, *quoting Pressure-Treated Southern Yellow Pine* in American Softwoods (2015). Other dimensional lumber such as spruce-pine-fir and Douglas-Fir also have higher-end appearance grades in addition to standard grades; EWP is produced in several appearance-oriented grades in addition to its standard and industrial grades; ponderosa pine and sugar pine also are produced in appearance grades as are cedar/redwood. Petitioners' Posthearing Brief at A-65 and C-86.

The end uses for cedar/redwood tend to be high-end exterior applications and specialty products.<sup>32</sup> However, the evidence in the record demonstrates that other species of softwood lumber (including southern yellow pine (“SYP”), spruce-pine-fir (“SPF”), Douglas Fir, Hem Fir, and EWP) are used in some of the same applications (including structural applications) as cedar/redwood, such as fencing, decks and deck structures, and siding.<sup>33</sup>

*Interchangeability.* While Cedar Respondents contend that there is no interchangeability between cedar/redwood and other softwood lumber,<sup>34</sup> the record demonstrates other species of softwood lumber are used for the same applications (primarily decks, fencing, and siding) as cedar/redwood.<sup>35</sup> For example, the majority of purchasers reported in questionnaire responses that for fencing they were willing to frequently or sometimes use or substitute species, including cedar/redwood, SPF, SYP, Hem Fir, and Douglas Fir.<sup>36</sup> Similarly, for decks and deck structures, the majority of purchasers reported that they were frequently or sometimes willing to use or substitute cedar/redwood, SYP, Douglas Fir, and Hem Fir.<sup>37</sup> Nonetheless, we recognize that customer preferences may limit actual substitution between cedar/redwood and other species of softwood lumber.<sup>38 39</sup>

*Channels of Distribution.* Cedar Respondents contend that cedar/redwood is sold through distinct and specialized channels of distribution – primarily wholesalers that specialize in cedar/redwood products because of the level of special care needed to handle and sell it.<sup>40</sup> However, the information from questionnaire responses in these investigations indicates that there is a substantial overlap in channels of distribution for cedar/redwood and other softwood lumber products. About one-half of cedar/redwood and one-third of all other softwood lumber

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<sup>32</sup> Cedar Respondents’ Prehearing Brief at 14-16. For certain applications, cedar/redwood also may compete with composites, tropical hardwoods, and other non-softwood substitutes. Cedar Respondents’ Posthearing Brief at 9.

<sup>33</sup> CR at I-34 and Table II-9; PR at I-25 and Table II-9.

<sup>34</sup> Cedar Respondents’ Posthearing Brief at 8-11.

<sup>35</sup> Petitioners’ Posthearing Brief at A-66-68 and C-87-89. Moreover, Cedar Respondents acknowledged the interchangeability in quoting the following comments by a purchaser: As \*\*\* explained,\*\*\*. Cedar Respondents’ Prehearing Brief at 20.

<sup>36</sup> CR/PR at Table II-9.

<sup>37</sup> CR/PR at Table II-9.

<sup>38</sup> CR/PR at Table I-5.

<sup>39</sup> \*\*\* provided a detailed description of the \*\*\*: There is much diversity in terms of quality and suitable applications within the cedar/redwood lumber category . . . hence there are product groups within the redwood/cedar category that are more or less comparable to other softwoods. And among the other softwoods (Douglas Fir, Hem-Fir, etc.) certain species and grades are better substitutes for redwood and cedars in certain applications than others. For example, clear second-growth Douglas Fir produced in U.S. mills and fashioned into fascia or siding products make a very imperfect substitute for like products produced out of old-growth cedar products from B.C., but are an adequate substitute for the same products made out of second-growth redwood and cedars from U.S. forests. In other words, second-growth redwood and cedars produced in the U.S. are vastly inferior in terms of valued characteristics like durability, dimensional stability, ease of machining, etc. \*\*\* U.S. Producer Questionnaire Response at V-1a, V-1b.

<sup>40</sup> Cedar Respondents’ Prehearing Brief at 21-24.

were sold through distributors.<sup>41</sup> Therefore, the overlap in marketing channels for domestically produced cedar/redwood lumber and softwood lumber supports a finding that there is marketing through similar channels of distribution.

*Producer and Customer Perceptions.* The evidence suggests that customers and producers distinguish cedar/redwood from most other softwood structural lumber products due to its appearance, physical characteristics, and higher price.<sup>42</sup> Customers and producers generally perceive cedar/redwood as a high-end specialty product.<sup>43</sup> However, the evidence also shows that other premium products are similarly perceived as different than standard softwood lumber. Additionally, treated SYP, SPF, and Douglas Fir are considered by many customers as non-premium alternatives to cedar/redwood for decking and fencing applications.<sup>44</sup>

*Manufacturing Facilities, Production Processes, and Employees.* While there is some evidence in the record that the production process for premium softwood lumber products (including but not limited to cedar/redwood) is more labor-intensive than that used for structural softwood lumber, the processes are mostly the same.<sup>45</sup> Of the fifteen U.S. producers reporting that they produced cedar/redwood in the final phase of these investigations, most of them use the same or much of the same production facilities, equipment, and employees when processing cedar/redwood lumber and other softwood lumber.<sup>46</sup>

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<sup>41</sup> CR/PR at Table I-6. In 2016, \*\*\* percent of cedar/redwood was sold through distributors, \*\*\* percent was sold through retailers, and \*\*\* percent was sold by other categories. In 2016, \*\*\* percent of other softwood lumber was sold through distributors, \*\*\* percent was sold through retailers, and \*\*\* percent was sold by other categories. *Id.* In addition, market participants considered the channels of distribution for cedar/redwood to be fully, mostly, or somewhat comparable to those for other softwood lumber. This includes 13 of 17 U.S. producers, 12 of 19 U.S. importers, and 18 of 25 U.S. purchasers. CR/PR at Table I-5.

<sup>42</sup> CR at I-35-36; PR at I-25-26. Most responding U.S. importers and U.S. purchasers considered the market perceptions for cedar/redwood not to be comparable to those for other softwood lumber. This includes 12 of 18 U.S. importers and 17 of 26 U.S. purchasers; additionally, six of 16 U.S. producers considered market perceptions not to be comparable. CR/PR at Table I-5. *See also* Cedar Respondents' Prehearing Brief at 27-32.

<sup>43</sup> Cedar Respondents contend that the difference in perception also explains why customers are willing to pay a significant premium for cedar/redwood compared to structural softwood lumber. Cedar Respondents' Prehearing Brief at 27-28.

<sup>44</sup> CR/PR at Table II-9.

<sup>45</sup> *See* Petitioners' Posthearing Brief at A-76 ("\*\*\* reported that '\*\*\*'"); Cedar Respondents' Posthearing Brief at 11 ("Although, Cedar/Redwood and other softwood lumber can sometimes be processed using the same machinery, the heightened focus on extracting value is what sets Cedar/Redwood production apart."); Cedar Respondents' Prehearing Brief at 27 ("there can be some overlap in production of lower-end cedar and other softwood lumber products, where the same production lines can be used, but such mixing of cedar and non-cedar production is specific to those limited products").

<sup>46</sup> CR at I-38; PR at I-28.

*Price.* Cedar/redwood lumber is sold at a premium and has somewhat different price trends than most other softwood lumber products.<sup>47</sup> However, other softwood lumber products (such as EWP and old-growth Douglas Fir) also sell at the higher end of the price spectrum.<sup>48</sup>

*Conclusion.* The factual information in the record, as discussed above, lends some support to the arguments that cedar/redwood have unique characteristics. However, Congress has directed the Commission to look for “clear dividing lines among possible like products” and further stated that “\*\*\* the requirement that a product be ‘like’ the imported article should not be interpreted in such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not ‘like’ each other ....”<sup>49</sup> We therefore must consider at what point differences in species (or groups of species) are sufficient to justify defining different domestic like products, and whether softwood lumber comprises a range of products.

While there are some characteristics unique to cedar/redwood, every softwood lumber species has unique characteristics and cedar/redwood are not the only species of softwood lumber that are priced on appearance or for which the grading system is not based on strength. In sum, while there are both similarities and differences between cedar/redwood lumber and other softwood lumber in terms of physical characteristics and uses, there are similarities in terms of interchangeability, manufacturing facilities, production processes and employees, and channels of distribution. The differences, primarily in customer and producer perceptions or preferences and price, do not in our view appear to provide a clear dividing line between cedar/redwood and other species of softwood lumber. Thus, we do not define cedar/redwood as a separate domestic like product from other types of softwood lumber.

## 2. EWP

In the preliminary determinations, the Commission considered arguments raised by the OFIA group that it should define EWP as a separate domestic like product.<sup>50</sup> The Commission found that, while there were both similarities and differences between EWP lumber and other species of softwood lumber in terms of physical characteristics and uses, there were similarities

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<sup>47</sup> CR at I-38 and Table V-7; PR at I-28 and Table V-7. The average unit values of cedar/redwood lumber shipments from 2014 to 2016 were \$772-862 per mbf compared with \$365-391 mbf for all other softwood lumber shipments. CR at I-38; PR at I-28.

<sup>48</sup> See Petitioners’ Posthearing Brief at A-79 n. 210 and C-100 n. 317. Moreover, \*\*\* indicated: This is not a simple comparison between cedar/redwood and all other softwood lumber. Fine grain, old-growth Western Red Cedar, Redwood, Douglas Fir and Hemlock is more expensive than second growth products in the same species. The prices of old-growth fiber across species are more comparable – irregardless \*\*\* whether cedar, redwood or other softwoods – than a price comparison between second growth cedar and old-growth Douglas Fir, for example. \*\*\* U.S. Producer Questionnaire Response at V-1f.

<sup>49</sup> S. Rep. No. 249, 96<sup>th</sup> Cong., 1<sup>st</sup> Sess. 90-91 (1979).

<sup>50</sup> USITC Pub. 4663 at 12-14. In *Lumber IV*, a similar argument regarding the broader product group of white pine had been raised and rejected by the Commission. USITC Pub. 3509 at 8-9.

in terms of interchangeability, manufacturing facilities, production processes and employees, and channels of distribution. The differences, primarily in customer and producer perceptions or preferences and price, did not provide a clear dividing line between EWP and other species of softwood lumber.<sup>51</sup> Thus, the Commission did not define EWP as a separate domestic like product from other types of softwood lumber.<sup>52</sup>

The record in the final phase of these investigations does not contain any new information concerning the domestic like product factors to suggest that modification of the analysis in the preliminary determinations is warranted.<sup>53</sup> OFIA offers much of the same information and arguments that it raised in the preliminary phase regarding EWP and in *Lumber IV* regarding white pine for the basis that the more narrowly defined EWP should be defined as a separate domestic like product.<sup>54</sup> However, the U.S. Department of Agriculture's ("USDA") *Wood Handbook* states that a large share of second-growth lower grades of EWP is used for structural lumber, as are other types of softwood lumber.<sup>55</sup> Therefore, for the reasons set forth in our preliminary determinations, and because no party has provided information sufficient to support a different result in the final phase of these investigations, we do not define EWP as a separate domestic like product from other types of softwood lumber.<sup>56</sup>

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<sup>51</sup> The Commission recognized that EWP was not the only type of white pine produced in the United States. There also are Western pines (e.g., Idaho white pine and ponderosa pine). USITC Pub. 4663 at 14 n.77. OFIA's response to a request to address any differences between EWP and other appearance-grade pines, such as Western pines, was that EWP and Western white pines are sold in distinct geographic markets. *Id.*

<sup>52</sup> USITC Pub. 4663 at 14.

<sup>53</sup> See generally CR at I-39-42; PR at I-28-30.

<sup>54</sup> OFIA also argues that the Commission erred when it indicated that for some applications EWP is interchangeable with Western pines and spruce. OFIA's Prehearing Brief at 15-16. However, in noting that its argument focused on the EWP product produced by its clients, and not Western pines, OFIA states "should the Commission decide that minor overlaps between EWP and the Western pines are important enough for EWP and the Western pines to be considered together, a consideration of all of the below factors would demonstrate a clear dividing line between non-structural appearance-graded species (EWP and the Western pines) and softwood lumber that is used overwhelmingly for structural applications." *Id.* at 13 n.42. As noted above, OFIA also argues for a separate appearance grade domestic like product, but neither sought data collection on this basis in a timely manner nor specified what is encompassed by "appearance grade" lumber. OFIA's Posthearing Brief at 12-13.

<sup>55</sup> CR at I-41; PR at I-29-30. EWP, similar to other species of softwood lumber, includes appearance-oriented, standard, and industrial grades, which can be substituted for the same end use. *Id.*; Petitioners' Posthearing Brief at A-65- 69, C-86-90, and Exhibit 2 (USDA, *Wood Handbook: Wood as an Engineering Manual*, 2010 ("Practically all eastern white pine is converted into lumber, which is used in a great variety of ways. A large proportion, mostly second-growth knotty wood or lower grades, is used for structural lumber. High-grade lumber is used for patterns. Other important uses are sashes, doors, furniture, interior woodwork, knotty paneling, caskets, shade and map rollers, and toys.")).

<sup>56</sup> OFIA offers much of the same information and arguments that it raised in the preliminary phase and in *Lumber IV* for the basis that all bed frame components, whether square end-cut or radius end-cut, should be defined as a separate domestic like product. See OFIA's Prehearing Brief at 23-29; OFIA's Posthearing Brief at 11. In the preliminary determinations, the Commission found that, while bed (Continued...)

Based on the record, we define a single domestic like product consisting of softwood lumber that is coextensive with the scope.

### III. Domestic Industry and Related Parties

The domestic industry is defined as the domestic “producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”<sup>57</sup> In defining the domestic industry, the Commission’s general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.

We must determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to section 771(4)(B) of the Tariff Act. This provision allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise or which are themselves importers.<sup>58</sup> Exclusion of such a producer is within the Commission’s discretion based upon the facts presented in each investigation.<sup>59</sup>

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(...Continued)

frame components may have some distinctions in use, physical characteristics, and perceptions from softwood lumber as a whole, these distinctions are not unique from other further processed softwood lumber products. It noted that remanufacturing is not a product but a process, which involves products made from lumber rather than logs, and that there were practical problems in attempting to collect data on such products. It found that bed frame components were not a separate domestic like product. USITC Pub. 4663 at 15-16. OFIA’s argument is similar to arguments raised in both *Lumber III* and *Lumber IV*; in those investigations, the Commission determined that specific products, such as bed frame components or flangestock, as well as all remanufactured products were not separate domestic like products. See USITC Pub. 3426 at 10-12; USITC Pub. 3509 at 14-15.

The record in the final phase of these investigations does not contain any new information concerning the domestic like product factors to suggest that modification of the analysis in the preliminary determinations is warranted. Moreover, OFIA has not attempted to address how the Commission could collect data for its proposed bed frame like product. Therefore, for the reasons set forth in the Commission’s preliminary determinations, and because no party has provided information sufficient to support a different result in the final phase of these investigations, we do not define bed frame components as a separate domestic like product, but rather find that square-end bed frames within the scope of investigation are part of a range of softwood lumber products defined as a single domestic like product.

<sup>57</sup> 19 U.S.C. § 1677(4)(A).

<sup>58</sup> See *Torrington Co. v. United States*, 790 F. Supp. 1161, 1168 (Ct. Int’l Trade 1992), *aff’d without opinion*, 991 F.2d 809 (Fed. Cir. 1993); *Sandvik AB v. United States*, 721 F. Supp. 1322, 1331-32 (Ct. Int’l Trade 1989), *aff’d mem.*, 904 F.2d 46 (Fed. Cir. 1990); *Empire Plow Co. v. United States*, 675 F. Supp. 1348, 1352 (Ct. Int’l Trade 1987).

<sup>59</sup> The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party include the following:

(1) the percentage of domestic production attributable to the importing producer;

(Continued...)



The record in the final phase indicates that seven domestic producers are affiliated with a subject exporter and/or imported subject merchandise into the United States during the POI.<sup>60</sup> These seven domestic producers -- \*\*\* -- are related parties that are subject to exclusion from the definition of the domestic industry under appropriate circumstances.<sup>61</sup>

\*\*\*. We find that the principal interest for these related parties<sup>62</sup> is in domestic production. While the ratio of subject imports to domestic production varied among these U.S. producers, it never exceeded 70 percent on an annual basis,<sup>63</sup> and there is no indication that their imports shielded these four domestic producers from subject imports to any significant degree.<sup>64</sup> In 2016, \*\*\* accounted for a significant share -- \*\*\*, respectively -- of domestic production.<sup>65</sup> \*\*\* are relatively very small U.S. producers, each accounting for \*\*\* of domestic production in 2016.<sup>66</sup> \*\*\* the petitions; \*\*\*.<sup>67</sup> No party has argued that these four domestic

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(...Continued)

(2) the reason the U.S. producer has decided to import the product subject to investigation (whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market);

(3) whether inclusion or exclusion of the related party will skew the data for the rest of the industry;

(4) the ratio of import shipments to U.S. production for the imported product; and

(5) whether the primary interest of the importing producer lies in domestic production or importation. *Changzhou Trina Solar Energy Co. v. USITC*, 100 F. Supp.3d 1314, 1326-31 (Ct. Int'l. Trade 2015); *see also Torrington Co. v. United States*, 790 F. Supp. at 1168.

<sup>60</sup> Petitioners take no position on whether appropriate circumstances exist to exclude any related party producer but add that only one domestic producer, \*\*\*, potentially meets the Commission's established test for exclusion. Petitioners' Prehearing Brief at 17-18; Petitioners' Posthearing Brief, Appendix C at C-48 -72. Joint Respondents maintain that there is no reason to treat any of the U.S. sawmill operations owned by Canadian companies differently from other U.S. sawmills. They contend that the Commission should not exclude any U.S. softwood lumber producers from the domestic industry under the related parties provision. Joint Respondents' Prehearing Brief at 99-104.

<sup>61</sup> CR/PR at Tables III-3, III-13 and VII-1.

<sup>62</sup> \*\*\* is a related party because it is wholly owned by \*\*\*, and it imported subject merchandise during the POI. CR/PR at Tables III-3, IV-1, and VII-1. It accounted for \*\*\* percent of subject imports from Canada in 2016. *Id.* at Table IV-1. \*\*\* is a related party because it is wholly owned by \*\*\*, and it imported subject merchandise during the POI. CR/PR at Tables III-3, IV-1, and VII-1. It accounted for \*\*\* percent of subject imports from Canada in 2016. *Id.* at Table IV-1. \*\*\* is wholly owned by \*\*\*, an exporter/importer of subject merchandise. CR/PR at Table III-3. While \*\*\* did not import subject softwood lumber, it is a related party because both \*\*\* and an importer of subject merchandise have a common parent (an exporter). 19 U.S.C. § 1677(7)(4)(B)(ii)(III). \*\*\* accounted for \*\*\* percent of subject imports from Canada in 2016. CR/PR at Table IV-1. \*\*\* is a related party because it imported subject merchandise during the POI, and is related to importer \*\*\*. CR/PR at Tables III-3 and IV-1. It accounted for \*\*\* percent of subject imports from Canada in 2016. *Id.* at Table IV-1.

<sup>63</sup> CR/PR at Table III-13.

<sup>64</sup> *See* CR/PR at Table D-1.

<sup>65</sup> CR/PR at Table III-2.

<sup>66</sup> CR/PR at Table III-2. \*\*\*. *Id.* at Table III-13.

<sup>67</sup> CR/PR at Table III-2.

producers should be excluded from the definition of the domestic industry. Based on the record, and in particular these companies' primary interest in domestic production, we do not find that appropriate circumstances exist to exclude \*\*\* from the domestic industry as related parties.

We consider each of the other three related parties -- \*\*\*-- individually to determine whether appropriate circumstances exist to exclude it from the domestic industry.

\*\*\* \*\*\* is a related party because it is wholly owned by \*\*\*, a Canadian producer and exporter,<sup>68</sup> and it imported subject merchandise during the POI.<sup>69</sup> \*\*\* subject imports were \*\*\* board feet in 2014 (the equivalent of \*\*\* percent of its domestic production in 2014), \*\*\* board feet in 2015 (the equivalent of \*\*\* percent of its domestic production in 2015), \*\*\* board feet in 2016 (the equivalent of \*\*\* percent of its domestic production in 2016), \*\*\* board feet in January-June ("interim") 2016 (the equivalent of \*\*\* percent of its domestic production in interim 2016), and \*\*\* board feet in interim 2017 (the equivalent of \*\*\* percent of its domestic production in interim 2017).<sup>70</sup> \*\*\* explained that its imported softwood lumber (SPF) is a different species from its domestic product (SYP) and are marketed separately not together, and U.S. demand is greater than U.S. supply.<sup>71</sup>

\*\*\* is a relatively large U.S. producer (it was the \*\*\* largest domestic producer in 2016, accounting for \*\*\* percent of domestic production),<sup>72</sup> with increasing domestic production and significant investments, but it also accounts for a substantial share of overall imports of subject merchandise from Canada.<sup>73</sup> \*\*\* consistently large volume of subject imports as well as their consistently large share relative to its domestic production indicate that its principal interest lies in importation rather than in domestic production. In addition, it \*\*\* the petitions.<sup>74</sup> Finally, its performance suggests that it may have benefitted from its importation of the subject merchandise.<sup>75</sup> Accordingly, we find that appropriate circumstances exist to exclude \*\*\* from the domestic industry as related party.

\*\*\* \*\*\* is a related party because it is wholly owned by \*\*\*, a Canadian producer and exporter of softwood lumber,<sup>76</sup> and it imported subject merchandise during the POI.<sup>77</sup> \*\*\* imported \*\*\* board feet in 2014 (the equivalent of \*\*\* percent of its domestic production in 2014), \*\*\* board feet in 2015 (the equivalent of \*\*\* percent of its domestic production in 2015), \*\*\* board feet in 2016 (the equivalent of \*\*\* percent of its domestic production in 2016), \*\*\* board feet in interim 2016 (the equivalent of \*\*\* percent of its domestic production in interim 2016), and \*\*\* board feet in interim 2017 (the equivalent of \*\*\* percent of its

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<sup>68</sup> CR/PR at Table III-3. \*\*\*. *Id.*

<sup>69</sup> CR/PR at Table IV-1. It accounted for \*\*\* percent of subject imports from Canada in 2016. *Id.*

<sup>70</sup> CR/PR at Table III-13.

<sup>71</sup> CR/PR at Table III-13.

<sup>72</sup> CR/PR at Table III-2.

<sup>73</sup> CR/PR at Tables III-13 and VI-5.

<sup>74</sup> CR/PR at Table III-2.

<sup>75</sup> \*\*\* operating income margins were \*\*\*. See CR/PR at Table D-1.

<sup>76</sup> CR/PR at Table III-3.

<sup>77</sup> CR/PR at Table IV-1. It accounted for \*\*\* percent of subject imports from Canada in 2016. *Id.*

domestic production in interim 2017).<sup>78</sup> \*\*\* explained that it imported softwood lumber to fill contractual obligations with its U.S. customers.<sup>79</sup>

\*\*\* is a relatively small U.S. producer (it accounted for \*\*\* percent of domestic production in 2016),<sup>80</sup> and the large ratio of \*\*\* imports relative to its domestic production indicates that its principal interest lies in importation rather than in domestic production. It accounts for a sizeable share of overall imports of subject merchandise from Canada and it \*\*\* the petitions.<sup>81</sup> Accordingly, we find that appropriate circumstances exist to exclude \*\*\* from the domestic industry as a related party.

\*\*\* \*\*\* is a related party because it is wholly owned by \*\*\*, a Canadian producer and exporter of softwood lumber,<sup>82</sup> and it imported subject merchandise during the POI.<sup>83</sup> \*\*\* imported \*\*\* board feet in 2014 (the equivalent of \*\*\* percent of its domestic production in 2014), \*\*\* board feet in 2015 (the equivalent of \*\*\* percent of its domestic production in 2015), \*\*\* board feet in 2016 (the equivalent of \*\*\* percent of its domestic production in 2016), \*\*\* board feet in interim 2016 (the equivalent of \*\*\* percent of its domestic production in interim 2016), and \*\*\* board feet in interim 2017 (the equivalent of \*\*\* percent of its domestic production in interim 2017).<sup>84</sup> \*\*\* explained that its imported softwood lumber of SPF supplements its U.S. production of SYP and meets different customer needs and preferences.<sup>85</sup> The firm's capital expenditures were substantial.<sup>86</sup> \*\*\*.<sup>87</sup>

\*\*\* is a large U.S. producer (it was the \*\*\* largest domestic producer in 2016, accounting for \*\*\* percent of domestic production),<sup>88</sup> but it also consistently accounts for a large volume of subject imports, which frequently slightly exceeded its domestic production. Thus, its interest appears to lie in both domestic production and importation. While no party has argued that \*\*\* be excluded from the definition of the domestic industry, on balance, and taking into account its relatively substantial and increasing U.S. production operations, we find appropriate circumstances do not exist to exclude \*\*\* from the domestic industry as a related party.

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<sup>78</sup> CR/PR at Table III-13. \*\*\* also purchased appreciable quantities of subject imports throughout the period of investigation. *Id.*

<sup>79</sup> CR/PR at Table III-13.

<sup>80</sup> CR/PR at Table III-2.

<sup>81</sup> CR/PR at Table III-2. \*\*\* operating income margins were \*\*\*. *See* \*\*\* U.S. Producer Questionnaire.

<sup>82</sup> CR/PR at Table III-3. \*\*\*. *Id.*

<sup>83</sup> CR/PR at Table IV-1. It accounted for \*\*\* percent of subject imports from Canada in 2016. *Id.*

<sup>84</sup> CR/PR at Table III-13.

<sup>85</sup> CR/PR at Table III-13.

<sup>86</sup> CR/PR at Table VI-5. It made capital expenditures of \$\*\*\* in 2014, \$\*\*\* in 2015, \$\*\*\* in 2016, \$\*\*\* in interim 2016, and \$\*\*\* in interim 2017. *Id.* \*\*\* operating income margins were \*\*\*. *See* CR/PR at Table D-1.

<sup>87</sup> CR/PR at Table III-2.

<sup>88</sup> CR/PR at Table III-2.

Accordingly, we find that the appropriate circumstances exist to exclude \*\*\* from the domestic industry as related parties. We consequently define the domestic industry to include all U.S. producers of softwood lumber except \*\*\*.

#### **IV. Material Injury by Reason of Subject Imports<sup>89</sup>**

Based on the record in the final phase of these investigations, we find that an industry in the United States is materially injured by reason of imports of softwood lumber from Canada that Commerce has found to be sold in the United States at less than fair value and to be subsidized by the government of Canada.

##### **A. Legal Standards**

In the final phase of antidumping and countervailing duty investigations, the Commission determines whether an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.<sup>90</sup> In making this determination, the Commission must consider the volume of subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.<sup>91</sup> The statute defines “material injury” as “harm which is not inconsequential, immaterial, or unimportant.”<sup>92</sup> In assessing whether the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.<sup>93</sup> No single factor is dispositive, and all relevant factors are considered “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”<sup>94</sup>

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<sup>89</sup> Pursuant to Section 771(24) of the Tariff Act, imports from a subject country of merchandise corresponding to a domestic like product that account for less than 3 percent of all such merchandise imported into the United States during the most recent 12 months for which data are available preceding the filing of the petition shall be deemed negligible. 19 U.S.C. §§ 1671b(a), 1673b(a), 1677(24)(A)(i). Negligibility is not an issue in these investigations. Subject imports from Canada accounted for 94.6 percent as a share of total imports of softwood lumber by quantity for November 2015 – October 2016, the 12-month period preceding filing of the petitions. CR at IV-14; PR at IV-10-11.

<sup>90</sup> 19 U.S.C. §§ 1671d(b), 1673d(b). The Trade Preferences Extension Act of 2015, Pub. L. 114-27, amended the provisions of the Tariff Act pertaining to Commission determinations of material injury and threat of material injury by reason of subject imports in certain respects. We have applied these amendments here.

<sup>91</sup> 19 U.S.C. § 1677(7)(B). The Commission “may consider such other economic factors as are relevant to the determination” but shall “identify each {such} factor ... and explain in full its relevance to the determination.” 19 U.S.C. § 1677(7)(B).

<sup>92</sup> 19 U.S.C. § 1677(7)(A).

<sup>93</sup> 19 U.S.C. § 1677(7)(C)(iii).

<sup>94</sup> 19 U.S.C. § 1677(7)(C)(iii).

Although the statute requires the Commission to determine whether the domestic industry is “materially injured or threatened with material injury by reason of” unfairly traded imports,<sup>95</sup> it does not define the phrase “by reason of,” indicating that this aspect of the injury analysis is left to the Commission’s reasonable exercise of its discretion.<sup>96</sup> In identifying a causal link, if any, between subject imports and material injury to the domestic industry, the Commission examines the facts of record that relate to the significance of the volume and price effects of the subject imports and any impact of those imports on the condition of the domestic industry. This evaluation under the “by reason of” standard must ensure that subject imports are more than a minimal or tangential cause of injury and that there is a sufficient causal, not merely a temporal, nexus between subject imports and material injury.<sup>97</sup>

In many investigations, there are other economic factors at work, some or all of which may also be having adverse effects on the domestic industry. Such economic factors might include nonsubject imports; changes in technology, demand, or consumer tastes; competition among domestic producers; or management decisions by domestic producers. The legislative history explains that the Commission must examine factors other than subject imports to ensure that it is not attributing injury from other factors to the subject imports, thereby inflating an otherwise tangential cause of injury into one that satisfies the statutory material injury threshold.<sup>98</sup> In performing its examination, however, the Commission need not isolate

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<sup>95</sup> 19 U.S.C. §§ 1671d(a), 1673d(a).

<sup>96</sup> *Angus Chemical Co. v. United States*, 140 F.3d 1478, 1484-85 (Fed. Cir. 1998) (“{T}he statute does not ‘compel the commissioners’ to employ {a particular methodology}.”), *aff’g*, 944 F. Supp. 943, 951 (Ct. Int’l Trade 1996).

<sup>97</sup> The Federal Circuit, in addressing the causation standard of the statute, observed that “{a}s long as its effects are not merely incidental, tangential, or trivial, the foreign product sold at less than fair value meets the causation requirement.” *Nippon Steel Corp. v. USITC*, 345 F.3d 1379, 1384 (Fed. Cir. 2003). This was further ratified in *Mittal Steel Point Lisas Ltd. v. United States*, 542 F.3d 867, 873 (Fed. Cir. 2008), where the Federal Circuit, quoting *Gerald Metals, Inc. v. United States*, 132 F.3d 716, 722 (Fed. Cir. 1997), stated that “this court requires evidence in the record ‘to show that the harm occurred ‘by reason of’ the LTFV imports, not by reason of a minimal or tangential contribution to material harm caused by LTFV goods.’” *See also Nippon Steel Corp. v. United States*, 458 F.3d 1345, 1357 (Fed. Cir. 2006); *Taiwan Semiconductor Industry Ass’n v. USITC*, 266 F.3d 1339, 1345 (Fed. Cir. 2001).

<sup>98</sup> Uruguay Round Agreements Act Statement of Administrative Action (“SAA”), H.R. Rep. 103-316, vol. I at 851-52 (1994) (“{T}he Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports.”); S. Rep. 96-249 at 75 (1979) (the Commission “will consider information which indicates that harm is caused by factors other than less-than-fair-value imports.”); H.R. Rep. 96-317 at 47 (1979) (“in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is attributable to such other factors;” those factors include “the volume and prices of nonsubsidized imports or imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the domestic industry”); *accord Mittal Steel*, 542 F.3d at 877.

the injury caused by other factors from injury caused by unfairly traded imports.<sup>99</sup> Nor does the “by reason of” standard require that unfairly traded imports be the “principal” cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors, such as nonsubject imports, which may be contributing to overall injury to an industry.<sup>100</sup> It is clear that the existence of injury caused by other factors does not compel a negative determination.<sup>101</sup>

Assessment of whether material injury to the domestic industry is “by reason of” subject imports “does not require the Commission to address the causation issue in any particular way” as long as “the injury to the domestic industry can reasonably be attributed to the subject imports” and the Commission “ensure{s} that it is not attributing injury from other sources to the subject imports.”<sup>102</sup> Indeed, the Federal Circuit has examined and affirmed various Commission methodologies and has disavowed “rigid adherence to a specific formula.”<sup>103</sup>

The Federal Circuit’s decisions in *Gerald Metals*, *Bratsk*, and *Mittal Steel* all involved cases where the relevant “other factor” was the presence in the market of significant volumes of price-competitive nonsubject imports. The Commission interpreted the Federal Circuit’s

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<sup>99</sup> SAA at 851-52 (“{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports.”); *Taiwan Semiconductor Industry Ass’n*, 266 F.3d at 1345 (“{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports ... . Rather, the Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports.” (emphasis in original)); *Asociacion de Productores de Salmon y Trucha de Chile AG v. United States*, 180 F. Supp. 2d 1360, 1375 (Ct. Int’l Trade 2002) (“{t}he Commission is not required to isolate the effects of subject imports from other factors contributing to injury” or make “bright-line distinctions” between the effects of subject imports and other causes.); see also *Softwood Lumber from Canada*, Inv. Nos. 701-TA-414 and 731-TA-928 (Remand), USITC Pub. 3658 at 100-01 (Dec. 2003) (Commission recognized that “{i}f an alleged other factor is found not to have or threaten to have injurious effects to the domestic industry, *i.e.*, it is not an ‘other causal factor,’ then there is nothing to further examine regarding attribution to injury”), citing *Gerald Metals*, 132 F.3d at 722 (the statute “does not suggest that an importer of LTFV goods can escape countervailing duties by finding some tangential or minor cause unrelated to the LTFV goods that contributed to the harmful effects on domestic market prices.”).

<sup>100</sup> S. Rep. 96-249 at 74-75; H.R. Rep. 96-317 at 47.

<sup>101</sup> See *Nippon Steel Corp.*, 345 F.3d at 1381 (“an affirmative material-injury determination under the statute requires no more than a substantial-factor showing. That is, the ‘dumping’ need not be the sole or principal cause of injury.”).

<sup>102</sup> *Mittal Steel*, 542 F.3d at 877-78; see also *id.* at 873 (“While the Commission may not enter an affirmative determination unless it finds that a domestic industry is materially injured ‘by reason of’ subject imports, the Commission is not required to follow a single methodology for making that determination ... {and has} broad discretion with respect to its choice of methodology.”) citing *United States Steel Group v. United States*, 96 F.3d 1352, 1362 (Fed. Cir. 1996) and S. Rep. 96-249 at 75. In its decision in *Swift-Train v. United States*, 793 F.3d 1355 (Fed. Cir. 2015), the Federal Circuit affirmed the Commission’s causation analysis as comports with the Court’s guidance in *Mittal*.

<sup>103</sup> *Nucor Corp. v. United States*, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005); see also *Mittal Steel*, 542 F.3d at 879 (“*Bratsk* did not read into the antidumping statute a Procrustean formula for determining whether a domestic injury was ‘by reason’ of subject imports.”).

guidance in *Bratsk* as requiring it to apply a particular additional methodology following its finding of material injury in cases involving commodity products and a significant market presence of price-competitive nonsubject imports.<sup>104</sup> The additional “replacement/benefit” test looked at whether nonsubject imports might have replaced subject imports without any benefit to the U.S. industry. The Commission applied that specific additional test in subsequent cases, including the *Carbon and Certain Alloy Steel Wire Rod from Trinidad and Tobago* determination that underlies the *Mittal Steel* litigation.

*Mittal Steel* clarifies that the Commission’s interpretation of *Bratsk* was too rigid and makes clear that the Federal Circuit does not require the Commission to apply an additional test nor any one specific methodology; instead, the court requires the Commission to have “evidence in the record” to “show that the harm occurred ‘by reason of’ the LTFV imports,” and requires that the Commission not attribute injury from nonsubject imports or other factors to subject imports.<sup>105</sup> Accordingly, we do not consider ourselves required to apply the replacement/benefit test that was included in Commission opinions subsequent to *Bratsk*.

The progression of *Gerald Metals*, *Bratsk*, and *Mittal Steel* clarifies that, in cases involving commodity products where price-competitive nonsubject imports are a significant factor in the U.S. market, the Court will require the Commission to give full consideration, with adequate explanation, to non-attribution issues when it performs its causation analysis.<sup>106</sup>

The question of whether the material injury threshold for subject imports is satisfied notwithstanding any injury from other factors is factual, subject to review under the substantial evidence standard.<sup>107</sup> Congress has delegated this factual finding to the Commission because of the agency’s institutional expertise in resolving injury issues.<sup>108</sup>

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<sup>104</sup> *Mittal Steel*, 542 F.3d at 875-79.

<sup>105</sup> *Mittal Steel*, 542 F.3d at 873 (quoting from *Gerald Metals*, 132 F.3d at 722), 875-79 & n.2 (recognizing the Commission’s alternative interpretation of *Bratsk* as a reminder to conduct a non-attribution analysis).

<sup>106</sup> To that end, after the Federal Circuit issued its decision in *Bratsk*, the Commission began to present published information or send out information requests in the final phase of investigations to producers in nonsubject countries that accounted for substantial shares of U.S. imports of subject merchandise (if, in fact, there were large nonsubject import suppliers). In order to provide a more complete record for the Commission’s causation analysis, these requests typically seek information on capacity, production, and shipments of the product under investigation in the major source countries that export to the United States. The Commission plans to continue utilizing published or requested information in the final phase of investigations in which there are substantial levels of nonsubject imports.

<sup>107</sup> We provide in our discussion below a full analysis of other factors alleged to have caused any material injury experienced by the domestic industry.

<sup>108</sup> *Mittal Steel*, 542 F.3d at 873; *Nippon Steel Corp.*, 458 F.3d at 1350, citing *U.S. Steel Group*, 96 F.3d at 1357; S. Rep. 96-249 at 75 (“The determination of the ITC with respect to causation is ... complex and difficult, and is a matter for the judgment of the ITC.”).

## B. Use of Publicly Available Information in These Investigations

The domestic softwood lumber industry is large and dispersed, with thousands of sawmills throughout the United States.<sup>109</sup> Although there are large corporations with high volumes of production, the majority of the softwood lumber producers are small local firms.<sup>110</sup>

Parties were offered the opportunity to provide comments as to whether they agreed or disagreed with the prehearing report's use of secondary data sources.<sup>111</sup> Petitioners generally supported the use of secondary sources in addition to data obtained from Commission questionnaires, referring in their submissions to official import statistics and publications from WWPA, Forest Economic Advisors ("FEA"), and *Random Lengths*. While Petitioners noted that *Random Lengths* is the best source for lumber pricing information and in particular to identify price trends, they contended that such general data are less useful for the Commission's price comparison analysis.<sup>112</sup>

Joint Respondents indicated that there are several accurate and reliable data sources and publications, including WWPA publications for U.S. production and shipment data, FEA, which supplements WWPA and provides a broader range of data concerning a larger set of forest products, RISI, which provides statistical analysis and forecasting for the U.S. lumber industry,<sup>113</sup> and *Random Lengths*, particularly the Framing Lumber Composite Index (pricing data that acts as a guideline and benchmark in assessing pricing trends for many specific product groups as well as the larger U.S. softwood lumber industry).<sup>114</sup>

While we followed our normal practice of collecting data from questionnaires completed by domestic producers, importers, and foreign producers, we also considered available published data from secondary sources in these investigations.<sup>115</sup> The available published data provide some comprehensive series that supplement the questionnaire

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<sup>109</sup> CR/PR at III-1 and Figure I-1.

<sup>110</sup> CR/PR at III-1 and Table I-4. In 2016, the five largest producers accounted for about 36.6 percent of U.S. softwood lumber production, and the 20 largest firms accounted for 64.4 percent. *Id.* at Table I-4.

<sup>111</sup> See Hearing Tr. at 136, 141-142 and 253.

<sup>112</sup> Hearing Tr. at 141-142 and Petitioners' Posthearing Brief at A-26.

<sup>113</sup> Joint Respondents noted that they rely primarily on FEA data and encourage the Commission to do the same, but they do not discount RISI, which provides statistical analysis and forecasting for the U.S. lumber industry, as an alternative source for forecasting. Joint Respondents' Posthearing Brief, Appendix A at 136.

<sup>114</sup> Joint Respondents' Posthearing Brief, Appendix A at 135-137. Canfor Corporation submitted a separate posthearing declaration which noted it relies on the same data sources that Joint Respondents discussed. Canfor's September 25, 2017 submission, Exhibit 1 at 6.

<sup>115</sup> The secondary sources include WWPA's publications, *Random Lengths*, official import statistics, U.S. Census Bureau and Statistics Canada data for U.S. and Canadian housing starts, information about trends in the home remodeling industry provided by the NAHB in its Remodeling Market Index and by Metrostudy in its Residential Remodeling Index, and information on comparisons of uses for species in NAHB surveys. See CR at I-5, V-4-5, and V-27; PR at I-4, V-4 and V-10.



responses.<sup>116</sup> While our questionnaire coverage overall is similar to that in prior softwood lumber investigations, there are areas such as pricing for which data are more difficult to collect. Consequently, we relied on pricing information from industry publications to supplement our data set.<sup>117 118</sup>

### **C. Conditions of Competition and the Business Cycle**

The following conditions of competition inform our analysis of whether there is material injury by reason of subject imports.

#### **1. Softwood Lumber Agreement (“SLA 2006”)**

On October 12, 2006, the United States and Canada formally entered into the *Softwood Lumber Agreement Between the Government of the United States of America and the Government of Canada* (“SLA 2006”), which initially was in effect for seven years, with an option to extend the agreement for an additional two years. In 2012, the United States and Canada agreed to exercise the two-year option and extended the agreement to October 12, 2015.<sup>119</sup> The SLA 2006 also included a “standstill” clause, under which the domestic industry was required to wait one year from the October 12, 2015, expiration to file a petition for any trade remedy investigation.<sup>120</sup>

At the time the SLA 2006 took effect, Commerce rescinded ongoing antidumping and countervailing duty administrative reviews and revoked the antidumping and countervailing duty orders on softwood lumber from Canada that were then in place. In addition, a majority of U.S. producers formally agreed, by signing “no injury” letters, to waive their rights to pursue antidumping or countervailing duty investigations on softwood lumber from Canada while the SLA 2006 was in force. In exchange, Canada agreed to impose export restrictions – a combination of export taxes and quotas that varied by region – when prices fell below a

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<sup>116</sup> The coverage for the questionnaire responses for 2016 is estimated to be 59.0 percent of U.S. production, 79.6 percent of total imports of softwood lumber into the United States, 82.1 percent of subject imports from Canada, and 81.6 percent of Canadian production. CR at I-5, IV-1, and VII-6; PR at I-4, IV-1 and VII-5.

<sup>117</sup> See CR at V-27-35; PR at V-10-12.

<sup>118</sup> The statute provides that the Commission may rely on “secondary information,” 19 U.S.C. § 1677e(c), and the courts have upheld the Commission’s use of such information. See, e.g., *Live Cattle from Canada and Mexico*, Inv. Nos. 701-TA-386 and 731-TA-812-813 (Preliminary), USITC Pub. 3155 at 16 (Feb. 1999), *aff’d*, *Ranchers-Cattlemen Action Legal Fund*, 74 F. Supp. 2d 1353, 1381 (Ct. Int’l Trade 1999); *Live Swine and Pork from Canada*, Inv. No. 701-TA-224 (Final), *aff’d*, *Alberta Pork Producers’ Mktg. Bd. v. United States*, 669 F. Supp. 445, 460 (Ct. Int’l Trade 1987). See also *Chung Ling Co. v. U.S.*, 805 F. Supp. 45, 49-50 (Ct. Int’l Trade 1992).

<sup>119</sup> CR at I-16-17; PR at I-12; Petition at 37-40; Petitioners’ Postconference Brief at 17-19; Joint Respondents’ Postconference Brief at 8-9 and Exhibit 7 (SLA 2006).

<sup>120</sup> While the SLA 2006 was in effect, the domestic industry pursued arbitration under the dispute settlement provisions of the agreement, alleging that Canada had failed to fully implement the agreement. See Petition at 38-40.

specified level. Specifically, Canadian exporting provinces<sup>121</sup> were able to choose either of two export measures: (1) Option A – the collection of an export tax that ranged from zero to 15 percent depending on the price for lumber products, which tax would increase to 50 percent if the province’s exports to the United States exceeded a volume threshold;<sup>122</sup> or (2) Option B – the collection of lower export taxes along with a restriction on export volumes.<sup>123</sup> The Regional Trigger Volume for Option A and the Calculation of Quota Volumes for Option B were both based on a 34 percent share of U.S. consumption. The SLA 2006 also provided that, where the “prevailing monthly price” exceeded \$355, no export charges or volume restraints applied.<sup>124</sup>

Joint Respondents argue here, as they did in the preliminary phase and in *Lumber IV*, that the “no injury” letters signed by U.S. producers represent an agreement that imports of softwood lumber from Canada would not cause injury under certain circumstances while the SLA 2006 was in effect. According to Joint Respondents, the SLA 2006 established baselines for price (composite price of \$355) and volume (apparent U.S. consumption of subject imports of 34 percent) that the majority of the U.S. industry agreed would not be injurious. They argue that these baselines provide a reasonable, common-sense standard against which to assess whether the U.S. industry can credibly claim to suffer injury under conditions that it previously agreed were not injurious.<sup>125</sup> According to Petitioners, the Commission properly found in the preliminary determinations, and in *Lumber IV*, that the letters submitted by domestic producers for the SLA in 2006 were not dispositive of the question of material injury in a subsequent investigation, given the Commission’s independent obligation to investigate actual facts and legal arguments.<sup>126</sup>

In the preliminary phase of these investigations and in *Lumber IV*, the Commission rejected the similar arguments now made by respondents that the existence of a bilateral agreement mandated a conclusion that subject imports are not causing injury. In particular, the Commission did not consider the representations made by the domestic producers in side letters to the agreement as *per se* binding on the Commission’s analysis, nor did it find the stated purpose of the SLA as legally binding on the Commission’s injury analysis in those investigations. Rather, the Commission emphasized its independent obligation to investigate the actual facts and legal arguments in the investigations but recognized the SLA as a significant

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<sup>121</sup> The Maritime Provinces and the three Canadian territories (Northwest Territories, Yukon, and Nunavut) were exempt from the application of the SLA 2006.

<sup>122</sup> Two Canadian provinces – British Columbia and Alberta – selected this option.

<sup>123</sup> Four Canadian provinces – Manitoba, Ontario, Quebec, and Saskatchewan – selected this option.

<sup>124</sup> Joint Respondents’ Prehearing Brief at 10-11. Petitioners note that U.S. lumber prices were sufficiently high so that no export restrictions were imposed for January to July 2013 and November 2013 to March 2015; for the remainder of the term of the SLA 2006 (April 2015 to October 12, 2015), however, lumber prices declined to levels that triggered the reimposition of export restrictions. Petitioners’ Posthearing Brief at A-9-10; Petitioners’ Prehearing Brief at 37-38.

<sup>125</sup> Joint Respondents’ Prehearing Brief at 11-12. Joint Respondents also claim that the expiration of the SLA 2006 provides a dividing line between a period of managed trade and a period of free trade, which should inform the Commission’s analysis. *Id.*

<sup>126</sup> Petitioners’ Prehearing Brief at 38.

condition of competition during the period of investigation.<sup>127</sup> This position is consistent with prior instances in which the Commission did not view various voluntary export arrangements and suspension agreements as being legally dispositive of the question under the statute of whether a domestic industry is materially injured by reason of subject imports.<sup>128</sup> We follow our prior practice regarding the letters as well as the baselines in the agreement itself. We treat the SLA 2006 as a significant condition of competition in our injury analysis and focus our analysis on the available data about the industry performance.

## 2. Demand Considerations

Demand for softwood lumber is derived primarily from demand for residential construction activity for new home construction, residential construction activity for repairs and renovations on existing homes, nonresidential construction, and non-construction uses. These areas of end-use demand respectively accounted for 30.4 percent, 38.9 percent, 10.9 percent, and 19.8 percent of apparent U.S. consumption in 2016.<sup>129</sup> These end use demands for softwood lumber are determined by such conditions of competition as the general strength of the overall U.S. economy, cyclical trends in the housing market (which may be subject to larger macroeconomic factors like interest rates), and seasonality of housing and remodeling starts (which can also be affected by weather conditions).<sup>130</sup> Demand for softwood lumber also may be impacted by other factors, such as demand for substitute products.<sup>131</sup> A number of products -- such as steel studs or concrete for use in framing/structural, plastics/vinyl for use in decking or finish/trim, engineered wood products for use in trim or structural applications, and composite materials for use in decking, siding, trim, and fencing -- may substitute for softwood

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<sup>127</sup> USITC Pub. 4663 at 26-28; USITC Pub. 3509 at 21-22.

<sup>128</sup> See, e.g., *Uranium from Kazakhstan*, Inv. No. 731-TA-539A (Final), USITC Pub. 3213 at 12-13 (July 1999) (a suspension agreement entered pursuant to section 734(l) of the Tariff Act); *Honey from China and Argentina*, Inv. No. 701-TA-402 and 731-TA-892-893 (Final), USITC Pub. 3470 at 17 (Nov. 2001) (suspension agreement with China); *Aramid Fiber Formed of Poly Para-Phenylene Terephthalamide from the Netherlands*, Inv. No. 731-TA-652 (Final), USITC Pub. 2783 at I-12 n.70 (June 1994) (cross-licensing agreement that restricted import volumes); *Certain Carbon Flat-Rolled Steel Products*, Inv. Nos. 701-TA-319 et seq., 731-TA-573 et seq. (Final), USITC Pub. 2664, vol. I at 19 (Aug. 1993) (voluntary restraint agreements).

<sup>129</sup> CR/PR at Table I-3. Based on questionnaire responses, softwood lumber accounts for a relatively small share (about 3 percent ) of the cost of building a home. CR at II-14; PR at II-9.

<sup>130</sup> CR at II-15; PR at II-9-10. Forty-two of 49 U.S. producers, 42 of 59 importers, and 24 of 40 purchasers reported that the U.S. softwood lumber market is subject to business cycles or conditions of competition. *Id.*

<sup>131</sup> Most responding U.S. producers (41 of 45) and importers (37 of 52) reported that there are substitutes for softwood lumber, while most purchasers (23 of 39) reported that there were not. CR at II-21; PR at II-14.

lumber.<sup>132</sup> However, the majority of U.S. producers reported that the use of substitutes for softwood lumber had not changed since January 1, 2014.<sup>133</sup>

Parties agree that the primary indicator of demand for softwood lumber is U.S. housing starts, which decreased substantially as a result of the recession of 2008-2009.<sup>134</sup> Housing starts slowly and erratically improved from 2010 to 2012, and then steadily increased overall during the period of investigation, with total units after 2015 surpassing 2008 levels.<sup>135</sup>

The vast majority of U.S. producers, importers, and purchasers reported an increase in U.S. demand for softwood lumber since January 1, 2014, principally due to the continued recovery of the housing and repair/remodeling markets.<sup>136</sup> Apparent U.S. consumption of softwood lumber increased during the POI from 42.5 billion board feet in 2014 to 44.0 billion board feet in 2015 and 47.0 billion board feet in 2016, and it was 23.5 billion board feet in interim 2016 and 24.4 billion board feet in interim 2017.<sup>137</sup>

### 3. Supply Considerations

The domestic softwood lumber industry is fairly large and dispersed.<sup>138</sup> Although there are large corporations with high volumes of production, most of the thousands of softwood lumber producers scattered throughout the United States are small firms.<sup>139</sup> The record indicates that the industry is becoming more concentrated. For example, the five largest U.S. producers accounted for 32 percent of domestic production in 2000 and 36.6 percent in 2016; similarly, the 20 largest firms accounted for 50 percent of domestic production in 2000 and 64.4 percent in 2016.<sup>140</sup>

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<sup>132</sup> CR at II-21; PR at II-14. Most U.S. producers and importers that named these substitutes indicated that changes in the prices of these substitutes had not affected the price of softwood lumber. *Id.*

<sup>133</sup> CR at II-21; PR at II-14.

<sup>134</sup> CR at II-16; PR at II-10; Petitioners' Prehearing Brief at 19; Petitioners' Posthearing Brief at 4-5 and A-2-9; Joint Respondents' Posthearing Brief, Appendix A at 60, 62 and 67-68. Housing starts (the measure for new residential construction) hit a 50-year record low of 554,000 in 2009 and only slightly increased from 2010 to 2012. CR/PR at Figure II-1; Petition at 40-42. A USDA Forest Service and University of Montana study focusing on the western regions of the United States found that with U.S. housing starts falling by 75 percent from 2005 to 2010, U.S. consumption of softwood lumber decreased by approximately 50 percent during the same period. Petition at 40-42.

<sup>135</sup> CR at II-16, Table I-3, and Figures II-1 and II-2; PR at II-10, Table I-3, and Figures II-1 and II-2. The total number of housing starts increased by 17.6 percent from 2014 to 2016, and was 4.0 percent higher in interim 2017 than in interim 2016. CR at II-17 and Figure II-2; PR at II-11 and Figure II-2. By region, the total number of housing starts increased from 2014 to 2016 by 6.3 percent in the Northeast, 16.0 percent in the Midwest, 17.6 percent in the South, and 23.9 percent in the West. *Id.*

<sup>136</sup> CR at II-19-20 and Table II-5; PR at II-13 and Table II-5.

<sup>137</sup> CR/PR at Table C-3; *see also id.* at Figure II-3.

<sup>138</sup> CR/PR at III-1 and Figure I-1.

<sup>139</sup> CR/PR at Table I-4 and Figure III-1.

<sup>140</sup> CR/PR at Table I-4; USITC Pub. 3509 at Table III-4.

The domestic industry's capacity fluctuated annually and was relatively flat from 2014 to 2016; it was 3.7 percent higher in interim 2017 than in interim 2016.<sup>141</sup> The majority of U.S. production of softwood lumber is concentrated in the South and the West; these regions accounted for 53 percent and 42 percent, respectively, of U.S. softwood lumber production in 2016.<sup>142</sup> Many large softwood lumber producers own extensive timber acreage and about 85 percent of U.S. harvested timber is supplied from privately owned land.<sup>143</sup> In the South, the timber supply is mainly SYP and is primarily harvested from intensively managed plantations by industrial and non-industrial private land owners.<sup>144</sup> However, in the West, the timber supply is Douglas fir, Hem fir and SPF, and as much as one-half of the commercial timber supply in the West is harvested from large tracts on public lands.<sup>145</sup>

The domestic industry has historically been the largest supplier of softwood lumber to the U.S. market, generally accounting for between 60 and 70 percent of apparent U.S. consumption.<sup>146</sup> During the POI its share of the U.S. market declined from \*\*\*, and it was \*\*\* in interim 2017.<sup>147</sup>

Subject imports from Canada have historically been by far the second largest source of supply to the U.S. softwood lumber market.<sup>148</sup> Their share of apparent U.S. consumption increased from 28.4 percent in 2014 to 31.8 percent in 2016, and it was 29.8 percent in interim 2017.<sup>149</sup> In Canada, most timber for softwood lumber is harvested from publicly owned land, primarily owned by the provinces and territories.<sup>150</sup> Joint Respondents contend that Canadian producers are hindered by several significant factors affecting their capacity, including consistent reductions in provincial Annual Allowable Cut ("AAC") allocations,<sup>151</sup> prompted in large part by the mountain pine beetle epidemic, recent forest fires in British Columbia's

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<sup>141</sup> Calculated from CR/PR at Table III-4 (WWPA data). Based on questionnaire responses, the domestic industry's capacity increased by \*\*\* percent from 2014 to 2016 and was \*\*\* percent higher in interim 2017 than in interim 2016. CR/PR at Table C-3.

<sup>142</sup> CR at III-5 and Table III-7; PR at III-4 and Table III-7.

<sup>143</sup> CR/PR at III-1-2.

<sup>144</sup> CR at III-5; PR at III-4.

<sup>145</sup> CR at III-1 and III-5; PR at III-1 and III-4. Some softwood lumber producers in the West are 100 percent dependent on timber harvested on public lands for their raw material supply. CR/PR at III-1.

<sup>146</sup> See, e.g., *Lumber IV*, USITC Pub. 3509 at Table IV-2.

<sup>147</sup> CR/PR at Table C-3.

<sup>148</sup> See, e.g., *Lumber IV*, USITC Pub. 3509 at Table IV-2.

<sup>149</sup> CR/PR at Table C-3.

<sup>150</sup> CR/PR at VII-3. About 85 percent of harvested timber in Canada reportedly is supplied from provincial and territories owned land. *Id.* at VII-3 n.4.

<sup>151</sup> Each province calculates and regulates the distribution of its AACs -- the amount of timber that a tenure holder is authorized to harvest each year -- using distinct methodologies; these levels are usually set over a 5 to 10 year period. British Columbia and Quebec have made changes since *Lumber IV* to their stumpage allocation systems, including an auction system for approximately 20 percent and 25 percent, respectively, of their tenure allocations. CR/PR at VII-3-4. Canada tends to harvest about 69 percent of the AAC. CR/PR at III-2, n.2 (*citing* Natural Resources Canada, *Is timber being harvested sustainably?*).

timberlands, the budworm outbreak in Quebec, and conservation efforts related to caribou and other wildlife in Central and Eastern Canada.<sup>152</sup> They also claim that due to the relative abundance of timber supply in the U.S. South and concomitant low raw material costs, Canadian producers have invested considerably in mills in U.S. locations and that there has been substantial and increasing integration in the North American lumber market.<sup>153</sup>

Nonsubject imports have historically been a very small source of supply to the U.S. market. Their share of apparent U.S. consumption ranged from 2.8 percent to 3.8 percent on an annual basis during the POI.<sup>154</sup>

#### 4. Substitutability and Other Conditions

In the United States, the leading species, or species groups, of softwood lumber produced (in descending order) are SYP, Douglas fir, hem-fir, and SPF, and then a variety of other lumber species, including WRC.<sup>155</sup> In Canada, SPF is the predominant species of softwood lumber, followed by WRC, Douglas fir, hem-fir, and then by a variety of other lumber species.<sup>156</sup> Species common to both countries accounted for approximately 41 percent of U.S. production and about 95 percent of Canadian production in 2015.<sup>157</sup> The major softwood lumber species consumed in the United States, in descending order, are SYP, SPF, Douglas fir, hem-fir, and ponderosa pine.<sup>158</sup>

The parties disagree regarding the level of substitutability between subject imports and the domestic like product, in particular the extent to which there is species segmentation by application, region of the country, or builder preferences.<sup>159</sup> Petitioners maintain that

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<sup>152</sup> Joint Respondents' Prehearing Brief at 51-59 and 134-138; Joint Respondents' Posthearing Brief at 13-14 and Appendix A at 114-124 and 129-134; OFIA's Prehearing Brief at 9-10; OFIA's Posthearing Brief at 7-10 and Exhibit 3.

<sup>153</sup> Joint Respondents' Prehearing Brief at 40-44. Joint Respondents claim that this rise in Canadian ownership of U.S. mills creates a disincentive for Canadian producers to take any actions that might adversely affect the U.S. softwood lumber industry but they also contend that due to species differentiation, the output of these companies' mills in the U.S. South of SYP complements rather than competes with the SPF produced in their Canadian mills. *Id.* at 43-44.

<sup>154</sup> CR/PR at Table C-3.

<sup>155</sup> In 2015, SYP accounted for 53 percent of U.S. softwood lumber production, Douglas fir for 24 percent, hem-fir for 10 percent, and SPF for 5 percent. Joint Respondents' Hearing Presentation at Slides 48 and 50.

<sup>156</sup> In 2015, SPF accounted for 87 percent of Canadian softwood lumber production, WRC for 4 percent, Douglas fir for 3 percent, and hem-fir for 1 percent. Joint Respondents' Hearing Presentation at Slides 48 and 50.

<sup>157</sup> CR at I-24; PR at I-18. There also may be an overlap in the "Other" category of species, which accounted for 6 percent of U.S. production and 4.9 percent of Canadian production. CR at I-24 n.48; PR at I-18 n.48.

<sup>158</sup> CR at I-24; PR at I-18.

<sup>159</sup> Petitioners' Prehearing Brief at 19-40; Joint Respondents' Prehearing Brief at 19-25 and Appendix B; Joint Respondents' Posthearing Brief at 71-94; NAHB's Posthearing Brief at 4-9 and Exhibit 2; CR at II-22-3; PR at II-14-15.

softwood lumber of different species is highly substitutable, and has a significant overlap in uses for various species; thus imports from Canada compete with, and affect the prices of, all U.S. softwood lumber.<sup>160</sup> Joint Respondents contend that there is little overlap between domestic and imported softwood lumber species,<sup>161</sup> and the premise that softwood lumber from Canada competes directly with softwood lumber produced in the United States is based on hypothetical interchangeability and not actual substitution that occurs in the marketplace.<sup>162</sup> To the extent that different species are used in the same applications, Joint Respondents maintain that customer preferences, which are often highly regional, limit head-to-head competition between Canadian and U.S. species in many geographic markets, and that instead of competing, domestic SYP and imported SPF complement each other in home construction.<sup>163</sup> NAHB contends that its survey results from the period of investigation confirm that there is limited substitutability between the subject imports and domestic product and that the aggregated survey results on a national level do not reflect regional differences that are critical to understanding softwood lumber use.<sup>164</sup>

The record supports a finding that subject imports of softwood lumber from Canada are at least moderately substitutable with domestically produced softwood lumber.<sup>165</sup> The majority of U.S. producers described softwood lumber from domestic and Canadian sources as always or frequently interchangeable, while the majority of U.S. importers and purchasers described them as sometimes interchangeable.<sup>166</sup> The record also demonstrates that subject imports and the domestic like product, notwithstanding differences in species, are used in the

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<sup>160</sup> Petitioners' Prehearing Brief at 19-20 and 39-40.

<sup>161</sup> They also argue that overlaps in Canadian and U.S. softwood lumber are even more limited based on differences between green and kiln-dried Douglas fir, treated SYP and untreated SPF, and wide and narrow dimensions. Joint Respondents' Prehearing Brief at 19-25 and Appendix B.

<sup>162</sup> Joint Respondents' Prehearing Brief at 19-25 and Appendix B; Joint Respondents' Posthearing Brief at 71-94. Joint Respondents assert that the elasticity of substitution between U.S. produced softwood lumber and subject imports is lower than the lowest end of the range identified by staff and urge the Commission to rely instead on their economists' expert report and other studies submitted as evidence of attenuated competition. *Id.* Respondents submitted several papers by outside economists estimating the elasticity of substitution between U.S. and Canadian softwood lumber. We note that these studies did not rely on the methodologies and data used to estimate elasticities in this case. In relying instead on methodologies that examined very short time periods and/or aggregated data, such approaches would tend to minimize the resulting elasticity. CR at II-41-45; PR at II-28.

<sup>163</sup> Joint Respondents' Prehearing Brief at 19-25 and Appendix B; Joint Respondents' Posthearing Brief at 71-94

<sup>164</sup> NAHB's Posthearing Brief at 2-10 and Exhibit 2.

<sup>165</sup> CR at II-22; PR at II-14.

<sup>166</sup> CR/PR at Table II-12. Forty of 48 U.S. producers described softwood lumber from domestic and Canadian sources as always or frequently interchangeable, with 45 of 56 U.S. importers and 37 of 40 purchasers describing them as always, frequently or sometimes interchangeable. *Id.* This is consistent with our finding in prior investigations that Canadian softwood lumber and the domestic like product generally are interchangeable, although performance characteristics and customer preferences place some limitations on interchangeability among species. *See, e.g.,* USITC Pub. 4663 at 30-32; *Lumber IV*, USITC Pub. 3509 at 25 and 26; *Lumber III*, USITC Pub. 2530 at 28-29, and 34.

same applications.<sup>167</sup> Specifically, questionnaire responses and survey information from the NAHB provides clear evidence that SPF, SYP, Douglas fir, and hem-fir are used in the same construction applications for lumber floor joists, wall studs, roof rafters, and roof trusses.<sup>168 169</sup> While regional preferences do exist – species are often used proximate to where they are milled – these preferences seem to reflect in large part availability of species, which may be affected by transportation costs, and not a lack of actual substitutability.<sup>170</sup>

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<sup>167</sup> CR/PR at Table II-9. See Petitioners’ Prehearing Brief at 20-27; Petitioners’ Posthearing Brief at A-52-57 and Exhibits 13 and 41 (providing examples and affidavits from U.S. producers, including instances of SYP and SPF being used interchangeably in regions such as Florida and Georgia, which exclusively produces SYP, statements by purchasers confirming switching from SYP to Canadian SPF for truss manufacturing because of differences in prices, and statements by Interfor and Canfor, as well as a 2010 presentation the NAHB Research Center, as evidence that SPF, SYP, Douglas fir, and hem fir are used in the same construction applications for lumber floor joists, wall studs, roof rafters, and roof trusses). For instance, an executive from \*\*\* stated that they: use both spruce and southern yellow pine (“SYP”) in residential framing projects, with SYP accounting for approximately \*\*\* of those projects. In multifamily projects, which require more strength, we rely on SYP approximately \*\*\* of the time. The mix of spruce and SYP in any given project will depend on the relative price of those species. Petitioners’ Posthearing Brief at Exhibit 13; see also *Random Lengths* (“Southern Pine flowed more readily into New England, where buyers frequently substituted it in response to scarce availability of S-P-F.” Lumber Market Report at 4, August 4, 2017; “Westside buyers of en {sic} substituted Southern Pine 2x4 for Western S-P-F due to the widening discount to the latter species.” Lumber Market Report at 5, July 21, 2017) in Petitioners’ Prehearing Brief, Exhibits 7 and 8.

<sup>168</sup> In questionnaire responses, the majority of purchasers reported that they or their customers frequently or sometimes use or are willing to substitute other species for preferred species for all specified applications, except decks/decking structures. The specified applications are: framing/wall studs, headers, floor joists, roof trusses, roof rafters, fencing, shipping/packaging, and decks/decking structures. CR/PR at Table II-9.

<sup>169</sup> NAHB provided the Commission staff with the 2017 NAHB survey, which showed a similar overlap in species usage by construction application as the prior NAHB surveys, as follows: For floor joists: SPF – 15.3 percent, SYP – 40.6 percent, Doug fir – 30.4 percent, hem fir or other western wood – 13.6 percent;

- For wall studs: SPF – 40.0 percent, SYP – 22.7 percent, Doug fir – 23.6 percent, hem fir or other western wood – 8.3 percent, other species/don’t know – 4.8 percent;
- For roof rafters: SPF – 24.5 percent, SYP – 47.7 percent, Doug fir – 20.1 percent, hem fir or other western wood – 5.0 percent, other species/don’t know – 2.7 percent; and
- For roof trusses: SPF – 21.2 percent, SYP – 40.7 percent, Doug fir – 19.4 percent, hem fir or other western wood – 7.7 percent, other species/don’t know – 11.0 percent.

EDIS document #621876 (9/1/17). In *Lumber IV*, a NAHB Building Survey and hearing testimony similarly demonstrated that different species were used in the same construction applications. See USITC Pub. 3509 at 25-26.

<sup>170</sup> Petitioners’ Prehearing Brief at 22-24 (the 2009 Wood Products Council report found that for the production of joists in the U.S. South, which has exclusively SYP growth, about 73 percent are SYP and about 21 percent are SPF; for the production of roof rafters in the U.S. South, about 64 percent are SYP and about 25 percent are SPF); NAHB’s Posthearing Brief at Exhibit 2.



#### **D. Volume of Subject Imports**

Section 771(7)(C)(i) of the Tariff Act provides that the “Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant.”<sup>171</sup>

Subject imports from Canada increased during the period of investigation, with the most substantial increase in their volume occurring towards the end of the period. The volume of subject imports rose from 12.1 billion board feet in 2014 to 13.2 billion board feet in 2015 and 15.0 billion board feet in 2016; the volume of subject imports was 7.0 billion board feet in interim 2016 and 7.3 billion board feet in interim 2017.<sup>172</sup> Thus, subject imports increased by 23.8 percent from 2014 to 2016 and were 4.2 percent higher in interim 2017 than in interim 2016.<sup>173</sup>

The volume of subject imports rose at a faster rate than apparent U.S. consumption,<sup>174</sup> and subject imports experienced significant gains in market share directly at the expense of the domestic industry.<sup>175</sup> Subject import market share rose from 28.4 percent in 2014 to 30.0 percent in 2015 and 31.8 percent in 2016; it was 29.6 percent in interim 2016 and 29.8 percent in interim 2017.<sup>176</sup> By contrast, the domestic industry’s market share declined by \*\*\* from 2014 to 2016 and was \*\*\* lower in interim 2017 than in interim 2016.<sup>177</sup>

We find that the volume of subject imports and the increase in that volume are significant both in absolute terms and relative to consumption in the United States.

#### **E. Price Effects of the Subject Imports**

Section 771(7)(C)(ii) of the Tariff Act provides that, in evaluating the price effects of the subject imports, the Commission shall consider whether

(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and

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<sup>171</sup> 19 U.S.C. § 1677(7)(C)(i).

<sup>172</sup> CR/PR at Table IV-2.

<sup>173</sup> CR/PR at Tables IV-2 and C-1.

<sup>174</sup> Apparent U.S. consumption increased by 10.6 percent from 2014 to 2016 and was 3.7 percent higher in interim 2017 than in interim 2016. CR/PR at Table C-3.

<sup>175</sup> CR/PR at Table C-3.

<sup>176</sup> CR/PR at Table C-3.

<sup>177</sup> The domestic industry’s market share, as measured by quantity, was \*\*\* in 2014, \*\*\* in 2015, and \*\*\* in 2016; it was \*\*\* in interim 2016 and \*\*\* in interim 2017. CR/PR at Table C-3.

(II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.<sup>178</sup>

As discussed above, we find that there is at least a moderate degree of substitutability between subject imports of softwood lumber from Canada and domestically produced softwood lumber.<sup>179</sup> The majority of U.S. producers described softwood lumber from domestic and Canadian sources as always or frequently interchangeable, while the majority of U.S. importers and purchasers described them as sometimes interchangeable.<sup>180</sup> In response to a question regarding the top three factors in purchasing decisions, price was cited most frequently (14 firms), followed by quality (10 firms) and then availability (8 firms).<sup>181</sup> Among 40 responding purchasers, 35 firms reported that they usually or sometimes purchase the lowest-priced product.<sup>182</sup>

Softwood lumber prices generally differ depending on grades and dimensions, and may differ by species and applications involved, with better grades and wider dimensions usually carrying higher prices than lower grades and narrower dimensions.<sup>183</sup> Parties disagree about the relative importance of purchasers' preferences for particular species, on the one hand, and differences in prices among these products, on the other hand, in purchasing decisions.<sup>184</sup> The particular grades/species/dimensions of softwood lumber each builder or contractor chooses are based on regional/individual builder preferences and availability of particular lumber species, the application in which the lumber will be used, and building code requirements, as well as on relative prices of the softwood lumber products. As a result, purchasing decisions for softwood lumber can involve a number of price/performance considerations and may differ markedly across regions of the United States and from customer to customer within a single region.<sup>185</sup>

Softwood lumber prices can fluctuate considerably from day to day.<sup>186</sup> A majority of purchasers (33 of 39) reported that they purchase product daily.<sup>187</sup> Domestic producers and importers of softwood lumber from Canada reported selling a majority of their product in the

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<sup>178</sup> 19 U.S.C. § 1677(7)(C)(ii).

<sup>179</sup> CR at II-22; PR at II-14.

<sup>180</sup> CR/PR at Table II-12.

<sup>181</sup> CR at II-24 and Table II-7; PR at II-16 and Table II-7.

<sup>182</sup> CR at II-25; PR at II-17.

<sup>183</sup> USITC Pub. 3509 at V-3 and V-4. *See also* Joint Respondents' Comments on Draft Questionnaires at 7-12.

<sup>184</sup> CR at II-28-38; PR at II-18-26; Joint Respondents' Prehearing Brief at 19-25, and 81; Joint Respondents' Posthearing Brief at 10-11; Petitioners' Prehearing Brief at 39-40. The majority of purchasers (24 of 40) reported that they sometimes change species based on price differences among species. CR at II-25; PR at II-15-16.

<sup>185</sup> Petitioners' Posthearing Brief, Appendix A at A-45; Petitioners' Prehearing Brief at Exhibit 29; Joint Respondents' Comments on Draft Questionnaires at 7-12.

<sup>186</sup> Joint Respondents' Prehearing Brief at 78; USITC Pub. 3509 at V-3; Conf. Tr. at 57.

<sup>187</sup> CR at V-6; PR at V-4.

spot market, using mostly transaction-by-transaction negotiations and referring to weekly industry price reports such as *Random Lengths* to set prices, which provides transparency to pricing in the market.<sup>188</sup>

In the preliminary phase, the Commission collected monthly pricing data from U.S. producers and importers for four specific softwood lumber products for sales within a 100-mile radius of four specific market areas (the cities of Denver, Colorado; Phoenix, Arizona; Atlanta, Georgia; and Chicago, Illinois), as was suggested in the petition, which yielded a total of only 12 direct price comparisons out of 720 possible observations.<sup>189</sup> In an effort to increase coverage in the final phase, the Commission collected monthly pricing data from U.S. producers and importers for five specific softwood lumber products shipped to unrelated U.S. customers without limiting the data to any geographic market areas.<sup>190</sup> Fifteen U.S. producers and 37 importers provided useable pricing data for sales of the requested products, although not all firms reported pricing for all products for all months.<sup>191</sup> These data yielded a total of 132 direct price comparisons, with subject imports underselling the domestic like product in 31 of the 132 monthly comparisons, or 23.5 percent of comparisons, at margins ranging from \*\*\* from January 2014 to June 2017.<sup>192</sup>

Both Petitioners and Respondents take issue with the price comparison data collected through questionnaires in the final phase of these investigations and agree that when not tied to a particular geographic market such data have limited utility due to the high variability of freight costs.<sup>193</sup> As the Commission has found in prior softwood lumber investigations,

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<sup>188</sup> CR at V-4-5 and Tables V-1 and V-2; PR at V-3-4 and Tables V-1 and V-2. All 49 U.S. producers and 55 of 58 importers reported using the transaction-by-transaction method to set prices. CR/PR at Table V-1. U.S. producers and importers sold the majority of their U.S. commercial shipments (\*\*\*, respectively) in the spot market. CR/PR at Table V-2.

<sup>189</sup> CR at V-8 n.7; PR at V-6 n.7; USITC Pub. 4663 at V-7-11. Subject imports undersold the domestic like product in seven of the 12 monthly comparisons, or 58.3 percent of comparisons, at margins ranging from 1.3 percent to 9.0 percent from January 2013 to September 2016. USITC Pub. 4663 at Table V-21. In the preliminary phase, the pricing data accounted for less than 0.1 percent of responding U.S. producers' shipments and U.S. shipments of subject imports in 2015. *Id.* at V-7-8.

<sup>190</sup> CR at V-7-9; PR at V-5-7. The softwood lumber pricing products are: Product 1 — Douglas Fir, 2x4, Grade No. 2, random lengths, kiln-dried; Product 2 — Douglas Fir, precision end trimmed stud, 2x4, Grade No. 2, 9-foot length, kiln-dried; Product 3 — Spruce Pine Fir, precision end trimmed stud, 2x4, Grade No. 2, 8-foot length; Product 4 — Spruce Pine Fir, 2x4, Grade No. 3 (utility), random lengths; and Product 5 — Western Red Cedar, Industrial Clear (NLGA Grade 203c), 4"x4"xRL, Green, Rough.

<sup>191</sup> CR at V-9, Tables V-3-V-7, and Figures V-3-V-7; PR at V-7, Tables V-3-V-7, and Figures V-3-V-7. The pricing data account for a very low share of total shipments — approximately 0.1 percent of U.S. producers' shipments and 0.5 percent of U.S. shipments of subject imports in 2016 — and for four of the five products the overlap in coverage by source is limited. CR at V-9; PR at V-7.

<sup>192</sup> CR/PR at Table V-9. There were 27,910 mbf of subject imports in underselling comparisons and 137,365 mbf of subject imports in overselling comparisons. *Id.*

<sup>193</sup> CR at V-8 n.7; PR at V-6 n.7; Petitioners' Posthearing Brief at 7-10, B-1-13; Petitioners' Prehearing Brief at 57-69; Joint Respondents' Posthearing Brief at 8-12, and Appendix A at 26-52; Joint Respondents' Prehearing Brief at 79-81 and 95-98. In parties' comments on the draft questionnaires in the final phase, Joint Respondents did not propose changing the methodology used in the preliminary (Continued...)

obtaining useful direct price comparisons for assessing underselling, whether through questionnaire or public data, is problematic due to the range of species involved and the nature of this market.<sup>194</sup> Thus, despite our best efforts and those of the parties to these investigations to develop meaningful price comparison data, we cannot determine, based on this record, whether there has been significant underselling by subject imports.

However, purchasers confirmed purchasing subject imports rather than the domestic like product due to their lower prices.<sup>195</sup> In response to the Commission's purchaser questionnaires, 30 of 40 responding purchasers reported that they had purchased subject imports instead of U.S.-produced product since 2014.<sup>196</sup> The responding purchasers reported purchasing and/or importing 26.6 billion board feet of softwood lumber (17.9 billion board feet of domestic product, 8.3 billion board feet of subject imports, and 0.4 billion board feet from other sources) during 2016.<sup>197</sup> Fourteen of these purchasers reported that subject imports

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(...Continued)

phase. CR at V-8 n.7; PR at V-6 n.7; Joint Respondents' Comments on Draft Questionnaires at 7-12 ("Random Lengths does not collect delivered price data for different geographic markets. Rather, Random Lengths uses the data it collects on mill prices and adds estimated transportation costs to arrive at delivered prices at the cities of sale it reports. Using Random Lengths' methodology would raise the significant probability of unreliable or mismatched data that would be uninformative for an overselling or underselling analysis." *Id.* at 8.) Petitioners suggested collecting data on a daily basis for the first week of the month, which would have increased firms' data reporting burdens twenty-fold without assurance it would actually increase comparisons. CR at V-8 n.7; PR at V-6 n.7. Transportation costs to various parts of the United States are high and vary widely. In the final phase, the Commission collected pricing data, on a delivered basis, without reference to a specific city of sale regardless of whether the product incurred U.S. inland transportation costs for a delivery of 100 miles or to a location substantially further away from where the product was shipped, or was picked up at the mill. The evidence demonstrates that there are significant variances in the delivered prices to different locations for the same product to the same customer by the same U.S. producer on the same day. Hearing Tr. at 68; Petitioners' Prehearing Brief at 60-68 and Exhibit 30; Petitioners' Posthearing Brief, Appendix A at A-35-38.

<sup>194</sup> See, e.g., USITC Pub. 4663 at 34; *Lumber IV*, USITC Pub. 3509 at 33. While there are a number of different sources of published pricing information regarding softwood lumber products, including *Random Lengths*, these data series do not yield improved direct comparisons, despite broader coverage. Although, as discussed further below, prices of one species affect those of others, absolute price levels between species differ. CR at V-27; PR at V-10.

<sup>195</sup> CR at V-37 and Table V-13; PR at V-13-14 and Table V-13. In addition, four of the responding 40 purchasers reported that U.S. producers had reduced prices in order to compete with lower-priced subject imports, with reported price reductions ranging from 2.5 percent to 10 percent. CR at V-37 and Table V-14; PR at V-14 and Table V-14.

While Joint Respondents question the lost sales reports of two purchasers as inconsistent with their responses to the question of country of preference, we find that there is no inconsistency in their reporting. See Joint Respondents' Prehearing Brief at 95-97. The fact that these firms may have considered other factors when purchasing subject imports does not detract from their response to the lost sales questions that price was the primary reason for those purchases.

<sup>196</sup> CR at V-37; PR at V-13.

<sup>197</sup> CR/PR at Table V-12.

were priced lower, and 12 reported that price was a primary reason for purchasing subject imports instead of the domestic like product. These purchasers reported purchasing a total of 5.6 billion board feet of subject imports due to lower prices.<sup>198</sup>

The questionnaire and published data on the record permit an analysis of price trends.<sup>199</sup> In particular, the pricing information for softwood lumber published in *Random Lengths* is the source the U.S. producers and importers most frequently cited in questionnaire responses as a guide to negotiating prices with their customers.<sup>200</sup> The evidence demonstrates that the prices of different species closely track each other and seem to have an effect on others' prices, particularly those that are used in the same or similar applications.<sup>201</sup>

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<sup>198</sup> CR at V-37 and Table V-13; PR at V-13-14 and Table V-13.

<sup>199</sup> Based on questionnaire responses, prices for domestic product increased overall while price trends for subject imports were more mixed during the period of investigation. CR/PR at Table V-8. Prices for the domestic like product fluctuated from year to year but rose overall between 4.7 percent to 24.1 percent from January 7, 2014 to June 6, 2017; subject import prices remained relatively unchanged for product 4, and increased for \*\*\* during this period, and generally decreased for products 1 and 2 from March 4, 2014 to June 6, 2017. *Id.* Based on the *Random Lengths* data, prices for two of the three predominantly domestic species increased in 2014, two of the species declined and one remained the same in 2015, and all three species increased in 2016 and 2017. CR/PR at Table V-10. For predominantly Canadian species, both SPF products increased in 2014, but declined in 2015, and increased in 2016 and interim 2017; WRC increased in all three years from the beginning to the end of each year. *Id.* at Table V-11.

<sup>200</sup> CR at V-27; PR at V-10. *Random Lengths, Inc.* collects weekly price data from suppliers and purchasers and calculates weighted-average prices based on such factors as the size of the transaction and the quality of the lumber. *Random Lengths* publishes these data in its weekly and annual publications. Data from *Random Lengths* do not distinguish prices based on country of production. However, we examined species that are either predominantly produced in the United States (*e.g.*, SYP and Douglas Fir) or in Canada (*e.g.*, Western SPF and Eastern SPF). CR at V-27-28; PR at V-10-11.

<sup>201</sup> CR/PR at Figures V-8 to V-10. Industry sources confirm that price movements of one species affects the prices of the other species. In particular, the magnitude of decline for WSPF prices in 2015 put downward pressure on the prices for ESPF and SYP. *See, e.g.*, "Western Spruce-Pine-Fir 2x4 Dimension Lumber Price 2015: Steep Drops," *Madison's Lumber Reporter* (April 17, 2015) states: In a potentially alarming development, benchmark Western Spruce-Pine-Fir KD 2x4 #2&Btr construction framing dimension lumber prices have dropped much farther than similar commodities in the past year. Eastern Spruce-Pine-Fir KD 2x4 #2&Btr prices fell 16.5 per cent since April 2014, from US \$437mfbm to US\$365 mfbm this week (net FOB mill).

By comparison, Southern Yellow Pine KD 2x4 #2&Btr East Side prices dropped by 4.2 per cent in the same time frame, from US\$428 mfbm at this time last year to US\$410 mfbm this week.

With the largest volumes sold, WSPF price trends generally lead the market. However, the disconnect in price movement between this and the two similar species this year could be cause for concern. Not in the least because the last time there was such a difference was in mid-2005, at the tail-end of major over-building of US homes and in advance of a serious crash in construction framing dimension lumber prices and general economic woes in the US.

Western Spruce-Pine-Fir KD 2x4 #2&Btr prices have fallen an astonishing 22.8 per cent since this time last year, from US\$342 mfbm in April 2014 to US\$264 this week.

(Continued...)

Despite relatively strong and increasing apparent U.S. consumption (an increase of 10.6 percent from 2014 to 2016), *Random Lengths* data indicate that prices for softwood lumber generally were lower in 2016 than in 2014 as the volume and market share of subject imports increased. Prices of both predominantly domestically produced and predominantly imported Canadian softwood lumber products generally declined substantially from 2014 to 2015, notwithstanding rising apparent U.S. consumption, as subject imports increased.<sup>202</sup> Although prices for all products increased overall in 2016, as demand continued to improve and subject imports captured significant market share, prices generally did not return to levels similar to those at the beginning of the period of investigation until 2017.<sup>203</sup>

Furthermore, from 2014 to 2015 the domestic industry faced rising costs as prices declined. As a result, the industry experienced a cost-price squeeze. The domestic industry's ratio of costs of goods sold ("COGS") to net sales increased from \*\*\* in 2014 to \*\*\* in 2015, and then declined to \*\*\* in 2016.<sup>204</sup> Because demand was increasing during this period, we find that the substantially increasing volumes of subject imports at declining prices placed pressure on the domestic like product from 2014 to 2015.<sup>205</sup> This pricing pressure continued in

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(...Continued)

Given that these three products, WSPF, ESPF and SYP, are basically interchangeable in terms of end-user and application, such a great difference in price movement of one compared to the other two is definitely worth watching. All three products sell into Canada and the US for home building, renovation, and remodeling.

Petitioners' Posthearing Brief at Exhibit 11; *see also* Petitioners' Final Comments at 5-7; Petitioners' Nov. 20 Supplement Submission at Exhibit 1 (*Random Length* reports dated Oct. 13 and 27, 2017, Nov. 3 and 10, 2017); Joint Respondents' Nov. 6 Submission at Attachment 2.

<sup>202</sup> CR/PR at Table V-10 and V-11 and Figures V-8 to V-10.

<sup>203</sup> CR/PR at Table V-10 and V-11, and Figures V-8 to V-10. While *Random Lengths* data show that prices fluctuate from month to month, monthly prices for each species in 2015 and 2016 were below the January 2014 prices for that species in 23 of 24 possible comparisons for WSPF, 22 of 24 for ESPF, 24 of 24 for Douglas fir, 23 of 24 for Hem fir, and 15 of 24 for SYP; similarly the framing lumber composite price for all months in 2015 and 2016 was below the framing lumber composite price in January 2014. CR/PR at Tables V-10 and V-11. We find the higher prices in 2017 were a result of the pendency of these investigations. *See, e.g.*, Petitioners' Final Comments at 4 and 13-15. We therefore reduce the weight we are according to the volume, price effects, and impact of subject imports for interim 2017, pursuant to 19 U.S.C. § 1677(7)(I).

<sup>204</sup> CR/PR at Table C-3. The domestic industry's ratio of COGS to net sales was \*\*\* in interim 2016 and \*\*\* in interim 2017. *Id.*

<sup>205</sup> Joint Respondents contended that the declines in prices in 2015 and increases in 2016 "were the result of a price bubble followed by a price correction, all driven by domestic producers' varying ability to supply the market." Hearing Tr. at 160; *see also* Joint Respondents' Prehearing Brief at 113-119. However, the evidence does not support their theory that additional domestic capacity and production in 2015 rather than increases in subject imports led to the decline in prices from 2014 to 2015. Based on WWPA data, domestic capacity actually declined by 0.06 percent from 2014 to 2015 and U.S. production and shipments increased by only 0.01 percent and 1.1 percent, respectively, well below the 3.7 percent increase in apparent U.S. consumption and the 9.2 percent increase in subject imports. CR/PR at Table C-1 and C-3, and calculated from Table III-4. Moreover, as subject imports (Continued...)

2016, even as demand continued to rise and prices increased. While the domestic industry's ratio of COGS to net sales improved in 2016, it did not recover to 2014 levels due to increasing volumes of subject imports, which prevented sufficient price increases relative to cost increases over the full POI.

Accordingly, based on the record in the final phase of these investigations, we find that the increasing and significant volume of subject imports gained market share at the expense of the domestic industry during a time of rising demand and prevented price increases, which otherwise would have occurred, to a significant degree. We therefore conclude that the subject imports had significant price effects.

#### **F. Impact of the Subject Imports<sup>206</sup>**

Section 771(7)(C)(iii) of the Tariff Act provides that examining the impact of subject imports, the Commission "shall evaluate all relevant economic factors which have a bearing on the state of the industry."<sup>207</sup> These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, gross profits, net profits, operating profits, cash flow, return on investment, return on capital, ability to raise capital, ability to service debts, research and development, and factors affecting domestic prices. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."<sup>208 209</sup>

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(...Continued)

increased from 2014 to 2015, lumber prices declined to levels that triggered the reimposition of export restrictions for the remainder of the term of the SLA 2006 (April 2015 to October 12, 2015). Petitioners' Posthearing Brief at A-9-10.

<sup>206</sup> The statute instructs the Commission to consider the "magnitude of the dumping margin" in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii)(V). In its final determination of sales at less value, Commerce found weighted-average antidumping duty margins of 3.20 to 8.89 percent for imports of softwood lumber from Canada. 82 Fed. Reg. 51806, 51808 (Nov. 8, 2017). We take into account in our analysis the fact that Commerce has made final findings that all subject producers in Canada are selling subject imports in the United States at less than fair value. In addition to this consideration, our impact analysis has considered other factors affecting domestic prices. Our analysis of the significant price effects of subject imports, described in both the price effects discussion and below, is particularly probative to an assessment of the impact of the subject imports.

<sup>207</sup> 19 U.S.C. § 1677(7)(C)(iii); *see also* SAA at 851 and 885 ("In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.").

<sup>208</sup> 19 U.S.C. § 1677(7)(C)(iii). This provision was amended by the Trade Preferences Extension Act of 2015, Pub. L. 114-27.

<sup>209</sup> As noted above, we find that the increases in prices of subject imports in interim 2017 was a result of the pendency of these investigations. Because this affected the industry's revenues, we reduce (Continued...)

As apparent U.S. consumption increased, the domestic industry's production increased from 2014 to 2016, particularly from 2015 to 2016.<sup>210</sup> The domestic industry's capacity was relatively flat from 2014 to 2016.<sup>211</sup> Capacity utilization increased from 2014 to 2016 based on WWPA data.<sup>212</sup> The domestic industry's U.S. shipments showed patterns similar to those for production, increasing each year during the POI but not keeping pace with increases in apparent U.S. consumption.<sup>213</sup> Inventories relative to U.S. shipments declined each year from 2014 to 2016.<sup>214</sup>

The number of production and related workers employed by the domestic industry, the total hours worked, and wages paid increased during the period of investigation, with the largest increases from 2014 to 2015.<sup>215</sup> The industry's productivity \*\*\* increased from 2014 to 2016.<sup>216</sup>

The financial performance of the domestic industry displayed \*\*\* declines overall, particularly from 2014 to 2015. While apparent U.S. consumption increased (by \*\*\* percent by

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(...Continued)

the weight we are according to the impact of subject imports for interim 2017, pursuant to 19 U.S.C. § 1677(7)(I).

<sup>210</sup> Calculated from CR/PR at Table III-4. WWPA data show that the domestic industry's production was 30.2 billion board feet in 2014 and 2015, and 31.1 billion board feet in 2016; it was 15.8 billion board feet in interim 2016 and 16.2 billion board feet in interim 2017. *Id.* Based on questionnaires, the domestic industry's production was \*\*\* board feet in 2014, \*\*\* board feet in 2015, and \*\*\* board feet in 2017; it was \*\*\* board feet in interim 2016 and \*\*\* board feet in interim 2017. CR/PR at Table C-3.

<sup>211</sup> Calculated from CR/PR at Table III-4. WWPA data show that the domestic industry's production capacity was 36.5 billion board feet in 2014 and 2015, and 36.2 billion board feet in 2016; it was 18.4 billion board feet in interim 2016 and 19.1 billion board feet in interim 2017. *Id.* Based on questionnaires, the domestic industry's production capacity was \*\*\* board feet in 2014, \*\*\* board feet in 2015, and \*\*\* board feet in 2016; it was \*\*\* board feet in interim 2016 and \*\*\* board feet in interim 2017. CR/PR at Table C-3.

<sup>212</sup> Calculated from CR/PR at Table III-4. WWPA data show that the domestic industry's capacity utilization was 82.8 percent in 2014 and 2015, and 85.9 percent in 2016; it was 85.9 percent in interim 2016 and 84.6 percent in interim 2017. *Id.* Based on questionnaires, the domestic industry's capacity utilization was \*\*\* in 2014, \*\*\* in 2015, and \*\*\* in 2016; it was \*\*\* in interim 2016 and \*\*\* in interim 2017. CR/PR at Table C-3.

<sup>213</sup> CR/PR at Table C-3. WWPA data show that the domestic industry's U.S. shipments were 28.4 billion board feet in 2014, 28.8 billion board feet in 2015, and 29.6 billion board feet in 2016; they were 15.3 billion board feet in interim 2016 and 15.6 billion board feet in interim 2017. *Id.* Based on questionnaires, the domestic industry's U.S. shipments were \*\*\* board feet in 2014, \*\*\* board feet in 2015, and \*\*\* board feet in 2016; they were \*\*\* board feet in interim 2016 and \*\*\* board feet in interim 2017. *Id.*

<sup>214</sup> Inventories as a ratio of shipments were \*\*\* percent in 2014, \*\*\* percent in 2015, \*\*\* percent in 2016, \*\*\* percent in interim 2016, and \*\*\* percent in interim 2017. CR/PR at Table C-3.

<sup>215</sup> CR/PR at Table C-3.

<sup>216</sup> CR/PR at Table C-3. Unit labor costs increased by \*\*\* from 2014 to 2016, but were the same in both interim 2016 and interim 2017. *Id.*



quantity from 2014 to 2016), the domestic producers' total net sales revenues did not keep pace, increasing by only \*\*\* from 2014 to 2016; the industry's total net sales revenues declined from \*\*\* in 2014 to \*\*\* in 2015, and then increased to \*\*\* in 2016.<sup>217</sup> Moreover, the domestic industry's unit net sales value declined overall from 2014 to 2016, with \*\*\* decline from 2014 to 2015.<sup>218</sup> Gross profit, net income, and operating income all declined overall from 2014 to 2016, reflecting lower unit net sales values, and in spite of lower unit COGS and higher quantities sold for the industry.<sup>219</sup> We recognize that as a result of the pendency of these investigations, all three indicators were higher in interim 2017 than in interim 2016, reflecting higher sales values and higher quantities sold for the industry.<sup>220</sup> The domestic producers' ratio of COGS to net sales \*\*\* from \*\*\* in 2014 to \*\*\* in 2015, and then declined to \*\*\* in 2016; it was \*\*\* in interim 2016 and \*\*\* in interim 2017.<sup>221</sup> The domestic industry's ratio of operating income to net sales fell from \*\*\* in 2014 to \*\*\* in 2015, and then increased to \*\*\* in 2016; it was \*\*\* in interim 2016 and \*\*\* in interim 2017.<sup>222</sup> The industry's capital expenditures fluctuated but declined \*\*\* from 2014 to 2016, and were higher in interim 2017 than in interim 2016.<sup>223</sup>

We find that subject imports had a significant impact on the domestic industry during the period of investigation. The significant and increasing volume of subject imports throughout the period of investigation led to a substantial erosion of the domestic industry's market share.<sup>224</sup> From 2014 to 2016, while virtually all trade indicators for the domestic

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<sup>217</sup> CR/PR at Table C-3. Sales revenues were higher \*\*\* in interim 2017 than in interim 2016, an increase higher than that of apparent U.S. consumption (which was \*\*\* percent greater by quantity in interim 2017 than in interim 2016). *Id.*

<sup>218</sup> CR/PR at Table C-3. The domestic industry's average unit net sales value declined from \*\*\* in 2014 to \*\*\* in 2015, and then increased to \*\*\* in 2016; it was \*\*\* in interim 2016 and \*\*\* in interim 2017. *Id.*

<sup>219</sup> Gross profit fell from \*\*\* in 2014 to \*\*\* in 2015, and increased to \*\*\* in 2016; it was \*\*\* in interim 2017. Operating income fell from \*\*\* in 2014 to \*\*\* in 2015, and then increased to \*\*\* in 2016; it was \*\*\* in interim 2017. Net income fell from \*\*\* in 2014 to \*\*\* in 2015 and then increased to \*\*\* in 2016; it was \*\*\* in interim 2017. CR/PR at Table C-3.

<sup>220</sup> CR/PR at Table C-3.

<sup>221</sup> CR/PR at Table C-3.

<sup>222</sup> CR/PR at Table C-3.

<sup>223</sup> CR/PR at Table C-3 for capital expenditures. The industry's capital expenditures were \$\*\*\* in 2014, \$\*\*\* in 2015, \$\*\*\* in 2016, \$\*\*\* in interim 2016, and \$\*\*\* in interim 2017. *Id.* Research and development ("R&D") expenditures declined each year and were lower in interim 2017 than in interim 2016. CR/PR at Table VI-5. While Joint Respondents argue that capital investments made by the domestic industry during the POI demonstrate that subject imports did not prevent investment, we find that the evidence does not support their claims. As subject imports increased, capital expenditures in 2016 were substantially lower than those in 2014 before SLA 2006 expired, and U.S. producers reported many incidents of negative effects on investment, including cancellation, postponement, or rejection of expansion projects; reduction in the size of capital investments; and negative impacts on the return on specific investments. See CR, Tables C-3 and D-3 at D-13 to D-18; PR, Tables C-3 and D-3 at D-11 to D-12.

<sup>224</sup> The domestic industry's market share by quantity decreased from \*\*\* in 2014 to \*\*\* in 2015 and \*\*\* in 2016; it was \*\*\* in interim 2017. Subject imports' market share by quantity, on the other (Continued...)

industry increased as apparent U.S. consumption rose, financial indicators declined as the volume of subject imports increased and prices generally were suppressed. The domestic industry's performance, particularly from 2014 to 2015, was not commensurate with increasing apparent U.S. consumption, and improvements during 2016 did not return its performance to levels experienced during 2014 when the SLA 2006 was in effect. Despite relatively strong apparent U.S. consumption growth -- which was 10.6 percent higher (which equated to about 4.5 billion board feet in consumption) in 2016 than in 2014 -- the domestic industry's shipments were only slightly higher (\*\* billion board feet) in 2016 than 2014, as it lost significant market share to the large volumes of subject imports (\*\* billion board feet from 2014 to 2016). As a result of the significant and increasing volume of subject imports that significantly suppressed prices for softwood lumber at a time of increasing demand during the POI, the domestic industry's output and revenues were lower than they would have been otherwise. Thus, as a result of the substantial increases in subject imports, in many respects the domestic industry did not perform as well as would have been expected during the period of growing demand.

As discussed above, we have found the volume and market share of subject imports to have increased significantly over the period of investigation, resulting in the domestic industry losing market share while prices were significantly suppressed even as apparent U.S. consumption increased. Consequently, we find that the large and increasing volume of subject imports had a significant impact on the domestic industry.

In conducting our impact analysis, we have also considered the role of other factors so as not to attribute injury from other factors to subject imports. Apparent U.S. consumption for softwood lumber increased during the period of investigation, so the domestic industry's trade and financial performance cannot be explained by declines in consumption.<sup>225</sup> Nonsubject imports had a minimal presence in the U.S. market during the period of investigation.<sup>226</sup> Even though they increased slightly over the POI, the volume and market share of nonsubject imports was far too small to apply the substantial pressure on the domestic prices that the larger and increasing volume of subject imports exerted; it was subject imports that resulted in the industry's loss of market share and declines in financial performance. Finally, Joint Respondents contend that U.S. producers in the West face significant timber supply constraints, which are not due to subject imports from Canada and that the Commission should not attribute any injury caused by such constraints to Canadian lumber.<sup>227</sup> However, the evidence demonstrates that suppressed lumber prices directly impact the ability of softwood lumber producers to acquire timber supply; the issue is not one of log availability but rather the cost-

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hand, increased from 28.4 percent in 2014 to 30.0 percent in 2015 and 31.8 percent in 2016; it was 29.6 percent in interim 2016 and 29.8 percent in interim 2017. CR/PR at Table C-3.

<sup>225</sup> CR/PR at C-3.

<sup>226</sup> Nonsubject import market share was 2.8 percent in 2014, 3.7 percent in 2015, and 3.8 percent in 2016; it was 3.6 percent in interim 2016 and 4.2 percent in interim 2017. CR/PR at Table C-3.

<sup>227</sup> Joint Respondents' Prehearing Brief at 119-123; Joint Respondents' Posthearing Brief at A-98-107.

price squeeze that producers face as log costs increase and substantial volumes of dumped and subsidized subject imports suppress domestic lumber prices.<sup>228</sup>

Accordingly, we conclude that subject imports have had a significant impact on the domestic industry.

## V. Critical Circumstances

### A. Legal Standards and Party Arguments

In its final antidumping duty determination concerning softwood lumber, Commerce found that critical circumstances exist with respect to all subject producers/exporters except Canfor.<sup>229</sup> Because we have determined that the domestic industry is materially injured by reason of subject imports from Canada, we must further determine "whether the imports subject to the affirmative {Commerce critical circumstances} determination ... are likely to undermine seriously the remedial effect of the antidumping order{s} to be issued."<sup>230</sup> The SAA indicates that the Commission is to determine "whether, by massively increasing imports prior to the effective date of relief, the importers have seriously undermined the remedial effect of the order" and specifically "whether the surge in imports prior to the suspension of liquidation, rather than the failure to provide retroactive relief, is likely to seriously undermine the remedial effect of the order."<sup>231</sup> The legislative history for the critical circumstances provision indicates that the provision was designed "to deter exporters whose merchandise is subject to an investigation from circumventing the intent of the law by increasing their exports to the United States during the period between initiation of an investigation and a preliminary determination

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<sup>228</sup> See Hearing Tr. at 47-48 and 138 (Mr. Swanson of the Swanson Group stated: "Were it not for the suppressed prices that we experience in the west today, we would be buying logs that are currently going {to} export from the U.S."). Moreover, Mr. Benson of Potlatch stated:

As a landowner, we manage our forest to optimize our harvest, both from a biological and economical perspective....

Lumber and log markets are different, but they are linked. Ultimately, logs {sic} prices will be governed {by} lumber prices. There's a lag between the two, but if there's no market for U.S. lumber there's no market for our logs. If the lumber market crashes, the price of logs will also fall. And if log prices drop below a certain point, we hold off harvesting until the price recovers. This can create its own problems because even though there have been advances in mechanization logging remains a labor-intensive industry and non-worker loggers who leave the industry during down times may never come back, but today we have more timber than manufacturing capability and we are ready and able to supply the U.S. market when it is economical to do so. Hearing Tr. at 47-48.

<sup>229</sup> 82 Fed. Reg. 51806, 51807 (November 8, 2017). In issuing its final determination in the countervailing duty investigation, Commerce made a negative critical circumstance determination with respect to imports of softwood lumber from all sources in Canada. 82 Fed. Reg. 51814, 51816 (November 8, 2017).

<sup>230</sup> 19 U.S.C. § 1673d(b)(4)(A)(ii).

<sup>231</sup> SAA at 877.

by {Commerce}."<sup>232</sup> An affirmative critical circumstances determination by the Commission, in conjunction with an affirmative determination of material injury by reason of subject imports, would normally result in the retroactive imposition of duties for those imports subject to the affirmative Commerce critical circumstances determination for a period 90 days prior to the suspension of liquidation.

The statute provides that, in making this determination, the Commission shall consider, among other factors it considers relevant,

- (I) the timing and the volume of the imports,
- (II) a rapid increase in inventories of the imports, and
- (III) any other circumstances indicating that the remedial effect of the {order} will be seriously undermined.<sup>233</sup>

In considering the timing and volume of subject imports, the Commission's practice is to consider import quantities prior to the filing of the petition with those subsequent to the filing of the petition using monthly statistics on the record regarding those firms for which Commerce has made an affirmative critical circumstances determination.<sup>234</sup>

## **B. Analysis**

*Choice of Time Period.* We first consider the appropriate period for comparison of pre-petition and post-petition levels of subject imports from Canada. In previous investigations, the Commission has relied on a shorter comparison period when Commerce's preliminary determination applicable to the country at issue fell within the six-month post-petition period the Commission typically considers.<sup>235</sup> That situation arises here,<sup>236</sup> and we have thus

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<sup>232</sup> *ICC Industries, Inc. v United States*, 812 F.2d 694, 700 (Fed. Cir. 1987), quoting H.R. Rep. No. 96-317 at 63 (1979), *aff'g* 632 F. Supp. 36 (Ct. Int'l Trade 1986). See 19 U.S.C. §§ 1671b(e)(2), 1673b(e)(2).

<sup>233</sup> 19 U.S.C. §§ 1671d(b)(4)(A)(ii), 1673d(b)(4)(A)(ii).

<sup>234</sup> See *Lined Paper School Supplies from China, India, and Indonesia*, Inv. Nos. 701-TA-442-43, 731-TA-1095-97, USITC Pub. 3884 at 46-48 (Sept. 2006); *Carbazole Violet Pigment from China and India*, Inv. Nos. 701-TA-437 and 731-TA-1060-61 (Final), USITC Pub. 3744 at 26 (Dec. 2004); *Certain Frozen Fish Fillets from Vietnam*, Inv. No. 731-TA-1012 (Final), USITC Pub. 3617 at 20-22 (Aug. 2003).

<sup>235</sup> *Certain Hot-Rolled Steel Flat Products from Australia, Brazil, Japan, Korea, the Netherlands, Turkey, and the United Kingdom*, Inv. Nos. 701-TA-545-547, 731-TA-1291-1297 (Final), USITC Pub. 4638 at 49-50 (Sept. 2016); *Certain Corrosion-Resistance Steel Products from China, India, Italy, Korea, and Taiwan*, Inv. No. 701-TA-534-537 and 731-TA-1274-1278 (Final), USITC Pub. 4630 at 35-40 (July 2016); *Carbon and Certain Steel Wire Rod from China*, Inv. Nos. 701-TA-512, 731-TA-1248 (Final), USITC Pub. 4509 at 25-26 (Jan. 2015) (using five-month periods because preliminary Commerce countervailing duty determination was during the sixth month after the petition).

<sup>236</sup> The petitions in these investigations were filed on November 25, 2016, and Commerce made its preliminary determination in the countervailing duty investigation on April 28, 2017. *Certain* (Continued...)

determined to compare the volume of subject imports five months prior to the filing of the petition with the volume of subject imports five months after the filing of the petition in our critical circumstances analysis.<sup>237 238</sup>

*Analysis.* In its final antidumping duty critical circumstances determination, Commerce determined that critical circumstances exist with regard to imports of softwood lumber from all subject producers/exporters except Canfor.<sup>239</sup> The volume of subject imports from entities subject to Commerce's affirmative antidumping duty critical circumstances finding decreased from \*\*\* board feet for the five-month pre-petition period to \*\*\* board feet for the five-month post-petition period.<sup>240</sup> End-of-period inventories of imports from Canada subject to Commerce's affirmative critical circumstances finding in the antidumping investigation were \*\*\* board feet in June 2016 and \*\*\* board feet in June 2017.<sup>241</sup> In light of these declines in imports and inventories, and in the absence of any other circumstances indicating that the remedial effect of the antidumping duty order will be seriously undermined, we make a

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*Softwood Lumber Products From Canada: Preliminary Affirmative Countervailing Duty Determination and Alignment of Final Determination With Final Antidumping Duty Determination*, 82 Fed. Reg. 19657 (April 28, 2017).

<sup>237</sup> The periods considered are July 2016 through November 2016 and December 2016 through April 2017. We note that our ultimate finding would have been the same if we had used a six-month comparison period.

<sup>238</sup> Petitioners propose that the Commission should conduct its analysis using the same time periods centered on the expiration of the SLA in October 2015 that Commerce used in its preliminary critical circumstance determination – a base period of January 2015 – September 2015 and a comparison period of October 2015 – June 2016. Petitioners' Prehearing Brief at 103-108. In its analysis of critical circumstances for the final antidumping duty determination, Commerce used a 21-month comparison period – January 2014-September 2015 compared with October 2015-June 2017 for Canfor, Resolute, Tolko, and West Fraser; and a 20-month comparison period -- February 2014-September 2015 compared with October 2015-May 2017 for all others. *Calculations for Final Determination of Critical Circumstances in the Antidumping Duty Investigation of Certain Softwood Lumber Products from Canada* at 2 (November 1, 2017) and *Issues and Decision Memorandum for the Final Affirmative Determination of Sales at Less Than Fair Value and Affirmative Final Determination of Critical Circumstances of Certain Softwood Lumber Products from Canada* at 72 (Comment 19) (November 1, 2017). The Commission is not required to analyze the same period that Commerce examined. *Certain Polyester Staple Fiber from China*, Inv. No. 731-TA-1104 (Final), USITC Pub. 3922 at 35 (June 2007); *Steel Concrete Reinforcing Bars from Turkey*, Inv. No. 731-TA-745 (Final), USITC Pub. 3034 at 34 (Apr. 1997). We do not perceive any reason in this investigation from deviating from our customary practice, described above, in selecting the applicable time periods.

<sup>239</sup> 82 Fed. Reg. 51806, 51807 (November 8, 2017).

<sup>240</sup> CR/PR at Table IV-6.

<sup>241</sup> Calculated from CR/PR at Table VII-7 and \*\*\* U.S. importers questionnaire response. End-of-period inventories of imports from Canada subject to Commerce's affirmative critical circumstances finding in the antidumping investigation were \*\*\* board feet in 2014, \*\*\* board feet in 2015, \*\*\* board feet in 2016. *Id.* While there is an increase in end of period inventory levels if comparing 2015 to 2016, these levels were low as a share of shipments. *Id.*

negative critical circumstances determination with regard to subject imports in the antidumping duty investigation of softwood lumber from Canada.

## **VI. Conclusion**

For the reasons stated above, we determine that an industry in the United States is materially injured by reason of subject imports of softwood lumber from Canada that are sold in the United States at less than fair value and subsidized by the government of Canada.

# PART I: INTRODUCTION

## BACKGROUND

These investigations result from petitions filed with the U.S. Department of Commerce (“Commerce”) and the U.S. International Trade Commission (“USITC” or “Commission”) by the Committee Overseeing Action for Lumber International Trade Investigations or Negotiations (the “Coalition”)<sup>1</sup>, on November 25, 2016, alleging that an industry in the United States is materially injured and threatened with material injury by reason of subsidized and less-than-fair-value (“LTFV”) imports of softwood lumber products (“softwood lumber”)<sup>2</sup> from Canada. The following tabulation provides information relating to the background of these investigations.<sup>3 4</sup>

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<sup>1</sup> The Coalition is an ad hoc association whose members are: U.S. Lumber Coalition, Inc., Collum’s Lumber Products, L.L.C., Hankins, Inc., Potlach Corp., Rex Lumber Company, Seneca Sawmill Company, Sierra Pacific Industries, Stimson Lumber Company, Swanson Group, Weyerhaeuser Company, Carpenters Industrial Council, Giustina Land and Timber Company, Sullivan Forestry Consultants, Inc. The Coalition is “an association, a majority of whose members is composed of interested parties” described in Section 771(9)(F) of the Act, 19 U.S.C. § 1677(9)(F).

<sup>2</sup> See the section entitled “The Subject Merchandise” in *Part I* of this report for a complete description of the merchandise subject to these investigations.

<sup>3</sup> Pertinent *Federal Register* notices are referenced in appendix A, and may be found at the Commission’s website ([www.usitc.gov](http://www.usitc.gov)).

<sup>4</sup> A list of witnesses appearing at the hearing is presented in app. B.

<b>Effective date</b>	<b>Action</b>
<b>November 25, 2016</b>	Petition filed with Commerce and the Commission; institution of Commission investigation (81 FR 87069, December 2, 2016)
<b>December 15, 2016</b>	Commerce's notice of initiation (countervailing 81 FR 93987, December 22, 2016 and antidumping 81 FR 93892, December 22, 2016)
<b>January 9, 2017</b>	Commission's preliminary determinations
<b>April 28, 2017</b>	Commerce's preliminary affirmative countervailing duty determination and alignment of final determination with final antidumping duty determination (82 FR 19657, April 28, 2017)
<b>June 30, 2017</b>	Commerce's preliminary affirmative determination of sales at less than fair value (82 FR 29833, June 30, 2017)
<b>September 12, 2017</b>	Commission's hearing
<b>November 8, 2017</b>	Commerce's final affirmative determination of sales at less than fair value and affirmative final determination of critical circumstances (82 FR 51806, November 8, 2017)
<b>November 8, 2017</b>	Commerce's final countervailing duty determination, and final negative determination of critical circumstances (82 FR 51814, November 8, 2017)
<b>December 7, 2017</b>	Commission's vote
<b>December 22, 2017</b>	Commission's views

## **STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT**

### **Statutory criteria**

Section 771(7)(B) of the Tariff Act of 1930 (the "Act") (19 U.S.C. § 1677(7)(B)) provides that in making its determinations of injury to an industry in the United States, the Commission—

*shall consider (I) the volume of imports of the subject merchandise, (II) the effect of imports of that merchandise on prices in the United States for domestic like products, and (III) the impact of imports of such merchandise on domestic producers of domestic like products, but only in the context of production operations within the United States; and. . . may consider such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports.*



Section 771(7)(C) of the Act (19 U.S.C. § 1677(7)(C)) further provides that--<sup>5</sup>

*In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant. . . In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether. . . (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree. . . In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to. . . (I) actual and potential decline in output, sales, market share, gross profits, operating profits, net profits, ability to service debt, productivity, return on investments, return on assets, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and (V) in {an antidumping investigation}, the magnitude of the margin of dumping.*

In addition, Section 771(7)(J) of the Act (19 U.S.C. § 1677(7)(J)) provides that--<sup>6</sup>

*(J) EFFECT OF PROFITABILITY.—The Commission may not determine that there is no material injury or threat of material injury to an industry in the United States merely because that industry is profitable or because the performance of that industry has recently improved.*

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<sup>5</sup> Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.

<sup>6</sup> Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.

## Organization of report

*Part I* of this report presents information on the subject merchandise, subsidy/dumping margins, and domestic like product. *Part II* of this report presents information on conditions of competition and other relevant economic factors. *Part III* presents information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment. *Parts IV* and *V* present the volume of subject imports and pricing of domestic and imported products, respectively. *Part VI* presents information on the financial experience of U.S. producers. *Part VII* presents the statutory requirements and information obtained for use in the Commission's consideration of the question of threat of material injury as well as information regarding nonsubject countries.

## MARKET SUMMARY

Softwood lumber generally is used to construct and remodel structures such as housing. The leading U.S. producers of softwood lumber are \*\*\*, while leading Canadian producers of softwood lumber include \*\*\*. The leading U.S. importers of softwood lumber from Canada are \*\*\*.

Apparent U.S. consumption of softwood lumber totaled approximately 47.0 billion board feet (\$17.9 billion) in 2016. U.S. producers' U.S. shipments of softwood lumber totaled 31.0 billion board feet (\$11.5 billion) in 2016, and accounted for 66.1 percent of apparent U.S. consumption by quantity and 64.0 percent by value. U.S. imports from subject sources totaled 15.0 billion board feet (\$5.8 billion) in 2016 and accounted for 32.0 percent of apparent U.S. consumption by quantity and 32.2 percent by value. U.S. imports from nonsubject sources totaled 0.9 billion board feet (\$684 million) in 2016 and accounted for 1.9 percent of apparent U.S. consumption by quantity and 3.8 percent by value.

## SUMMARY DATA AND DATA SOURCES

A summary of data collected in these investigations is presented in appendix C. Table C-1 presents data for all softwood lumber products, table C-2 presents collected data for cedar/redwood lumber including Redwood (*Sequoia sempervirens*), Western Red Cedar (*Thuja plicata*), Atlantic White Cedar (*Chamaecyparis thyoides*), Port Orford Cedar (*Chamaecyparis lawsoniana*), Alaskan Yellow Cedar (*Cupressus nootkatensis*), and any other cedar tree softwood lumber products ("cedar/redwood"), and C-3 presents data for the U.S. market excluding \*\*\*. Except as noted, U.S. industry data are based on questionnaire responses of 49 firms, that accounted for 59.0 percent of U.S. production of softwood lumber during 2016, and Western Wood Products Association ("WWPA") publications. U.S. imports are based on official U.S. import statistics for the following provisions of HTS chapter 44: 4407.10.01.01; 4407.10.01.02; 4407.10.01.15; 4407.10.01.16; 4407.10.01.17; 4407.10.01.18; 4407.10.01.19; 4407.10.01.20; 4407.10.01.42; 4407.10.01.43; 4407.10.01.44; 4407.10.01.45; 4407.10.01.46; 4407.10.01.47; 4407.10.01.48; 4407.10.01.49; 4407.10.01.52; 4407.10.01.53; 4407.10.01.54; 4407.10.01.55; 4407.10.01.56; 4407.10.01.57; 4407.10.01.58; 4407.10.01.59; 4407.10.01.64; 4407.10.01.65; 4407.10.01.66; 4407.10.01.67; 4407.10.01.68; 4407.10.01.69; 4407.10.01.74;

4407.10.01.75; 4407.10.01.76; 4407.10.01.77; 4407.10.01.82; 4407.10.01.83; 4407.10.01.92; 4407.10.01.93; 4409.10.05.00; 4409.10.10.20; 4409.10.10.40; 4409.10.10.60; 4409.10.10.80; 4409.10.20.00; 4409.10.90.20; 4409.10.90.40; and 4418.99.10.00 and questionnaire responses from 60 companies, representing 79.6 percent of U.S. imports in 2016.

## **HISTORICAL BACKGROUND - PREVIOUS AND RELATED INVESTIGATIONS AND AGREEMENTS BETWEEN THE GOVERNMENTS OF CANADA AND THE UNITED STATES**

Softwood lumber initially was the subject of investigations at the Commission under sections 332 and 703 of the Tariff Act of 1930 (the Act). In December 1981, in response to a request from the Committee on Finance of the U.S. Senate and the Chairman of the Ways and Means Subcommittee on Trade of the U.S. House of Representatives, the Commission instituted investigation No. 332-134, concerning conditions relating to the importation of softwood lumber into the United States.<sup>7</sup> In March 1985, at the request of USTR, the Commission instituted investigation No. 332-210 to update that earlier study. The Commission's report in the latter investigation was issued in October 1985.<sup>8</sup>

### **Lumber I**

In October 1982, the Commission and Commerce received a petition from the Coalition alleging that “. . . the federal and provincial governments in Canada subsidize, directly and indirectly, the Canadian forest products industry, including softwood lumber, through a broad variety of programs and practices.” In November 1982, the Commission determined that there was a reasonable indication that an industry in the United States was materially injured by reason of the allegedly subsidized imports of softwood lumber from Canada.<sup>9</sup> However, in May 1983, Commerce issued a final negative countervailing duty determination and the Commission's investigation was terminated.<sup>10</sup> In its determination, Commerce found that Canadian stumpage programs did not confer a subsidy within the meaning of the Act because they were not provided to a specific enterprise or industry or group of enterprises or industries and because they did not confer domestic subsidies under the terms of the Act.<sup>11</sup>

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<sup>7</sup> *Conditions Relating to the Importation of Softwood Lumber Into the United States*, USITC Publication 1241, April 1982.

<sup>8</sup> *Conditions Relating to the Importation of Softwood Lumber Into the United States*, USITC Publication 1765, October 1985.

<sup>9</sup> 47 FR 54183, December 1, 1982. *Softwood Lumber from Canada*, Inv. No. 701-TA-197 (Preliminary), USITC Publication 1320, November 1982.

<sup>10</sup> 48 FR 24159, May 31, 1983.

<sup>11</sup> Stumpage is defined as “the value of standing timber,” or “uncut marketable timber” and “the right to cut it” (Merriam-Webster Dictionary, <https://www.merriam-webster.com/dictionary/stumpage>, accessed September 11, 2017). The word is derived from two words, “stump” and “age,” meaning that more value is added over time as a tree increases in size “on the stump.” The main way to sell timber for lumber is through stumpage, selling only the standing timber, and the harvesting and processing is the

(continued...)

## Lumber II

In May 1986, the Coalition<sup>12</sup> filed a countervailing duty petition with the Commission and Commerce, alleging that an industry in the United States was materially injured or threatened with material injury by reason of allegedly subsidized imports from Canada of softwood lumber. Consequently, the Commission instituted a preliminary countervailing duty investigation and determined, in July 1986, that there was a reasonable indication that an industry in the United States was materially injured by reason of the allegedly subsidized imports of softwood lumber from Canada.<sup>13</sup>

In October 1986, Commerce made a preliminary determination<sup>14</sup> that imports of softwood lumber from Canada were receiving certain benefits which constituted subsidies within the meaning of the countervailing duty law, finding that subsidies of 15 percent *ad valorem* were being provided to Canadian producers of softwood lumber products. The primary subsidy was the selective provision of a government resource, provincially owned timber, at administratively set prices which were determined to be at preferential rates within the meaning of subsection 771(5)(A)(ii) of the Act. As a result of Commerce's affirmative determination, the Commission instituted a final investigation, Inv. No. 701-TA-274 (Final), in October 1986.

### Memorandum of Understanding

On December 30, 1986, prior to Commerce's final determination in the investigation, the Governments of the United States and Canada arrived at a settlement of the dispute regarding the existence and level of subsidies, and entered into a Memorandum of Understanding on Softwood Lumber (MOU). Under the MOU, the Government of Canada agreed to impose a 15-percent export charge on certain softwood lumber products. The charge could be reduced or eliminated for exports from those provinces that instituted replacement measures increasing the fee charged on the harvest of timber or other replacement measures

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responsibility of the buyer. Canadian stumpage rates are set by the provincial government where the harvest takes place.

<sup>12</sup> At that time, the Coalition's members included the National Forest Products Association, the Northeastern Lumber Manufacturers Association, the Northwest Independent Forest Manufacturers, the Western Wood Products Association, the Western Forest Industries Association, and the Southeastern Lumber Manufacturers Association. These associations represented companies accounting for more than 70 percent of U.S. softwood lumber production in 1985. Additionally, the following state associations were members of the Coalition: the Alabama Forestry Association, the Arkansas Forestry Association, and the Lumber Manufacturers Association of Virginia.

<sup>13</sup> *Softwood Lumber from Canada*, Inv. No. 701-TA-274 (Preliminary), USITC Publication 1874, July 1986.

<sup>14</sup> 51 FR 37453, October 22, 1986.

(e.g., silvicultural work).<sup>15</sup> In exchange for Canada's agreement to collect an export charge under the MOU, the U.S. lumber industry withdrew its petition and Commerce and the Commission terminated their investigations.<sup>16</sup> As a result, neither Commerce nor the Commission made a final determination.

### Lumber III

On October 4, 1991, the U.S. Government, via the United States Trade Representative (USTR), announced that Commerce would be self-initiating a countervailing duty investigation to determine whether Canadian softwood lumber is subsidized and whether subsidized lumber imports materially injured or threatened to materially injure an industry in the United States.<sup>17</sup>

At the same time, USTR announced that it would initiate an investigation under section 302 of the Trade Act of 1974 with respect to certain acts, policies, and practices of the Government of Canada affecting exports to the United States of softwood lumber.<sup>18</sup> As a part of that action, USTR announced that the United States had determined that it was appropriate, as of October 4, 1991, to withhold or extend liquidation of entries of imports of softwood lumber products originating in certain Provinces and territories of Canada, until the completion of Commerce's countervailing duty investigation. In order to maintain the status quo, it was determined that imports of softwood lumber products originating in certain Provinces and territories of Canada would be subject to contingent, temporary duties of up to 15 percent *ad valorem*. The imposition of those duties was contingent upon affirmative final subsidy and injury determinations in the countervailing duty investigation.<sup>19</sup>

As a result of Commerce's self-initiation, the Commission instituted a preliminary countervailing duty investigation No. 701-TA-312 (Preliminary) in October 1991; it subsequently

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<sup>15</sup> Softwood lumber produced in the Maritime Provinces (New Brunswick, Newfoundland, Nova Scotia, and Prince Edward Island) from timber harvested in the Maritime Provinces was exempted from the MOU and was similarly exempted from the 1991-1992 investigations (Inv. No. 701-TA-312 (Final)).

<sup>16</sup> 52 FR 315, January 5, 1987, and 52 FR 1535, January 14, 1987, respectively.

<sup>17</sup> On October 31, 1991, Commerce self-initiated the investigation (56 FR 56055, October 31, 1991). USTR's action was taken in response to the Government of Canada's announcement that, effective October 4, 1991, it would terminate the Memorandum of Understanding (MOU) concerning softwood lumber exports from Canada. The MOU had been in effect since December 30, 1986.

<sup>18</sup> *Initiation of Section 302 Investigation and Request for Public Comment on Determinations Involving Expeditious Action: Canadian Exports of Softwood Lumber* (56 FR 50738, October 8, 1991).

<sup>19</sup> The Secretary of the Treasury was instructed to impose the following bonding requirements: For softwood lumber originating from the province of Quebec, a single entry bond in the amount of 6.2 percent of the entered value of entries filed before November 1, 1991, and 3.1 percent of the entered value of entries filed on or after November 1, 1991; for such products originating in other listed Provinces, except British Columbia, a single entry bond in the amount of 15 percent of the entered value; and for such products originating in the province of British Columbia, zero rate of duty. (56 FR 50738, October 8, 1991). No bonding requirement was imposed on imports from the Maritime Provinces.

determined there was a reasonable indication that an industry in the United States was materially injured by reason of the allegedly subsidized imports of softwood lumber from Canada.<sup>20</sup>

In May 1992, Commerce made a final determination that prices charged by Canada's provincial governments for the timber used in softwood lumber provide countervailable subsidies to their lumber producers. Additionally, Commerce determined that the Province of British Columbia's export ban on logs provided a quantifiable benefit to Canadian lumber producers. The total net subsidy rate for these programs was determined to be 6.51 percent.<sup>21</sup>

In June 1992, the Commission determined that U.S. producers were being materially injured by reason of subsidized imports of softwood lumber from Canada. Almost immediately, Canada formally requested review of the Commerce decision by a binational dispute resolution panel under the Canadian Free Trade Agreement (CFTA) as well as a panel review of the Commission's final determination. Commerce's and the Commission's decisions were remanded by the binational panels in May 1993 and July 1993, respectively. The panel affirmed the decision in part and remanded the determination in part to Commerce, noting the reasons why it was not supported by substantial evidence or otherwise in accordance with law.<sup>22</sup> Commerce found on remand that the rate of subsidy was 11.54 percent. In December 1993, the panel affirmed Commerce's decision in part and remanded it in part because Commerce's remand decision was not supported by substantial evidence or otherwise in accordance with law.<sup>23</sup>

A different panel reviewed the Commission's final determination, and it affirmed the Commission's determination in part and remanded it in part, finding that the Commission's "determination of material injury by reason of subsidized Canadian imports {was} not supported by substantial evidence on the record."<sup>24</sup> In October 1993, the Commission issued its remand determination in which it again found that the domestic industry was experiencing present material injury by reason of subsidized imports of softwood lumber from Canada.<sup>25</sup>

In January 1994, in its second remand determination filed with the panel, Commerce found that the Provincial stumpage programs and log export restrictions did not constitute countervailable subsidies. The binational panel upheld Commerce's decision in February 1994 and, in April 1994, the United States lodged an extraordinary challenge to the panel's action.

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<sup>20</sup> *Softwood Lumber from Canada*, Inv. No. 701-TA-312 (Preliminary), USITC Publication 2468, December 1991.

<sup>21</sup> 57 FR 22570, May 28, 1992.

<sup>22</sup> Binational Panel, *In the Matter of: Softwood Lumber from Canada*, Secretariat Case No. USA-92-1904-1, May 6, 1993.

<sup>23</sup> Binational Panel, *In the Matter of: Softwood Lumber from Canada*, Decision of the Panel on Remand, Binational Secretariat Case No. USA-92-1904-1, December 17, 1993.

<sup>24</sup> Binational Panel, *In the Matter of: Softwood Lumber from Canada*, Secretariat Case No. USA-92-1904-2, July 26, 1993.

<sup>25</sup> *Softwood Lumber from Canada*, Inv. No. 701-TA-312 (Remand), USITC Publication 2689, October 1993.

In the meantime, in January 1994, the panel hearing the Commission's case affirmed the Commission's remand determination in part, but also found that two aspects of the Commission's price suppression analysis and the Commission's price trends analysis in its present form were not supported by substantial evidence or were otherwise not in accordance with the law.<sup>26</sup> In March 1994, the Commission issued its second remand determination and through the plurality opinion of Commissioners Newquist and Rohr and the opinion of Commissioner Crawford, the Commission again found present material injury.<sup>27</sup> In July 1994, the binational panel once again remanded the Commission's determination, holding that the decision in part was "not supported by substantial evidence on the record and is inconsistent with previous rulings of the Panel."<sup>28</sup> In August 1994, the three judge committee that heard the extraordinary challenge of the panel's opinions in the Commerce proceedings dismissed the U.S. request on the grounds that the standards for an extraordinary challenge had not been met.<sup>29</sup> As a result of that decision, Commerce's negative countervailing duty determination on remand went into effect on August 5, 1994, and consequently, the Commission's investigation was terminated before the issuance of a third remand determination.

### **Softwood Lumber Agreement of 1996**

On May 29, 1996, the United States and Canada formally entered into a 5-year Softwood Lumber Agreement (SLA 1996) intended to ensure there was no material injury or threat thereof to an industry in the United States from imports of softwood lumber from Canada. The agreement was originally announced on April 2, 1996,<sup>30</sup> and the legal details were finalized over the next 8 weeks.

The five-year SLA 1996 established annual allocations and fees for the softwood lumber exports of the Canadian provinces of British Columbia, Quebec, Alberta, and Ontario.<sup>31</sup> The

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<sup>26</sup> Binational Panel, *In the Matter of: Softwood Lumber from Canada*, Decision of the Panel on Review of the Remand Determination of the U.S. International Trade Commission, Secretariat Case No. USA-92-1904-2, January 28, 1994.

<sup>27</sup> *Softwood Lumber from Canada*, Inv. No. 701-TA-312 (Second Remand), USITC Publication 2753, March 1994.

<sup>28</sup> Binational Panel, *In the Matter of: Softwood Lumber from Canada*, Decision of the Panel on Review of the U.S. International Trade Commission's Second Remand Determination, Secretariat Case No. USA-92-1904-2, July 6, 1994.

<sup>29</sup> See, *In the Matter of: Certain Softwood Lumber from Canada*, ECC-94-1904-01USA, Memorandum, Opinion and Order, August 3, 1994.

<sup>30</sup> Office of the United States Trade Representative, "Statement of Ambassador Kantor on Finalizing the Softwood Lumber Agreement," press release 96-35, April 2, 1996; Canadian Department of Foreign Affairs and International Trade, "Agreement on Softwood Exports Preserves U.S. Market Access for Five Years, Eggleton Says," press release No. 56, April 2, 1996.

<sup>31</sup> Canada decided to base the allocations on historical trade levels. Allocations were distributed as follows: British Columbia, 59 percent; Quebec, 23 percent; Ontario, 10.3 percent; and Alberta, 7.7

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agreement stipulated that up to 14.7 billion board feet of softwood lumber could be exported annually without fees (i.e., export tax); for quantities between 14.7 billion and 15.35 billion board feet, a fee of US\$50 per 1,000 board feet would be assessed; and a fee of US\$100 per 1,000 board feet would be assessed for exports in excess of 15.35 billion board feet per year. The Government of Canada was responsible for allocating export allowances to the four provinces. Each province had an allocation and exports of amounts over the allocation were assessed fees.

Under the SLA, U.S. lumber companies, unions, and trade associations pledged that they would not seek recourse to the trade laws against U.S. imports of softwood lumber from Canada for the duration of the five-year agreement. Additionally, Canada was assured that Commerce would not self-initiate any trade action during the life of the agreement and would dismiss any petition from this sector that was brought under the countervailing duty or antidumping law as long as the agreement was in effect and not breached. On March 31, 2001 the agreement expired, and imports of softwood lumber from Canada once again entered the United States unconditionally free of duty.

#### **Lumber IV**

On April 2, 2001, the Coalition for Fair Lumber Imports Executive Committee and others filed antidumping and countervailing duty petitions, which the Department initiated on April 23, 2001 (Commerce Case Nos. A-122-838, C-122-839 and USITC Inv. Nos. 701-TA-414, 731-TA-928, "*Lumber IV*").<sup>32</sup> Following affirmative AD and CVD determinations by the Department and an affirmative threat of material injury determination by the Commission, the Department issued AD and CVD orders on May 22, 2002.<sup>33</sup> The Department also concluded, in the final results of two administrative reviews of these orders and in the preliminary results of a third, that softwood lumber from Canada continued to be subsidized and sold for less than fair value in the period after the orders were issued.<sup>34</sup>

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percent. Exports originating in Manitoba, Saskatchewan, and the Maritime Provinces were not subject to the SLA.

<sup>32</sup> *Certain Softwood Lumber Products from Canada*, 66 Fed. Reg. 21,332 (Dep't Commerce Apr. 30, 2001) (initiation of CVD investigation); *Certain Softwood Lumber Products from Canada*, 66 Fed. Reg. 21,328 (Dep't Commerce Apr. 30, 2001) (initiation of AD investigation).

<sup>33</sup> *Certain Softwood Lumber Products from Canada*, 67 Fed. Reg. 36,068 (Dep't Commerce May 22, 2002) (amended final AD determ. and order); *Certain Softwood Lumber Products from Canada*, 67 Fed. Reg. 36,070 (Dep't Commerce May 22, 2002) (amended final CVD determ. and order). Both orders were subsequently amended to correct an inadvertent error in the scope description. 67 Fed. Reg. 37,775 (Dep't Commerce May 30, 2002).

<sup>34</sup> *Notice of Final Results of Countervailing Duty Administrative Review and Rescission of Certain Company-Specific Reviews: Certain Softwood Lumber Products from Canada*, 69 Fed. Reg. 75,917 (Dec. 20, 2004) and accompanying Issues and Decision Memorandum ("*Lumber IV CVD AR1 Final*") *Notice of Final Results of Antidumping Duty Administrative Review: Certain Softwood Lumber Products from Canada*, 70 Fed. Reg. 73,437 (Dec. 12, 2005) and accompanying Issues and Decision Memorandum

(continued...)



After numerous remands, a binational panel under the North American Free Trade Agreement (“NAFTA”) found that the Commission’s threat of material injury determination was unsupported by substantial evidence and, directed the Commission to enter a negative determination.<sup>35</sup> The panel’s decisions were upheld by an Extraordinary Challenge Committee (“ECC”).<sup>36</sup> However, the Commission and Commerce’s determinations also had been the subject of challenges in the World Trade Organization (WTO). In response to the original WTO panel decision regarding the Commission’s threat determination, USTR requested that the Commission conduct a Section 129 of the Uruguay Round Agreements Act, 19 U.S.C. § 3538, proceeding. Based on the Commission’s revised affirmative threat of material injury determination under Section 129, the Department amended the AD and CVD orders,<sup>37</sup> and the AD and CVD orders therefore remained in effect. Other binational panels under NAFTA reviewed the Commerce final AD and CVD determinations. Although the NAFTA Commerce AD panel proceeding had not yet concluded when the orders were revoked, pursuant to a new agreement, the NAFTA CVD panel ultimately directed Commerce to make a finding of *de minimis* subsidization. An ECC was requested to review the final panel decision in the CVD case,<sup>38</sup> and this request was still pending when the orders were revoked on the basis of the new agreement.

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(...continued)

(“Lumber IV CVD AR2 Final”); *Notice of Preliminary Results and Extension of Final Result of Countervailing Duty Administrative Review: Certain Softwood Lumber Products from Canada*, 71 Fed. Reg. 33,931 (June 12, 2006) (“Lumber IV CVD AR3 Prelim”); *Notice of Final Results of Antidumping Duty Administrative Review and Notice of Final Results of Antidumping Duty Changed Circumstances Review: Certain Softwood Lumber Products From Canada*, 69 Fed. Reg. 75,921 (Dec. 20, 2004) and accompanying Issues and Decision Memorandum (“Lumber IV AD AR1 Final”) *Notice of Final Results of Antidumping Duty Administrative Review: Certain Softwood Lumber Products From Canada*, 70 Fed. Reg. 73,437 (Dec. 12, 2005) and accompanying Issues and Decision Memorandum (“Lumber IV AD AR2 Final”); *Notice of Preliminary Results of Antidumping Duty Administrative Review; Partial Rescission and Postponement of the Final Results: Certain Softwood Lumber Products From Canada*, 71 Fed. Reg. 33,963 (June 12, 2006) and accompanying Issues and Decision Memorandum (“Lumber IV AD AR3 Prelim”).

<sup>35</sup> In entering the negative determination on remand as required by the Panel, the Commission stated: “{W}e disagree with the Panel’s view that there is no substantial evidence to support a finding of threat of material injury, and we continue to view the Panel’s decisions throughout this proceeding as overstepping its authority, violating the NAFTA, seriously departing from fundamental rules of procedure, and committing legal error.” *Certain Softwood Lumber Products from Canada*, Case No. USA/CDA-02-1904-07, Views of the Commission on Remand (Third), Sept. 10, 2004, at 14 (footnotes omitted).

<sup>36</sup> *Notice of Completion of Extraordinary Challenge Committee*, 70 Fed. Reg. 48,103 (NAFTA Secretariat Aug. 16, 2005).

<sup>37</sup> *Amendment to Antidumping and Countervailing Duty Orders on Certain Softwood Lumber Products from Canada*, 69 Fed. Reg. 75,916 (Dep’t Commerce Dec. 20, 2004).

<sup>38</sup> *Notice of Request for an Extraordinary Challenge Committee*, 71 Fed. Reg. 28,854 (NAFTA Secretariat May 18, 2006).

## Softwood Lumber Agreement of 2006

The United States and Canada entered into a new Softwood Lumber Agreement on October 12, 2006 (“2006 SLA”). To implement the 2006 SLA, Commerce revoked the antidumping and countervailing duty orders and terminated all related proceedings.<sup>39</sup> In exchange, and among other provisions, Canada agreed to apply certain export measures – export charges and volume limitations – to imports of softwood lumber from Canada when the price of such products fell below a certain level. While the 2006 SLA expired on October 12, 2015, the parties had agreed to a “standstill” clause in which the domestic industry was required to wait one year from the expiration of 2006 SLA to file a petition for any trade remedy investigation. The original 2006 SLA had a term of seven years, with an option to extend the agreement for an additional two years; the parties agreed to extend the agreement to October 12, 2015.

### NATURE AND EXTENT OF SUBSIDIES AND SALES AT LTFV

#### Subsidies

On November 8, 2017, Commerce published a notice in the *Federal Register* of its final determination of countervailable subsidies for producers and exporters of softwood lumber from Canada.<sup>40</sup> Table I-1 presents Commerce’s findings of subsidization of softwood lumber from Canada.

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<sup>39</sup> *Certain Softwood Lumber Products from Canada*, 71 Fed. Reg. 61,714 (Dep’t Commerce Oct. 19, 2006) (revocation of AD order); *Certain Softwood Lumber Products from Canada*, 71 Fed. Reg. 61,714 (Dep’t Commerce Oct. 19, 2006) (revocation of CVD order).

<sup>40</sup> *Certain Softwood Lumber Products From Canada: Final Affirmative Countervailing Duty Determination, and Final Negative Determination of Critical Circumstances*, 82 FR 51814, November 8, 2017.

**Table I-1****Softwood lumber: Commerce's final subsidy determination with respect to imports from Canada**

<b>Entity</b>	<b>Final countervailable subsidy margin (percent)</b>
Canfor Corporation and its cross-owned affiliates <sup>1</sup>	13.24
J.D. Irving, Ltd.(JDIL) and its cross-owned affiliates <sup>2</sup>	3.34
Resolute FP Canada Inc. and its cross-owned affiliates <sup>3</sup>	14.70
Tolko Marketing and Sales Ltd. and its cross-owned affiliates <sup>4</sup>	14.85
West Fraser Mills Ltd. and its cross-owned affiliates <sup>5</sup>	18.19
All others	14.25

<sup>1</sup> The Department has found the following companies to be cross-owned with Canfor Corporation: Canadian Forest Products, Ltd., and Canfor Wood Products Marketing, Ltd.

<sup>2</sup> The Department has found the following companies to be cross-owned with JDIL: Miramichi Timber Holdings Limited, The New Brunswick Railway Company, Rothesay Paper Holdings Ltd., St. George Pulp & Paper Limited, and Irving Paper Limited.

<sup>3</sup> The Department has found the following companies to be cross-owned with Resolute: Resolute Growth Canada Inc., Resolute Sales Inc., Abitibi-Bowater Canada Inc., Bowater Canadian Ltd., Resolute Forest Products Inc., Produits Forestiers Maurice S.E.C., and 9192-8515 Quebec Inc.

<sup>4</sup> The Department has found the following companies to be cross-owned with Tolko: Tolko Industries Ltd., and Meadow Lake OSB Limited Partnership.

<sup>5</sup> The Department has found the following companies to be cross-owned with West Fraser: West Fraser Timber Co. Ltd., West Fraser Alberta Holdings, Ltd., Blue Ridge Lumber Inc., Manning Forest Products, Ltd., Sunpine Inc., and Sundre Forest Products Inc..

Source: *Certain Softwood Lumber Products From Canada: Final Affirmative Countervailing Duty Determination, and Final Negative Determination of Critical Circumstances, 82 FR 51814, November 8, 2017.*

### Sales at LTFV

On November 8, 2017, Commerce published a notice in the *Federal Register* of its final determination of sales at LTFV with respect to imports from Canada. <sup>41</sup> Tables I-2 present Commerce's dumping margins with respect to imports of softwood lumber from Canada.

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<sup>41</sup> Source: *Certain Softwood Lumber Products From Canada: Final Affirmative Determination of Sales at Less Than Fair Value and Affirmative Final Determination of Critical Circumstances, 82 FR 51806, November 8, 2017.*

**Table I-2**  
**Softwood lumber: Commerce’s final weighted-average LTFV margins with respect to imports from Canada**

<b>Exporter/Producer</b>	<b>Preliminary dumping margin (percent)</b>
Canfor Corporation, Canadian Forest Products Ltd., and Canfor Wood Products Marketing Ltd. <sup>1</sup>	8.89
Resolute FP Canada Inc. <sup>2</sup>	3.20
Tolko Marketing and Sales Ltd. and Tolko Industries Ltd. <sup>3</sup>	7.22
West Fraser Mills Ltd. <sup>4</sup>	5.57
All others	6.58

<sup>1</sup> The Department determined that Canfor, Canadian Forest Products Ltd., and Canfor Wood Products Marketing Ltd. are a single entity. See Memorandum, “Antidumping Duty Investigation of Certain Softwood Lumber from Canada: Tolko Industries Ltd. and Tolko Marketing and Sales Ltd. Preliminary Affiliation and Collapsing Memorandum,” dated June 23, 2017. This decision is unchanged for this final determination.

<sup>2</sup> The Department determined that Resolute, Resolute Growth Canada Inc. (Resolute Growth), Abitibi-LP Engineered Wood Inc. (Abitibi-LP), Abitibi-LP Engineered Wood II Inc. (Abitibi-LP II), Forest Products Mauricie LP (Mauricie), Produits Forestiers Petit-Paris Inc. (Petit-Paris), and Socié´te´ en commandite Scierie Opitciwan (Opitciwan) are a single entity. See Memorandum, “Antidumping Duty Investigation of Certain Softwood Lumber from Canada: Resolute FP Canada Inc. Preliminary Affiliation and Collapsing Memorandum,” dated June 23, 2017. This decision is unchanged for this final determination.

<sup>3</sup> The Department determined that Tolko, and Tolko Industries Ltd., and Gilbert Smith Forest Products Ltd. are a single entity. See Memorandum, “Antidumping Duty Investigation of Certain Softwood Lumber from Canada: Tolko Industries Ltd. and Tolko Marketing and Sales Ltd. Preliminary Affiliation and Collapsing Memorandum,” dated June 23, 2017. This decision is unchanged for this final determination.

<sup>4</sup> The Department determined that West Fraser, Blue Ridge Lumber Inc. (Blue Ridge), Manning Forest Products Ltd. (Manning), and Sundre Forest Products Inc. (Sundre) are a single entity. See Memorandum, “Antidumping Duty Investigation of Certain Softwood Lumber from Canada: West Fraser Mills Ltd. Preliminary Affiliation and Collapsing Memorandum,” dated June 23, 2017. This decision is unchanged for this final determination..

Source: *Certain Softwood Lumber Products From Canada: Final Affirmative Determination of Sales at Less Than Fair Value and Affirmative Final Determination of Critical Circumstances*, 82 FR 51806, November 8, 2017.

## **THE SUBJECT MERCHANDISE**

### **Commerce’s scope**

Commerce has defined the scope of these investigations as follows:

The merchandise covered by these investigations are softwood lumber, siding, flooring and certain other coniferous wood (softwood lumber products). The scope includes:

- Coniferous wood, sawn, or chipped lengthwise, sliced or peeled, whether or not planed, whether or not sanded, or whether or not finger-jointed, of an actual thickness exceeding six millimeters.
- Coniferous wood siding, flooring, and other coniferous wood (other than moldings and dowel rods), including strips and friezes for parquet flooring, that is continuously shaped (including, but not limited to, tongued, grooved, rebated, chamfered, V- jointed, beaded, molded, rounded) along any of its edges, ends, or faces, whether or

not planed, whether or not sanded, or whether or not end-jointed.

- Coniferous drilled and notched lumber and angle cut lumber.
- Coniferous lumber stacked on edge and fastened together with nails, whether or not with plywood sheathing.
- Components or parts of semi-finished or unassembled finished products made from subject merchandise that would otherwise meet the definition of the scope above.
- Finished products are not covered by the scope of this investigation. For the purposes of this scope, finished products contain, or are comprised of, subject merchandise and have undergone sufficient processing such that they can no longer be considered intermediate products, and such products can be readily differentiated from merchandise subject to this investigation at the time of importation. Such differentiation may, for example, be shown through marks of special adaptation as a particular product. The following products are illustrative of the type of merchandise that is considered “finished,” for the purpose of this scope: I-joists; assembled pallets; cutting boards; assembled picture frames; garage doors.

The scope of the order excludes the following items: Softwood lumber products certified by the Atlantic Lumber Board as being first produced in the Provinces of Newfoundland and Labrador, Nova Scotia, or Prince Edward Island from logs harvested in Newfoundland and Labrador, Nova Scotia, or Prince Edward Island. U.S.-origin lumber shipped to Canada for processing and imported into the United States is excluded from the scope of the investigations if the processing occurring in Canada is limited to one or more of the following: (1) Kiln drying; (2) planing to create smooth-to-size board; or (3) sanding. Box-spring frame kits are excluded if they contain the following wooden pieces—two side rails, two end (or top) rails and varying numbers of slats. The side rails and the end rails must be radius-cut at both ends. The kits must be individually packaged and must contain the exact number of wooden components needed to make a particular box spring frame, with no further processing required. None of the components exceeds 1” in actual thickness or 83” in length. Radius-cut box-spring-frame components, not exceeding 1” in actual thickness or 83” in length, ready for assembly without further processing are excluded. The radius cuts must be present on both ends of the boards and must be substantially cut so as to completely round one corner.

Softwood lumber product imports are generally entered under Chapter 44 of the Harmonized Tariff Schedule of the United States (HTSUS). This chapter of the HTSUS covers “Wood and articles of wood.” Softwood lumber products that are subject to this investigation are currently classifiable under the following ten-digit HTSUS subheadings in Chapter 44: 4407.10.01.01; 4407.10.01.02; 4407.10.01.15; 4407.10.01.16; 4407.10.01.17; 4407.10.01.18; 4407.10.01.19; 4407.10.01.20; 4407.10.01.42; 4407.10.01.43; 4407.10.01.44; 4407.10.01.45; 4407.10.01.46; 4407.10.01.47; 4407.10.01.48; 4407.10.01.49; 4407.10.01.52; 4407.10.01.53; 4407.10.01.54; 4407.10.01.55; 4407.10.01.56; 4407.10.01.57; 4407.10.01.58; 4407.10.01.59; 4407.10.01.64; 4407.10.01.65; 4407.10.01.66; 4407.10.01.67; 4407.10.01.68; 4407.10.01.69; 4407.10.01.74; 4407.10.01.75; 4407.10.01.76; 4407.10.01.77; 4407.10.01.82; 4407.10.01.83; 4407.10.01.92; 4407.10.01.93; 4409.10.05.00; 4409.10.10.20; 4409.10.10.40; 4409.10.10.60; 4409.10.10.80; 4409.10.20.00; 4409.10.90.20; 4409.10.90.40; and 4418.99.10.00.

Subject merchandise as described above might be identified on entry documentation as stringers, square cut box-spring-frame components, fence pickets, truss components, pallet components, flooring, and door and window frame parts. Items so identified might be entered under the following ten-digit HTSUS subheadings in Chapter 44: 4415.20.40.00; 4415.20.80.00; 4418.99.90.05; 4418.99.90.20; 4418.99.90.40; 4418.99.90.95; 4421.91.70.40; and 4421.91.97.80.

Although these HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of these investigations is dispositive.

### **Tariff treatment**

The scope set forth by the Department of Commerce provides the relevant HTSUS subheadings for the subject goods, and the information available to the Commission indicates that the subject goods are imported under the corresponding provisions of the 2017 HTS. The general rate of duty for all products imported under these subheadings is free, except for the following subheadings:

- 4409.10.05.00, which has a general rate of 3.2%.
- 4415.20.80.00, which has a general rate of 10.7%.

For each of these 2 subheadings, originating goods of Canada under the terms of general note 12 to the tariff schedule are eligible to receive duty-free entry into the United

States with proper claim and documentation. The description of the subject merchandise in Commerce's scope of investigation, not the descriptions of the HTSUS subheadings or classifications within those subheadings, defines the scope of the investigations. Decisions on the tariff classification and treatment of imported goods are within the authority of U.S. Customs and Border Protection.

## THE PRODUCT

### Description and applications

The term "softwood lumber" relates to a wide variety of products--such as boards, planks, timbers, framing materials, flooring, and siding--produced from coniferous species of trees.<sup>42</sup> As noted earlier, for purposes of these investigations, the term "softwood lumber" refers to those products classified for tariff purposes under subheadings 4407.10.01, 4409.10.05, 4409.10.10, 4409.10.20, 4409.10.90 and 4418.99.10 of the HTS.<sup>43</sup>

According to the extent or stage of manufacture, such lumber (a product derived from a log by lengthwise sawing which, in its original sawed condition, has at least 2 approximately parallel flat longitudinal-sawed surfaces, and which may be rough, dressed, or worked) is classified by producers of most softwood lumber (both domestic and imported) into seven major categories:

Studs--lumber used in framing building walls with little or no trimming before they are set in place.

Dimension lumber--lumber that is from 2" to 5" thick, and is 2" or more in width.

Stress grades--lumber having assigned working stress and modulus of elasticity values in accordance with accepted basic principles of strength grading and meeting the provisions of the American Lumber Standards for Softwood Lumber.<sup>44</sup>

Timbers--lumber that is at least 5" in least dimension.

Boards--lumber less than 2" in nominal thickness and 1 inch or more in width.

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<sup>42</sup> Hardwood lumber is produced from deciduous trees.

<sup>43</sup> As noted in the "tariff treatment" section, general duty rates for most such subheadings are free, with goods of subheading 4409.10.05 dutiable at 3.2 percent *ad valorem* and 4415.20.80.00 dutiable at 10.7 percent *ad valorem*. Goods originating in the territory of Canada are eligible to enter free of duty under the NAFTA.

<sup>44</sup> These standards are published by Commerce in cooperation with manufacturers, distributors, and users.

Selects--high quality lumber graded for appearance.

Shop--lumber that is graded for the number and sizes of cuttings that can be used for the manufacture of other products.

Of the aforementioned categories, studs and dimension lumber represent the largest categories of U.S. and Canadian softwood lumber.

The major softwood species groups in descending order of U.S. consumption are southern yellow pine (SYP),<sup>45</sup> spruce-pine-fir (SPF),<sup>46</sup> Douglas fir, hem-fir,<sup>47</sup> and ponderosa pine. Of these, the major competing species groups produced in both the United States and Canada are SPF, Douglas fir, and hem-fir; SYP is not produced in Canada. Species common to both countries accounted for approximately 41 percent of U.S. production and about 95 percent of Canadian production.<sup>48</sup>

Lumber is classified according to its moisture content as green or dried.<sup>49</sup> Often, more than half the weight of green lumber is moisture. Some lumber is used green (e.g., Douglas fir), because various characteristics of the wood make such use easier or more economical. However, to prevent warping, most lumber is seasoned by being dried before retail sale.

Although the HTS uses metric units, softwood lumber is measured and sold in the North American market by the board foot, a three-dimensional unit described as—

The quantity of lumber contained in, or derived (by drying, dressing, or working, or any combination of these processes) from, a piece of rough green lumber 1 inch in thickness, 12 inches in width, and 12 inches in length, or the equivalent of such piece in other dimensions.<sup>50</sup>

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<sup>45</sup> A species combination composed primarily of Loblolly, Longleaf, Shortleaf, and Slash pines. Various subspecies are also included in the group.

<sup>46</sup> A species combination with similar characteristics that have been grouped for production and marketing. The principal species in the Western SPF (W-SPF) group are: white spruce, Engelmann spruce, Lodgepole pine, and Alpine fir; in the Eastern SPF (E-SPF) group: red spruce, black spruce, Jack pine, and Balsam fir.

<sup>47</sup> A species combination used by grading agencies to designate any of various species having common characteristics. Included in this group are: California red fir, grand fir, noble fir, Pacific silver fir, Shasta fir, white fir, and western hemlock.

<sup>48</sup> Joint Respondents' presentation at Staff Conference, Dec. 16, 2016, Slides 13 and 35, based on Statistics Canada and WWPA. There also may be overlap in the "Other" category of species, which is 6 percent for U.S. production and 4.9 percent for Canadian production. Southern yellow pine (SYP), which accounts for 53 percent of U.S. production, is not produced in Canada.

<sup>49</sup> Generally, lumber with a moisture content of 19 percent or less is considered dried.

<sup>50</sup> In this report, units are generally specified in tables and tabular presentations in mbf (thousand board feet) and mmbf (million board feet). Discussion may also be in terms of billion board feet.



In addition, the *American Lumber Standards for Softwood Lumber* sets forth minimum measurements for dressed lumber. For example, a rough 2"x4" piece of lumber can be a minimum of 1-1/2"x3-1/2" when dressed.

Softwood lumber is graded at the sawmill on characteristics that affect its strength, durability, utility, and/or appearance. Some common defects that lower the grade are knots, splits, shake (separation of annual rings), wane (bark or lack of wood on corner or edge), and pitch pockets. Standard rules for grading lumber are published by regional lumber manufacturing or marketing organizations; they vary with geographic regions and species of lumber. In the past ten years, many sawmills (particularly larger ones) have installed computerized grading technology, which has greatly improved the efficiency and accuracy of the grading process.<sup>51</sup>

Softwood lumber is readily workable, has a high strength-to-weight ratio, and is moderately durable; hence, it is widely used in the construction, shipping, and manufacturing industries.<sup>52</sup> In 2016, 30.4 percent of the U.S. consumption of softwood lumber was used in new residential construction (new housing) and 38.9 percent in repair and remodeling, as shown in table I-3 (see part II for more information on demand).

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<sup>51</sup> Conference transcript, pp. 90-91.

<sup>52</sup> Hardwood lumber, building boards (e.g., plywood and oriented strand board), certain paperboard products, and nonwood products (e.g., brick, concrete blocks, steel, aluminum, and plastic products) compete with softwood lumber in many uses. These competitive products are often more economical for particular uses, or they furnish unique performance or appearance.

**Table I-3**  
**Softwood lumber: U.S. housing starts and distribution of consumption by end use, 2014-16, January-June 2016, and January-June 2017**

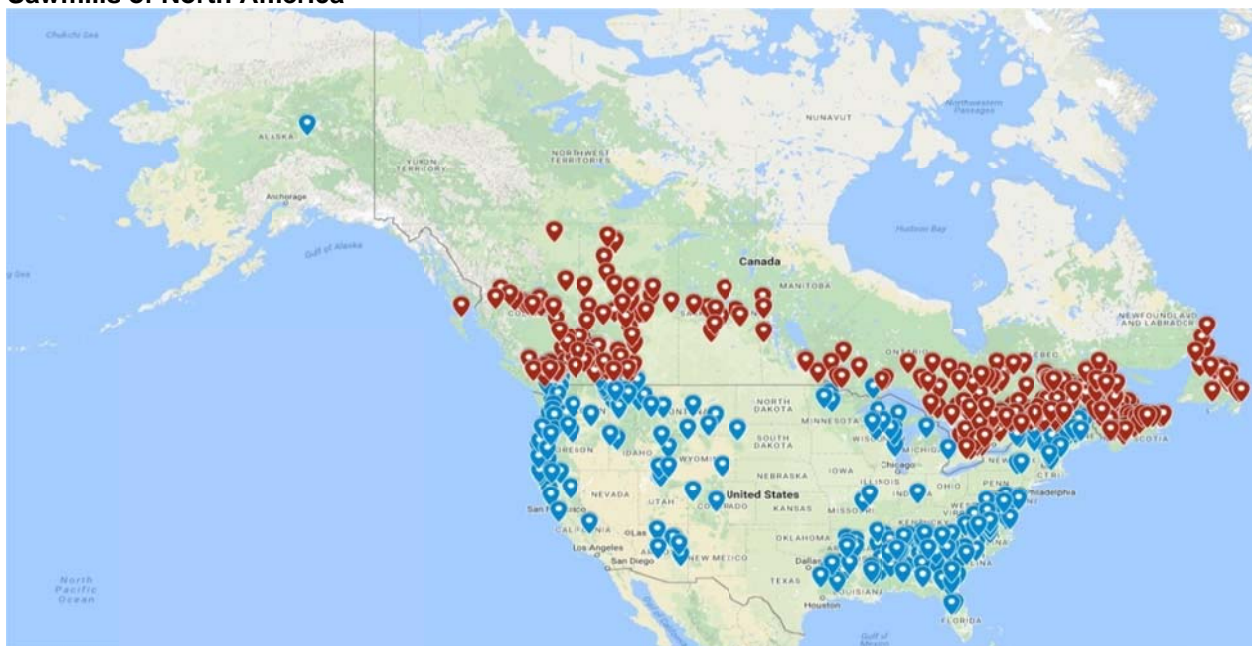
Item	Calendar years			January-June	
	2014	2015	2016	2016	2017
<i>1,000 units</i>					
U.S. single family housing starts	648	715	782	170	182
U.S. multi- family housing starts	355	397	392	79	86
Total U.S. housing starts	1,003	1,112	1,174	249	268
<i>Percent</i>					
New residential (new housing)	28.6	30.1	30.4	N/A	N/A
Repair and remodeling	39.6	38.7	38.9	N/A	N/A
Nonresidential	11.0	11.0	10.9	N/A	N/A
All other	20.7	20.2	19.8	N/A	N/A
Total	100.0	100.0	100.0	N/A	N/A

Note.—Because of rounding, figures may not add to the totals shown.

Source: Western Wood Products Association, *2016 Statistical Yearbook of the Western Lumber Industry*, p. 21 and U.S. Census Bureau, *New Residential Construction, “Quarterly Starts and Completions by Purpose and Design”* (accessed September 13, 2017).

Figure I-1 shows the primary locations of U.S. and Canadian sawmills throughout North America. Table I-4 shows the market share concentration of softwood lumber production.

**Figure I-1**  
**Sawmills of North America**



Source: *2016 Big Book*, Random Lengths Publications, Inc., Eugene, Oregon

**Table I-4**  
**Softwood lumber: U.S. and Canadian production, 5 largest producers and 20 largest producers, 2014-16, January-June 2016, and January-June 2017**

Country and year	Total production (mmbf)	5 largest producers		20 largest producers	
		Production (mmbf)	Share of total production (percent)	Production (mmbf)	Share of total production (percent)
<b>United States:</b> 2014	31,496	10,579	33.6	18,225	57.9
2015	31,643	11,507	36.4	19,691	62.2
2016	32,535	11,907	36.6	20,940	64.4
2016 (Jan-June)	16,541	NA	NA	NA	NA
2017 (Jan-June)	16,954	NA	NA	NA	NA
<b>Canada:</b> 2014	24,646	11,590	47.0	18,877	76.6
2015	26,687	11,957	44.8	19,611	73.5
2016	28,335	12,267	43.3	20,444	72.2
2016 (Jan-June)	14,308	NA	NA	NA	NA
2017 (Jan-June)	14,560	NA	NA	NA	NA

Source: Western Wood Products Association, Lumber Track Reports: March 2016, March 2017, September 2017; Wood Markets International Report, *Canada & U.S. 'Top 20' Lumber Producers' Annual Ranking: 2014, 2015 and 2016*.

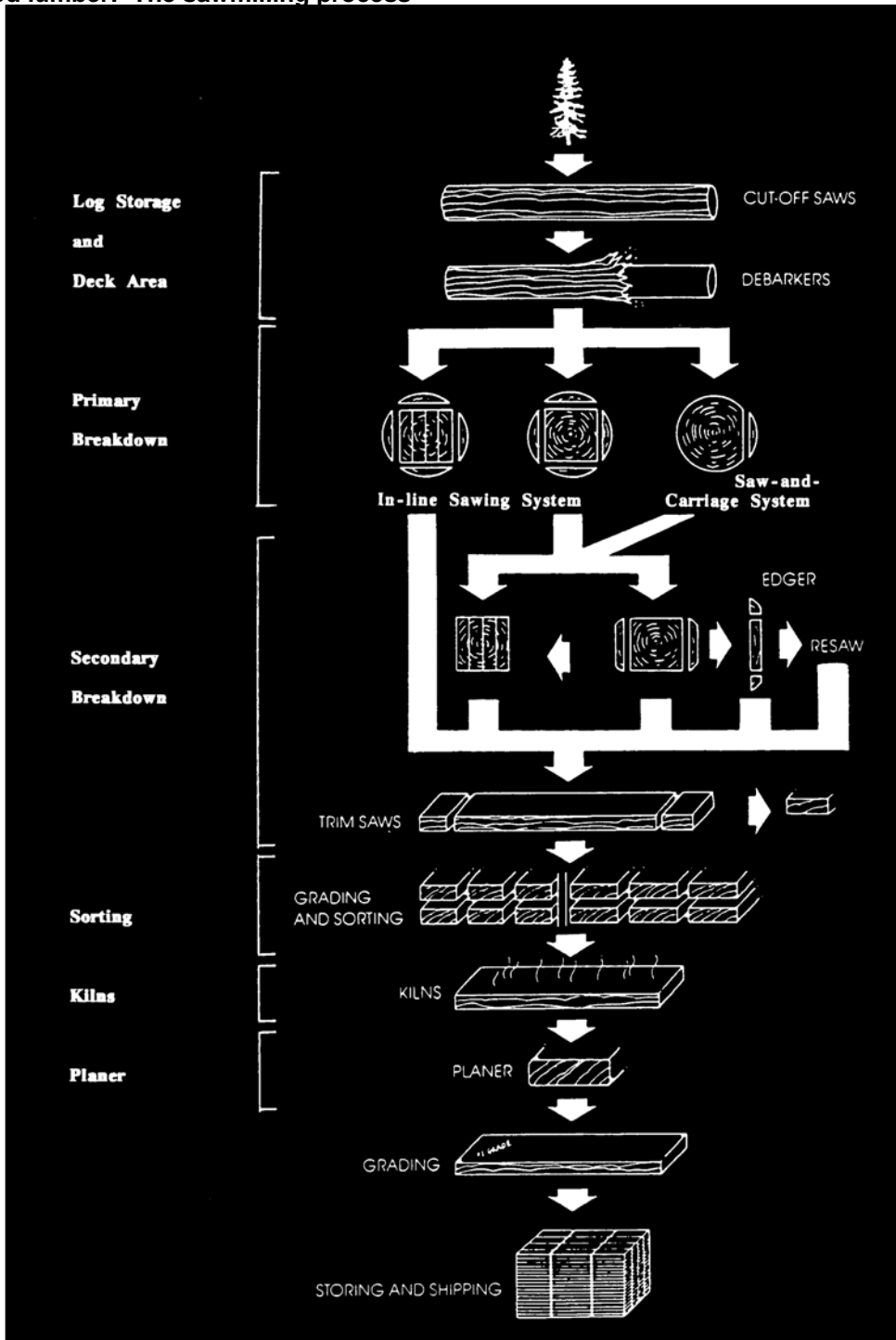
### The Sawmilling Process

Figure I-2 shows a flow chart for a typical sawmill. The process begins in the storage yard, where the logs are sorted by species and size prior to entering the mill. At the log deck the bark is removed (debarking) and logs are cut (or bucked) to their most appropriate lengths. The logs are then transferred to the first sawing center within the mill, the primary breakdown area, where they are sawn into rough sizes known as cants or slabs. These primary products are then transferred to the secondary breakdown area. Here the cants and slabs are re-sawn into the most suitable thicknesses, widths, and lengths. The lumber is then sorted by thickness, width, and length in preparation for drying in the kilns. After drying, the lumber is planed to ensure a smooth surface. Finally, planed material is packaged into loads for shipment to wholesalers, retailers, and consumers.<sup>53</sup> Softwood lumber is generally used in construction, or

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<sup>53</sup> It should be noted that not all lumber is planed at the first mill. Some is sold "rough" for use in certain construction where appearance is not a driving factor, and remanufacturing--a process of converting rough lumber to a more specialized or higher grade lumber by further manufacturing.

Figure I-2  
Softwood lumber: The sawmilling process



Source: The Forest Sector Advisory Council. Reprinted with permission.

remanufactured. Remanufacturing may require further re-sawing of lumber to specified sizes and edge profiles, joining two or more pieces of lumber by finger-jointing or glue-lamming, or further planing or sanding. Remanufactured lumber<sup>54</sup> is used for a variety of purposes, from construction to manufacturing furniture.<sup>55</sup>

## DOMESTIC LIKE PRODUCT ISSUES

Petitioners state that “there have been no changes in the domestic softwood lumber industry to warrant a reconsideration of the Commission’s previous findings.”<sup>56</sup> In this final phase, petitioners argued that the Commission should continue to define a single domestic like product, co-extensive with the scope of the investigations,<sup>57</sup> as it was in previous cases.

Respondents initially argued that two species of softwood lumber—Western Red Cedar (WRC) and Eastern White Pine (EWP)—should be excluded from the domestic like product.<sup>58</sup> In the final phase, however, certain Respondents requested in comments on the Commission’s draft questionnaires that the Commission collect information on the broader category of cedar/redwood lumber rather than only WRC.<sup>59</sup> Some respondents requested that cedar/redwood should be treated as separate like products, arguing that the category has distinct characteristics from other types of softwood.<sup>60 61</sup>

Further, some respondents also requested that bedframe components be excluded from the domestic like product, stating that “the petition excludes radius{-end} bedframe components from the proposed scope, yet includes, without explaining why, square-end bedframe components,” even though the pieces are generally made of the same type of wood and both ends are required to make a bedframe.<sup>62</sup>

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<sup>54</sup> There is no widespread agreement on an exact definition of “remanufactured” lumber.

<sup>55</sup> Remanufactured lumber products are made from lower grade to higher grade lumber (e.g., utility grade to shop grade). Remanufactured products include bed frame material (box spring components), shipping materials, flooring and siding, ladder stock, dimension lumber, and stock for furniture manufacturing.

<sup>56</sup> Petition (public version), p. 31.

<sup>57</sup> Petitioner’s posthearing brief, p. A-58.

<sup>58</sup> Respondents stated that if there is “inadequate record to find that western red cedar is a separate like product in this preliminary phase, we urge the Commission to flag this issue for thorough and serious investigation in the final phase.” (Conference transcript, p. 148)

<sup>59</sup> Requested by Counsel for Western Forest Products Inc. (“WFP”), Interfor Corporation (“Interfor”), and Downie Timber Ltd. (“Downie”) in their comments on the Commission’s draft questionnaires, June 12, 2017.

<sup>60</sup> Respondent’s Posthearing brief, (WFP, Interfor, Downie), p. 9.

<sup>61</sup> Some respondents also requested that “old-growth coastal timber” be excluded from the domestic like product. The Commission did not collect information on “old-growth coastal timber.” Hearing transcript, p. 256 (Gallas).

<sup>62</sup> Conference transcript, pp. 151–152.

The government of Canada also argued that cedar/redwood, EWP, and bedframe components are separate like products on the same grounds.<sup>63</sup>

### **Cedar and Redwood Lumber**

In the preliminary phase, Respondents argued that WRC is a separate domestic like product from other softwood lumber (including other cedars and redwood) primarily because it is intended for different end uses and sells for much higher prices than the framing lumber described in the petition. Counsel testifying on behalf of Western Forest Products and Interfor, producers of WRC, contended that in the last lumber case Weyerhaeuser also took the position that WRC should be defined as a separate domestic like product.<sup>64</sup>

In the preliminary phase and Lumber IV, the Commission found that the record indicated some differences, but also some similarities, between WRC and other softwood lumber products in terms of physical characteristics and uses, interchangeability, channels of distribution, customer and producer perceptions, and price, and was inconclusive with respect to differences in manufacturing facilities, production processes, and employees.<sup>65</sup> Ultimately, the Commission concluded that “there are not clear dividing lines between the numerous species that comprise the continuum of softwood lumber and do not define either WRC or white pine as a separate domestic like product.”<sup>66</sup> In response to requests from certain respondents, the commission in the final investigations gathered information on the differences between the broader category of cedar/redwood lumber—rather than only on WRC—and all other softwood lumber products.

### **Physical Characteristics and Uses**

Redwood grows in the coastal northwestern United States, from southwestern Oregon to central California. Cedar grows on the northwest and northeastern coasts of North America. There are several types of cedar (WRC, Port Orford, Northern White, Alaskan Yellow, and others) that are known to grow in specific areas, for example, the Port Orford Cedar grows in the Pacific northwest United States. WRC grows in the United States in the coastal and interior forests of Washington, Idaho, and Montana, as well as in parts of Alaska, Oregon, and California. Cedar/redwood accounts for about one percent of total domestic softwood lumber production.

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<sup>63</sup> Respondent’s Posthearing brief, (Government of Canada), p. 95.

<sup>64</sup> Conference transcript, p. 148. Weyerhaeuser, a U.S. and Canadian producer, as well as an importer of subject softwood lumber, is part of the petitioning Coalition in these investigations.

<sup>65</sup> USITC Pub. 4663, January 2017, pp. 12, 14, and 16; *Softwood Lumber from Canada*, Inv. Nos. 701-TA-414 and 731-TA-928 (Final), USITC Publication 3509, May 2002, p. I-17.

<sup>66</sup> USITC Pub 4663, January 2017, p. 12, 14, and 16; *Softwood Lumber from Canada*, Inv. Nos. 701-TA-414 and 731-TA-928 (Final), USITC Publication 3509, May 2002, p. 8.

Cedar/redwood have several physical characteristics that distinguish them from one another and all other softwoods, such as coloring; fragrance; high heartwood to sapwood ratio (which enables it to withstand harsh weather conditions and insulate well); natural toxicity to decay-causing fungi; natural resistance to insect attack; hygroscopic nature (which gives it a low shrinkage factor, more dimensional stability, and lower likelihood of warping, twisting, checking, swelling, or cracking); and light weight.<sup>67</sup>

Redwood typically differs from cedar in color and grain and is similar on durability and maintenance. There is a significant difference in appearance; redwood has a reddish-brown hue. Cedar, such as WRC, will have a yellow-tone. Redwood that is harvested from old growth trees will have fewer knots and is smoother than cedar.

Cedar/redwood lumber is generally not used as a framing lumber in general construction like other softwood lumber products (e.g., SPF) and is generally viewed as having a superior appearance, making it suitable for a variety of non-structural uses.<sup>68</sup> The grading process for cedar/redwood lumber is different than for other softwood lumber, which is generally graded on characteristics such as strength, durability, utility, and/or appearance. Cedar/redwood lumber, however, is used in some applications (including structural applications) such as decks and siding where other softwood lumber products (such as SYP) also may be used. Petitioner argued that SYP, cedar/redwood, and Douglas fir are all used for decking; SYP is the species used most for decking in the United States.<sup>69</sup> However, some respondents argued that other softwoods, such as SYP, differ from cedar/redwood because other softwoods must be chemically treated before being used as decking.<sup>70</sup>

### **Interchangeability and Customer and Producer Perceptions**

In the 2002 case, it was established that one of the main markets where WRC may compete with other softwood lumber is in decking applications. Respondents stated that the decking market had changed since that investigation. In the conference for the preliminary investigation, Counsel for the Respondents stated that “the market is developed, particularly, with respect to non-wood substitutes, premium composites it'll show more definitively in this case than it did in the last case that western red cedar (WRC) and southern yellow pine (SYP) are not competing in the decking market.”<sup>71</sup> Petitioner argued that cedar/redwood and other softwoods are interchangeably used as decking, siding, and fencing. Petitioner’s posthearing

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<sup>67</sup> Respondent’s Posthearing brief, (WFP, Interfor, Downie), pp. 1-2.

<sup>68</sup> These include shakes, shingles, siding, clapboards, paneling, shutters, fencing components, arbors, trellises, benches, planter boxes, bird houses, hot tub skirts, playground equipment, agricultural stakes, lawn furniture, gazebos, exterior trim, indoor paneling, specialty window treatments, and particularly applications where appearance is emphasized.

<sup>69</sup> Petitioner’s Posthearing brief, p. A-67.

<sup>70</sup> Hearing transcript, p. 187 (Marusic); Respondent’s Posthearing brief, (WFP, Interfor, Downie), pp. 4 and 7-9.

<sup>71</sup> Conference transcript, p. 162.

brief indicates that multiple softwood species are marketed as comparable products for the same end use.<sup>72</sup>

Petitioner indicated that purchasers and users will accept a range of species, including cedar/redwood, and have similar expectations within the same grading requirements.<sup>73</sup> Some respondents argue that customers ask for cedar/redwood “by name.”<sup>74</sup>

Table I-5 presents responses to the Commission’s questions concerning the comparability of cedar/redwood versus other softwood lumber.

**Table I-5  
Softwood lumber: Comparability of cedar / redwood vs other softwood lumbers**

Product pair	U.S. producers				U.S. importers				U.S. purchasers			
	F	M	S	N	F	M	S	N	F	M	S	N
Characteristics and Uses	1	2	9	4	---	1	4	12	---	---	6	21
Interchangeability	1	4	7	4	---	1	3	12	---	---	7	20
Manufacturing facilities and employees	4	5	5	1	2	2	8	7	---	4	9	11
Channels of distribution	2	8	3	4	3	2	7	7	1	3	14	7
Market perceptions	1	3	6	6	1	1	4	12	---	---	9	17
Price	1	1	4	11	---	1	2	15	1	---	---	25

“F” Fully comparable; “M” Mostly comparable; “S” Somewhat comparable; “N” Not at all comparable

Source: Compiled from data submitted in response to Commission questionnaires.

In this investigation, approximately half of U.S. producers that responded to the Commission questionnaire indicated that the characteristics and uses of cedar/redwood are somewhat comparable to other softwood lumber, and slightly less than half stated that cedar/redwood is somewhat interchangeable with all other softwood lumber.<sup>75</sup> The producers indicated that other treated softwood lumber products are used in similar non-structural, external applications such as decking, fencing, and exterior trim. Most responding U.S. importers and U.S. purchasers indicated that cedar/redwood lumber is not comparable to, nor is it interchangeable with other softwood lumber, since it differs in appearance, durability, and longevity.

### Channels of Distribution

Information from Commission questionnaires indicated that there is substantial overlap in channels of distribution for cedar/redwood and other softwood lumber. Table I-6 shows that distributors, retailers, and all others each account for approximately one-third of softwood

<sup>72</sup> Hearing transcript, p. 62 (Miller); Petitioner’s Posthearing brief, pp. A-61 and A-68.

<sup>73</sup> Petitioner’s Posthearing brief, p. A-73.

<sup>74</sup> Respondent’s Posthearing brief, (WFP, Interfor, Downie), p. 13.

<sup>75</sup> See Table I-6, p. I-40.



lumber distribution over the last three years, while the distribution channels for cedar/redwood are about half through distributors and one-third by all others.<sup>76</sup>

**Table I-6**  
**Softwood lumber: U.S. producers' channels of distribution by product type**

\* \* \* \* \*

### **Manufacturing Facilities, Production Processes, and Employees**

In the preliminary phase, Respondents mentioned that “{h}arvesting western red cedar often involves expensive helicopter logging and milling western red cedar is a much more labor-intensive and costly process” than for other softwood lumber.<sup>77 78</sup> Petitioners argued that the same production facilities, processes and employees are used to process cedar/redwoods and other types of softwood lumber.<sup>79</sup>

In these investigations, producers were asked if they shared manufacturing facilities, production processes, and production employees. Fifteen U.S. producers responded to Commission questionnaires, indicating that they produced cedar/redwood.<sup>80</sup> Most of these U.S. producers use the same or much of the same production facilities, equipment, and employees when processing cedar/redwood lumber and other softwood lumber.

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<sup>76</sup> Some respondents argue that cedar/redwood is sold to different distributors than those used for sales of other softwoods. Hearing transcripts, p. 187 (Marusic); Respondent’s Posthearing brief, (WFP, Interfor, Downie), pp. 5 and 10-11.

<sup>77</sup> Conference transcript, p. 147.

<sup>78</sup> Some respondents stated that cedar/redwood “involves additional post-sawing processes,” such as waxing the end of each piece to protect it. Hearing transcript, p. 186 (Marusic); Repondent’s Posthearing brief, (WFP, Interfor, Downie), p. 12.

<sup>79</sup> Hearing transcript, p. 196 (Miller); Petitioner’s Posthearing brief, pp. A-74 – A-78.

<sup>80</sup> See Table I-6.

## Prices

In the 2002 investigations, average unit values of WRC lumber shipments reported in producer questionnaires were \$660-\$690 per mbf compared with \$340-\$420 for shipments of all other softwood lumber shipments. The gap between the prices has increased since the 2002 investigation, possibly reflecting the difference in comparison products. In these investigations, the average unit values of cedar/redwood lumber shipments from 2014 to 2016 were \$772-\$862 per mbf compared with \$365-\$391 for all other softwood lumber shipments. The Commission also collected price data from U.S. producers and importers of WRC, \*\*\*; see Part V for more information on the range of reported prices.

In this investigation, most U.S. producers, U.S. importers, and U.S. purchasers who responded to Commission questionnaires indicate that cedar/redwood is not at all comparable on price to other softwood lumber. Whereas, some respondents asserted that cedar/redwood prices are much higher than other softwood,<sup>81</sup> Petitioner argued that the price differences between cedar/redwood and other softwoods reflect overlapping ranges for various products.<sup>82</sup>

### Eastern White Pine Lumber

Counsel on behalf of the Ontario Forest Industries Association and Reolute argued that Eastern White Pine (“EWP”) lumber is a separate domestic like product from other softwood lumber products (including other white pines) because it is an appearance-grade wood with different end uses and higher prices.<sup>83</sup> Petitioner contends that EWP does not warrant a separate like product and there is no difference between appearance-grade EWP and other appearance-grade softwood lumber products.<sup>84</sup>

In Lumber IV, the Commission found that the record indicated some differences, but also some similarities, between the broader category of white pine (not only EWP) and other softwood lumber products in terms of physical characteristics and uses, interchangeability, channels of distribution, customer and producer perceptions, and price, and was inconclusive with respect to differences in manufacturing facilities, production processes, and employees. Ultimately, the Commission concluded that “there are not clear dividing lines between the numerous species that comprise the continuum of softwood lumber and do not define either WRC or white pine as a separate domestic like product.”<sup>85</sup>

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<sup>81</sup> Respondent’s Posthearing brief, (WFP, Interfor, Downie), pp. 1 and 14.

<sup>82</sup> Petitioner’s Posthearing brief, pp A-78 – A-80.

<sup>83</sup> Conference transcript, p. 151.

<sup>84</sup> Petitioner’s Posthearing brief, pp. A-58 – A-59 and C-83.

<sup>85</sup> *Softwood Lumber from Canada*, Inv. Nos. 701-TA-414 and 731-TA-928 (Final), USITC Publication 3509, May 2002, p. 8.

## Physical Characteristics and Uses

Eastern white pine lumber production is primarily located in the northeastern United States and it accounts for less than one percent of total domestic softwood lumber production. White pine is a light-weight, straight-grained softwood lumber with relatively few knots that readily and uniformly seasons, and when air-dried, has low shrinkage. It is easy to work by hand and machine tools, easy to glue, and has good nailing and screw-holding properties. Due to its high quality, it is often used for its aesthetic and appearance purposes in the manufacture of furniture and other specialty products such as toys, carvings, and woodenware. The heartwood of white pine is moderately durable but very permeable (i.e., it carries fluids easily through the wood); its permeability is nearly seven times higher than that of balsam fir and almost 14 times higher than that of red spruce. White pine must be treated with preservatives where conditions are favorable to decay. Because white pine is not generally used in strength applications, the grading process is different than for other softwood lumber products. While the cost and physical characteristics of white pine may make it unsuitable for the general construction uses (studs and dimension lumber) of other softwood lumber, it may have similar end uses as such other softwood lumber as sugar pine, ponderosa pine, and Idaho pine.<sup>86</sup>

## Interchangeability and Customer and Producer Perceptions

Counsel stated that EWP is more interchangeable with other appearance-grade woods (many of which are hardwoods) than with the species used for framing mentioned in the petition.<sup>87</sup> In prehearing brief, Petitioner's counsel, quoting a report by the U.S. Department of Agriculture (USDA), stated that EWP is used as are other types of softwood lumber, including for structural purposes.<sup>88</sup> This USDA report states that a large share of second-growth lower grades of EWP "is used for structural lumber."<sup>89</sup> Some respondents argued that EWP is a separate species (even from other appearance lumber) used as an interior appearance product.<sup>90</sup> Petitioner's posthearing brief affirms that EWP is similar to other softwoods, in that many species types of softwood include appearance-oriented, standard, and industrial grades can be substituted for the same end use.<sup>91</sup>

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<sup>86</sup> *Softwood Lumber from Canada*, Inv. Nos. 701-TA-414 and 731-TA-928 (Final), USITC Publication 3509, May 2002, p. I-20.

<sup>87</sup> Conference transcript, p. 150; Prehearing brief, Baker and Hostetler, pp. 14-15.

<sup>88</sup> Petitioner's Prehearing brief, p. 9.

<sup>89</sup> *Wood Handbook: Wood as an Engineering Material*, U.S. Department of Agriculture, 2010, p. 2-13.

<sup>90</sup> Hearing transcript 214 (Getlan).

<sup>91</sup> Petitioner's Posthearing brief, p. A-65 and A-68.

## Channels of Distribution

Information from Commission questionnaires in the 2002 investigation indicated that U.S.-produced white pine lumber is more frequently sold through wholesalers/distributors than is the case for other types of softwood lumber as a whole. While 40 percent of U.S.-produced softwood lumber moved through the wholesaler/distributor channel in 2001, 73 percent of U.S.-produced white pine lumber moved through that channel. Most of the remaining white pine lumber was sold to retailers.<sup>92</sup>

## Manufacturing Facilities, Production Processes, and Employees

In the producer questionnaire used in the 2002 investigation, producers were asked if they produced white pine lumber and, if so, do they “use the same production facilities, production processes, and employees as are used to produce other softwood lumber products?” Of the eight producers indicating they produced white pine lumber, four produced white pine lumber only, while the others produced other softwood lumber products in addition to white pine lumber.<sup>93</sup>

## Prices

At the conference, Respondents noted that they had found EWP prices to be fairly steady at around \$875 per mbf, while SPF and SYP prices fluctuated between \$297 and \$367 per mbf.<sup>94</sup> Data from the producer questionnaires in the 2002 investigation showed that the average unit values of white pine lumber shipments were \$550-\$575 per mbf compared with \$340-\$420 for other softwood lumber shipments. In its posthearing brief, Petitioner indicated that the range of prices that includes EWP overlapped with other softwood species.<sup>95</sup>

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<sup>92</sup> *Softwood Lumber from Canada*, Inv. Nos. 701-TA-414 and 731-TA-928 (Final), USITC Publication 3509, May 2002, p. I-20.

<sup>93</sup> *Softwood Lumber from Canada*, Inv. Nos. 701-TA-414 and 731-TA-928 (Final), USITC Publication 3509, May 2002, p. I-20.

<sup>94</sup> Conference transcript, p. 167.

<sup>95</sup> Petitioner’s Posthearing brief, A-79.

## **PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET**

### **U.S. MARKET CHARACTERISTICS**

Softwood lumber is used primarily in the construction of new homes and for repairs and renovations to existing homes. Smaller amounts are also used in non-construction end uses, such as fence pickets, mattress and bed frame foundations, docks, outdoor furniture, saunas, reels, pallets, and crates. The U.S. softwood lumber market consists of a large number of producers, importers, and purchasers. Most supply comes from U.S. and Canadian producers, although a small amount (less than 2 percent) is imported from nonsubject countries.

Questionnaire responses describe an industry that is subject to some degree of species preference, often based on end-use application, and sometimes based on region. The major species of softwood lumber consumed in the United States are southern yellow pine (“SYP”), spruce-pine-fir (“SPF”), Douglas fir, hemlock-fir, and ponderosa pine.<sup>1</sup> Most domestic softwood lumber is manufactured from SYP, which grows in the Southeastern United States, and Douglas Fir/Larch and Hemlock-Fir, which grows primarily in the West. Most Canadian softwood lumber is manufactured from SPF, which comes from British Columbia and Quebec. Western Red Cedar (“WRC”), which most responses describe as having limited interchangeability with other species of structural softwood lumber, is grown and manufactured in both the United States and Canada. While the large majority of U.S.-produced softwood lumber comes from timber grown on privately-owned land,<sup>2</sup> as much as 90 percent of the softwood lumber produced in Canada comes from timber grown on land owned by various levels of Canadian government.<sup>3</sup>

Apparent U.S. consumption of softwood lumber increased by 10.6 percent between 2014 and 2016, from 42.5 billion board feet to 47.4 billion board feet, and was 3.7 percent higher during January-June 2017 than January-June 2016.

### **U.S. PURCHASERS**

The Commission received 41 usable questionnaire responses from firms that purchased softwood lumber from a U.S. producer, a U.S. distributor, and/or a U.S. firm that imported softwood lumber during January 2014-June 2017.<sup>4 5</sup> Twenty of the responding purchasers are

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<sup>1</sup> See part I, “The Product,” for more information on these species.

<sup>2</sup> U.S. producer Weyerhaeuser noted that it is the largest private landowner in the United States, with over 13 million acres. Hearing transcript, p. 34 (Blocker).

<sup>3</sup> Hearing transcript, p. 22 (Kentz); Conference transcript, pp. 12, (Kentz), 18 (Yocis), 34 (Miller), and 51 (Roady); Joint Respondents postconference brief, pp. 1, 11.

<sup>4</sup> Such purchases are identified separately from product bought from a foreign supplier for which the firm is the importer of record. Purchases made directly from foreign suppliers (and not through a U.S.-domiciled intermediary) are classified as imports throughout this report.

<sup>5</sup> Of the 41 responding purchasers, 37 purchased domestic softwood lumber, 39 purchased imports of softwood lumber from Canada, and 17 purchased imports of softwood lumber from other (including nonsubject and unknown) sources.

distributors, 6 are retailers, and 18 are other types of firms, primarily wholesalers (6 firms) and remanufacturers (3 firms).<sup>6</sup> In general, responding U.S. purchasers were located throughout the continental United States, but were primarily focused in the Pacific Coast (11 firms) and Southeast (9 firms) regions.<sup>7</sup> The vast majority of responding purchasers represented firms involved in the construction and home improvement industries. Based on reported purchase data, the largest purchaser of softwood lumber in 2016 was \*\*\*. \*\*\*'s purchases accounted for \*\*\* percent of all reported purchases in 2016. The next largest purchasers were \*\*\* and \*\*\*. \*\*\* accounted for \*\*\* percent of reported purchases in 2016, and \*\*\* accounted for \*\*\* percent.

### CHANNELS OF DISTRIBUTION

Overall, U.S. producers and importers of Canadian softwood lumber sold the greatest proportion of their product to distributors (table II-1).<sup>8</sup> U.S. producers' commercial shipments were relatively evenly distributed among distributors, retailers, and other end users, whereas the majority of imports from Canada were sold to distributors.

**Table II-1**  
**Softwood lumber: U.S. producers' and importers' U.S. commercial shipments, by sources and channels of distribution, 2014-2016, January-June 2016, and January-June 2017**

\* \* \* \* \*

### GEOGRAPHIC DISTRIBUTION

U.S. producers and importers of Canadian softwood lumber reported selling some product to all regions in the contiguous United States during 2016. The highest concentration of sales of U.S.-produced softwood lumber was to the Southeast region, while sales of Canadian softwood lumber was fairly evenly distributed between the Midwest, Southeast, and Central Southwest regions (table II-2).

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<sup>6</sup> One firm each also self-identified as an industrial packager; lumber yard/truss and component manufacturer/retailer; industrial finisher; bed frame/foundation manufacturer; lumber and hardware cooperative; cut plant; truss manufacturer and treater; and milling and treating manufacturer.

<sup>7</sup> Seven responding firms were located in the Midwest, 5 were in the Northeast, 3 were in the Mountain region, 3 were in the Central Southwest, and 1 was based in British Columbia (Canada).

<sup>8</sup> During the preliminary phase of these investigations, U.S. producers reported that most of their "other" shipments were to remanufacturers. *Softwood Lumber from Canada, Inv. Nos. 701-TA-566 and 731-TA-1312 (Preliminary)*, USTIC Publication 4663, January 2017, p. II-2.

**Table II-2**  
**Softwood lumber: Geographic market areas in the United States served by U.S. producers and importers of Canadian product, 2016**

Region	Share of commercial U.S. shipments (percent)	
	U.S. producers	Importers
Northeast	6.8	19.0
Midwest	13.5	25.7
Southeast	32.3	24.4
Central Southwest	16.3	24.2
Mountain	10.1	4.2
Pacific Coast	20.9	2.3
Other <sup>1</sup>	0.1	0.2
Total	100.0	100.0
Number of reporting firms <sup>2</sup>	41	52

<sup>1</sup> All other U.S. markets, including AK, HI, PR, and VI.

<sup>2</sup> Some firms reported that they were unable to estimate shipment quantities by geographical area, and were therefore unable to respond to this question.

Source: Compiled from data submitted in response to Commission questionnaires.

For U.S. producers, 37.8 percent of their sales were within 250 miles of their production facilities, while 52.2 percent of importers' sales were over 1,000 miles from their U.S. points of shipment (table II-3).<sup>9</sup>

**Table II-3**  
**Softwood lumber: Distances shipped from U.S. producers' production facilities and from importers of Canadian products' U.S. points of shipment, 2016**

Distances shipped within the United States	Share of commercial U.S. shipments (percent)	
	U.S. producers	Importers
Zero to 100 miles	14.7	5.1
101 to 250 miles	23.1	5.0
251 to 500 miles	22.1	15.0
501 to 750 miles	11.8	6.0
751 to 1,000 miles	8.8	16.7
Over 1,000 miles	19.5	52.2
Number of reporting firms <sup>1</sup>	43	51

<sup>1</sup> Some firms reported that they were unable to estimate shipment quantities by distance, and were therefore unable to respond to this question.

Source: Compiled from data submitted in response to Commission questionnaires.

<sup>9</sup> U.S. producers' and importers' shipments of cedar/redwood followed a similar pattern. A plurality of U.S. producers' sales (45.8 percent) were between zero and 100 miles of their production facilities, while the majority (75.3 percent) of importers' sales were over 1,000 miles from their U.S. points of shipment. 29.7 percent of U.S. producers' shipments of cedar/redwood were also shipped over 1,000 miles.

## SUPPLY AND DEMAND CONSIDERATIONS

### U.S. supply

**Table II-4**  
**Softwood lumber: U.S. and Canadian industry factors that affect the ability to increase shipments to the U.S. market**

Source	Capacity (million board feet)		Capacity utilization (percent)		Exports to markets other than the United as a percentage of total shipments (percent)		Inventories as a ratio to total shipments (percent)		Able to shift to alternate product (number of firms)
	2014	2016	2014	2016	2014	2016	2014	2016	
U.S. (questionnaire data) <sup>1</sup>	21,799	23,920	79.5	80.3	1.9	1.5	7.5	7.0	2 Yes / 47 No
U.S. (third party data) <sup>2</sup>	37,947	37,831	83.0	86.0	---	---	---	---	---
Canada (questionnaire data) <sup>1</sup>	23,571	24,792	88.5	90.7	20.5	15.5	9.4	8.3	1 Yes / 52 No

<sup>1</sup> Compiled from data submitted in response to Commission questionnaires.

<sup>2</sup> Compiled from data published by the Western Wood Products Association (WWPA), Lumber Track, March 2016, March 2017, and September 2017.

### **Domestic production**

Based on available information, U.S. producers of softwood lumber have the ability to respond to changes in demand with small-to-moderate changes in the quantity of shipments of U.S.-produced softwood lumber to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the availability of some unused capacity and some inventories. Factors mitigating responsiveness of supply are the inability to produce alternate products on the same machinery as softwood lumber and the limited ability to shift shipments from alternate markets (see table II-4).

### **Industry capacity**

According to questionnaire data, domestic capacity utilization increased by 0.8 percentage points between 2014 and 2016. According to Western Wood Products Association (“WWPA”) data, domestic capacity utilization increased by 3.0 percentage points over the same period. This increase was driven primarily by an increase in production; questionnaire data show an increase of 10.8 percent, while WWPA data show an increase of 3.3 percent between 2014 and 2016. This relatively moderate, albeit increasing, level of capacity utilization suggests that U.S. producers may have some ability to increase production of softwood lumber in response to an increase in prices.

### **Alternative markets**

Exports represent a small percent of U.S. producers’ shipments. U.S. producers’ exports as a percentage of total shipments decreased slightly from 1.9 percent to 1.5 percent between



2014 and 2016. U.S. producers' total export shipments declined by 11.0 percent during this time, from 324,549 mbf to 288,827 mbf. These export levels suggest that U.S. producers have a very limited ability to shift shipments between the U.S. market and other markets in response to price changes. Among the 21 firms that identified their primary export destinations, more than half (11 firms) listed Canada.<sup>10</sup>

### ***Inventory levels***

U.S. producers' reported end-of-period inventories increased by 3.4 percent between 2014 and 2016. Relative to total shipments, U.S. producers' inventory levels decreased from 7.5 percent in 2014 to 7.0 percent in 2016. These inventory levels suggest that U.S. producers may have a limited-to-moderate ability to respond to changes in demand with changes in the quantity shipped from inventories.

### ***Production alternatives***

Two of 49 responding U.S. producers stated that they could switch production from softwood lumber to other products, and the other 47 reported that they could not. \*\*\* stated that it could theoretically shift some capacity to Ponderosa Pine, Sugar Pine, and/or other hardwoods with its existing equipment and personnel, but it had no expertise with such woods and so any transition would be difficult and costly. In general, firms noted that the factors limiting their ability to switch from production of softwood lumber to other products is that switching would be cost prohibitive and uneconomical, and difficult or impossible with their current equipment.

### **Subject imports from Canada<sup>11</sup>**

Based on available information, producers of softwood lumber from Canada have the ability to respond to changes in demand with small-to-moderate changes in the quantity of shipments of softwood lumber to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the ability to shift shipments from the Canadian or other export markets to the U.S. market, and some inventories. Factors mitigating Canadian responsiveness of supply are the limited availability of unused capacity and the inability to produce alternate products on the same machinery as softwood lumber (see table II-4).

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<sup>10</sup> Other export destinations included China (7 firms), Mexico (6 firms), the Caribbean (4 firms), India (3 firms), Japan (2 firms), and Bahrain, Colombia, Costa Rica, Indonesia, Korea, Peru, Portugal, Taiwan, and Thailand (1 firm each).

<sup>11</sup> For data on the number of responding foreign firms and their share of U.S. imports from Canada, please refer to Part I, "Summary Data and Data Sources."

## **Industry capacity**

According to questionnaire data, Canadian producers' capacity utilization increased from 88.5 percent in 2014 to 90.7 percent in 2016, driven primarily by a slightly higher increase in production than capacity; capacity increased by 5.2 percent, while production increased by 7.8 percent. This moderately high level of capacity utilization suggests that Canadian producers may have limited ability to increase production of softwood lumber in response to an increase in prices.

Additionally, some respondents stated that a mountain pine beetle outbreak in British Columbia that began in 1999 would constrain future Canadian production capacity.<sup>12 13</sup> According to Forest Economic Advisors, \*\*\*.<sup>14</sup>

## **Alternative markets**

Canadian producers' total shipments to the Canadian market and to the U.S. market both increased, while their total shipments to non-U.S. export markets decreased between 2014 and 2016. Respondents stated that while the Canadian housing market has shown growth, most of the increase in demand for softwood lumber has been from the United States.<sup>15</sup> Respondents also stated that the Canadian market is roughly one-fifth the size of the U.S. market. As a percentage of total shipments, Canadian producers' shipments to the domestic market (inclusive of internal consumption/transfers) decreased from 30.9 percent to 30.4 percent, and their exports to markets other than the United States decreased from 20.5 percent to 15.5 percent between 2014 and 2016. Canadian producers' shipments to the U.S. market increased from 48.6 percent to 54.1 percent of their total shipments during this time. These shipment levels indicate that Canadian producers may have some ability to shift shipments between the Canadian market or other export markets and the U.S. market in response to price changes.

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<sup>12</sup> Hearing transcript, pp. 180 (Feldinger), 183-184 (Parnes), 218, 220 (Feldinger), 221 (Dougan); Conference transcript, p. 114 (Nicely); Joint Respondents' postconference brief, exh. 1, pp. 45-49; Canfor posthearing brief, exh. 1 (Declaration of Mark Feldinger), pp. 4-6.

<sup>13</sup> The mountain pine beetle is a species of bark beetle that is native to the Western United States, British Columbia and parts of Alberta. According to the U.S. Forest Service and Natural Resources Canada, the beetle's destructive infestation occurred primarily in the 1990s and 2000s, but still affects large swaths of spruce and pine trees in Colorado, Wyoming, and Central British Columbia. See *Mountain Pine Beetle (Factsheet)*, <http://www.nrcan.gc.ca/forests/fire-insects-disturbances/top-insects/13397>; *Mountain Pine Beetle Epidemic*, <https://www.fs.usda.gov/detail/mbr/home/?cid=stelprdb5139168>.

<sup>14</sup> Joint Respondents' postconference brief, exh. 29, p. 83.

<sup>15</sup> Conference transcript, p. 203 (Dougan).

## ***Inventory levels***

Responding Canadian producers' total inventories declined irregularly during 2014-2016. Relative to total shipments, inventory levels decreased from 9.4 percent in 2014 to 8.3 percent in 2016. These inventory levels suggest that responding Canadian producers may have a limited-to-moderate ability to respond to changes in demand with changes in the quantity shipped from inventories.

## ***Production alternatives***

Only one responding Canadian producer (\*\*\*) stated that it could switch production from softwood lumber to other products. Although 7 of 52 responding firms reported producing other products on the same equipment and machinery as softwood lumber, including trimblocks, fence board and lagging, assembled lumber foundations, assembled wood fences, and aspen (a hardwood), these other products accounted for less than 1.0 percent of total production during January 2014-June 2017. Canadian producers attributed production-shifting limitations to mills and equipment that were specifically suited to softwood lumber, and stated that any production of other products would require changeover costs and/or additional capital investments. Several firms also mentioned that the availability of raw material (timber) affected their ability to produce other products.

## ***Supply constraints***

Most (39 of 49) U.S. producers reported that they had not refused, declined, or been unable to supply softwood lumber since January 2014. Among the 10 firms that reported they did, a number mentioned shortages in the supply of saw logs. Less frequently cited reasons included production limitations, turning down or limiting orders due to pricing requests that could not be met, lead time requests that could not be met, and growth in customer demand coupled with stalled expansion plans. Among responding importers, most (30 of 58) reported that they had refused, declined, or been unable to supply softwood lumber since January 2014. Most of these firms cited constraints in log supply as the reason, with three of them highlighting the mountain pine beetle epidemic in the Mountain West. Five firms also mentioned capacity limitations, and two firms each mentioned seasonal conditions (winter weather and summer fires), a lack of qualified employees, and the current AD/CVD investigations as reasons for their supply constraints. When asked to describe the constraints that limit their ability to produce softwood lumber, the large majority of Canadian producers (45 of 53 responding firms) cited log availability as a primary constraint. Other commonly listed constraints were equipment and/or capacity limitations, and limited availability of qualified labor.<sup>16</sup>

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<sup>16</sup> Joint Respondents argue that Canadian lumber capacity and timber supply are declining, and that destruction from the mountain pine beetle, the spruce bud worm in the Eastern Provinces, and recent

*(continued...)*

Among the purchasers that reported experiencing supply constraints since January 2014 (20 of 40 responding firms), seven specifically mentioned shortages of Canadian product, and four mentioned shortages of U.S. product. Cited reasons for supply constraints included log supply shortages (mentioned by 5 firms), the preliminary AD/CVD duties (mentioned by 3 firms), seasonal weather (mentioned by 2 firms), and the availability of truck and rail carriers (mentioned by 1 firm). Four purchasers (\*\*\*) also reported experiencing supply shortages of either Western Red Cedar or cedar products generally.

### **Nonsubject imports**

According to official import statistics, nonsubject imports accounted for between 4.7 and 5.2 percent of total U.S. imports of softwood lumber between 2014 and 2016, and 9.5 percent of U.S. imports during January-June 2017.<sup>17</sup> The largest sources of nonsubject imports during 2014-2016 were \*\*\*. The country that accounted for most of the increase in nonsubject imports between 2016 and January-June 2017 was \*\*\*, which increased its share of total U.S. imports from \*\*\* percent in 2016 (annual) to \*\*\* percent in January-June 2017.

### **New suppliers**

Nine of 40 responding purchasers indicated that new suppliers entered the U.S. market since January 2014. Five purchasers stated that more European mills re-entered the U.S. market, with two specifically citing European SPF producers. Two purchasers also named Biewer Lumber as a new market entrant, and one firm each named the following: Canfor, Interfor, Klausner, Potlatch, Roseburg, RSG, Schweighofer, Seneca, Stora Enso, Tumac, Two Rivers, and White River Forest Products.

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(...continued)

wildfires in British Columbia indicate that Canadian capacity “has no room to grow.” Joint Respondents prehearing brief, pp. 4, 10, 51-59, 134-138, app. A, exhs. 29, 37, 39, 61-70, 106, and 108-115 and posthearing brief, pp. 13-14, and app. A (Answers to Commissioners’ Questions), pp. 129-134. Respondents Resolute Forest Products, the Ontario Forest Industries Association, Conseil de l’Industrie forestière du Québec, and René Bernard, Inc. argue that the spruce budworm in Quebec and environmental restrictions in Ontario limit annual harvests from those regions. See Resolute, Central Canada, and René Bernard’s prehearing brief, pp. 2, 9-10 and posthearing brief, pp. 7-10 and exh. 3.

<sup>17</sup> Official import statistics under HTS 4407.10.0101, 4407.10.0102, 4407.10.0115, 4407.10.0116, 4407.10.0117, 4407.10.0118, 4407.10.0119, 4407.10.0120, 4407.10.0142, 4407.10.0143, 4407.10.0144, 4407.10.0145, 4407.10.0146, 4407.10.0147, 4407.10.0148, 4407.10.0149, 4407.10.0152, 4407.10.0153, 4407.10.0154, 4407.10.0155, 4407.10.0156, 4407.10.0157, 4407.10.0158, 4407.10.0159, 4407.10.0164, 4407.10.0165, 4407.10.0166, 4407.10.0167, 4407.10.0168, 4407.10.0169, 4407.10.0174, 4407.10.0175, 4407.10.0176, 4407.10.0177, 4407.10.0182, 4407.10.0183, 4407.10.0192, 4407.10.0193, 4409.10.0500, 4409.10.1020, 4409.10.1040, 4409.10.1060, 4409.10.1080, 4409.10.2000, 4409.10.9020, 4409.10.9040, and 4418.99.1000. Accessed August 8, 2017.

## U.S. demand

Based on available information, the overall demand for softwood lumber is likely to experience small changes in response to changes in price. The main contributing factors to this degree of responsiveness are the somewhat limited range of cost effective substitute products and the relatively small cost share of softwood lumber in most of its final end-use products.

### End uses and cost share

Most end uses for softwood lumber are for the construction or remodeling of residential and commercial buildings. Specific end uses for such applications include internal and external frames, trusses, mouldings, boards, columns, decking, furring, I-beams, concrete forms, siding and trim. While softwood lumber may account for a large portion of an intermediate structure, such as the frame of a new home, it accounts for a relatively small percentage (roughly 3 percent) of the value of the finished home.<sup>18</sup> Reported cost shares for intermediate structures were as follows: framing, 30-91 percent; trusses, 13-66 percent; mouldings, 60-80 percent; boards, 93 percent; columns, 65 percent; decking, 16-50 percent; furring, I-beams, concrete/foundation forms, 79 percent; and siding and trim, 10-50 percent.<sup>19</sup>

Reported non-construction end uses included fence pickets, mattress and bed frame foundations, docks, outdoor furniture, saunas, reels, pallets, and crates. Reported cost shares for non-construction end uses were as follows: fences pickets, 16-75 percent; mattress and bed frame foundations, 20-60 percent; docks, 16 percent; reels, 67-95 percent; and pallets, 95 percent.

### Business cycles

A substantial majority of responding firms (42 of 49 U.S. producers, 42 of 59 responding importers, and 24 of 40 purchasers) indicated that the market was subject to business cycles. Most of these firms cited the seasonality of the housing and remodeling markets, with many stating that demand for softwood lumber increases in the spring and summer when building activity is busier, and decreases in late autumn and winter due to weather conditions (particularly in the Northeast region).<sup>20</sup> Some firms mentioned an increase in demand in the autumn, while others noted a decrease in demand during this time. One firm (\*\*\*) stated that some southern markets do not want hemlock or SYP during the summer months because these species do not “yard” well (i.e. they can crook and twist too fast) in hot and dry climates. \*\*\*

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<sup>18</sup> Conference transcript, p. 19 (Kentz); Petition, p. 36; Joint Respondents’ postconference brief, exh. 1, p. 29.

<sup>19</sup> While a number of producers and importers reported cost shares of 100 percent, no purchasers did. Responses of 100 percent are presumed to be a misunderstanding of the question, and so are not included in this analysis.

<sup>20</sup> Four U.S. producers, seven importers, and one purchaser also cited the seasonality of the housing and remodeling markets as a distinct condition of competition.

reported that winter weather also impacts log supply, while \*\*\* indicated that bad weather can constrain rail car availability. Purchasers \*\*\* noted that forest fires can affect log supply in the summer.<sup>21</sup> Purchaser \*\*\* stated that while construction slows in the winter months, demand in the bedding industry is strong during the holidays.

Twenty-six of 49 U.S. producers, 32 of 59 importers, and 11 of 40 purchasers stated that the softwood lumber market was subject to distinct conditions of competition. A number of these firms (6 U.S. producers, 15 importers, and 3 purchasers) identified the expired U.S.-Canada Softwood Lumber Agreement (“SLA”) and/or the potential imposition of AD/CVD duties as a distinct condition of competition. Eight U.S. producers (two which are also importers) highlighted the increase in imports of Canadian product as a distinct condition of competition. Two U.S. producers also listed exchange rate fluctuations, and one purchaser listed speculative buying of lumber through the futures market by non-end users.

### **Demand trends**

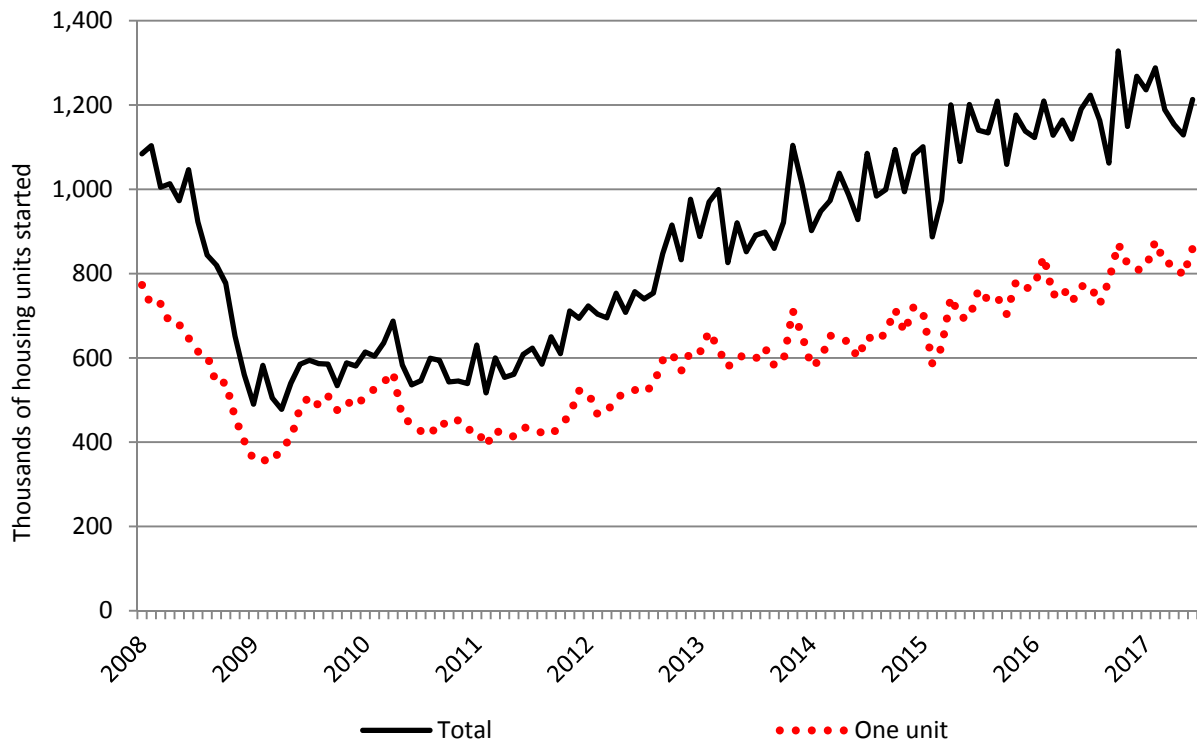
U.S. demand for softwood lumber depends primarily on residential construction activity, both for new homes as well as repairs and renovations on existing homes.<sup>22</sup> As shown in figure II-1, total housing starts decreased substantially as a result of the 2008-09 recession. Since then, housing starts have fluctuated month to month but increased steadily overall, such that total units have surpassed 2008 levels.

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<sup>21</sup> Two U.S. producers, one importer, and one purchaser also cited natural disasters such as forest fires as distinct condition of competition in the softwood lumber market.

<sup>22</sup> Petitioners estimate that approximately 80 percent of the softwood lumber consumed in the United States is used in residential home construction, remodeling, and repair. Hearing transcript, p. 29 (Yocis).

**Figure II-1**  
**Housing starts: New privately owned housing units started, total and single units, seasonally adjusted, monthly, January 2008-June 2017**

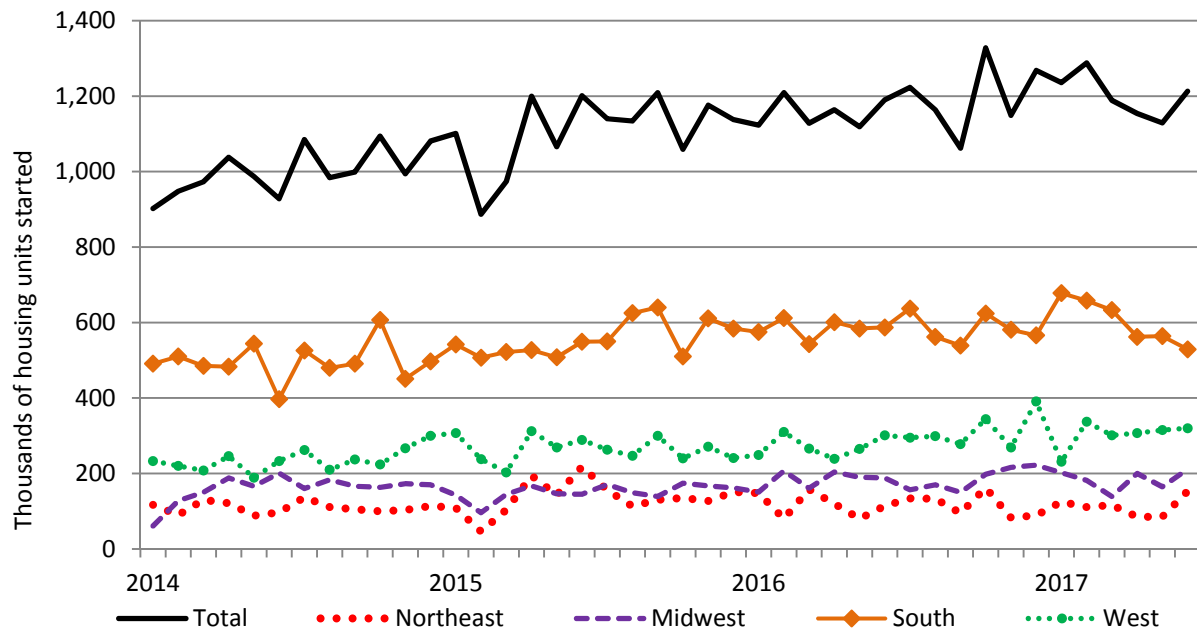


Source: U.S. Census Bureau. Retrieved August 16, 2017.

As shown in figure II-2, the total number of housing starts in 2016 was 17.6 percent higher than in 2014, and was 4.0 percent higher during the first half of 2017 compared to the first half of 2016. By region, the total number of housing starts increased from 2014 to 2016 by 6.3 percent in the Northeast, 16.0 percent in the Midwest, 17.6 percent in the South, and 23.9 percent in the West. When comparing the first half of 2017 to the first half of 2016, the total number of housing starts was 3.6 percent lower in the Northeast, 0.2 percent lower in the Midwest, 3.5 percent higher in the South, and 11.1 percent higher in the West.<sup>23</sup>

<sup>23</sup> Petitioners testified that regional differences in demand trends are driven by the mortgage rates, labor trends, and general economic trends of each region. Hearing transcript, p. 89 (Yocis, Miller, Swanson).

**Figure II-2**  
**Housing starts: New privately owned housing units started, by region, not seasonally adjusted, monthly, January 2014-June 2017**



Note.--The Census Bureau classifies the states of CT, MA, ME, NH, NJ, NY, PA, RI, and VT as the "Northeast;" IA, IL, IN, KS, MI, MN, MO, ND, NE, OH, SD, and WI as the "Midwest;" AL, AR, DE, FL, GA, KY, LA, MD, MS, NC, OK, SC, TN, TX, WV, VA, and the District of Columbia as the "South;" and AK, AZ, CA, CO, HI, ID, MT, NM, NV, OR, UT, WA, and WY as the "West."

Source: U.S. Census Bureau. Retrieved August 16, 2017.

Petitioners and Joint Respondents both indicated that they use WWPA data to assess softwood lumber demand.<sup>24</sup> WWPA data also point to an increase in U.S. demand for softwood lumber since 2014. As shown in figure II-3, total U.S. consumption of softwood lumber was \*\*\* percent higher in the fourth quarter of 2016 than the first quarter 2014, and was \*\*\* percent higher during the second quarter of 2017 compared to the fourth quarter 2016.

<sup>24</sup> Hearing transcript, pp. 141 (Yocis) and 165 (Nicely); Petitioners prehearing brief generally, and Joint Respondents posthearing brief, app. A (Answers to Commissioners' Questions), pp. 135-136.



**Figure II-3**  
**Softwood lumber demand: Estimated U.S. softwood lumber consumption, first quarter of 2014 through the second quarter of 2017**

\* \* \* \* \*

Most firms reported that U.S. demand for softwood lumber has increased since January 2014 (table II-5).<sup>25</sup>

**Table II-5**  
**Softwood lumber: Firms' responses regarding U.S. demand and demand outside the United States**

Item	Increase	No change	Decrease	Fluctuate
<b>Demand in the United States</b>				
U.S. producers	41	2	1	5
Importers	52	1	1	5
Purchasers	33	2	1	4
<b>Demand outside the United States</b>				
U.S. producers	4	5	7	11
Importers	22	7	5	10
Purchasers	11	3	1	2

Source: Compiled from data submitted in response to Commission questionnaires.

The vast majority of firms cited the increase in housing demand as the primary driver of the increase in demand for softwood lumber since 2014.<sup>26</sup> Importer \*\*\* also reported that the growth of “big box” retailers has increased demand for high-grade SPF products in the repair/remodel segments of the market, and importer \*\*\* reported that increased spending on outdoor living spaces has increased demand for Western Red Cedar. Importer \*\*\* also noted “pent up” demand for softwood lumber since 2008-09, and indicated that it expects a slow and steady increase in housing construction leading to strong demand for softwood lumber going forward for many years.<sup>27</sup>

<sup>25</sup> Regarding demand trends for cedar/redwood specifically, half (4 of 8) of responding U.S. producers, almost all (12 of 13) responding importers, and the majority (14 of 27) of responding purchasers reported that U.S. demand had increased since January 2014. Most of these firms cited an increase in housing starts and remodeling/renovation activity as the reason. A few purchasers also noted that prices for cedar/redwood were at record high levels.

<sup>26</sup> \*\*\* cited “lack of supply” as a reason for increased demand, and one importer (\*\*\*) cited “lack of supply” as a reason for decreased demand.

<sup>27</sup> Joint Respondents and NAHB also stated that there is pent-up demand in the softwood lumber market, and that the outlook for future demand is strong, driven primarily by post-recession economic recovery and anticipated post-hurricane construction activity. Joint Respondents added that some U.S. producers had also expressed optimism about housing starts and future demand for softwood lumber. Hearing transcript, pp. 24 (Parnes), 154-156, 163-164 (Nicely), 175 (Martin), 215 (Mowry); Joint

*(continued...)*

## Substitute products

Most responding U.S. producers (41 of 45 firms) and importers (37 of 52 firms) reported that there are substitutes for softwood lumber, while most purchasers (23 of 39 firms) reported that there are not. The main substitutes listed for general construction applications included steel (primarily steel studs), concrete/cement (siding and structural uses), plastics (including PVC/vinyl for decking, finish, and trim), engineered wood products (including LVL, LSL, OSB, MDF for trim or structural uses),<sup>28</sup> hardwood (for decking, siding, and trim), and other composites (for decking, siding, trim, and fencing). Hardwood lumber was also listed as a substitute in pallets and crates as well as railroad ties, and panel products were listed as a substitute in moulding and furniture. The large majority of the firms listing substitutes reported that the prices of these substitutes have not affected the price of softwood lumber. A few firms reported that some of these substitutes can put downward pressure on the selling price of softwood lumber, but a number of other firms noted that the prices of substitutes are almost always higher, sometimes substantially so. Six U.S. producers reported that the use of substitutes has increased since January 2014. \*\*\* reported that the use of composites in place of cedar and cedar-like products has increased, and \*\*\* reported that rising cedar prices and the preliminary AD/CVD duties on imports from Canada have increased the use of substitutes.<sup>29</sup> One U.S. producer, \*\*\*, reported that the use of substitutes had decreased since January 2014 due to a drop in the prices of softwood lumber.

## SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported softwood lumber depends upon such factors as relative prices, quality (e.g., grade standards, reliability of supply, defect rates, etc.), and conditions of sale (e.g., price discounts/rebates, lead times between order and delivery dates, payment terms, product services, etc.). Based on available data, staff believes that there is at least a moderate degree of substitutability between domestically produced softwood lumber and softwood lumber imported from Canada. While the majority of responding purchasers rated U.S. and Canadian product as comparable in most factors, many

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(...continued)

Respondents' prehearing brief, pp. 26-38 and 127-130, app. A, exhs. 22-38, 103, 105; Joint Respondents' posthearing brief, app. A (Answers to Commissioners' Questions), pp. 59-68; and NAHB posthearing brief, pp. 10-12. U.S. producer Swanson Group testified that it also anticipated an increase in future demand. Hearing transcript, pp. 149 (Swanson).

<sup>28</sup> Abbreviations stand for laminated strand lumber (LSL), laminated veneer lumber (LVL), oriented strand board (OSB), and medium density fiberboard (MDF).

<sup>29</sup> When asked if there were substitutes for cedar/redwood specifically, all eight responding U.S. producers, 9 of 14 importers, and 13 of 27 purchasers reported that there were. Substitutes named by multiple firms included composites, treated softwood lumber, tropical hardwoods, and cement in decking applications; cement, PVC/plastic, and other types of softwood lumber in siding and trim applications; and vinyl and other types of softwood lumber in fencing applications. Most firms reported that the prices of these substitutes do not affect the prices of cedar/redwood.

also described species differences and regional preferences as potential limitations to substitutability.

### Lead times

Softwood lumber is primarily sold from inventory. U.S. producers reported that 70.2 percent of their commercial shipments were sold from inventory, with an average lead time of 9 days. Importers reported that 58.2 percent of their commercial shipments were sold from foreign producers' inventories and 13.0 percent were sold from their U.S. inventories, with average lead times of 13 and 20 days, respectively. The remaining 29.8 percent of U.S. producers' commercial shipments and 28.8 percent of importers' commercial shipments were produced to order, with average lead times of 15 and 20 days, respectively.

### Knowledge of country sources

Thirty-eight of 40 responding purchasers indicated they had marketing/pricing knowledge of domestic product, all 40 of Canadian product, and 14 of product from nonsubject countries.<sup>30</sup> In general, the species of softwood lumber was more important in purchasing decisions than producer or country of origin. As shown in table II-6, purchasing decisions based on producer or country of origin were at least "sometimes" important in a plurality of cases, whereas decisions based on species were more often "always" or "usually" important in purchasing decisions.

**Table II-6**  
**Softwood lumber: Purchasing decisions based on producer, country of origin, and species**

Purchaser / Customer Decision	Always	Usually	Sometimes	Never
Purchaser makes decision based on producer	11	10	15	4
Purchaser's customers make decision based on producer	3	9	22	5
Purchaser makes decision based on country	7	5	15	13
Purchaser's customers make decision based on country	3	6	15	13
Purchaser makes decision based on species	18	12	9	2
Purchaser's customers makes decision based on species	12	14	12	1

Source: Compiled from data submitted in response to Commission questionnaires.

Fifteen firms listed quality, seven firms listed price-related factors (such as relative price or price stability), and five firms listed availability or reliable sourcing as reasons they or their customers make purchasing decisions based upon the producer. Eight firms also stated that they or their customers require product from a particular producer or region due to a

<sup>30</sup> The nonsubject countries for which responding purchasers reported pricing knowledge were Germany (4 firms); Austria, Brazil, and Sweden (3 firms each); New Zealand and Romania (2 firms each); and Chile, China, Indonesia, and Russia (1 firm each). Four firms also reported having pricing knowledge of softwood lumber from unspecified countries in Europe.

preference for species from that locale. Regarding purchasing decisions based on country of origin, 9 firms cited quality and/or design values as important (with four firms specifically stating that Canada produces better quality wood for some species), while three firms listed price and two listed availability. Eight firms also stated that they require specific species from specific source countries, including two that reported preferences for species from nonsubject countries.

Among the firms reporting that they or their customers either “always” or “usually” make purchasing decisions based on species, a number of them pointed to regional building preferences, differences in building codes or engineering requirements, and differences in strength ratings among the different species. One firm also indicated that it purchases particular species based upon logistics, weather and climate factors, weight and moisture content, and another firm cited remanufacturing capability as driving its species-based purchasing decisions. One firm also reported that it only makes species-based purchasing decisions for higher grade product, whereas any species will do for lower grade applications such as pallets. In terms of specific applications, \*\*\* reported that SPF is the preferred species for wall framing, and \*\*\* reported that pre-cut SPF is preferred in the bedding industry. \*\*\* reported a regional preference for Douglas fir in Oklahoma.

### **Factors affecting purchasing decisions**

The most often cited top three factors firms consider in their purchasing decisions for softwood lumber were quality (34 firms), price (27 firms), and availability (21 firms) (table II-7). Price was the most frequently cited first-most important factor (cited by 14 firms), followed by quality (10 firms), then availability (8 firms). Quality was the most frequently reported second-most important factor (cited by 20 firms), and price was the most frequently reported third-most important factor (cited by 10 firms). A number of firms also mentioned reliability/on-time delivery and species as important factors, although most firms ranked quality, price, and availability more highly.

**Table II-7**  
**Softwood lumber: Ranking of factors used in purchasing decisions as reported by U.S. purchasers, by factor**

Factor	First	Second	Third	Total
Quality	10	20	4	34
Price	14	3	10	27
Availability	8	8	5	21
Reliability/on-time delivery	0	4	9	13
Species	5	1	3	9
Other <sup>1</sup>	2	3	8	--

<sup>1</sup> Other factors included supplier reputation and traditional supplier (3 firms), service (2 firms), credit (2 firms), and full product line, product, sales terms, and tally assortment (1 firm each).

Source: Compiled from data submitted in response to Commission questionnaires.

Among the 40 responding purchasers, a plurality (19 firms) reported that they “usually” purchase the lowest-priced product, and 16 reported that they “sometimes” do. Four firms reported that they “never” purchase the lowest price product, and 2 reported that they “always” do. When asked how often they change species based on price differences among species, the majority of purchasers (24 of 40) reported that they “sometimes” do, while 10 reported that they “never” do and 6 reported that they “usually” do. No purchasers reported that they “always” change species based on price differences.

A majority of purchasers (22 of 39) also reported that certain types of softwood lumber were only available from a single source. Six firms stated that certain kinds of SPF or SPF in general was either mostly or only available from Canada. One firm each also reported that the following types of softwood lumber are available either only or mostly from Canada: MSR for trusses (SPF); old growth, tight grain Douglas Fir and Hemlock; stick lumber (generally smaller than 3 inches nominal width); bed frame lumber; pre-cut bed frame components; yellow cedar; clear timbers and industrial grades of some cedar; certain low grade and/or economy items; SPF #2 and higher quality 2x4, 2x6, 2x8x18’, 2x8x20’; and most SPF framing lumber and studs. A number of firms also reported that Western Red Cedar products (such as high grade, old growth, and high line clears) are either mostly or exclusively available from Canadian mills. Two firms reported that SYP is mostly available in the United States, and one firm noted that Redwood is indigenous to the United States.

Purchasers were asked whether they or their customers ever specifically order softwood lumber from one country in particular over other possible sources of supply, as well as their reasons for doing so. The majority of responding purchasers (27 of 40) reported that they do, with sixteen of those firms naming Canada as a preferred source for some product. Five firms reported seeking Western Red Cedar from Canada, while one also mentioned yellow cedar and two mentioned cedar products more generally. Seven firms reported a preference for SPF from Canada, while one (\*\*\*) stated that customers that use SPF have few choices for domestic lumber. One firm also reported that its customers sometimes request black spruce from Canada.<sup>31</sup> Three firms reported seeking softwood lumber from Canada and the United States over other sources, while three firms reported a preference for some product from Europe (Whitewood) or New Zealand (Radiata Pine). One firm noted that Canadian producers do not produce SYP.

When asked if they purchased softwood lumber from one source although a comparable product was available at a lower price from another source, thirteen purchasers reported reasons related to quality and/or design value. Six firms also reported reasons related to consistency and reliability of availability/lead time, and three firms stated that their customers sometimes specify product from certain sources. Other firms listed reasons related to species preference, transportation costs, product familiarity, and superior treatability of softwood lumber from the Southeastern United States (SYP).

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<sup>31</sup> As discussed in part I, black spruce is classified as part of the SPF group of softwood lumber.

## Importance of specified purchase factors

Purchasers were asked to rate the importance of 20 factors in their purchasing decisions (table II-8). The factors rated as very important by more than half of responding purchasers were product consistency (37 firms); reliability of supply (36); species availability and grade (33 each); quality meets industry standards (29); price (27); delivery time (25); and availability in general (23). A majority or plurality of firms indicated that treatability and minimum quantity requirements were not important factors.

**Table II-8**  
**Softwood lumber: Importance of purchase factors, as reported by U.S. purchasers, by factor**

Factor	Very important	Somewhat important	Not important
Availability, Species	33	6	1
Availability, All	23	11	6
Delivery terms	15	20	5
Delivery time	25	14	1
Discounts offered	11	24	5
Extension of credit	10	15	15
Geographic proximity	9	20	11
Grade	33	6	1
Minimum quantity requirements	8	12	20
Packaging	6	23	11
Price	27	12	1
Product consistency	37	3	0
Product range	8	25	7
Quality meets industry standards	29	8	3
Quality exceeds industry standards	18	16	6
Reliability of supply	36	4	0
Strength rating	10	23	7
Technical support/service	4	22	14
Treatability	2	13	25
U.S. transportation costs	19	14	7

Source: Compiled from data submitted in response to Commission questionnaires.

## Importance of species

Almost all purchasers (37 of 40) reported that they were “always” aware of the species they purchased, and most (24 of 40) reported that their customers were also “always” aware of the species they purchased.<sup>32</sup> Most responding purchasers (23 of 39) reported that if they were

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<sup>32</sup> Two purchasers reported that they were “usually” aware and one reported that it was “sometimes” aware of the species they purchased. Ten purchasers reported that their customers were  
*(continued...)*

to substitute species in an application they would need to change construction techniques or the volume of the softwood lumber they used. Explanations included: different species have different engineering requirements; SYP is stronger than SPF so less wood might be needed; strength of species is particularly important for roof trusses and floor joists; species differ in density, weight, workability, and pneumatic settings; SYP is better than ponderosa pine for treating, while red pine is not used; local customers do not like SYP for house framing; WRC works best in the local area because it resists rot and decay; and SYP and SPF have different design values, while Douglas fir and hem-fir are substitutable.

Purchasers were asked to rate the frequency with which they or their customers used a particular species for a series of applications, and how willing they were to substitute other species in these applications (table II-9). For all of the specified applications except decks and decking structures, most species (except cedar/redwood and other) were either “frequently” or “sometimes” used. For decks and decking structures, there were two species (SPF and Douglas fir) for which at least a plurality of firms stated that they were “never” used.<sup>33</sup> In additional comments, purchasers noted that there were regional differences in which substitutes were used for particular applications. \*\*\* also stated that engineering drawings often include the species to be used in particular applications, and that customers are reluctant to substitute for other species or to have the drawings modified.

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(...continued)

“usually” aware and six reported that their customers were “sometimes” aware of the species they purchased. None of the purchasers reported that they or their customers “never” know the species of softwood lumber they purchase.

<sup>33</sup> Responses for other (not specified) applications also did not follow this pattern. In this case, the most common responses were either “always” or “never,” but relatively few firms responded for this application. \*\*\* reported “always” using SPF for bed frames or bed frame components/mattress foundations, with \*\*\* “never” using any other species, and \*\*\* “frequently” substituting SYP in this application. In additional comments, \*\*\* stated that SPF is “always” used in the bedding industry. Respondents Resolute Forest Products, the Ontario Forest Industries Association, Conseil de l’Industrie forestière du Québec, and René Bernard, Inc. argue that the Commission should consider Eastern White Pine and bedframe components as separate like products. See Resolute, Central Canada, and René Bernard’s prehearing brief, pp. 1-30 and posthearing brief, pp. 11-14.

**Table II-9**

**Softwood lumber: Frequency purchasers or their customers use or are willing to substitute other species for preferred species in various applications**

Species	Framing/wall studs				Headers			
	A	F	S	N	A	F	S	N
Spruce pine fir	6	12	7	1	3	12	5	4
Douglas fir	1	10	9	4	1	8	9	4
Hem fir	---	8	14	1	---	8	11	2
Southern yellow pine	---	6	13	3	1	10	7	4
Cedar / redwood	---	---	3	14	---	1	1	13
Other	---	1	---	---	1	1	---	---

Species	Floor joists				Roof trusses			
	A	F	S	N	A	F	S	N
Spruce pine fir	---	10	9	4	2	10	9	3
Douglas fir	2	10	8	3	2	5	11	4
Hem fir	1	9	10	2	1	4	11	5
Southern yellow pine	2	11	5	4	2	9	6	5
Cedar / redwood	---	1	1	12	---	1	---	14
Other	1	---	1	---	1	---	---	---

Species	Roof rafters				Decks and deck structures <sup>1</sup>			
	A	F	S	N	A	F	S	N
Spruce pine fir	2	10	9	2	---	3	4	14
Douglas fir	4	5	11	3	---	1	10	10
Hem fir	1	6	12	3	---	2	9	8
Southern yellow pine	1	8	9	4	5	7	6	6
Cedar / redwood	---	2	---	13	4	8	7	5
Other	1	---	---	---	---	---	2	---

Species	Fencing				Shipping / packaging			
	A	F	S	N	A	F	S	N
Spruce pine fir	---	2	13	6	1	11	13	1
Douglas fir	---	---	10	8	---	5	15	2
Hem fir	---	1	11	7	---	4	17	1
Southern yellow pine	1	4	8	5	2	8	12	2
Cedar / redwood	5	9	5	6	---	---	2	13
Other	1	---	---	1	---	1	1	1

Species	Other applications			
	A	F	S	N
Spruce pine fir	3	---	---	---
Douglas fir	---	---	---	1
Hem fir	---	---	---	2
Southern yellow pine	---	1	---	1
Cedar / redwood	1	---	---	1
Other	---	---	---	1

<sup>1</sup> One purchaser reported that its response for 'decks and deck structures' depended on whether deck structures included indoor barn decking. If this category does include indoor barn decking, its response would be that SPF was "sometimes" used. If it refers only to outdoor decking, its response would be that SPF would "never" be used or be a substitute.

Source: Compiled from data submitted in response to Commission questionnaires.



## Supplier certification

Less than half of responding purchasers (17 of 40) require their suppliers to become certified or qualified to sell softwood lumber to their firm. Purchasers reporting certification requirements stated that the time to qualify a new supplier ranged from 1 to 45 days. Only three purchasers reported that a supplier had failed in its attempt to qualify product or had lost its approved status since 2014, but did not list any specific producers or sources.<sup>34</sup>

## Changes in purchasing patterns

Purchasers were asked how their purchasing patterns from different sources had changed since 2014 (table II-10). A large portion of responding firms reported increasing purchases from the United States, Canada, and other sources. Reasons reported for changes in sourcing included increased demand due to improvements in the U.S. economy and in the housing market, high prices for Canadian and domestic lumber, and availability (including availability of suitable species at profitable prices). Several purchasers also noted increased purchases from nonsubject sources, including Europe, because of lower prices (related to the current AD/CVD investigations and the appreciation of the dollar) and lack of availability of North American lumber.

**Table II-10**  
**Softwood lumber: Changes in purchase patterns from U.S., subject, and nonsubject countries**

Source of purchases	Did not purchase	Decreased	Increased	Constant	Fluctuated
United States	2	7	16	9	6
Canada	0	4	23	5	8
All other sources	13	0	13	4	4
Unknown sources	16	1	1	3	2

Source: Compiled from data submitted in response to Commission questionnaires.

Thirteen of 39 responding purchasers reported that they had changed suppliers since January 2014. Most firms generally reported dropping purchases from mills due to closures, and adding or increasing purchases from Boscus Canada, Delta Cedar, Interfor, Rembo's and Western Forest Products.

## Importance of purchasing domestic product

Domestic product requirement is not a driving factor in most purchasing decisions. Most responding purchasers (29 of 36) reported that all or nearly all (90 to 100 percent) of their softwood lumber purchases in 2016 had no domestic requirements, and seven purchasers

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<sup>34</sup> Purchaser \*\*\* stated that many U.S. and foreign producers are unable to meet its requirements, and \*\*\* stated that if a mill's quality slips it will stop buying from them.

reported that a portion of their purchases (ranging from 1 to 85 percent, with all but two of these reporting 60-85 percent) had no domestic requirements. Seven purchasers reported that domestic product was required by law (for 1 to 5 percent of their purchases), nine purchasers reported it was required by their customers for some portion of their purchases (between 1 and 30 percent), and six purchasers reported that some of their purchases (ranging from 5 to 99 percent) were required to be domestic product for other reasons.<sup>35</sup>

### **Comparisons of domestic products, subject imports, and nonsubject imports**

Purchasers were asked a number of questions comparing softwood lumber produced in the United States, Canada, and nonsubject countries. First, purchasers were asked for a country-by-country comparison on the same 20 factors (table II-11) for which they were asked to rate the importance.

The large majority of responding purchasers reported that U.S. and Canadian softwood lumber was comparable on all 20 factors. Most purchasers also reported that softwood lumber from nonsubject countries was comparable to domestic and Canadian product on most of the 20 factors. Exceptions in the comparison of U.S. to nonsubject product were delivery time and geographic proximity, for which a majority of responding firms reported that domestic product was superior to nonsubject product. The exception in the comparison of Canadian to nonsubject product was reliability of supply, for which an equal number of firms (12 each) reported Canadian product as superior and comparable to nonsubject product.<sup>36</sup>

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<sup>35</sup> Three of these firms listed reasons: customer preference for species and brand, competitive cost, and that purchasing domestic product is their primary business model.

<sup>36</sup> Three of these factors (availability, delivery time, and reliability of supply) were rated as very important by a majority of responding purchasers, and geographic proximity was rated as somewhat important by a plurality of responding purchasers.

**Table II-11**  
**Softwood lumber: Purchasers' comparisons between U.S.-produced and imported product**

Factor	U.S. vs. Canada			U.S. vs. Nonsubject			Canada vs. Nonsubject		
	S	C	I	S	C	I	S	C	I
Availability, Species	3	27	8	5	12	3	9	16	0
Availability, All	3	27	7	6	12	2	11	12	1
Delivery terms	3	33	1	8	12	0	6	19	0
Delivery time	5	29	3	11	8	1	8	17	0
Discounts offered	1	35	2	3	16	1	3	21	0
Extension of credit	0	33	2	0	18	0	2	21	0
Geographic proximity	12	21	4	12	6	2	10	13	2
Grade	1	33	3	0	17	3	6	18	1
Minimum quantity requirements	0	35	2	3	15	2	3	21	0
Packaging	0	37	0	0	20	0	2	22	0
Price <sup>1</sup>	1	31	5	3	15	2	6	18	1
Product consistency	3	30	4	0	17	3	6	19	0
Product range	2	28	6	2	16	1	8	15	1
Quality meets industry standards	0	36	1	0	20	0	5	19	1
Quality exceeds industry standards	1	33	3	0	17	3	5	17	3
Reliability of supply	2	29	6	5	14	1	12	12	1
Strength rating	2	26	9	2	17	1	3	19	2
Technical support/service	2	33	1	2	16	1	2	19	1
Treatability	9	24	4	7	12	1	1	20	3
U.S. transportation costs <sup>1</sup>	6	28	2	7	12	0	6	15	2

<sup>1</sup> A rating of superior means that price/U.S. transportation cost is generally lower. For example, if a firm reported "U.S. superior," it meant that the U.S. product was generally priced lower than the imported product.

Note.--S=first listed country's product is superior; C=both countries' products are comparable; I=first list country's product is inferior.

Source: Compiled from data submitted in response to Commission questionnaires.

### Comparison of U.S.-produced and imported softwood lumber

In order to determine whether U.S.-produced softwood lumber can generally be used in the same applications as imports from Canada, U.S. producers, importers, and purchasers were asked whether the products can always, frequently, sometimes, or never be used interchangeably. As shown in table II-12, a majority of U.S. producers reported that domestic and Canadian softwood lumber can "always" be used interchangeably, whereas the majority of importers and purchasers reported that they can "sometimes" be used interchangeably.<sup>37</sup>

<sup>37</sup> Firms' responses regarding the interchangeability of cedar/redwood produced in the United States compared to cedar/redwood produced in Canada and nonsubject countries followed similar patterns. As  
*(continued...)*

**Table II-12**

**Softwood lumber: Interchangeability between softwood lumber produced in the United States and in other countries, by country pair**

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting				Number of purchasers reporting			
	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. Canada	30	10	7	1	5	6	34	11	4	11	22	3
U.S. vs. nonsubject	10	6	8	0	2	4	11	3	1	6	15	0
Canada vs. nonsubject	12	4	8	0	2	3	11	5	1	4	12	1

Note.--A=Always, F=Frequently, S=Sometimes, N=Never.

Source: Compiled from data submitted in response to Commission questionnaires.

**Tabulation II-1**

**Cedar/redwood: Interchangeability between cedar/redwood produced in the United States and in other countries, by country pair**

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting				Number of purchasers reporting			
	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. Canada	4	2	3	1	0	2	8	2	7	5	12	1
U.S. vs. nonsubject	3	1	0	1	0	0	5	1	3	0	6	2
Canada vs. nonsubject	3	1	0	0	0	0	3	1	3	0	3	1

Note.--A=Always, F=Frequently, S=Sometimes, N=Never.

Source: Compiled from data submitted in response to Commission questionnaires.

The factors noted as limiting or precluding interchangeability mostly related to species performance in different applications. A number of firms noted that different species can have differences in strength, appearance, and chemical penetration and retention. Firms generally stated that SPF is preferable for wall framing and truss-building applications due to its comparatively lighter weight, lower density, workability (minimal warp, ease of nailing), and appearance; and SYP is more suited for treating due to its good chemical retention capabilities, and is therefore common in outdoor uses such as fencing, decking, and marine applications. While some firms noted that SYP is not typically preferred in framing applications, others (\*\*\*) reported that Canadian SPF is interchangeable with domestic Douglas fir in building applications. Some firms also stated that either cedar generally or Western Red Cedar specifically is not interchangeable with other types of softwood lumber because it is typically only used in nonstructural applications.<sup>38</sup>

(...continued)

show in tabulation II-1, a plurality of U.S. producers reported that U.S. and Canadian cedar/redwood can always be used interchangeably, whereas the majority of importers and a plurality of purchasers reported that they can sometimes be used interchangeably.

<sup>38</sup> Among firms that produce, import, and/or purchase cedar/redwood, a number of firms stated that inland-grown cedar typically has a different grade or appearance than coastal cedar. Some firms noted

(continued...)

For some responding firms, these differences result in a preference for Canadian product: \*\*\* reported a generally superior quality (including higher density and strength) in Canadian timber compared to timber from the United States. \*\*\* reported that Canadian SPF can have higher resistance or design values compared to domestic SPF, with \*\*\* reporting that some markets prefer Canadian SPF over domestic SPF. For others, these differences result in a preference for domestic product: one firm – \*\*\*, which produces hem fir, Douglas fir, cedar/redwood, and SPF – stated that Canadian quality is sometimes perceived as inferior to U.S. or European quality, and another (\*\*\*) reported that domestic Douglas fir has superior design values than Canadian Douglas fir.

As seen in table II-13, the vast majority of responding purchasers reported that domestic and imported softwood lumber “always” or “usually” meets minimum quality specifications.

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*(...continued)*

that such differences are regional, with Canadian cedar being of higher grade than cedar from the United States. Specifically, \*\*\* reported that Canadian WRC products are typically large timbers, siding, decking, and paneling, including both clear and knotty grade product, whereas the majority of U.S. products come from younger forests and are used more in fencing and smaller knotty grade products. \*\*\* also reported that most cedar produced in the United States is used for fencing/fence boards, and that WRC is less available in the United States. \*\*\* also reported, however, that “logs in the B.C. interior are similar to those in the U.S. inland.” \*\*\* noted that coastal U.S. cedar is mostly used in fencing, while inland U.S. cedar is mostly used for decks, and cedar from coastal Canada is mostly used for outdoor structures. Purchaser \*\*\* stated that sequoia redwood is only grown in the United States, and that it is interchangeable with red cedar from Canada. Respondents Western Forest Products, Interfor, and Downie Timber argue that the Commission should consider cedar/redwood, as a group, as a separate like product from softwood lumber. See generally Western, Interfor, and Downie’s prehearing and posthearing briefs.

Additionally, some firms stated that old growth fibers are of higher grade and quality than younger cedars, and that old growth cedar is difficult to obtain from U.S. producers due to environmental regulations. \*\*\* also reported that clear grade cedar is only available from Canadian sources. \*\*\* reported that “Canadian and U.S. cedar are interchangeable with no issues.” OCFP, Rogue Valley Door, Northwest Clearwoods, Bright Wood, Matthaies Camco, Siskiyou, Fred Tabb and Sons, and EMS Manufacturing (collectively “the companies”) argue that old-growth coastal timber is a separate like product from structural lumber products. Hearing transcript, p. 188-191 (Grove); The Companies prehearing brief, pp. 1-14 and posthearing brief, pp. 1-8.

Three firms (\*\*\*) stated that redwood is only available from the United States, with \*\*\* stating that “lack of redwood production is a problem.”

**Table II-13**  
**Softwood lumber: Ability to meet minimum quality specifications, by source<sup>1</sup>**

Source	Always	Usually	Sometimes	Rarely or never
United States	14	18	3	4
Canada	18	19	1	1
Other sources	8	8	0	0

<sup>1</sup> Purchasers were asked how often domestically produced or imported softwood lumber meets minimum quality specifications for their own or their customers' uses.

Source: Compiled from data submitted in response to Commission questionnaires.

In addition, producers, importers, and purchasers were asked to assess how often differences other than price were significant in sales of softwood lumber from the United States, Canada, or nonsubject countries. When comparing domestic product with Canadian product, a plurality of U.S. producers reported that differences other than prices were “never” significant, a plurality of importers reported that differences other than prices were “always” significant, and a slight plurality of purchasers reported that such differences were “sometimes” important (table II-14). When comparing domestic and Canadian product with that of softwood lumber from nonsubject countries, firms’ responses generally mirrored their comparisons of U.S. and Canadian product, though more U.S. producers rated non-price factors as “sometimes” rather than “never” significant.

**Table II-14**  
**Softwood lumber: Significance of differences other than price between softwood lumber produced in the United States and in other countries, by country pair**

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting				Number of purchasers reporting			
	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. Canada	8	2	15	23	27	13	14	2	10	12	13	3
U.S. vs. nonsubject	3	2	11	8	11	4	4	0	2	7	10	0
Canada vs. nonsubject	2	2	10	8	11	4	4	0	1	7	9	0

Note.--A = Always, F = Frequently, S = Sometimes, N = Never.

Source: Compiled from data submitted in response to Commission questionnaires.

The main non-price factors purchasers listed as important were transportation/logistics/shipping time (5 firms); quality and availability (4 firms each); grade and species (3 firms each); and appearance, design values, lengths, milling, regional preferences, and volume (1 firm each). Two firms also cited the quality and availability of Western Red Cedar in Canada as non-price factors, and one mentioned the quality of Canadian SPF for making mattress foundations.<sup>39</sup>

<sup>39</sup> Regarding how often differences other than price were significant in sales of cedar/redwood, a plurality of responding purchasers (10 of 24) reported that such differences were “sometimes” significant, and 9 firms reported that they “always” were. In explaining these non-price factors, \*\*\* reported that Canadian WRC is higher in quality and appearance, workability, and lengths; \*\*\* reported  
*(continued...)*

**Tabulation II-2**

**Cedar/redwood: Significance of differences other than price between cedar/redwood produced in the United States and in other countries, by country pair**

Country pair	Number of purchasers reporting			
	A	F	S	N
U.S. vs. Canada	9	3	10	2
U.S. vs. nonsubject	3	0	5	2
Canada vs. nonsubject	2	0	3	1

Note.--A = Always, F = Frequently, S = Sometimes, N = Never.

Source: Compiled from data submitted in response to Commission questionnaires.

**ELASTICITY ESTIMATES**

This section discusses elasticity estimates. Petitioners and Joint Respondents provided extensive comments on these estimates in their prehearing and posthearing briefs; their arguments are summaries in the footnotes to each section.

**U.S. supply elasticity**

The domestic supply elasticity<sup>40</sup> for softwood lumber measures the sensitivity of the quantity supplied by U.S. producers to changes in the U.S. market price of softwood lumber. The elasticity of domestic supply depends on several factors, including the level of excess capacity, the ease with which producers can alter capacity, producers' ability to shift to production of other products, the existence of inventories, and the availability of alternate markets for U.S.-produced softwood lumber. Analysis of these factors above indicates that the U.S. industry has the ability to somewhat increase or decrease shipments to the U.S. market; an estimate in the range of 0.5 to 2.0 is suggested.<sup>41</sup>

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(...continued)

that the availability and quality of WRC from Canada is superior to the United States; and \*\*\* reported that rough sawn products and large timbers are only available from Canada. \*\*\* also reported that clear cedar is predominantly manufactured in Canada, while fencing cedar is predominantly manufactured in the United States, and that there has been relatively less production in the United States and more in Canada.

<sup>40</sup> A supply function is not defined in the case of a non-competitive market.

<sup>41</sup> Petitioners testified that the supply of softwood lumber is relatively inelastic due to the length of time need for timber to mature. Hearing transcript, p. 129 (Yocis), 132 (Banahan). Joint Respondents argue that timber supply differs drastically between the Southern and Western United States, with greater supply and capacity in the South than the West. See Joint Respondents prehearing brief, pp. 9, 38-51, app. A, and exhs. 29, 37, 39, and 40-58. Petitioners and Joint Respondents both state that timber rotation ages in the South can be up to half of what they are in the northern tier and the West Coast. Hearing transcript, pp. 101-102 (Benson, Blocker); Joint Respondents prehearing brief, p. 41 and posthearing brief, app. A (Answers to Commissioners' Questions), pp. 98-99. Some academic research

(continued...)

## U.S. demand elasticity

The U.S. demand elasticity for softwood lumber measures the sensitivity of the overall quantity demanded to a change in the U.S. market price of softwood lumber. This estimate depends on factors discussed above such as the existence, availability, and commercial viability of substitute products, as well as the component share of the softwood lumber in the production of downstream products. Based on the available information, the aggregate demand for softwood lumber is likely to be relatively inelastic; a range of -0.2 to -0.8 is suggested.<sup>42</sup>

## Substitution elasticity

The elasticity of substitution depends upon the extent of product differentiation between the domestic and imported products.<sup>43</sup> Product differentiation, in turn, depends upon such factors as quality (e.g., chemistry, appearance, etc.) and conditions of sale (e.g., availability, sales terms/ discounts/ promotions, etc.). Based on available information, the elasticity of substitution between U.S.-produced softwood lumber and softwood lumber imported from Canada is likely to be in the range of 2.0 to 5.0 for most of the market, though evidence suggests variations based on species being compared, the strength of regional and/or builder preferences, and/or markets in which product is either unavailable or perceived to be unavailable from both sources.<sup>44</sup> For applications in which purchasers have strong species

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(...continued)

also finds U.S. supply elasticities for softwood lumber to vary based on geographic region, with lower estimates for the West than the South/Southeast (Devadoss et al 2005; Mogus et al 2006).

<sup>42</sup> Counsel for Petitioners described demand for softwood lumber as inelastic due to the small cost share of softwood lumber in residential construction. Conference transcript, p. 19 (Kentz). Some academic research on North American softwood lumber has similar conclusions, finding relatively inelastic demand at the industry level (Song et al 2011; Parajuli et al 2015). There is also research, however, that finds demand elasticities for softwood lumber to vary at the species level, with higher elasticities for Douglas fir and treated SYP than SPF and other types of softwood lumber (Nagubadi et al 2004).

<sup>43</sup> The substitution elasticity measures the responsiveness of the relative U.S. consumption levels of the subject imports and the domestic like products to changes in their relative prices. This reflects how easily purchasers switch from the U.S. product to the subject products (or vice versa) when prices change.

<sup>44</sup> In these final phase investigations, Joint Respondents submitted an econometric study that analyzed the substitution elasticity between SYP and non-SYP lumber, finding an elasticity of 0.11, and between softwood lumber imported from Canada (primarily SPF) and Douglas fir produced in the Western United States, finding an elasticity of 0.72. Joint Respondents prehearing brief, pp. 71-74, app. B. In the preliminary phase, Joint Respondents introduced four academic articles that estimated the substitution elasticity for U.S. and Canadian softwood lumber, with estimates ranging from 0.1 (indicating complementarity) to 1.4622. See Joint Respondents conference presentation, slide 37.

Additional details of these articles are presented in tabulation II-3 below. Joint Respondents argue that according to these studies, “the elasticity of substitution is likely low – and no greater than the low end

(continued...)



preferences, substitutability is likely to be on the lower end of the range.<sup>45</sup> For species that are largely interchangeable in the same application and for species that are produced by both U.S. and Canadian firms, the substitution elasticity is likely to be on the higher end of the range.

In addition to staff estimates based on the qualitative and quantitative responses detailed above, academic articles also estimate the substitution elasticity between U.S. and Canadian softwood lumber (tabulation II-3). The estimates presented in these articles differ depending on the time-frame considered (products are always more substitutable in the long run (Hseu & Buongiorno 1992 and Gan 2006)); the application of the product (substitutability between products differs depending on whether lumber is being used for wall framing vs. floor framing (Shook, Soria & Nalle 2007)); and the level of aggregation (the more disaggregated the product sample, the higher the estimated substitution elasticity, (McDaniel & Balisteri, 2002)). In measuring substitutability, studies have compared product by species (Hseu & Buongiorno 1992; Nagubadi, et al. 2004; Shook, Soria & Nalle 2007) and by origin (Aguilar-Roman et. al, 2006; Gan 2006). Tabulation II-3 presents the most relevant details of these articles.

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*(...continued)*

of the ITC Staff's estimated range of 2.0-5.0." Joint Respondents prehearing brief, app. B, pp. 4-5. Petitioners argue that a substitution elasticity estimate of 2.0 to 5.0 is appropriate, stating that the cited articles rely on methodologies examining short periods of time and/or aggregated data. Petitioners prehearing brief, pp. 27-37.

<sup>45</sup> Western Red Cedar is largely viewed by responding firms as complementary to other structural forms of softwood lumber in a number of applications, and is therefore likely to be lower than the range presented here.

**Tabulation II-3**

**Substitution elasticity: Factors examined in selected academic studies of the elasticity of substitution between U.S. and Canadian softwood lumber**

<i>Publication year</i>	<i>Title</i>	<i>Author</i>	<i>Publication</i>	<i>Type of Model</i>	<i>Elasticity of Substitution</i>		<i>Data Source</i>	<i>Findings</i>
					<i>Low</i>	<i>High</i>		
2007	Examination of north American softwood lumber species substitution using discrete choice preferences and disaggregated end-use markets <sup>46</sup>	Steven R. Shook, Jorge A. Soria, and Darek J. Nalle	Canadian Journal of Forestry Research	Discrete choice preference model	<b>0.1</b> (Elasticity of substitution between SYP and ESPF at a 10% price decrease in floor-framing applications)	<b>0.45</b> (Elasticity of substitution between SYP and ESPF at a 10% price decrease in wall-framing applications)	<b>Quantity and Price:</b> Choice experiment responses from U.S. lumber end-users reporting on applications of lumber in structures built in 2004 (population of firms=3000, sample of firms=750, responding firms=59). Price data was also supplemented with the framing composite price from Random Lengths.	The objective of this study is to disaggregate the US SWL market by estimating the cross-price elasticity of demand for North American SWL species and species groups in three major end use markets (floor, roof, and wall framing) using a discrete choice preference model. Specifically, this study utilizes a choice-based conjoint model to estimate species preferences, market shares, and price-demand relationships for North American SWL. Results demonstrate that distinct differences exist in the substitutability between North American species of SWL.

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<sup>46</sup> Shook, S.R. 2007. "Examination of North American softwood lumber species substitution using discrete choice preferences and disaggregated end-use markets." *Canadian Journal of Forest Research*. 37: 2521-2540.

**Tabulation II-3--continued**

**Substitution elasticity: Factors examined in selected academic studies of the elasticity of substitution between U.S. and Canadian softwood lumber**

<i>Publication year</i>	<i>Title</i>	<i>Author</i>	<i>Publication</i>	<i>Type of Model</i>	<i>Elasticity of Substitution</i>		<i>Data Source</i>	<i>Findings</i>
					<i>Low</i>	<i>High</i>		
2006	Substitutability between US Domestic and Imported Forest Products: The Armington Approach <sup>47</sup>	Jianbang Gan	Forest Science	Armington model (modified)	<b>0.153</b> (Elasticity of substitution between US and imported SWL *** for 1961-2002)	<b>0.622</b> (Elasticity of substitution between US and imported SWL *** for 1961-2002)	<b>Quantity:</b> Annual data from 1961-2002 from FAOSTAT  <b>Price:</b> Annual data from 1961-2002 from FAOSTAT	This study estimates Armington elasticities of substitution between US domestic and imported forest products, with results indicating a low degree of substitutability between US and foreign products. The degree of substitutability is higher in the long-run than the short-run, and varies across aggregation levels. The elasticity of substitution between U.S. and foreign lumber is found to be stable over 1961-2002.
2006	Evaluation of the Substitutability between U.S. and Canadian Softwood Lumber <sup>48</sup>	Angel H. Aguiar-Roman, Kenneth A. Foster, Steven R. Shook	Selected paper at the American Agricultural Economics Association Annual Meeting, Long Beach, California, July 23-26, 2006	Linear approximation of the Almost Ideal Demand System model	<b>0.19</b> (Morishima elasticity of substitution between Canadian and U.S. product with respect to a change in U.S. SWL price)	<b>0.21</b> (Morishima elasticity of substitution between Canadian and U.S. product with respect to a change in the Canadian SWL price)	<b>Quantity:</b> Annual Product, Supply, and Demand tables from USDA, dates unknown  <b>Price:</b> Annual Online Statistics Database of FAO, dates unknown	This study evaluates the substitutability between U.S. and Canadian softwood lumber including other countries' softwood lumber. Price elasticities are derived from the linear approximation of the Almost Ideal Demand System. The results show that softwood lumber imports to the U.S. from various countries are indeed substitutes for U.S. softwood lumber.

<sup>47</sup> Gan, J. 2006. "Substitutability between U.S. Domestic and Import Forest Products: The Armington Approach." *Forest Science*. 52(1):1-9.

<sup>48</sup> Aguiar-Roman, A.H., Foster, K.A., Shook, S.R. 2006. "Evaluation of the Substitutability between U.S. and Canadian Softwood Lumber." Selected paper at the American Agricultural Economics Association Annual Meeting, Long Beach, California, July 23-26, 2006.

**Tabulation II-3--continued**

**Substitution elasticity: Factors examined in selected academic studies of the elasticity of substitution between U.S. and Canadian softwood lumber**

<i>Publication year</i>	<i>Title</i>	<i>Author</i>	<i>Publication</i>	<i>Type of Model</i>	<i>Elasticity of Substitution</i>		<i>Data Source</i>	<i>Findings</i>
					<i>Low</i>	<i>High</i>		
2004	Softwood Lumber Products in the United States: Substitutes, Complements, or Unrelated? <sup>49</sup>	Rao V. Nagubadi, Daowei Zhang, Jeffrey P. Prestemon, and David N. Wear	Forest Science	Translog subcost function	<b>1.4622</b> (Elasticity of substitution between SYP untreated and SPF)	<b>1.4622</b> (Elasticity of substitution between SYP untreated and SPF)	<b>Quantity:</b> Monthly data from 1989-2001 from USITC Dataweb and the American Forest and Paper Association  <b>Price:</b> Monthly data from 1989-2001 from Random Lengths	This study calculates own and cross price elasticities of demand for different varieties of lumber. The authors find that SPF is largely unrelated to treated SYP and engineered wood products. Furthermore, SYP is facing more severe competition from structural panels than from the imported SPF. The results do show that SPF continues to compete with untreated SYP, however, and that the two species appear to be significant substitutes in the U.S. market.
1992	Price elasticities of substitution between species in the demand of U.S. softwood lumber imports from Canada <sup>50</sup>	Jiing-Shyang Hseu and Joseph Buongiorno	Canadian Journal of Forestry Research	Armington model (modified)	<b>0.05</b> (Short-term elasticity of substitution for Fir between the U.S. and Canada)	<b>6.76</b> (Long-term elasticity of substitution for pine between U.S. and Canada)	<b>Quantity:</b> Monthly data from 1974-1988, U.S. Department of Commerce, Lumber determined by SITC Code  <b>Price:</b> Monthly data from 1974-1988, U.S. Bureau of Labor Statistics	This study attempted to determine to what extent each lumber species is a distinct economic good by using a characteristic demand equation. Results show that the differences of elasticities of substitution between species were significant.

<sup>49</sup> Nagubadi, R.V., Zhang, D., Prestemon, J.P., Wear, D. N. 2004. "Softwood Lumber Products in the United States: Substitutes, Complements, or Unrelated?" *Forest Science*. 50(4):416-426

<sup>50</sup> Hseu, J-S., Buongiorno, J. 1992. "Price elasticities of substitution between species in the demand of U.S. softwood lumber." *Canadian Journal of Forestry Research*. 23:591-597.

## **PART III: U.S. PRODUCERS' PRODUCTION, SHIPMENTS, AND EMPLOYMENT**

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the subsidies and dumping margins was presented in *Part I* of this report and information on the volume and pricing of imports of the subject merchandise is presented in *Part IV* and *Part V*. Information on the other factors specified is presented in this section and/or *Part VI* and (except as noted) is based on the questionnaire responses of 49 firms that accounted for 59.0 percent of U.S. production of softwood lumber during 2016.

### **U.S. PRODUCERS**

There are thousands of sawmills throughout the United States, the majority are small “local” mills. The Commission issued a U.S. producer questionnaire to 110 firms based on information contained in the petition and Western Wood Products *Big Book*, that staff believes comprised approximately 75 percent of all softwood lumber produced in the United States. While many large companies own extensive timber acreage, as much as one-half of the commercial timber supply in the West is publicly owned. Some producers in the West are 100 percent dependent on public timber for their raw material supply. To put this into perspective, the Canadian Government owns 90 percent of Canada’s harvested timber while 85 percent of U.S. harvested timber reportedly is privately owned.<sup>1 2</sup> Table III-1 presents U.S. Department of Agriculture, U.S. Forest Service (“USFS”) sales and timber harvested for 2014-16 and interim 2016 and 2017.

Table III-2 lists U.S. producers of softwood lumber, their production locations, positions on the petition, and shares of total 2016 reported production (these 49 firms represent 59.0 percent of all U.S. production). Figure III-1 displays locations of U.S. mills.

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<sup>1</sup> Conference transcript, p. 12 (Kentz).

<sup>2</sup> Canada’s provincial governments set harvest allowable annual cut (AAC) levels, levels that cannot be exceeded over a specified period, as part of a program to safeguard long term sustainability. Each province calculates its AAC using distinct methodologies. These levels are usually set over a 5 to 10 year period. Canada tends to harvest about 69 percent of the AAC. (Natural Resources Canada, *Is timber being harvested sustainably?*, <http://www.nrcan.gc.ca/forests/report/harvesting/16494>, accessed September 12, 2017.)

**Table III-1****Softwood lumber: USFS timber sold and harvested, 2014-16, January-June 2016 and January-June 2017**

Item	Calendar Years			January - June	
	2014	2015	2016	2016	2017
<b>Quantity (mbf)</b>					
Timber sold	2,985,815	2,847,351	2,885,870	1,012,065	995,427
Timber harvested	2,576,166	2,431,633	2,628,197	1,004,834	1,033,599

Note.--Timber reported here only represent commercial sales of timber. Many producers of lumber internally consume their own harvested timber.

Source: USDA Forest Service, "FY 1905-2017 National Summary Cut and Sold Data and Graphs", accessed August 8, 2017.

**Table III-2****Softwood lumber: U.S. producers of softwood lumber, their positions on the petition, production locations, and share of reported production, 2016**

Firm	Position on petition	Production location(s)	Share of production (percent)
Biewer	***	McBain, MI; Lake City, MI; Prentice, WI;; Spencer, WI; Newton, MS	***
C and D	***	Riddle, OR	***
Camco	***	Shelton, WA	***
Canfor	***	Camden, SC; Darlington, SC; Urbana, AR; Conway, SC; Fulton, AL; Graham, NC	***
Charles Ingram	***	Effingham, SC	***
Claude Howard	***	Statesboro, GA	***
Collum	Petitioner	Allendale, SC	***
Columbia Vista	***	Vancouver, WA; Vancouver, WA	***
Deltic Timber	***	Waldo, AR Ola, AR	***
Gilman	***	Blackshear, GA; Dudley, GA; Fitzgerald, GA; Jacksonville, FL; Lake Butler, FL; Perry, FL	***
Grayson	***	Houston, AL; Marianna, FL	***
Great Western	***	Everson, WA	***
Hankins	Petitioner	Ripley, MS	***
Hood	***	Waynesboro, MS; Metcalfe, GA; Bogalusa, LA; Silver Creek, MS	***
Idaho Forest	***	Chilco, ID; Moyie, ID; Lewiston, ID; Laclede, ID; Grangeville, ID	***
Interfor	***	Baxley, GA; Eatonton, GA; Georgetown, SC; Gilchrist, OR; Longview, WA; Meldrim, GA	***
Irving	***	Plantation, ME; Dixfield, ME	***
King Forest	***	Wentworth, NH	***
Klausner	***	Live Oak, FL; Enfield, NC	***
Maibec	***	Masardis, Maine	***

Table continued on next page.

**Table III-2--Continued**

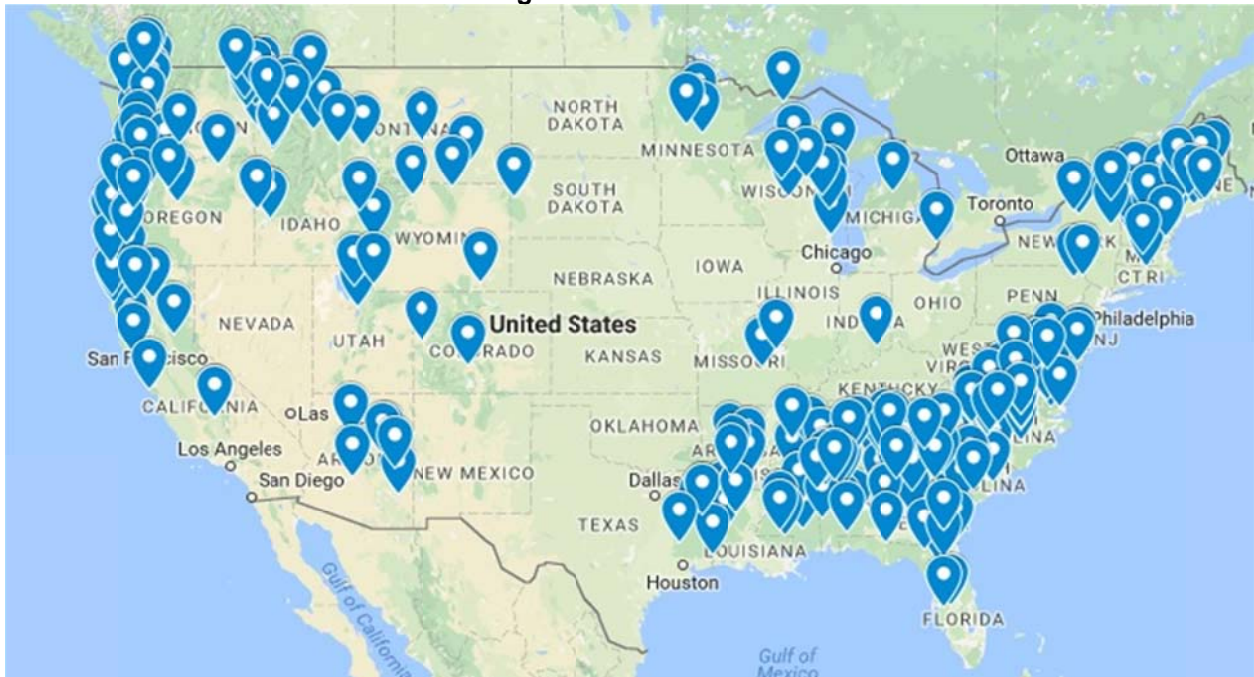
**Softwood lumber: U.S. producers of softwood lumber, their positions on the petition, production locations, and share of reported production, 2016**

<b>Firm</b>	<b>Position on petition</b>	<b>Production location(s)</b>	<b>Share of production (percent)</b>
OCFP	***	North Plains, OR	***
Pleasant River	***	Dover-Foxcroft, ME; Jackman, ME	***
Potlach	Petitioner	Bemidji, MN; Gwinn, MI; St. Maries, ID; Warren, AR	***
Precision	***	Wentworth, NH	***
Pyramid Mountain	***	Seeley Lake, MT	***
Rex	Petitioner	Graceville, FL; Bristol, FL; Brookhaven, MS	***
Robbins	***	Searsmont, ME	***
Rosboro	***	Springfield, Or; Springfield, Or	***
R-Y Timber	***	Townsend, MT; Livingston, MT	***
Schmidbauer	***	Eureka, CA	***
SDS	***	Bingen, WA	***
Seneca	Petitioner	Eugene, OR; Noti, Or	***
Shuqualak	***	Shuqualak, MS	***
Sierra	***	Terra Bella, CA	***
Sierra Pacific	Petitioner	Aberdeen, WA; Centralia, WA; Mt. Vernon, WA; Anderson, CA; Arcata, CA; Burney, CA	***
Siskiyou	***	Anderson, Ca	***
South Coast	***	Brookings, Oregon	***
Southeastern	***	Ackerman, MS; Jackson, MS	***
Southport	***	North Bend, OR	***
Stimson	Petitioner	Forest Grove, OR; Tillamook, OR; Priest River, ID; Plummer, ID; St. Maries, ID; Clatskanie, OR	***
Stoltze	***	Columbia Falls, MT	***
Stratton	***	Stratton, ME	***
Sun Mountain	***	Deer Lodge, MT	***
Swanson	Petitioner	Glendale, OR; Roseburg, OR	***
TR Miller	***	Brewton, AL	***
Trinity River	***	Weaverville, CA	***
West Fraser	***	Riegelwood, NC; Augusta, GA; Henderson, TX; Huttig, AR; Joyce, LA; Leola, AR; Maplesville, AL; McDavid, FL; Mansfield, AR; Newberry, SC; New Boston, TX; Opelika, AL; Russellville, AR; Seaboard, NC; Whitehouse, FL	***
Westervelt Lumber	***	Moundville, AL	***
Weyerhaeuser	Petitioner	Millport, AL; Dierks, AR; Dodson, LA; Holden, LA; Bruce, MS; McComb, MS; Philadelphia, MS; Kalispell, MT; Greenville, NC; New Bern, NC; Plymouth, NC; Idabel, OK; Cottage Grove, OR; Santiam, OR; Longview, WA; Raymond, WA	***
Total for 49 reporting firms			100.0

Source: Compiled from data submitted in response to Commission questionnaires.

As figure III-1 displays, U.S. softwood lumber mills are scattered throughout the United States. Over half of U.S. production of softwood lumber is concentrated in the South, where intensively managed plantations of SYP are grown by industrial and non-industrial land owners, and in the West, where large tracts of high-quality timber, including public timber, are located. These regions accounted for 53 percent and 42 percent, respectively, of U.S. softwood lumber production in 2016.

**Figure III-1**  
**Softwood lumber: U.S. mills in the contiguous United States**



Source: 2016 Big Book, Random Lengths Publications, Inc., Eugene, Oregon

Although there are large corporations with high volumes of production, most of the softwood lumber producers are small privately owned firms. Table III-3 presents information from reporting U.S. producers concerning ownership and affiliation since January 2014.

**Table III-3**  
**Softwood lumber: U.S. producers' ownership, related and/or affiliated firms, since January 2014**

\* \* \* \* \*

**U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION**

Table III-4 presents U.S. producers' production, capacity, and capacity utilization as compiled by WWPA. The 49 reporting firms accounted for 63.3 percent of U.S. capacity and 59.0 percent of U.S. production, as reported by WWPA, during 2016. Reported out-of-scope production was less than 0.02 percent of total reported production during the period of investigation.



**Table III-4**  
**Softwood lumber: U.S. production, capacity, and capacity utilization, 2014-2016, January-June 2016, and January-June 2017**

Item	Calendar year			January - June	
	2014	2015	2016	2016	2017
Capacity (mbf) <sup>1</sup>	37,947,000	38,124,000	37,831,000	19,234,000	19,946,000
Production (mbf)	31,496,000	31,643,000	32,535,000	16,541,000	16,954,000
Capacity utilization (percent)	83.0	83.0	86.0	86.0	85.0
Questionnaire capacity utilization coverage (percent)	69.2	72.9	73.5	73.6	74.0

<sup>1</sup> Capacity (mbf) is calculated by using reported WWPA production divided by reported WWPA capacity utilization.

Source: Compiled from data published on WWPA Lumber Track, March 2016, March 2017, and September 2017.

Table III-5 and figure III-2 present U.S. producers' production, capacity, and capacity utilization of the 49 responding firms. Canfor, Gilman, Idaho Forest, Interfor, Potlatch, Sierra Pacific, West Fraser, and Weyerhaeuser combined accounted for \*\*\* percent of reporting firms' capacity and \*\*\* percent of reporting firms production during the period of investigation. Canfor, Interfor, West Fraser, and Weyerhaeuser all produced softwood lumber in the United States and Canada, and import softwood lumber from Canada into the United States.

**Table III-5**  
**Softwood lumber: U.S. producers' capacity, production, and capacity utilization, 2014-16, January to June 2016, and January to June 2017**

Item	Calendar year			January-June	
	2014	2015	2016	2016	2017
<b>Capacity (1,000 board feet)</b>					
Canfor	***	***	***	***	***
Gilman	***	***	***	***	***
Idaho Forest	***	***	***	***	***
Interfor	***	***	***	***	***
Potlatch	***	***	***	***	***
Sierra Pacific	***	***	***	***	***
West Fraser	***	***	***	***	***
Weyerhaeuser	***	***	***	***	***
Subtotal	13,863,386	14,685,520	15,028,840	7,582,420	7,791,420
All other firms	7,935,496	8,393,075	8,891,155	4,588,093	4,748,127
Total capacity	21,798,882	23,078,595	23,919,995	12,170,513	12,539,547
<b>Production (1,000 board feet)</b>					
Canfor	***	***	***	***	***
Gilman	***	***	***	***	***
Idaho Forest	***	***	***	***	***
Interfor	***	***	***	***	***
Potlatch	***	***	***	***	***
Sierra Pacific	***	***	***	***	***
West Fraser	***	***	***	***	***
Weyerhaeuser	***	***	***	***	***
Subtotal	11,802,183	12,637,809	13,101,659	6,643,652	6,761,705
All other firms	5,527,692	5,771,629	6,104,370	3,069,676	3,319,912
Total production	17,329,875	18,409,438	19,206,029	9,713,328	10,081,617
<b>Capacity utilization (percent)</b>					
Canfor	***	***	***	***	***
Gilman	***	***	***	***	***
Idaho Forest	***	***	***	***	***
Interfor	***	***	***	***	***
Potlatch	***	***	***	***	***
Sierra Pacific	***	***	***	***	***
West Fraser	***	***	***	***	***
Weyerhaeuser	***	***	***	***	***
Subtotal	85.1	86.1	87.2	87.6	86.8
All other firms	69.7	68.8	68.7	66.9	69.9
Total utilization	79.5	79.8	80.3	79.8	80.4

Source: Compiled from data submitted in response to Commission questionnaires.

**Figure III-2**  
**Softwood lumber: U.S. producers' capacity, production, and capacity utilization, 2014-16, January to June 2016, and January to June 2017**

\* \* \* \* \*

Eleven firms reported changes in operations such as plant openings and closings, including 6 openings and 7 closings, of which two firms reported both an opening and a closing. Fourteen firms reported expansions, 8 firms reported acquisitions, 19 firms reported prolonged shutdowns or curtailments, 4 firms reported revised labor agreements, and 18 firms reported other changes (mainly technology upgrades). Additionally, 19 firms stated they had operated more shifts and/or longer hours worked in prior years, 44 firms stated they could add shifts or hours, and 4 firms stated they did not have the ability to add more shifts or hours. Table III-6 presents these changes in operations.

**Table III-6**  
**Softwood lumber: U.S. producers' reported changes in operations, since January 1, 2014**

\* \* \* \* \*

Table III-7 presents regional U.S. shipments during the period of investigation. The South accounted for 52.6 percent of U.S. production, the West accounted for 42.8 percent of U.S. production, and the North accounted for 4.6 percent of U.S. production during January 2014 - June 2017.

**Table III-7**  
**Softwood lumber: Total shipments, 2014-16, January to June 2016, and January to June 2017**

Item	Calendar year			January to June	
	2014	2015	2016	2016	2017
<b>Quantity (1,000 board feet)</b>					
South	16,111,000	16,661,000	17,349,000	8,823,000	9,141,000
West	13,909,000	13,585,000	13,762,000	7,015,000	7,013,000
North	1,387,000	1,451,000	1,534,000	780,000	798,000
All regions	31,407,000	31,697,000	32,645,000	16,618,000	16,952,000
<b>Ratio (percent)</b>					
Questionnaire coverage	53.8	57.1	58.0	57.4	57.7
<b>Quantity (1,000 board feet)</b>					
U.S. industry total shipments	31,407,000	31,697,000	32,645,000	16,618,000	16,952,000
U.S. exports	1,734,000	1,563,000	1,602,000	654,000	657,000
Derived U.S. producers' U.S. shipments	29,673,000	30,134,000	31,043,000	15,964,000	16,295,000

Source: WWPA Lumber Track, March 2016, March 2017, and September 2017.

### U.S. PRODUCERS' U.S. SHIPMENTS AND EXPORTS

In general, shipments of softwood lumber vary only slightly from U.S. production, and follow essentially the same trends. Table III-8 presents U.S. producers' U.S. shipments, export shipments, and total shipments in response to Commission questionnaires. Overall, about 90 percent of U.S. softwood lumber shipments were commercial shipments and exports maintained at less than 2 percent during the period of investigation. U.S. shipments, by quantity, rose steadily throughout the period of investigation, increasing 12.1 percent from 2014 to 2016, and were higher by approximately 2.2 percent when comparing the interim periods. U.S. producers' U.S. shipments by value followed similar trends.

**Table III-8**  
**Softwood lumber: U.S. producers' U.S. shipments, exports shipments, and total shipments, 2014-2016, January-June 2016, and January-June 2017**

Item	Calendar year			January to June	
	2014	2015	2016	2016	2017
<b>Quantity (1,000 board feet)</b>					
Commercial U.S. shipments	15,627,754	16,622,193	17,368,338	8,766,727	8,948,846
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	16,891,875	18,084,318	18,933,731	9,575,842	9,786,681
Export shipments	324,549	319,324	288,827	142,114	158,237
Total shipments	17,216,424	18,403,642	19,222,558	9,717,956	9,944,918
<b>Value (1,000 dollars)</b>					
Commercial U.S. shipments	6,086,697	5,735,454	6,332,292	3,140,691	3,637,616
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	6,675,047	6,333,561	6,990,887	3,475,996	4,036,544
Export shipments	169,239	155,838	139,151	68,380	73,721
Total shipments	6,844,286	6,489,399	7,130,038	3,544,376	4,110,265
<b>Unit value (dollars per 1,000 board feet)</b>					
Commercial U.S. shipments	\$389	\$345	\$365	\$358	\$406
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	395	350	369	363	412
Export shipments	521	488	482	481	466
Total shipments	398	353	371	365	413
<b>Share of quantity (percent)</b>					
Commercial U.S. shipments	90.8	90.3	90.4	90.2	90.0
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	98.1	98.3	98.5	98.5	98.4
Export shipments	1.9	1.7	1.5	1.5	1.6
Total shipments	100.0	100.0	100.0	100.0	100.0
<b>Share of value (percent)</b>					
Commercial U.S. shipments	88.9	88.4	88.8	88.6	88.5
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	97.5	97.6	98.0	98.1	98.2
Export shipments	2.5	2.4	2.0	1.9	1.8
Total shipments	100.0	100.0	100.0	100.0	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

Table III-9 presents data of U.S. commercial shipments of pressure treated and non-treated softwood lumber. Only two responding firms reported shipments of pressure treated lumber. The majority of pressure treated lumber is handled as a “down-stream” product by a firm other than the sawmill.

**Table III-9**  
**Softwood lumber: U.S. producers' commercial U.S. shipments by pressure treatment and species, 2016**

\* \* \* \* \*

Table III-10 presents U.S. commercial shipment data by drying type. Firms reported that 84.4 percent of their 2016 softwood lumber production was kiln-dried.

**Table III-10**  
**Softwood lumber: U.S. producers' commercial U.S. shipments by type of drying and species, 2016**

Item	Commercial U.S. shipments		
	Green	Kiln-dried	Total
	<b>Quantity (1,000 board feet)</b>		
U.S. producers.-- Southern yellow pine	227,963	9,125,940	9,353,903
Douglas fir	2,191,061	2,105,621	4,296,682
Spruce pine fir	58,976	1,178,816	1,237,792
Hem fir	146,256	1,644,648	1,790,904
Cedars/ redwoods	***	***	***
Other species	***	***	***
All species	2,708,625	14,659,713	17,368,338
	<b>Share across (percent)</b>		
U.S. producers.-- Southern yellow pine	2.4	97.6	100.0
Douglas fir	51.0	49.0	100.0
Spruce pine fir	4.8	95.2	100.0
Hem fir	8.2	91.8	100.0
Cedars/ redwoods	***	***	100.0
Other species	***	***	100.0
All species	15.6	84.4	100.0
	<b>Share down (percent)</b>		
U.S. producers.-- Southern yellow pine	8.4	62.3	53.9
Douglas fir	80.9	14.4	24.7
Spruce pine fir	2.2	8.0	7.1
Hem fir	5.4	11.2	10.3
Cedars/ redwoods	***	***	***
Other species	***	***	***
All species	100.0	100.0	100.0

Note.--Shares and ratios shown as "0.0" represent value greater than zero but less than "0.05" percent.

Source: Compiled from data submitted in response to Commission questionnaires.

## U.S. PRODUCERS' INVENTORIES

Table III-11 presents U.S. producers' end-of-period inventories and the ratio of these inventories to U.S. producers' production, U.S. shipments, and total shipments.<sup>3</sup>

**Table III-11**  
**Softwood lumber: U.S. producers' inventories, 2014-2016, January-June 2016, and January-June 2017**

Item	Calendar year			January to June	
	2014	2015	2016	2016	2017
<b>Quantity (1,000 board feet)</b>					
U.S. producers' end-of-period inventories	1,294,678	1,343,923	1,338,442	1,354,110	1,447,729
<b>Ratio (percent)</b>					
Ratio of inventories to--					
U.S. production	7.5	7.3	7.0	7.0	7.2
U.S. shipments	7.7	7.4	7.1	7.1	7.4
Total shipments	7.5	7.3	7.0	7.0	7.3

Source: Compiled from data submitted in response to Commission questionnaires.

## U.S. PRODUCERS' IMPORTS AND PURCHASES

U.S. producers' imports and purchases of softwood lumber are presented in table III-12. Total reported purchases, throughout the period of investigation, were \*\*\* percent of reported production.

**Table III-12**  
**Softwood lumber: U.S. producers' purchases, 2014-2016, January-June 2016, and January-June 2017**

\*   \*   \*   \*   \*   \*   \*

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<sup>3</sup> While no individual U.S. producer was noticeably driving these trends, five firms \*\*\* accounted for nearly \*\*\* of the reported inventories.

Table III-13 presents U.S. producers that not only produce softwood lumber in the United States and Canada, but also import softwood lumber. In 2016 these firms combined accounted for 27.5 percent of all U.S. softwood lumber production, and 36.5 percent of all Canadian softwood lumber production.

**Table III-13**  
**Softwood lumber: U.S. producers' U.S. production, subject imports and Canadian production, 2014-16, January to June 2016, and January to June 2017**

\* \* \* \* \*

**U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY**

Table III-14 shows U.S. producers' employment-related data. Between 2014 and 2016, U.S. producers increased employment by 6.1 percent, representing 1,031 additional employees. Twenty-nine firms reported increases in PRW's, 17 reported decreases in PRW's, and three firms reported no change in its PRW's. The following 5 U.S. producers accounted for nearly 87 percent of the increased employment: \*\*\* accounting for \*\*\* percent;<sup>4</sup> \*\*\* accounting for \*\*\* percent;<sup>5</sup> \*\*\* accounting for \*\*\* percent;<sup>6</sup> \*\*\* accounting for \*\*\* percent;<sup>7</sup> and \*\*\* accounting for \*\*\* percent.<sup>8</sup> Seventeen firms reported a decrease of 262 PRW's over the period of investigation. \*\*\*,<sup>9</sup> \*\*\*,<sup>10</sup> \*\*\*,<sup>11</sup> \*\*\*,<sup>12</sup> and \*\*\*,<sup>13</sup> combined, accounted for nearly 62 percent of the reduction in PRW's from 2014-2016.

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4 \*\*\*.  
 5 \*\*\*.  
 6 \*\*\*.  
 7 \*\*\*.  
 8 \*\*\*.  
 9 \*\*\*.  
 10 \*\*\*.  
 11 \*\*\*.  
 12 \*\*\*.  
 13 \*\*\*.



**Table III-14**

**Softwood lumber: Average number of production and related workers, hours worked, wages paid to such employees, hourly wages, productivity, and unit labor costs, 2014-2016, January-June 2016, and January-June 2017**

Item	Calendar year			January-June	
	2014	2015	2016	2016	2017
<b>All U.S. Producers:</b>					
Production and related workers (PRWs) ( <i>number</i> )	17,357	18,305	18,361	18,113	18,592
Total hours worked (1,000 hours)	40,646	42,350	43,410	21,661	22,189
Hours worked per PRW ( <i>hours</i> )	2,342	2,314	2,364	1,196	1,193
Wages paid (\$1,000)	913,797	994,272	1,070,277	534,950	553,473
Hourly wages ( <i>dollars per hour</i> )	\$22.48	\$23.48	\$24.66	\$24.70	\$24.94
Productivity ( <i>board feet per hour</i> )	426.4	434.7	442.4	448.4	454.4
Unit labor costs ( <i>dollars per 1,000 board feet</i> )	\$52.73	\$54.01	\$55.73	\$55.07	\$54.90

Source: Compiled from data submitted in response to Commission questionnaires.



## **PART IV: U.S. IMPORTS, APPARENT U.S. CONSUMPTION, AND MARKET SHARES**

### **U.S. IMPORTERS**

The Commission issued importer questionnaires to 85 firms believed to be importers of subject softwood lumber.<sup>1</sup> Usable questionnaire responses were received from 59 companies, representing 81.4 percent of U.S. imports from Canada in 2016. Table IV-1 lists all responding U.S. importers of softwood lumber from Canada and other sources, their locations, and their shares of U.S. imports in 2016. \*\*\* reported imports from \*\*\*, \*\*\* reported imports from \*\*\*, and \*\*\* reported imports from \*\*\*. No other responding importer reported imports from sources other than Canada.

Canadian producers often act as the “importer of record” and/or “consignee” for imports of softwood lumber from Canada, handling the Customs clearance paperwork for their sales to U.S. customers. Their imports go from their mills to their customers in the United States. Customers, numbering in the hundreds, include wholesale and retail lumber distributors (e.g., Lowes, Home Depot, etc.), domestic producers (e.g., Georgia-Pacific, Weyerhaeuser, etc.), and traders/wholesalers (e.g., Forest City Trading Group, Seaboard, Universal Forest Products, etc.). Separately, some U.S. producers (\*\*\*) also import softwood lumber from their own operations in Canada. Some importer/consignees are manufacturers and/or remanufacturers with kiln operations. Because of this, they may have their operations near the border and utilize rough, green lumber only.

Some U.S. firms, such as mobile-home-building and cash-and-carry outlets, while not necessarily the importer of record, are supplied by distributors that purchase their imported stock from large shipments. These shipments generally go through reload centers<sup>2</sup> located near the U.S.-Canadian border in Canada or throughout the United States for disbursement to their final destinations.

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<sup>1</sup> The Commission issued questionnaires to those firms identified in the petition, along with firms that, based on a review of data provided by U.S. Customs and Border Protection (“Customs”) under HTS subheading 4407.10.01.01; 4407.10.01.02; 4407.10.01.15; 4407.10.01.16; 4407.10.01.17; 4407.10.01.18; 4407.10.01.19; 4407.10.01.20; 4407.10.01.42; 4407.10.01.43; 4407.10.01.44; 4407.10.01.45; 4407.10.01.46; 4407.10.01.47; 4407.10.01.48; 4407.10.01.49; 4407.10.01.52; 4407.10.01.53; 4407.10.01.54; 4407.10.01.55; 4407.10.01.56; 4407.10.01.57; 4407.10.01.58; 4407.10.01.59; 4407.10.01.64; 4407.10.01.65; 4407.10.01.66; 4407.10.01.67; 4407.10.01.68; 4407.10.01.69; 4407.10.01.74; 4407.10.01.75; 4407.10.01.76; 4407.10.01.77; 4407.10.01.82; 4407.10.01.83; 4407.10.01.92; 4407.10.01.93; 4409.10.05.00; 4409.10.10.20; 4409.10.10.40; 4409.10.10.60; 4409.10.10.80; 4409.10.20.00; 4409.10.90.20; 4409.10.90.40; and 4418.99.10.00.

<sup>2</sup> In a number of instances, lumber wholesalers, and in some cases manufacturers, own/control reload centers.

**Table IV-1**  
**Softwood lumber: U.S. importers by source, 2016**

Firm	Headquarters	Share of imports by source (percent)		
		Canada	Nonsubject sources	All sources
Arbec	St-Leonard, QC	***	***	***
Aspen Planers	Surrey, BC	***	***	***
Barrette Wood	St-Jean-Sur-Richelieu, QC	***	***	***
Barrette-Chapais	Chapais, QC	***	***	***
Bois Bonsai	Lévis, QC	***	***	***
Boscus	Pointe-Claire, QC	***	***	***
Canfor	Vancouver, BC	***	***	***
Carrier	Prince George, BC	***	***	***
Carrier and Begin	Saint-Honore-De-Shenley, QC	***	***	***
Cedrico	Price, QC	***	***	***
Chaleur	Belledune, NB	***	***	***
Chibougamau	Chibougamau, QC	***	***	***
Clermond Hamel	St-Ephrem, QC	***	***	***
Conifex Fibre	Vancouver, BC	***	***	***
D and G	Quebec City, QC	***	***	***
Daaquam	St-Just-De-Bretenieres, QC	***	***	***
Devon	Fredericton, NB	***	***	***
Downie	Revelstoke, BC	***	***	***
Dunkley	Prince George, BC	***	***	***
EACOM Timber	Montreal, QC	***	***	***
EMS	Newberg, OR	***	***	***
Fontaine	Woburn, QC	***	***	***
Freeman and Son	Greenfield, NS	***	***	***
Gorman Bros	West Kelowna, BC	***	***	***
Group GDS	Dégelis, QC	***	***	***
HJ Crabbe	Florenceville-Bristol, NB	***	***	***
Interfor	Vancouver, BC	***	***	***
Irving	Fort Kent, ME	***	***	***
Klausner	Myrtle Beach, SC	***	***	***
Lecours	Calstock, Ontario, Canada,	***	***	***
Ledwidge	Enfield, NS	***	***	***
Lemay and Sons	Sainte-Marie, QC	***	***	***
Lignum	Vancouver, BC	***	***	***
Maibec	Lévis, Canada, QC	***	***	***
Marcel Lauzon	East Hereford, QC	***	***	***
Martek	Shawinigan, QC	***	***	***
Marwood	Fredericton, NB	***	***	***
Materiaux Blanchet	L'Ancienne-Lorette, QC	***	***	***
Matthaeis Camco	Shelton, WA	***	***	***
Mill and Timber	Surrey, BC	***	***	***
NAFP	St-Quentin, NB	***	***	***

*Table continued on next page.*

**Table IV-1--Continued**  
**Softwood lumber: U.S. importers by source, 2016**

Firm	Headquarters	Share of imports by source (percent)		
		Canada	Nonsubject sources	All sources
OCFP	North Plains, OR	***	***	***
Olympic	North Vancouver, BC	***	***	***
Petit Paris	St-Ludger-De Milot, QC	***	***	***
Portbec	Quebec City, QC	***	***	***
Prendville	Kenora, ON	***	***	***
Remabec	La Tuque, QC	***	***	***
Resolute	Catawba, SC	***	***	***
Robbins	Searsmont, ME	***	***	***
Rogue Valley	Grants Pass, OR	***	***	***
Sartigan	St-Honoré-De-Shenley, QC	***	***	***
Sinclar	Prince George, BC	***	***	***
Siskiyou	Anderson, CA	***	***	***
Tembec	Temiscaming, QC	***	***	***
Tolko	Vernon, BC	***	***	***
Twin Rivers	Plaster Rock, NB	***	***	***
West Fraser	Quesnel, BC	***	***	***
Western	Vancouver, BC	***	***	***
Weyerhaeuser	Seattle, WA	***	***	***
Total responding importers		100.0	100.0	100.0
Coverage		84.1	4.2	79.6

Source: Compiled from data submitted in response to Commission questionnaires.

Given the large number and variety of importers in this industry, and the knowledge that official import statistics would supply import quantity and value data, the importer questionnaires were used primarily to obtain necessary import marketing information. The questionnaires were sent to Canadian producers who act as importers of record/consignees and a limited number of U.S.-based importers, distributors, retailers, and traders. In addition, U.S. producers were asked to complete a questionnaire if they had imported any product from Canada.

### U.S. IMPORTS

Table IV-2 and figure IV-1 present data for U.S. imports of softwood lumber from Canada and all other sources. Canada was by the far the single largest source of imports of softwood lumber over the period of investigation, accounting for 94.3 percent of total imports based on quantity and 89.4 percent by value. The 2006 SLA expired in October 2015, and the average unit value of U.S. imports from Canada decreased by 15.0 percent between 2014 and 2015. Average unit values of U.S. imports from Canada rose slightly (7.6 percent) in 2016, and were 5.4 percent higher in January-June 2017 compared to January-June 2016.

**Table IV-2**  
**Softwood lumber: U.S. imports, by source, 2014-16, January to June 2016, and January to June 2017**

Source	Calendar year			January to June	
	2014	2015	2016	2016	2017
<b>Quantity (1,000 board feet)</b>					
U.S. imports from Canada-- Atlantic provinces	***	***	***	***	***
All other Provinces	***	***	***	***	***
Total Canada	12,143,469	13,257,468	15,029,927	6,988,423	7,288,338
Nonsubject sources	669,154	653,105	901,561	520,367	768,617
All import sources	12,812,623	13,910,573	15,931,488	7,508,790	8,056,955
<b>Value (1,000 dollars)</b>					
U.S. imports from Canada-- Atlantic provinces	***	***	***	***	***
All other Provinces	***	***	***	***	***
Total Canada	5,102,917	4,736,665	5,775,637	2,753,910	3,026,127
Nonsubject sources	487,522	583,637	684,308	315,773	427,492
All import sources	5,590,439	5,320,302	6,459,945	3,069,683	3,453,619
<b>Unit value (dollars per 1,000 board feet)</b>					
U.S. imports from Canada-- Atlantic provinces	\$***	\$***	\$***	\$***	\$***
All other Provinces	***	***	***	***	***
Total Canada	420	357	384	394	415
Nonsubject sources	729	894	759	607	556
All import sources	436	382	405	409	429
<b>Share of quantity (percent)</b>					
U.S. imports from Canada-- Atlantic provinces	***	***	***	***	***
All other Provinces	***	***	***	***	***
Total Canada	94.8	95.3	94.3	93.1	90.5
Nonsubject sources	5.2	4.7	5.7	6.9	9.5
All import sources	100.0	100.0	100.0	100.0	100.0
<b>Share of value (percent)</b>					
U.S. imports from Canada-- Atlantic provinces	***	***	***	***	***
All other Provinces	***	***	***	***	***
Total Canada	91.3	89.0	89.4	89.7	87.6
Nonsubject sources	8.7	11.0	10.6	10.3	12.4
All import sources	100.0	100.0	100.0	100.0	100.0
<b>Ratio to U.S. production (WWPA total) (percent)</b>					
U.S. imports from Canada-- Atlantic provinces	***	***	***	***	***
All other Provinces	***	***	***	***	***
Total Canada	70.1	72.0	78.3	72.2	72.3
Nonsubject sources	3.9	3.5	4.7	5.4	7.6
All import sources	73.9	75.6	83.0	77.6	79.9

Source: Official U.S. import statistics using HTS statistical reporting numbers listed in footnote 1 of page IV-1 accessed August 8, 2017.

**Figure IV-1<sup>3</sup>**

**Softwood lumber: U.S. import volumes and values, 2014-16, January to June 2016, and January to June 2017**

\* \* \* \* \*

Based on an analysis of data submitted in response to Commission questionnaires, the U.S. producers which import/purchase softwood lumber identified in table III-13 accounted for \*\*\* percent of U.S. imports from Canada over the period examined.

Table IV-3 presents U.S. importers' commercial shipments by pressure treatment and species. Nearly 90 percent of the commercial shipments were of SPF, with less than 1 percent pressure treated. Table IV-4 presents U.S. importers' commercial shipments by type of drying and species. Slightly less than 90 percent of the commercial shipments were kiln-dried SPF.

**Table IV-3**

**Softwood lumber: U.S. importers' commercial U.S. shipments by pressure treatment and species, 2016**

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<sup>3</sup> The abbreviation "AUV" stands for average unit value.

**Table IV-4**

**Softwood lumber: U.S. importers' commercial U.S. shipments by type of drying and species, 2016**

Item	Commercial U.S. shipments		
	Green	Kiln-dried	Total
	<b>Quantity (1,000 board feet)</b>		
U.S. importers: Canada.-- Southern yellow pine	***	***	***
Douglas fir	***	***	744,510
Spruce pine fir	***	***	10,986,623
Hem fir	***	***	158,965
Cedars/ redwoods	***	***	299,831
Other species	***	***	***
All species	362,675	11,885,072	12,247,747
	<b>Share across (percent)</b>		
U.S. importers: Canada.-- Southern yellow pine	***	***	100.0
Douglas fir	***	***	100.0
Spruce pine fir	***	***	100.0
Hem fir	***	***	100.0
Cedars/ redwoods	***	***	100.0
Other species	***	***	100.0
All species	3.0	97.0	100.0
	<b>Share down (percent)</b>		
U.S. importers: Canada.-- Southern yellow pine	***	***	***
Douglas fir	***	***	6.1
Spruce pine fir	***	***	89.7
Hem fir	***	***	1.3
Cedars/ redwoods	***	***	2.4
Other species	***	***	***
All species	100.0	100.0	100.0

Note.--Shares and ratios shown as "0.0" represent value greater than zero but less than "0.05" percent.

Source: Compiled from data submitted in response to Commission questionnaires.



Table IV-5 presents the leading nonsubject sources of softwood lumber. U.S. imports from nonsubject sources never exceeded six percent of total imports over the period examined. The leading nonsubject imports were from Chile, Brazil, Sweden and New Zealand. As shown in table IV-2, nonsubject sources of softwood lumber had much higher average unit values than subject imports (between 34 and 150 percent higher) over the period examined.

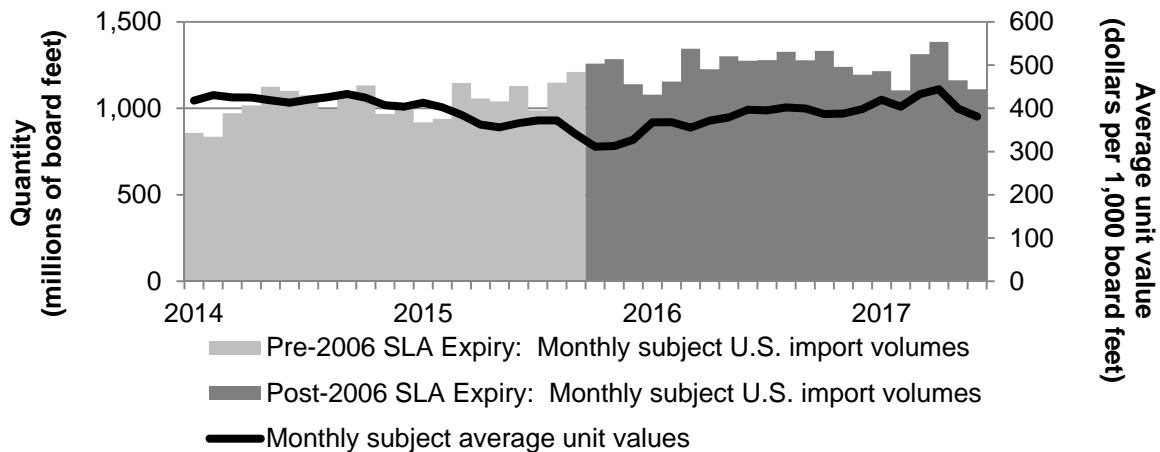
**Table IV-5**  
**Softwood lumber: Nonsubject U.S. imports, by source, 2014-16, January to June 2016, and January to June 2017**

Source	Calendar year			January to June	
	2014	2015	2016	2016	2017
<b>Quantity (1,000 board feet)</b>					
U.S. imports from.--					
Chile	120,845	155,966	176,530	100,113	91,353
Brazil	204,371	161,025	156,609	85,943	120,701
Sweden	58,193	105,453	99,038	53,103	74,877
New Zealand	75,658	84,748	93,330	42,217	47,650
Germany	43,228	35,872	79,272	27,626	278,659
China	19,014	22,348	51,901	28,817	27,580
Romania	6,119	29,454	21,663	9,629	23,202
All other nonsubject sources	141,726	58,239	223,220	172,918	104,595
All nonsubject sources	669,154	653,105	901,561	520,367	768,617
<b>Share of total U.S. imports (percent)</b>					
U.S. imports from.--					
Chile	0.9	1.1	1.1	1.3	1.1
Brazil	1.6	1.2	1.0	1.1	1.5
Sweden	0.5	0.8	0.6	0.7	0.9
New Zealand	0.6	0.6	0.6	0.5	0.6
Germany	0.3	0.3	0.5	0.3	3.5
China	0.1	0.2	0.3	0.4	0.3
Romania	0.0	0.2	0.1	0.1	0.3
All other nonsubject sources	1.1	0.4	1.4	2.2	1.3
All nonsubject sources	5.2	4.7	5.5	6.6	9.5

Source: Official U.S. import statistics using HTS statistical reporting numbers listed in footnote 1 of page IV-1 accessed August 8, 2017.

Figure IV-2 presents monthly U.S. imports from Canada, the average unit value of monthly U.S. imports from Canada, and marks the timing of the expiry of the 2006 SLA. Average unit values of U.S. imports from Canada began declining beginning in the fourth quarter of 2014 (i.e., before the expiration of the 2006 SLA), but reached their lowest points over the period of investigation (on a monthly basis) during the third quarter of 2015 and the first quarter of 2016 (i.e., the period immediately following the expiration of the 2006 SLA). By the second and third quarters of 2016, average unit values of subject imports increased noticeably. Meanwhile, in terms of subject U.S. import quantities, 8 out of 12 of the highest monthly levels over the period of investigation occurred in the October 2015 through September 2016 period following the expiration of the 2006 SLA.

**Figure IV-2**  
**Softwood lumber: Subject U.S. import volumes and prices, January 2014 through June 2017**



*Source:* Official import statistics under HTS 4407.10.0101, 4407.10.0102, 4407.10.0115, 4407.10.0116, 4407.10.0117, 4407.10.0118, 4407.10.0119, 4407.10.0120, 4407.10.0142, 4407.10.0143, 4407.10.0144, 4407.10.0145, 4407.10.0146, 4407.10.0147, 4407.10.0148, 4407.10.0149, 4407.10.0152, 4407.10.0153, 4407.10.0154, 4407.10.0155, 4407.10.0156, 4407.10.0157, 4407.10.0158, 4407.10.0159, 4407.10.0164, 4407.10.0165, 4407.10.0166, 4407.10.0167, 4407.10.0168, 4407.10.0169, 4407.10.0174, 4407.10.0175, 4407.10.0176, 4407.10.0177, 4407.10.0182, 4407.10.0183, 4407.10.0192, 4407.10.0193, 4409.10.0500, 4409.10.1020, 4409.10.1040, 4409.10.1060, 4409.10.1080, 4409.10.2000, 4409.10.9020, 4409.10.9040, and 4418.99.1000; accessed August 8, 2017, as corrected by Census Bureau errata for HTS 4407.10.0115 in July 2016 manually input on September 18, 2017.

## CRITICAL CIRCUMSTANCES

On November 8, 2017, Commerce issued its final antidumping determination that “critical circumstances” exist with regard to imports from Canada of softwood lumber from Resolute, Tolko, West Fraser, and all others, but did not exist for Canfor.<sup>4</sup> In these investigations, if both Commerce and the Commission make affirmative final critical circumstances determinations, certain subject imports may be subject to antidumping duties retroactive by 90 days from June 30, 2017, the effective date of Commerce’s preliminary affirmative LTFV determination. Table IV-6 and figure IV-3 present this data.

**Table IV-6**  
**Softwood lumber: U.S. imports from Canada subject to Commerce's affirmative AD critical circumstance findings, June 2016 through May 2017**

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<sup>4</sup> 82 FR 51806, November 8, 2017, *Certain Softwood Lumber Products From Canada: Final Affirmative Determination of Sales at Less Than Fair Value and Affirmative Final Determination of Critical Circumstances*. When petitioners file timely allegations of critical circumstances, Commerce examines whether there is a reasonable basis to believe or suspect that (1) either there is a history of dumping and material injury by reason of dumped imports in the United States or elsewhere of the subject merchandise, or the person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the subject merchandise at LTFV and that there was likely to be material injury by reason of such sales; and (2) there have been massive imports of the subject merchandise over a relatively short period.

**Figure IV-3**

**Softwood lumber: U.S. imports from Canada subject to Commerce's affirmative AD critical circumstance findings, June 2016 through May 2017**

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**NEGLIGENCE**

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.<sup>5</sup> Negligible imports are generally defined in the Tariff Act of 1930, as amended, as imports from a country of merchandise corresponding to a domestic like product where such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition or the initiation of the investigation. However, if there are imports of such merchandise from a number of countries subject to investigations initiated on the same day that individually account for less than 3 percent of the total volume of the subject merchandise, and if the imports from those countries collectively account for more than 7 percent of the volume of all such merchandise imported into the United States during the applicable 12-month period, then imports from such countries are deemed not to be negligible.<sup>6</sup> Imports from Canada accounted for 94.6 percent of total imports of softwood lumber by quantity during November 2015 through October 2016.

**APPARENT U.S. CONSUMPTION AND U.S. MARKET SHARES**

Table IV-7 and figure IV-4 present data on apparent U.S. consumption and U.S. market shares for softwood lumber. Changes in overall consumption generally track U.S. housing starts. From January 2014 through June 2017, both lumber consumption and housing starts increased, although the pace of increased lumber consumption lagged behind that of increases in housing starts for the period. Data with regard to housing starts, by types of structure and by regions, are presented in Part I (table I-3) and Part II (figures II-1 and II-2). Additional information on demand is in Part II.

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<sup>5</sup> Sections 703(a)(1), 705(b)(1), 733(a)(1), and 735(b)(1) of the Act (19 U.S.C. §§ 1671b(a)(1), 1671d(b)(1), 1673b(a)(1), and 1673d(b)(1)).

<sup>6</sup> Section 771 (24) of the Act (19 U.S.C § 1677(24)).

**Table IV-7**  
**Softwood lumber: Apparent U.S. consumption, 2014-16, January to June 2016, and January to June 2017**

Item	Calendar year			January to June	
	2014	2015	2016	2016	2017
<b>Quantity (1,000 board feet)</b>					
U.S. producers' U.S. shipments.-- Responding U.S. producers	16,891,875	18,084,318	18,933,731	9,575,842	9,786,681
All other firms	12,781,125	12,049,682	12,109,269	6,388,158	6,508,319
All U.S. producers	29,673,000	30,134,000	31,043,000	15,964,000	16,295,000
U.S. imports from Canada.-- Atlantic provinces	***	***	***	***	***
All other provinces	***	***	***	***	***
All provinces	12,143,469	13,257,468	15,029,927	6,988,423	7,288,338
Nonsubject sources	669,154	653,105	901,561	520,367	768,617
All import sources	12,812,623	13,910,573	15,931,488	7,508,790	8,056,955
Total apparent U.S. consumption	42,485,623	44,044,573	46,974,488	23,472,790	24,351,955
<b>Value (1,000 dollars)</b>					
U.S. producers' U.S. shipments.-- Responding U.S. producers	6,675,047	6,333,561	6,990,887	3,475,996	4,036,544
All other firms	5,050,630	4,220,087	4,471,096	2,318,878	2,684,374
All U.S. producers	11,725,677	10,553,648	11,461,983	5,794,874	6,720,918
U.S. imports from Canada.-- Atlantic provinces	***	***	***	***	***
All other provinces	***	***	***	***	***
All provinces	5,102,917	4,736,665	5,775,637	2,753,910	3,026,127
Nonsubject sources	487,522	583,637	684,308	315,773	427,492
All import sources	5,590,439	5,320,302	6,459,945	3,069,683	3,453,619
Total apparent U.S. consumption	17,316,116	15,873,950	17,921,928	8,864,557	10,174,537
<b>Share of quantity (percent)</b>					
U.S. producers' U.S. shipments.-- Responding U.S. producers	39.8	41.1	40.3	40.8	40.2
All other firms	30.1	27.4	25.8	27.2	26.7
All U.S. producers	69.8	68.4	66.1	68.0	66.9
U.S. imports from Canada.-- Atlantic provinces	***	***	***	***	***
All other provinces	***	***	***	***	***
All provinces	28.6	30.1	32.0	29.8	29.9
Nonsubject sources	1.6	1.5	1.9	2.2	3.2
All import sources	30.2	31.6	33.9	32.0	33.1

**Table IV-7--Continued**

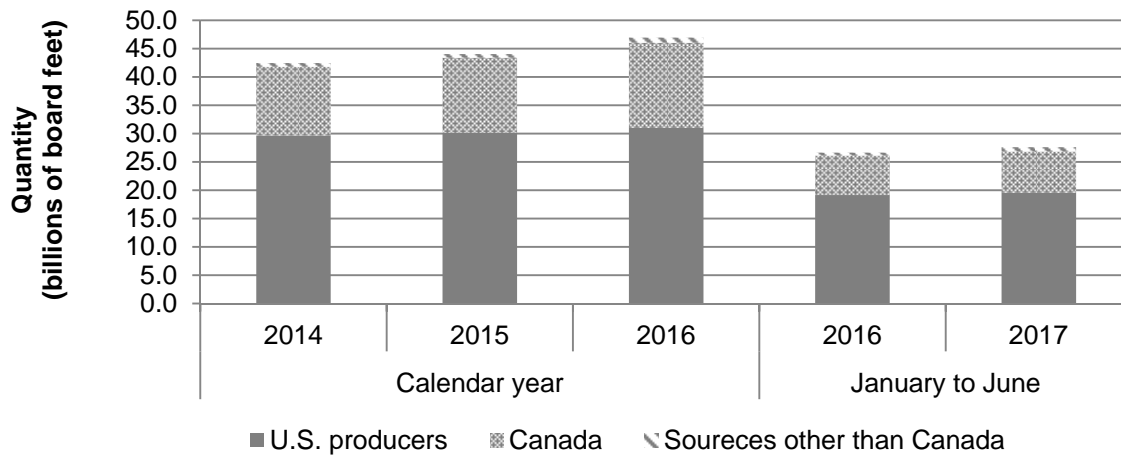
**Softwood lumber: Apparent U.S. consumption, 2014-16, January to June 2016, and January to June 2017**

Item	Calendar year			January to June	
	2014	2015	2016	2016	2017
<b>Share of value (percent)</b>					
U.S. producers' U.S. shipments.-- Responding U.S. producers	38.5	39.9	39.0	39.2	39.7
All other firms	29.2	26.6	24.9	26.2	26.4
All U.S. producers	67.7	66.5	64.0	65.4	66.1
U.S. imports from Canada.-- Atlantic provinces	***	***	***	***	***
All other provinces	***	***	***	***	***
All provinces	29.5	29.8	32.2	31.1	29.7
Nonsubject sources	2.8	3.7	3.8	3.6	4.2
All import sources	32.3	33.5	36.0	34.6	33.9

Source: Compiled from data submitted in response to Commission questionnaires, WWPA, and official U.S. import statistics and proprietary Customs records under HTS 4407.10.0101, 4407.10.0102, 4407.10.0115, 4407.10.0116, 4407.10.0117, 4407.10.0118, 4407.10.0119, 4407.10.0120, 4407.10.0142, 4407.10.0143, 4407.10.0144, 4407.10.0145, 4407.10.0146, 4407.10.0147, 4407.10.0148, 4407.10.0149, 4407.10.0152, 4407.10.0153, 4407.10.0154, 4407.10.0155, 4407.10.0156, 4407.10.0157, 4407.10.0158, 4407.10.0159, 4407.10.0164, 4407.10.0165, 4407.10.0166, 4407.10.0167, 4407.10.0168, 4407.10.0169, 4407.10.0174, 4407.10.0175, 4407.10.0176, 4407.10.0177, 4407.10.0182, 4407.10.0183, 4407.10.0192, 4407.10.0193, 4409.10.0500, 4409.10.1020, 4409.10.1040, 4409.10.1060, 4409.10.1080, 4409.10.2000, 4409.10.9020, 4409.10.9040, and 4418.99.1000 accessed August 8, 2017, as corrected by Census Bureau errata for HTS 4407.10.0115 in July 2016 manually input on September 18, 2017.

**Figure IV-4**

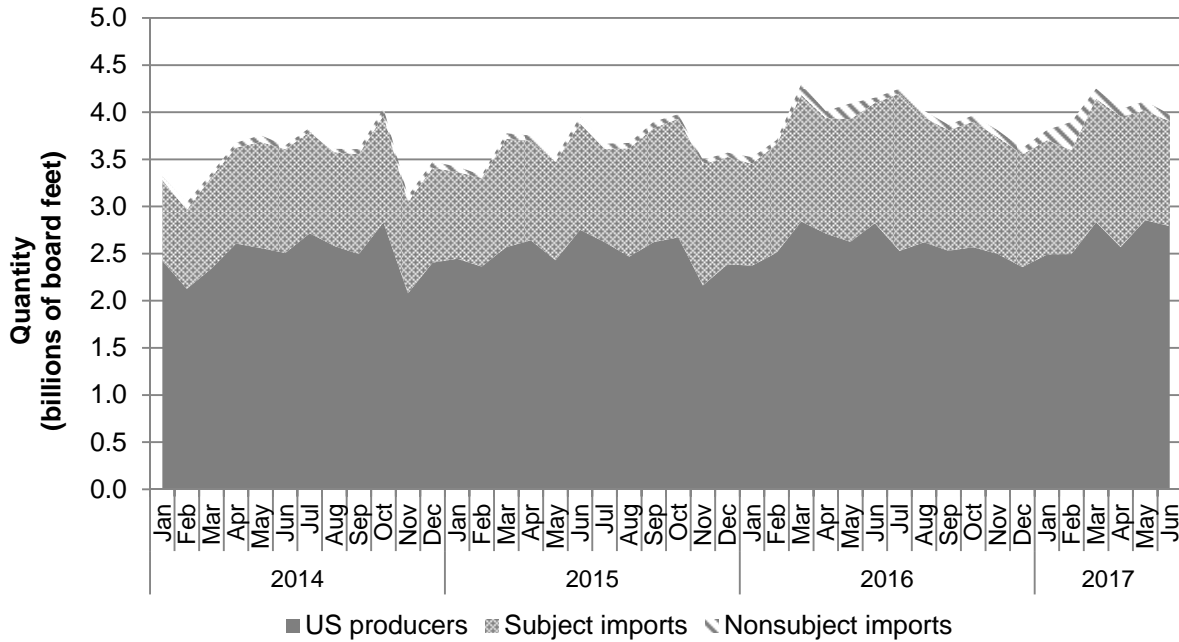
**Softwood lumber: Apparent U.S. consumption, 2014-16, January to June 2016, and January to June 2017**



Source: Compiled from data submitted in response to Commission questionnaires, WWPA, and official U.S. import statistics under HTS 4407.10.0101, 4407.10.0102, 4407.10.0115, 4407.10.0116, 4407.10.0117, 4407.10.0118, 4407.10.0119, 4407.10.0120, 4407.10.0142, 4407.10.0143, 4407.10.0144, 4407.10.0145, 4407.10.0146, 4407.10.0147, 4407.10.0148, 4407.10.0149, 4407.10.0152, 4407.10.0153, 4407.10.0154, 4407.10.0155, 4407.10.0156, 4407.10.0157, 4407.10.0158, 4407.10.0159, 4407.10.0164, 4407.10.0165, 4407.10.0166, 4407.10.0167, 4407.10.0168, 4407.10.0169, 4407.10.0174, 4407.10.0175, 4407.10.0176, 4407.10.0177, 4407.10.0182, 4407.10.0183, 4407.10.0192, 4407.10.0193, 4409.10.0500, 4409.10.1020, 4409.10.1040, 4409.10.1060, 4409.10.1080, 4409.10.2000, 4409.10.9020, 4409.10.9040, and 4418.99.1000 accessed August 8, 2017, as corrected by Census Bureau errata for HTS 4407.10.0115 in July 2016 manually input on September 18, 2017.

Figure IV-5 and Table IV-8 present monthly apparent U.S. consumption during the period of investigation.

**Figure IV-5**  
**Softwood lumber: Monthly apparent U.S. consumption, January 2014 through June 2017**



Source: Source: Compiled from data submitted in response to Commission questionnaires, WWPA, and official U.S. import statistics under HTS 4407.10.0101, 4407.10.0102, 4407.10.0115, 4407.10.0116, 4407.10.0117, 4407.10.0118, 4407.10.0119, 4407.10.0120, 4407.10.0142, 4407.10.0143, 4407.10.0144, 4407.10.0145, 4407.10.0146, 4407.10.0147, 4407.10.0148, 4407.10.0149, 4407.10.0152, 4407.10.0153, 4407.10.0154, 4407.10.0155, 4407.10.0156, 4407.10.0157, 4407.10.0158, 4407.10.0159, 4407.10.0164, 4407.10.0165, 4407.10.0166, 4407.10.0167, 4407.10.0168, 4407.10.0169, 4407.10.0174, 4407.10.0175, 4407.10.0176, 4407.10.0177, 4407.10.0182, 4407.10.0183, 4407.10.0192, 4407.10.0193, 4409.10.0500, 4409.10.1020, 4409.10.1040, 4409.10.1060, 4409.10.1080, 4409.10.2000, 4409.10.9020, 4409.10.9040, and 4418.99.1000, accessed August 8, 2017, as corrected by Census Bureau errata for HTS 4407.10.0115 in July 2016 manually input on September 18, 2017.

Table IV-8

Softwood lumber: U.S. production, exports of domestic merchandise, total imports, imports from Canada, and apparent consumption, January 2014- June 2017

Month	US producers' total shipments (WWPA)	US exports (WWPA)	Derived US producers' US shipments	Monthly US imports from subject sources (Census)	Monthly US imports from nonsubject sources (Census)	Monthly US imports from all sources (Census)	Total apparent US consumption
<b>Quantity (1,000 board feet)</b>							
<b>2014.--</b>							
January	2,575,000	151,000	2,424,000	857,946	37,486	895,433	3,319,433
February	2,285,000	158,000	2,127,000	835,590	82,030	917,620	3,044,620
March	2,504,000	162,000	2,342,000	971,888	41,950	1,013,838	3,355,838
April	2,771,000	165,000	2,606,000	1,016,906	52,390	1,069,296	3,675,296
May	2,710,000	151,000	2,559,000	1,124,689	72,189	1,196,878	3,755,878
June	2,647,000	141,000	2,506,000	1,101,451	39,889	1,141,339	3,647,339
July	2,859,000	144,000	2,715,000	1,074,840	46,541	1,121,380	3,836,380
August	2,723,000	142,000	2,581,000	995,222	34,463	1,029,685	3,610,685
September	2,630,000	136,000	2,494,000	1,059,749	54,212	1,113,960	3,607,960
October	2,984,000	151,000	2,833,000	1,132,364	78,288	1,210,651	4,043,651
November	2,197,000	118,000	2,079,000	967,766	65,036	1,032,802	3,111,802
December	2,521,000	116,000	2,405,000	1,005,059	64,682	1,069,740	3,474,740
<b>2015.--</b>							
January	2,558,000	112,000	2,446,000	918,848	58,551	977,400	3,423,400
February	2,484,000	121,000	2,363,000	938,919	31,807	970,726	3,333,726
March	2,721,000	151,000	2,570,000	1,146,244	59,380	1,205,624	3,775,624
April	2,781,000	140,000	2,641,000	1,056,732	54,844	1,111,576	3,752,576
May	2,571,000	141,000	2,430,000	1,040,474	53,086	1,093,560	3,523,560
June	2,888,000	136,000	2,752,000	1,128,652	70,114	1,198,766	3,950,766
July	2,751,000	129,000	2,622,000	988,088	55,249	1,043,337	3,665,337
August	2,592,000	124,000	2,468,000	1,148,300	57,514	1,205,814	3,673,814
September	2,746,000	124,000	2,622,000	1,209,987	68,817	1,278,803	3,900,803
October	2,805,000	133,000	2,672,000	1,258,405	47,992	1,306,397	3,978,397
November	2,288,000	126,000	2,162,000	1,284,181	48,919	1,333,099	3,495,099
December	2,512,000	126,000	2,386,000	1,138,638	46,833	1,185,471	3,571,471
<b>2016.--</b>							
January	2,495,000	123,000	2,372,000	1,079,374	71,446	1,150,820	3,522,820
February	2,652,000	142,000	2,510,000	1,154,879	40,201	1,195,080	3,705,080
March	2,972,000	131,000	2,841,000	1,344,127	111,361	1,455,488	4,296,488
April	2,842,000	128,000	2,714,000	1,225,920	72,425	1,298,345	4,012,345
May	2,757,000	132,000	2,625,000	1,300,661	167,373	1,468,033	4,093,033
June	2,967,000	144,000	2,823,000	1,274,800	57,561	1,332,361	4,155,361
July	2,659,000	131,000	2,528,000	1,278,588	51,130	1,329,718	3,857,718
August	2,757,000	137,000	2,620,000	1,326,536	68,496	1,395,032	4,015,032
September	2,667,000	136,000	2,531,000	1,277,609	56,797	1,334,406	3,865,406
October	2,709,000	141,000	2,568,000	1,332,501	66,206	1,398,707	3,966,707
November	2,634,000	138,000	2,496,000	1,240,141	72,189	1,312,330	3,808,330
December	2,482,000	125,000	2,357,000	1,194,792	66,377	1,261,169	3,619,169

Table continued on next page.



**Table IV-8--Continued**

**Softwood lumber: U.S. production, exports of domestic merchandise, total imports, imports from Canada, and apparent consumption, January 2014-June 2017**

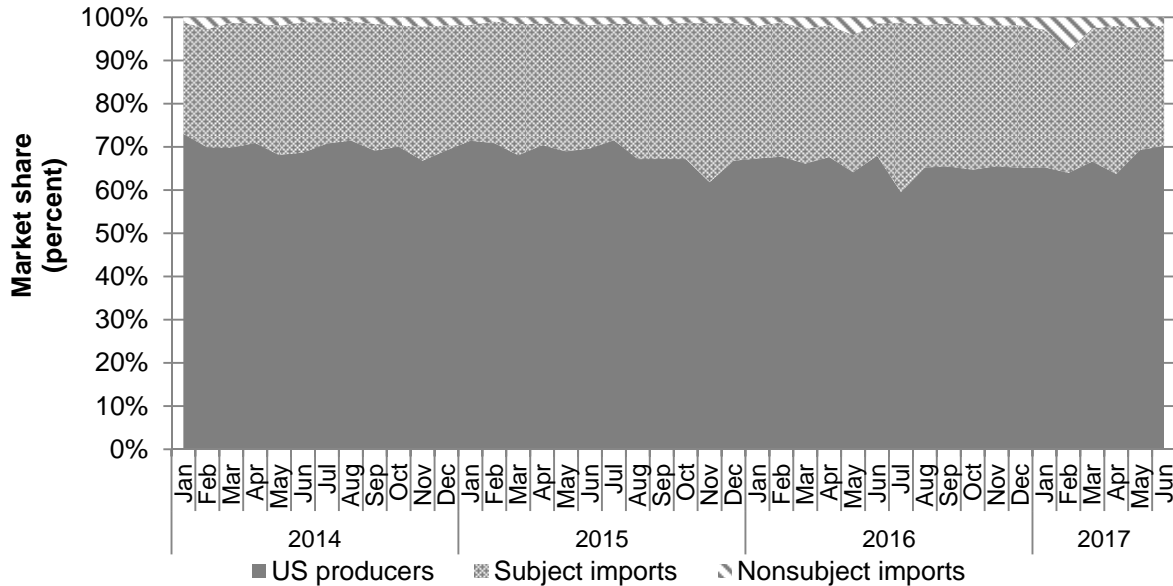
Month	US producers' total shipments (WWPA)	US exports (WWPA)	Derived US producers' US shipments	Monthly US imports from subject sources (Census)	Monthly US imports from nonsubject sources (Census)	Monthly US imports from all sources (Census)	Total apparent US consumption
<b>Quantity (1,000 board feet)</b>							
<b>2017.--</b>							
January	2,616,000	127,000	2,489,000	1,214,600	108,408	1,323,008	3,812,008
February	2,622,000	127,000	2,495,000	1,103,578	300,126	1,403,704	3,898,704
March	3,008,000	146,000	2,862,000	1,312,684	107,226	1,419,911	4,281,911
April	2,789,000	124,000	2,665,000	1,384,332	78,630	1,462,962	4,127,962
May	2,986,000	132,000	2,854,000	1,162,551	100,081	1,262,633	4,116,633
June	2,948,000	156,000	2,792,000	1,110,592	74,145	1,184,737	3,976,737

Note.—The monthly exports reported here are slightly under reported compared to annual reported in part III.

Source: Compiled from data submitted in response to Commission questionnaires, WWPA, and official U.S. import statistics under HTS 4407.10.0101, 4407.10.0102, 4407.10.0115, 4407.10.0116, 4407.10.0117, 4407.10.0118, 4407.10.0119, 4407.10.0120, 4407.10.0142, 4407.10.0143, 4407.10.0144, 4407.10.0145, 4407.10.0146, 4407.10.0147, 4407.10.0148, 4407.10.0149, 4407.10.0152, 4407.10.0153, 4407.10.0154, 4407.10.0155, 4407.10.0156, 4407.10.0157, 4407.10.0158, 4407.10.0159, 4407.10.0164, 4407.10.0165, 4407.10.0166, 4407.10.0167, 4407.10.0168, 4407.10.0169, 4407.10.0174, 4407.10.0175, 4407.10.0176, 4407.10.0177, 4407.10.0182, 4407.10.0183, 4407.10.0192, 4407.10.0193, 4409.10.0500, 4409.10.1020, 4409.10.1040, 4409.10.1060, 4409.10.1080, 4409.10.2000, 4409.10.9020, 4409.10.9040, and 4418.99.1000, accessed August 8, 2017, as corrected by Census Bureau errata for HTS 4407.10.0115 in July 2016 manually input on September 18, 2017.

Figure IV-6 shows monthly market shares.

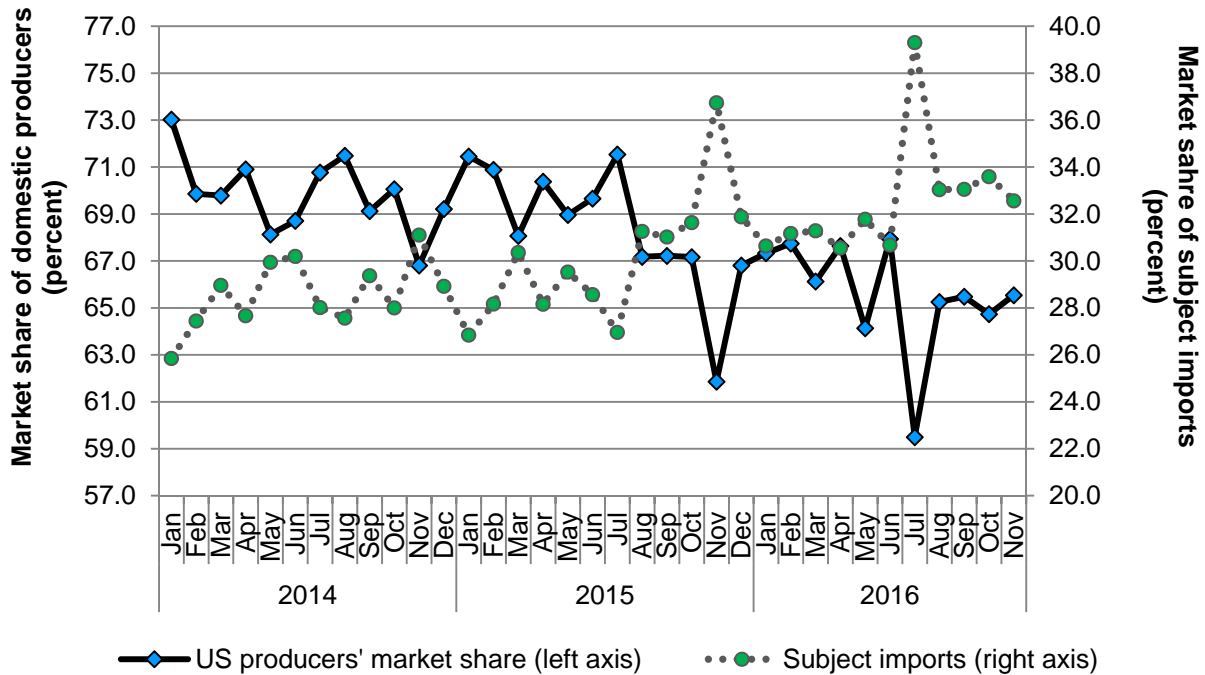
**Figure IV-6**  
**Softwood lumber: Monthly market shares, January 2014 through June 2017**



Source: Compiled from data submitted in response to Commission questionnaires, WWPA, and official U.S. import statistics under HTS 4407.10.0101, 4407.10.0102, 4407.10.0115, 4407.10.0116, 4407.10.0117, 4407.10.0118, 4407.10.0119, 4407.10.0120, 4407.10.0142, 4407.10.0143, 4407.10.0144, 4407.10.0145, 4407.10.0146, 4407.10.0147, 4407.10.0148, 4407.10.0149, 4407.10.0152, 4407.10.0153, 4407.10.0154, 4407.10.0155, 4407.10.0156, 4407.10.0157, 4407.10.0158, 4407.10.0159, 4407.10.0164, 4407.10.0165, 4407.10.0166, 4407.10.0167, 4407.10.0168, 4407.10.0169, 4407.10.0174, 4407.10.0175, 4407.10.0176, 4407.10.0177, 4407.10.0182, 4407.10.0183, 4407.10.0192, 4407.10.0193, 4409.10.0500, 4409.10.1020, 4409.10.1040, 4409.10.1060, 4409.10.1080, 4409.10.2000, 4409.10.9020, 4409.10.9040, and 4418.99.1000, accessed August 8, 2017, as corrected by Census Bureau errata for HTS 4407.10.0115 in July 2016 manually input on September 18, 2017.

Figure IV-7 presents the shift in domestic and subject import market shares. As figure IV-7 demonstrates, over the period examined there is almost a near perfect negative correlation ( $R=-0.98$ ) in the loss of market share by U.S. producers with the gain of market share by subject imports. In other words, what U.S. producers lost in terms of market share, subject U.S. importers gained.

**Figure IV-7**  
**Softwood Lumber: Juxtaposition of domestic and subject import market share trends, January 2014 through June 2017**



Source: Compiled from data submitted in response to Commission questionnaires, WWPA, and official U.S. import statistics under HTS 4407.10.0101, 4407.10.0102, 4407.10.0115, 4407.10.0116, 4407.10.0117, 4407.10.0118, 4407.10.0119, 4407.10.0120, 4407.10.0142, 4407.10.0143, 4407.10.0144, 4407.10.0145, 4407.10.0146, 4407.10.0147, 4407.10.0148, 4407.10.0149, 4407.10.0152, 4407.10.0153, 4407.10.0154, 4407.10.0155, 4407.10.0156, 4407.10.0157, 4407.10.0158, 4407.10.0159, 4407.10.0164, 4407.10.0165, 4407.10.0166, 4407.10.0167, 4407.10.0168, 4407.10.0169, 4407.10.0174, 4407.10.0175, 4407.10.0176, 4407.10.0177, 4407.10.0182, 4407.10.0183, 4407.10.0192, 4407.10.0193, 4409.10.0500, 4409.10.1020, 4409.10.1040, 4409.10.1060, 4409.10.1080, 4409.10.2000, 4409.10.9020, 4409.10.9040, and 4418.99.1000, accessed August 8, 2017, as corrected by Census Bureau errata for HTS 4407.10.0115 in July 2016 manually input on September 18, 2017.



## PART V: PRICING DATA

### FACTORS AFFECTING PRICES

#### Raw material costs

The direct raw material input to softwood lumber is saw logs (felled tree trunks). Overall, the cost of the predominant species of saw logs in the United States – SYP, Douglas fir, and Hemlock – all decreased between January 2014 and June 2017 (figure V-1). The cost of SYP decreased by 10.7 percent, Douglas fir by 6.7 percent, and Hemlock by 8.5 percent.

#### Figure V-1

**Saw log costs: U.S. delivered costs of saw logs purchased by U.S. lumber mills, by species and by quarter, January 2014-June 2017**

\* \* \* \* \*

Note.--The Scribner scale estimates the board foot yield of a log within a cylinder of dimensions that are the log's length multiplied by the bark diameter circle within the log's small end. Using this metric generally underestimates the amount of lumber each log produces, which often results in higher unit values for saw logs than for sales of the downstream lumber product(s). See Spelter (June 2004), *Converting among Log Scaling Methods*, [https://www.fpl.fs.fed.us/documnts/pdf2004/fpl\\_2004\\_spelter001.pdf](https://www.fpl.fs.fed.us/documnts/pdf2004/fpl_2004_spelter001.pdf), retrieved August 21, 2017.

Raw material costs are a large part of the overall cost of softwood lumber. Between 2014 and 2016, responding U.S. producers' raw material costs as a share of the cost of goods sold (COGS) decreased from 64.0 percent to 61.5 percent. U.S. producers' raw material costs as a share of COGS during the first half of 2017 was 62.0 percent.

A plurality of responding firms reported that raw material costs have increased since January 2014. Among U.S. producers, 22 (of 49) reported that raw material prices increased, 17 reported that they fluctuated, 6 reported that they have not changed, and 5 reported that they decreased. Among importers, 34 (of 58) reported that raw material prices increased, 18 reported that they fluctuated, and 7 reported that they have not changed. No importers reported a decrease in raw material costs.

The majority of U.S. producers, importers, and purchasers reported that the price of softwood lumber is driven more by market supply and demand than by the cost of its inputs. Many cited increased competition for logs (a limited raw material) as the driver of the increase

in the cost of logs.<sup>1</sup> Some importers stated that Quebec recently implemented a new forest regime increasing its stumpage fees. Many firms, both U.S. producers and importers, also reported an inability to pass on increased costs to consumers.

### **Transportation costs to the U.S. market**

Transportation costs for softwood lumber shipped from Canada to the United States averaged 2.2 percent during 2016. These estimates were derived from official import data and represent the transportation and other charges on imports.<sup>2</sup>

### **U.S. inland transportation costs**

Most responding U.S. producers (36 of 49) and importers (55 of 57) reported that they typically arrange transportation to their customers. Most U.S. producers reported U.S. inland transportation costs ranging from 3 to 17 percent, and most importers reported costs ranging from 2 to 25 percent.<sup>3 4</sup>

### **Exchange rate**

The Canadian dollar depreciated by 21.5 percent against the U.S. dollar between January 2014 and June 2017. The nominal exchange rate of the Canadian dollar to the U.S. dollar is presented in figure V-2.

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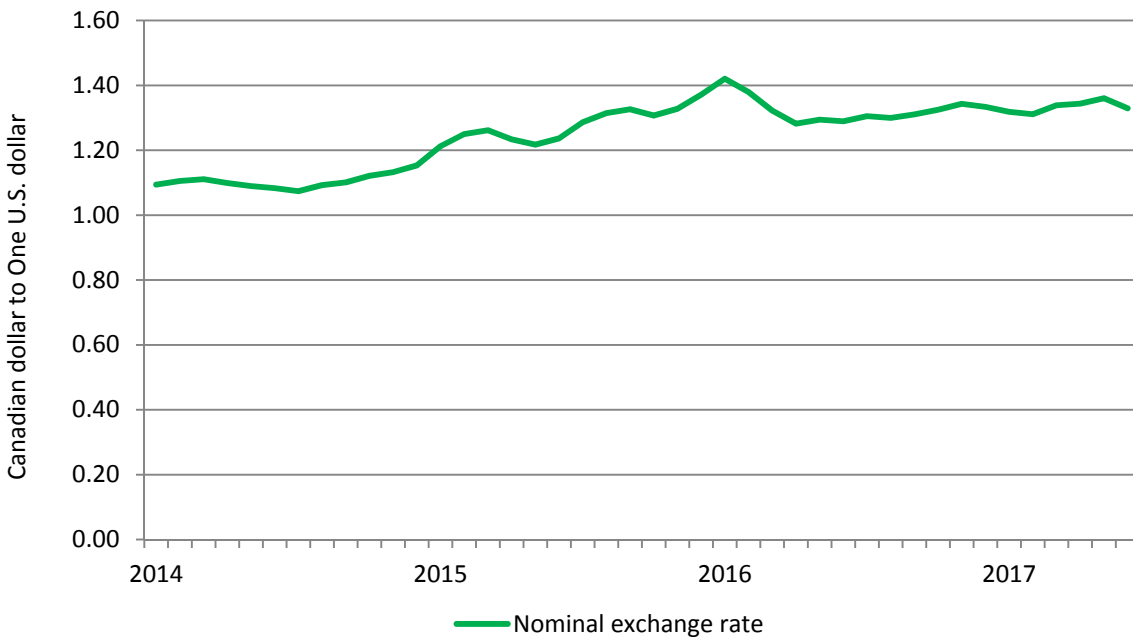
<sup>1</sup> A few firms stated that there has been increased demand and competition for saw logs from purchasers in Asian countries.

<sup>2</sup> The estimated transportation costs were obtained by subtracting the customs value from the c.i.f. value of the imports for 2016 and then dividing by the customs value based on the HTS subheading 4407.10.0101, 4407.10.0102, 4407.10.0115, 4407.10.0116, 4407.10.0117, 4407.10.0118, 4407.10.0119, 4407.10.0120, 4407.10.0142, 4407.10.0143, 4407.10.0144, 4407.10.0145, 4407.10.0146, 4407.10.0147, 4407.10.0148, 4407.10.0149, 4407.10.0152, 4407.10.0153, 4407.10.0154, 4407.10.0155, 4407.10.0156, 4407.10.0157, 4407.10.0158, 4407.10.0159, 4407.10.0164, 4407.10.0165, 4407.10.0166, 4407.10.0167, 4407.10.0168, 4407.10.0169, 4407.10.0174, 4407.10.0175, 4407.10.0176, 4407.10.0177, 4407.10.0182, 4407.10.0183, 4407.10.0192, 4407.10.0193, 4409.10.0500, 4409.10.1020, 4409.10.1040, 4409.10.1060, 4409.10.1080, 4409.10.2000, 4409.10.9020, 4409.10.9040, and 4418.99.1000.

<sup>3</sup> Several importers reported that U.S. inland transportation costs ranged between 38 and 86 percent.

<sup>4</sup> Among U.S. producers and importers of cedar/redwood, most responding producers (6 of 9) and all nine responding importers reported that they typically arrange transportation to their customers; U.S. producers estimated that their inland transportation costs for cedar/redwood ranged from 5 to 10 percent, while importers estimated costs of 3 to 10 percent.

**Figure V-2**  
**Exchange rate: Canadian/U.S. foreign exchange rate, Canadian dollars to one U.S. dollar, monthly, not seasonally adjusted, January 2014-June 2017**



Note.--An increase in the exchange rate of the Canadian dollar to the U.S. dollar (depreciation) indicates that it takes more Canadian dollars to exchange for one U.S. dollar; a decrease in the exchange rate (appreciation) indicates that it takes less Canadian dollars to exchange for one U.S. dollar.

Source: Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/EXCAUS>, retrieved November 11, 2017.

## PRICING PRACTICES

### Pricing methods

U.S. producers and importers reported using transaction-by-transaction negotiations, contracts, price lists, and other methods. As presented in table V-1, U.S. producers and importers sell primarily through transaction-by-transaction negotiations, with a higher portion of U.S. producers using contracts (slightly less than two-thirds) than importers (roughly one-third). Six U.S. producers also reported also using third party market reports, with four of them specifying the use of *Random Lengths* to set prices.<sup>5</sup> Three importers also reported using *Random Lengths* to set prices.

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<sup>5</sup> *Random Lengths* is an independent organization that publishes information for and about the wood products industry, including softwood lumber. For more information on *Random Lengths*, see “Price Data from Random Lengths” in this section of the report.

**Table V-1**  
**Softwood lumber: U.S. producers' and importers' reported price setting methods, by number of responding firms<sup>1</sup>**

Method	U.S. producers	Importers
Transaction-by-transaction	49	55
Contract	31	19
Set price list	10	17
Other	2	6
Responding firms	49	58

<sup>1</sup> The sum of responses down does not add up to the total number of responding firms, as each firm was instructed to check all applicable price setting methods employed.

Source: Compiled from data submitted in response to Commission questionnaires.

As shown in table V-2, U.S. producers and importers reported selling the majority of their softwood lumber in the spot market.

**Table V-2**  
**softwood lumber: U.S. producers' and importers' shares of U.S. commercial shipments by type of sale, 2016**

Type of sale	U.S. producers	Importers
Long-term contracts	***	***
Annual contracts	***	***
Short-term contracts	***	***
Spot sales	***	***
Total	100.0	100.0

Note.--Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

Responding U.S. producers reported that their long-term contracts range between 2 and 3 years, and the majority of responding producers reported that their short-term contracts range between 2 and 6 months.<sup>6</sup> Most responding U.S. producers reported that their long-term, annual, and short-term contracts do not allow for price renegotiation and do not contain meet-or-release provisions, and most reported that their contracts fix quantity or fix both quantity and price.

Responding importers reported that their long-term contracts last for 3 years and their short-term contracts range between 1 and 6 months. While most importers sell via spot sales, some responding importers reported that their long-term, annual, and short-term contracts allow price renegotiation, fix quantity or fix both quantity and price, and contain meet-or-release provisions.

A majority of purchasers (33 of 39) reported that they purchase product daily; 3 reported purchasing weekly, 2 reported purchasing hourly, and one reported that its purchases vary based on demand and price. Most (34 of 40) purchasers reported that their purchasing

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<sup>6</sup> One firm reported an average short-term contract duration of 21 days, and one reported an average duration of 270 days.



frequency had not changed since 2014; four reported increasing the frequency of their purchases, with most also increasing their purchase volumes, while one reported that it purchases “every day but buys less.” Most (31 of 38) purchasers contact 10 suppliers or fewer before making a purchase; 4 contact up to 20 suppliers; 2 contact up to 30 suppliers; and one contacts up to 40 suppliers.

Most purchasers (33 of 40) reported that their purchases involve negotiations with their suppliers. Almost all of these negotiations include discussions of price, and a large portion also involve discussions about availability, shipment timing, volume, quality, and species. Most (24) responding purchasers reported that they issue requests for proposals or other written contract solicitations; 14 reported that they do not. Most reported that these requests specify the species of softwood lumber; 9 firms reported that they “sometimes” do, 8 reported that they “always” do, and 7 reported that they “usually” do. Only two firms reported that these requests “rarely or never” specify the species.

### **Sales terms and discounts**

U.S. producers quote prices on both an f.o.b. and delivered basis, while the large majority of importers typically quote prices only on a delivered basis. Most responding producers (28 of 49) and importers (34 of 58) do not offer discounts. Producers reported sales terms of 1 percent 10 days, net 30 days or less (with roughly half reporting net 11 days). Importers reported sales terms of 0.5 percent to 1 percent 10 days, net 30 days or less (with about half reporting net 11 days).

### **Price leadership**

Twenty-four purchasers reported price leaders in the softwood lumber market. West Fraser was the most commonly referred to price leader (named by ten firms), with several purchasers stating that West Fraser is the largest producer of SPF and the industry watches how it prices its lumber. Sierra Pacific was also named as a price leader by seven firms, Canfor and Western Forest Products were named by four firms each, and Interfor and Weyerhaeuser were named by three firms each. Other listed firms were Hampton Lumber, Idaho Forest Group, Resolute Forest Products, Tolko, and Home Depot (named by two firms each), as well as 84 Lumber, Boise Cascade, BuildersFirst, Do It Best, Georgia Pacific, Forest City Trading Group, Potlach, Terminal Forest Products, Lowe’s, and Redwood Empire (one firm each).

### **PRICE DATA FROM COMMISSION QUESTIONNAIRES**

The Commission requested U.S. producers and importers to provide monthly data for the total quantity and delivered value of the following softwood lumber products shipped to unrelated U.S. customers during January 2014-June 2017. Data were requested only for prices

on the first Tuesday of each month, inclusive of transportation costs, on the basis of the day of the sale (order).<sup>7</sup>

**Product 1. -- Douglas Fir (“DF”), 2x4, Grade No. 2, random lengths, kiln-dried.**

**Product 2. -- DF, precision end trimmed (“PET”) stud, 2x4, Grade No. 2, 9-foot length, kiln-dried.**

**Product 3. -- Spruce Pine Fir, (“SPF”), PET stud, 2x4, Grade No. 2, 8-foot length.**

**Product 4. -- SPF, 2x4, Grade No. 3 (utility), random lengths.**

**Product 5. -- Western Red Cedar, Industrial Clear (NLGA Grade 203c), 4”x4”xRL, Green, Rough.**

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<sup>7</sup> In the preliminary phase of these current investigations and in the 2002 investigation, prices for species-based U.S. and Canadian product(s) were collected for different geographic market areas (for Atlanta, GA; Chicago, IL; Denver, CO; and Phoenix, AZ in the preliminary phase of the current investigations; and for Boston, MA; Chicago, IL; Cleveland, OH; Dallas, TX; Los Angeles, CA; and Raleigh-Durham, NC in the 2002 investigations). In both cases, there were relatively few instances of direct price comparisons between U.S. and Canadian product(s); out of the 720 possible comparisons from the preliminary phase, price comparisons were only available for 12 instances. See *Inv. Nos. 701-TA-566 and 731-TA-1342 (Preliminary): Softwood Lumber from Canada—Staff Report*, INV-OO-127, December 30, 2016, pp. V-15–V-64; and *Inv. Nos. 701-TA-414 and 731-TA-928 (Final): Softwood Lumber from Canada—Staff Report*, INV-Z-049, April 19, 2002, pp. V-14–V-18. For the final phase of the current investigations, staff solicited comments from parties on how it could improve price data collection methodologies in order to increase instances of direct price comparisons. Joint Respondents suggested continuing with past methodologies; and Petitioners suggested collecting prices for each day of the first week of each month for the geographic locations used in the preliminary phase, which would likely have increased the number of comparative instances, but increased firms’ data reporting burden twenty-fold. Staff employed the methodology presented herein as a balance between increasing comparative instances and limiting burden. Staff also notes that other price series used in the industry, such as those published by *Random Lengths*, do not report prices by geographic market areas.

Petitioners and Joint Respondents both maintain that region-specific prices are important due to the large transportation costs that can occur in the softwood lumber market, and argue that the utility of any price comparisons that are not segregated by geographic region is limited. Petitioners argue that differences in transportation costs to different regions mask the underselling that was occurring throughout the period, and the Commission should therefore rely on the region-specific comparisons presented in the preliminary phase of these investigations, as well as any confirmed Lost Sales and/or Lost Revenue. See Hearing transcript, pp. 50 (Swanson), 67-70, 134-135 (Yocis); Petitioners prehearing brief, pp. 2, 57-77, and posthearing brief, pp. 7-10, app. A, pp. A-29-51, app. B, pp. B-5-27, app. C, pp. C-22-47, and app. D, pp. D-37-59. Joint Respondents argue that while it does not agree with the price collection methodology used in this final phase investigation, the record evidence shows no indication that subject imports had any adverse impact on domestic prices. Hearing transcript, pp. 156-157 (Dougan); Joint Respondents prehearing brief, pp. 78-95, app. A, and exhs. 78-88.

Fifteen U.S. producers and 37 importers provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all months.<sup>8 9</sup> Pricing data reported by these firms accounted for approximately 0.1 percent of U.S. producers' shipments of softwood lumber and 0.5 percent of U.S. shipments of subject imports from Canada in 2016.

Price data for products 1-5 are presented in tables V-3 to V-7 and figures V-3 to V-7.

**Table V-3**

**Softwood lumber: Weighted-average delivered prices and quantities of domestic and imported product 1 and margins of underselling/(overselling), by quarter, January 2014-June 2017**

\* \* \* \* \*

**Table V-4**

**Softwood lumber: Weighted-average delivered prices and quantities of domestic and imported product 2 and margins of underselling/(overselling), by quarter, January 2014-June 2017**

\* \* \* \* \*

**Table V-5**

**Softwood lumber: Weighted-average delivered prices and quantities of domestic and imported product 3 and margins of underselling/(overselling), by quarter, January 2014-June 2017**

\* \* \* \* \*

**Table V-6**

**Softwood lumber: Weighted-average delivered prices and quantities of domestic and imported product 4 and margins of underselling/(overselling), by quarter, January 2014-June 2017**

\* \* \* \* \*

**Table V-7**

**Softwood lumber: Weighted-average delivered prices and quantities of domestic and imported product 5 and margins of underselling/(overselling), by quarter, January 2014-June 2017**

\* \* \* \* \*

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<sup>8</sup> Per-unit pricing data are calculated from total quantity and total value data provided by U.S. producers and importers. The precision and variation of these figures may be affected by rounding, limited quantities, and producer or importer estimates.

<sup>9</sup> \*\*\*. Staff has not included these data in this analysis.

**Figure V-3**  
**Softwood lumber: Weighted-average delivered prices and quantities of domestic and imported product 1, by quarter, January 2014-June 2017**

\* \* \* \* \*

**Figure V-4**  
**Softwood lumber: Weighted-average delivered prices and quantities of domestic and imported product 2, by quarter, January 2014-June 2017**

\* \* \* \* \*

**Figure V-5**  
**Softwood lumber: Weighted-average delivered prices and quantities of domestic and imported product 3, by quarter, January 2014-June 2017**

\* \* \* \* \*

**Figure V-6**  
**Softwood lumber: Weighted-average delivered prices and quantities of domestic and imported product 4, by quarter, January 2014-June 2017**

\* \* \* \* \*

**Figure V-7**  
**Softwood lumber: Weighted-average delivered prices and quantities of domestic and imported product 5, by quarter, January 2014-June 2017**

\* \* \* \* \*

### Price trends

In general, domestic prices increased from January 2014 to June 2017, while import price trends were more mixed. Table V-8 summarizes the price trends, by product and by country. As shown in the table, domestic price increases ranged from 4.7 percent (for product \*\*\*) to 24.1 percent (for product \*\*\*). Import prices generally decreased for \*\*\*, and increased for \*\*\*.

**Table V-8**  
**Softwood lumber: Summary of weighted-average delivered prices for products 1-5 from the United States and Canada**

Item	Number of months	Low price (per mbf)	High price (per mbf)	Change in price <sup>1</sup> (percent)
<b>Product 1</b>				
United States	41	***	***	***
Canada	38	***	***	--- <sup>2</sup>
<b>Product 2</b>				
United States	42	***	***	***
Canada	15	***	***	--- <sup>3</sup>
<b>Product 3</b>				
United States	42	***	***	***
Canada	42	***	***	***
<b>Product 4</b>				
United States	37	***	***	***
Canada	42	***	***	***
<b>Product 5</b>				
United States	---	---	---	---
Canada	42	***	***	***

<sup>1</sup> Percentage change from the first month in which data were available to the last month in which price data were available.

<sup>2</sup> Prices for product 1 from Canada \*\*\* by \*\*\* percent between March 2014 and June 2017.

<sup>3</sup> Prices for product 2 from Canada \*\*\* by \*\*\* percent between March 2014 and June 2017.

Source: Compiled from data submitted in response to Commission questionnaires.

The majority of responding purchasers reported that softwood lumber prices have increased since January 2014; 30 (of 39) reported that they increased, 7 reported that they fluctuated, and 2 reported that they had not changed. No firms reported that prices decreased. In describing these price trends, most firms noted an increase in demand for softwood lumber or stated that demand exceeded supply. Some firms also cited the preliminary AD/CVD duties as having increased prices.

### Price comparisons

As shown in table V-9, prices for softwood lumber imported from Canada were below those for U.S.-produced product in 31 of 132 monthly instances (approximately 27.9 million board feet); margins of underselling ranged from 0.1 to 20.1 percent. In the remaining 101 instances (approximately 137.4 million board feet), prices for softwood lumber from Canada were between 0.5 and 105.4 percent above prices for domestic product.<sup>10</sup>

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<sup>10</sup> As noted above, in the preliminary phase of these investigations, prices for species-based U.S. and Canadian product(s) were collected for different geographic market areas (for Atlanta, GA; Chicago, IL; (continued...))

**Table V-9**

**Softwood lumber: Instances of underselling/overselling and the range and average of margins, by product, January 2014-June 2017**

Product	Underselling				
	Number of months	Quantity <sup>1</sup> (mbf)	Average margin (percent)	Margin range (percent)	
				Min	Max
Product 1	10	***	***	***	***
Product 2	7	***	***	***	***
Product 3	13	***	***	***	***
Product 4	1	***	***	***	***
Product 5	0	0	---	---	---
Total, underselling	31	27,910	5.3	0.1	20.1
Product	(Overselling)				
	Number of months	Quantity <sup>1</sup> (mbf)	Average margin (percent)	Margin range (percent)	
				Min	Max
Product 1	28	***	***	***	***
Product 2	8	***	***	***	***
Product 3	29	***	***	***	***
Product 4	36	***	***	***	***
Product 5	0	0	---	---	---
Total, overselling	101	137,365	(18.6)	(0.5)	(105.4)

<sup>1</sup> These data include only months in which there is a comparison between the U.S. and subject product.

Source: Compiled from data submitted in response to Commission questionnaires.

### PRICE DATA FROM RANDOM LENGTHS

Although softwood lumber prices are presented in several industry publications, the most commonly referred to is *Random Lengths*. U.S. producers and importers referred most frequently in their questionnaire responses to this publication as a guide to negotiating prices with their customers.<sup>11</sup> *Random Lengths* collects weekly price data from suppliers and purchasers and calculates weighted-average prices based on such factors as the size of the transaction and the quality of the lumber. The data are presented as delivered prices, and are

(...continued)

Denver, CO; and Phoenix, AZ). Out of the 720 possible comparisons, softwood lumber prices from Canada were below those of domestic producers in 7 of 12 instances (1,153 mbf); margins of underselling ranged from 1.3 to 9.0 percent. In the remaining 5 instances (850 mbf), prices from Canada were between 3.7 and 24.2 percent above prices for the domestic product. See *Inv. Nos. 701-TA-566 and 731-TA-1342 (Preliminary): Softwood Lumber from Canada—Staff Report*, INV-OO-127, December 30, 2016, pp. V-15–V-64.

<sup>11</sup> U.S. producer Claude Howard Lumber referred to *Random Lengths* as “the gospel” for lumber pricing. Hearing transcript, p. 143 (Howard).

“based on the prevailing rates for the most commonly used carriers, routings, and types of loadings for each product and destination.”<sup>12</sup> *Random Lengths* publishes these data in its weekly and annual publications.

Although data from *Random Lengths* do not distinguish prices based on country of production, several products are predominantly produced by either U.S. or Canadian firms; SPF is mainly produced in Canada, for example, whereas Douglas fir is produced mainly in the United States and SYP is produced exclusively in the United States. Some of the products selected are similar to those for which pricing data were requested from U.S. producers and importers.

The price trends for these products are presented on a monthly basis from January 2014 to June 2017 in tables V-10 and V-11 and in figures V-8 through V-10. Table V-10 and figure V-8 present the price series representing primarily U.S. production, and table V-11 and figure V-9 present the price series representing primarily Canadian production.<sup>13</sup> All of the tables and figures also contain a framing lumber composite price, based on the prices of six species, including both predominantly U.S. and predominantly Canadian species. Figure V-10 combines price series for the predominant U.S. species (SYP, Douglas fir, and Hemlock-fir) and the predominant Canadian species (Western and Eastern SPF, and Western Red Cedar).

The specific products for which price trends are reported in table V-10 and figure V-8 are as follows: (1) Southern yellow pine—Eastside (SYP), kiln-dried, 2x4, #2, random lengths, net f.o.b. mill;<sup>14</sup> (2) Douglas fir, kiln-dried, 2x4, standard and better, random lengths, net f.o.b. mill; and (3) Hemlock-Fir, kiln-dried, 2x4, #2/#2 and better, P.E.T., stud grade, 8-foot length. The specific products for which price trends are reported in table V-11 and figure V-9 are as follows: (1) Spruce pine fir (SPF)—Western (WSPF),<sup>15</sup> kiln-dried, 2x4, P.E.T., stud grade, 8-foot length, base prices;<sup>16</sup> (2) SPF—Eastern (ESPF),<sup>17</sup> kiln-dried, 2x4, P.E.T., stud grade, 8-foot length, net

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<sup>12</sup> Random Lengths website, *How to Read*, p. 14, available at [www.randomlengths.com/how-to-read/](http://www.randomlengths.com/how-to-read/). Petitioners and Respondent Canfor argue that the weekly delivered prices quoted by *Random Lengths* therefore vary significantly by delivery location. See Petitioners prehearing brief, p. 61-63 and Exhibit 29; Canfor posthearing brief, Exhibit 1 (Declaration of Mark Feldinger), pp. 6-7.

<sup>13</sup> The monthly prices were reported in the *Random Lengths 2016 Yearbook* and 2017 issues of the *Yardstick* newsletter. The tables and charts contain framing lumber composite data for additional comparisons.

<sup>14</sup> SYP (Eastside) is untreated and refers to sales from U.S. lumber mills in Florida, Georgia, and South Carolina, a high-volume U.S. production region for this lumber species. *Softwood Lumber from Canada, Inv. Nos. 701-TA-414 and 731-TA-928*, USITC Publication 3509, May 2002, p. V-6.

<sup>15</sup> Western SPF refers to SPF lumber produced mostly by Canadian mills located in British Columbia and Alberta. *Softwood Lumber from Canada, Inv. Nos. 701-TA-414 and 731-TA-928*, USITC Publication 3509, May 2002, p. V-6.

<sup>16</sup> Base price is somewhat analogous to an f.o.b. mill price, but is not net of any mill returns. It is derived by deducting an estimate for freight from the quoted delivered price based on an estimated weight, not necessarily actual weight. *Softwood Lumber from Canada, Inv. Nos. 701-TA-414 and 731-TA-928*, USITC Publication 3509, May 2002, p. V-6.

delivered Boston; and (3) Western Red Cedar, green, 2x8, #2 and better, rough, random lengths.

According to *Random Lengths* data, prices in the United States increased for all species between January 2014 and June 2017, while the framing lumber composite price index fluctuated overall, but was the same in June 2017 as in January 2014. Prices for SYP increased by 5.3 percent; prices for Douglas fir increased by 8.7 percent; prices for Hem-fir increased by 18.5 percent; prices for Western SPF increased by 20.1 percent; prices for Eastern SPF increased by 21.6 percent; and prices for Western Red Cedar increased by 36.2 percent between January 2014 and June 2017.

**Table V-10**  
**Softwood lumber: Framing lumber composite price index, and selling prices and price indexes of specific products produced primarily in the United States, by month, January 2014-June 2017**

\* \* \* \* \*

**Table V-11**  
**Softwood lumber: Framing lumber composite price index, and selling prices and price indexes of specific products produced primarily in Canada, by month, January 2014-June 2017**

\* \* \* \* \*

**Figure V-8**  
**Softwood lumber: Framing lumber composite prices and selling prices of specific products produced primarily in the United States, by month, January 2014-June 2017**

\* \* \* \* \*

**Figure V-9**  
**Softwood lumber: Framing lumber composite prices and selling prices of specific products produced primarily in Canada, by month, January 2014-June 2017**

\* \* \* \* \*

**Figure V-10**  
**Softwood lumber: Selling prices for the predominant U.S. and Canadian species, by month, January 2014-June 2017**

\* \* \* \* \*

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(...continued)

<sup>17</sup> Eastern SPF refers to SPF lumber produced by Canadian mills located in the provinces east of Quebec. *Softwood Lumber from Canada, Inv. Nos. 701-TA-414 and 731-TA-928*, USITC Publication 3509, May 2002, p. V-6.



## LOST SALES AND LOST REVENUE

In the preliminary phase of these investigations, the Commission requested that U.S. producers of softwood lumber report purchasers where they experienced instances of lost sales or revenue due to competition from imports of softwood lumber from Canada during January 2014-June 2017. Nine U.S. producers submitted lost sales and lost revenue allegations. These responding U.S. producers identified 68 firms where they lost sales or revenue (consisting of 65 lost sales allegations, 17 lost revenue allegations, and 16 of both types of allegations). Aside from one firm (\*\*\*) that reported lost sales from the third quarter of 2013 to 2016, all of the remaining allegations were for 2015 and later.

Regarding method of sale, the vast majority of allegations were for individual sales. \*\*\*. The majority of the products in the allegations involved softwood lumber made from fir (including White, Larch, Hemlock and various types of Douglas fir), as well as SPF and some SYP.

In the final phase of these investigations, 36 of 49 responding U.S. producers reported that they had to reduce prices and 2 reported that they had to roll back announced price increases. Thirty-seven U.S. producers reported that they had lost sales; 12 reported that they had not.<sup>18</sup>

Staff contacted approximately 120 purchasers and received responses from 41 purchasers.<sup>19</sup> Responding purchasers reported purchasing and/or importing 26.6 billion board feet of softwood lumber during 2016 (table V-12).<sup>20</sup>

Of the 40 responding purchasers, 30 reported that they had purchased imported softwood lumber from Canada instead of U.S.-produced product since 2014, and 14 of these purchasers reported that subject import prices were lower than U.S.-produced product. Twelve purchasers also reported that price was a primary reason for the decision to purchase imported product from Canada rather than U.S.-produced product. Ten purchasers estimated the quantity of softwood lumber from Canada purchased or imported instead of domestic product since January 2014; quantities ranged from \*\*\* board feet (table V-13). Purchasers identified a number of non-price reasons for purchasing imported rather than U.S.-produced product, including availability, preferences, species available (customer preference for SPF and availability of MSR), quality, shipping time/costs, and addition of new suppliers.

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<sup>18</sup> U.S. producers and importers were also asked in the final phase of these investigations whether they had lost sales and/or revenues in the cedar/redwood market since January 1, 2014. Among the responding U.S. producers, 3 reported that they had lost sales and 7 reported that they had not. Three U.S. producers also reported that they had to reduce prices to avoid losing sales to competitors selling cedar/redwood from Canada, while 5 reported that they did not. No U.S. producer reported rolling back announced price increases, and 4 reported that they had not. Among responding importers, no firm reported losing any sales to imports of other cedar/redwood from Canada, no firm reported reducing prices in order to compete with these products, and no firm reported rolling back announced price increases.

<sup>19</sup> Four purchasers (\*\*\*) submitted lost sales lost revenue survey responses in the preliminary phase of these investigations, but did not submit purchaser questionnaire responses in the final phase.

<sup>20</sup> Eleven firms (\*\*\*) reported importing in addition to purchasing softwood lumber during 2016.

Four of 40 responding purchasers reported that U.S. producers had reduced prices in order to compete with lower-priced imports from Canada; 21 reported that U.S. producers had not reduced prices in order to compete with lower-priced Canadian product, and 15 reported that they did not know (table V-14). The reported estimated average price reductions ranged from 2.5 to 10 percent. In describing these price reductions, purchasers indicated that some U.S. mills are more willing to compete with Canadian product than others, and that when U.S. prices are lower, the Canadian mills will reduce prices between 1 and 5 percent to compete with U.S. mills. Purchasers also reported that prices are reduced by some suppliers on a weekly basis, and price negotiations are influenced by the end of the month, end of the quarter and/or end of the year price.









## **PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS**

### **BACKGROUND**

Forty-nine U.S. producers provided usable financial data, the same number that provided information in the trade section of the Commission's questionnaire.<sup>1</sup> Firms were requested to provide data on a calendar year basis and the trade and financial sections of the Commission's questionnaire reconciled to within rounding errors. In 2016, 19 firms reported internal consumption of softwood lumber for the production of other products and five firms reported transfers to related parties. As noted later, this industry is concentrated, with the leading eight reporting firms accounting for approximately 68.2 percent of the reported sales by quantity and 66.8 percent by value.

### **OPERATIONS ON SOFTWOOD LUMBER**

Table VI-1 presents aggregated data on U.S. producers' operations in relation to softwood lumber over the full year periods of 2014 through 2016, and during the partial year periods of January-June 2016 ("interim 2016"), and January-June 2017 ("interim 2017"). Table VI-2 presents changes in average unit values between years and interim periods.

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<sup>1</sup> See discussion of coverage in Part I of this report. Financial data for the reporting firms are shown on an aggregated basis in this part of the report and presented for the top eight firms and all others in appendix D. The questionnaire response of \*\*\* was verified and data changes are incorporated in the report. See Verification Report Memorandum to File-\*\*\* SWL, October 13, 2017 (EDIS document 625700) and V Report Memorandum to File-\*\*\* SWL revision, October 30, 2017 (EDIS document 627164).

**Table VI-1**  
**Softwood lumber: Results of operations of U.S. producers, 2014-16, January-June 2016, and**  
**January-June 2017**

Item	Calendar year			January-June	
	2014	2015	2016	2016	2017
	<b>Quantity (1,000 board feet)</b>				
Commercial sales	15,952,194	16,938,897	17,653,596	8,907,681	9,101,807
Internal consumption <sup>1</sup>	***	***	***	***	***
Transfers to related firms <sup>2</sup>	***	***	***	***	***
Total net sales	17,216,315	18,403,544	19,222,560	9,717,957	9,944,919
	<b>Value (1,000 dollars)</b>				
Commercial sales	6,228,362	5,862,333	6,439,935	3,192,529	3,693,613
Internal consumption <sup>1</sup>	***	***	***	***	***
Transfers to related firms <sup>2</sup>	***	***	***	***	***
Total net sales	6,817,181	6,462,141	7,100,628	3,528,678	4,084,853
Cost of goods sold:					
Raw materials	3,982,917	4,221,008	4,241,057	2,158,954	2,271,282
Direct labor	934,617	1,015,009	1,070,034	532,296	551,966
Other factory costs	1,302,350	1,452,822	1,583,069	771,825	839,372
Less: by-product revenue <sup>3</sup>	831,688	934,189	937,971	481,695	461,903
Total COGS	5,388,196	5,754,650	5,956,189	2,981,380	3,200,717
Gross profit	1,428,985	707,491	1,144,439	547,298	884,136
Total SG&A expenses	308,409	307,452	309,706	151,576	167,861
Operating income	1,120,576	400,039	834,733	395,722	716,275
Other expense or (income), net <sup>4</sup>	135,073	138,810	122,120	62,088	67,354
Net income or (loss)	985,503	261,229	712,613	333,634	648,921
Depreciation/amortization	248,448	290,410	314,611	158,915	180,736
Cash flow	1,233,951	551,639	1,027,224	492,549	829,657
	<b>Ratio to net sales (percent)</b>				
Cost of goods sold:					
Raw materials	58.4	65.3	59.7	61.2	55.6
Direct labor	13.7	15.7	15.1	15.1	13.5
Other factory costs	19.1	22.5	22.3	21.9	20.5
Less: by-product revenue <sup>3</sup>	12.2	14.5	13.2	13.7	11.3
Total COGS	79.0	89.1	83.9	84.5	78.4
Gross profit	21.0	10.9	16.1	15.5	21.6
Total SG&A expenses	4.5	4.8	4.4	4.3	4.1
Operating income	16.4	6.2	11.8	11.2	17.5
Net income	14.5	4.0	10.0	9.5	15.9
	<b>Number of firms reporting</b>				
Operating losses	6	20	13	13	5
Net losses	5	22	11	12	6
Data <sup>5</sup>	47	49	49	49	49

Table continued on next page.



**Table VI-1 -- Continued**  
**Softwood lumber: Results of operations of U.S. producers, 2014-16, January-June 2016, and**  
**January-June 2017**

Item	Calendar year			January-June	
	2014	2015	2016	2016	2017
	Ratio to total COGS before by-product offset (percent)				
Cost of goods sold:					
Raw materials	64.0	63.1	61.5	62.3	62.0
Direct labor	15.0	15.2	15.5	15.4	15.1
Other factory costs	20.9	21.7	23.0	22.3	22.9
Total COGS	100.0	100.0	100.0	100.0	100.0
	Unit value (dollars per 1,000 board feet)				
Commercial sales	390	346	365	358	406
Internal consumption <sup>1</sup>	***	***	***	***	***
Transfers to related firms <sup>2</sup>	***	***	***	***	***
Total net sales	396	351	369	363	411
Cost of goods sold:					
Raw materials	231	229	221	222	228
Direct labor	54	55	56	55	56
Other factory costs	76	79	82	79	84
Less: by-product revenue <sup>3</sup>	48	51	49	50	46
Total COGS	313	313	310	307	322
Gross profit	83	38	60	56	89
Total SG&A expenses	18	17	16	16	17
Operating income or (loss)	65	22	43	41	72
Net income or (loss)	57	14	37	34	65

<sup>1</sup> Data were reported by \*\*\*.

<sup>2</sup> Data were reported by \*\*\*.

<sup>3</sup> By-product revenue represents the sale or consumption of residual wood chips, bark, shavings, sawdust, and other products produced during the course of producing softwood lumber.

<sup>4</sup> Composed of interest expense, other expenses, and other income.

<sup>5</sup> Two firms that began operations (\*\*\*) in 2014 and 2015, respectively, did not report data for 2014. Firm-by-firm financial data are provided in appendix D table D-1.

Source: Compiled from data submitted in response to Commission questionnaires.

**Table VI-2**

**Softwood lumber: Changes in average unit values for all firms, between 2014-16, and between January-June 2016 and January-June 2017**

Item	Between calendar years			Between Jan.-June
	2014-16	2014-15	2015-16	2016-17
	Average unit values (dollars per 1,000 board feet)			
Commercial sales	(26)	(44)	19	47
Internal consumption	***	***	***	***
Transfers to related firms	***	***	***	***
Total net sales	(27)	(45)	18	48
Cost of goods sold:				
Raw materials	(11)	(2)	(9)	6
Direct labor	1	1	1	1
Other factory costs	7	3	3	5
Total COGS	(3)	(0)	(3)	15
Gross profit	(23)	(45)	21	33
SG&A expenses	(2)	(1)	(1)	1
Operating income or (loss)	(22)	(43)	22	31
Net income or (loss)	(20)	(43)	23	31

Source: Calculated from the data in table VI-1.

As noted elsewhere in this report, six Canadian producers (\*\*\*) have invested in U.S. production (together, they accounted for \*\*\* percent of total net sales by value in 2016). The effect on operations shown in table VI-1 of eliminating these firms' data is shown in table VI-3 (numbers in parenthesis indicate a decrease from table VI-1 data).

**Table VI-3**  
**Softwood lumber: Impact of excluding six Canadian firms from U.S. industry data, 2014-16,**  
**January-June 2016 and January-June 2017**

Item	Calendar year			January to June	
	2014	2015	2016	2016	2017
	<b>Data for all U.S. producers</b>				
Operating income or (loss) (1,000 dollars)	1,120,576	400,039	834,733	395,722	716,275
Unit operating income or (loss) (dollars per 1,000 board feet)	\$65.09	\$21.74	\$43.42	\$40.72	\$72.02
Operating margin (percent)	16.4	6.2	11.8	11.2	17.5
Number of firms reporting operating losses (number)	6	20	13	13	5
	<b>Impact of excluding six Canadian producers</b>				
Change in operating income or (loss) (1,000 dollars)	***	***	***	***	***
Change in operating income or (loss) AUV (dollars per 1,000 board feet)	***	***	***	***	***
Change in operating margin (percent)	***	***	***	***	***
Change in number of firms reporting operating losses (number)	***	***	***	***	***
	<b>Data excluding six Canadian producers</b>				
Operating income or (loss) (1,000 dollars)	***	***	***	***	***
Unit Operating income or (loss) (dollars per 1,000 board feet)	***	***	***	***	***
Operating margin (percent)	***	***	***	***	***
Number of firms reporting operating losses (number)	***	***	***	***	***
	<b>Data excluding six Canadian producers</b>				
Net Sales Quantity (1,000 board feet)	***	***	***	***	***
Net Sales Value (1,000 dollars)	***	***	***	***	***
Operating income (1,000 dollars)	***	***	***	***	***
Number of firms reporting operating losses	***	***	***	***	***

Source: Calculated from U.S. producers' questionnaire data.

### Total net sales

As described by the data in tables VI-1 and VI-2, total sales quantity steadily rose between 2014 and 2016 and was greater in interim 2017 than in interim 2016; total sales value declined from 2014 to 2015 but increased in 2016 and, like sales quantity, was greater in interim 2017 than in interim 2016. The average unit value of sales per thousand board feet fell from 2014 to 2015, but increased in 2016, and the per-unit value of total sales was greater in

interim 2017 than in interim 2016. Eight firms accounted for a majority of total sales (together accounting for 68.2 percent, by quantity, and 66.8 percent, by value, in 2016), and for a majority of the increase in total sales quantity and value between 2014 and 2016.<sup>2</sup>

### Operating costs and expenses

Raw material costs are substantial in this industry. Such costs increased from \$4.0 billion in 2014 to \$4.2 billion in 2016. Expressed as a ratio to sales, the increase was from 58.4 percent in 2014 to 65.3 percent in 2015, before falling to 59.7 percent in 2016. The ratio of raw material costs to sales was lower in interim 2017 than in interim 2016. The ratio of raw material costs to total COGS varied between 61.5 percent in 2016 to 64.0 percent in 2014. The input is logs:<sup>3</sup> a majority of softwood lumber producers do not own timberland and must procure their log supply on the open market.<sup>4</sup> This can lead to regional differences in log prices, and reportedly, prices in the U.S. south remain low or lower than in other areas following the recession of 2008-09.<sup>5</sup> These numbers are prior to any adjustment for by-products (discussed next).

By-products, consisting of the sale or consumption of residual wood chips, bark, shavings, sawdust, and other products produced during the course of producing softwood lumber, are not insubstantial in this industry; they represented 11.3 percent (in interim 2017) to 14.5 percent (in 2015) of total net sales. As shown in table VI-1, by-product revenues

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<sup>2</sup> These firms' data are shown in appendix D table D-1.

<sup>3</sup> Logs are purchased at tenders from public or private timberlands or transferred from company-owned timberlands. In some cases, the timberlands are held by a separate corporate entity; in the case of the \*\*\*, \*\*\*.

<sup>4</sup> Petitioners' postconference brief, answers to questions, p. 8. As noted at the staff conference, while many producers of softwood lumber source a percentage of logs from their own lands, there are more institutional landowners since 2002, changing the dynamic between buyers and sellers of logs. Institutional land holders are stronger financially and may withdraw land from logging if the price is deemed too low. Conference transcript, pp. 93-94 (Roady and Sullivan).

<sup>5</sup> Conference transcript, p. 102 (Yocis), 120 and 205 (Dugan). Petitioners' postconference brief, answers to questions, p. 9. As implied by respondents' testimony and conference submission, this price differential has led to investment in the southern part of the United States, leading to new sawmills, expansions of existing sawmills, and restarts of idled mills. See conference submission by respondents, slide 27 from Forest Economic Advisors. According to joint respondents' postconference brief, Canadian companies \*\*\* have made significant investments in the United States. Joint respondents' postconference brief, answers to questions, pp. 9-12. Respondents cited investment in other parts of the United States to indicate that investment in the southern tier of states was not an anomaly. See Joint respondents' postconference brief, answers to questions, pp. 38-40. Respondents reiterated these arguments for Canadian investment in the U.S. south, stating that the increase in production capacity in the U.S. south has been due to (1) a relative abundance of timber left uncut during the recession; (2) faster-growing timber resources; (3) some of the lowest delivered log costs in the world as well as the highest earnings; and (4) relatively lower \*\*\*. Joint respondents' prehearing brief, pp. 41-44 and Joint respondents' posthearing brief, Vol 1, app. A, answers to Commissioners' and staff's questions, p. 99.

increased from \$831.7 million in 2014 to \$938.0 million in 2016, and were lower at \$461.9 million in interim 2017 than the \$481.7 million reported in interim 2016.<sup>6</sup>

Other factory costs constituted the second greatest component of total COGS (table VI-1). These costs steadily increased from 2014 to 2016 and were higher in interim 2017 than in interim 2016. Other factory costs irregularly increased when expressed as a ratio to total net sales and rose as well as on a per-unit basis between 2014 and 2016; other factory costs were lower as a ratio to sales but higher on a per-unit basis in interim 2017 compared to interim 2016. Data by firm was mixed. Direct labor costs rose in value between each of the yearly and interim periods, irregularly increased when expressed as a ratio to total net sales (except interim 2017 was lower than interim 2016), and rose on a per-unit basis as well.

Total selling, general and administrative (“SG&A”) expenses are low relative to components of COGS, at approximately 4.4 percent (in 2016) to 4.8 percent (in 2015) of sales. Between 2014 and 2016, SG&A expenses changed little—they increased slightly on a dollar basis but declined slightly as a share of total net sales as well as on a per-unit basis (table VI-1). SG&A expenses were higher in interim 2017 than in interim 2016 on a value basis and on a per-unit basis, but lower when expressed as a ratio to net sales.

Below the operating income line are interest expense, other expense, and other income, aggregated together in table VI-1 as “all other expenses or (income) net.” Interest expense increased from approximately \$\*\*\* in 2014 to \$\*\*\* in 2016, and was higher in interim 2017, \$\*\*\*, than in interim 2016, \$\*\*\*. Other expenses decreased, from \$\*\*\* to \$\*\*\* between 2014 and 2016, but were higher in interim 2017 at \$\*\*\* compared to interim 2016, \$\*\*\*.<sup>7</sup> “Other income” increased from \$\*\*\* in 2014 to \$\*\*\* in 2016 and was greater in interim 2017 at \$\*\*\* compared with interim 2016, \$\*\*\*. The net amount of the three items was an expense.

### Profitability

Gross profit, operating income, and net income (and their measures as a ratio to total net sales and on a per-unit basis) fell substantially from 2014 to 2015 but rose dramatically in

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<sup>6</sup> By-products are either sold or consumed. If consumed there is a “revenue” recognized which offsets the cost that otherwise would be incurred (e.g., fuel purchased to operate machinery at the mill). In either case, the revenue or cost offset is recognized in the period in which it is incurred. The Commission’s questionnaire asked firms where they normally classified by-product revenue. Of the reported \$938.0 million in byproduct revenues reported in 2016, 51.4 percent was classified in net sales value, 35.6 percent as a reduction of COGS, 10.4 percent included in other income, and 2.6 percent was classified as a separate revenue item. All but two of the firms reported data. See U.S. producers’ questionnaire responses, section III-9b.

<sup>7</sup> There are various types of miscellaneous expenses and credits included in “other expense” and “other income”. Two firms, \*\*\*, accounted for approximately \*\*\* percent of total other expenses in 2016. When asked what was the nature of “other expense” \*\*\*. Included in other expense or other income were the following types of expenses or income: inventory adjustments (\*\*); insurance claims (\*\*); gains and losses on disposal of assets, including equipment and closure of mills or restructuring costs (\*\*); penalties and fees relating to \*\*\*, (\*\*); \*\*\* energy research (\*\*); and \*\*\* (\*\*).

2016. These measures also were much improved in interim 2017 compared to the same period one year earlier (table VI-1). Cash flow (net income plus depreciation charges) changed with net income. The number of firms reporting operating losses and net losses increased noticeably from 2014 to 2015 but were lower in 2016 and in interim 2017 compared to interim 2016, as indicated in table VI-1.

### Variance analysis

A variance analysis for the operations of U.S. producers of softwood lumber is presented in table VI-4.<sup>8</sup> The information for this variance analysis is derived from table VI-1. A variance analysis is a method to assess the changes in profitability from period to period by measuring the impact of changes in the relationships between price, cost, and volume. A calculation is made of the impact of each factor by varying only that factor while holding all other factors constant. The components of net sales variances are either favorable (positive), resulting in an increase in net sales and profitability or unfavorable (negative), resulting in the opposite. As the data depict, operating income and net income both fell between 2014 and 2016 overall and the decrease occurred between 2014 and 2015 followed by recovery in 2016. The decline in both indicators between 2014 and 2015 was attributable to an unfavorable price variance (unit prices fell) that exceeded favorable variances on net cost/expense and volume. Operating income and net income before taxes increased between 2015 and 2016 and was higher in interim 2017 from interim 2016 as each of the three variances were positive (prices increased and unit costs/expenses decreased) and the favorable price variance was greater than the unfavorable net cost/expense variance, respectively.

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<sup>8</sup> The Commission's variance analysis is calculated in three parts: Sales variance, cost of sales variance (COGS variance), and SG&A expense variance. Each part consists of a price variance (in the case of the sales variance) or a cost or expense variance (in the case of the COGS and SG&A expense variance), and a volume variance. The sales or cost/expense variance is calculated as the change in unit price or per-unit cost/expense times the new volume, while the volume variance is calculated as the change in volume times the old unit price or per-unit cost/expense. Summarized at the bottom of the table, the price variance is from sales; the cost/expense variance is the sum of those items from COGS and SG&A variances, respectively, and the volume variance is the sum of the volume components of the net sales, COGS, and SG&A expense variances. The overall volume component of the variance analysis is generally small.

**Table VI-4****Softwood lumber: Variance analysis on the operations of U.S. producers, 2014-16, January-June 2016, and January-June 2017**

Item	Between calendar years			Between Jan.-June
	2014-16	2014-15	2015-16	2016-17
	<b>Value (1,000 dollars)</b>			
Total net sales:				
Price variance	(510,970)	(825,150)	350,901	473,763
Volume variance	794,417	470,110	287,586	82,412
Net sales variance	283,447	(355,040)	638,487	556,175
Total COGS:				
Price variance	59,902	5,113	54,561	(149,707)
Volume variance	(627,895)	(371,567)	(256,100)	(69,630)
COGS variance	(567,993)	(366,454)	(201,539)	(219,337)
Gross profit variance	(284,546)	(721,494)	436,948	336,838
Total SG&A expenses:				
Cost/expense variance	34,642	22,225	11,429	(12,745)
Volume variance	(35,939)	(21,268)	(13,683)	(3,540)
Total SG&A expense variance	(1,297)	957	(2,254)	(16,285)
Operating income variance	(285,843)	(720,537)	434,694	320,553
Summarized (at the operating income level) as:				
Price variance	(510,970)	(825,150)	350,901	473,763
Net cost/expense variance	94,545	27,338	65,990	(162,452)
Net volume variance	130,583	77,274	17,803	9,242
Net income variance	(272,890)	(724,274)	451,384	315,287
Summarized (at the net income level) as:				
Price variance	(510,970)	(825,150)	350,901	473,763
Net cost/expense variance	123,238	32,916	88,857	(166,268)
Net volume variance	114,842	67,960	11,626	7,792

Note.—These data are derived from the data in table VI-1. Unfavorable variances are shown in parentheses, all others are favorable.

Source: Compiled from data submitted in response to Commission questionnaires.

### **CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES**

In accounting terms, capital expenditures increase the value of specific plant and equipment and total assets, while charges for depreciation and amortization (in the case of intangible assets), impairments, and divestitures (or retirement or abandonment of property) decrease the value of assets. Capital expenditures and research and development (“R&D”) expenses are incurred to achieve improvements in equipment or reduce operating costs and the quality of products produced. Table VI-5 presents capital expenditures and R&D expenses as reported by the producing firms.

**Table VI-5**  
**Softwood lumber: Capital expenditures and R&D expenses of U.S. producers, 2014-16, January-June 2016, and January-June 2017**

Firm	Calendar year			January-June	
	2014	2015	2016	2016	2017
	Capital expenditures (1,000 dollars)				
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Top 8 firms	555,950	550,597	403,809	143,641	159,761
All other firms	310,089	301,402	229,839	101,260	159,954
Total	866,039	851,999	633,648	244,901	319,715
R&D expenses (1,000 dollars)					
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Top 8 firms	9,125	8,735	3,018	1,889	1,104
All other firms	395	155	60	30	2
Total	9,520	8,890	3,078	1,919	1,106

Note.— Firms are ranked by sales and are in the same order as in appendix D.

Source: Compiled from data submitted in response to Commission questionnaires.

Generally speaking, firms stated that their capital expenditures were directed to: (1) product quality and production improvements (including capacity increases, cost reduction and productivity or efficiency improvements);<sup>9</sup> (2) critical upgrades to existing equipment allowing the firm to continue operating; (3) replacement of worn out equipment, including replacement and upgrading systems put on hold during the recession; and (4) to improve environmental compliance and worker safety.<sup>10</sup> Responding firms indicated that the nature and focus of their R&D was to improve the lumber manufacturing process, i.e., production and mill efficiency, quality improvements in product, yield, and equipment. Testimony at the staff conference indicated that investment began to pick up when prices improved in 2013 and 2014,

<sup>9</sup> For example, \*\*\*.

<sup>10</sup> U.S. producers' questionnaires, section III-14.



that recovery from the financial crisis of 2008-09 has been slow, and that investment has been made after “long durations of deferral.”<sup>11</sup>

### ASSETS AND RETURN ON ASSETS

The Commission’s U.S. producer questionnaire requested firms to provide data on their total assets, current and non-current, associated with the production, warehousing, and sale of softwood lumber. The value of total net assets increased from 2014 to 2016 by approximately \$997 million, equivalent to 25.1 percent. Much of the increase in total net assets was due to spending on new plant and equipment. According to respondents, Canadian companies \*\*\* have made substantial investments in the United States, particularly in the southern United States.<sup>12</sup> Respondents noted that expansion or investment has not been limited to that area (although it represents over half of the U.S. lumber market), citing acquisitions and new mills in Washington (\*\*\*) and Maine (\*\*\*)<sup>13</sup>. The ratio of operating income to total net sales fell from 2014 to 2015 and was higher in 2016, as indicated earlier. Table VI-6 presents data on the U.S. producers’ total assets as well as the relevant ratio.

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<sup>11</sup> Conference transcript, p. 29 (Swanson) and p. 44 (Dauzat). Petitioners stated that many capital improvement projects were deferred because of concerns over profitability and that capital expenditures exceeded cash flow (net income before taxes plus depreciation) in 2015. Although the industry returned to positive cash flow in 2016, capital expenditures were sharply curtailed and if annualized interim 2017 capital expenditures would not equal the total in 2015. Also, petitioners argue that domestic producers implemented severe reductions in capital expenditures in 2016 despite increasing demand. Petitioners’ posthearing brief, answers to questions from Commissioner Williamson, app. C, pp. C-1 to C-4, and answers to questions from Commissioner Broadbent, app. D, pp. D-26 to D-30.

<sup>12</sup> Joint respondents’ postconference brief, answers to questions, pp. 9-12.

<sup>13</sup> Joint respondents’ postconference brief, answers to questions, pp. 38-40.

**Table VI-6**  
**Softwood lumber: U.S. producers' total assets and the ratio of operating income to total net assets, by firm, calendar years 2014-16**

Firm	Calendar years		
	2014	2015	2016
	<b>Total net assets (1,000 dollars)</b>		
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
Top 8 firms	2,791,150	3,096,743	3,435,106
All other firms	1,178,176	1,333,398	1,530,880
Total net assets	3,969,326	4,430,141	4,965,986
	<b>Ratio of total net assets to operating income/(loss) (percent)</b>		
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
Average, top 8 firms	29.0	10.2	18.4
Average, all other firms	26.3	6.3	13.3
Overall average	28.2	9.0	16.8

Note.—The firms are ranked by sales and are in the same order as in appendix D.

Source: Compiled from data submitted in response to Commission questionnaires.

### CAPITAL AND INVESTMENT

The Commission requested U.S. producers of softwood lumber to describe any actual or potential negative effects of imports of softwood lumber from Canada on their firms' growth, investment, ability to raise capital, development and production efforts, or the scale of capital investments. Appendix D table D-2 tabulates the responses on actual negative effects on investment, growth, and development, and appendix D tables D-3 and D-4 present firms' narrative responses on actual negative effects on investment, and growth and development, and the anticipated negative effects of imports of softwood lumber from Canada, respectively.

## PART VII: THREAT CONSIDERATIONS AND INFORMATION ON NONSUBJECT COUNTRIES

Section 771(7)(F)(i) of the Act (19 U.S.C. § 1677(7)(F)(i)) provides that—

*In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors<sup>1</sup>--*

- (I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,*
- (II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,*
- (III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,*
- (IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports,*
- (V) inventories of the subject merchandise,*

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<sup>1</sup> Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that “The Commission shall consider {these factors} . . . as a whole in making a determination of whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted under this title. The presence or absence of any factor which the Commission is required to consider . . . shall not necessarily give decisive guidance with respect to the determination. Such a determination may not be made on the basis of mere conjecture or supposition.”

- (VI) *the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,*
- (VII) *in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both),*
- (VIII) *the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and*
- (IX) *any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).<sup>2</sup>*

Information on the nature of the subsidies was presented earlier in this report; information on the volume and pricing of imports of the subject merchandise are presented in *Parts IV* and *V*; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in *Part VI*. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows. Also presented in this section of the report is information obtained for consideration by the Commission on nonsubject countries.

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<sup>2</sup> Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

## FORESTRY IN CANADA

In Canada, most forestlands are publicly owned, most of which are owned by the provinces and territories.<sup>3</sup> Most of the Canadian softwood harvest comes from government forestlands and are administered by the provincial governments to ensure sustainability.<sup>4</sup> The largest concentration of Canada's annual softwood production approximately half in 2016 is performed in British Columbia, followed by Quebec and Ontario.<sup>5</sup>

Petitioners argued that Canadian companies have access to lower stumpage costs than do U.S. producers.<sup>6</sup> Respondents claim that the Petitioners' view of Canada's stumpage program is outdated and that the current auction-based stumpage system now permits market adjustments.<sup>7</sup> Respondents argue that Canada has implemented reforms to its stumpage program in direct response to a U.S. Department of Commerce 2003 Policy Bulletin.<sup>8</sup> Some respondents indicated that British Columbia—and Canada's other provinces—implemented several substantial changes to its stumpage program (2003-2006), based on the U.S. Department of Commerce's Policy Bulletin recommendations.<sup>9</sup> For example, British Columbia maintains an auction system where approximately 20 percent of the tenure is auctioned to the highest bidder in "competitive, open and transparent" proceedings.<sup>10 11</sup> The market price of the open auction is used to set the stumpage prices on the remaining tenures.<sup>12</sup>

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<sup>3</sup> Six percent of Canada's forest lands are privately owned, four percent forest is owned by the federal government, with the remaining bulk of the forest land owned by provinces and territories. *Forest land ownership*, Natural Resources Canada, <https://www.nrcan.gc.ca/forests/canada/ownership/17495>, accessed November 10, 2017.

<sup>4</sup> Approximately 85-percent of Canadian timber volume tends to originate from provincial Crown lands (Natural Resources Canada, *Is timber being harvested sustainably?* <http://www.nrcan.gc.ca/forests/report/harvesting/16494>, accessed September 12, 2017).

<sup>5</sup> However, if the Maritime Provinces and Prairie Provinces are viewed as groups, then, the Prairie Provinces produce more softwood than is produced individually by the province of Ontario. See Table VII-5.

<sup>6</sup> Hearing transcript, pp. 46-47 (Benson); Hearing transcript, p. 54 (Howard); Hearing transcript, pp. 83-84 (Tester).

<sup>7</sup> Hearing transcript, p. 217 (Feldinger); Hearing transcript, p. 248 (Feldinger); Posthearing brief \*\*\*, p. 9 and exh. 68.

<sup>8</sup> The document was circulated for public comment by the U.S. Department of Commerce in 2003 but was not adopted as a formal policy. U.S. Department of Commerce, *Proposed Policies Regarding the Conduct of Changed Circumstance Reviews of the Countervailing Duty Order on Softwood Lumber from Canada*, Fed. Reg. June 18, 2003, <http://ia.ita.doc.gov/download/canada-softwood-lumber/cfli-softwood-lumber-cmts.pdf>, accessed on November 10, 2017).

<sup>9</sup> British Columbia accounts for most of Canada's softwood lumber. Some respondents claim that Quebec's stumpage program is similar to that adopted by BC. Hearing transcript, pp. 249-250 (Feldman)

<sup>10</sup> Tenure is the process used to transfer specific rights to use, for example, the right to harvest timber in exchange for fees and other obligations.

<sup>11</sup> Posthearing brief (Government of Canada), pp. 114-115

<sup>12</sup> See footnote 11, p. I-7, for a definition of "stumpage."

The annual allowable cut (“AAC”)—the amount of timber that can be harvested each year—is set and regulated through the provinces. These harvest levels cannot be exceeded over a specified period, as part of a program to safeguard long term sustainability. Changes in the AAC affect stumpage prices.

Each province calculates its AAC using distinct methodology.<sup>13</sup> British Columbia’s AAC is set at least every 10 years by the chief forester, which supports the tenures, and all harvested timber is scaled and marked to ensure compliance.<sup>14</sup> The AAC is adjusted for concerns such as wildfires and/or infestations that may impact forest sustainability. For example, the AAC has been adjusted to account for the impact of the mountain pine beetle.<sup>15</sup> Some respondents confirm that the AAC has been reduced, reflecting the damage associated with the mountain pine beetle infestation.<sup>16</sup> Petitioners argue that the mountain pine beetle infestation has also affected the forests in the United States.<sup>17</sup> The mountain pine beetle infestation is a known epidemic affecting the forests from Canada to Mexico.<sup>18</sup>

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<sup>13</sup> However, overall, Canada harvests about 69 percent of the AAC. (Natural Resources Canada, *Is timber being harvested sustainably?* <http://www.nrcan.gc.ca/forests/report/harvesting/16494>, accessed September 12, 2017).

<sup>14</sup> These levels are usually set over a 5 to 10 year period. *Apportionment and Commitment Reports*, British Columbia, Ministry of Forests, Lands and Natural Resource Operations AAC (<https://www.for.gov.bc.ca/hth/timber-tenures/apportionment/index.htm>, accessed November 10, 2017).

<sup>15</sup> British Columbia, Ministry of Forests, Lands and Natural Resource Operations, *Memo: Declining Timber Supplies and Allowable Annual Cut Management*, May 8, 2013 <https://www.for.gov.bc.ca/ftp/HTH/external/!publish/web/timber-tenures/declining-timber-supplies-and-AAC-management-may-8-2013.pdf>, accessed November 10, 2017.

<sup>16</sup> Hearing transcript, pp. 180-183 (Feldinger) ; Hearing transcript p. 218 (Feldman); Posthearing brief (Canfor), exh. 1, pp.4-5.

<sup>17</sup> Hearing transcript, p. 43 (Roady).

<sup>18</sup> U.S. National Park Service, *Pine Beetle Epidemic From Canada to Mexico*, [https://www.nps.gov/romo/learn/nature/mtn\\_pine\\_beetle\\_background.htm](https://www.nps.gov/romo/learn/nature/mtn_pine_beetle_background.htm), accessed November 10, 2017.

**Figure VII-1 Distribution of the mountain pine beetle in North America**



Source: U.S. National Park Service ([https://www.nps.gov/romo/learn/nature/mtn\\_pine\\_beetle\\_background.htm](https://www.nps.gov/romo/learn/nature/mtn_pine_beetle_background.htm) )

The allowable cuts in British Columbia’s “Prince George Timber Supply Area” was recently reduced by eight percent from that of the last five years; this cut represents a 33-percent cut from the AAC set in 2011.<sup>19</sup>

### **THE INDUSTRY IN CANADA**

The Commission issued foreign producers’ or exporters’ questionnaires to 75 firms believed to produce and/or export softwood lumber from Canada.<sup>20</sup> Useable responses to the Commission’s questionnaire were received from 53 firms. These firms’ exports to the United States accounted for approximately 82.4 percent of U.S. imports of softwood lumber from Canada over the period being examined. Responding Canadian producers accounted for 81.6 percent of 2016 production of softwood lumber in Canada. Table VII-1 presents information on the softwood lumber operations of the responding producers and exporters in Canada. Like production in the United States, Canadian production of softwood lumber is primarily for U.S. construction activity.

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<sup>19</sup> British Columbia, Ministry of Forests, Lands and Natural Resource Operations, *New cut level set for Prince George Timber Supply Area* (<https://news.gov.bc.ca/releases/2017FLNR0325-001717>, accessed November 10, 2017).

<sup>20</sup> These firms were identified through a review of information submitted in the petition, Random Length’s *Big Book*, and contained in \*\*\* records.

**Table VII-1  
Softwood lumber: Data for producers in Canada, 2016**

<b>Firm</b>	<b>Production (1,000 board feet)</b>	<b>Share of reported production (percent)</b>	<b>Exports to the United States (1,000 board feet)</b>	<b>Share of reported exports to the United States (percent)</b>	<b>Total shipments (1,000 board feet)</b>	<b>Share of firm's total shipments exported to the United States (percent)</b>
Apollo	***	***	***	***	***	***
Aspen Planers	***	***	***	***	***	***
Barrette-Chapais	***	***	***	***	***	***
BarretteWood	***	***	***	***	***	***
Blanchet	***	***	***	***	***	***
Blanchette and Blanchette	***	***	***	***	***	***
Canfor	***	***	***	***	***	***
Carrier 1	***	***	***	***	***	***
Carrier 2	***	***	***	***	***	***
Carrier and Begin	***	***	***	***	***	***
Cedrico	***	***	***	***	***	***
Chaleur	***	***	***	***	***	***
Chibougamau	***	***	***	***	***	***
Clermond Hamel	***	***	***	***	***	***
Conifex	***	***	***	***	***	***
D and G	***	***	***	***	***	***
Daaquam	***	***	***	***	***	***
Delco Forest Products Ltd.	***	***	***	***	***	***
Devon	***	***	***	***	***	***
Downie	***	***	***	***	***	***
Dunkley	***	***	***	***	***	***
EACOM Timber	***	***	***	***	***	***
Elmsdale Lumber	***	***	***	***	***	***
Fontaine	***	***	***	***	***	***
Fornebu	***	***	***	***	***	***
Freeman and Son	***	***	***	***	***	***
Gorman	***	***	***	***	***	***
HJ Crabbe	***	***	***	***	***	***
Interfor	***	***	***	***	***	***
Irving	***	***	***	***	***	***
Lakeland	***	***	***	***	***	***
Lauzon	***	***	***	***	***	***
Lecours	***	***	***	***	***	***
Lemay and Sons	***	***	***	***	***	***
Maibec	***	***	***	***	***	***
Marwood	***	***	***	***	***	***
Millar Western Forest Products, Ltd.	***	***	***	***	***	***

*Table continued on next page.*



**Table VII-1--Continued**  
**Softwood lumber: Data for producers in Canada, 2016**

Firm	Production (1,000 board feet)	Share of reported production (percent)	Exports to the United States (1,000 board feet)	Share of reported exports to the United States (percent)	Total shipments (1,000 board feet)	Share of firm's total shipments exported to the United States (percent)
NAFP	***	***	***	***	***	***
Nechako	***	***	***	***	***	***
Petit Paris	***	***	***	***	***	***
Prendiville	***	***	***	***	***	***
Promobois GDS	***	***	***	***	***	***
Resolute	***	***	***	***	***	***
Sartigan	***	***	***	***	***	***
Scotsburn Lumber Ltd.	***	***	***	***	***	***
Sexton Lumber	***	***	***	***	***	***
Tembec	***	***	***	***	***	***
Tl'oh	***	***	***	***	***	***
Tolko	***	***	***	***	***	***
Twin Rivers	***	***	***	***	***	***
West Fraser Mills Ltd	***	***	***	***	***	***
Western	***	***	***	***	***	***
Weyerhaeuser	***	***	***	***	***	***
Total	22,477,628	100.0	12,249,237	100.0	22,635,442	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

### Changes in operations

Table VII-2 presents reported changes in operations since January 1, 2014, by Canadian producers of softwood lumber. Three firms reported plant openings, 10 reported plant closings, three reported relocations, six reported expansions, nine reported acquisitions, two reported consolidations, 17 reported prolonged shutdowns or curtailments, 16 reported revised labor agreements, and 22 reported other changes (primarily technology based).

**Table VII-2**  
**Softwood lumber: Reported changes in operations by producers in Canada, since January 1, 2014**

\* \* \* \* \*

As figure VII-2 shows, mills are scattered throughout Canada.

**Figure VII-2**  
**Softwood lumber: Location of Canadian mills**



Source: 2016 Big Book , Random Lengths Publications, Inc., Eugene, Oregon

### **Operations on softwood lumber**

Table VII-3 presents capacity and production for the eight leading Canadian producers and all others. Like U.S. production, Canadian production of softwood lumber is primarily for U.S. construction activity. British Columbia is the leading province for softwood lumber production in Canada.<sup>21</sup> Data concerning Canadian production, exports, imports, and apparent consumption of softwood lumber are presented in table VII-4. Canada's exports to the United States are mostly marketed in areas of high housing activity east of the Rocky Mountains, with California being a primary market in the western United States. After the United States, Japan is Canada's next largest export market. Canada's other important export markets include the EU and Australia.

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<sup>21</sup> Conference transcript, p. 121 (Dougan)

**Table VII-3**  
**Softwood lumber: Production and capacity by top producers in Canada, 2014-16, January to June 2016, and January to June 2017 and projection calendar years 2017 and 2018**

Item	Actual experience					Projections	
	Calendar year			January to June		Calendar year	
	2014	2015	2016	2016	2017	2017	2018
	<b>Capacity (1,000 board feet)</b>						
***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***
Top eight (8) producers	15,748,830	16,133,830	16,410,000	8,223,734	8,176,302	16,354,000	16,261,000
All other firms	7,821,706	8,258,362	8,382,010	4,248,309	4,246,854	8,428,251	8,505,009
Total capacity	23,570,536	24,392,192	24,792,010	12,472,043	12,423,156	24,782,251	24,766,009
	<b>Production (1,000 board feet)</b>						
***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***
Top eight (8) producers	14,214,557	14,468,476	14,875,249	7,408,985	7,511,352	15,200,848	15,453,463
All other firms	6,638,499	7,088,891	7,602,379	3,852,909	3,875,892	7,656,719	7,800,176
Total production	20,853,056	21,557,367	22,477,628	11,261,894	11,387,244	22,857,567	23,253,639
	<b>Capacity utilization (percent)</b>						
***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***
Top eight (8) producers	90.3	89.7	90.6	90.1	91.9	92.9	95.0
All other firms	84.9	85.8	90.7	90.7	91.3	90.8	91.7
Total production	88.5	88.4	90.7	90.3	91.7	92.2	93.9

Source: Compiled from data submitted in response to Commission questionnaires.

**Table VII-4**

**Softwood lumber: Data on industry in Canada, 2014-16, January to June 2016, and January to June 2017 and projection calendar years 2017 and 2018**

Item	Actual experience					Projections	
	Calendar year			January to June		Calendar year	
	2014	2015	2016	2016	2017	2017	2018
	<b>Quantity (1,000 board feet)</b>						
Capacity	23,570,536	24,392,192	24,792,010	12,472,043	12,423,156	24,782,251	24,766,009
Production	20,853,056	21,557,367	22,477,628	11,261,894	11,387,244	22,857,567	23,253,639
End-of-period inventories	1,963,088	1,989,250	1,883,569	2,016,392	2,110,426	1,943,821	1,906,420
Shipments:							
Home market shipments:							
Internal consumption/ transfers	400,425	349,785	396,231	222,358	202,731	409,927	441,569
Commercial shipments	6,050,686	6,372,902	6,479,862	3,244,745	3,080,460	6,241,576	6,274,496
Subtotal, home market shipments	6,451,111	6,722,687	6,876,093	3,467,103	3,283,191	6,651,503	6,716,065
Export shipments to:							
United States	10,140,700	10,907,363	12,249,237	6,021,537	6,108,557	12,479,525	12,614,279
All other markets	4,276,406	3,943,204	3,510,112	1,801,536	1,762,240	3,703,954	3,978,878
Total exports	14,417,106	14,850,567	15,759,349	7,823,073	7,870,797	16,183,479	16,593,157
Total shipments	20,868,217	21,573,254	22,635,442	11,290,176	11,153,988	22,834,982	23,309,222
	<b>Ratios and shares (percent)</b>						
Capacity utilization	88.5	88.4	90.7	90.3	91.7	92.2	93.9
Inventories/production	9.4	9.2	8.4	9.0	9.3	8.5	8.2
Inventories/total shipments	9.4	9.2	8.3	8.9	9.5	8.5	8.2
Share of shipments:							
Home market shipments:							
Internal consumption/ transfers	1.9	1.6	1.8	2.0	1.8	1.8	1.9
Home market shipments	29.0	29.5	28.6	28.7	27.6	27.3	26.9
Subtotal, home market shipments	30.9	31.2	30.4	30.7	29.4	29.1	28.8
Export shipments to:							
United States	48.6	50.6	54.1	53.3	54.8	54.7	54.1
All other markets	20.5	18.3	15.5	16.0	15.8	16.2	17.1
Total exports	69.1	68.8	69.6	69.3	70.6	70.9	71.2
Total shipments	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	<b>Quantity (1,000 board feet)</b>						
Resales exported to the United States	16,848	17,994	14,996	9,192	6,367	10,200	10,200
Total exports to the United States	10,157,548	10,925,357	12,264,233	6,030,729	6,114,924	12,489,725	12,624,479
	<b>Ratios and shares (percent)</b>						
Share of total exports to the United States.--							
Exported by producers	99.8	99.8	99.9	99.8	99.9	99.9	99.9
Exported by resellers	0.2	0.2	0.1	0.2	0.1	0.1	0.1
Adjusted share of total shipments exported to US	48.7	50.6	54.2	53.4	54.8	54.7	54.2

Source: Compiled from data submitted in response to Commission questionnaires.

Table VII-5 presents Canadian softwood lumber production by Province. British Columbia produces half of all Canadian softwood lumber, with Quebec producing approximately one-quarter of all Canadian softwood lumber, and Ontario and the Prairie and Maritime Provinces producing the remaining (the table has a column of “unidentified” production that is explained in footnote 3 of table VII-5).

**Table VII-5  
Softwood lumber: Canadian production, by Provinces, 2014-2016, January-June 2016, and  
January-June 2017**

Period	British Columbia			Quebec	Ontario	Maritime Provinces <sup>1</sup>	Prairie Provinces <sup>2</sup>	Unidenti- fied <sup>3</sup>	Total
	Coast	Interior	Total						
<b>Quantity (million board feet)</b>									
2014	1,551	11,083	12,633	5,211	1,312	144	3,855	1,491	24,646
2015	1,563	11,651	13,214	5,751	889	346	4,181	2,307	26,687
2016	1,600	11,959	13,559	6,577	1,745	203	4,269	1,982	28,335
Jan- June 2016	810	6,086	6,895	3,299	928	38	2,172	977	14,308
Jan- June 2017	699	6,006	6,075	3,415	782	232	2,263	1,164	14,560
<b>Share of total production (percent)</b>									
2014	6	45	51	21	5	1	16	6	100.0
2015	6	44	50	22	3	1	16	9	100.0
2016	6	42	48	23	6	1	15	7	100.0
Jan- June 2016	6	43	48	23	6	0	15	7	100.0
Jan- June 2017	5	41	46	23	5	2	16	8	100.0

<sup>1</sup> New Brunswick, Newfoundland, Nova Scotia, and Prince Edward Islands.

<sup>2</sup> Alberta, Manitoba, and Saskatchewan.

<sup>3</sup> Production figures for British Columbia match Lumber Track exactly, but the sum of all others is lower, as is the total of all provinces. For some months, province-specific numbers are suppressed for confidentiality reasons, which is why the province-specific numbers do not add to the total. When a data point is suppressed due to confidentiality it appears in the CANSIM table as an "x". This does not mean that the data point is equal to zero, but only that the data cannot be published to avoid divulging information that Statistics Canada deems confidential as required by the Statistics Act.

Source: Statistics Canada. Table 303-0064 - Lumber production, shipments and stocks, by Canada and provinces, monthly (cubic metres), CANSIM (database). Accessed November 14, 2017 at <http://www5.statcan.gc.ca/cansim/>

The following tabulation, as calculated by Stats Canada, presents Canadian softwood lumber production by species group, SPF and all other.

Species	Calendar year			January-June	
	2014	2015	2016	2016	2017
<b>(million board feet)</b>					
SPF	22,056	24,157	25,540	12,892	13,242
All Other	2,590	2,530	2,794	1,416	1,318
Total	24,646	26,687	28,334	14,308	14,561

Table VII-6 presents Canadian apparent consumption as calculated by Stats Canada.

**Table VII-6**  
**Softwood lumber: Canadian production, imports, exports of domestic merchandise, and apparent consumption, 2014-2016, January-June 2016, and January-June 2017**

Period	Production <sup>1</sup>	Shipments <sup>2</sup>	Imports <sup>2</sup>	Exports to U.S. <sup>3</sup>	Total exports <sup>4</sup>	Consumption <sup>5</sup>	Exports to US to consumption	Exports to U.S. to production	Imports to consumption
Quantity ( <i>million board feet</i> )							<i>(Percent)</i>		
2014	24,646	24,644	519	12,061	17,036	8,127	148.4	48.9	6.4
2015	26,688	27,076	582	12,987	17,621	10,037	129.4	48.7	5.8
2016	28,335	28,893	359	15,046	19,318	9,934	151.5	53.1	3.6
Jan-June 2016	12,892	14,471	183	7,394	9,594	5,060	146.1	57.4	3.6
Jan-June 2017	13,242	14,401	176	7,289	9,377	5,200	140.2	55.0	3.4

<sup>1</sup> Statistics Canada. Table 303-0064 - Lumber production, shipments and stocks, by Canada and provinces, monthly (cubic metres), CANSIM (database). Accessed at <http://www5.statcan.gc.ca/cansim/>

<sup>2</sup> WWPA Lumber Track, (March 2016, March 2017, and June 2017).

<sup>3</sup> Statistics Canada.

<sup>4</sup> Exports to the United States from Statistics Canada. All Other Exports from WWPA Lumber Track as listed above.

<sup>5</sup> Canadian Shipments plus imports into Canada minus total Canadian exports.

The following tabulation presents the estimated share of softwood lumber consumed in Canada, by end use, in 2016.

End use	Share of consumption (percent)
<b>Construction:</b>	
New residential (new construction)	24
Repair and remodeling	49
New nonresidential construction	5
<b>Industrial</b>	22
Total	100

Source: Derived from Statistics Canada data.

### U.S. INVENTORIES OF IMPORTED MERCHANDISE

Table VII-7 presents data on U.S. importers' reported inventories of softwood lumber. Inventories of Canadian softwood lumber imports were \*\*\* percent of all softwood lumber imports during the period of investigation.

**Table VII-7**  
**Softwood lumber: U.S. importers' end-of-period inventories of imports by source, 2014-16,**  
**January to June 2016, and January to June 2017**

\* \* \* \* \*

### U.S. IMPORTERS' OUTSTANDING ORDERS

The Commission requested importers to indicate whether they imported or arranged for the importation of softwood lumber from Canada after June 30, 2017. The tabulation below presents the reported arrangements from 36 firms.

Item	Period				Total
	July-Sept 2017	Oct-Dec 2017	Jan-Mar 2018	Apr-Jun 2018	
Canada	536,280	282,461	223,218	228,991	1,270,950
All other sources	***	***	***	***	***
Total U.S. imports	***	***	***	***	***

### ANTIDUMPING OR COUNTERVAILING DUTY ORDERS IN THIRD-COUNTRY MARKETS

There are no known antidumping or countervailing duty orders currently in effect concerning softwood lumber in third-country markets.

### INFORMATION ON NONSUBJECT COUNTRIES

Table VII-8 presents global exports, by exporter and by value, for 2014-16. Canada is by far the largest exporter of softwood lumber, accounting for 26.8 percent of global exports for 2014-16. During this same period Russia (11.6 percent), Sweden (11.6 percent), Finland (6.9 percent), Germany (6.1 percent), and Austria (5.1 percent) all reportedly exported more softwood lumber than the United States.

**Table VII-8**  
**Softwood lumber: Global exports by exporter, 2014-16**

Item	Calendar year		
	2014	2015	2016
<b>Value (1,000 dollars)</b>			
United States	1,272,276	1,110,411	1,117,713
Canada	7,637,072	6,767,939	7,664,726
All other major reporting exporters.--			
Russia	3,632,445	2,896,492	3,008,248
Sweden	3,605,489	2,993,650	2,918,901
Finland	2,075,761	1,747,714	1,843,674
Germany	1,908,301	1,495,018	1,584,006
Austria	1,484,455	1,300,939	1,367,095
Chile	1,276,821	1,088,581	1,058,786
New Zealand	697,362	633,641	653,706
Latvia	671,791	574,734	618,996
Brazil	462,664	505,613	573,069
Czech Republic	487,183	371,427	356,874
All other exporters	4,744,568	3,906,114	4,110,662
Total global exports	29,956,187	25,392,273	26,876,454
<b>Share of value (percent)</b>			
United States	4.2	4.4	4.2
Canada	25.5	26.7	28.5
All other major reporting exporters.--			
Russia	12.1	11.4	11.2
Sweden	12.0	11.8	10.9
Finland	6.9	6.9	6.9
Germany	6.4	5.9	5.9
Austria	5.0	5.1	5.1
Chile	4.3	4.3	3.9
New Zealand	2.3	2.5	2.4
Latvia	2.2	2.3	2.3
Brazil	1.5	2.0	2.1
Czech Republic	1.6	1.5	1.3
All other exporters	15.8	15.4	15.3
Total global exports	100.0	100.0	100.0

*Note.*--Quantity data not shown as they are reported in multiple differing units of measure. Data includes exports of both in-scope softwood lumber as well as some out-of-scope merchandise.

*Source:* Official exports statistics under HTS subheading 4407.10, 4409.10, and 4418.99 as reported by various national statistical authorities in the IHS/GTA database, accessed August 9, 2017.



**APPENDIX A**

***FEDERAL REGISTER NOTICES***



The Commission makes available notices relevant to its investigations and reviews on its website, [www.usitc.gov](http://www.usitc.gov). In addition, the following tabulation presents, in chronological order, *Federal Register* notices issued by the Commission and Commerce during the current proceeding.

<b>Citation</b>	<b>Title</b>	<b>Link</b>
82 FR 4418, January 13, 2017	<i>Softwood Lumber Products From Canada; Determinations</i>	<a href="https://www.gpo.gov/fdsys/pkg/FR-2017-01-13/pdf/2017-00639.pdf">https://www.gpo.gov/fdsys/pkg/FR-2017-01-13/pdf/2017-00639.pdf</a>
82 FR 19657, April 28, 2017	<i>Certain Softwood Lumber Products From Canada: Preliminary Affirmative Countervailing Duty Determination, and Alignment of Final Determination With Final Antidumping Duty Determination</i>	<a href="https://www.gpo.gov/fdsys/pkg/FR-2017-04-28/pdf/2017-08673.pdf">https://www.gpo.gov/fdsys/pkg/FR-2017-04-28/pdf/2017-08673.pdf</a>
82 FR 19219, April 26, 2017	<i>Antidumping and Countervailing Duty Investigations of Certain Softwood Lumber Products From Canada: Preliminary Determinations of Critical Circumstances</i>	<a href="https://www.gpo.gov/fdsys/pkg/FR-2017-04-26/pdf/2017-08469.pdf">https://www.gpo.gov/fdsys/pkg/FR-2017-04-26/pdf/2017-08469.pdf</a>
82 FR 29833, June 30, 2017	<i>Certain Softwood Lumber Products From Canada: Preliminary Affirmative Determination of Sales at Less Than Fair Value</i>	<a href="https://www.gpo.gov/fdsys/pkg/FR-2017-06-30/pdf/2017-13794.pdf">https://www.gpo.gov/fdsys/pkg/FR-2017-06-30/pdf/2017-13794.pdf</a>
82 FR 32376, July 13, 2017	<i>Softwood Lumber from Canada; Scheduling of the Final Phase of Countervailing Duty and Antidumping Duty Investigations</i>	<a href="https://www.gpo.gov/fdsys/pkg/FR-2017-07-13/pdf/2017-14718.pdf">https://www.gpo.gov/fdsys/pkg/FR-2017-07-13/pdf/2017-14718.pdf</a>
82 FR 45045, September 27, 2017	<i>Softwood Lumber Products from Canada; Revised Schedule for the Subject Investigations</i>	<a href="https://www.gpo.gov/fdsys/pkg/FR-2017-09-27/pdf/2017-20621.pdf">https://www.gpo.gov/fdsys/pkg/FR-2017-09-27/pdf/2017-20621.pdf</a>
80 FR 51806, November 8, 2017	<i>Certain Softwood Lumber Products From Canada: Final Affirmative Determination of Sales at Less Than Fair Value and Affirmative Final Determination of Critical Circumstances</i>	<a href="https://www.gpo.gov/fdsys/pkg/FR-2017-11-08/pdf/2017-24203.pdf">https://www.gpo.gov/fdsys/pkg/FR-2017-11-08/pdf/2017-24203.pdf</a>

*Table continued on next page.*

<b>Citation</b>	<b>Title</b>	<b>Link</b>
82 FR 51814, November 8, 2017	<i>Certain Softwood Lumber Products From Canada: Final Affirmative Countervailing Duty Determination, and Final Negative Determination of Critical Circumstances</i>	<a href="https://www.gpo.gov/fdsys/pkg/FR-2017-11-08/pdf/2017-24204.pdf">https://www.gpo.gov/fdsys/pkg/FR-2017-11-08/pdf/2017-24204.pdf</a>

**APPENDIX B**

**LIST OF HEARING WITNESSES**



## CALENDAR OF PUBLIC HEARING

Those listed below are scheduled to appear as witnesses at the United States International Trade Commission's hearing:

**Subject:** Softwood Lumber from Canada  
**Inv. Nos.:** 701-TA-566 and 731-TA-1342 (Final)  
**Date and Time:** September 12, 2017 - 9:30 a.m.

Sessions were held in connection with these investigations in the Main Hearing Room (room 101), 500 E Street, SW, Washington, DC.

### **CONGRESSIONAL APPEARANCES:**

**The Honorable Ron Wyden, United States Senator, Oregon**

**The Honorable Jon Tester, United States Senator, Montana**

**The Honorable Roger F. Wicker, United States Senator, Mississippi**

**The Honorable Steve Daines, United States Senator, Montana**

### **In Support of the Imposition of Antidumping and Countervailing Duty Orders:**

Picard Kentz & Rowe LLP  
Washington, DC  
on behalf of

Committee Overseeing Action for Lumber International Trade

**Steven Banahan**, Lumber Sales Manager, Pleasant River  
Lumber Company Inc.

**Mark Benson**, Vice President, Public Affairs, Potlatch Corporation

**Adrian Blocker**, Senior Vice President, Wood Products,  
Weyerhaeuser Company

**Caroline Dauzat**, Owner, Rex Lumber Co.

**In Support of the Imposition of  
Antidumping and Countervailing Duty Orders (continued):**

**Tony Hadley**, Executive Secretary-Treasurer, Carpenters  
Industrial Council

**Bill Howard**, Owner *and* General Manager, Claude  
Howard Lumber, Inc.

**Andrew Miller**, President *and* Chief Executive Officer, Stimson Lumber  
Company

**Chuck Roady**, Director, F.H. Soltze Land & Lumber Company

**Steve Swanson**, President *and* Chief Executive Officer, Swanson Group

**Susan B. Hester, Ph.D.**, Economist, Moongate Associates, Inc.

**Deanna Tanner Okun**, of Counsel, Adduci, Mastriani & Schaumberg LLP

**Andrew W. Kentz** )  
 ) – OF COUNSEL  
**David A. Yocis** )

**In Opposition to the Imposition of  
Antidumping and Countervailing Duty Orders:**

Hughes Hubbard & Reed LLP  
Washington, DC  
on behalf of

Government of Canada

**James P. Dougan**, Vice President, Economic Consulting Services, LLC

**Cara Groden**, Senior Economist, Economic Consulting Services, LLC

**Kivanc Kirgiz**, Vice President, Cornerstone Research

**Emre Uyar**, Principal Cornerstone Research

**Matthew R. Nicely** )  
 ) – OF COUNSEL  
**Eric S. Parnes** )

\



**In Opposition to the Imposition of  
Antidumping and Countervailing Duty Orders (continued):**

Morris, Manning & Martin, LLP  
Washington, DC  
on behalf of

Canfor Corporation

**Mark Feldinger**, Senior Vice President, Energy, Environment,  
Transportation and Sourcing, Canfor Corporation

**Donald B. Cameron** ) – OF COUNSEL

Mowry & Grimson, PLLC  
Washington, DC  
on behalf of

National Association of Home Builders (“NAHB”)

**Thomas Baalman**, Owner/General Manager, B & B Lumber

**Edward Martin**, President *and* Chief Executive Officer, Tilison  
Home Corporation

**Jeffrey S. Grimson** )  
 ) – OF COUNSEL  
**Kristin H. Mowry** )

Baker & Hosteller LLP  
Washington, DC  
on behalf of

Conseil de l’Industrie forestière du Québec (“CFIQ”)  
Ontario Forest Industries Association (“OFIA”)  
Resolute Forest Products Inc.

**Elliot J. Feldman** )  
 ) – OF COUNSEL  
**Michael Snarr** )

**In Opposition to the Imposition of  
Antidumping and Countervailing Duty Orders (continued):**

Steptoe & Johnson LLP  
Washington, DC  
on behalf of

British Columbia Lumber Trade Council (“BCLTC”)

**Mark A. Moran** )  
**Matthew A. Frumin** ) – OF COUNSEL  
**Alexandra Baj** )

Cassidy Levy Kent (USA) LLP  
Washington, DC  
on behalf of

Interfor Corporation  
Western Forest Products Inc.  
Downie Timber/Selkirk Cedar

**Rob Marusic**, Sales Manager, Downie Timber/Selkirk Cedar

**Myles S. Getlan** )  
 ) – OF COUNSEL  
**Jonathan Zielinski** )

FisherBroyles LLP  
Washington, DC  
on behalf of

Oregon-Canadian Forest Products, Inc.; Rogue Valley Door;  
Northwest Clearwoods, Inc.; Bright Wood Corporation;  
Matthaeis Camco, Inc.; Siskiyou Forest Products;  
Fred Tebb and Sons, Inc. and EMS Manufacturing  
(collectively, the “Companies”)

**John Grove**, Vice President, Purchasing & Export, Oregon-Canadian  
Forest Products, Inc.

**Philip S. Gallas** )  
 ) – OF COUNSEL  
**Geoffrey Goodale** )

**APPENDIX C**  
**SUMMARY DATA**

Table C-1  
Softwood lumber: Summary data concerning the U.S. market, 2014-16,  
January to June 2016, and January to June 2017 ..... C-3

Table C-2  
Cedar/redwood: Summary data concerning the U.S. market, 2014-16,  
January to June 2016, and January to June 2017 ..... C-4

Table C-3  
Softwood lumber: Summary data concerning the U.S. market excluding two U.S. producers  
\*\*\*, 2014-16, January to June 2016, and January to June 2017 ..... C-5

## All Softwood Lumber

Table C-1

Softwood lumber: Summary data concerning the U.S. market, 2014-16, January to June 2016, and January to June 2017

(Quantity=1,000 board feet; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per 1,000 board feet; Period changes=percent--exceptions noted)

	Reported data					Period changes			
	Calendar year			January to June		2014-16	Calendar year		Jan-Jun 2016-17
	2014	2015	2016	2016	2017		2014-15	2015-16	
<b>U.S. consumption quantity:</b>									
Amount.....	42,485,623	44,044,573	46,974,488	23,472,790	24,351,955	10.6	3.7	6.7	3.7
Producers' share (fn1).....	69.8	68.4	66.1	68.0	66.9	(3.8)	(1.4)	(2.3)	(1.1)
Importers' share (fn1):									
Canada Atlantic provinces.....	0.1	0.1	0.2	0.1	0.2	0.0	(0.0)	0.0	0.0
Canada all other provinces.....	28.4	30.0	31.8	29.6	29.8	3.4	1.5	1.9	0.1
Canada all provinces.....	28.6	30.1	32.0	29.8	29.9	3.4	1.5	1.9	0.2
All other sources.....	1.6	1.5	1.9	2.2	3.2	0.3	(0.1)	0.4	0.9
All import sources.....	30.2	31.6	33.9	32.0	33.1	3.8	1.4	2.3	1.1
<b>U.S. consumption value:</b>									
Amount.....	17,316,116	15,873,950	17,921,928	8,864,557	10,174,537	3.5	(8.3)	12.9	14.8
Producers' share (fn1).....	67.7	66.5	64.0	65.4	66.1	(3.8)	(1.2)	(2.5)	0.7
Importers' share (fn1):									
Canada Atlantic provinces.....	0.1	0.1	0.1	0.1	0.1	0.0	(0.0)	0.0	0.0
Canada all other provinces.....	29.3	29.7	32.1	30.9	29.6	2.8	0.4	2.4	(1.3)
Canada all provinces.....	29.5	29.8	32.2	31.1	29.7	2.8	0.4	2.4	(1.3)
All other sources.....	2.8	3.7	3.8	3.6	4.2	1.0	0.9	0.1	0.6
All import sources.....	32.3	33.5	36.0	34.6	33.9	3.8	1.2	2.5	(0.7)
<b>U.S. imports from:</b>									
<b>Canada Atlantic provinces:</b>									
Quantity.....	58,540	55,734	70,491	32,413	37,970	20.4	(4.8)	26.5	17.1
Value.....	21,698	17,900	23,440	10,408	13,737	8.0	(17.5)	31.0	32.0
Unit value.....	\$371	\$321	\$333	\$321	\$362	(10.3)	(13.4)	3.5	12.7
<b>Canada all other provinces:</b>									
Quantity.....	12,084,928	13,201,734	14,959,436	6,956,011	7,250,368	23.8	9.2	13.3	4.2
Value.....	5,081,219	4,718,765	5,752,197	2,743,501	3,012,390	13.2	(7.1)	21.9	9.8
Unit value.....	\$420	\$357	\$385	\$394	\$415	(8.5)	(15.0)	7.6	5.3
<b>Canada all provinces:</b>									
Quantity.....	12,143,469	13,257,468	15,029,927	6,988,423	7,288,338	23.8	9.2	13.4	4.3
Value.....	5,102,917	4,736,665	5,775,637	2,753,910	3,026,127	13.2	(7.2)	21.9	9.9
Unit value.....	\$420	\$357	\$384	\$394	\$415	(8.6)	(15.0)	7.6	5.4
<b>All other sources:</b>									
Quantity.....	669,154	653,105	901,561	520,367	768,617	34.7	(2.4)	38.0	47.7
Value.....	487,522	583,637	684,308	315,773	427,492	40.4	19.7	17.2	35.4
Unit value.....	\$729	\$894	\$759	\$607	\$556	4.2	22.7	(15.1)	(8.3)
<b>All import sources:</b>									
Quantity.....	12,812,623	13,910,573	15,931,488	7,508,790	8,056,955	24.3	8.6	14.5	7.3
Value.....	5,590,439	5,320,302	6,459,945	3,069,683	3,453,619	15.6	(4.8)	21.4	12.5
Unit value.....	\$436	\$382	\$405	\$409	\$429	(7.1)	(12.3)	6.0	4.9
<b>U.S. producers:</b>									
Average capacity quantity.....	21,798,882	23,078,595	23,919,995	12,170,513	12,539,547	9.7	5.9	3.6	3.0
Production quantity.....	17,329,875	18,409,438	19,206,029	9,713,328	10,081,617	10.8	6.2	4.3	3.8
Capacity utilization (fn1).....	79.5	79.8	80.3	79.8	80.4	0.8	0.3	0.5	0.6
<b>U.S. shipments (fn3):</b>									
Quantity.....	29,673,000	30,134,000	31,043,000	15,964,000	16,295,000	4.6	1.6	3.0	2.1
Value.....	11,725,677	10,553,648	11,461,983	5,794,874	6,720,918	(2.2)	(10.0)	8.6	16.0
Unit value.....	\$395	\$350	\$369	\$363	\$412	(6.6)	(11.4)	5.4	13.6
<b>U.S. shipments (fn4):</b>									
Quantity.....	16,891,875	18,084,318	18,933,731	9,575,842	9,786,681	12.1	7.1	4.7	2.2
Value.....	6,675,047	6,333,561	6,990,887	3,475,996	4,036,544	4.7	(5.1)	10.4	16.1
Unit value.....	\$395	\$350	\$369	\$363	\$412	(6.6)	(11.4)	5.4	13.6
<b>Export shipments:</b>									
Quantity.....	324,549	319,324	288,827	142,114	158,237	(11.0)	(1.6)	(9.6)	11.3
Value.....	169,239	155,838	139,151	68,380	73,721	(17.8)	(7.9)	(10.7)	7.8
Unit value.....	\$521	\$488	\$482	\$481	\$466	(7.6)	(6.4)	(1.3)	(3.2)
Ending inventory quantity.....	1,294,678	1,343,923	1,338,442	1,354,110	1,447,729	3.4	3.8	(0.4)	6.9
Inventories/total shipments (fn1).....	7.5	7.3	7.0	7.0	7.3	(0.6)	(0.2)	(0.3)	0.3
Production workers.....	17,357	18,305	18,361	18,113	18,592	5.8	5.5	0.3	2.6
Hours worked (1,000s).....	40,646	42,350	43,410	21,661	22,189	6.8	4.2	2.5	2.4
Wages paid (\$1,000).....	913,797	994,272	1,070,277	534,950	553,473	17.1	8.8	7.6	3.5
Hourly wages (dollars).....	\$22.48	\$23.48	\$24.66	\$24.70	\$24.94	9.7	4.4	5.0	1.0
Productivity (board feet per hour).....	426.4	434.7	442.4	448.4	454.4	3.8	2.0	1.8	1.3
Unit labor costs.....	\$52.73	\$54.01	\$55.73	\$55.07	\$54.90	5.7	2.4	3.2	(0.3)
<b>Net sales:</b>									
Quantity.....	17,216,315	18,403,544	19,222,560	9,717,957	9,944,919	11.7	6.9	4.5	2.3
Value.....	6,817,181	6,462,141	7,100,628	3,528,678	4,084,853	4.2	(5.2)	9.9	15.8
Unit value.....	\$396	\$351	\$369	\$363	\$411	(6.7)	(11.3)	5.2	13.1
Cost of goods sold (COGS).....	5,388,196	5,754,650	5,956,189	2,981,380	3,200,717	10.5	6.8	3.5	7.4
Gross profit or (loss).....	1,428,985	707,491	1,144,439	547,298	884,136	(19.9)	(50.5)	61.8	61.5
SG&A expenses.....	308,409	307,452	309,706	151,576	167,861	0.4	(0.3)	0.7	10.7
Operating income or (loss).....	1,120,576	400,039	834,733	395,722	716,275	(25.5)	(64.3)	108.7	81.0
Net income or (loss).....	985,503	261,229	712,613	333,634	648,921	(27.7)	(73.5)	172.8	94.5
Capital expenditures.....	866,039	851,999	633,648	244,901	319,715	(26.8)	(1.6)	(25.6)	30.5
Unit COGS.....	\$313	\$313	\$310	\$307	\$322	(1.0)	(0.1)	(0.9)	4.9
Unit SG&A expenses.....	\$18	\$17	\$16	\$16	\$17	(10.1)	(6.7)	(3.6)	8.2
Unit operating income or (loss).....	\$65	\$22	\$43	\$41	\$72	(33.3)	(66.6)	99.8	76.9
Unit net income or (loss).....	\$57	\$14	\$37	\$34	\$65	(35.2)	(75.2)	161.2	90.1
COGS/sales (fn1).....	79.0	89.1	83.9	84.5	78.4	4.8	10.0	(5.2)	(6.1)
Operating income or (loss)/sales (fn1).....	16.4	6.2	11.8	11.2	17.5	(4.7)	(10.2)	5.6	6.3
Net income or (loss)/sales (fn1).....	14.5	4.0	10.0	9.5	15.9	(4.4)	(10.4)	6.0	6.4

## Notes:

fn1.--Reported data are in percent and period changes are in percentage points.

fn2.--Undefined.

fn3.--Data for U.S. producers' U.S. shipments (used for apparent consumption) are from WWPA industry data. Data for the January-June period are estimates based on January-May data from table III-7.

fn4.--Questionnaire data.

Source: Compiled from data submitted in response to Commission questionnaires, WWPA industry data, and official import statistics (as discussed in part IV).

## Cedar/Redwood

Table C-2

**Cedar/redwood: Summary data concerning the U.S. market, 2014-16, January to June 2016, and January to June 2017**

(Quantity=1,000 board feet; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per 1,000 board feet; Period changes=percent--exceptions noted)

	Reported data					Period changes			
	2014	Calendar year 2015	2016	January to June 2016	January to June 2017	2014-16	Calendar year 2014-15	2015-16	Jan-Jun 2016-17
<b>U.S. consumption quantity:</b>									
Amount.....	813,607	805,840	939,887	485,052	443,963	15.5	(1.0)	16.6	(8.5)
Producers' share (fn1).....	28.8	27.9	23.3	25.5	25.8	(5.5)	(0.8)	(4.6)	0.3
<b>Importers' share (fn1):</b>									
Canada.....	71.0	71.0	76.0	73.8	73.3	5.1	0.1	5.0	(0.6)
Nonsubject sources.....	0.3	1.1	0.7	0.6	0.9	0.4	0.8	(0.4)	0.3
All import sources.....	71.2	72.1	76.7	74.5	74.2	5.5	0.8	4.6	(0.3)
<b>U.S. consumption value:</b>									
Amount.....	767,469	802,108	1,017,309	522,693	477,978	32.6	4.5	26.8	(8.6)
Producers' share (fn1).....	21.7	19.9	17.0	17.7	22.6	(4.7)	(1.8)	(2.9)	4.9
<b>Importers' share (fn1):</b>									
Canada.....	77.6	78.3	81.8	81.3	75.9	4.2	0.7	3.5	(5.4)
Nonsubject sources.....	0.8	1.8	1.2	1.0	1.5	0.4	1.0	(0.6)	0.5
All import sources.....	78.3	80.1	83.0	82.3	77.4	4.7	1.8	2.9	(4.9)
<b>U.S. imports from:</b>									
<b>Canada:</b>									
Quantity.....	577,263	572,204	714,347	358,210	325,273	23.7	(0.9)	24.8	(9.2)
Value.....	595,433	628,285	832,184	424,881	362,840	39.8	5.5	32.5	(14.6)
Unit value.....	\$1,031	\$1,098	\$1,165	\$1,186	\$1,115	12.9	6.5	6.1	(6.0)
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
<b>Nonsubject sources</b>									
Quantity.....	2,419	8,738	6,649	3,094	3,979	174.9	261.2	(23.9)	28.6
Value.....	5,835	14,311	12,233	5,256	7,003	109.6	145.3	(14.5)	33.2
Unit value.....	\$2,412	\$1,638	\$1,840	\$1,699	\$1,760	(23.7)	(32.1)	12.3	3.6
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
<b>All import sources:</b>									
Quantity.....	579,682	580,942	720,996	361,304	329,252	24.4	0.2	24.1	(8.9)
Value.....	601,268	642,595	844,417	430,138	369,843	40.4	6.9	31.4	(14.0)
Unit value.....	\$1,037	\$1,106	\$1,171	\$1,191	\$1,123	12.9	6.6	5.9	(5.6)
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
<b>U.S. producers:</b>									
Average capacity quantity.....	341,251	319,926	304,901	152,163	143,873	(10.7)	(6.2)	(4.7)	(5.4)
Production quantity.....	256,457	243,243	235,105	117,221	103,281	(8.3)	(5.2)	(3.3)	(11.9)
Capacity utilization (fn1).....	75.2	76.0	77.1	77.0	71.8	2.0	0.9	1.1	(5.3)
<b>U.S. shipments:</b>									
Quantity.....	233,925	224,898	218,891	123,748	114,711	(6.4)	(3.9)	(2.7)	(7.3)
Value.....	166,201	159,513	172,892	92,555	108,135	4.0	(4.0)	8.4	16.8
Unit value.....	\$710	\$709	\$790	\$748	\$943	11.2	(0.2)	11.4	26.0
<b>Export shipments:</b>									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	61,415	52,580	49,190	36,957	32,140	(19.9)	(14.4)	(6.4)	(13.0)
Inventories/total shipments (fn1).....	***	***	***	***	***	***	***	***	***
<b>Production workers.....</b>									
Hours worked (1,000s).....	713	651	610	300	271	(14.4)	(8.7)	(6.3)	(9.7)
Wages paid (\$1,000).....	18,655	17,527	17,095	8,585	7,383	(8.4)	(6.0)	(2.5)	(14.0)
Hourly wages (dollars).....	\$26.16	\$26.92	\$28.02	\$28.62	\$27.24	7.1	2.9	4.1	(4.8)
Productivity (short tons per hour).....	359.7	373.6	385.4	390.7	381.1	7.2	3.9	3.2	(2.5)
Unit labor costs.....	\$72.74	\$72.06	\$72.71	\$73.24	\$71.48	(0.0)	(0.9)	0.9	(2.4)
<b>Net sales: (fn3)</b>									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
<b>Cost of goods sold (COGS).....</b>									
Gross profit or (loss).....	***	***	***	***	***	***	***	***	***
SG&A expenses.....	***	***	***	***	***	***	***	***	***
Operating income or (loss).....	***	***	***	***	***	***	***	***	***
Net income or (loss).....	***	***	***	***	***	***	***	***	***
Net assets.....	***	***	***	***	***	***	***	***	***
Capital expenditures.....	***	***	***	***	***	***	***	***	***
Unit COGS.....	***	***	***	***	***	***	***	***	***
Unit SG&A expenses.....	***	***	***	***	***	***	***	***	***
Unit operating income or (loss).....	***	***	***	***	***	***	***	***	***
Unit net income or (loss).....	***	***	***	***	***	***	***	***	***
COGS/sales (fn1).....	***	***	***	***	***	***	***	***	***
Operating income or (loss)/sales (fn1).....	***	***	***	***	***	***	***	***	***
Net income or (loss)/sales (fn1).....	***	***	***	***	***	***	***	***	***
Operating income or (loss)/assets.....	***	***	***	***	***	***	***	***	***

**Notes:**

fn1.--Reported data are in percent and period changes are in percentage points.

fn2.--Undefined.

fn3.-- \*\*\*

Source: Compiled from data submitted in response to Commission questionnaires and official import statistic based on HTS statistical reporting numbers 4407.10.0168, 4407.10.0169, 4407.10.0174, 4407.10.0175,

**Table C-3**  
**Softwood lumber: Summary data concerning the U.S. market excluding two U.S. producers**  
**\*\*\*, 2014-16, January to June 2016, and January to June 2017**

\* \* \* \* \*





**APPENDIX D**

**FIRM-BY-FIRM FINANCIAL DATA AND  
CAPITAL AND INVESTMENT**



## OUTLINE

This appendix presents data on a firm-by-firm basis for the following areas:

- (1) Selected financial results of operations on softwood lumber: Table D-1 presents selected financial results of the leading eight firms and all others on their operations on softwood lumber. This table corresponds to Part VI table VI-1.
- (2) Capital and investment: Table D-2 presents a tabulation of firms' responses on negative effects of imports from Canada on investment, growth, and development since January 1, 2014. Tables D-3 presents firms' narrative responses on the actual negative effects of imports on investment, growth and development, and table D-4 presents firm's narrative comments on the anticipated negative effects of imports.

**SELECTED FINANCIAL INDICATORS OF RESULTS OF OPERATIONS:**

**Table D-1**  
**Softwood lumber: Selected results of operations of U.S. producers, by firm, 2014-16, January-June 2016, and January-June 2017**

Item	Calendar year			January-June	
	2014	2015	2016	2016	2017
	<b>Total net sales (1,000 board feet)</b>				
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Top 8 firms	11,731,021	12,614,546	13,112,606	6,636,426	6,676,268
All other firms	5,485,294	5,788,998	6,109,954	3,081,531	3,268,651
Total	17,216,315	18,403,544	19,222,560	9,717,957	9,944,919
	<b>Total net sales (1,000 dollars)</b>				
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Top 8 firms	4,548,545	4,304,107	4,741,601	2,350,230	2,704,143
All other firms	2,268,636	2,158,034	2,359,027	1,178,448	1,380,710
Total	6,817,181	6,462,141	7,100,628	3,528,678	4,084,853
	<b>Total COGS (1,000 dollars)</b>				
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Top 8 firms	3,560,290	3,822,746	3,946,044	1,986,434	2,084,152
All other firms	1,827,906	1,931,904	2,010,145	994,946	1,116,565
Total	5,388,196	5,754,650	5,956,189	2,981,380	3,200,717

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**Table D-1 -- Continued**  
**Softwood lumber: Selected results of operations of U.S. producers, by firm, 2014-16, January-**  
**June 2016, and January-June 2017**

Item	Calendar year			January-June	
	2014	2015	2016	2016	2017
<b>Gross profit or (loss) (1,000 dollars)</b>					
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Top 8 firms	988,255	481,361	795,557	363,796	619,991
All other firms	440,730	226,130	348,882	183,502	264,145
Total	1,428,985	707,491	1,144,439	547,298	884,136
<b>Total SG&amp;A expenses (1,000 dollars)</b>					
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Top 8 firms	177,772	165,598	164,966	80,255	89,333
All other firms	130,637	141,854	144,740	71,321	78,528
Total	308,409	307,452	309,706	151,576	167,861
<b>Operating income or (loss) (1,000 dollars)</b>					
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Top 8 firms	810,483	315,763	630,591	283,541	530,658
All other firms	310,093	84,276	204,142	112,181	185,617
Total	1,120,576	400,039	834,733	395,722	716,275

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**Table D-1 -- Continued**  
**Softwood lumber: Selected results of operations of U.S. producers, by firm, 2014-16, January-**  
**June 2016, and January-June 2017**

Item	Calendar year			January-June	
	2014	2015	2016	2016	2017
	<b>Net income or (loss) (1,000 dollars)</b>				
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Top 8 firms	715,578	218,761	539,188	233,968	478,684
All other firms	269,925	42,468	173,425	99,666	170,237
Total	985,503	261,229	712,613	333,634	648,921
	<b>Total COGS to total net sales ratio (percent)</b>				
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Top 8 firms	78.3	88.8	83.2	84.5	77.1
All other firms	80.6	89.5	85.2	84.4	80.9
Average	79.0	89.1	83.9	84.5	78.4
	<b>Gross profit or (loss) to total net sales ratio (percent)</b>				
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Top 8 firms	21.7	11.2	16.8	15.5	22.9
All other firms	19.4	10.5	14.8	15.6	19.1
Average	21.0	10.9	16.1	15.5	21.6

Table continued on next page.

**Table D-1 -- Continued**  
**Softwood lumber: Selected results of operations of U.S. producers, by firm, 2014-16, January-**  
**June 2016, and January-June 2017**

Item	Calendar year			January-June	
	2014	2015	2016	2016	2017
	<b>Total SG&amp;A expenses to total net sales ratio (percent)</b>				
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Top 8 firms	3.9	3.8	3.5	3.4	3.3
All other firms	5.8	6.6	6.1	6.1	5.7
Average	4.5	4.8	4.4	4.3	4.1
	<b>Operating income or (loss) to net sales ratio (percent)</b>				
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Top 8 firms	17.8	7.3	13.3	12.1	19.6
All other firms	13.7	3.9	8.7	9.5	13.4
Average	16.4	6.2	11.8	11.2	17.5
	<b>Net income or (loss) to net sales ratio (percent)</b>				
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Top 8 firms	15.7	5.1	11.4	10.0	17.7
All other firms	11.9	2.0	7.4	8.5	12.3
Average	14.5	4.0	10.0	9.5	15.9

Table continued on next page.

**Table D-1 -- Continued**  
**Softwood lumber: Selected results of operations of U.S. producers, by firm, 2014-16, January-**  
**June 2016, and January-June 2017**

Item	Calendar year			January-June	
	2014	2015	2016	2016	2017
<b>Unit net sales value (dollars per 1,000 board feet)</b>					
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Top 8 firms	388	341	362	354	405
All other firms	414	373	386	382	422
Average	396	351	369	363	411
<b>Unit raw materials costs (dollars per 1,000 board feet)</b>					
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Top 8 firms	223	220	210	213	217
All other firms	250	249	243	242	251
Average	231	229	221	222	228
<b>Unit direct labor costs (dollars per 1,000 board feet)</b>					
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Top 8 firms	54	55	56	55	57
All other firms	54	55	55	54	53
Average	54	55	56	55	56

Table continued on next page.



**Table D-1 -- Continued**  
**Softwood lumber: Selected results of operations of U.S. producers, by firm, 2014-16, January-**  
**June 2016, and January-June 2017**

Item	Calendar year			January-June	
	2014	2015	2016	2016	2017
	<b>Unit other factory costs (dollars per 1,000 board feet)</b>				
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Top 8 firms	75	77	83	81	85
All other firms	77	82	80	77	82
Average	76	79	82	79	84
	<b>Unit total COGS (dollars per 1,000 board feet)</b>				
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Top 8 firms	303	303	301	299	312
All other firms	333	334	329	323	342
Average	313	313	310	307	322
	<b>Unit gross profit or (loss) (dollars per 1,000 board feet)</b>				
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Top 8 firms	84	38	61	55	93
All other firms	80	39	57	60	81
Average	83	38	60	56	89

Table continued on next page.

**Table D-1 -- Continued**  
**Softwood lumber: Selected results of operations of U.S. producers, by firm, 2014-16, January-**  
**June 2016, and January-June 2017**

Item	Calendar year			January-June	
	2014	2015	2016	2016	2017
	<b>Unit total SG&amp;A expenses (dollars per 1,000 board feet)</b>				
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Top 8 firms	15	13	13	12	13
All other firms	24	25	24	23	24
Average	18	17	16	16	17
	<b>Unit operating income or (loss) (dollars per 1,000 board feet)</b>				
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Top 8 firms	69	25	48	43	79
All other firms	57	15	33	36	57
Average	65	22	43	41	72
	<b>Unit net income or (loss) (dollars per 1,000 board feet)</b>				
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Top 8 firms	61	17	41	35	72
All other firms	49	7	28	32	52
Average	57	14	37	34	65

Source: Compiled from data submitted in response to Commission questionnaires.

## CAPITAL AND INVESTMENT

As noted in Part VI of the report, the Commission requested U.S. producers of softwood lumber to describe any actual or potential negative effects of imports of softwood lumber from Canada on their firms' growth, investment, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or the scale of capital investments. Table D-2 tabulates the firms' "no" and "yes" responses on actual negative effects on investment, growth, and development while table D-3 presents firms' narrative responses on actual negative effects on those items, and table D-4 presents the comments by firms on anticipated negative effects of the subject imports.

**Table D-2**  
**Softwood lumber: Negative effects of imports from Canada on investment, growth, and development since January 1, 2014**

Item	No	Yes
Negative effects on investment <sup>1</sup>	12	33
Cancellation, postponement, or rejection of expansion projects		28
Denial or rejection of investment proposal		7
Reduction in the size of capital investments		23
Return on specific investments negatively impacted		24
Other		7
Negative effects on growth and development <sup>2</sup>	13	36
Rejection of bank loans		4
Lowering of credit rating		7
Problem related to the issue of stocks or bonds		0
Ability to service debt		11
Other		24
Anticipated negative effects of imports <sup>3</sup>	11	38

<sup>1</sup> The following firms responded "no" to this question: \*\*\*.

<sup>2</sup> The following firms responded "no" to this question: \*\*\*.

<sup>3</sup> The following firms responded "no" to this question: \*\*\*.

Source: Compiled from data submitted in response to Commission questionnaires.

### Actual negative effects

**Table D-3**  
**Softwood lumber: U.S. producers' narrative responses on actual negative effects on investment, growth, and development since January 1, 2014**

\*       \*       \*       \*       \*       \*       \*

## Anticipated negative effects

### Table D-4

Softwood lumber: U.S. producers' narrative responses on anticipated negative effects of imports

\* \* \* \* \*

**APPENDIX E**  
**ALTERNATE PRICE DATA**



## PRICE DATA EXCLUDING \*\*\*

In the preliminary phase of these investigations, the Commission found that appropriate circumstances existed to exclude \*\*\* from the domestic industry as related parties. Accordingly, this appendix presents monthly data for the total quantity and delivered value of the following softwood lumber products shipped to unrelated U.S. customers during January 2014-June 2017, with \*\*\* price data excluded from \*\*\*:<sup>1</sup>

**Product 1.** -- Douglas Fir ("DF"), 2x4, Grade No. 2, random lengths, kiln-dried.

**Product 2.** -- DF, precision end trimmed ("PET") stud, 2x4, Grade No. 2, 9-foot length, kiln-dried.

**Product 3.** -- Spruce Pine Fir ("SPF"), PET stud, 2x4, Grade No. 2, 8-foot length.

**Product 4.** -- SPF, 2x4, Grade No. 3 (utility), random lengths.

**Product 5.** -- Western Red Cedar, Industrial Clear (NLGA Grade 203c), 4"x4"xRL, Green, Rough.

These price items and accompanying data are comparable to those presented in tables V-3 to V-7 and figures V-3 to V-7. Pricing data reported by these firms accounted for approximately \*\*\* percent of U.S. producers' shipments of softwood lumber and \*\*\* percent of U.S. shipments of subject imports from Canada in 2016.

**Table E-1**

**Softwood lumber: Weighted-average delivered prices and quantities of domestic and imported product 1 and margins of underselling/(overselling), by quarter, January 2014-June 2017**

\* \* \* \* \*

**Table E-2**

**Softwood lumber: Weighted-average delivered prices and quantities of domestic and imported product 2 and margins of underselling/(overselling), by quarter, January 2014-June 2017**

\* \* \* \* \*

**Table E-3**

**Softwood lumber: Weighted-average delivered prices and quantities of domestic and imported product 3 and margins of underselling/(overselling), by quarter, January 2014-June 2017**

\* \* \* \* \*

---

<sup>1</sup> \*\*\*. \*\*\*.

**Table E-4**  
**Softwood lumber: Weighted-average delivered prices and quantities of domestic and imported product 4 and margins of underselling/(overselling), by quarter, January 2014-June 2017**

\* \* \* \* \*

**Table E-5**  
**Softwood lumber: Weighted-average delivered prices and quantities of domestic and imported product 5 and margins of underselling/(overselling), by quarter, January 2014-June 2017**

\* \* \* \* \*

**Figure E-1**  
**Softwood lumber: Weighted-average delivered prices and quantities of domestic and imported product 1, by quarter, January 2014-June 2017**

\* \* \* \* \*

**Figure E-2**  
**Softwood lumber: Weighted-average delivered prices and quantities of domestic and imported product 2, by quarter, January 2014-June 2017**

\* \* \* \* \*

**Figure E-3**  
**Softwood lumber: Weighted-average delivered prices and quantities of domestic and imported product 3, by quarter, January 2014-June 2017**

\* \* \* \* \*

**Figure E-4**  
**Softwood lumber: Weighted-average delivered prices and quantities of domestic and imported product 4, by quarter, January 2014-June 2017**

\* \* \* \* \*

**Figure E-5**  
**Softwood lumber: Weighted-average delivered prices and quantities of domestic and imported product 5, by quarter, January 2014-June 2017**

\* \* \* \* \*



## PRICE TRENDS

In general, domestic prices increased from January 2014 to June 2017, while import price trends were more mixed. Table E-6 summarizes the price trends, by product and by country. As shown in the table, domestic price increases ranged from 4.7 percent (for product \*\*\*) to 24.1 percent (for product \*\*\*). Import prices generally decreased for \*\*\*, and increased for \*\*\*.

**Table E-6**  
**Softwood lumber: Summary of weighted-average delivered prices for products 1-5 from the United States and Canada**

Item	Number of months	Low price (per mbf)	High price (per mbf)	Change in price <sup>1</sup> (percent)
<b>Product 1</b>				
United States	41	***	***	***
Canada	38	***	***	*** <sup>2</sup>
<b>Product 2</b>				
United States	42	***	***	***
Canada	15	***	***	*** <sup>3</sup>
<b>Product 3</b>				
United States	42	***	***	***
Canada	42	***	***	***
<b>Product 4</b>				
United States	37	***	***	***
Canada	42	***	***	***
<b>Product 5</b>				
United States	---	---	---	---
Canada	42	***	***	***

<sup>1</sup> Percentage change from the first month in which data were available to the last month in which price data were available.

<sup>2</sup> Prices for product 1 from Canada \*\*\* by \*\*\* percent between March 2014 and June 2017.

<sup>3</sup> Prices for product 2 from Canada \*\*\* by \*\*\* percent between March 2014 and June 2017.

Source: Compiled from data submitted in response to Commission questionnaires.

## PRICE COMPARISONS

As shown in table E-7, prices for softwood lumber imported from Canada were below those for U.S.-produced product in 30 of 132 monthly instances (approximately 25.1 million

board feet); margins of underselling ranged from 0.1 to 20.1 percent. In the remaining 102 instances (approximately 140.1 million board feet), prices for softwood lumber from Canada were between 0.3 and 105.4 percent above prices for domestic product.<sup>2</sup>

**Table E-7**  
**Softwood lumber: Instances of underselling/overselling and the range and average of margins, by product, January 2014-June 2017**

Product	Underselling				
	Number of months	Quantity <sup>1</sup> (mbf)	Average margin (percent)	Margin range (percent)	
				Min	Max
Product 1	10	***	***	***	***
Product 2	7	***	***	***	***
Product 3	12	***	***	***	***
Product 4	1	***	***	***	***
Product 5	0	0	---	---	---
Total, underselling	30	25,143	5.7	0.1	20.1
Product	(Overselling)				
	Number of months	Quantity <sup>1</sup> (mbf)	Average margin (percent)	Margin range (percent)	
				Min	Max
Product 1	28	***	***	***	***
Product 2	8	***	***	***	***
Product 3	30	***	***	***	***
Product 4	36	***	***	***	***
Product 5	0	0	---	---	---
Total, overselling	102	140,132	(18.3)	(0.3)	(105.4)

<sup>1</sup> These data include only months in which there is a comparison between the U.S. and subject product.

Source: Compiled from data submitted in response to Commission questionnaires.

<sup>2</sup> As noted in part 5 of this report, in the preliminary phase of these investigations, prices for species-based U.S. and Canadian product(s) were collected for different geographic market areas (for Atlanta, GA; Chicago, IL; Denver, CO; and Phoenix, AZ). Out of the 720 possible comparisons from the preliminary phase investigations, softwood lumber prices from Canada were below those of domestic producers in 7 of 12 instances (1,153 mbf); margins of underselling ranged from 1.3 to 9.0 percent. In the remaining 5 instances (850 mbf), prices from Canada were between 3.7 and 24.2 percent above prices for the domestic product. See *Inv. Nos. 701-TA-566 and 731-TA-1342 (Preliminary): Softwood Lumber from Canada—Staff Report*, INV-OO-127, December 30, 2016, pp. V-15–V-64.

