



## VALLEY REN BUSINESS INSIGHT: May 2017

### SOFTWOOD LUMBER DISPUTE

*In April, the United States government imposed preliminary countervailing duties on imports of softwood lumber from Canada. In this business briefing, the Valley Regional Enterprise Network considers the possible effects on forestry-based businesses in the Annapolis Valley.*

#### Issue

Following the end of a long-standing accord between Canada and the United States (the *2006 Softwood Lumber Agreement*), Nova Scotia has been caught up in a fresh trade dispute over exports of softwood lumber to the United States. On April 24, the United States Department of Commerce imposed preliminary duties on softwood lumber imports from Canada. The duties include varying company-specific rates and a blanket rate of 19.88% that applies to all other imports of Canadian softwood lumber, with fees collected retroactively for 90 days. A decision on an exemption for Atlantic Canada has been deferred to the fall of 2017.

#### Question

What immediate effects on forestry-based businesses in the Valley REN service area<sup>1</sup> and in the wider Annapolis Valley Economic Region<sup>2</sup> may be anticipated following the imposition of preliminary countervailing duties on U.S. imports of softwood lumber from Canada?

1. The Valley Regional Enterprise Network (Valley REN) is an inter-municipal corporation serving the Province of Nova Scotia and our First Nation and municipal partners: Glooscap First Nation, the County of Kings, the District of West Hants, and the towns of Berwick, Kentville, Middleton, Windsor and Wolfville. 2. Annapolis, Kings and Hants counties.

#### Summary

The new trade situation – whether temporary or protracted – may generate industry-wide effects. If a new regime of duties is imposed over the long term, it could dampen U.S. demand for Canadian softwood lumber. If Nova Scotia exporters do not receive an exemption from new duties when a final decision is reached in fall this year, major provincial sawmills may reduce the price they pay for softwood, with repercussions for the local forestry industry.

According to an industry broker interviewed for this briefing, two of the province's largest buyers of roundwood (Ledwidge and Freeman, which export softwood lumber to the U.S.), are not expected to lower prices in the short term this year. So long as key exporters are carrying the cost of new duties, the provincial forestry sector is being shielded from the full potential effects.

At the enterprise level, there is no foreseeable reason to expect a *direct* application of the preliminary duties to local sawmills and other buyers of roundwood harvested in the Annapolis Valley. The primary buyers of softwood in our region are not processing lumber for export to the U.S.

There are no significant exports of softwood (roundwood) harvested in the three counties surveyed for this briefing: Annapolis, Kings and Hants. Local mills acquiring softwood primarily serve the provincial market.



## VALLEY REN BUSINESS INSIGHT: May 2017

### SOFTWOOD LUMBER DISPUTE

#### Timeline

- December 16, 2016: The United States Department of Commerce announced the initiation of antidumping duty (AD) and countervailing duty (CVD) investigations of imports of certain softwood lumber products from Canada.<sup>1</sup> The action was triggered by an industry coalition, representing lumber interests in the United States, which filed a petition with the U.S. Department of Commerce in November 2016.
- April 24, 2017: The same department announced its affirmative preliminary determination in the countervailing duty investigation. Preliminary subsidy rates were calculated for five mandatory respondents: Canfor Corp., 20.26%; J.D. Irving Ltd, 3.02%; Resolute FP Canada Ltd., 12.82%; Tolko Marketing and Sales Ltd. and Tolko Industries Ltd., 19.50%; West Fraser Mills Ltd., 24.12%. A preliminary subsidy rate of 19.88% was set for all other producers/exporters in Canada.
- U.S. Customs and Border Protection requires cash deposits based on the preliminary rates.
- The preliminary determination found “critical circumstances” existed with respect to J.D. Irving and to companies subject to the “all others rate.” Accordingly, U.S. Customs and Border Protection was instructed to impose provisional measures retroactively on entries of softwood lumber from Canada, effective 90 days prior to publication of the preliminary determination.
- The U.S. Commerce Department is scheduled to announce its final CVD determination on September 7, 2017, subject to verification of the information provided to the department for the preliminary ruling.
- Depending on these two determinations, the department will issue a CVD order or the investigation will be terminated.

1. “For the purpose of AD investigations, dumping occurs when a foreign company sells a product in the United States at less than its fair value. For the purpose of CVD investigations, a countervailable subsidy is financial assistance from a foreign government that benefits the production of goods from foreign companies and is limited to specific enterprises or industries, or is contingent either upon export performance or upon the use of domestic goods over imported goods.” U.S. Department of Commerce *Fact Sheet* (December 2016). The investigation of subsidies is one of three parallel and related investigations; alleged dumping and determination of injury as a result of alleged unfair subsidies are the other two.



## VALLEY REN BUSINESS INSIGHT: May 2017

### SOFTWOOD LUMBER DISPUTE

#### Key forestry facts (2015)

##### Softwood (roundwood) exports by county of origin

**Annapolis County:** zero m<sup>3</sup> solid  
**Kings County:** zero m<sup>3</sup> solid  
**Hants County:** 81 m<sup>3</sup> solid

##### Percentage of provincial harvest, all land tenures (private/Crown/industrial)

**Annapolis County:** 6%  
**Kings County:** 3%  
**Hants County:** 5%

##### Harvest by species, county of origin (all land tenures)

**Annapolis County:**  
(softwood) 187,971 m<sup>3</sup> solid  
(hardwood) 43,611 m<sup>3</sup> solid  
**Kings County:**  
(softwood) 80,796 m<sup>3</sup> solid  
(hardwood) 30,582 m<sup>3</sup> solid  
**Hants County:**  
(softwood) 165,452 m<sup>3</sup> solid  
(hardwood) 25,344 m<sup>3</sup> solid

##### Registered buyers (roundwood)

**Annapolis County:**  
5 (4 sawmills, 1 log homes)  
**Kings County:**  
7 (5 sawmills, 2 firewood)  
**Hants County:**  
11 (9 sawmills, 1 post/poles, 1 pellet plant)

##### Sawmills by acquisition class

###### **Nova Scotia**

The largest buyers of roundwood (more than 200,000 m<sup>3</sup> solid per year) are:

Harry Freeman and Son Ltd. in Greenfield (Queens County); J.D. Irving – Truro in Valley (Colchester County); Scotsburn Lumber Ltd. in Scotsburn (Pictou County); and Ledwidge Lumber Co. Ltd. in Enfield (Halifax County).

###### **Annapolis Valley**

In the Valley region, two sawmills acquired 1,001 to 3,000 m<sup>3</sup> solid in 2015:

**Kings County:** S.G. Levy & Sons Ltd., Wolfville  
**Hants County:** E & M Burgess Enterprises Ltd., Newport Station<sup>1</sup>

**All other sawmills in the three counties** acquired less than 1,001 m<sup>3</sup> solid in 2015.\*

*\*Annual acquisitions below 1,001 m<sup>3</sup> solid are regarded as relatively insignificant in terms of the province-wide harvest.*

1. This enterprise is registered as a sawmill with the Department of Natural Resources, although it manufactures berry boxes and apple baskets. It acquires aspen (a hardwood).



## VALLEY REN BUSINESS INSIGHT: May 2017

---

### SOFTWOOD LUMBER DISPUTE

#### Other considerations

S.G. Levy & Sons Ltd. in the Wolfville area is one of the two largest buyers of roundwood in the Valley region. In an interview with the Valley REN, S.G. Levy & Sons' president, Garth Levy, suggested the relatively weak Canadian dollar might provide some protection for Canadian exporters in the face of new countervailing duties.

This briefing has considered the question of whether or not new countervailing duties on U.S. imports of Canadian softwood lumber would affect the region's forestry-based businesses at the enterprise level.

There may be other effects not addressed in this briefing and we would welcome your views and comments.

---

#### Queries

Please direct questions and comments to the author of this report:

Rachel Brighton  
Communications Officer  
Valley Regional Enterprise Network  
Phone: 902-670-1771  
Email: [rbrighton@valleyren.ca](mailto:rbrighton@valleyren.ca)



## VALLEY REN BUSINESS INSIGHT: May 2017

### SOFTWOOD LUMBER DISPUTE

#### Sources

##### Government Documents

U.S. Department of Commerce. U.S. Department of Commerce Issues Affirmative Preliminary Countervailing Duty Determination on Softwood Lumber from Canada (April 24, 2017).

<https://www.commerce.gov/news/press-releases/2017/04/us-department-commerce-issues-affirmative-preliminary-countervailing>

U.S. Department of Commerce. International Trade Administration (Enforcement and Compliance). *Fact Sheet: Commerce Makes Preliminarily Determination of Countervailable Subsidies on Imports of Softwood Lumber from Canada* (April 2017). <http://enforcement.trade.gov/download/actsheets/factsheet-canada-softwood-lumber-cvd-prelim-042417.pdf>

U.S. Department of Commerce. International Trade Administration (Enforcement and Compliance). *Fact Sheet: Commerce Initiates Antidumping Duty and Countervailing Duty Investigations of Imports of Certain Softwood Lumber Products from Canada* (December 2016).

<http://enforcement.trade.gov/download/actsheets/factsheet-canada-softwood-lumber-productsad-cvd-initiation-121616.pdf>

Government of Nova Scotia. Department of Natural Resources. *Registry of Buyers of Primary Forest Products 2015 Calendar Year* (June 2016).

<https://novascotia.ca/natr/forestry/registr/y/annual/2016/2015AnnualReport.pdf>

U.S. International Trade Administration. Newsletter (November 2006). *Commerce Department Implements U.S.–Canada Lumber Accord.*

[http://www.trade.gov/press/publications/newsletters/ita\\_1106/lumber\\_1106.asp](http://www.trade.gov/press/publications/newsletters/ita_1106/lumber_1106.asp)

U.S. International Trade Administration. Newsletter (May 2006). *Softwood Lumber Agreement Signed with Canada.*

[http://trade.gov/press/publications/newsletters/ita\\_0506/lumber\\_0506.asp](http://trade.gov/press/publications/newsletters/ita_0506/lumber_0506.asp)

##### Corporate Briefings

RBC Economics. *Softwood lumber: A shot across the bow?* (May 2017).

[http://www.rbc.com/economics/economic-reports/pdf/other-reports/softwood\\_lumber\\_may2017.pdf](http://www.rbc.com/economics/economic-reports/pdf/other-reports/softwood_lumber_may2017.pdf)

Dattu, Riyaz; Peter Glossop, Corinne Xu. *International trade brief: The impact of softwood lumber tariffs on Canadian companies* (April 28, 2017). Osler, Hoskin & Harcourt LLP.

<https://www.osler.com/en/resources/cross-border/2017/international-trade-brief-the-impact-of-softwood>

##### Interviews

Staff. Nova Scotia Registry of Buyers, Department of Natural Resources. May 2017.

Garth Levy, President. S.G. Levy & Sons Limited. May 2017.

Broker. H.C. Haynes Inc. May 2017.

##### Media (various)