

# Growing the market for softwood lumber



**N**EARLY A DECADE ago, after years of conflict, the North American softwood lumber industry came together in a collaborative effort to protect and grow the market for our products. We've made tremendous progress since then and are on the cusp of some major achievements. Our goal now is to make sure we stay the course and build on the momentum that's been established.

As a member of the industry groups that have guided these efforts, I have had the privilege of working with a number of talented and forward-thinking individuals from both sides of the border on these initiatives. The steps we've taken have not been easy. We've had to abandon traditional self-interest and old-style rhetoric to focus on the benefits of the "greater good."

I am absolutely convinced we're on the right track and need to do everything we can to keep things moving in the right direction.

As an industry, we need to stay in touch with market

dynamics so we can determine where we are most vulnerable, and where we can grow.

In a "normal" market, the demand for softwood lumber in the U.S. is estimated to be about 53 billion bd. ft. While we've been operating at levels well below that for the last eight or nine years, there's a general expectation the market is recovering and will return to or exceed normal levels in the years to come, which would be great.

I, for one, don't think we can afford to sit back and wait for the market to recover "naturally." The good news is most of the industry agrees.

Threats to our business in the form of fewer housing starts, an increase in the percentage of multi-family houses (which consume about one-third the amount of lumber that a single family house does), smaller homes and the displacement of lumber by substitute products such as steel, cement and composites could easily erode more than 10 billion bd. ft. of "normal" demand.

Conversely, there are opportunities to increase demand by expanding wood use in non-residential and industrial applications, multi-family houses, interior and outdoor uses, and tall wood buildings which could grow "normal" demand to well above 53 billion bd. ft.

The industry's journey to collaboration began in 2006 with the signing of the Canada-US Softwood Lumber Agreement (SLA).

When the SLA was signed, the federal governments of Canada and the US, in their wisdom, formed the Binational Softwood Lumber Council (BSLC) and appointed a 12-member board consisting of six representatives from each country.

BSLC members were asked to provide a common voice to promote North American softwood lumber products and to build "goodwill" between the two industries.

While the BSLC started tentatively, it did not take long to realize the Canadian and U.S. industries faced many

similar challenges, and could achieve more by working together.

Recognizing that the funds available were limited and would not be sufficient to counterbalance the trend away from wood as a building material of choice, the BSLC played a key role in forming the Softwood Lumber Board (SLB), which was established by the industry for an initial five-year term in a democratic vote in 2011.

The SLB is a mandatory promotion fund, or check-off, authorized under the U.S. Farm Bill. It operates with an

annual budget of approximately \$15 million funded by industry, with a tariff of 35 cents per thousand bd. ft. levied against all suppliers to the U.S. market, including imports, on volumes in excess of 15 million bd. ft. per supplier.

The SLB is managed by a 19-member industry board and is overseen by the Agricultural Marketing Service of the U.S. Department of Agriculture (USDA). The SLB has developed a set of complementary programs to support its goal to “sell

more lumber,” including:

- The **American Wood Council** (AWC) is responsible for changes in building codes and standards that have opened doors for wood and also protects wood’s position in current codes. In 2014, it proposed 2,300 changes to building standards—and 95% were accepted. AWC’s work with code developers and officials, builders and planners leads to buildings like the five-story student residence at the University of Washington, which consumed more than 2.5 million bd. ft. of wood.

- **reThink Wood** is a communications program that shows developers, architects, designers and engineers the value of softwood lumber as a renewable building product. It has had tremendous success presenting wood as a modern building material that costs less and delivers more.

- **WoodWorks** in both Canada and the U.S. has technical experts who provide one-on-one project assistance to architects, engineers and designers with the aim of converting steel or concrete projects to wood. A high school in El Dorado, Ar.—with 1.8 million bd. ft. of wood—is just one of many successes.

- The **Wood, Naturally** campaign provides promotional materials based on traditional and social media to educate and inspire homeowners and contractors so they choose wood for appearance and structural applications in, on and around the home.

- But, to me, the true game changer for our industry is the **Innovation Initiative** that the SLB is supporting, especially as it relates to tall wood buildings.

Europe and Australia already have wood buildings up to 14 stories tall. British Columbia just opened its six-story Wood Innovation and Design Centre, and there are plans for a seven-story wood office building in Minneapolis. Award-winning Vancouver architect Michael Green says he expects to see wood buildings 30 stories high, or even more.

These buildings aren’t “stick framed.” They’re built using mass timber products like cross laminated timber, nail laminated timber, and glulam, often in conjunction with other building materials, which provide engineering attributes and resistance to fire which makes “mass timber” a viable construction alternative.

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Significantly, buildings constructed in this manner have the potential to reduce the embodied carbon by more than 70% vis-à-vis other materials.

To advance its Innovation Initiative, the SLB joined with the USDA and BSLC to launch the **U.S. Tall Building Prize Competition**. The U.S. government is on board because it knows that by showcasing the viability of advanced wood products, it can support rural economies and advance its sustainability and climate change agendas.

The U.S. Tall Building Prize Competition has received a number of stunning submissions. The competition jury is currently working its way through its due diligence and expects to be in a position to announce the winner later this spring.

With any luck, we'll see the first tall wood building in the U.S. under construction in 2016.

Although it started work in 2012, the SLB has had a significant impact on our industry. Our estimates indicate that, in 2014 alone, the SLB generated 500 million bd. ft. in incremental demand for wood products worth more than \$200 million—that's a 12:1 return on investment.

There has never been a more important time to stand up for the SLB, and to support and leverage the successes of its programs. By building on the collaborative strength of our industry, we can address the threats and take advantage of the opportunities in front of us.

With the Canada-U.S. Softwood Lumber Agreement set to expire in October, and the SLB subject to a revote in 2016, we can't allow narrow interests to derail the gains

we've made. And, to be clear, I am speaking here as a North American and someone who cares deeply about our industry.

I invite everyone to play a role. Take action, don't be a bystander. Work with us. Be a vocal advocate for the SLB and its achievements.

I've been in the lumber business for more than 35 years. For the first time in my career we have a sustainable funding model and that's dealing with both the threats and opportunities facing the softwood lumber industry.

We've made great progress. Let's keep it going.

*— Duncan Davies is president and CEO of Interfor Corp., Vancouver, B.C., a growth-oriented lumber company with operations in Canada and the United States. The company has annual production capacity of 3.1 billion bd. ft. and offers one of the most diverse lines of lumber products to customers around the world. He is vice chair of the Softwood Lumber Board and a director of the Binational Softwood Lumber Council. This article is a summary of his presentation on the softwood lumber market at NAWLA's recent Leadership Summit.*



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