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PALLET ENTERPRISE

U.S. Announces Antidumping Duties; Negotiations Continue in Softwood Lumber Fight

By Chaille Brindley



The plot thickens in the current trade dispute between the United States and Canada over softwood lumber imports. The International Trade Administration (ITA) recently announced an antidumping (AD) duty rate of 6.87% for all producers other than the few specifically investigated in the trade case. This adds to the 19.88% countervailing (CVD) duty assessed in April. But some experts anticipated the AD would be 10% or more. And the total duties range from 17.41% to

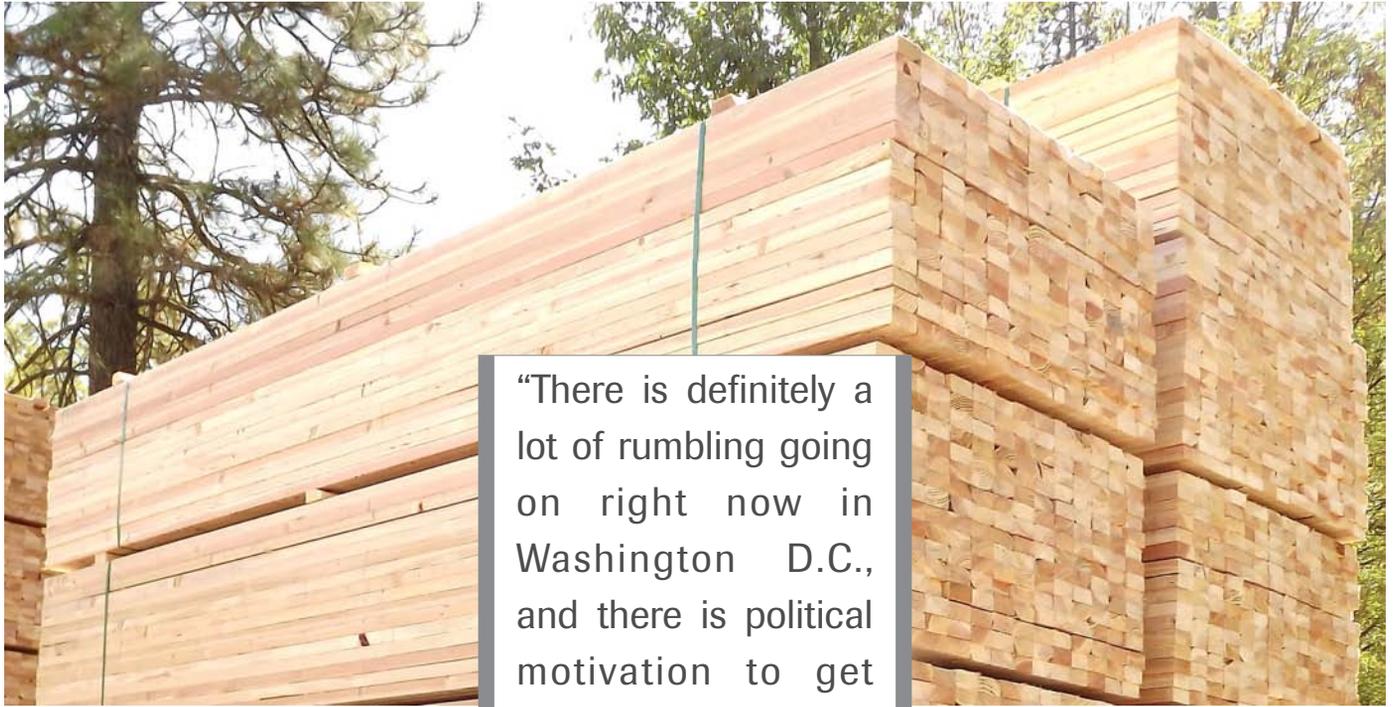
30.88% depending on who is the supplier. But these duties are far less than what some had thought earlier in the year when duties were forecasted to go as high as 40-50%.

Prospects of a New SLA

The duty rate may explain why there seems to be more momentum than in the past for a deal. The Canadian Minister of Foreign Affairs Chrystia Freeland met with U.S. Secretary of Commerce Wilbur Ross to broker a deal.

News reports suggest that the Trump administration wants the softwood lumber issue to be fixed before the negotiations begin on North American Free Trade Agreement (NAFTA). This is definitely welcome news because the two sides were said to have been far apart only a month or so ago.

U.S. Commerce Secretary Wilbur Ross stated when the AD duties were announced, "I remain hopeful that a negotiated settlement is both possible and in the best interests of both countries,



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Vice president of trading
Weston Forest Products

our forestry workers, producers and affected communities.”

Steven Rustja, vice president of trading for Weston Forest Products, said, “There is definitely a lot of rumbling going on right now in Washington D.C., and there is political motivation to get a solution before NAFTA negotiations.”

In the previous Softwood Lumber Agreement, items such as pallet kits were not covered by duties if Canadian imports went over certain pre-established caps. Any new SLA would have to determine quotas and what is covered by the limitations.

Rustja explained, “Once a deal is done, then the Canadian provinces and companies will jockey to obtain market share, and the scope of what is covered could impact that process.”

If low-grade items, such as pallet kits are included, this could impact availability because Canadian producers will likely want to focus much of any quota allotment on higher-value items. During the previous SLA, Canada’s average share of the U.S. market was about 28%. And it recently reached as high as 32% during the free trade period after the SLA expired.

The Department of Commerce (DOC) does have some leverage in convincing the U.S. industry to accept a settlement. However, any new SLA would need the approval of the U.S. Lumber Coalition. Even the Coalition might be open to a

deal if it involved quotas or other concessions from the Canadian government because the duty rates were not as high as many expected. The proposed duty rates are lower than what the government imposed in 2002 during the last trade case cycle.

Details of the AD Duty Decision

The DOC recently clarified some questions about pallet kits in the duties. Under previous duties pallet kits had been excluded due to established NAFTA exemptions. Although pallet kits and even low-grade lumber are not the prime focus of the Coalition, the DOC has decided to include these items. The DOC stated, “To the extent that a pallet consists of softwood lumber, it is covered by the scope of these investigations.”

The DOC stated similarly for notched stringers, floorings, drilled lumber, angle cut lumber, etc. Excluded is lumber that was harvested in the United States and sent to Canada for kiln drying, planing or sanding. Also, excluded are box-spring frame kits.

Why make the duty coverage so broad? One argument is that it is easier to enforce for the U.S. border agents. Another is that it gives the U.S. softwood industry a bigger stick in its negotiations. Another is that the products are made from softwood and aren’t that materially different from standard softwood lumber.

AD rates ranged from 4.59% to 7.72% for specific producers investigated in the process while the rate for all others is 6.87%. DOC has instructed U.S. Customs and Border Protection (CBP) to require cash deposits based on these preliminary rates.

How the CVD and ADD will be implemented is still being worked out.

DOC also found that “critical circumstances” exist with respect to companies subject to the “all others rate.” Consequently, retroactive AD duties will be applied for those producers retroactive to March 24th.

Without any deal or major move by the Trump Administration, the CVD and AD process will continue along its path. But this is a complex process where the rates can change. DOC is expected to announce its final AD determination on September 7, 2017.

The prospects of a new SLA has everyone wondering what will come next.

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