

## High Lumber Costs

By Joanna Werch Takes

*What's behind these crazy lumber prices? Our former editor reports.*

If you've tried to buy lumber lately, you've likely encountered some sticker shock. In spring 2021, the National Association of Home Builders cited a 300 percent increase in lumber prices since April 2020.

These days, woodworkers and builders are posting memes offering to trade 2x4s for late-model Corvettes or, as Clint Miller, a sales representative for Automated Building Components in Chetek, Wisconsin, said, "I could take my wife out for a steak dinner with 4 2x4s, 8 feet long: that's 50 bucks. A year ago, it would have been \$10 or \$15."

So, what's up? Well, you may recall a worldwide pandemic that began in 2020. Lockdowns that spring meant people stayed home, and businesses — including in the building and lumber industry — shut down for a while. Then, many people spent time working from home, which created a desire for remodeling. "Everybody wants a Zoom room" or a home office, Clint Miller said. Plus, remote work meant people didn't have to live where their work was. An October 2020 study by Upwork (via Google Consumer Surveys) estimated that between 6.9 and 11.5 percent of households — 14 to 23 million Americans — planned to move as a result of remote work.

That's the demand. What about supply? The short answer is: there hasn't been enough of it. Lumber mill shutdowns due to Covid-19 were a factor, according to the NAHB. Plus, domestic supply isn't enough; the National Lumber and Building Material Dealers Association's 2021 National Policy Agenda states that "as much as one-third of the framing lumber used in the U.S. comes from Canada each year."

Not only does the U.S. buy wood from Canada, but there's also extra costs to doing so. The U.S. claims that provincially owned timber in Canada is subsidized by federal and provincial governments and therefore not competitive with privately owned businesses in the U.S., so it imposes a tariff on wood coming in from Canada. In December 2020, the U.S. Commerce Department lowered that tariff from 20 percent to 9 percent, but in May 2021 Commerce moved to bring the tariff back up to 18.32 percent by year-end.

Organizations like the NAHB and NLBMDA have been lobbying for reductions in tariffs. They'd also like to increase the domestic U.S. lumber supply through such methods as increasing logging from U.S. federal forests — through responsible management and in an environmentally sustainable manner, they're careful to note in their advocacy documents.

The NAHB's advocacy also proposes solutions to the materials shortage such as reducing U.S. lumber exports and seeking new markets. "Domestic producers are selling abroad ... in order to increase profits. Lumber ... should remain in the United States while there is a gaping need at home," the NAHB states on its webpage.

"For our industry, everybody's saying, 'Somebody's making a lot of money.' It's not the guy at the lumberyard: it's the sawmills," Clint Miller said. "My margin has not changed; where we're buying product has tripled in a year."

In a May 2021 interview on the NAHB podcast “Housing Developments,” Alden Robbins, who is chairman of the North Eastern Lumber Manufacturers Association, agreed that lumber exports are happening because, “The wood is flowing to where the money is.” Robbins, vice president of sales at Robbins Lumber in Searsport, Maine, also noted that times of high lumber prices can help mills survive “bad years,” like 2007/2008 “when we saw a lot of sawmills just lose their shirts. After that crash, lumber prices went through the floor. Places on the West Coast were delivering sawn, dried timber cheaper than you could buy firewood,” Robbins said on the podcast.

Those mills that closed in the wake of the 2008 recession affects today’s ability to produce lumber. Why can’t extant mills just increase production? Alden Robbins noted on “Housing Developments” that some may face limits in kiln capacity or other infrastructure. Even without those obstacles, labor shortages are an issue.

If you were prescient enough to be the guy down the street who bought a portable sawmill in 2019, well, good for you. That guy, says Clint Miller, “He’s gonna make a good \$50,000 this year sawing logs. Is it going to solve the problem? It helps, but I don’t think it’s the solution.”

What is the solution? For the average woodworker, it seems to be: wait it out. Until when? That’s a tougher question to answer.

Trade organizations like NAHB are focusing lobbying efforts on the issue, with NAHB Chair Chuck Fowke claiming in a May 2021 video that, “We will not rest until we get lumber prices back to a normal level.”

Sawmill owner Alden Robbins said on the NAHB podcast that, while high prices might benefit lumber producers in the short term, if the situation lasts for too long people will look for materials other than wood. “The volatility is not great for anyone,” he said. “When will that even out? I don’t know.”

And Clint Miller, whose company works with roof and floor trusses and other engineered wood products, thinks that we’re facing a “rubberband economy,” which will contract, then spring back with elasticity before leveling out at a certain point. For now, though, “Everything is such a mess that it’s going to take a while to get there.”

#### **SOURCES:**

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