

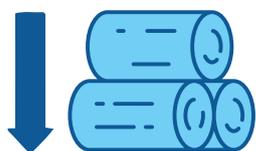
Canadian Analysis



February 25,
2026

RBC Economics

**Decades of trade disputes reshape Canada's
softwood lumber sector**



Mill closures
& curtailments



Lower exports
to the U.S.



194,000 jobs in
Canada's forestry sector

Canada's softwood lumber dispute with the United States remains a long-standing disagreement characterized by successive rounds of trade measures over multiple decades, but the latest duties have increased challenges for major producing provinces already contending with structural headwinds in their forestry sectors.

Anti-dumping and countervailing duties, and now additional tariffs on softwood lumber and derivative wood products add to a long history of trade measures applied to Canadian exports.

Beyond the immediate impact on exporters in provinces such as Quebec and British Columbia, sustained production curtailments risk cascading pressures on downstream industries reliant on Canadian lumber as a key input.

Still, these challenges could also create opportunities for strategic repositioning.

Latest dispute follows a long paper trail

At core of the dispute is U.S. authorities alleging that Canadian stumpage fees (fees paid to harvest timber on crown land) effectively function as a subsidy, allowing Canadian lumber to be sold at below-market prices.

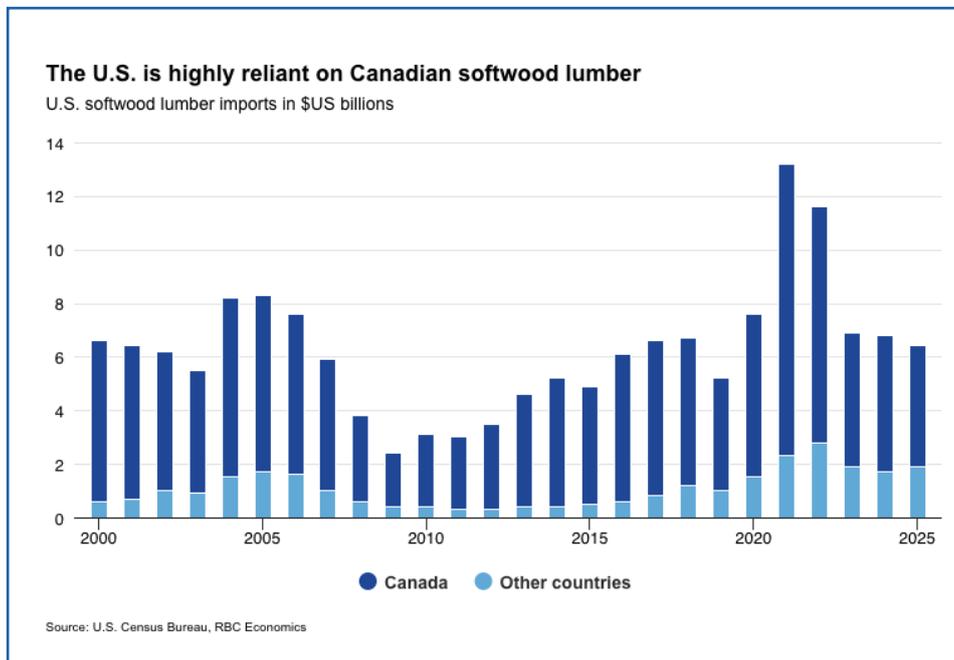
In Canada, roughly 94% of lumber comes from crown land subject to stumpage fees, whereas most U.S. timber is harvested from privately owned land and sold through competitive bidding.

The dispute, spanning more than four decades, has been marred by recurring investigations, temporary negotiated settlements, and successive rounds of anti-dumping and countervailing duties (AD/CTV) following the breakdown or expiry of bilateral agreements.

After the expiry of the 2006 Canada-United States Softwood Lumber Agreement in October 2015, the U.S. initiated new investigations resulting in AD/CTV measures being imposed on Canadian exports beginning May 2017. These duties are reviewed annually and vary by individual producer and exporter.

The latest AD/CTV duties were set at a combined rate of about 35.2% on average in the summer of 2025. In addition, the U.S. imposed a 10% tariff on Canadian exports of softwood lumber and a 25% tariff on various derivative wood products, such as furniture, as of mid-October.

These measures come despite the U.S. being highly reliant on imported softwood lumber to offset insufficient domestic production, sourcing roughly 30% of its lumber consumption from imports. That mainly comes from Canada, where exports accounted for roughly 71% of U.S. imported softwood lumber, valued at approximately US\$4.5 billion in 2025.

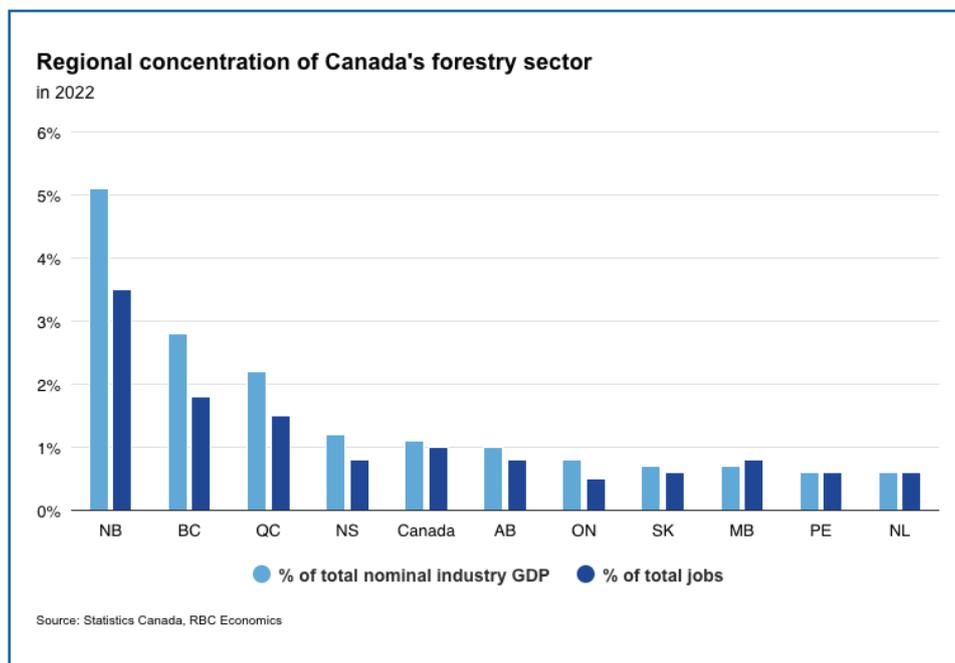


Forestry sector accounts for larger share of activity in some regions

Canada's forestry sector is an important contributor to the domestic economy, accounting for \$23 billion or 1% of nominal industry gross domestic product in 2024—larger than the arts, entertainment and recreation industry.

It directly employs roughly 194,000 Canadians¹, and is geographically concentrated with nearly 86% of Canadians employed in just four provinces—Quebec, B.C., Ontario, and Alberta.

The forestry sector accounted for a significant share of industrial GDP in 2022, representing 5.1% in New Brunswick, 2.8% in B.C., and 2.2% in Quebec. In B.C., the sawmill and wood preservation industry was the largest manufacturing sector in 2024 with softwood lumber exports to the U.S. representing roughly 6% of total merchandise exports.



Importantly, the forestry industry is often central to economies of remote communities. In B.C., it accounts for 9% of employment in Prince George and 21% in Quesnel, while in Quebec it represents 6% in Saint-Georges and 13% in Dolbeau-Mistassini.² These communities may be particularly vulnerable to the impact from trade barriers.

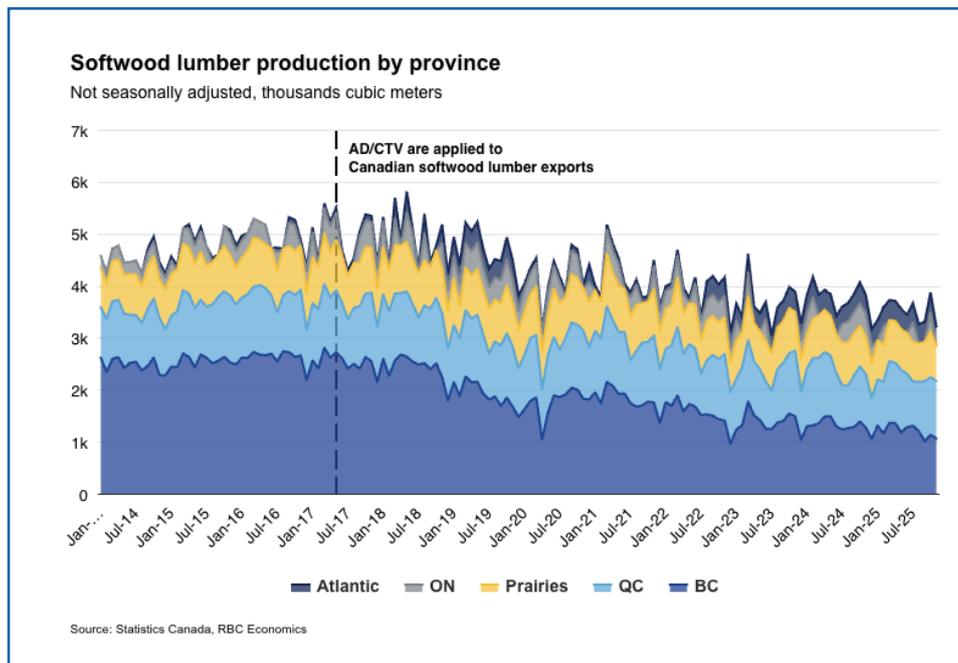
¹ Includes employment in the following industries: forestry & logging, paper manufacturing, support activities for forestry and wood product manufacturing, based on the System of National Accounts (SNA) in 2024.

² Based on 2021 Census employment data.

Production and export volumes trend lower amid trade headwinds

Anti-dumping and countervailing duties imposed since May 2017 have compounded existing challenges facing certain exposed regions including wildfires, mountain pine beetle infestations, regulatory reforms, and rising costs.

Canadian production of softwood lumber declined by roughly 26% between 2017 and 2024 with the decline more acute in B.C., where production now sits at around half of 2017 levels.



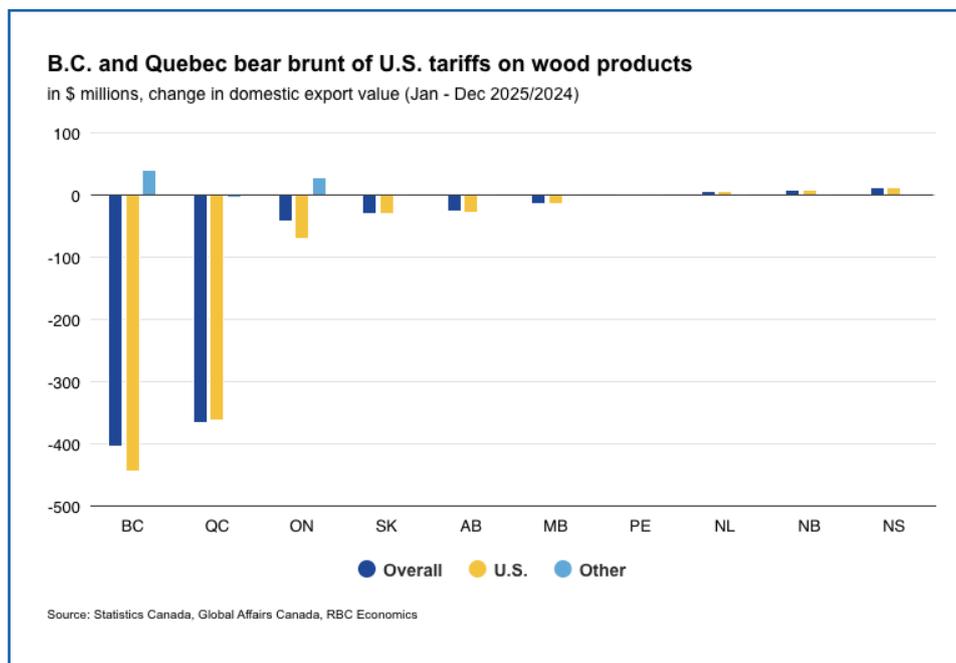
Impact on production has also been reflected in exports to the U.S., where Canadian exports have declined from roughly 87% of total U.S. imports by value in 2017 to 71% in 2025. The total nominal value of softwood lumber exports fell by 14%, and export volumes fell about 27% over the same period.³

³ From Statistics Canada's Canadian International Merchandise Trade (CITM) Database for exports under HS codes 440710, 440711, 440712, 440713, 440714, and 440719.

Export losses concentrated in B.C. and Quebec

Recent trade data shows exports of targeted wood products to the U.S. have declined by roughly 11% in 2025 from a year earlier with losses concentrated in Quebec and B.C.

Export gains elsewhere have only partially compensated for reduced U.S. market access—in part reflecting the geographical constraints in shipping lumber and wood products.



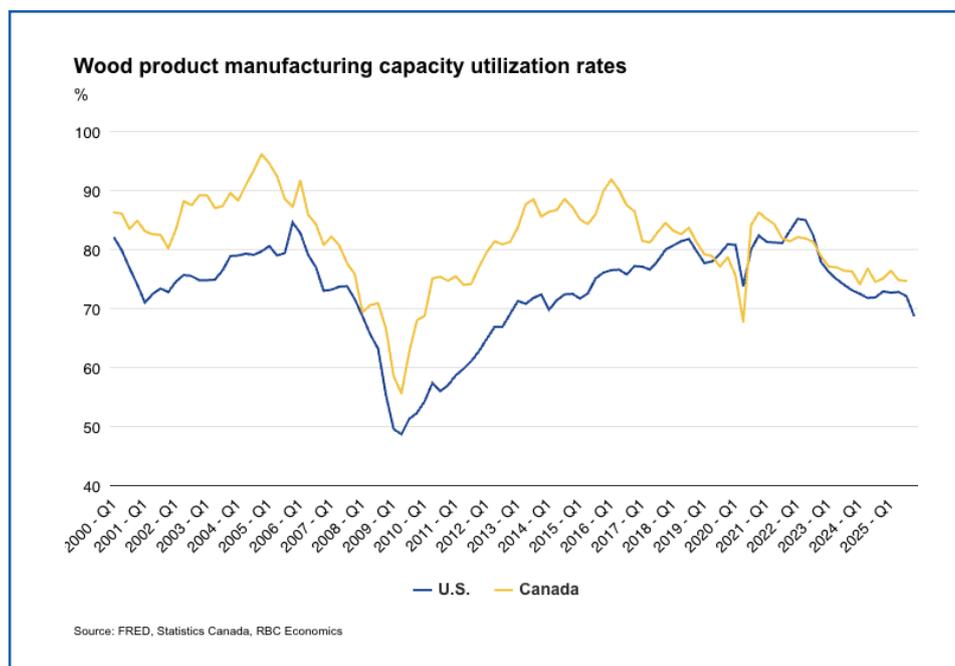
Notably, lumber exports are treated differently depending on where it is produced. The U.S. views Atlantic province lumber pricing (except New Brunswick) as market-based and comparable to domestic U.S. pricing, exempting those exports from AD/CTV duties applied to other provinces.

This may help explain the relatively firmer export performance in parts of Atlantic Canada compared to Western and Central provinces. However, exports from all provinces remain subject to Section 232 tariffs applied in mid-October 2025.

Mill closures compound pressures on forestry sector

Recent curtailments and mill closures have intensified the challenges facing Canada's forestry sector.

Average industrial capacity utilization rate for wood product manufacturing has declined roughly 10 percentage points to 75% in 2025 Q3 from a decade earlier, while employment in sawmills and wood preservation fell roughly 20% between May 2017 and November 2025 with more pronounced declines in B.C. (-32%) and Quebec (-13%).



The sector faces multiple headwinds going forward. Softer U.S. homebuilding and weaker expected Canadian housing starts this year and next represent near-term demand pressures.

Reduced domestic supply could also put pressure on downstream industries such as pulp and paper mills and construction. The combination of weak demand and constrained supply raises the risk of further production curtailments and mill closures.

However, these pressures also present opportunities for repositioning. Federal and provincial initiatives focused on developing new export markets, particularly in Asia, bolstering domestic demand, and expanding production of higher value-added products such as mass timber could help diversify revenue streams, improve profitability and accelerate the sector's long-term competitiveness.

The Canada-U.S. softwood lumber dispute is also likely to feature prominently in the upcoming CUSMA review. A durable trade resolution remains critical, but success will increasingly depend on the sector's ability to access new markets and develop higher value-added products alongside traditional softwood lumber exports.

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