

Tariff Buyer Guide

Wood & Lumber

Luc Latiolait

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Overview & Introduction

- Since the 1980s, the United States has imposed elevated tariffs on Canadian lumber to protect the domestic forestry industry from the high volume of low-cost lumber produced in Canada.
- These tariffs were raised significantly in late 2024 under the Biden Administration from 8.05% to 14.54%, resulting in an immediate 3.0% to 4.0% increase in US lumber prices.
- The Trump Administration raised tariffs on goods imported from Canada and Mexico. However, tariff exemptions were granted and have been extended for USMCA-compliant goods imported.
- In April 2025, the US Department of Commerce announced plans to hike existing duties on softwood lumber from 14.5% to 34.4%. These will apply in addition to the tariff on non-compliant imports from Canada and Mexico.



- In August, the United States announced higher tariffs on Brazilian imports, as well as reciprocal tariffs on major sources of wood and lumber products like Vietnam (20.0%), Indonesia (19.0%), New Zealand (15.0%), and Cambodia (19.0%). The United States entered into trade deals with the European Union, setting a tariff ceiling of 15.0% for EU goods.
- These tariffs will nearly double the tariff rate on Canadian lumber imports. Based on the price shock resulting from the lumber tariff increase in 2024, this new round of tariffs is likely to increase wood and lumber prices in the United States by an additional 6.0% to 15.0%.
- The wood products industry, which includes finished products made from wood in addition to lumber, is also likely to be impacted by tariffs on Chinese imports.

Country	Tariff Rate	Trade Deal Info	Start Date
China	54.9	No trade deal	In effect
Mexico	25.0	90-day pause	In effect
Canada	35.0	No trade deal	In effect
European Union	15.0	Signed	8/7/2025
Brazil	50.0	No trade deal	8/7/2025

Key Takeaways

- Tariffs targeting Canada will significantly impact the residential construction and wood and paper product markets due to the US market's high reliance on imported lumber and wood products from Canada.
- Tariffs on China and Mexico will also impact the market for finished goods made of wood.
- Tariffs are likely to significantly increase prices in lumber, wood products, and other downstream markets. If these tariffs are sustained, they are likely to increase supply chain risk as vendors in these industries face higher costs that cut into their profit margins.
- European importers will likely increase production to meet US demand for lumber not affected by tariffs but cannot replace the Canadian lumber supply substantially.
- Due to the high level of integration between Canadian lumber producers and downstream industries in the United States, shortages are less likely than in other markets. However, buyers and suppliers will have few options for avoiding tariffs.

Risk & Import Assessment

- Overall Risk Level: **High**
- Canada is the dominant supplier of imported wood and lumber in the United States, accounting for 72.1% of all such imports in 2024.





- This dominance is tied to the size and efficiency of the Canadian forestry industry, which to produce and ship lumber to the United States at a price that is competitive with domestic suppliers despite the 14.5% tariffs (soon to be 34.4%) currently affecting Canadian lumber imports.
- Additionally, the United States is highly reliant on imported lumber as it currently runs a trade deficit of \$6.9 billion in the lumber industry.
- Due to Canada's proximity to the United States and dominance in lumber exports, no other countries export comparable volumes of lumber and wood products to the United States, limiting buyers' ability to source from other international suppliers.
 - Germany and Sweden are the second and third leading sources of lumber imports, but account for only 7.1% and 3.8% of lumber imports, respectively.
 - Buyers would still face a 15.0% baseline tariff for imports from Germany and Sweden after the European Union and the United States trade deal.
- However, the significant price advantage Canadian lumber producers have demonstrated compared to domestic suppliers may increase the likelihood that they will be able to absorb some of the cost of higher tariffs.
- In the broader wood products market, which includes finished goods made from wood, Canada remains a dominant source of imports, but still accounts for slightly under half of all imports.
 - China and Mexico also account for notable shares of wood product imports, further limiting buyers' options to source from countries not affected by tariffs.

Share of US Wood & Lumber Imports by Origin Country

Lumber – % of US Imports

Country	Import Share
Canada	72.1%
Germany	7.1%
Sweden	3.8%
Brazil	3.1%
Chile	2.5%
New Zealand	2.4%
Austria	1.4%

Indonesia	0.8%
Uruguay	0.6%
Latvia	0.6%





Wood Products – % of US Imports

Country	Import Share
Canada	48.6%
China	8.5%
Brazil	6.8%
Chile	4.6%

Vietnam	4.3%
Germany	3.3%
Indonesia	3.1%
Mexico	3.0%
Cambodia	1.6%
Sweden	1.5%

Supply Chain Risk – Best Practices & Overview

Upstream Suppliers	Risk Before Tariffs	Risk After Tariffs	Tariff Impact
Sawmills & Wood Producers	High	High	• Due to slumping lumber demand in North America, leading suppliers such as Interfor and International Paper closed major sawmills across the United States in 2024. • These closures will limit the ability for domestic production to replace international supply in the short term. • However, the lumber industry is prone to significant swings in demand and market prices, meaning that many suppliers can increase output relatively quickly when compared to other sectors.
Wood Product Manufacturers	Medium	High	• Wood product manufacturers are highly reliant on sawmills to provide the raw materials for making wood products. • As a result, domestic wood product manufacturers will be highly exposed to tariffs on lumber from Canada. • Additionally, Canada and China are the leading sources of imported wood products, meaning tariffs will also highly impact the international market for these goods. • While some suppliers are stockpiling lumber to limit the initial impact of tariff increases, they have relatively little power to avoid tariffs in the long term.

Risk levels are determined based on revenue volatility, reliance on imports, and the expected impact of tariffs on lead times and product availability.





Downstream Buyers	Risk Before Tariffs	Risk After Tariffs	Tariff Impact
Residential Construction	Medium	High	- Lumber is a key input for the construction sector as a whole. However, the residential construction sector is significantly more reliant on lumber as it is typically the only cost-effective structural material for smaller-scale builds. - While commercial and institutional construction projects often substitute lumber with steel, aluminum, and concrete, homebuilders cannot replace lumber with these materials without significantly increasing the cost of the project. - Thus, the residential construction industry will be highly exposed to higher lumber prices from tariff increases. - However, the ongoing slump in demand for residential construction due to high interest rates means that lead times are less likely to be impacted by lumber tariffs.
Paper Mills	High	High	- Paper mills are highly dependent on softwood lumber, the primary input in paper production, meaning they face significant exposure to the price and supply chain impacts of tariffs on Canadian Lumber. - Additionally, paper mills typically contend with volatile demand trends, which could exacerbate the impacts of tariffs. - Due to this reliance on lumber as input and slim profit margins in this industry, paper mills are likely to pass higher costs from tariffs directly to buyers. - However, paper mills stockpile to protect against lumber price spikes or demand surges, which is likely to limit short-term shortages stemming from lumber tariffs.
Paperboard Mills	Medium	High	- Paperboard manufacturers rely on pulp made from softwood and hardwood lumber as key inputs. - Due to more stable demand trends than the paper industry, paperboard manufacturers typically pose a lower level of supply chain risk for buyers. - However, the increasing cost of imported lumber due to tariffs would drive a spike in the price of paperboard due to the industry's exposure to lumber prices via pulp markets. - Paperboard manufacturers have the ability to partially substitute pulp from fresh lumber with recycled pulp,



Downstream Buyers	Risk Before Tariffs	Risk After Tariffs	Tariff Impact
			which may limit the degree to which tariffs impact prices.
Wood Product Manufacturers	Medium	High	• Wood product manufacturing, which encompasses the production of goods such as furniture parts, tool handles, kitchenware, firewood, and pallets, relies on imported lumber from Canada. • Additionally, most imported wood products come from Canada, China, and Mexico, increasing this industry's exposure to increased tariffs. • Thus, tariffs are likely to impact prices in this market and supply as Chinese, Canadian, and Mexican wood product makers may choose to export to other countries in response to tariffs. • In some cases, products made from wood can be substituted by products made from plastic or other materials, but for many wood products, this is not the case.

Risk levels are determined based on revenue volatility, reliance on imports, and the expected impact of tariffs on lead times and product availability.

Creative Procurement Strategies

- As relocating production facilities or working with different suppliers may not be a viable short-term strategy in this market, buyers should consider **restructuring contracts** with their suppliers to add tariff cost-sharing clauses.
 - While the United States is highly reliant on Canadian lumber and wood imports, it is also the largest export market for the Canadian lumber industry.
 - Tariffs are likely to weaken demand for lumber and wood products from Canada, which buyers may be able to leverage to negotiate cost-sharing for tariffs on lumber and wood.
 - This strategy also minimizes operational impact, as the buyer will continue to work with their current supplier. However, buyers will still need to pay a share of the tariff cost, increasing prices.
- The price shock caused by tariffs is typically most severe immediately after tariffs have been imposed and becomes less severe in the months and years that follow as supply chains readjust to the policy. Thus, **stockpiling lumber** and other products made from wood can give buyers valuable time to avoid the initial price shock and react more deliberately following the implementation of new tariffs.
 - As lumber and most other wood products can easily be stored for long periods, buyers have an increased opportunity to benefit from stockpiling these goods.





- By stockpiling goods, buyers have more time to test the market after tariffs have been implemented, allowing them to contact more suppliers and engage in more comprehensive negotiations.
 - However, this strategy requires significant inventory space and upfront investment, which may limit its viability for buyers.
- While relocating global production operations can allow suppliers to avoid the impact of tariffs, the uncertainty surrounding US tariff policy and costs associated with relocation present significant barriers to relocation for most suppliers. However, buyers can **assist key suppliers** in relocation by committing to long-term purchase contracts.
 - Lumber mill operation decisions are often highly dependent on market demand shifts due to the slim profit margins in this industry. Thus, long-term supply contracts of sufficiently high volume may enable the vendor to open or expand domestic milling operations, particularly in the Pacific Northwest and the Southeastern United States, where lumber is abundant.
 - This strategy requires significant upfront commitments from buyers, which may make it unsuitable for smaller-volume buyers or lower-priority categories but could allow buyers to avoid tariffs while facing less demand-side competition effectively.
 - Developing a single supplier's capabilities also significantly increases a buyer's leverage in negotiations with other competing suppliers, which can drive down tariff-related price increases across the category.
- Often, suppliers will have more insight into how tariffs will impact their operations and upstream supply chains than buyers, which can be invaluable to planning for and mitigating the impact of tariffs. Therefore, buyers should establish a **collaborative relationship** with suppliers to better plan for and react to tariffs.
 - In markets such as paper and wood, even domestic suppliers are likely to be significantly affected by tariffs on their inputs.
 - By establishing a collaborative relationship with suppliers, buyers can use increased transparency to better understand how prices will shift in response to tariffs and more effectively engage in price escalation negotiations.
 - By working with incumbent suppliers, buyers can minimize the risk of supply chain disruptions but will still likely face higher costs from tariffs affecting these suppliers and their upstream suppliers.

Contract Clauses

- **Implement price-adjustment clauses to account for tariff fluctuations:**
 - Buyers should include clauses that allow for price adjustments based on changes in input and component costs due to tariffs.





- Price-adjustment clauses ensure that both parties have transparent expectations for cost fluctuations, protecting buyers from unforeseen expenses.
- Adjustment clauses should outline clear thresholds for triggering price changes.
- Price adjustment clauses provide a safety net against cost surges that result from tariff implementations. Clear additional clauses can help maintain financial stability.
- **Implement liquidating agreements to mitigate risk:**
 - Employing liquidating agreements enables businesses to mitigate liability linked to increases in costs due to tariffs.
 - Liquidating agreements offer a way for companies to minimize risk from escalating expenses by distributing the responsibility for these costs among all involved parties.
 - Through liquidating agreements, companies can handle claims without incurring undue financial strain, resulting in efficient resolution.
 - Clear and precise language is crucial for safeguarding companies, ensuring timely claims resolution, managing risks, and supporting seamless operations and continuous business activities.
- **Lock-in rates and prices with long-term agreements:**
 - To ensure stable pricing for essential materials, buyers are encouraged to enter into long-term agreements with suppliers, which can prevent sudden cost increases for both suppliers and manufacturers of final goods.
 - Fixed pricing can reduce the risks tied to market volatility, particularly during periods affected by tariffs.
 - Establishing long-term contracts can strengthen relationships with suppliers, resulting in improved service quality and priority access to crucial components that might be scarce due to global supply chain disruptions.

Negotiation Questions

1. How do current tariffs impact the pricing structure of your products?
2. What contingency plans do you have to manage supply chain disruptions caused by tariffs?
3. Can you provide a breakdown of what percentage of your components are sourced internationally, particularly those subject to tariffs? Are you planning to reallocate sourcing to different destinations? If so, where?
4. How are you managing inventory levels to ensure product availability despite potential delays from tariffs?
5. Are there any anticipated changes to your lead times due to tariffs, and how do you intend to communicate these?





6. Can you offer alternative sourcing options or product adaptations to minimize tariff impacts?
7. How do you manage currency fluctuations and tariff impacts when setting prices for contracts?
8. What are the terms and conditions for pricing adjustments if tariffs increase or decrease?
9. How are you assisting other clients in similar industries in adapting to tariff-related challenges?
10. What guarantees do you offer regarding quality and compliance amid changes in the supply chain due to tariffs?



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