

# Lumber dispute will be felt in the North

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The owners of La Ronge's sawmill say a cross-border trade war over softwood lumber could seriously hurt their expanding operations.

If the United States agrees to impose a 40 per cent duty on softwood lumber, as a coalition of major American lumber producers has urged, it could have a devastating impact on Zelensky Bros. Forest Products and the La Ronge Sawmill.

"We'd be looking at production cuts for sure," said Brian Zelensky, who co-owns the mill with his brother Perry. "You can't just ask a higher price (to offset the duty). Nobody will pay it."

The Zelenskys currently export 90 to 95 per cent of their annual timber cut to the United States. They are also in the midst of expansion plans, although a deal to build a new sawmill with Kitsaki Management Limited Partnership has been delayed, in part by difficulties in signing a large industrial partner to support the new operation.

With softwood lumber prices having already tumbled to nearly half of what they were a year ago, tacking a new U.S. duty would only make recruiting a partner that much harder.

"It (the proposed duty) is causing a bit of nervousness," Zelensky said. "It's hard to make long-term plans right now."

The American producers'



Photo by Carmen Pauls

***Perry Zelensky trudges over the scrap towards lumber that may never make it to Zelensky Bros.' regular buyers in the United States. Americans account for 90 per cent of the sawmill's sales, but a looming trade war spells lost sales and possibly a slowdown at the sawmill.***

complaints are two-fold: first, that Canadian lumber is "subsidized", because the Crown sets stumpage fees (the cost to cut trees on government land) at a low rate, whereas the U.S. uses a bid system; and second, that Canadian producers are "dumping" lumber by selling it at cheaper prices in the U.S. than they do in Canada. Both of these complaints irritate one of the Zelenskys' biggest buyers.

The buyer asked not to be identified, other than as a vice-

president with "a large American lumber wholesaler", for fear of retaliation from his superiors or other lumber companies. He did, however, speak candidly about the American lumber coalition's request, which came just two days after the expiry of a five-year Canadian-American trade deal that imposed tariffs on major lumber-producing provinces such as British Columbia, but exempted Saskatchewan.

"It's unconscionable what the American coalition is asking

for," the buyer said. "A few large companies... are literally trying to subsidize their bottom line."

Lumber prices in the U.S. are already so high that 30,000 American families were unable to build homes last year, yet the big companies are making false complaints about Canadian subsidies, the buyer said. As well, Canadian lumber producers actually charge their countrymen for locally-produced lumber, making the claim of "dumping" fundamentally false.

"My take on it is that... the Crown gives low prices (on stumpage) because you guys like to keep your people working at the expense of natural resources... I think that is a good thing," he said. "It's hurting the lumber companies out west... but it was their choice to build there."

Perry Zelensky said the companies are deflecting frustration with their own tendering system onto Canadian producers, even those in areas with little or no infrastructure.

"Whatever they do is self-inflicted," Zelensky said. "If they want to bid high (on timber stands)... you can't really feel sorry for them."

Attacking Saskatchewan accomplishes nothing, he said. While lumber-rich provinces like British Columbia and Alberta have fully-developed infrastructure (such as roads and power lines) to support their industry, Saskatchewan has very little, and the cost of developing that infrastructure falls on the industry's shoulders.

As a result, "It costs us a fortune to get this wood in and out... and they're (the American coalition) not factoring that in," he said. "It doesn't matter how cheap your stumpage is, if you can't get the wood (out), what's the point?"

Carmen Pauls

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