



FORESTS, PARKS & RECREATION
VERMONT



AGENCY OF NATURAL RESOURCES

IMPACTS OF TARIFFS ON VERMONT FOREST PRODUCTS SECTOR

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House Committee on Agriculture, Food Resiliency, and Forestry - 3/26/2025



WELCOME

AGENDA

- **Key Background Info**
- **Current State of Play**
- **Potential Impacts**
- **Outlook**

KEY BACKGROUND INFORMATION



Canada is Vermont's largest international trading partner. In 2024, VT imported about \$2.4 billion in goods from Canada, while exporting about \$645 million worth of goods

-[VERMONT & CANADA An integrated economy](#), Canadian Consulate in Boston, dated March 2025

Wood Products Sector - Exports

- Canada is VT's biggest export market for **hardwood** lumber and sawlogs
 - Sawlogs exported to Canada: 21,691 Mbf (thousand board feet) in 2022; 52% of sawlogs sent out of state (79% of hardwood exports, 40% of softwood exports)
 - Sawlogs exported Overseas: 1,810 Mbf in 2022, 4% of sawlogs leaving Vermont.
- Export markets are essential to viability of VT's forest products sector
- Retaliatory tariffs & exchange rate (1 USD/1.43 CAD) could stop flow of products

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Wood Products Sector – Imports

- The US imports significant amounts of softwood lumber from Canada. In 2024, 25% of softwood lumber consumed in US was imported from Canada
- Potential import tariffs will increase the cost of these items and affect supply, which could make new housing construction, a priority for Vermont, more difficult
- Vermont imported \$52 million in sawmill and wood products from Canada in 2024

KEY BACKGROUND INFORMATION



- Forests don't recognize borders and the logging and forest products industry along our northern border is more successful when trade relations between Canada and USA are steady, measured, and comply with existing trade rules and agreements
- **PLC – NE Statement:** *Over the past four years, as a result of lost markets, high interest rates and inflation, the timber harvesting and hauling sector in the Northeast has been reduced by more than 40%. A 25% tariff on Canadian imports and the likely retaliatory response from Canada would lead to a reduction in log, pulp and other exported forest products prices, increased costs for equipment and parts, and a general slowdown in the entire forest economy of the region at an already challenging time for loggers. A trade war could be expected to put some of our U.S. loggers out of business*
- **Challenges in Industry:** VT has lost two major sawmills (A Johnson and Mill River), a recycled paper mill, and many logging companies in last two years

CURRENT STATE OF PLAY

- **February 1:** US tariffs announced, effective February 4th. 25% on Canada and Mexico, 10% on China, and 10% on energy imports from Canada.
- **February 3:** US delays 25% tariffs on Canada and Mexico for 30 days.
- **February 4:** 10% tariff on Chinese imports goes into effect.
- **March 1:** White House announces investigation into effects on national security of imports of timber, lumber, and related products.
- **March 4:** US implements 25% tariffs on Canadian and Mexican goods, additional 10% tariff on Chinese products. Canada imposes 25% tariffs on some US goods, issues notice of intent to implement 25% tariffs on additional US imported goods. China announces ban on log imports from US.
- **March 5:** US: Exemption for US automakers for products covered by USMCA.
- **March 6:** US: 1 month delay until April 2 on USMCA products from Mexico, Canada
- **March 12:** US tariffs on all imported steel and aluminum go into effect.
- **March 13:** Canada imposes 25% tariffs on steel & aluminum and other US products
- **April 2:** Delayed US tariffs on Canada and Mexico expected (?) to go into effect. Canada's additional tariffs noticed on March 4th also expected to go into effect.

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25% tariff would be on top of an existing 14.4% softwood lumber duty rates.

POTENTIAL IMPACTS



- If tariffs are imposed in April, lumber and building supply companies have said they would not be able to absorb the resulting price hikes, pass on extra costs to customers
- Higher prices could drive customers away, cause disputes and damage reputations
- *“All of our contracts and our sales documents are now going to include a disclaimer that, should tariffs go into place, our customer is responsible to cover those costs.”*
- John Mahoney, COO, Fairview Millworks, NH
- *“Prices are changing every day, orders are being canceled ... you quote a price today and tomorrow it’s a different price, so you have to renegotiate. Lumber markets have high volumes and low margins, meaning lumber consumers will see prices rise with the tariff within about a week.”* - Francis Palasieski, NE Retail Lumber Association
- Lumber future prices are at highest since August 2022 due to supply constraints and tariff uncertainties – Wall Street Journal, February 2025

POTENTIAL IMPACTS - HOUSING



- Over the past five years, material costs for construction have increased by 40 percent nationwide, and VT is among the states with highest construction costs
- While high building costs can theoretically be offset by raising rents and higher sale prices, that is less feasible in rural areas where people's incomes won't match up
- Housing sector price increases for building materials may slow housing market
 - Tariffs could increase material costs by \$9,200 for a new single-family home
- Proposed tariffs could shrink already slim profit margin for Developers, making affordable housing harder to get in place
- Investors could be less willing to invest, effectively slowing housing development

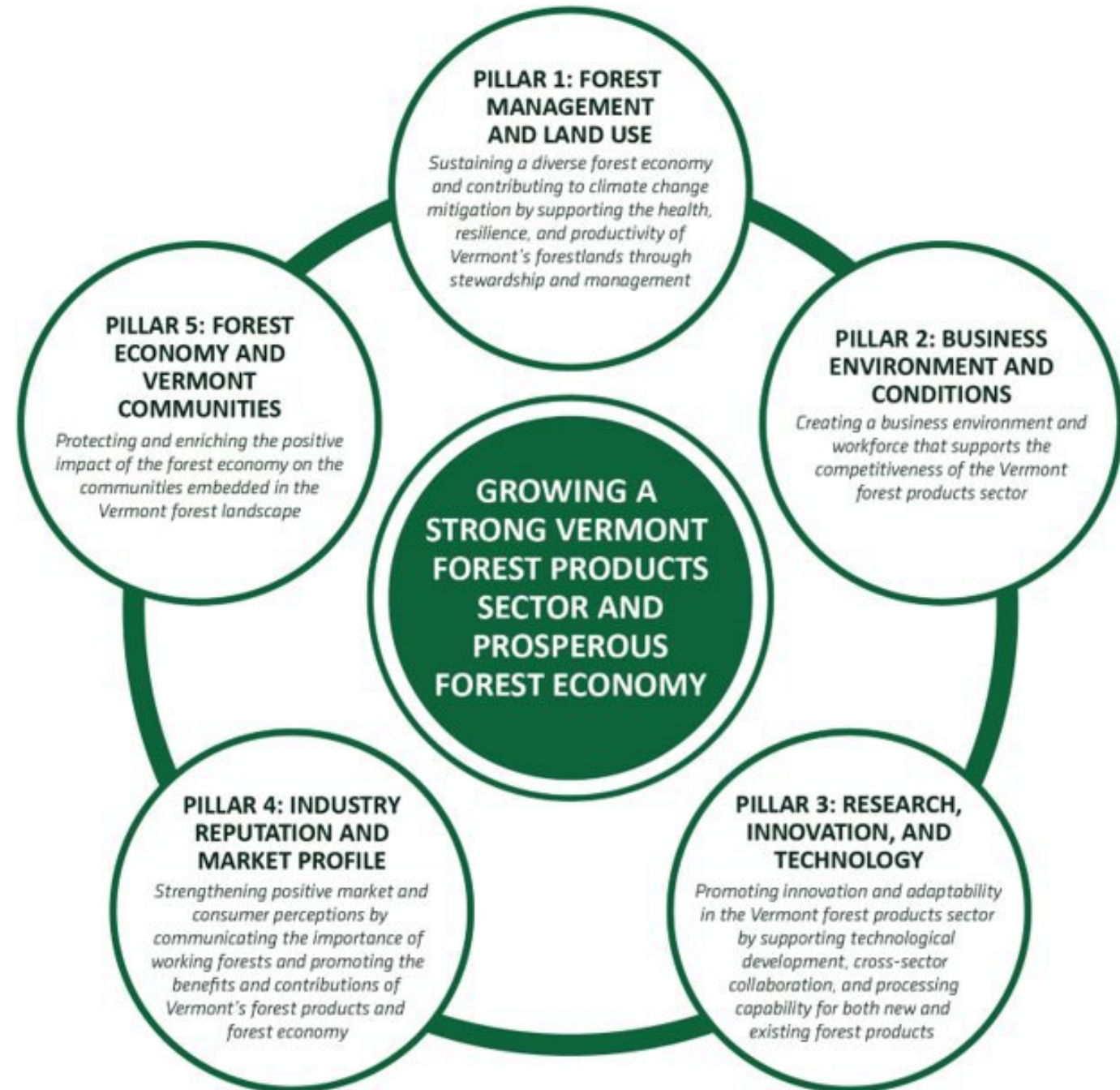
OUTLOOK – NATIONAL & REGIONAL LEVEL



- **National Level:**
 - On March 1, the White House issued two executive orders on lumber, the [expand American timber production](#) on federal lands; and a study to [examine if imports of timber and lumber threaten national security](#).
 - Congress also debating “Fix our Forests Act” which could streamline regulatory review and increase production coming from federal lands
 - If we want to reduce reliance on imported lumber and increase domestic production, two things are needed: additional harvesting & increased processing capacity
- **Regional trends** going in the opposite direction over last ten years
 - Production / Supply: Climate Change, Proforestation, Changing landowner preferences
 - Processing: Weak lumber market, limited supply, regulations, operational costs, labor

OUTLOOK - VERMONT

- Vermont Forest Future Strategic Roadmap contains 30 actions to support a vibrant forest products sector in Vermont.
- Implementation Steering Committee in place.
 - All roadmap implementation support from federal grants.
 - Priority work includes workforce development, training opportunities, and outreach / communication.



OUTLOOK - VERMONT



- Supply of forest products is a constraint
 - FPR working to increase supply from state lands
 - BUT, to have an impact, this needs to be a regional / national effort
 - USFS gearing up as well, including via Telephone Gap Integrated Project on GMNF
 - Forested New England produces only 75% of the wood it consumes (VT at 104%)
- Regulatory Reform: Wood products businesses have regulatory hurdles to start / expand
 - Act 250, local zoning, and other ANR permits can be barriers
 - Efforts are underway to review and possibly reform regulation
 - Act 181 wood products manufacturer report
 - Legislature: 3 Acre Rule reform (H 481), Tax exemptions for forestry vehicles (H 85)

OUTLOOK - VERMONT



- Creating an Environment for Private Investment in Wood Products Processing
 - How do we support and encourage primary wood manufactures to set up in VT?
 - Access to Sustainable hardwood / softwood resources
 - Help identify potential manufacturing sites
 - Workforce availability & training programs
 - Incentives & support programs: WLEB, VEDA
 - Identify improvements to regulatory landscape
 - Comparative Advantage in VT (Access to Markets, Brand, Consumer Demand)
- Support Low Grade Wood Markets and Renewable Wood Energy
 - VT is a national leader in Advanced Wood Heat, FPR working to expand use
 - 2022 Comprehensive Energy Plan: 35% of thermal energy needs from wood by 2030.
 - Low grade wood markets are important to making forestry viable, but decreasing
 - Tariffs on Energy imported from Quebec could increase demand for local sources

OUTLOOK - VERMONT



- Addressing Workforce Development Challenges and Labor Shortages
 - Supporting Training in Wood Products and Trucking Sectors
 - Leveraging Expertise of Roadmap ISC Members like VT Forest Products Association
- Top priority for Roadmap Implementation
 - Conducting regular industry-based workforce needs surveys
 - Promoting forest industry careers in the K-12 education system
 - Investing in post-secondary technical education programs that provide hands-on training and education in modern, cutting-edge technologies, and equipment

FINAL THOUGHTS



- Unclear yet if the Tariffs are here to stay or more of a temporary bargaining tool
 - Unclear if challenges felt in the Northeast USA can influence national policy
- Addressing production and processing is only part of the equation
 - Consumer demand for the products and species that we grow in Vermont has been stronger out of state / overseas recently
 - Until consumer preferences change, efforts to increase domestic production will be challenged by low local market demand; how to align our products w/ markets?
- An option to improve demand in the short term could be via preferential purchasing or treatment of local wood products through state purchasing and construction contracts
 - Advantageous grant/loan terms that are provided or backed by SOV could help
 - But, state-driven market incentives have lots of nuances and pros/cons that must be carefully considered



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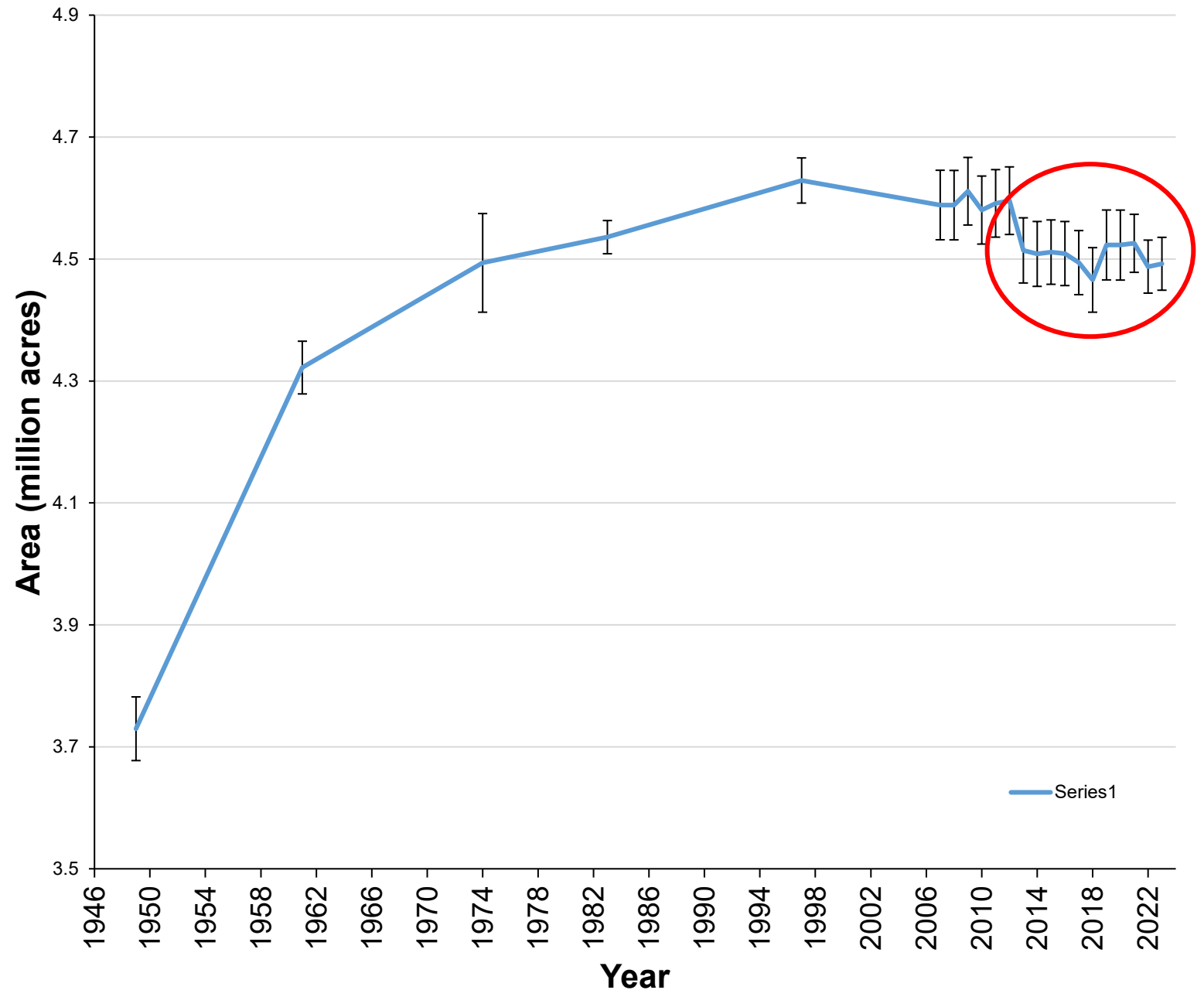


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Forest Cover Change in VT 1948- 2023 using USFS Forest Inventory & Analysis Data

- 75 year Expansion
- Peaked in 1997
- 1997 – 2023: 5,250 acres lost/yr
- Conversion remains an issue
- Act 59 positive impact



Net Growth to Removals Ratio

- Measure of Sustainability
- 1:1 Ratio = growth and removal are balanced
- VT is at 2.8
- USA is at 1.92

VT Forestland Net Growth to Removal Ratio
(FIA Data)

