



Softwood Lumber, Dairy, Airplanes: Can Canada's Export Party Continue?

Description

While interest rates remain at record lows, Canadian investors continue to mull the potential impacts of changes to currency exchange rates on specific Canadian industries.

Statistics Canada published a report last week highlighting the effects of the lower Canadian dollar on Canadian exports to the U.S. The report noted that the Canadian export surplus to the U.S. rose to \$5 billion in April from \$3.4 billion a month earlier; that's indicative of improving conditions in auto manufacturing, natural gas, and softwood lumber which were spurred by a Canadian dollar, which crept lower.

Many analysts believe this data will simply provide more fuel for the fire that the Trump administration has ignited.

With President Trump currently on the warpath, seeking to reduce trade deficits with the country's largest trading partners, Canadian businesses in key export-heavy industries remain on watch. Earlier this year, the Trump administration announced industry-wide countervailing duties on Canadian softwood lumber, following a dispute in which the U.S. accused Canada of unfairly subsidizing the base cost of its lumber, using crown land for logging purposes instead of a private-ownership system akin to the U.S. system. These duties have re-ignited discussions on the softwood lumber issue — an issue which dates back more than a decade, with each side accusing the other of manipulation of some sort.

What has been encouraging for softwood lumber producers north of the border has been the Canadian government's response to the duties. Thus far, the Canadian government has taken quite a protectionist stance against any trade encumbrances put on Canadian industry by its U.S. customers. When the U.S. government announced countervailing duties on softwood lumber recently, the Canadian government responded with loan guarantees and financing for Canadian softwood lumber firms that may be adversely affected by such actions.

Shares in firms such as **Canfor Corporation** ([TSX:CFP](#)) have actually risen since the Trump administration announced countervailing duties on April 24 (shares closed at \$18.18 on April 24

vs. a share price around \$19 today), with markets largely ignoring the effects of such duties on this industry.

At the same time, shares of **Saputo Inc.** ([TSX:SAP](#)) have declined modestly after the Trump administration announced intentions to look into the Canadian supply-management system, and shares of Canadian plane maker **Bombardier, Inc.** ([TSX:BBD.B](#)) are relatively flat following a trade dispute with **Boeing**, in which Bombardier was accused of dumping planes to win orders and buy U.S. market share with subsidies from the Canadian federal and provincial governments.

Bottom line

Canada has traditionally been an export-first country; however, in recent decades it has switched to an American–European-style consumption model in which consumption (imports) drives a much larger percentage of the economy than production (exports). My take on the current situation is that while the duty structure of the export arrangements with the U.S. may change, not much will actually change with the current trade balance between these two nations. Canadian exporters will likely be forced to search for other primary export partners in a bid to diversify exports or risk seeing long-term profitability decline.

Stay Foolish, my friends.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)
2. TSX:CFP (Canfor Corporation)
3. TSX:SAP (Saputo Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Investing

Date

2025/08/25

Date Created

2017/06/08

Author

chrismacdonald

default watermark