# Softwood Lumber Dispute and Wildfires: Should You Buy This Timber Stock?

## Description

Timber has been in the news in recent months thanks to the seemingly never-ending softwood lumber dispute with the U.S. Should you stay away from lumber stocks, or is this a good time to invest?



### Industry concerns

Softwood lumber has been a touchy subject in Canadian-American trade relations for decades. The dispute ramped up again this spring when the U.S. twice decided to increase tariffs on Canadian wood, because it believes our lumber is unfairly subsidized by the Canadian government. Average duties around 27% have been added to most of Canada's softwood lumber, making it more expensive and less attractive for American customers to buy Canadian timber.

One company with the highest duties assigned to it is **West Fraser Timber Co. Ltd** (TSX:WFT). Its highest combined duties (from both American increases) are 30.88%. This makes West Fraser sound like a bad deal at the moment, right? Not necessarily.

### The wildfire effect

British Columbia has been hit hard with wildfires this year. Because so much forest has been affected and supply diminished, lumber prices have been rising this summer. They are expected to rise 6-8% in the coming weeks. The short-term price increase tends to be good for lumber producers, because it means they get to keep more money after their tariffs are paid.

### West Fraser by the numbers

West Fraser has a lot going for it. Its net income grew a whopping 115.69% year over year to $1.85 per share last quarter. This is among the strongest growth seen in the industry. Its net profit sits at 9.53%, making it one of the most effective in the industry at turning revenue into profit. West Fraser's return-on-equity ratio is a stellar 20.38%.

West Fraser has recently acquired a U.S. lumber business, Gilman Companies, for $430 million, giving it increased access to the U.S. market. The deal is expected to close later this year.

In terms of stock price, West Fraser traded at a low of $38.18 over the last year and at a high of $68.55. Its current price of $66.97 is close to its 52-week high. Analysts list its target price over the next year at $68.25, so this stock isn't a cheap deal at the moment. But it has been performing well. If you like to compare a stock against its entire index, West Fraser shares outperformed the TSX by 49% over the last year. Analysts are optimistic about the stock, even with the softwood duty concerns.

**Bottom line**

Should you buy West Fraser? That always depends on what you are looking for in a stock and your investment goals, but West Fraser is a solid contender for your investment dollars. Aside from the softwood duties, there is much to like about this company, so consider adding West Fraser to your Foolish portfolio.

**CATEGORY**

1. Investing

**TICKERS GLOBAL**

1. TSX:WFG (West Fraser Timber Co. Ltd.)



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