

# **FINAL DRAFT**

## **Western United States Imports of Roundwood Posts From Canada: 1991 – 2001**

Seattle and Great Falls Customs Districts

March, 2002

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### **Prepared For**

Oregon Economic and Community Development Department and  
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\*The opinions expressed in this report are those of the author, who is responsible for the accuracy of results reported, based on data provided by the U.S. Census Bureau, Foreign Trade Division.

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Larry Swan, USDA Forest Service, Klamath Falls, OR<sup>1</sup>

### **Purpose**

This report summarizes and interprets United States (U.S.) Customs Service data collected between 1991 and 2001 for Western U.S. imports of Canadian roundwood fence posts. Import data statistics were obtained from the U.S. Census Bureau, Foreign Trade Division. Results are intended to improve understanding of the nature, extent, and trends of Western U.S. imports of Canadian treated and untreated roundwood posts.

### **Background**

Swan and Von Segen completed an informal review in 2000 about the potential impact on Western U.S. post-and-pole (post/pole) manufacturers of Congressional funding provided to replace fencing burned by wildfires. An indirect result of the interviews conducted was the conclusion that U.S. imports of Canadian treated and untreated wood fence posts are substantial, and local post/pole manufacturers were unlikely to substantially benefit from a large fencing replacement program in part because of Canadian competition. Estimates varied, but it appeared that beginning in the early to mid-1990s, Canadian-manufactured posts increased market share of Western U.S. treated and untreated wood fence posts from less than 20% to between 40% and 70%.

Another result of the study by Swan and Von Segen (2000) was agreement between industry associations and local economic development organizations of the need to better understand how the post/pole industry is structured in the Western U.S. An important aspect of understanding the structure of the post/pole industry in the Western U.S. is an understanding of the nature, extent, and trends of U.S. imports of Canadian treated and untreated roundwood posts.

### **Terminology and Methodology**

#### *Terminology*

Terminology used by the post/pole industry and U.S. Customs Service, the government agency that collects raw data about imports, can be confusing. For the purpose of this report, *posts* are

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considered shaped, peeled, doveled, or turned logs of various diameters, 16-feet or shorter. *Poles* are similar to posts, but are greater than 16-feet in length (American Wood Preserver's Association 2000). The term *roundwood* is used to emphasize that the posts discussed in this report are "rounded", not sawn. *Roundwood posts* are used not only in fencing, but also for animal enclosures, agricultural trellis systems, tree stakes, and other applications.

Other terms used in this report include:

- 1) *Peeled (or Shaped)* - Refers to posts or poles produced manually with a drawknife by a machine that removes bark and protrusions, but leaves most of the natural taper of the log;
- 2) *Doweled (or Turned)* - Refers to posts and poles produced by a machine that removes bark, protrusions, and natural taper, such that the shape of the final product is close to a cylinder;
- 3) *Pointed* – Refers to an end of a post that has been manufactured or shaped into a point to facilitate installation;
- 4) *Capped* – Refers to an end of a post that has been manufactured or chamfered to reduce splitting when installed; also done to improve esthetic appearance of the end of the post remaining above-ground;
- 5) *Drilled (Pre-Drilled or Bored)* – Refers to round or rectangular holes (latter are called mortises) that are pre-drilled or bored in posts to accept manufactured or pre-shaped projections at the end of railings; pre-shaped projections can be either doveled to a smaller round diameter or shaped in the form of a rectangle to fit pre-drilled or bored holes in posts;
- 6) *Treated* - Refers to the use of preservatives to slow decay and insect damage. The most common preservative applied to wood posts is chromated copper arsenic (CCA), a waterborne preservative that requires a pressure-treatment technology. Other wood preservatives, such as copper naphthenate (CuNap) (solvent-borne), Ammoniacal Copper Zinc Arsenate (ACZA), and Ammoniacal Copper Quat (ACQ) (both water-borne) are also used, but have in the past comprised a relatively small portion of the treated post market. Recent agreements between the U.S. Environmental Protection Agency and major chemical companies that produce wood preservatives are expected to result in a reduction of CCA-treated wood and a corresponding increase in non-CCA wood treatments.

### *Methodology*

Statistics used for this report were obtained from the U.S. Census Bureau, Foreign Trade Division, Trade Data Services (May Personal Communication)<sup>2</sup>. The data used to derive wood product import statistics originate for the most part from private customs brokers, who classify

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<sup>2</sup> U.S. import statistics are compiled and published monthly on a CD-ROM by the U.S. Census Bureau, Foreign Trade Division (titled *U.S. Imports of Merchandise*). CD-ROMs are available at libraries that are Federal Depositories.

imports using U.S. Customs Service Explanatory Notes for the *Harmonized Tariff Schedule of the United States* (2001) (henceforth referred to as *Harmonized Tariff Schedule*). The raw data is then submitted to U.S. Customs Districts. Customs Service personnel perform spot checks.

The following *Harmonized Tariff Schedule* classifications were selected for analysis based on conversations with the Bureau of the Census, Foreign Trade Division (May Personal Communication), U.S. Customs Service, National Commodity Specialist Division (Garretto Personal Communication), and Norman G. Jensen Inc., a major customs broker for U.S. imports of Canadian wood products (Barney Personal Communication) (descriptive subcategory titles provided by the author):

1. **Treated Blunt-End Roundwood Posts** (classification code 4403.10.00.40) – Described as: *Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared; treated with paint, stain, creosote or other preservatives; fence posts* (units of measure: meters and declared value in U.S. dollars);
2. **Untreated Blunt-End Roundwood Posts** (classification code 4403.20.00.15) - Described as: *Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared; other coniferous; fence posts* (units of measure: meters and declared value in U.S. dollars);
3. **Further Manufactured Roundwood Posts** (included in classification code 4421.90.98.40) – The *Harmonized Tariff Schedule* statistical code in which “further manufactured” posts are classified includes all other articles of wood not explicitly specified or included in other *Harmonized Tariff Schedule* classifications.<sup>3</sup> Customs brokers who fill-out U.S. Customs Service declaration forms for Canadian wood product imports consider this a “catch-all” category for roundwood posts that are not clearly treated or untreated, blunt-end wood fence posts. This includes treated and untreated, pointed and capped posts, which are assumed to comprise a significant portion of the total declared value for this classification, based on previous interviews with post/pole manufacturers. Customs brokers who work for Norman G. Jensen Inc., a major customs broker for U.S. imports of Canadian wood products, estimate about 50% of total declared value for this classification code represent “further manufactured” roundwood fence products (Barney Personal Communication) (unit of measure: declared value in U.S. dollars)<sup>4</sup>.

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<sup>3</sup> The *Harmonized Tariff Schedule of the United States* (2001) classification code “4421.90.98.40” is valid for “Other Articles of Wood, Other” from 1995 – 2001. This classification code superceded one used prior to 1995 for the same category. The classification code changed to “4421.90.97.40” for 2002.

<sup>4</sup> Examples of other wood products included in the “Other Articles of Wood, Other” classification are: Spools, bobbins, and sewing thread reels; bee-hives, rabbit-hutches, hen-coops, cages, kennels, troughs, and livestock yokes; theatrical scenery, joiners benches, ladders and steps, trestles, road signs, figures, other signs, horticulture labels, toothpicks, trellises and fencing panels, roller blinds, rollers for spring blinds, coat or skirt hangers, ironing boards, clothes pegs, oars, paddles, and coffins; wood paving blocks; match splints; and wooden handles for knives, spoons, and forks.

The focus of this report is Western U.S. imports of Canadian roundwood posts. Based on previous interview results, it is assumed that almost all Canadian roundwood posts intended for Western U.S. markets are imported using surface transportation routes through the Seattle (WA) and Great Falls (MT) Customs Districts. These two customs districts include all Ports of Entry for Washington, Idaho, and Montana (total of 56) as well as Salt Lake City, UT and Denver, CO. Comparisons are made with Pembina Customs District, immediately to the east, to contrast Western U.S. results and trends with roundwood fence post imports assumed to be going into Midwest and Eastern U.S. markets (total of 24 Ports of Entry, mostly located in ND, but also some in MN).

The primary species used to make Canadian roundwood posts imported through the Seattle and Great Falls Customs Districts is lodgepole pine (*Pinus contorta* var. *latifolia*), sometimes referred to as black pine, Rocky Mountain lodgepole pine, or tamarack. A small amount of spruce may also be treated and imported, but labeling is not clear. Canadian provinces that export roundwood fence posts to Western U.S. markets are British Columbia and western Alberta. Other species are assumed used for most roundwood posts imported through the Pembina Customs District, since the main range of lodgepole stops about 600-miles west of the town of Pembina, ND. Canadian provinces exporting through the Pembina Customs District are assumed to be eastern Saskatchewan and Manitoba.

Data obtained from the U.S. Census Bureau, Foreign Trade Division, consists of quantity (meters) and declared value (U.S. dollars) for treated and untreated blunt-end roundwood posts, and declared value only for further manufactured roundwood posts. Data for the period 1991–94 are limited to blunt-end, treated and untreated wood posts. Data for both blunt-end posts and further manufactured posts are available for the period 1995–2001. The reason for this is that the *Harmonized Tariff Schedule* statistical classification code changed in 1995, which made data interpretations for previous years less clear. Customs broker recollections about how products were classified and approximate percentage of further manufactured posts assigned to the *Harmonized Tariff Schedule* wood products “Other” category (statistical classification code 4421.90.98.40) were also considered more reliable for the recent period (1995–2001) than previous years. In some cases, the time periods analyzed were adjusted to avoid statistical “outliers” and anomalies (one-time occurrences or values that significantly skew the calculation of averages more than considered reasonable given other data).

## **Results**

### *Growth Trends*

Growth of Western U.S. imports of Canadian treated and untreated blunt-end roundwood posts rose rapidly beginning in 1994 (about 3.3 million linear feet treated and 300,000 linear feet untreated). Growth peaked in 1997 for treated blunt-end posts (12.1 million linear feet) and in 1999 for untreated blunt-end posts (6.6 million linear feet). In 2001, treated and untreated blunt-end post imports decreased to 11.2 million and 4.9 million linear feet respectively.

Total estimated declared value of Western U.S. imports of Canadian roundwood posts increased from about \$9.9 million in 1995 to \$21.9 million in 2001.<sup>5</sup> The majority of import growth appears driven by further manufactured posts, which account for an average two-thirds of total declared dollar value between 1995-2000. Growth in further manufactured roundwood posts has also been greater and more consistent than blunt-end posts, averaging 14% between 1995-2001, compared to 8%. Annual growth for all *Harmonized Tariff Schedule* statistical categories with roundwood posts was erratic, ranging between 23% (1999) and -1% (2001). See **Chart 1** and **Chart 2** for graphic representations of how growth trends compare between treated and untreated blunt-end and further manufactured wood posts (both charts are titled *Total Estimated Declared Dollar Value (U.S.), All Customs Categories With Roundwood Posts*).

#### *Comparisons Between Great Falls and Seattle Customs Districts*

The two Western U.S. Customs Districts included in this study differ in terms of quantities and proportions reported of treated and untreated blunt-end roundwood posts and further manufactured posts. The Seattle Customs District, because of a greater proportion of further manufactured roundwood posts, reports much higher declared values than Great Falls Customs District (see **Chart 3**, *Total Estimated Declared Dollar Value (U.S.), All Customs Categories With Roundwood Fence Posts*). However, Great Falls Customs District, which encompasses many more Ports of Entry through which Canadian roundwood posts are imported, reports much larger quantities of treated blunt-end posts since 1995, and untreated blunt-end posts between 1991-2000. Prior to 1995, Seattle Customs District reported significantly greater quantities of treated blunt-end posts than Great Falls District (five-times as much on average) (see **Chart 4**, *Total Linear Feet, Treated Blunt-End Roundwood Posts*).

There was a sharp drop between 1999 and 2001 in untreated blunt-end roundwood posts imported through Great Falls Customs District and a sharp increase in Seattle Customs District. In 2001, for the first time in at least 10 years, Seattle Customs District reported more untreated blunt-end posts imported from Canada (3.3 million linear feet) than Great Falls Customs District (1.6 million linear feet) (see **Chart 5**, *Total Linear Feet, Untreated Blunt-End Posts*).

#### *Declared Value Fluctuations for Treated and Untreated Blunt-End Roundwood Posts*

The relationship between total linear feet and average declared values was examined for Western U.S. imports of treated and untreated blunt-end roundwood posts from Canada. The same information is not available for further manufactured posts, where only declared value, not linear feet, was recorded and reported.

Both Seattle and Great Falls Customs Districts display subtle declared value fluctuations between 1991 and 2001 for treated blunt-end roundwood post imports. The fluctuations observed appear to correspond somewhat with import levels – the lower the quantity imported, the higher the declared value. Declared values peaked in 1995 for both Customs Districts at

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<sup>5</sup> The period 1995-2001 was used for analysis of growth trends for all customs categories with roundwood posts because data were available for blunt-end, treated and untreated roundwood posts, and reliable estimates were available for further manufactured roundwood posts classified in the “Other Articles of Wood, Other” category.

\$0.57 per linear foot for Great Falls and \$0.51 for Seattle, and dropped for both Customs Districts in 1999 to \$0.39 for Great Falls and \$0.37 for Seattle.

Probably the most outstanding trend observed in the data for treated blunt-end roundwood posts is that declared value per linear foot has remained nearly the same, averaging \$0.44 per linear foot for Seattle Customs District and \$0.45 for Great Falls Customs District. **Chart 6**, *Average Declared Value (U.S.) Per Linear Foot, Treated Blunt-End Roundwood Posts*, graphically displays the relationship for Seattle and Great Falls Customs Districts. The chart was limited to 1993-2001 because data anomalies for Pembina Customs District distorted results (Pembina Customs District was included for comparison purposes and will be discussed in the *Discussion and Interpretation* section).

As expected, declared dollar values (U.S.) per linear foot for untreated blunt-end roundwood posts imported from Canada to the U.S. were lower than treated post averages. Between 1998 and 2001, the average declared value per linear foot was virtually the same for the Seattle Customs District (\$0.27) and Great Falls Customs District (\$0.28). Averages were not calculated for the period 1991-1997 because the data fluctuated so drastically. For example, two clear data anomalies were observed in 1996, one for Seattle (\$0.85 per linear foot) and the other for Pembina (\$16.22 per linear foot). Still another data anomaly was observed for Pembina in 1993 (\$1.03 per linear foot) (see **Chart 7**, *Average Declared Value (U.S.) Per Linear Foot, Untreated Blunt-End Roundwood Posts*).

#### *Proportion of Treated vs. Untreated Blunt-End Roundwood Posts*

A much higher proportion of Western U.S. blunt-end roundwood post imports from Canada is treated than untreated, ranging from a high of 99% in 1992 to a low of 64% in 1999. There was a significant decrease in the proportion of treated vs. untreated blunt-end posts between 1998-2001 (66%), compared to the average for the period between 1991 and 1997 (92%) (see **Chart 8**, *Total Linear Feet – Treated vs. Untreated Blunt-End Roundwood Posts*).

#### *Data Anomalies*

Seven anomalies involving either declared value or linear measurement were noted in data provided by the U.S. Census Bureau, Foreign Trade Division, for the period 1991-2001:

- 1) Pembina Customs District - Treated blunt-end roundwood posts in 1991 (i.e. \$1.68/linear foot vs. \$0.47/linear foot average for Great Falls and Seattle Customs Districts) and 1992 (i.e. \$1.60/linear foot vs. \$0.49/linear foot average for Great Falls and Seattle Customs Districts); and untreated blunt-end posts in 1993 (i.e. \$1.02/linear foot vs. \$0.29/linear foot for 1997-2001) and 1996 (\$16.22/linear foot vs. Pembina Customs District average less than or equal to \$0.36/linear foot between 1995 and 2001);
- 2) Seattle Customs District - Untreated blunt-end roundwood posts in 1991 (i.e. \$0.80/linear foot vs. \$0.18/linear foot average for Great Falls and Pembina Customs Districts) and 1992 (i.e. \$1.38/linear foot vs. averages less than \$0.50/linear foot for the

other two customs districts); and treated blunt-end posts in 1996 (i.e. \$0.85/linear foot vs. \$0.41/linear foot average for Great Falls Customs District);

Anomalies were not included in calculations of averages. The U.S. Census Bureau statistician consulted for this project was unable to ascertain any reason for the data anomalies encountered (May Personal Communication).

## **Discussion and Interpretation**

### *Significant Under-Estimates of U.S. Imports of Canadian Roundwood Posts*

Significant under-estimates of the value of roundwood post imports from Canada is unavoidable if only the two obvious wood product classification categories in the *Harmonized Tariff Schedule of the United States* (2001) are examined: Treated wood fence posts (classification code 4403.10.00.40) and untreated wood fence posts (classification code 4403.20.00.15). According to customs brokers, who actually classify imports according to *Harmonized Tariff Schedule* guidelines, and then forward the information to the U.S. Customs Service, roundwood posts that do not fit the two obvious categories are classified in the *Harmonized Tariff Schedule* “Other” wood products category (classification code 4421.90.98.40).

The customs brokers consulted for this project estimate about 50% of declared value of the wood products “catch-all” category represent “further manufactured” roundwood posts (e.g. “pointed and capped”). This can make a substantial difference in the declared value of roundwood posts reported. To illustrate, instead of \$6.3 million declared value of Western U.S. roundwood post imports from Canada in 2001 (representing the sum of the two obvious wood “fence post” statistical classification categories), a more accurate estimate would be \$21.9 million, a 71% increase. This is slightly higher than the average annual 65% additional declared value for “further manufactured” roundwood posts estimated for the period 1995–2001.

### *Growth Trends*

A graph of linear feet of treated blunt-end roundwood posts imported to the Western U.S. from Canada fluctuates between about 10 million and 12 million linear feet for the last five years (1997–2001). This may be an indication of a mature market. Growth, when it occurs, could be moderate at best (see **Chart 9**, *Growth Trends, Treated Blunt-End Roundwood Posts*).

Trends in untreated blunt-end roundwood posts are difficult to interpret. A sharp increase in linear feet reported by Western U.S. customs districts imported from Canada is evident in 1996 and peaked in 1999. The sharp increase is mirrored by a sharp decline for at least the last two years (2000–2001). It may be that a factor such as transportation costs forced the sharp increase and decline observed, but more in-depth analysis of the reasons for such trends is outside the scope of this paper (see **Chart 10**, *Growth Trends, Untreated Blunt-End Roundwood Posts*).

Estimated declared value of further manufactured (treated and untreated) roundwood posts grew much more rapidly than treated and untreated blunt-end wood fence posts, at least for the time period for which data were available (1995–2001). To illustrate, estimated declared value in

1995 of further manufactured Western U.S. roundwood post imports was about \$6.2 million vs. \$3.7 million for treated and untreated blunt-end posts. In 2001, estimated declared value of further manufactured Western U.S. posts was about \$15.6 million (60% increase) vs. \$6.3 million (41% increase) for treated and untreated blunt-end posts. The minor decline in estimated “further manufactured” declared value between 2000 and 2001 (3%) may be an early indicator of a maturing market, similar to what may be happening for treated blunt-end posts. It is also important to point-out that the majority of “further manufactured” declared value is believed to represent various pointed and capped products, the majority which are treated and used for similar purposes as “blunt-end” roundwood posts.

#### *Decrease in Treated and Increase in Untreated Blunt-End Roundwood Posts*

The decline in the proportion of treated blunt-end roundwood posts vs. untreated is notable, but as yet unexplained. The average proportion of Western U.S. imports of Canadian treated blunt-end posts averaged about 92% from 1991–1997, but dropped to an average 66% for the period 1998–2001. There may be a connection between the sharp drop in untreated blunt-end posts imported through Great Falls Customs District for the period 1999–2001, and a corresponding sharp increase reported by the Seattle Customs District. The increase was particularly noticeable because it was the first time in at least 10 years, that the Seattle Customs District reported more untreated blunt-end posts imported from Canada (3.3 million linear feet) than Great Falls Customs District (1.6 million linear feet) (see **Chart 5**, *Total Linear Feet, Untreated Blunt-End Roundwood Posts*).

#### *Competition*

It is interesting to note that Canadian companies appear to be fiercely competing between themselves for market share. One important measure of the level of competition between Canadian companies is the lack of significant price increases since at least 1991. In fact, the declared value per linear foot for treated blunt-end roundwood posts has actually decreased from about \$0.47 per linear foot in 1991 to \$0.45 per linear foot in 2001. Although the ability to hold-down costs can be partially attributed to favorable exchange rates, other factors may also be a part, such as increased mechanization investments in woods operations and manufacturing facilities.

#### *Margins For Treated vs. Untreated Blunt-End Roundwood Posts*

Average margins per linear foot for treated vs. untreated blunt-end roundwood posts can be calculated and compared with the available data. This information may be useful for manufacturers, treaters, and wholesalers to understand Canadian costs vs. U.S. costs. Costs do not include trucking.

For the time period studied (1991–2001), the average declared value per linear foot for treated blunt-end roundwood posts reported to the Seattle Customs District was about \$0.44 vs. \$0.31 for untreated wood posts, yielding a margin for treating of about \$0.13/linear foot (1991, 1992, and 1996 were dropped from the untreated blunt-end average calculations because of what

appear to be a statistical anomalies). Great Falls Customs District averages were similar - \$0.45 for treated vs. \$0.33 for untreated, yielding a margin for treating of about \$0.12/linear foot.

*Comparison With Upper Midwest Customs District*

Data for the Pembina Customs District (ND), located immediately east of the Great Falls Customs District, were examined to assist in interpreting whether or not trends observed for Western U.S. imports of Canadian roundwood posts were regional or national in scope. It is assumed raw material used for roundwood posts shipped through the Pembina Customs District is other than lodgepole, whose main range lies about 600 miles to the west, and that Canadian manufacturers are located in either eastern Saskatchewan or Manitoba. Comparisons were somewhat constrained by the data anomalies previously discussed in 1991 for treated blunt-end posts and in 1996 for untreated blunt-end posts. It is uncertain if similar anomalies exist for the further manufactured post declared value estimates beginning in 1995, because the declared value per linear foot relationship could not be checked (linear feet data are not recorded for the *Harmonized Tariff Schedule* category from which further manufactured post estimates were derived).

Pembina Customs District consistently reports much smaller quantities of treated and untreated blunt-end roundwood posts than either Seattle or Great Falls Customs Districts (e.g. 1.5 million linear feet in 2001 compared to 5.4 million for Seattle Customs District and 10.7 million for Great Falls Customs District). However, the proportion of total declared value represented by further manufactured posts is significantly higher for the Pembina Customs District than the two Western U.S. customs districts (91% vs. 65% for the period 1995–2001). This may mean that further manufactured roundwood posts, such as treated pointed and capped posts of various sizes, are more in demand than treated or untreated blunt-end posts.

Growth trends of treated and untreated, blunt-end roundwood posts can be compared for the period of 1991–2001 using the linear measurements reported. Treated blunt-end posts have steadily grown, but not nearly at the pace or with the sharp rises and declines observed for Western U.S. Customs Districts. For example, Pembina Customs District reported about 21,000 linear feet in 1991 imported from Canada vs. 2.8 million for the two Western U.S. Customs Districts (Seattle and Great Falls). By 2001, Pembina Customs District, showing a steady rise, reported 1.1 million linear feet vs. 11.2 million linear feet for the two Western U.S. Customs Districts (see **Chart 9**, *Growth Trends, Treated Blunt-End Roundwood Posts*).

The growth trend for untreated blunt-end roundwood post imports is more erratic, but seems to track Western U.S. customs districts more closely, increasing significantly beginning in 1997 (from about 5,000 linear feet compared to about 300,000 in 1996) to a high of 1.3 million linear feet in 1999, and then dropping sharply during the period 2000–2001 to about 400,000 linear feet (see **Chart 10**, *Growth Trends, Untreated Blunt-End Roundwood Posts*). Whatever factor may be affecting growth trends of roundwood post imports for the Western U.S. Customs Districts could also be affecting Pembina Customs District imports

A consistent difference noted between Pembina and Western U.S. Customs Districts was declared value per linear foot for treated blunt-end roundwood posts imported from Canada.

Pembina Customs District import records indicate a treated blunt-end post average declared value from 1993-2001 of \$0.53 per linear foot, ranging from a high of \$0.63 (2001) to a low of \$0.48 (1994 and 1999). The average for Seattle and Great Falls Customs Districts during the same period was about \$0.45/linear foot (the period 1991–1992 were omitted due to unexplained data anomalies) (see **Chart 6**, *Average Declared Value (U.S.) Per Linear Foot, Treated Blunt-End Roundwood Posts*).

The three customs districts included in this study display, on average, very similar declared values for untreated blunt-end roundwood posts per linear foot. The Western U.S. customs districts combined average for 1997–2001 is about \$0.29 vs. the Pembina Customs District average of about \$0.30 per linear foot (the period 1991–1996 were omitted due to unexplained data anomalies in at least one of the custom districts) (see **Chart 7**, *Average Declared Value (U.S.) Per Linear Foot, Untreated Blunt-End Roundwood Posts*). The implication is that the margin for treated roundwood fence posts is much greater for Canadian imports through the Pembina Customs District, averaging about \$0.24 per linear foot vs. \$0.15 per linear foot through Western U.S. Customs Districts. It is unknown why the difference is so large since it is assumed the cost of chemicals is similar. It may be that the species being treated are different, and that they take more chemicals or more time to treat. It may also be that there is not as much competition as in Western U.S. markets.

## **Summary**

### *Purpose and Methodology*

The purpose of this report was to summarize and interpret United States (U.S.) Customs Service data collected between 1991 and 2001 for Western U.S. imports of Canadian roundwood posts. Import data statistics were obtained from the U.S. Census Bureau, Foreign Trade Division. The U.S. Customs Service collects the original data based on documentation and classifications performed by private customs brokers. This report is intended to improve understanding of the nature, extent, and trends of Western U.S. imports of Canadian treated and untreated roundwood fence posts.

### *Key Findings*

Significant Potential Errors - The value of roundwood post imports from Canada will be significantly under-estimated if only the two obvious wood product classification categories in the *Harmonized Tariff Schedule of the United States* (2001), treated and untreated wood fence posts, are examined. According to customs brokers, roundwood fence posts that do not fit the definition of “blunt-end, treated or untreated wood post” are classified in a *Harmonized Tariff Schedule* “catch-all” wood products category labeled “Other”.

The customs brokers consulted for this project estimate about 50% of declared value of the *Harmonized Tariff Schedule* wood products “catch-all” category represent “further manufactured” roundwood posts (e.g. “pointed and capped” posts of various diameters and lengths). This can make a substantial difference in the declared value of roundwood posts reported. To illustrate, in 2001 instead of \$6.3 million declared value of Western U.S.

roundwood post imports from Canada, a more accurate estimate would be \$21.9 million (71% increase). The five-year average increase in declared value of treated and untreated roundwood posts is about 65% (1995–2001).

Growth Trends – Post-and-pole industry interviews indicate that Canadian imports of roundwood posts were affecting the Western U.S. marketplace by the early 1990s. U.S. Census Bureau data indicate significant growth of Western U.S. imports of Canadian treated and untreated blunt-end posts beginning as early as 1994 (3.6 million linear feet) and peaking in 1997 (12.1 million linear feet). Total estimated declared value of Western U.S. imports of all roundwood posts grew from \$6.2 million in 1995 to \$15.6 million in 2002 (average annual growth of 14%). Most of this growth was driven by “further manufactured” roundwood posts, which comprise an average two-thirds of total declared value at least since 1995.

Proportion Treated vs. Untreated – A much higher proportion of Western U.S. imports of Canadian blunt-end roundwood post imports are treated than untreated. The average proportion for treated blunt-end posts is about 92% for the period 1991–1997, dropping to an average 66% for the period 1998–2001. It is unknown why the proportion of treated blunt-end posts decreased. It is also unknown what proportion of “further manufactured” roundwood posts are treated vs. untreated. Proportions similar to blunt-end wood posts are surmised because much of the declared value for “further manufactured” roundwood fence posts is assumed to be pointed and capped posts of various diameters, which are often treated.

Mature Market for Treated Blunt-End Wood Fence Posts – Data for treated blunt-end roundwood posts imported by the Western U.S. from Canada indicate little or no growth for the last five years (1997–2001), with values fluctuating between 10 million and 12 million linear feet. This could be an indication of a mature market for this particular product.

Lack of Increases in Declared Value Per Linear Foot – Declared value per linear foot for blunt-end roundwood posts have remained almost the same between 1991 and 2001. In fact, the declared value per linear foot for treated blunt-end posts has actually decreased from \$0.47 per linear foot in 1991 to \$0.45 per linear foot in 2001. Favorable exchange rates may be one reason why declared values have not increased. Lack of upward movement in values poses difficult competitive challenges for U.S. manufacturers who have to compete with Canadian imports.

Calculation of Value of Canadian Treated vs. Untreated Product – Average declared value margins for Western U.S. imports of Canadian treated vs. untreated blunt-end roundwood posts were calculated for the time period 1991–2001. On average, treated posts yielded a declared value margin of about \$0.13 per linear foot over untreated posts. This information may be useful for U.S. manufacturers, treaters, and wholesalers to better understand Canadian costs vs. U.S. cost structure.

Comparison of Trends With Non-Western U.S. Customs District – Data for the Pembina Customs District (ND), located immediately east of the Great Falls Customs District, were examined to assist in interpreting whether or not trends observed for Western U.S. imports of Canadian wood posts were regional or national in scope. Evidence of a possible national trend was suggested by similar significant increases in untreated blunt-end roundwood post imports

beginning in 1997, peaking in 1999, and then dropping sharply during the period 2000–2001. No obvious explanations presented themselves at the time this report was written.

A significant difference between Western U.S. imports and those reported by Pembina Customs District is the much larger proportion of total roundwood post imports represented by “further manufactured” posts – about 91% for Pembina Customs District and 65% for Western U.S. customs districts for the period 1995–2001). The other significant difference noted was consistently higher declared value per linear foot for treated vs. untreated blunt-end posts compared to Western U.S. customs districts – averaging about \$0.24 per linear foot vs. \$0.15 per linear foot for the period 1997–2001 (the period 1991–1996 was omitted due to statistical anomalies). It is unknown why the difference is so large since cost of chemicals is assumed similar. One possible explanation is that because the species treated are different, more time or chemicals may be needed. Another possible reason is that there is simply not as much competition as the Western U.S. and margins may be better.

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## **APPENDIX A**

### **Color Charts**

#### **Western United States Imports of Roundwood Posts From Canada: 1991 – 2001** Seattle and Great Falls Customs Districts

**Chart 1** – *Total Estimated Declared Dollar Value (U.S.), All Customs Categories With Roundwood Posts, U.S. Imports From Canada: 1991-2001, Seattle & Great Falls Customs Districts*

**Chart 2** - *Total Estimated Declared Dollar Value (U.S.), All Customs Categories With Roundwood Posts, U.S. Imports From Canada: 1991-2001, Seattle & Great Falls Customs Districts*

**Chart 3** – *Total Estimated Declared Dollar Value (U.S.), All Customs Categories With Roundwood Posts, U.S. Imports From Canada: 1995-2001, Seattle, Great Falls, and Pembina Customs Districts*

**Chart 4** - *Total Linear Feet – Treated Blunt-End Roundwood Posts, U.S. Imports From Canada: 1991-2001, Seattle, Great Falls, and Pembina Customs Districts*

**Chart 5** – *Total Linear Feet – Untreated Blunt-End Roundwood Posts, U.S. Imports From Canada: 1991–2001, Seattle, Great Falls, and Pembina Customs Districts*

**Chart 6** - *Average Declared Value (U.S.) Per Linear Foot, Treated Blunt-End Roundwood Posts, U.S. Imports From Canada: 1991–2001, Seattle, Great Falls, and Pembina Customs Districts*

**Chart 7** - *Average Declared Value (U.S.) Per Linear Foot, Untreated Blunt-End Roundwood Posts, U.S. Imports From Canada: 1991–2001, Seattle, Great Falls, and Pembina Customs Districts*

**Chart 8** - *Total Linear Feet – Treated vs. Untreated Blunt-End Roundwood Posts, U.S. Imports From Canada: 1991–2001, Seattle and Great Falls Customs Districts*

**Chart 9** – *Growth Trends – Treated Blunt-End Roundwood Posts, U.S. Imports From Canada: 1991-2001, Western U.S. Customs Districts (Seattle and Great Falls) and Pembina Customs District*

**Chart 10** - *Growth Trends – Untreated Blunt-End Roundwood Posts, U.S. Imports From Canada: 1991-2001, Western U.S. Customs Districts (Seattle and Great Falls) and Pembina Customs District*