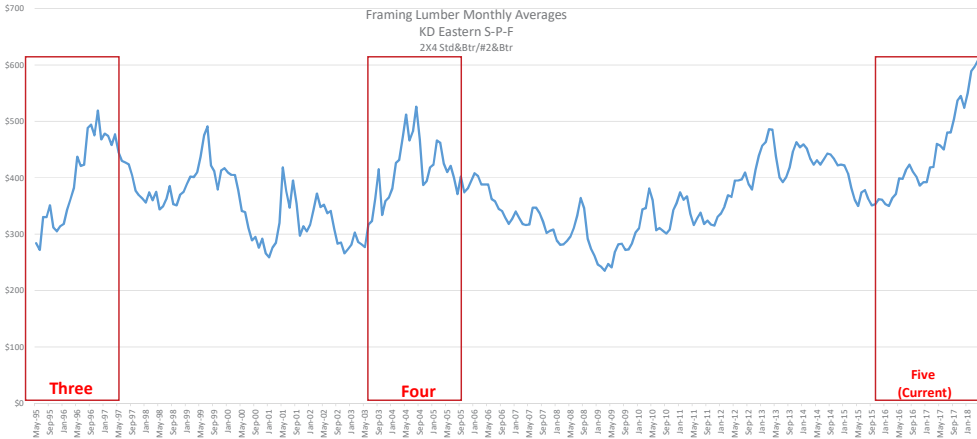
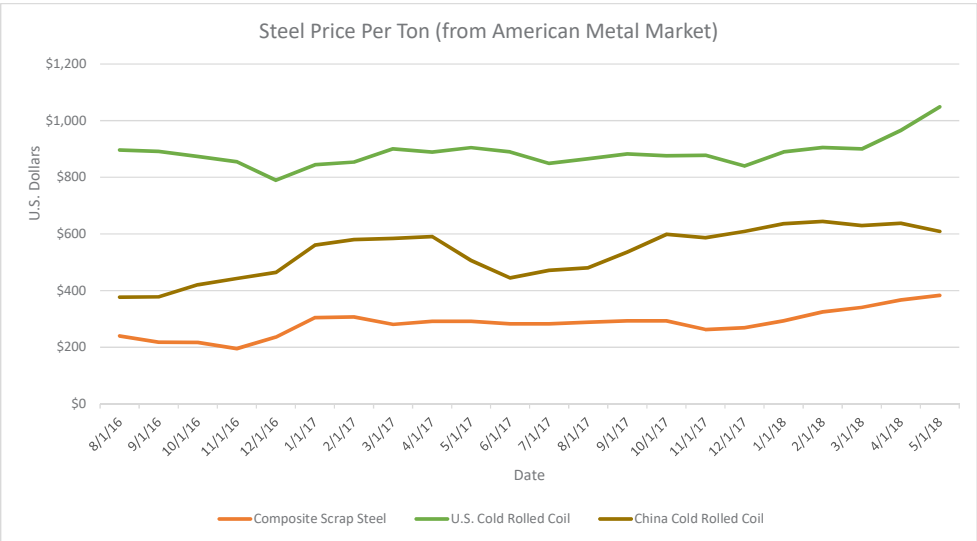


Government Intervention Causes Volatility

Since 1980, there have been five softwood lumber trade disputes between the U.S. and Canada and three trade agreements have been put in place over that time period. Each time the U.S. has intervened with trade tariffs, there has been significant market uncertainty that generates cost volatility.



For example, based on average framing lumber averages for Eastern Spruce-Pine-Fir tracked by Random Lengths, costs have risen from \$402 per thousand in October 2015 when the last agreement expired to \$608 in April 2018.



Similarly, recent trade action against foreign sources of steel has created volatility in the market. Based on tracking by Metal Market Magazine, the cost of U.S. Cold Rolled Steel (which is used to make the connector plates used in our industry) has spiked since the Section 232 investigation was sent to the White House in March.



US Trade Negotiations Need to Account for End Users

SBCA supports efforts to modify U.S. trade policy that preserve mechanisms which encourage reciprocity and a level-playing field with respect to all trade, allowing everyone operating in a given market segment to compete for business equitably.

Often trade actions have unintended consequences. Government intervention in commodity markets has been encouraging U.S. producers to seek remedy even if no damage has been done. This incentive needs to be mitigated so that trade action is taken only when real harm can be shown.

In addition, SBCA believes if tariffs are placed on a commodity, a similar tariff needs to be placed on products made from that commodity that also compete in the U.S. markets, to preserve reciprocity and ensure a level playing field for SBCA’s manufacturing members and all raw material users.

For example, when there are tariffs on softwood lumber coming into the U.S. from Canada, tariffs should also be placed on Canadian-made building components made of Canadian softwood lumber.



STRUCTURAL BUILDING COMPONENTS ASSOCIATION

POSITIONS

Representing Manufacturers of Engineered Roof, Wall and Floor Structural Components

sbcindustry.com

Structural Building Components Industry

Component manufacturers are primarily small businesses who create products purchased for use in the structural framework of single- and multi- family residential, light commercial and agricultural buildings. As such, we play an integral role in creating a building envelope that is safe, efficient, functional and affordable for all Americans.

Our highly engineered products are designed with cutting-edge software, manufactured using state-of-the-art production equipment in quality-controlled environments, and delivered just-in-time to jobsites for installation.

There are 1,827 component manufacturing locations in the U.S. that employ an estimated 82,784 workers with annual wages totaling over \$2.2 billion. As of 2016, sales of all structural building products exceeded \$6.1 billion.

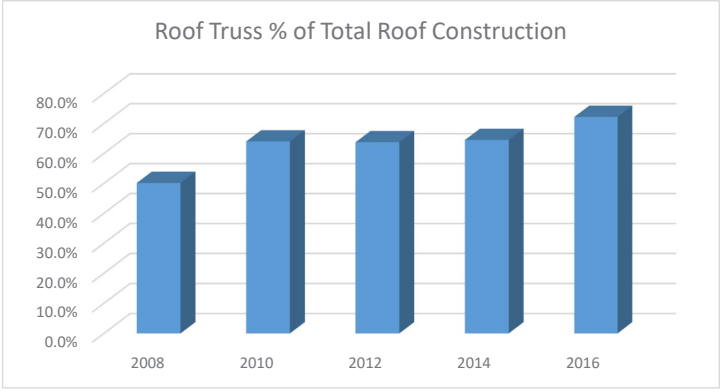
Housing Starts Projected to Rise

Due to ongoing demand for housing, housing industry professionals are predicting steady growth for housing starts going forward, before peaking in 2024. Due to population growth and the need to replace older homes, Wells Fargo predicts housing starts should increase 7.9% in 2018 and another 6.1% in 2019.



Component Use Increasing

SBCA’s analysis of home builder surveys indicate the use of structural building components has increased steadily from 2008 to 2016. Roof truss market share nationally has increased from 50.1% to 72.2%, wall panels have increased from 6.0% to 8.1% and floor trusses have increased from 11.1% to 13.3%.



*All original sources of information referenced in this document can be found online at sbcindustry.com/advocacy.



Constraints Facing Component Manufacturers

The two biggest constraints that hold back component manufacturers’ growth and contributions to the nation’s economy are access to a sufficient pool of qualified workers and an adequate supply of raw materials that can be purchased within a stable market.

Labor

Overall Labor Market is Incredibly Tight

According to the Bureau of Labor Statistics, U.S. unemployment rate fell to an 18-year low of 3.8% in May. This is the 92nd straight month of job growth. According to the BLS report, most of the hiring last month came from construction, health-care and retail.



Manufacturing Labor is Scarce

According to the Manufacturing Institute, 75% of U.S. manufacturers report a moderate or serious shortage of qualified applicants for skilled production positions. The National Association of Manufacturers estimates that 391,000 manufacturing jobs are currently unfilled.

Immigration Reform Needed Now

With a demand for new housing, critical shortage in labor, and little movement towards comprehensive immigration reform, we are at a critical juncture where the U.S. government needs to fully address guest worker programs, or give the opportunity to individual states to drive immigration reform at the local level.

Expand Guest Worker Programs

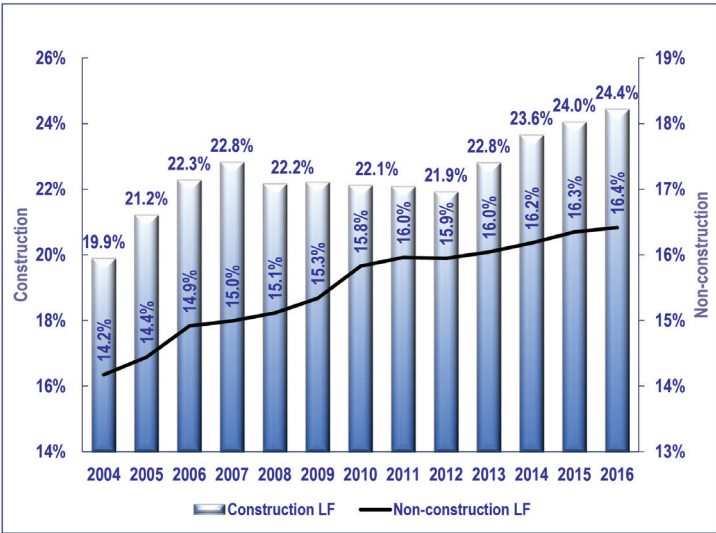
Our industry supports efforts to secure our nation's borders and provide a more comprehensive path to legal immigration into the U.S. President Trump has made it clear that guest workers programs are both necessary and a priority of his administration because our nation's economy relies on them.

One example of legislation we support is a bill introduced last year by Senator Ron Johnson (R-WI), the State Sponsored Visa Pilot Program Act of 2017, which would allow states to tailor guest worker programs to meet their individual workforce needs. This approach would enable states to be a testing ground in the search for workable solutions that could benefit the entire country.



Housing Labor Relies on Immigrants

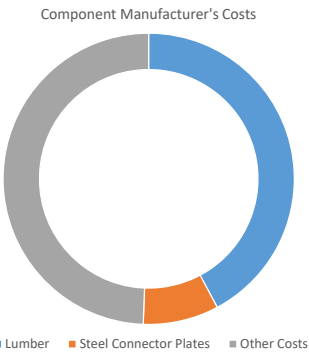
In a recent national survey of home builders, 84% consider the cost and/or availability of labor as their top concern. Immigration is a key element of that shortage. Analysis of the 2016 Census Bureau's American Community Survey shows that 24.4% of the construction laborers are immigrants.



Raw Materials

Lumber & Steel Dominate Our Costs

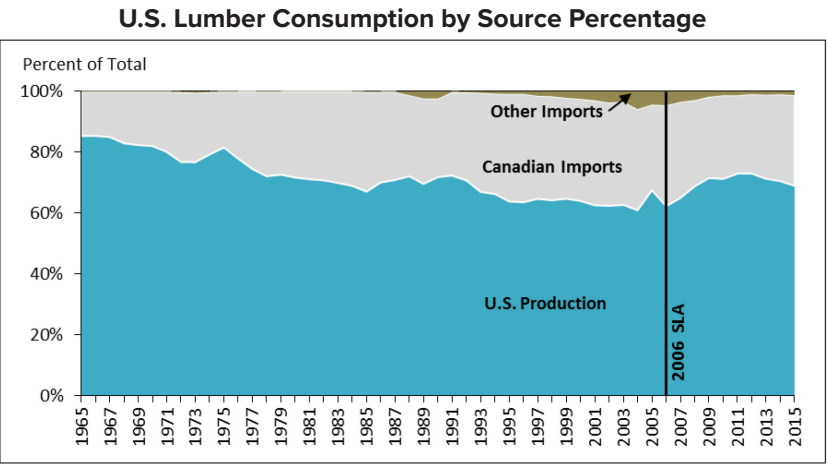
Based on SBCA's 2018 Financial Performance Survey, the lumber used in structural building components represents 42.2% of the cost of production and steel connector plates account for another 8.4%.



U.S. Housing Relies on Canadian Lumber

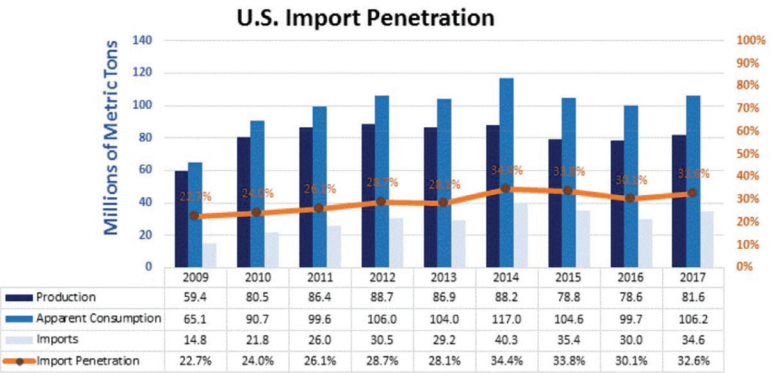
Approximately 70% of all the softwood lumber consumed in the U.S. is used in residential construction.

Based on analysis of U.S. Department of Agriculture data, the U.S. produces only two-thirds of the lumber it consumes and relies almost exclusively on Canada to supply the other third. As housing demand increases, so too will our reliance on Canadian softwood lumber.



U.S. Manufacturing Relies on Foreign Steel

A recent International Trade Administration report points out the U.S. is the world's largest importer of steel. The 34.6 million metric tons imported in 2017 represents a 134% increase since 2009. The top 10 countries sending steel to the U.S. accounted for 77% of total imports. By comparison, domestic sources produced 81.6 million metric tons of steel in 2017.



Cost Volatility Causes Significant Harm

Over the long term, raw material costs can be incorporated into the cost of goods sold. However, in the short term, significant cost variability can threaten a component manufacturer's ability to overcome lost margins. This is primarily due to the fact that purchase orders are signed well in advance of production and incorporated into construction project budgets. The loans held by owners or builders, which are based on these original construction budgets, have little room to absorb additional costs. If the raw material market fluctuates upward beyond what is expected, one of two things happen; one, component manufacturers are forced to absorb the cost increases and face taking losses, or two, projects are put on hold until costs of construction meet loan capacities.

