C I N T R A F O R

Working Paper 8

Back to Publications List

The Role of Exchange Rates in Canadian—U.S. Lumber Trade

Darius M. Adams, Bruce A. McCarl, and Lalehrokh Homayounfarrokh. 1986

Executive Summary

This paper employs graphical analysis, simple statics and an econometric model to examine the impacts of exchange rate on consumption, production, prices and bilateral trade flows I the Canadian—U.S. lumber market. Based on annual data for the 1950-1983 period, the econometric model is comprised of a U.S. demand relation and supply, capacity, and stumpage price relations for three U.S. regions and Canada. Analysis with the model indicates short-term elasticities with respect to exchange rate (expressed as $C/$US) of less than .1 for U.S. consumption, roughly -.3 for U.S. delivered price and .5 for import volume. The elasticity of Canadian market share was found to be in the range of .4 to .6. The greatest Canadian market share expansion (from roughly 20 to 28 percent) and rise in U.S. dollar strength occurred during the years 1975-1979. An hypothetical simulation of this period, under the assumption of no increase in the nominal exchange rate, yielded a reduction in Canada's 1979 share to 25%, roughly a 40 percent reduction in share growth rate. Both elasticity and simulation results indicate that exchange rate has been an important, but by no means the sole, factor in recent expansion of Canada's share in U.S. lumber markets.

To Ordering Instructions

Back to Publications List