

March 15, 2021

The Honorable Thomas J. Vilsack
Secretary
U.S. Department of Agriculture
1400 Independence Avenue, SW
Washington, DC 20250

Dear Secretary Vilsack:

On behalf of the 140,000 members of the National Association of Home Builders (NAHB), I am writing with regard to President Biden’s Executive Order 14017 on America’s Supply Chains. I respectfully request that you include the lumber supply chain in your department’s report pursuant to Sec. 4(a)(vi): “The Secretary of Agriculture, in consultation with the heads of appropriate agencies, shall submit a report on supply chains for the production of agricultural commodities and food products.”¹ Several agencies under your supervision have extensive experience researching lumber and timber markets, including the US Forest Service, Foreign Agricultural Service, and Agricultural Marketing Service.²

One of the core policies upon which the E.O. is founded includes the idea that the United States requires resilient and secure supply chains to ensure our economic prosperity.³ Ensuring the nation’s economic prosperity is vital to ensuring every American has a roof over their head each night; likewise, a robust residential construction industry increases shared prosperity.

NAHB’s 140,000 members lie at the penultimate stage of countless building materials supply chains and thus rely heavily on as seamless and steady supply as the chains—both foreign and wholly domestic—are capable of functioning.

Lumber’s Supply Chain Effects on Housing

The lack of resilient supply chains affects builders’ margins but, more important, it can have disastrous consequences for both buyers of single-family homes as well as renters of the thousands of affordable housing units our members build every year. Builders of all types of housing have been at the mercy of relentlessly rising lumber prices during periods of 2017, 2018, and most recently, over the past year. One can blame many factors that drove each of these episodes, but they all shared one characteristic: a poorly functioning supply chain that is anything but resilient.

¹ Exec. Order No. 14,017, 86 Fed. Reg. 11849 (March 1, 2021).

² United States Department of Agriculture, Organization Chart, October 1, 2020.

³ Exec. Order No. 14,017

Lumber prices have nearly tripled (+197 percent) since mid-April 2020, on average, and oriented strand board (OSB) prices have risen 230 percent. The price of Southern Yellow Pine 2x4s—the predominant species used to frame homes in the southern United States—has nearly quadrupled over the same period.⁴

Lumber and structural panels (e.g., OSB) make up the largest material cost of residential construction. These increases have resulted in a \$24,000 increase in the price of a typical single-family home and an \$8,000 increase in the market value of a multifamily unit.⁵

Defining Lumber and Housing Supply Chains as Critical

The review to be included in the Department of Agriculture’s report as required by sec. 4(a)(vi) is limited in scope to “critical” and “essential” goods and materials.⁶ Lumber falls in each of these categories per multiple definitions and criteria stated in of the executive order.

Section 6 defines critical goods and materials as “goods and raw materials currently defined under statute or regulation as ‘critical’ materials.”⁷ Both lumber as well as timber are implicitly and explicitly deemed “critical” in the US Code and federal regulations.

For example, the *Strategic and Critical Materials Stock Piling Act of 1939* defines “critical materials” as **“materials that (A) would be needed to supply the military, industrial, and essential civilian needs of the United States during a national emergency, and (B) are not found or produced in the United States in sufficient quantities to meet such need.”** . Lumber satisfies both of these conditions.

First, lumber is integral—not just needed—to the construction of housing, both single-family homes and apartments. In addition, housing must certainly be considered an essential civilian need.

Second, the text stipulates that needed materials are also not produced within the United States in quantities to meet the need. The lumber shortage and resulting cancellation of residential construction projects stems from US lumber producers’ inability to manufacture enough lumber to meet demand. This has been the case for decades as domestic producers have supplied two-thirds of annual softwood lumber demand over the past 30 years, on average. During periods of high demand, this figure drops to roughly 62 percent as increasing amounts of softwood lumber must come from overseas imports.⁸

⁴ Random Lengths; NAHB calculations.

⁵ Ibid.

⁶ Ibid. (§ 4(c)(i), § 4(c)(ii)).

⁷ Ibid. (§ 6(b)).

⁸ James L. Howard and Shaobo Liang, *U.S. Timber Production, Trade, Consumption, and Price Statistics, 1965–2017*, U.S. Forest Service, Research Paper FPL-RP-701, June 2019; NAHB calculations.

Regulations related to other legislation make housing a national priority during national crises. The Code of Federal Regulations defines “critical infrastructure” for purposes of 50 USC 4501 as “...any systems and assets, whether physical or cyber-based, so vital to the United States that the degradation or destruction of such systems and assets would have a debilitating impact on national security, including, but not limited to, national economic security and national public health or safety.”⁹ Once again, housing would seem to qualify as its destruction would certainly have a debilitating impact on our economic security and national public health.

Lumber-Specific Assessments

Section 4(c)(v) of E.O. 14017 contains an extensive list of assessments to be made with respect to supply chains contained in the Department of Agriculture’s report. Although all line items are important to your analyses, a subset is particularly salient to the lumber supply chain:

- The manufacturing or other needed capacities of the United States, including the ability to modernize to meet future needs;
- Gaps in domestic manufacturing capabilities, including nonexistent, extinct, threatened, or single-point-of-failure capabilities;
- The location of key manufacturing and production assets, with any significant risks identified in subsection (c)(iv) of this section posed by the assets’ physical location;
- Exclusive or dominant supply of critical goods and materials and other essential goods and materials, as identified in subsections (c)(i) and (c)(ii) of this section, by or through nations that are, or are likely to become, unfriendly or unstable;
- The availability of substitutes or alternative sources for critical goods
- The role of transportation systems in supporting existing supply chains and risks; and associated with those transportation systems.¹⁰

Thank you for your efforts to examine America’s agricultural supply chains. We respectfully encourage you to include the lumber supply chain in your review and report to President Biden. We stand ready to work with you to ensure American consumers and home builders have a reliable, affordable supply of lumber to meet housing demand.

Sincerely,



John C. Fowke
Chairman of the Board
National Association of Home Builders

⁹ 44 C.F.R. § 333.8.

¹⁰ Exec. Order 14,017, § 4(c)(v)(A, B, D, E, F, I, J).