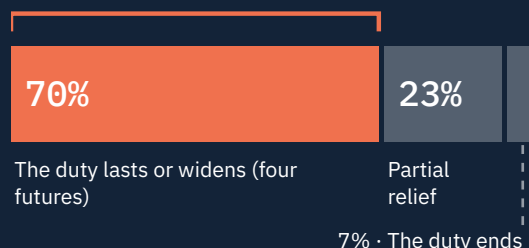


DECISION BRIEF · CANADA · EXECUTIVE READ

The 50% duty, line by line: what it costs, and when Canadian exporters must decide

By **31 December 2026** the duty lasts or widens in futures we put at **70%**, eases on some lines in **23%**, ends in **7%**; each *our estimate, scored when it resolves*.

70% lasts or widens to 31 December 2026, our estimate, scored when it resolves



Signed for and on behalf of the corporation: **Milad Naeimi · Principal** · Strature Geopolitical Prospects & Strategy Inc., Toronto · Edition 1.0 · 30 September 2026 · Evidence to 30 September 2026 · Free preview for general circulation; the full brief is supplied under Strature's terms.

C\$17.51bn

2025 US-bound sales of the five largest listed groups, all lines that may be listed (C\$6.46bn surely listed)

54–81%

at least, of the duty needed from US customers, no sales lost (our calculation)

97

of 1,413 listed lines banned outright since 29 Sep 2026

0 of 61

filing periods state US customers switching, to 30 Sep 2026

THE ANSWER

The duty is likely to last: by 31 December 2026 it lasts or widens in futures we put at 70%, eases on some lines in 23% (most lines still pay) and ends in 7%, each our estimate, scored when it resolves.

Exporters on listed lines could plan for the Section 338 duty lasting: CUSMA origin does not shield them, and every change so far widened it. In the five largest groups, absorbing erases the margin unless US customers carry at least 54 to 81% of the duty with no sales lost (our calculation); if sales fall at the mildest rate tested, only paper and electrical hold, at about 88 to 91%. A decision point is 4 November, the first full post-duty month, confirmed 8 December; earlier if a new CBP list changes a line. 1 January 2027 is a legal date only for Section 232 furniture and cabinets.

FINDINGS

The duty has only widened.

Every Section 338 change since collection began added lines or bans; none eased it.

Wood and furniture lose most.

Absorbing the full 50% duty on the customs value means a 33% price cut, which leaves a margin only if US customers carry: wood 81%, furniture 76%, plastics 67%, paper 61%, electrical 54%, with no sales lost (our calculation; four are lower bounds).

Exposure is set line by line.

Three customs codes per group carry 70 to 81% of listed US exports; 97 of 1,413 ten-digit lines (7%) are banned, not dutied.

Relief is mostly debt.

21 of 41 relief programmes are loans, deferrals or guarantees; none pays in proportion to the duty. An illustrative C\$50M plastics exporter (opening debt 0.94x earnings) carrying the whole duty sees its debt cross 3.0x earnings about 23 March 2027, or 9 January 2027 with a C\$5M relief loan. A ratio crossing, not a quarter-end test (our calculation, not a forecast).

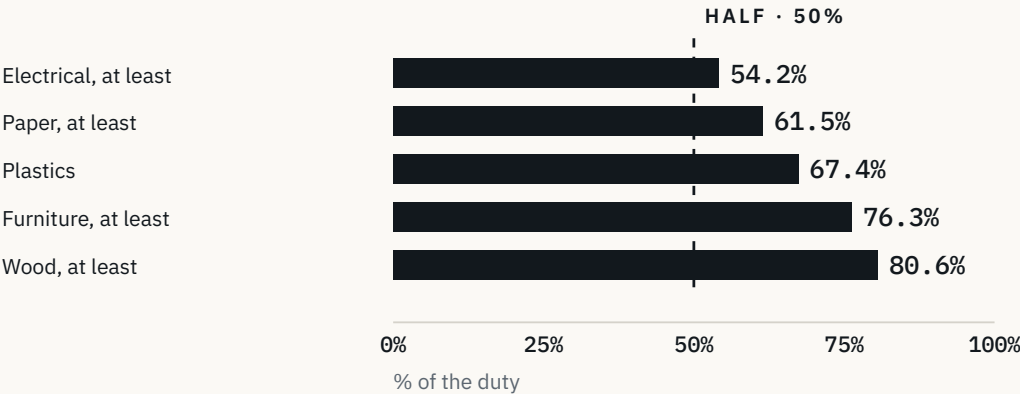
Absorbing erases margins unless customers carry at least 54 to 81% of the duty

The duty is 50% of the customs value; absorbing it in full means a price cut of a third. US customers must carry at least 54.2% in electrical and at least 80.6% in wood, with paper, plastics and furniture between. Plastics, at 67.4%, rests on its operating margin after depreciation for the second quarter of 2026; the other four rest on 2024 margins of unstated basis, so their shares are floors (our calculation).

EXHIBIT L1 · FORM: BARS AGAINST A DATUM · EVIDENCE GRADE B

Absorbing erases the margin unless US customers carry at least 54 to 81%

Share of the 50% duty US customers must carry, no sales lost · our calculation



THE READING

If sales also fall at the mildest rate we tested, only electrical and paper hold, at about 88 to 91%; at a steeper rate, none does.

DENOMINATOR

Industry margins: electrical 15.3%, paper 12.8%, plastics 10.9%, furniture 7.9%, wood 6.5%.

SOURCES

Strature model; retrieved 30 Sep 2026.

CREDIT

Adapted from Statistics Canada, Table 16-10-0117-01, Principal statistics for manufacturing industries, by North American Industry Classification System (NAICS), 2024. This does not constitute an endorsement by Statistics Canada of this product.

Adapted from Statistics Canada, Table 33-10-0225-01, Quarterly balance sheet, income statement and selected financial ratios, by non-financial industries, non seasonally adjusted, second quarter 2026. This does not constitute an endorsement by Statistics Canada of this product.

EVIDENCE GRADE

B · published work, or a primary text counted by us

HOW TO READ THIS PLATE

'At least': a lower bound. A threshold, not a registered forecast. THE ACCENT: NONE

What would change it

Six futures to 31 December 2026, each our estimate, scored when it resolves: the duty lasts and US-bound sales are cut (28%), lasts and sales hold (25.2%), partial relief (23%), lasts and sales collapse (15.4%), the duty ends (7%), lasts with sales not yet measured (1.4%).

US import values exclude the duty, so the signal is the unit value: held means US buyers are paying; falling means the exporter is absorbing, and falling volume means customers are switching. A new US customs list can bring forward the decision on its lines.

THE NEXT DATED SIGNPOSTS

● 6 Oct 2026 August trade data: the first month with the duty, 10 days of it. An early read of the sales test, not its result.	● 19-26 Oct 2026 (our dates) The window the President gave on 28 September for Canada to approach, as reported by The Canadian Press. Talks without an instrument change nothing.	● 28 Oct 2026 Bank of Canada rate decision and Monetary Policy Report: the cost of carrying the duty and of relief loans, which we have not priced.	● 3 Nov 2026 US midterm elections. A chamber changing hands would open a way back.
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Options to consider

For general circulation to purchasers. This brief is general research about public events and policy. It does not recommend buying, selling or holding any security, and it is not tailored to any reader. Options to consider describe what investors of a given type might weigh; they are not instructions. Consult your own registered adviser before acting.

'No-regret' and 'bet' are our analytical labels for how an option fares across the futures, not recommendations.

A no-regret option is right under every competing answer we tested, though not in every future; a bet pays only if one holds. 9 of 11 options pay only if the duty lasts (70%, our estimate, scored when it resolves); no probability attaches to an option.

NO-REGRET OPTIONS: RIGHT UNDER EVERY COMPETING ANSWER WE TESTED

- 1 Exporters: each line against its required share.** Exporters could consider placing each listed line, from their own invoices, against its group's required customer share (at least 54.2% to 80.6%; our calculation). Signpost: September trade data, 4 Nov 2026.
- 2 Exporters: the covenant, re-run at the draw.** An exporter weighing a C\$5M relief loan could consider re-running its covenant test at the draw (illustrative: about 9 January 2027; our calculation). Signpost: August trade data, 6 Oct 2026.
- 3 Exporters: the importer of record.** Exporters could consider settling the importer of record or its designee on every US sale; 12 of 13 refund provisions we read pay that party. Signpost: importer-of-record rules, about 30 Nov 2026.
- 4 Lenders: the covenant at each draw.** Lenders might weigh a covenant re-run at each draw by listed-line borrowers (illustrative: each C\$5M removes about 2.40 months of cover; our calculation). Signpost: August trade data, 6 Oct 2026.
- 5 Lenders: each borrower's measured pass-through.** Lenders might weigh asking listed-line borrowers for measured pass-through by line, against the share each covenant needs. Signpost: October trade data, 8 Dec 2026.
- 6 Investors: stress tests on the sales bands.** An investor holding listed-line exporters might weigh stress tests on the 10% and 33.3% sales falls of the lasting futures; our estimates attach to trade events, never to a security's price. Signpost: third-quarter filings, no date.

Five further options, labelled bets, are set out in the full brief.

WHAT THIS BRIEF CANNOT ESTABLISH

Who pays is unobserved: to 30 September, no post-duty trade month, and no filing states customers switching (0 of 61). Some assets carry sector rules on foreign ownership; we have not assessed them.

SIGNED FOR AND ON BEHALF OF THE CORPORATION

Milad Naeimi · Principal

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Every probability is our estimate, scored when it resolves.

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