



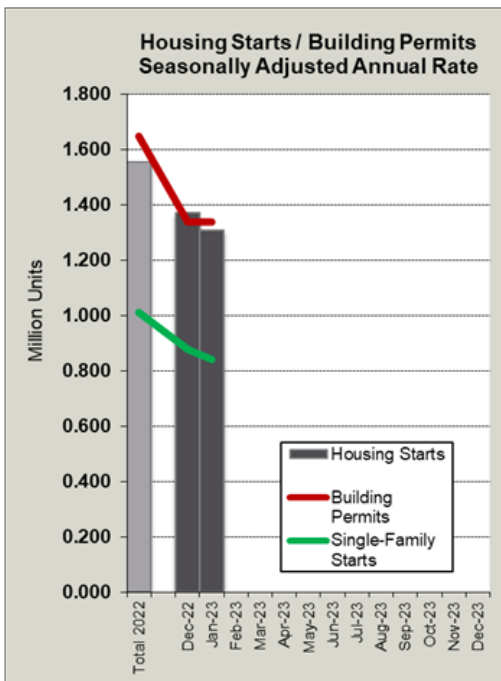
**MB&G Client
Klamath County**

The log market is always a hot topic of discussion and a common feature in my monthly newsletter intro, but personally the concern at the forefront right now is reforestation, as snow remains at some elevations where it doesn't typically persist into late March. It will be yet another variable to factor into seedling survival as many seedlings will go in the ground after an unpreferred amount of time in the cooler. There are an abundance of seedlings on the market this year, so if you'd like to do some reforestation there's still time, and trees are available. Hope to see y'all at Tree School this Saturday!

If you need help with planning your reforestation or planning a harvest, or just want to talk forestry, give me a call at (503) 224-3445 or send me an email at bkeller@masonbruce.com. MB&G has a sophisticated understanding of the forest industry and great relationships with numerous log buyers, loggers, nurseries, and reforestation contractors. MB&G is a full-service outfit that in addition to harvest and reforestation does management plans, timber cruising, forestland valuations, and road maintenance. Thanks – Brent

MARKET WATCH: HOUSING, LUMBER AND LOGS

HOUSING STARTS



Housing starts were down in January, with a total monthly decrease of 4.5%, at 1.31 million units, and down 21.4% year over year. Single-family starts dropped 4.3% in January from the previous month, and year over year they were down 27.3%.

Building permits stayed steady in January, at 1.34 million units, but they were down 27.3% year over year. Single-family permits were down only 1.8% from December and down 40% year over year.

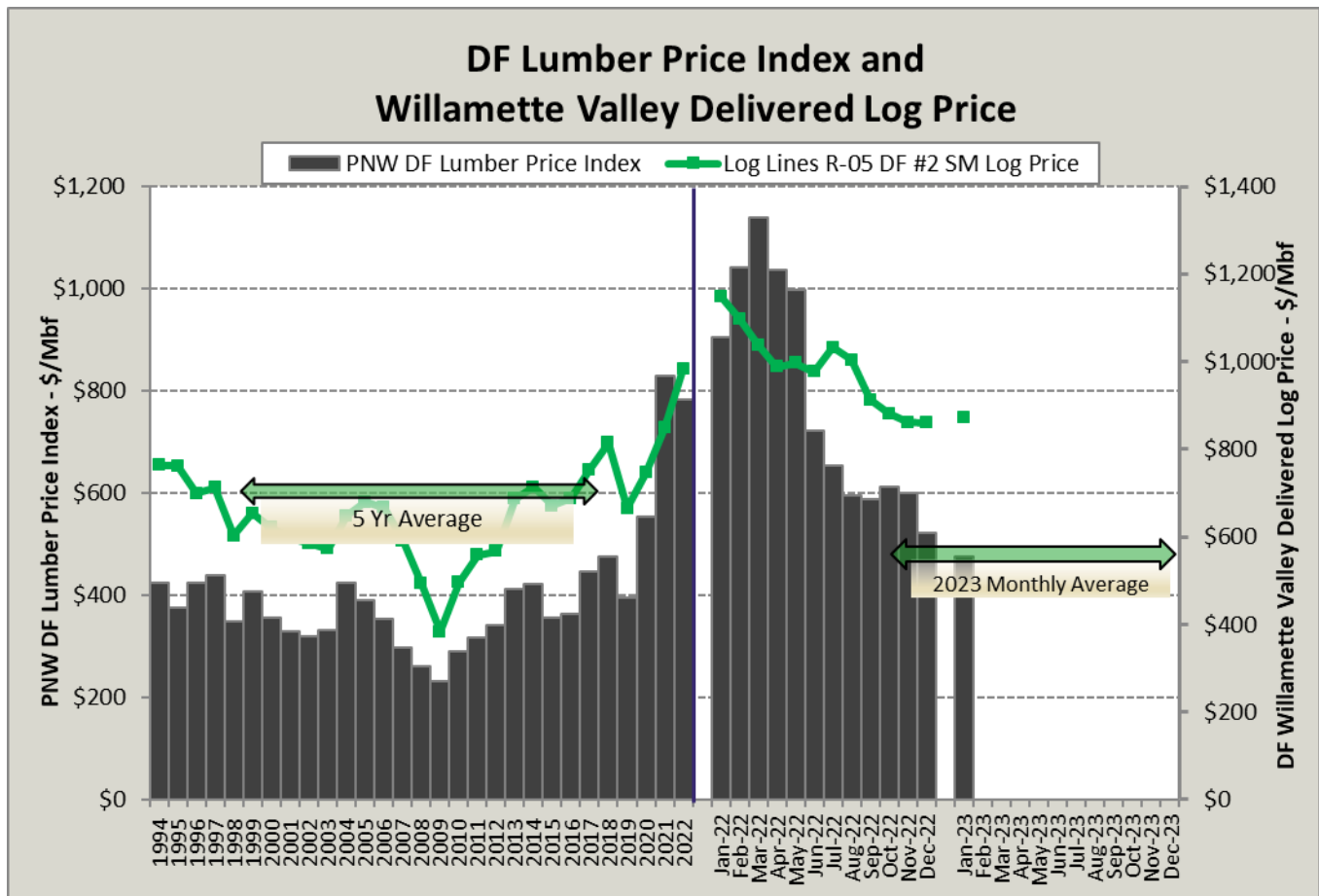
The decline in housing starts continued into 2023, as expected. As we cover in the news, housing starts are now around the level projected by analysts for 2023.

January 2023 Housing Starts					
	Jan 2023	Dec 2022	Monthly Difference	Jan 2022	Annual Difference
All Starts	1.309	1.371	-4.5%	1.666	-21.4%
Single-Family Starts	0.841	0.879	-4.3%	1.157	-27.3%
Building Permits	1.339	1.337	0.1%	1.841	-27.3%
Single-Family Building Permits	0.718	0.731	-1.8%	1.197	-40.0%

LUMBER & LOGS

Published DF log and lumber prices were mixed in January, as shown below. January DF #2S log prices increased 1.3% over December, to \$871/Mbf. January log prices were 24.2% below a year ago, but were still 9.5% above the 5-year average.

At \$475/Mbf, the DF lumber index price dropped 8.9% from December. Lumber is down 47.5% from a year ago and is 21.1% below the 5-year average. All values are reported in nominal dollars. If considering inflation, lumber and timber prices are at or near pre-pandemic levels. Trends in 2023 will depend on the direction housing starts and the economy take. However, it appears we have moved passed the period of high volatility experienced during the pandemic.



January 2023 Douglas-fir Prices							
	Jan 2022	Dec 2021	Change from Previous Month	Jan 2021	Change from Previous Year	5 Yr Annual Average	Current Month Compared to 5 Yr Annual Avg
Logs	\$ 871	\$ 860	1.3%	\$ 1,149	-24.2%	\$ 795	9.5%
Lumber	\$ 475	\$ 521	-8.9%	\$ 906	-47.5%	\$ 602	-21.1%

Lumber Track

Western U.S. Softwood Lumber Production			
YTD Total (Bbf)		Monthly Total (Bbf)	
December 2021	14.47	December 2021	11.18
December 2020	14.45	November 2021	11.49
Percent Change	0.14%	Percent Change	-2.70%
YTD Production as a % of Capacity		Production as a % of Capacity	
December 2021	81%	December 2021	75%
December 2020	80%	November 2021	81%
Percent Change	1%	Percent Change	-6%

Western Mill Production through December was down 5.99%, relative to 2021. December production decreased 10.86% from November.

Production as a percent of capacity went down 8%, reaching only 69% in December. YTD production as a percent capacity was 78% through December, a 5% decrease from the prior year. Decreases in production reflect the growing number of mill curtailments. (*Western Lumber Facts, 2/14/23*)

INDUSTRY NEWS



Sierra Pacific Plans to Nearly Double Eugene Mill Capacity



Within three years, Sierra Pacific Industries (SPI) plans to open its expanded Eugene sawmill as one of the largest and most modern sawmills in the United States. Their intention is to construct a new cutting and stud mill to replace the existing sawmill facilities purchased from Seneca in 2021. The current Eugene facility has an annual capacity of 350 MMbf. SPI reports the expansion will increase capacity in Eugene to 650 MMbf, while maintaining the current level of 300 mill workers. (*Register-Guard 2/17/23, KLCC 2/20/23*)



Forecasting 2023 Housing Starts

Random Lengths evaluated the 2023 housing starts forecasts from five different analysts in January. When averaged together, the analysts predict 1.263 million housing units will be started in 2023, an 8.6% decrease from the actual 2022 starts reported by the U.S Census Bureau for 2022 in their preliminary data.

From the chart to the right, it is apparent that these analysts predict multifamily starts to remain consistent, averaging only a 2% decrease from the actual reported 2022 multi-family starts. They forecast that single family homes would realize most of the decrease (-30.3% from last year's forecast).

The Forecasts of the Analysts			
2023 Housing Starts (thousands)			
	Single-Family	Multi-family	Total
APA - The Engineered Wood Assn	765	500	1,265
Fannie Mae	769	376	1,145
Fastmarkets RISI	846	512	1,358
Mortgage Bankers Assn	923	489	1,412
National Assn of Home Builders	744	391	1,135
Average	809	454	1,263
% change from average of the analysts' projections for 2022	-30.3	-1.1	-22.0

Despite the decreased starts in 2022 and further decreases forecasted for 2023, total starts should remain well ahead of the 10-year average. This has been driven in large part by a resilient multifamily sector where housing starts have consistently increased in the second half of 2022.

Random Lengths asserts that "strong demographic tailwinds persist, hinting at a much less severe pullback than what was experienced during the last recession." (*Random Lengths 1/13/23*)

In the OR Legislature: Incentives for Carbon Sequestration

Oregon Senate Bill 530 would allow farms, forests, ranches and natural lands to receive financial incentives for voluntarily managing those lands for carbon sequestration.

That could include things like helping farmers plant cover crops, supporting longer logging rotations on private forests, planting more trees in urban areas and protecting coastal communities from sea-level rise. It requires an inventory of the sequestration and storage capacity of Oregon's natural and working lands and creates a dedicated fund to provide incentives to landowners.

Supporters of the Bill include dozens of farmers, ranchers, vineyard owners and other landowners, as well as environmental groups. Many landowners report that carbon sequestration is good for business.

Among those opposed to the Bill include the Oregon Forest Industries Council and the Oregon Small Woodlands Association. They are reportedly worried that the voluntary nature of such an incentive may become compulsory. They also report landowners complain about the make-up of the proposed advisory committee, believing it would not include enough landowners. (*Statesman Journal 2/15/23*)

Tidbits from the Oregon Log Market Report

Interest in smaller Douglas-fir logs is dropping off and larger logs are still in demand, particularly those of good quality for utility pole cross-arms.

Most alder mills have a surplus of inventory, and they are not purchasing much right now. Some mills are reducing hours and alder prices are down. At the same time, Red Cedar prices are down from a month ago.

Many chip buyers in Oregon have an oversupply, but southern Oregon has the best market in the state. Coos Bay is currently selling export chips. (*OR Log Market Report 2/15/23*)

Oregon's Habitat Conservation Plan for State Forests Moves ON.

Despite public criticism calling for the Oregon Department of Forestry (ODF) to reject and reconsider, the Oregon Board of Forestry voted in mid-February to continue with the planned Habitat Conservation Plan (HCP) for state forests without change.

The criticisms stemmed from a recent announcement showing projected timber harvests as low as 165 MMBf a year. This level of harvest represents a 27% reduction from the annual 226 MMBf ODF presented in a recent environmental impact statement. Recent harvest levels from State Forest Lands have remained higher at nearly 250 MMBf.

Hampton Lumber requested a reconsideration before the vote by claiming, "the 70-year State Forest Habitat Conservation Plan (HCP) ODF spent years developing will decimate the agency's budget, do significantly more economic harm to surrounding communities than was previously reported, and shutter many large and small forest sector businesses in the process."

OFIC also requested ODF reject the current HCP and start over, stating concern that the HCP will cause a \$30 million revenue reduction per biennium for ODF's budget and more for the counties that depend on their portion of the timber revenues.

Oregon Department of Forestry spokesman, Jason Cox said OFIC is mistaken and its assertion that state forest harvest levels would not increase over the next 70 years is misleading.

Hampton explained what is so good about an HCP and how one goes about getting one: A land manager would propose a long-term harvesting plan that includes a range of conservation measures and the federal agencies involved in regulating fish and wildlife (NOAA and USFWS) approve or deny the plan. Once the federal agencies have approved the plan, the

likelihood for environmental lawsuits over harvest operations is reduced so long as the plan is followed. (ODF 2/16/23, Hampton Lumber 2/6/23, Statesman Journal 2/10/23)

Local Teens Assist with Post-Fire Restoration

At least 70 junior and senior students from Salem’s Career and Technical Education Center (CTEC) were working on forest restoration in the Santiam State Forest in February by planting seedlings in an area burned by the 2020 wildfires. The event was organized and sponsored by the State Forests Trust of Oregon.

“This event is about establishing a hands-on connection to all the benefits of our state forests,” said Kelly Lau, Executive Director of the Trust. “These students come from diverse backgrounds, and some have no or very little experience in the forest. We want them to see, feel, and experience firsthand the social, economic, and ecological benefits and encourage them to be the future stewards of our sustainable state forests,” said Lau. (ODF 2/14/23)

U.S. Government Commits to American Lumber

In the State of the Union address in February, President Biden emphasized an element of the 2021 Infrastructure law, and he committed that the government will be using American-made products in government-funded infrastructure projects. This announcement seemed to garner bipartisan support in Congress. Biden specifically mentioned American-made lumber. Products previously qualified as “Made in America” for federal purchases if 55% of the value of their component parts are manufactured in the U.S. This threshold is being increased. It increased to 60% in October 2022, and it will increase to 65% in 2024, and to 75% in 2029.

Healthy Forests (HF) commented on Biden’s announcement, by noting that the U.S. currently imports much of its wood from other countries, while at the same time, millions of acres of federal lands need active forest management to reduce the risks of severe wildfire, insects and disease. The HF commentary proposes that active management could mitigate these risks and “provide the timber necessary to boost American manufacturing and support good-paying jobs in communities throughout the country. It would also help the administration achieve its own ambitious strategy for confronting the wildfire crisis.” HF also warns that achieving these goals remains difficult until the administration helps to remove the obstacles of litigation and red tape that often ties the hands of the USFS in achieving their forest management plans.

Biden’s announcement did not go unnoticed by Canadian lumber producers, who find this a “point of concern.” According to the president of the B.C. Lumber Trade Council (BCLTC), the U.S. is only able to fill 70% of its lumber requirements with its own production and has had to rely on Canadian lumber to meet the rest. (Reuters 2/8/23, Healthy Forests 2/9/23, Construction Canada 2/14/23)

PG&E Charged with Fire-related Manslaughter



In California, Pacific Gas & Electric, the state’s largest energy provider, will stand trial for causing the wildfire that killed four people in 2020. PG&E has pleaded not guilty to the charges of involuntary manslaughter and recklessly starting a fire. A trial date has not yet been determined.

PG&E, who is no stranger to wildfire litigation, reached a \$13.5 billion settlement with the victims of wildfires from 2015-2019. The utility filed for bankruptcy in 2019 after its faulty equipment sparked several fires in CA, including the 2018 Camp Fire which killed 84 people. (BBC 2/2/23)

ODF Awards Grant Money to Boost Seedling Supply

Ten tree nurseries across Oregon will share \$4.4 million this year to help them increase their ability to increase seedling production. ODF funding stemmed from the passage of Oregon House Bill 5006. The bill was a response to the 2020 wildfires that burned a million acres of forest.

The nurseries may use the money towards adding irrigation, building new greenhouses, adding storage capabilities, purchasing equipment, collecting and purchasing seeds, and purchasing land. The money must be spent by summer 2023.

These are some of the nurseries selected to receive funds:

- Brooks Tree Farm – Salem in Marion County \$540,000
- Drakes Crossing Nursery – Silverton in Marion County \$540,000
- PRT Growing Services – Cottage Grove and Hubbard \$540,000
- Trillium Gardens – Eugene in Lane County \$531,000
- Weyerhaeuser – Aurora and Turner in the Willamette Valley \$500,000
- Champoeg Nursery – Aurora in Marion County \$458,000
- Scholls Valley Native Nursery – Forest Grove in Washington County \$367,000
- Kintigh Nursery – Springfield in Lane County \$238,000 (*Ground 2/7/23*)