

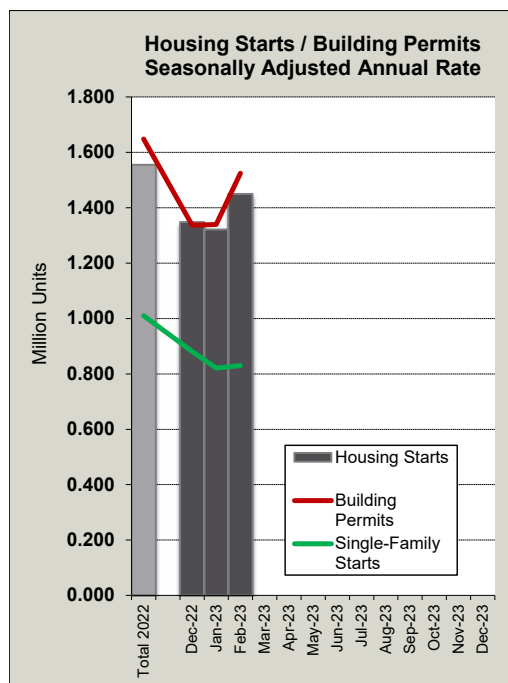
**MB&G Family Forest Client  
Washington County**

Only because this March newsletter is arriving to you a little behind schedule can I comment that it appears the harsh spring weather is behind us. Just last week it was dumping snow at low elevations in the coast range. The snow is melting fast as temperatures climb, but that means trees that have spent more time in the cooler than I prefer will now go into the ground in warmer weather at the presumed tailend of the rainy season. It will be very interesting to see the stocking survey results from these tough reforestation areas after surveys are performed this fall. Silviculture is a process that involves constantly reevaluating practices and conditions, and there will be plenty to ponder after this year’s planting season.

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](mailto: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 surprised everyone by going up in February, with a total monthly increase of 9.8%, at 1.45 million units, but down 18.4% year over year. Single-family starts increased 1.1% in February from the previous month, and year over year they were down 31.6%.

Building permits increased 13.8% in February, to 1.52 million units, but they were down 17.9% year over year. Single-family permits were up 7.6% from January and down 35.5% year over year.

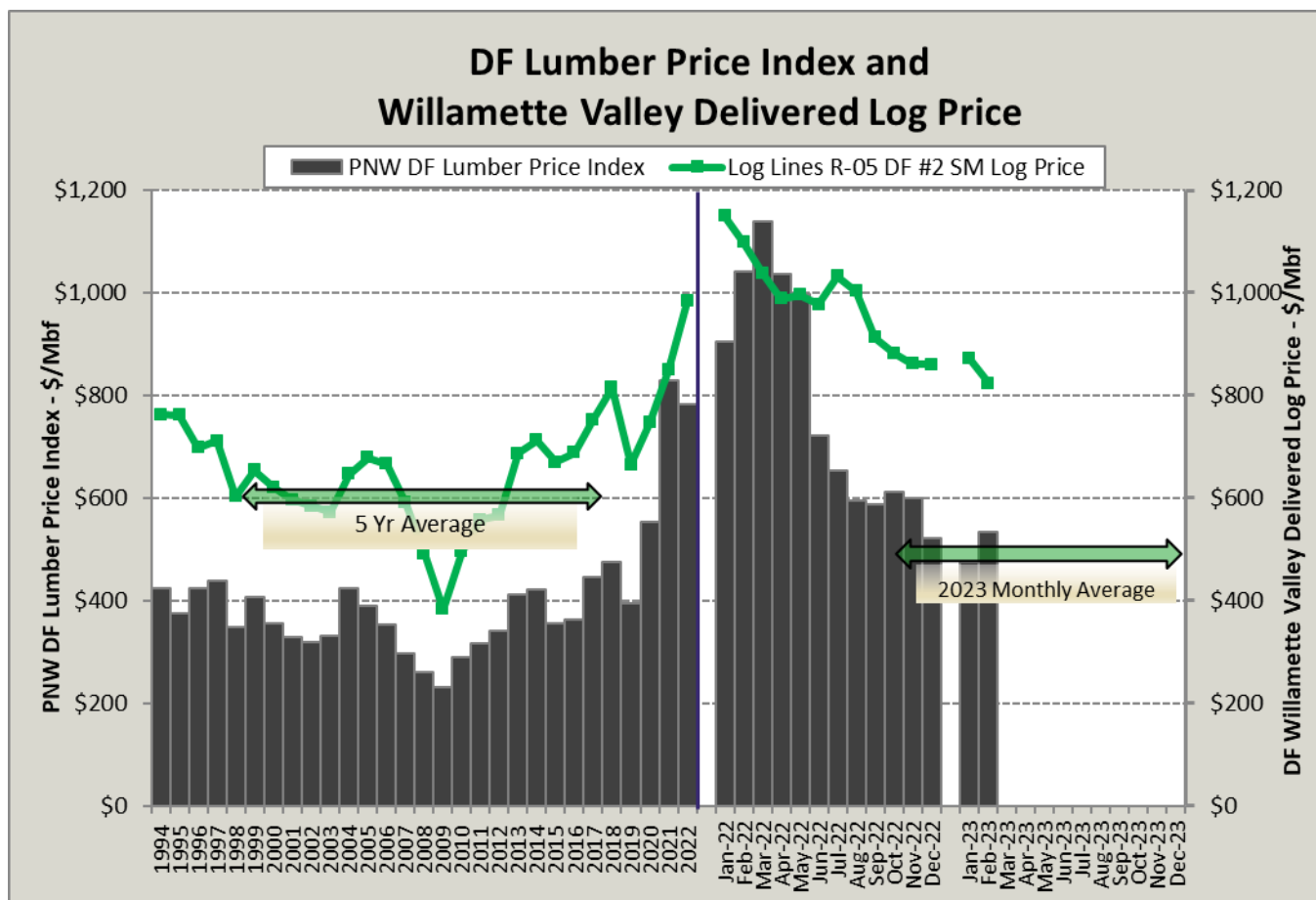
Total housing starts and building permits spiked up in February, but whether this increase will hold into March and beyond remains to be seen. Most analysts do not see the February spike as a change in direction in housing starts.

|                                | Feb 2023 | Jan 2023 | Monthly Difference | Feb 2022 | Annual Difference |
|--------------------------------|----------|----------|--------------------|----------|-------------------|
| All Starts                     | 1.450    | 1.321    | 9.8%               | 1.777    | -18.4%            |
| Single-Family Starts           | 0.830    | 0.821    | 1.1%               | 1.213    | -31.6%            |
| Building Permits               | 1.524    | 1.339    | 13.8%              | 1.857    | -17.9%            |
| Single-Family Building Permits | 0.777    | 0.722    | 7.6%               | 1.204    | -35.5%            |

## LUMBER & LOGS

Published DF log and lumber prices were mixed in February. February DF #2S log prices decreased 5.4% from January, to \$824/Mbf. February log prices were 25% below a year ago but were still 3.6% above the 5-year average.

At \$534/Mbf, the DF lumber index price jumped 12.4% from January. Lumber is down 48.7% from a year ago and is 11.3% below the 5-year average. All values are reported in nominal dollars. The uptick in lumber prices likely reflects reduced lumber supply due to regional curtailments and reduced imports from Canada rather than increased demand. Falling log prices reflect this.



| February 2023 Douglas-fir Prices |          |          |                            |          |                           |                     |   |
|----------------------------------|----------|----------|----------------------------|----------|---------------------------|---------------------|---|
|                                  | Feb 2022 | Jan 2022 | Change from Previous Month | Feb 2021 | Change from Previous Year | 5 Yr Annual Average | Current Month Compared to 5 Yr Annual Avg |
| Logs                             | \$ 824   | \$ 871   | -5.4%                      | \$ 1,098 | -25.0%                    | \$ 795              | 3.6%                                      |
| Lumber                           | \$ 534   | \$ 475   | 12.4%                      | \$ 1,041 | -48.7%                    | \$ 602              | -11.3%                                    |

## Lumber Track

| Western U.S. Softwood Lumber Production |               |                               |               |
|---|---------------|-------------------------------|---------------|
| YTD Total (Bbf)                         |               | Monthly Total (Bbf)           |               |
| January 2023                            | <b>1.13</b>   | January 2023                  | <b>1.13</b>   |
| January 2022                            | <b>1.15</b>   | December 2022                 | <b>0.96</b>   |
| Percent Change                          | <b>-1.74%</b> | Percent Change                | <b>17.60%</b> |
| YTD Production as a % of Capacity       |               | Production as a % of Capacity |               |
| January 2023                            | <b>77%</b>    | January 2023                  | <b>77%</b>    |
| January 2022                            | <b>78%</b>    | December 2022                 | <b>69%</b>    |
| Percent Change                          | <b>-1%</b>    | Percent Change                | <b>8%</b>     |

Western Mill Production in January was down 1.74%, relative to January 2022. January production increased 17.6% over December.

Production as a percentage of capacity increased 8%, reaching 77% in January. January production as a percent capacity was down 1% when compared to January 2022. While up from last month, production remains relatively weak. (*Western Lumber Facts, 2/14/23*)

## INDUSTRY NEWS

### U.S. Housing: A Bellwether for the Economy

According to the Economist, what happens to the U.S. housing market this spring will determine what the rest of the year looks like economically. They assert that whether the housing market comes back to life in the spring, or fails to do so, may be the single biggest determinant of the global economic outlook for the rest of this year, with a recession at one end of the spectrum and the softest of landings at the other.

There is concern that the market is not responding as intended to the increased interest rates. The Fed has been trying to tamp down on property purchases to bring demand and supply into better balance. In January, optimism for home buyers and sellers increased slightly, while new home sales ticked up. However, this increase is likely the result of large builders offering incentives and in-house financing at better than market rates. Additionally, prices have remained high, dropping only 4% since mid-2022—barely noticeable in markets where the pandemic saw price increases of about 45%. Housing affordability is another concern.

As the following chart indicates, home buyers are using higher percentages of their household income towards their mortgage payments, now reaching nearly 30%, and eerily similar to what happened at the beginning of the last recession.



In theory, a decent spring housing market could lead to price stabilization and an increase in housing starts, boosting growth without stoking inflation.

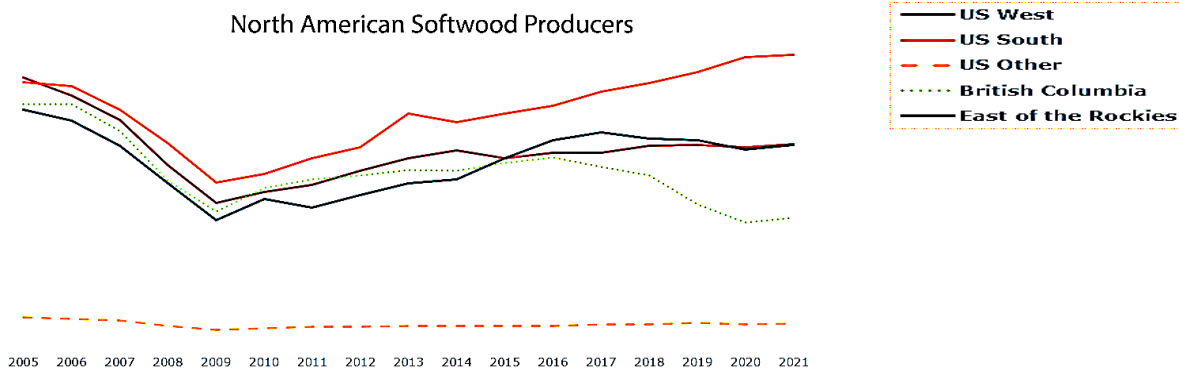
However, if buyers return to a supply-constrained housing market, price rises will likely increase and so will inflation. According to the Economist, the latter looks more plausible. Further, they point to the 20% decline in residential construction last year. According to Robert Dietz of the National Association of Home Builders shares this concern: "You've never really had a time where there have been price declines and a significant decline in residential investment, and a recession has not happened." (*Economist, 3/1/23*)

## Oregon Forestry Outlook: Contraction

Forest 2 Market (F2M) calls the Oregon forestry’s outlook shaky, based on national affordable housing crisis, the residual impacts of the 2020 Oregon Labor Day forest fires, and the Private Forest Accord.

The now infamous Oregon Labor Day fires of 2020 have reduced the overall Oregon harvest potential – and will continue that way for years to come. Based on findings from Mason, Bruce & Girard, timber harvest will reduce by 7 BFF across the next 40 years.

With the additional restrictions of the Oregon Private Forest Accord, forecasters also predict a loss of up to 7,000 jobs. Both the reduction in labor and the added limitations on harvestable timber will inevitably contract forestry across Oregon and the greater PNW.



The U.S. South continues to climb higher as the largest producer of softwood lumber across North America.

As the chart above shows, southern lumber is already the largest softwood lumber producer in North America. However, F2M reports that even though Oregon forestry has seen some contraction in its market share and standing, it remains an important piece of the North American lumber picture. (F2M 3/2/23)

## International Wood Pellet Data

For months, we have read reports of the increased prices mills are paying for wood chips. Now, F2M has released data that demonstrates where the wood pellets manufactured from those wood chips are going.

U.S. pellet producers have increased their shipments to Europe, and 2022 volumes are estimated at a record 8.6 million tons, up from 7.4 million tons in 2021.

F2M reports that 70% of the European industrial wood pellets import volume is shipped to just four countries: The U.K., The Netherlands, Denmark, and Belgium.

| Price Changes, Wood Pellet Imports to Europe, 3Q 2022 |  |  |                                       |
|---|--|--|---------------------------------------|
| Country   | Quarter-over-Quarter (QoQ) Change 2Q2022 to 3Q2022 | Year-over-Year (YoY) Change 3Q2021 to 3Q2022 | Primary Import Suppliers 3Q2022       |
| United Kingdom  | +4%  | +11%   | US (66%), Latvia (13%), Canada (11%)  |
| Netherlands   | +2%  | -2%  | US (58%), Belgium (10%), Latvia (9%)  |
| Denmark   | +26%   | +64%   | US (45%), Latvia (17%), Estonia (13%) |
| Belgium   | -10%   | +46%   | US (50%), Latvia (18%), Estonia (15%) |

The table above shows that the U.S. is the major supplier of wood pellets for all these countries. Historically, Russia had the lowest-priced pellets in Europe and was the largest supplier. The Russian market share fell from 74% of total import supply in 3Q 2021 to 0% a year later in 3Q 2022. As a result of the Russian boycott and the need for sourcing more from the U.S., all but the Netherlands have seen large price increases, with Denmark and Belgium seeing Y-O-Y increases in 3Q2022 of 46%-64%. (F2M 2/9/23)



## State Forests HCP Critics Gather to be Heard



The State Forests Habitat Conservation Plan (HCP) has been a hot topic since the Oregon Board of Forestry (ODF) released data last month, indicating that anticipated harvest levels will be significantly less than what was expected and earlier announced.

A crowd of about 100 people gathered at the ODF meeting in early March. Most came to protest the HCP, claiming that reductions in timber harvest will threaten high-paying jobs and decrease revenue for essential services in rural communities, including schools, public safety, fire protection and health care.

The protestors also gained support from former Democratic gubernatorial candidate Betsy Johnson, and from the Oregon House Republican caucus. Kevin Leahy, executive director of Clatsop Economic Development Resources and associate vice president at Clatsop Community College, said the county stands to lose \$8.5 million annually under the HCP, including \$600,000 for the college.

The state initially estimated it would harvest between 225.4 million and 226.2 million board-feet of timber annually after the plan is implemented. However, new figures released in February prescribed a harvest of 165 million to 182.5 million board-feet annually for the next two years. That 27% reduction has raised alarm from officials who worry the lost revenue will have devastating effects on the rural economy. (*Capital Press 3/8/23*)

## Southern Oregon Douglas-fir in Decline

A new study by the Oregon State University College of Forestry and OSU Extension Service indicates that Douglas-fir in the Klamath mountains, in Southwest Oregon, are in a serious decline that is not expected to improve. The study points to too many trees too close together which causes an unhealthy competition for too little water. It also points to years of not only drought, but also an increase of hot and dry air. The water starved trees, stop growing and protecting themselves from pests, leaving them susceptible to the flathead fir borer, that ultimately finishes them off.

Researchers have hypothesized that in areas that receive less than 40 inches of precipitation per year, the landscape would do better if gradually transitioned to pines and oaks, because they are more drought tolerant.

## From the Oregon Log Market Report

- Log prices are down for both large and small logs, though smaller logs seem to be in higher demand.
- Cedar log prices have held steady in the last month.
- The alder log market has seen a very, very small improvement in the last month.
- The chip market is very weak, especially for those selling whole logs to the chip mills. Currently, the best chip markets are in Southwest Washington and Coos Bay, Oregon.
- Poles continue to be in demand, but more and more suppliers are coming online with poles.
- The export market of logs for Japan and China has been decreasing dramatically, even from the recent low volumes. (*Oregon Log Market Report, 3/15/23*)

## New Grants to Help 2020 Fire Victims Rebuild



Oregon Housing and Community Services is making \$12 million in grant money available to victims of the Beachie Creek and Lionshead fires. The funding will help in assisting the nearly 100 households still trying to return home between Marion and Linn Counties. The grants are limited to households with income below 20% above the median. (KPTV 3/14/23)

## U.S. Imports of Russian Plywood Continues

EarthSight, a non-profit organization whose goal is to expose environmental and social crimes, called for the U.S. to ban Russian timber imports.

When Russia invaded Ukraine, the E.U. and U.K. banned Russian wood products and the U.S. imposed sanctions and tariffs designed to slow the Russian economy — including steeper tariffs on lumber (up to 50%). U.S. imports of plywood from Russia were reduced by half from 2021 to 2022. However, Russia remains the second-largest foreign supplier of plywood to the U.S. The U.S. directly imported at least \$1.2 billion of plywood directly from Russia in 2022.

Plywood remains one of the largest sectors of shipments of goods other than gas and oil coming directly from Russia and its ally Belarus into the U.S., accounting for roughly half of all Russian consumer goods imported from November 2022 to January 2023.

The demand stems from the fact that Russian plywood is typically higher-grade, often made from Baltic or Russian birch, and used mostly in construction and furniture.

In addition to the plywood imported directly from Russia and Belarus, it has been discovered that some Russian birch was imported through Kazakhstan, Vietnam, and China. Since it was no longer labeled Russian birch, it was not subject to steep U.S. tariffs. (NBC News 2/23/23)

## The New PDX Mass Timber Roof



*Artist's Rendition of completed roof at PDX*

The new mass timber roof at Portland International Airport is part of a \$2 billion series of capital improvement projects at the airport, dubbed PDX Next, which includes a large expansion of the main terminal. The roof has been called the crown jewel of the project, a curved lattice structure, interspersed with oval skylights that is intended to give the impression of being outdoors beneath a thick canopy of trees. Phase I of the project is scheduled to open to the public in 2024, with the final four sections installed in Phase II by the end of 2025.

Wood for the impressive nine-acre, 9,000-ton roof was sourced from 13 forests in Oregon and Washington, including small family woodlands and tribal nations. The logs were processed by six local sawmills, and manufactured into mass timber beams, panels, and wooden latticework at six different timber fabricators. In total, the \$150 million roof is made from 3.3 million board feet of wood, all of it Douglas fir.



Freres Engineered Wood provided 73,527 cubic feet of mass plywood panels during Phase I of the roof's construction. The panels were made to specification, and some were up to 12 feet wide, 48 feet long and 24 inches thick. Nearly all the wood used in mass plywood panels for the airport roof came from salvage logging trees on forestland that burned in the 2020 Beachie Creek wildfire.

The roof is also sparking conversations about growing the growing market for mass timber. Tyler Freres was interviewed about the project and said that since mass plywood can be made from smaller diameter understory that might not be suitable for a stud mill, he hopes it spurs more active management and rehabilitation in the forests. "I really hope that people start to realize that this is the most responsible material that we have to build with into the future," Freres said. "If the state, and if the federal government would really like to see more buildings built sustainably out of wood, then they need to make the trees available. We can't just make this out of air." (*Capital Press* 3/2/23)