

MASON BRUCE & GIRARD
Natural Resource Consultants
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News for Family Forests
May 2023



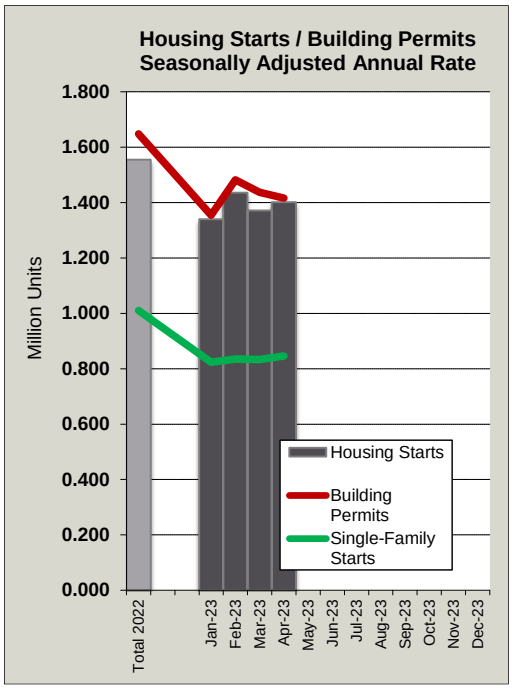
MB&G Family Forest Client
Clackamas County

New forest practice rules will go into full effect for small landowners in 2024 that will increase restrictions for harvesting around streams and steep slopes. I've mentioned this in previous newsletters and I know many folks have already evaluated their forestland and planned accordingly, but this is "last call" for you to consider harvesting certain areas now, ahead of the new rules. Hardwood, which typically grows near streams, is pretty much off-market now, so you'll want to factor that in when weighing your options.

If you need help with your harvest planning or decision-making, 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 increased by 2.2% in April, to 1.4 million units, but they were down 22.4% year over year. Single-family starts increased 1.6% in April from the previous month, and year over year they were down 27.9%.

Building permits decreased 1.5% in April, to 1.42 million units, but they were down 21.1% year over year. Single-family permits were up 3.1% from March, and down 21.2% year over year.

Forecasts by FEA and Fannie Mae expect further declines in housing starts. However, sales of existing homes are historically low due to many homeowners enjoying mortgages with rates well below the current rates. This shortage of existing home sales has buoyed the new home market and new home starts.

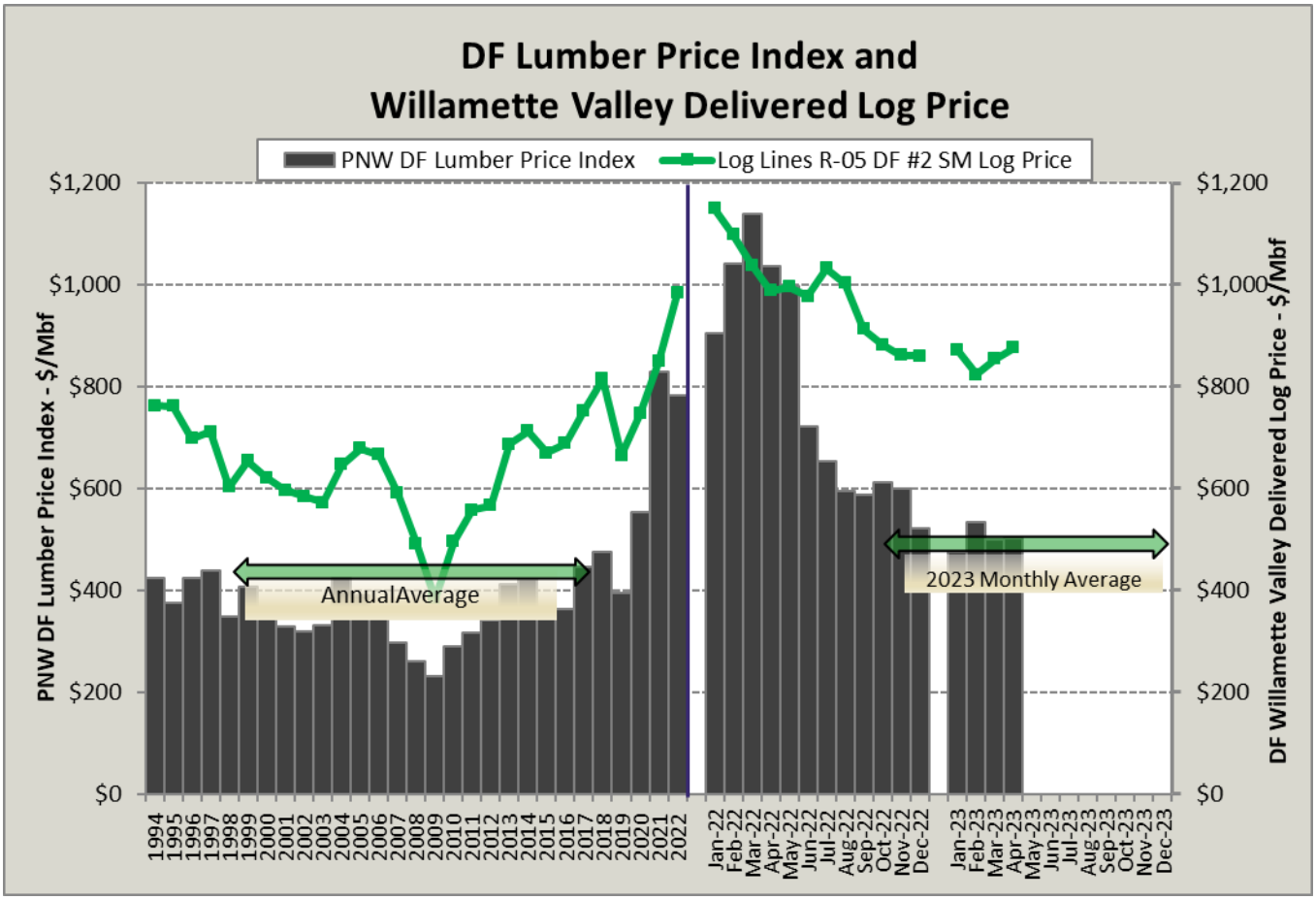
April 2023 Housing Starts (millions)

	Apr 2023	Mar 2023	Monthly Difference	Apr 2022	Annual Difference
All Starts	1.401	1.371	2.2%	1.805	-22.4%
Single-Family Starts	0.846	0.833	1.6%	1.173	-27.9%
Building Permits	1.416	1.437	-1.5%	1.795	-21.1%
Single-Family Building Permits	0.855	0.829	3.1%	1.085	-21.2%

LUMBER & LOGS

Published DF log and lumber prices were up slightly in April, as shown below**.** April DF #2S log prices increased 2.6% from March, to $876/Mbf. April log prices were 11.3% below a year ago but were still 10.2% above the 5-year average.

At $503/Mbf, the DF lumber index price increased 0.3% from March. Lumber is down 51.5% from a year ago and is 16.5% below the 5-year average. Forecasts project stable to softening log prices over 2023 and increasing prices in 2024 and beyond. Lumber demand is forecast to decline following forecasted housing start declines.



April 2023 Douglas-fir Prices

	Apr 2022	Mar 2022	Change from Previous Month	Apr 2021	Change from Previous Year	5 Yr Annual Average	Current Month Compared to 5 Yr Annual Avg
Logs	$ 876	$ 854	2.6%	$ 988	-11.3%	$ 795	10.2%
Lumber	$ 503	$ 501	0.3%	$ 1,037	-51.5%	$ 602	-16.5%

Lumber Track

Western U.S. Softwood Lumber Production			
YTD Total (Bbf)		Monthly Total (Bbf)	
March 2023	**3.34**	March 2023	**1.22**
March 2022	**3.67**	February 2023	**1.01**
Percent Change	**-8.94%**	Percent Change	**20.54%**
YTD Production as a % of Capacity		Production as a % of Capacity	
March 2023	**75%**	March 2023	**76%**
March 2022	**82%**	February 2023	**72%**
Percent Change	**-7%**	Percent Change	**4%**

YTD Western Mill Production through March was down 8.94% relative to March 2022. March production jumped 20.54% above February.

Monthly production as a percent of capacity increased 4%, reaching 76% in March. YTD production as a percent capacity was down 7% when compared to March 2022. Continued capacity factors below 80% will strain mill profitability and could result in curtailments. (*Western Lumber Facts, 5/8/23*)

INDUSTRY NEWS

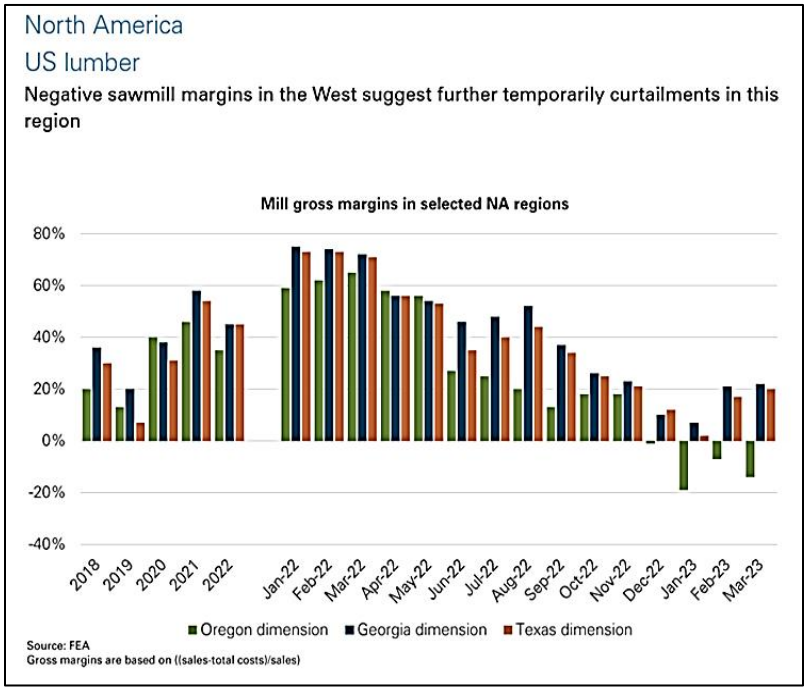
Home Purchase Optimism Growing, but Still Tepid

The Fannie Mae Home Purchase Sentiment Index® (HPSI) increased in April to its highest level since May 2022, jumping 5.5 points to 66.8.

All six of the HPSI's components increased month over month, most notably the component associated with consumers' expectations of mortgage rates. in April, 22% of consumers indicated that they expect mortgage rates to go down, compared to only 12% in March.

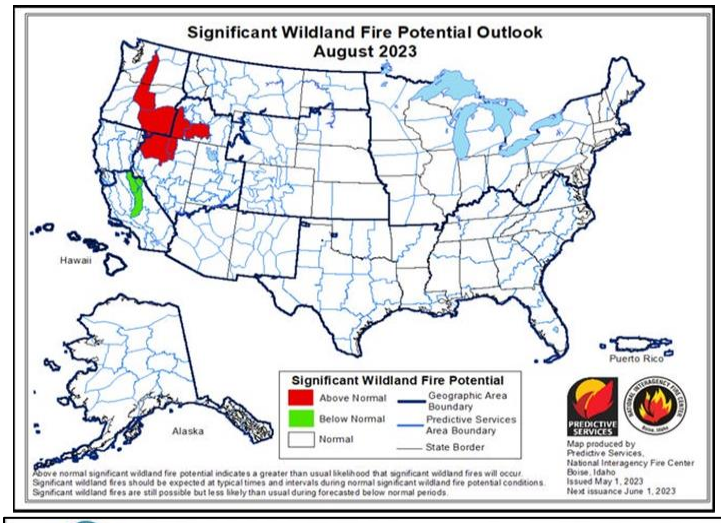
As usual, the experts warn that the bump in optimism may prove to be temporary, as consumers continue to report uncertainty about the direction of home prices – and high home prices remain the primary reason given by consumers who think it's a bad time to buy a home. Until affordability improves for a larger swath of the homebuying public, they believe home sales will remain subdued compared to previous years. (*Fannie Mae 5/8/23*)

Oregon Mills Struggling



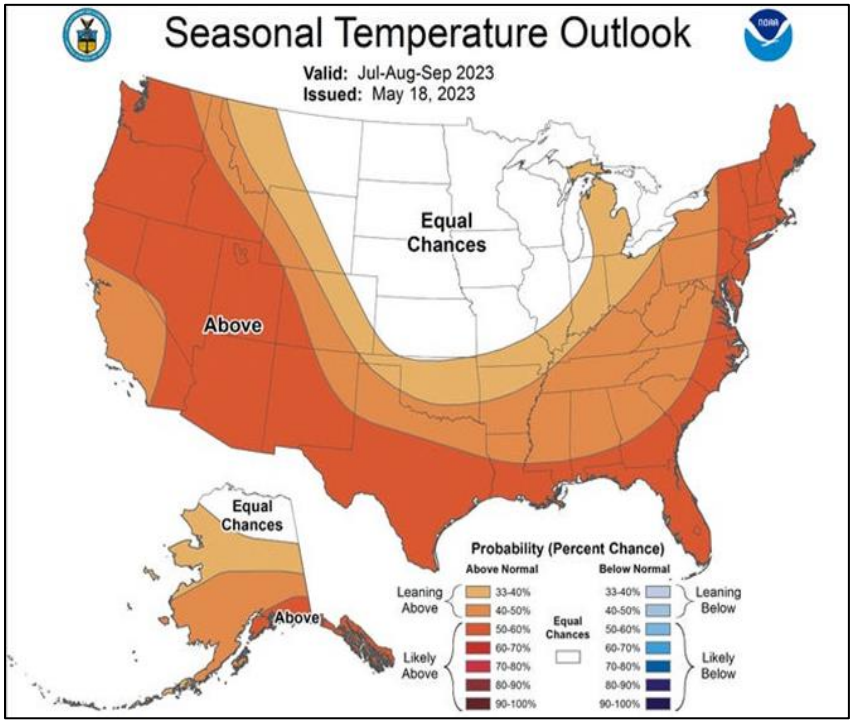
The triple threat of high log prices, low lumber prices, and running at less than 80% of capacity are hurting lumber mills in the West. This graph from Campbell Global illustrates that mills in the South are not experiencing the same dynamic. It has been speculated that we may see more curtailments in the West. (*Campbell Global 5/10/23*)

Predicting Oregon's Fire Season



It's been said that predicting fire season is a lot like predicting a sports season. You can take an educated guess about how the season will go, but you don't really know until the summer hits, the lightning strikes and the heat grows. Even so, predictions are being made, based on how the season is starting.

This summer, Oregon is expected to be hotter and dryer than normal, but we are entering the fire season after a snowy winter, a wet spring, and with a fully stocked firefighting force. About half the state is considered to be in moderate drought at the end of May, which is better than the 76% in moderate drought last year at this time. Also, lightning projections are at or below normal this year. These are correlated with monsoons in the Southwest, which are also forecasted to be down in 2023.



For now, the only area projected to see above normal fire risk is central and southeastern Oregon, mainly in the grassland, while the rest of the state sits at "normal" danger through August.

In short, current conditions are expected to delay fire season, and things are looking good for June and July, but we won't know what comes after that until it comes. (*Salem Statesman Journal 5/24/23*)

Mountain Western Log Scaling

The timber industry established a scaling and grading bureau in 1950 to have an objective party to determine and record tree species, length, and diameter of the cut logs, and any found defects, such as internal rot, oversized knots, cracks, or slight bends in the logs. By utilizing an objective third party for this work, most disagreements between log buyer and seller have been eliminated. Almost all commercially sold logs will be scaled and graded.

Log scalers remain objective by representing both the buyer and seller and they operate on a non-profit basis. They do not determine the value of a log; they are only concerned with identifying a log's characteristics.

The timber industry established a scaling and grading bureau in 1950, with just nine log scalers. In 2013, the Southern Oregon bureau, merged with the Northern California bureau to create the Mountain Western bureau. Mountain Western now has 92 employees with most of them being scalers who work at sites from south central California to northwestern Oregon. (*Capital Press 5/3/23*)

Oregon's Elite Smokejumpers



There are fewer than 400 smokejumpers in the U.S., and fifty of them are based in Redmond, Oregon. They are often the first line of attack, as they parachute into areas with small fires that break in the middle of nowhere. Their goal is to control the fire quickly, before it escalates. These highly experienced wildland firefighters can be deployed in the wilderness for up to two weeks, so self-sufficiency and survival skills are a must.

After the smokejumpers reach the ground, the transport plane parachutes their gear down to them, usually over 100 pounds of gear per smokejumper. Interesting fact: sewing is a tradition for smokejumpers. They each learn to sew, and they sew most of their gear (except their parachutes), which includes backpacks, harnesses, and jumpsuits. After their deployment, they carry their gear out. Physical fitness is a must, as they frequently carry over 100 pounds for about five miles.

Parachuting firefighters began in the 1940's. The smokejumper base in Redmond opened in 1964. There are currently nine such bases in the U.S., and all of them are in the West. (*KATU 5/16/23*)

Archie Creek Fire: The Museum Exhibit in Douglas County

"Archie Creek Fire," is the name of a new museum exhibit in the Douglas County Museum, and it is expected to be open until the end of 2023. The exhibit documents the most disastrous wildfire in Douglas County history. The exhibit utilizes a seamless combination of film interviews, live-recorded videos, drone footage, photographs and artifacts that take you on a journey from the front lines, to the suppression efforts, to unimaginable evacuations, and then to the ashes of the aftermath. It is intended to tell the story of real people, their heartbreaking and heroic experiences, and the challenges they faced then, and for some, the challenges they still face today.

Douglas County Commissioner, Tom Kress stated, "To this day the Archie Creek fire is the most devastating fire to ever ravage Douglas County. We wanted to document it, we wanted to save it and we wanted to tell our story for all to see. For many people from the Glide community, the Archie Creek Fire was a life changing event. It's still very present in their minds and they are still living it today. Despite the many losses, this exhibit speaks of resiliency, the strength of community and the hope of new beginnings. It shows us what can be achieved when individuals join together to help one another heal and rebuild." (*Douglas County 4/28/23*)

U.S. Invests in Fuel Breaks in the West

The recently passed Infrastructure Law and the Inflation Reduction Act will allow the U.S. to invest is $63 million to expand wildfire barriers, known as fuel breaks, across the West.

One local recipient of those funds will be the Willamette National Forest, where $14,700,000 has been committed to implement fuel breaks on boundaries of potential operational delineations (PODs) as part of Wildfire Crisis Strategy implementation.

According to the U.S. Dept. of Agriculture, the Willamette National Forest was chosen based on opportunities to work with industry partners to accelerate vegetation management projects that integrate fuels reduction objectives and commercial treatments. *(USDA 5/4/23, KATU 5/4/23*)

Wildfire Smoke Can Quickly Become a Danger

The B.C. Centre for Disease Control is reporting that negative health impacts from wildfire smoke exposure can immediately increase risk of breathing problems and heart trouble, with the greatest danger to infants, children, and persons with pre-existing respiratory conditions. It has been well documented that smoke particles are dangerous, but in a recent Chinese study, they found that incidences of damage can happen within an hour of exposure.

"When there is wildfire smoke in the province, we do see increases in those types of negative outcomes within hours of the smoke arriving," said Sarah Henderson, scientific director of environmental health services at the BCCDC.

Henderson says that the size of the particle matters more than the composition of the smoke particles. This is because smaller particles can penetrate farther into the lungs and cause blockages that hinder oxygen exchange in the lungs. (*Weather Network 5/1/23*)

Southwestern Oregon Douglas-fir Die Back



In March, we highlighted an article about Douglas-fir dieback in Oregon. Since then, the USFS released results from a study that provides more details.

Researchers at the USFS recorded Douglas-fir trees dying on approximately 463,900 acres (over 720 square miles) of land in Oregon and Washington, which is the largest Douglas-fir dieback recorded since 1989-1990. Most of the dieback has not been severe, except in southwestern Oregon. This region showed the largest number of Douglas-fir deaths were found at sites between 1,312–4,593 feet in elevation, with as many as 30-50% of Douglas-fir killed at some locations, according to the USFS.

These low- to mid-elevations areas contain “hot, dry sites” that are “climatically marginal for the species.” Max Bennett, extension forester and associate professor at Oregon State University, says Douglas-fir probably did exist historically at the low-to-mid elevation sites where dieback is now occurring. But, he says, the historical record suggests they did not exist in as large of numbers or in as dense of stands as they do now. Complicating the story is the fact that not all Douglas-firs at lower elevations have died. “And that is intriguing,” says Bennett. “Why are these individual trees still hanging in there? We have all sorts of hypotheses, but I don’t think we really know.” (*Columbia Insight 4/15/23)*

New Legislation Related to Oregon’s Wildfire Risk Map

In May, the governor signed a bill to limit the ability for insurance companies to cancel homeowner insurance due to fire risk. The new law requires insurance companies to make information publicly available about whether and how wildfire risk mitigation actions could impact policies. For example, whether creating defensible space around a home will lower an insurance premium or prevent cancellation.

The new law also requires insurance companies to allow at least 2 years to repair, rebuild or replace property that was damaged or lost as a result of a wildfire.

Lastly, in answer to intense fear and criticism expressed by homeowners last year, insurance companies cannot use the state-created wildfire risk map in their decisions about increasing premiums or dropping customer policies. (*KOIN 5/8/23, Jefferson Public Radio 4/26/23*)