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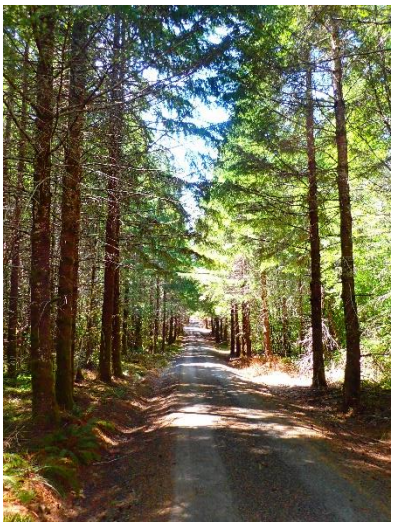
News for Family Forests
June 2023



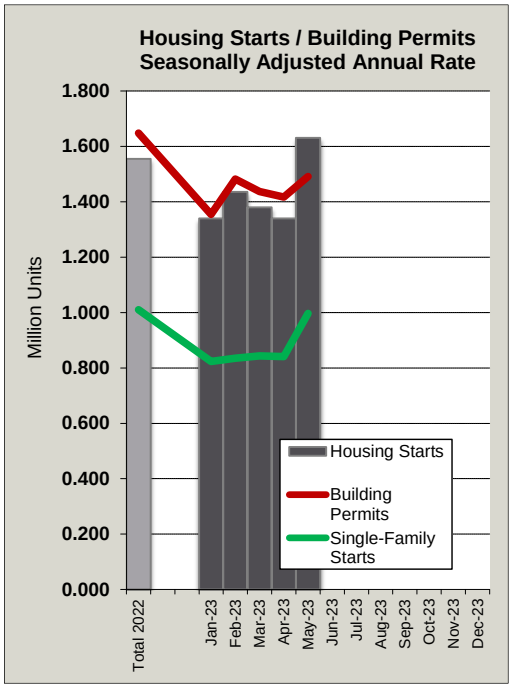
MB&G Family Forest Client
Washington County

There are many false narratives that float around the forest industry, especially among the small landowner community, but one I consistently hear is that "there's no market any more for large logs". This is simply not true, and while there are mills that have diameter limitations or pay less for large logs, there are many mills in the PNW region buying logs up to 32-inches, a fair amount that can process logs up to 40-inches, and a few with no diameter limit. The rub is your proximity to these mills. Your local buyer may not take your logs, but odds are there is a home for your large logs within the region. You may have to deal with higher haul costs, but in this market the price would compensate for that cost, especially if you have big wood of higher quality.

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 jumped by 21.7% in May, to 1.63 million units, and they were up 5.7% year over year. Single-family starts increased 18.5% in May from the previous month, but year over year they were down 6.6%.

Building permits increased 5.2% in May, to 1.49 million units, but they were down 12.7% year over year. Single-family permits were up 4.8% from April, and down 13.2% year over year.

Building permits reached a 7-month high while starts surged, both promising indicators. Nonetheless, as discussed in the news below, analysts are still cautious about the housing market over the remainder of the year and worry that a possible recession will slow building.

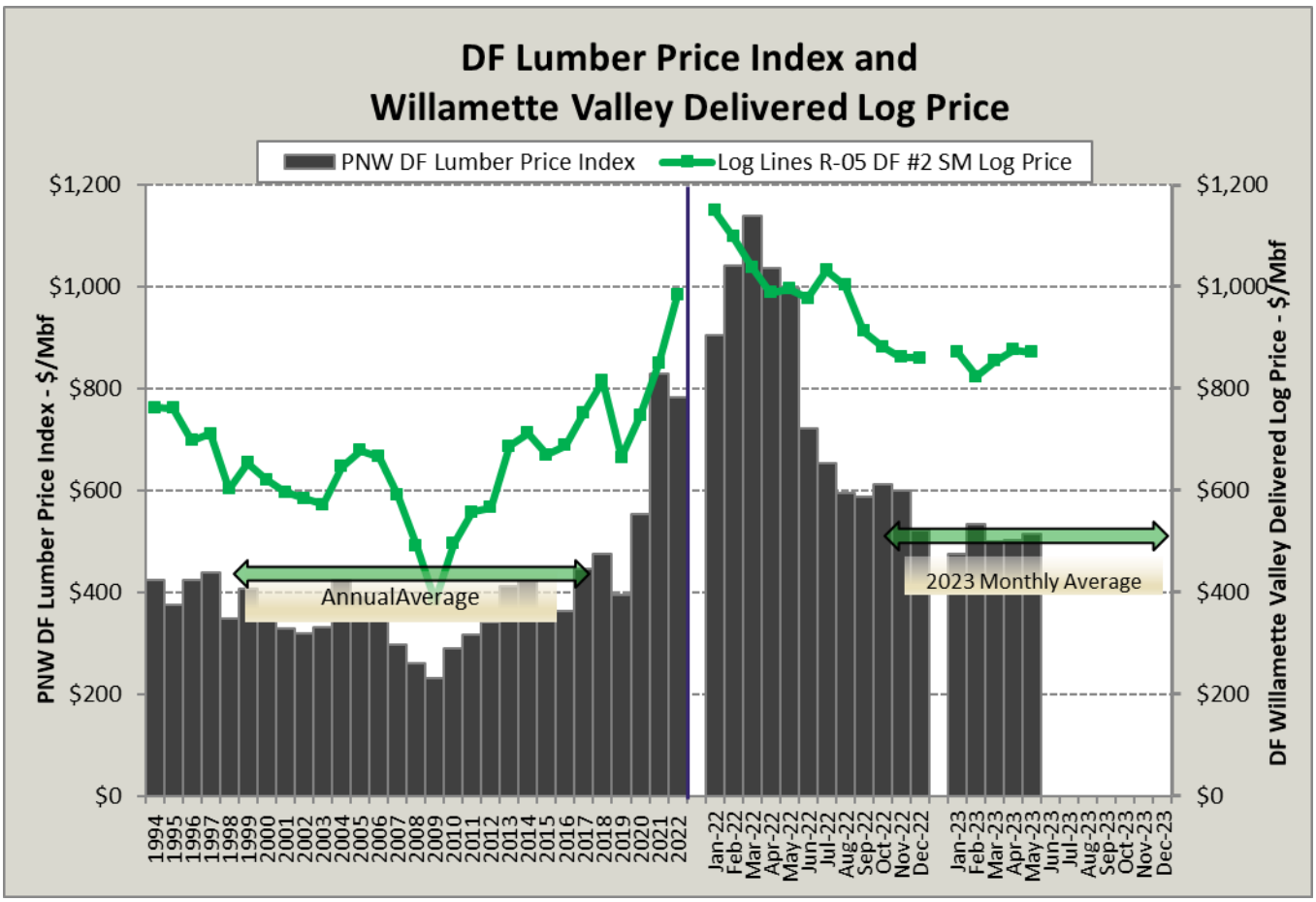
May 2023 Housing Starts (millions)

	May 2023	Apr 2023	Monthly Difference	May 2022	Annual Difference
All Starts	1.631	1.340	21.7%	1.543	5.7%
Single-Family Starts	0.997	0.841	18.5%	1.067	-6.6%
Building Permits	1.491	1.417	5.2%	1.708	-12.7%
Single-Family Building Permits	0.897	0.856	4.8%	1.033	-13.2%

LUMBER & LOGS

Published DF log and lumber prices were mixed in May, as shown below. May DF #2S log prices decreased 0.6% from April, to $871/Mbf. May log prices were 12.6% below a year ago but were still 9.5% above the 5-year average.

At $515/Mbf, the DF lumber index price increased 2.6% from April. Lumber is down 48.3% from a year ago and is 14.4% below the 5-year average. After a volatile 2021 and 2022, log and lumber prices appear to have settled down. Future price changes are likely to follow shifts in housing starts.



May 2023 Douglas-fir Prices							
	May 2022	Apr 2022	Change from Previous Month	May 2021	Change from Previous Year	5 Yr Annual Average	Current Month Compared to 5 Yr Annual Avg
Logs	$ 871	$ 876	-0.6%	$ 996	-12.6%	$ 795	9.5%
Lumber	$ 515	$ 503	2.6%	$ 997	-48.3%	$ 602	-14.4%

Lumber Track

YTD Western Mill Production through April was down 9.4% relative to April 2022. April production dropped nearly 10% from March.

Monthly production as a percent of capacity increased 2%, reaching 77% in April. YTD production as a percent capacity was down 3% when compared to April 2023. Continuing capacity factors below 80% will strain mill profitability and result in further curtailments. (Western Lumber Facts, 6/2/23)

Western U.S. Softwood Lumber Production			
YTD Total (Bbf)		**Monthly Total (Bbf)**	
April 2023	**4.41**	April 2023	**1.07**
April 2022	**4.86**	March 2023	**1.19**
Percent Change	**-9.40%**	Percent Change	**-9.97%**
YTD Production as a % of Capacity		**Production as a % of Capacity**	
April 2023	**75%**	April 2023	**77%**
April 2022	**78%**	March 2023	**75%**
Percent Change	**-3%**	Percent Change	**2%**

INDUSTRY NEWS

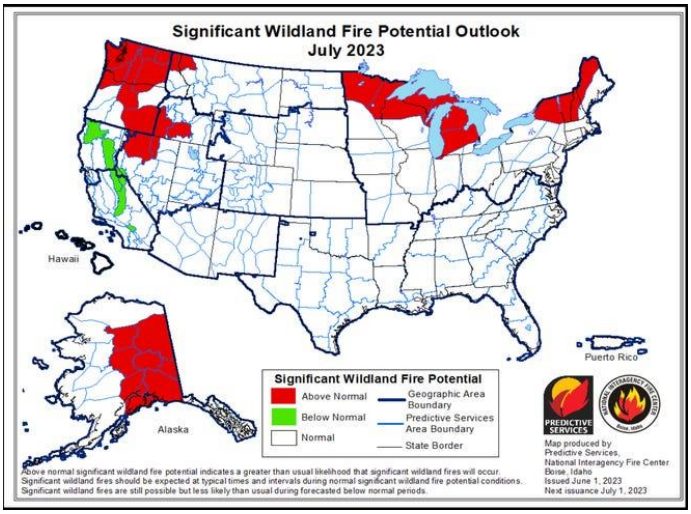
Building Permits Mixed

In April, single-family housing permits increased for the third consecutive month to a seasonally adjusted annual rate of 855,000 units, a 7-month high. The low number of houses currently for sale is suggested as the reason for increased interest in building. The issuance of single-family permits was up in all four regions of the U.S. in April.

Also in April, multi-family permits plummeted 9.7% to a rate of 502,000 units, the lowest level since December 2020. According to Reuters, the slide was caused by the rental vacancy rate rising to a two-year high in the first quarter of 2023 while the stock of multi-family homes under construction was at a record high.

"An increase in single-family permits and resilient homebuilder sentiment will support housing construction in the near-term, but we expect starts to lose momentum as the year progresses as tighter lending standards and weaker demand during a recession weigh on activity," said Nancy Vanden Houten, U.S. lead economist at Oxford Economics in New York. (Reuters 5/17/23)

The July wildfire risk forecast



An updated wildfire risk map was released June 1st. The National Interagency Fire Center has put most of Washington and a large section of Oregon into “above Normal” fire risk for July 2023. Washington did not get as much snow and precipitation as Oregon this year, but both states are projected to see warm and dry summers, and warming from El Nino could have an impact by late summer or early fall.

Overall, Oregon is predicted to have a better fire season than some previous years. Most of western Oregon remains at normal risk, including the Cascade Range and mountains of northeast Oregon, where snowpack is still above normal despite rapid melting from a warm late May. (Salem Statesman Journal 6/2/23)

PacifiCorp Judged Responsible for 2020 Labor Day Fires

In June, an Oregon jury awarded $73 million to 17 homeowners who sued PacifiCorp for physical and emotional damage caused by the 2020 Labor Day fires. A few days later, the award was increased by $18 million for punitive damages.

The jury also applied its liability finding to a larger class that includes the owners of nearly 2,500 properties damaged in the fires. It is estimated that this ruling could push the price tag for damages well into the billions of dollars. Those damages will be determined later.

The verdict seemed to hinge on the fact that PacifiCorp did not shut off power to its 600,000 customers during a 2020 windstorm, despite warnings from then-Gov. Kate Brown's chief-of-staff and top fire officials. They alleged that the fires were caused by powerlines and spread by wind.

PacifiCorp plans to appeal the judgement and issued a statement, saying, "Escalating climate change, challenging state and federal forest management, and population growth in the wildland-urban interface are substantial factors contributing to growing wildfire risk. These systemic issues affect all Oregonians and are larger than any single utility." (AP 6/12/23, Capitol Press 6/14/23, Law 360 6/14/23)

Fire Retardant Gets a Reprieve, but is it Temporary?

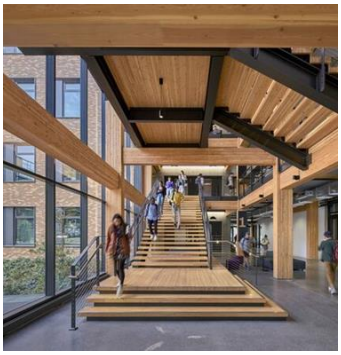
Montana District Judge Dana Christensen rejected environmental groups call for ending the use of fire retardant.

Judge Christensen found that, while fire retardant pollutes streams and threatens some wildlife, the USFS can keep using chemical retardant dropped from aircraft to fight wildfires. Judge Christensen noted that not using the retardant could result in even greater environmental damage from wildfires, and the use of retardant is sometimes necessary to protect lives and property.

However, the Forest Service needs to report back to the court every 6 months to report on the progress of their application with the Environmental Protection Agency for a permit that would allow it to continue using retardant without breaking the law. It is supposed that such a permit could require tighter restrictions on when retardant could be used, and/or for retardant to contain less-toxic chemicals.

According to the Department of Agriculture, almost 150 million gallons of fire retardant were dropped on National Forest lands between 2013 and 2022, with California receiving about 49% of the total volume. USFS attorney Alan Greenberg said the Forest Service uses retardant on about 5% of wildfires, with less than 1% coming into contact with water. (AP 5/26/23, Wildfire Today 5/27/23)

Sustainable Wood Buildings: Eligible for Carbon Offsets?



The new University of Washington Founders Hall has beams, columns and a central staircase made from mass timber. As such, the new building locks in carbon dioxide previously stored in Pacific Northwest trees, and this carbon should be kept out of the atmosphere for decades. The cost for Founders Hall was about $77 million, including a $4 million premium for using timber instead of cement.

The University was able to recoup $150,000 from the cost of the building, by selling the carbon stored within the building as a carbon offset. The building was calculated to store 1,000 tons of CO_2e, that sold as an offset for $150/ton.

Founders Hall is "forecasted to have a 76% [smaller] carbon footprint relative to a traditional concrete-steel structure" over the next 60 years or so, said Frank Hodge, dean of the university's Foster School of Business. Features to conserve energy and water account for some of that, but a lot of it comes down to the material. "A big part of it is building with mass timber," Hodge said.

It is unclear if this situation can be repeated. In order to qualify on the carbon offset markets, the carbon savings need to be in addition to what would happen if the offset was not offered, such as choosing to build with mass timber if it would not have happened without the purchase of an offset.

In the case of Founders Hall, the decision to go with mass timber was decided based on concerns about climate change and sustainability, and before carbon offsets were considered, so it would not normally qualify. (Bloomberg 5/31/23)

Aging Douglas-fir Trees Close Campground for the Season

Oregon's Yellow Bottom campground is about 50 miles NE of Sweet Home, managed by the BLM. The BLM recently announced that it will be closed for the season (and possibly longer) due to the instability of some of the aging Douglas-fir trees. The large trees are aging out and increasingly unable to fend off fungus and pests that could damage trunks and branches and make the trees susceptible to falling over, becoming a risk to campers and land managers.

Rather than to take immediate action, the crews will "monitor and assess the trees' integrity." The Bureau reports it is unlikely to sell the mature Douglas-firs and they could remain standing in place indefinitely. (Gazette Times 6/7/23)

Fire School in Sweet Home

In the last week of June, Sweet Home planned to become fire school central, as the Mid-Willamette Interagency Wildland Fire School planned to hold five days of training to prepare firefighters for fighting fires in both forests and rural-urban interface areas.

School management warned everyone to expect increased fire traffic in the area and visible smoke during a live fire exercise on June 30.

The training was hosted by the U.S. Forest Service, Bureau of Land Management, Oregon Department of Forestry, and U.S. Fish and Wildlife Service. (KEZI 6/21/23)

Portland General Electric (PGE) Invests Heavily in Wildfire Mitigation and Detection

To reduce their potential wildfire liability, PGE is investing $20 million in a four-pronged approach that will mitigate and monitor high-risk wildfire zones. This is the breakdown of where the money will be spent:

Nearly $15 million will go towards vegetation management – trimming and removing trees that are dead or dying or jutting into overhead power lines.

- The other $5 million will be used for these projects in high-risk areas:
    - Adding six cameras with artificial intelligence for detecting wildfires
    - Replacing some wooden power poles with those made of iron.
    - Installing "Early Fault Detection" boxes on utility poles to spot power-surge abnormalities that could cause an ignition. (Oregonlive 5/24/23)