



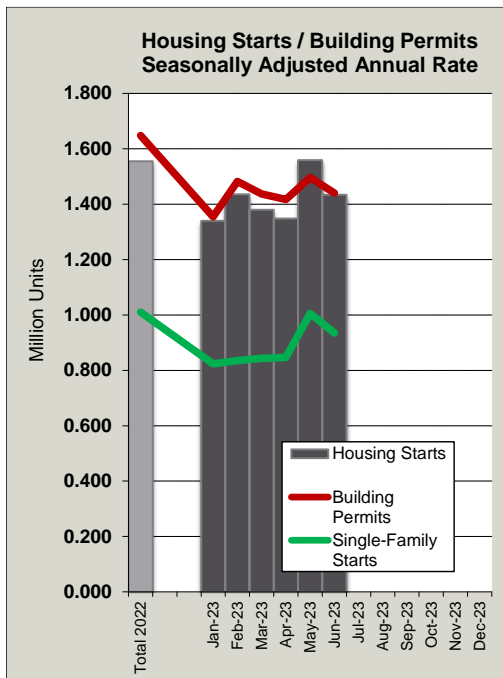
MB&G Family Forest Client
Washington County, OR

While fire season had been pretty calm in most of the northwest through July, the outbreak of several large fires, higher temperatures, and raised Fire Precaution Levels has put everyone in forestry on heightened alert. In addition to taking normal precautions and being equipped with the required fire equipment around forest operations, we should all have a plan of action if a fire should occur on lands we own or manage. Besides simply turning firefighting duties over to the “authorities”, be prepared to have private operators at the ready to assist in fighting your fire. Know who has equipment available, such as CATs, excavators, and water tenders. None of us want to think a fire could occur on our lands, but it is of course better to over-prepare.

If you need help with your any of your forestry planning, including fire readiness, 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 declined by 8% in June, to 1.43 million units, and they were down 8.1% year over year. Single family starts decreased 7% in June from the previous month, and year over year they were down 7.4%.

Building permits decreased 3.7% in June, to 1.44 million units, and they were down 15.3% year over year. Single-family permits were up 2.2% from May, and down 2.7% year over year.

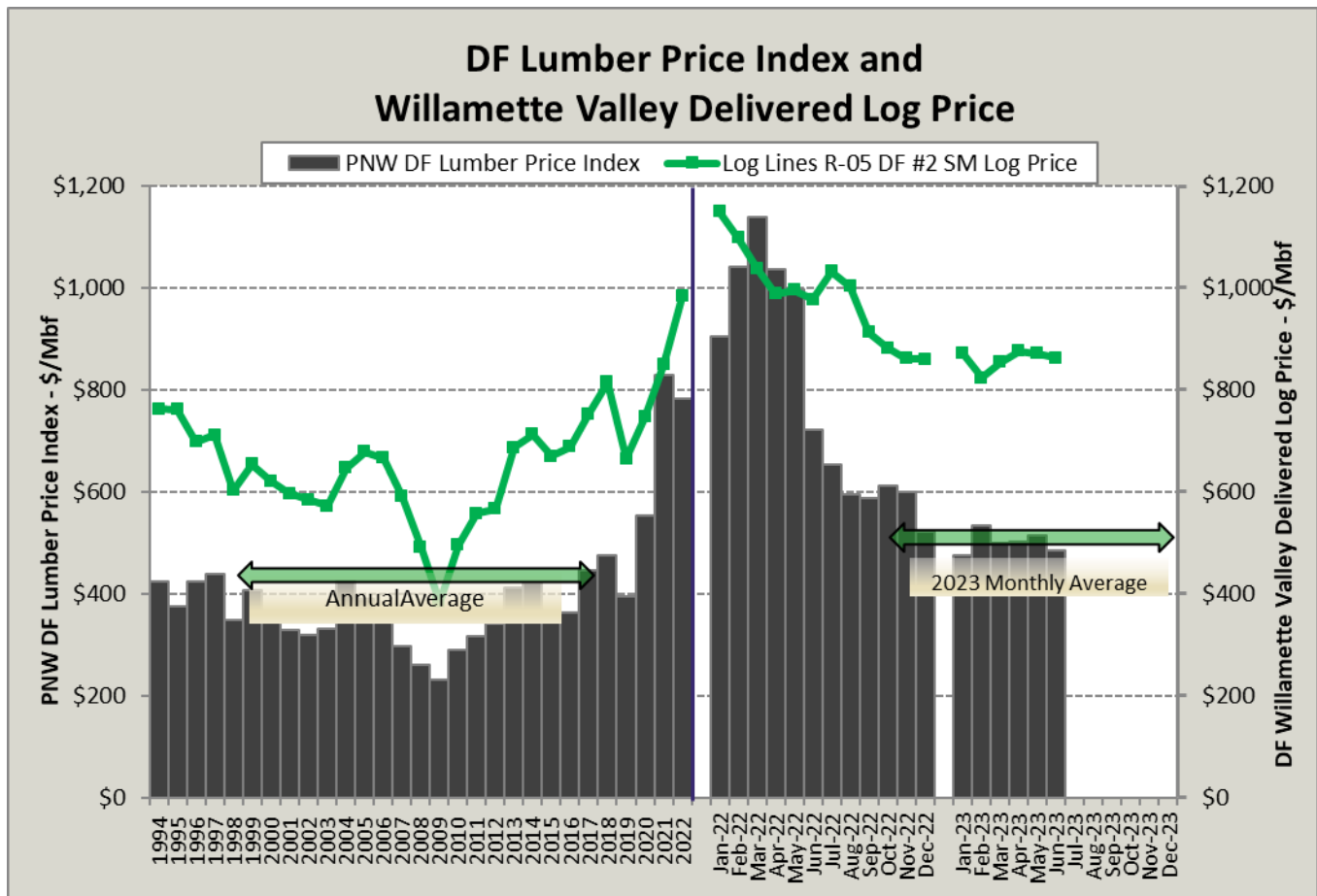
While housing starts and building permits were down in June, analysts are optimistic that housing starts will rise over the year. High mortgage rates have resulted in fewer than normal existing home sales as homeowners are reluctant to sale a home, only to take on a new, higher rate mortgage. This has increased the demand for new homes.

| | June 2023 | May 2023 | Monthly Difference | June 2022 | Annual Difference |
|--------------------------------|-----------|----------|--------------------|-----------|-------------------|
| All Starts | 1.434 | 1.559 | -8.0% | 1.561 | -8.1% |
| Single-Family Starts | 0.935 | 1.005 | -7.0% | 1.010 | -7.4% |
| Building Permits | 1.440 | 1.496 | -3.7% | 1.701 | -15.3% |
| Single-Family Building Permits | 0.922 | 0.902 | 2.2% | 0.948 | -2.7% |

LUMBER & LOGS

Published DF log and lumber prices were down in June, as shown below. June DF #2S log prices decreased 0.9% from May, to \$863/Mbf. June log prices were 11.7% below a year ago but were still 8.5% above the 5-year average.

At \$486/Mbf, the DF lumber index price increased 5.7% from May. Lumber is down 32.6% from a year ago and is 19.2% below the 5-year average. If increased home starts in the latter part of 2023 materialize as expected, both log and lumber price are expected to increase.



| June 2023 Douglas-fir Prices | | | | | | | |
|------------------------------|-----------|----------|----------------------------|-----------|---------------------------|---------------------|---|
| | June 2023 | May 2023 | Change from Previous Month | June 2022 | Change from Previous Year | 5 Yr Annual Average | Current Month Compared to 5 Yr Annual Avg |
| Logs | \$ 863 | \$ 871 | -0.9% | \$ 977 | -11.7% | \$ 795 | 8.5% |
| Lumber | \$ 486 | \$ 515 | -5.7% | \$ 722 | -32.6% | \$ 602 | -19.2% |

Lumber Track

YTD Western Mill Production through May 2023 was down 7.8% relative to May 2022. May production jumped 10% over April.

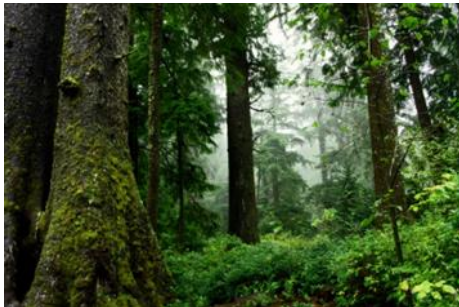
Monthly production as a percentage of capacity remained stable at 77% in April and May. YTD production as a percent capacity was down 6% when compared to May 2022. Continuing capacity factors below 80% will strain mill profitability and result in further curtailments. (*Western Lumber Facts*, 7/11/23)

| Western U.S. Softwood Lumber Production | | | |
|---|-------------|-------------------------------|-------------|
| YTD Total (Bbf) | | Monthly Total (Bbf) | |
| May 2023 | 5.59 | May 2023 | 1.19 |
| May 2022 | 6.06 | April 2023 | 1.07 |
| Percent Change -7.82% | | Percent Change 10.43% | |
| YTD Production as a % of Capacity | | Production as a % of Capacity | |
| May 2023 | 76% | May 2023 | 77% |
| May 2022 | 82% | April 2023 | 77% |
| Percent Change -6% | | Percent Change 0% | |

INDUSTRY NEWS



The NW Forest Plan Update



In mid-July, Tom Vilsak, the U.S. Secretary of Agriculture appointed 21 people to the NW Forest Advisory Committee, to recommend updated policies to the Northwest Forest Plan. The policy updates will specifically focus on climate change mitigation. This is a 2-year assignment.

The original NW Forest Plan was created in 1994, as a legal framework for managing federal forests in the NW for timber harvests, while also protecting water quality, old-growth forests and threatened and endangered species, including the northern spotted owl and Chinook and coho salmon. In April 2022, President Biden issued an executive order directing federal agencies to revisit and create plans to preserve the nation's forests, especially old-growth forests, and ensure they contribute to climate change solutions.

Policies that come from the committee, if approved, will affect 17 national forests in Oregon, Washington, and Northern California, encompassing over 20 million acres. It is reported that these lands contain 25% of the old-growth trees across U.S. national forests in the lower 48 states.

The new committee includes representatives from universities, Tribes, non-profit scientists, state and local officials, and a timber industry group. (*Oregon Capital Chronicle* 7/11/23)



USFS May Struggle to Keep Firefighters

The 2021 Infrastructure Law included a temporary increase in federal firefighter pay, up to \$20,000 per year for some. That temporary pay increase will expire in September this year. Now, Congress is considering legislation to make those pay increases permanent.

Without this type of legislation, it is estimated that 30% to 50% of the approximate 11,000 USFS firefighters could resign in coming seasons, according to the National Federation of Federal Employees.

This year, the Forest Service reports having 11,150 wildland firefighters nationwide, which is 99% of its goal for the year. However, that may be difficult to maintain going forward if salaries are rolled-back to 2021 rates. NBC News reports that federal firefighters were paid on average 32.5% below their state counterparts, and in California, the disparity is about 56%. (*NBC News* 7/16/23)

Housing Market Confidence may have Plateaued for Buyers, but Builder Confidence is Growing

Fannie Mae's Home Purchase Sentiment Index® (HPSI) remained mostly flat in June, increasing by only 0.4 points to 66.0.

"Confidence in the housing market appears to have plateaued at a relatively low level, suggesting that many consumers may be coming to terms with elevated mortgage rates and high home prices," said Doug Duncan, Fannie Mae Senior Vice President and Chief Economist.

The U.S. is still experiencing a tight supply of available homes for sale. This has caused prices to stay high. Couple high prices with mortgage rates that are not expected to decrease in the next year, and consumer confidence surveys reflect a low, but still positive, level of confidence. (Fannie Mae 7/7/23)

Oddly, even as consumer confidence has stagnated, new home sales have increased. As homeowners are holding onto their homes and their low interest rates, the availability and sales of existing homes has dwindled. Home buyers are increasingly turning to new homes to fill their needs. If current trends continue, the residential investment component of gross domestic product might swing into positive territory this quarter for the first time since 1Q2021. (WSJ 7/1/23)

Another Insurance Company Limits Homeowner's Insurance in California



Earlier this year, it was reported that Allstate and State Farm Insurance companies were going to stop or limit writing new homeowner's policies in California, and homeowners began flocking to Farmers Insurance.

With all the increase in demand, it seems that Farmer's has decided to limit their risk. Farmers announced in July that it will continue to renew policies and to write new policies, but the number of new policies will be capped "to a level consistent with the volume we projected to write each month before recent market changes."

Insurance rates may have influenced the decisions of all three companies. Insurance industry advocates have blamed California's insurance department for being too slow to approve rate increases needed to keep pace with inflation and growing risk. (LA Times 7/11/23)

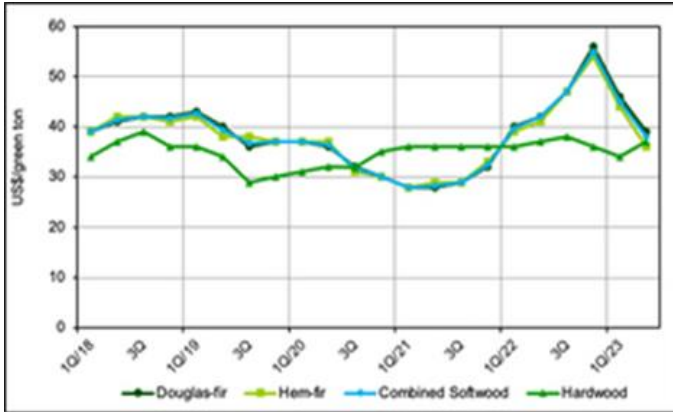
Expanding the Endangered Species Act in 2023



The U.S. Department of the Interior has proposed an expansion of the Endangered Species Act, to become effective in August 2023. With climate change adding a new challenge to some species who are already struggling to survive in their historical habitats, new rules would allow the Department to establish experimental populations of endangered species in places outside of their normal historical range.

There is opposition to this new rule. Some are concerned about the elevated amount of authority the Department of the Interior will have to designate areas of habitat for specific species, even if the areas have never been habitat for that specific species before. (Denver Gazette 7/4/23)

Pulp prices decline in 2023



The paper and packaging market declined for the third consecutive quarter in Q22023. This, together with healthy fiber inventories, is causing wood fiber prices to fall across much of North America. Closures affecting the PNW include tissue converting operations at two Cascade facilities in Oregon, and the idling of Packaging Corporation of America's location in Wallula, Washington.

It has been reported that softwood pulp has decreased more than 15% in the area, while hardwood pulp has seen a bit of an upturn. (*Biomass Magazine 7/6/23*)

Canadian Wildfires Expose Weakness of Carbon Offset Forests

Canada is said to be on track to have its worst fire season on record. The hundreds of fires that have sprung up in 2023 are estimated to have already pumped millions of tons of carbon dioxide into the atmosphere, and many of those fires are continuing, along with fears about more fires that may ignite this season.

It has been reported that one of the Canadian fires spread to a carbon offset project, which highlights the lack of permanence when using trees to offset carbon produced by society.

Only a small percentage of the carbon offset program area was affected. Domenico Lannidinardo, senior vice president for forests and climate at Mosaic Forest Management Corporation, which runs the project, said "About 100 hectares of our 40,000-hectare project was involved in this fire," or about 0.25% of the project. So far, little is known about how the fire will impact their carbon removal capacity or how much carbon has been released.

William Anderegg, director of the Wilkes Center for Climate Science and Policy at the University of Utah commented on this exposed fragility: If wildfires eat up more than was budgeted, that has "very real impacts on whether these projects are likely to succeed over a century," he said. (*Spokesman Review 6/26/23*)

Oregon Town Buys Surrounding Forest

The small Southern Oregon town of Butte Falls is surrounded by forest and has had wildfire creep to within a mile of their town limits in the past. The concern over wildfires spurred them to take the unusual step of purchasing 430 acres of forestland that surrounds their town from Weyerhaeuser, so that the town can manage the property for wildfire prevention.



The acreage cost \$1,130,000 and was paid for with funds provided by the USFS, the State of Oregon, and several foundations. The town is moving forward with building roads and fire breaks, as well as forest thinning. Their goal is to protect the town from wildfires, while creating an old growth forest and encouraging outdoor recreation and tourism in the woods surrounding the town. (*OPB 7/11/23*)