



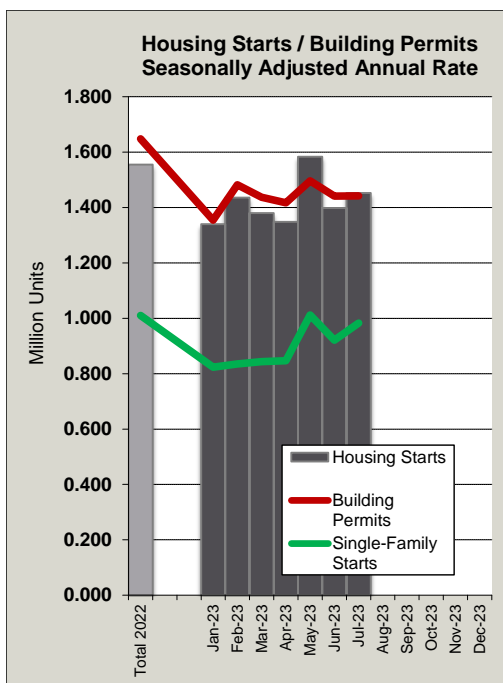
Fire season will officially end October 1 in the PNW and all in all it was pretty mellow fire season. While the moisture and cooler temperatures are welcome in terms of fire, many of us are now scrambling to finish up jobs on dirt roads. While it's nice to operate on dirt in the summer, without rocking costs, being able to log in the rainy season opens up better log pricing options as supplies tighten with the challenges of operating in tougher weather. The cost of rocking a road can often pay for itself with better log prices. Now that we're out of fire season, we all start to think about slash burning. Don't be fooled by this dose of wet weather. Dry conditions and east winds can kick up in the fall and create dangerous burning conditions. Be sure to know the forecast and monitor piles until they're completely out.

If you need help with your any of your forestry planning, 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

MB&G Family Forest Client
Linn County, OR

MARKET WATCH: HOUSING, LUMBER AND LOGS

HOUSING STARTS



Housing starts increased 3.9% in July, to 1.45 million units, and they were up 5.9% year over year. Single family starts increased 6.7% in July from the previous month, and year over year they were up 9.5%.

Building permits increased 0.1% in July, to 1.442 million units, but they were down 13% year over year. Single-family permits were up 0.6% from June, and up 1.3% year over year.

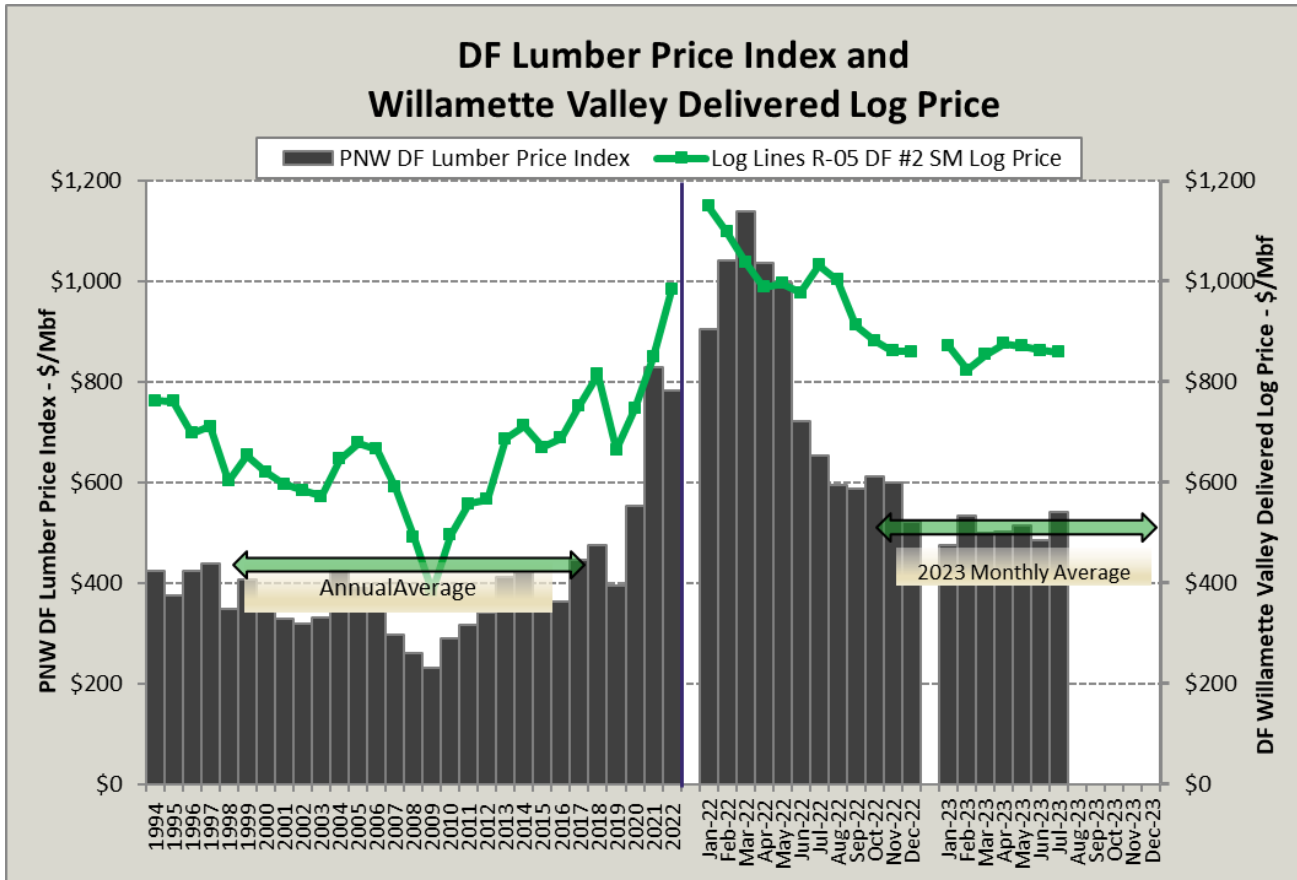
So far this year, both single-family and total housing starts have trended upwards slightly. Overall, analysts expect this to continue.

| July 2023 Housing Starts (millions) | | | | | |
|-------------------------------------|-----------|-----------|--------------------|-----------|-------------------|
| | July 2023 | June 2023 | Monthly Difference | July 2022 | Annual Difference |
| All Starts | 1.452 | 1.398 | 3.9% | 1.371 | 5.9% |
| Single-Family Starts | 0.983 | 0.921 | 6.7% | 0.898 | 9.5% |
| Building Permits | 1.442 | 1.441 | 0.1% | 1.658 | -13.0% |
| Single-Family Building Permits | 0.930 | 0.924 | 0.6% | 0.918 | 1.3% |

LUMBER & LOGS

Published DF log and lumber prices were down in July, as shown below. July DF #2S log prices decreased 0.5% from June, to \$859/Mbf. July log prices were 16.8% below a year ago but were still 8% above the 5-year average.

At \$541/Mbf, the DF lumber index price increased 11.2% from June. Still, lumber is down 17.1% from a year ago and is 10.2% below the 5-year average. The stability in log and lumber prices this year compared to the last few years is notable.



July 2023 Douglas-fir Prices

| | July 2023 | June 2023 | Change from Previous Month | July 2022 | Change from Previous Year | 5 Yr Annual Average | Current Month Compared to 5 Yr Annual Avg |
|--------|-----------|-----------|----------------------------|-----------|---------------------------|---------------------|-------------------------------------------|
| Logs | \$ 859 | \$ 863 | -0.5% | \$ 1,032 | -16.8% | \$ 795 | 8.0% |
| Lumber | \$ 541 | \$ 486 | 11.2% | \$ 653 | -17.1% | \$ 602 | -10.2% |

Lumber Track

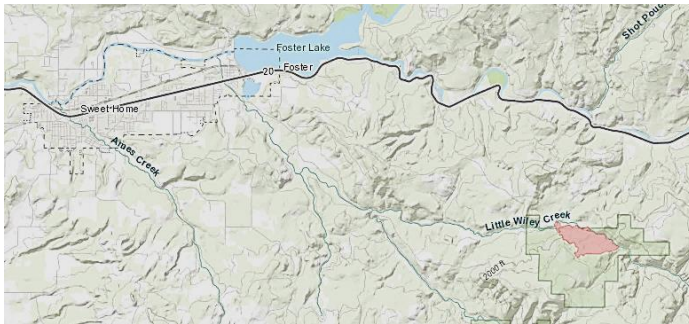
YTD Western Mill Production through June was down 7.4% relative to June 2022. June production dropped 6% from May.

Monthly production as a percent of capacity increased 1% in June, to 78%. YTD production as a percent capacity was down 3% when compared to June 2022. Continuing capacity factors below 80% will strain mill profitability and limit the ability of mills to set lumber prices.

| Western U.S. Softwood Lumber Production | | | |
|-----------------------------------------|-------------|-------------------------------|-------------|
| YTD Total (Bbf) | | Monthly Total (Bbf) | |
| June 2023 | 6.91 | June 2023 | 1.21 |
| June 2022 | 7.47 | May 2023 | 1.29 |
| Percent Change | | Percent Change | |
| -7% | | -6% | |
| YTD Production as a % of Capacity | | Production as a % of Capacity | |
| June 2023 | 76% | June 2023 | 78% |
| June 2022 | 79% | May 2023 | 77% |
| Percent Change | | Percent Change | |
| -3% | | 1% | |

INDUSTRY NEWS

Wiley Fire SE of Sweet Home



According to a press release by Linn County Sheriff's Office, a small 2-acre fire was reported 9 miles east of Sweet Home in the evening of August 7th. Crews from the Sweet Home Fire District and Oregon Department of Forestry, as well as Cascade Timber Consulting Inc., responded and were able to locate the fire. It has since been named the Wiley Creek Fire.

In spite of the quick response from aerial and ground-based fire crews, the Linn County Sheriff's Department reported the fire had spread to 245 acres and was only 55% contained on August 20th.

No homes have been reported to be threatened by this fire. (Sweet Home News 8/16/23, KVAL 8/8/23 & 8/20/23, Linn County Sheriff 8/17/23)

What is the Cost of Fighting Oregon Wildfires, and Who is Paying?

If a wildfire occurs on private or state land, ODF is responsible for fighting the fire. ODF has a budget for this, paid for by the state's general fund. If a wildfire starts on federal land, funds are either taken out of the Department of Interior wildland fire budget or from the wildland fire budget at the U.S. Forest Service.

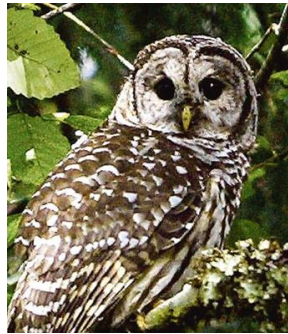
If costs for this service exceed an agency's budget, it can allocate additional funds from different areas within their agency budgets, or they can apply for emergency assistance from the state and federal governments.

So far this year, the estimated total cost of fighting wildfires for ODF is just over \$20 million, most of which has been incurred since July 1st. The costs of fighting fires are expected to grow for the state and for the federal government. ODF has a budget request of \$232 million for fire protection through 2025. U.S. Forest Service requested a budget of \$2.97 billion for 2024. (Axios 8/14/23)

Trespassers Threaten to Decimate the Northern Spotted Owl



Northern Spotted Owl



Barred Owl

Barred owls, a relative to the Northern spotted owl, began migrating to the Pacific Northwest in the early 1970's. They reproduce more quickly than the Northern spotted owl, have a larger food base, and they are fierce competitors for habitat. Wildlife agencies consider them to be trespassers in the Northwest and the largest threat to the Northern spotted owl.

While barred owls are protected under the federal Migratory Bird Treaty Act, the Washington Department of Fish and Wildlife has proposed sacrificing them in large numbers to make way for the continuation of the Northern spotted owls, who they estimate will be

doomed in Washington State within the next decade unless this step is taken. Similar sentiment has been expressed in Oregon to protect the Northern spotted owl populations in Oregon and California from the southern-migrating Barred owls.

As most timber owners know, federal and state regulations have reduced the amount of owl habitat lost to logging, but the regulations have not worked, and the Northern spotted owl population has decreased by nearly 75% in the mountains of Washington State. (Capital Press 8//3/23)

Human-Caused Fires on the Rise in the PNW

At the end of July 2023, officials counted 197 human-caused fires on national forest lands in Washington and Oregon. As a comparison, at the same time last year, there were 86 human-caused or undetermined-caused fire starts on national forest lands. This is a significant and concerning uptick.

Experts surmise that the increase coincides with an increase in outdoor recreationists and campers this year. They are advising everyone to be more diligent in observing fire prevention regulations. (High Country News 8/8/23)

Forests and Carbon Storage

The Forest Resource Association released information in mid-July claiming that between 2010 and 2020, the amount of carbon stored in private forests located in the 48 contiguous states increased from 9.87 billion tons to 10.675 billion tons. This represents an annual increase of 78 million tons. (FRA 7/13/23)

In early August, the USDA released a report, saying their forests currently absorb 11% of U.S. carbon emissions, or 150 million metric tons of carbon per year. However, there is concern about the forests long-term ability to continue this rate of carbon absorption due to the increasing forest destruction from fire, insects, disease, and aging. They warn that by 2025, carbon absorption in these forests may start plummeting and some forest lands could actually end up being a source of carbon emissions by 2070 if these forests are not managed. (USDA 8/8/23)

OPB released a lengthy article explaining that some private forests are finding it difficult to honor their commitments to capture and store carbon. This article details Green Diamond Timber Company and their experience when the 2021 Bootleg Fire burned through more than 100,000 acres of Green Diamond timber lands that were in a Southern Oregon carbon offset project. The trees they lost had stored 3.3 million metric tons of carbon dioxide.

While the Bootleg fire only consumed 20% of Green Diamond's Klamath Oregon project lands, it was enough for Green Diamond to terminate their Southern Oregon carbon offset program. (OPB 8//2/23)