



**Christmas Buncher
Sweet Home, OR**

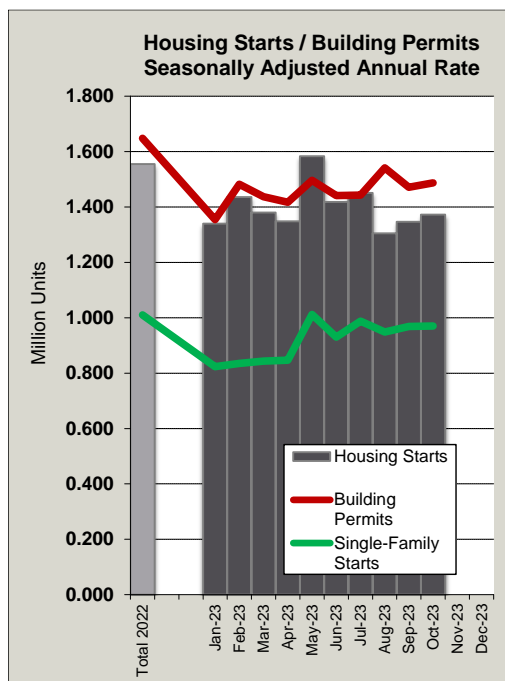
Well, in Oregon we stand at the threshold of sweeping changes to the Forest Practice Act in Oregon, which are set to take effect in 2024. Major changes to stream buffers, steep slope logging, and required road maintenance reporting are some of the high points (or low points) that forestland owners must begin to factor into the management of their lands. Log markets have declined throughout the fall, and are getting closer to even with the 5-year average, the benchmark I look at when determining if we're in a "good market" or not. Hopefully we see a winter spike in prices as supply becomes constrained by winter weather and the new practice rules. It will be interesting, to say the least, where we are this time next year.

But for now, Merry Christmas and a Happy New Year!

If you need help sorting out the new forest practice rules, 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 1.9% in October, to 1.37 million units, and they were down 4.2% year over year. Single family starts increased 0.2% in October over the September, and year over year, they were up 13.1%.

Building permits increased 1.1% in October, to 1.49 million units, and they were down 4.4% year over year. Single-family permits were up 0.5% over September, and up 13.9% year over year.

Single-family housing starts and building permits continue to trend upward slightly.

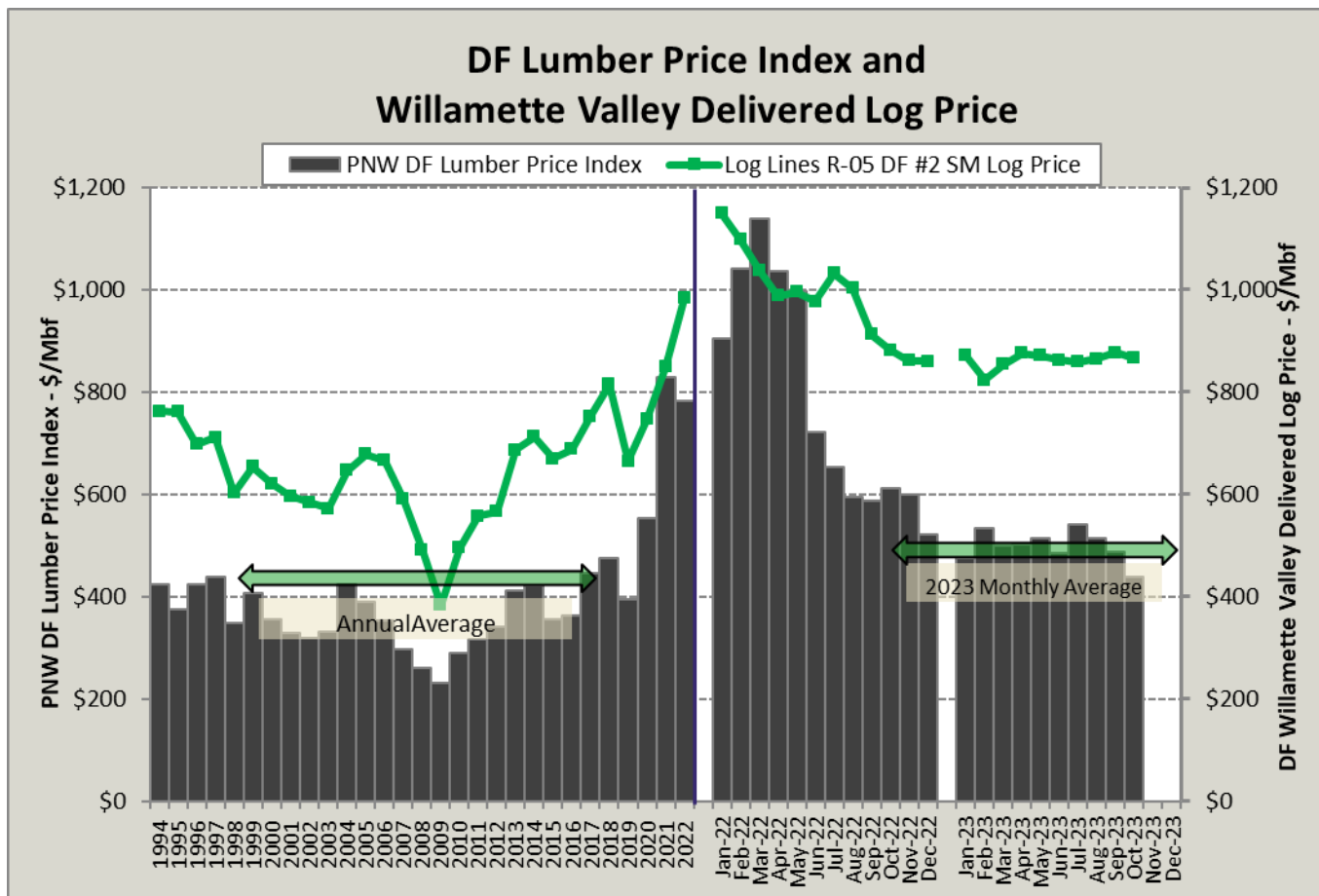
October 2023 Housing Starts (millions)					
	Oct 2023	Sept 2023	Monthly Difference	Oct 2022	Annual Difference
All Starts	1.372	1.346	1.9%	1.432	-4.2%
Single-Family Starts	0.970	0.968	0.2%	0.858	13.1%
Building Permits	1.487	1.471	1.1%	1.555	-4.4%
Single-Family Building Permits	0.968	0.963	0.5%	0.850	13.9%

LUMBER & LOGS

Published DF log and lumber prices were down in October, as shown below.

October DF #2S log prices decreased 1.3% from September, to \$867/Mbf. October log prices were also 1.7% below a year ago but were still 9% above the 5-year average.

At \$439/Mbf, the DF lumber index price decreased 9.9% from September. Lumber is down 28% from a year ago and is 27% below the 5-year average. The slight uptick in housing may result in a longer-term uptick in log and lumber prices. In the short run, however, lumber prices may be softening due reduced demand following the end of the summer building season.



October 2023 Douglas-fir Prices

	Oct 2023	Sept 2023	Change from Previous Month	Oct 2022	Change from Previous Year	5 Yr Annual Average	Current Month Compared to 5 Yr Annual Avg
Logs	\$ 867	\$ 878	-1.3%	\$ 882	-1.7%	\$ 795	9.0%
Lumber	\$ 439	\$ 487	-9.9%	\$ 612	-28.3%	\$ 602	-27.2%

Lumber Track

YTD Western Mill Production through September was down 5.1% relative to September 2022. September production dropped 12% from August.

Monthly production as a percent of capacity increased 1% in September, to 78%. YTD production as a percent capacity was down 3% when compared to September 2022. Continued utilization under 80% is likely to continue unless housing starts increase. (*Western Lumber Facts, 10/6/23*)

Western U.S. Softwood Lumber Production			
YTD Total (Bbf)		Monthly Total (Bbf)	
September 2023	10.37	September 2023	1.11
September 2022	10.93	August 2023	1.26
Percent Change	-5%	Percent Change	-12%
YTD Production as a % of Capacity		Production as a % of Capacity	
September 2023	77%	September 2023	78%
September 2022	80%	August 2023	77%
Percent Change	-3%	Percent Change	1%

INDUSTRY NEWS

Oregon's Extended Weather Outlook for Winter 2023-2024

NOAA's Climate Prediction Center is forecasting a moderate-to-strong El Nino for Oregon this winter. They expect above average temperatures in November, with average rainfall and below average snowfall in the Oregon mountains. December is predicted to be cold with below average temperatures and stormy periods, possibly with some arctic influences. January is forecasted to have nearly average temperatures and precipitation. This forecast is based on historical data during previous El Nino weather patterns. (*Oregon.gov 11/10/23*)

Oregon Fire Protection Increased on Property Tax Bills for Timberland & Grazing Lands



The 2023 property tax bills due in November reflected a significant increase for fire protection. ODF reports that protection rates increased by 32% to 79% in Northeast and Central Oregon for 2023, with grazing land seeing the highest percentage of increases.

At least one Oregon Senator met with local landowners in October to discuss a way for the legislature to ease that financial burden. Boosting the budget for ODF by other means was one option discussed. (*Wallowa County Chieftain 11/2/23*)

Wildfire and Drought – Are they Causing a Reduction in Timberland Value?

An Oregon State University Study, published in the Journal of Environmental Economics and Management, states that climate change is negatively affecting private timberland values. The study analyzed about 9,000 sales of privately-owned timberland that were a minimum of 10 acres from 2004 to 2020 in California, Oregon, and Washington. These sales were correlated to data on small and large wildfires and drought stress.

Study results showed that across the three states, recent increases in drought stress have already reduced timberland value by 1% on average. The research also showed that the bulk of large wildfire-induced losses were not due to direct burning of timberland, but rather, it was related to increasingly frequent fires in close proximity that have increased expectations of fire risk to timberland investments.

The Oregon specific results for timberland West of the Cascades, indicated drought stress has caused a 1.6% reduction in timberland value, while wildfire risk has caused a 7.7% reduction in timberland value. (*OSU 11/12/23*)

[Note: The results of this study do not agree with the timberland valuation trends we are observing at MB&G of increasing land values across the Pacific Northwest]

No Improvement in October Home Purchase Sentiment

Fannie Mae reported the October home purchasing sentiment was flat from the previous month. While the overall sentiment rating was flat, October 2023 now holds a survey-record, with 85% of consumers indicating that it's a bad time to purchase a home. This was 7% higher than the month before. Home prices and high mortgage rates were listed as the primary reasons for the downturn.

Despite consumers' expression of an increase in job security and improved household income, 78% of those surveyed claimed the economy is on the wrong track. This survey point is also up 7% from the prior month. Consumers blame inflation for their dissatisfaction, and Fannie Mae points out that increased wages have not kept up with inflation.

Doug Duncan, Fannie Mae Senior Vice President, and Chief Economist expects "this tightness in household finances, along with high home prices and elevated mortgage rates, to prolong the affordability challenges facing many would-be homebuyers." (*Fannie Mae 11/7/23*)

The Coolest Thing Made in Oregon? Freres' Mass Ply Panels!



It's official, the coolest thing made in Oregon is Freres Engineered Wood's mass plywood panels. Mass ply is a sustainable, veneer-based form of cross-laminated timber that can be used in the place of steel and concrete in many projects. For every cubic yard of wood used in the place of a similar volume of concrete, it is estimated to prevent the release of two tons of carbon dioxide.

This summer, Oregonians nominated and voted on the coolest thing made in Oregon. Over 150 products were originally nominated. The list was narrowed to

16 products by a panel of business, education, and media leaders. Then the voting began in 4 rounds of tournament-style voting. Oregonians narrowed the list to eight, to four, then to two before choosing Freres' Mass Plywood as the winner. (*Oregon Business Industry 10/27/23*)

Optimal Forest Rotations for the Best Carbon Capture

Scientists at Oregon State University have been studying carbon capture and harvest rotations for the timber industry. They have used modeling to identify the best rotation lengths to maximize above-ground carbon capture.

There are a few prevailing theories about rotation lengths and carbon capture:

- Multiple, shorter rotations are thought to lead to greater sequestration rates because of the accelerated growth rates of younger trees compared to mature or old-growth trees.
- Longer periods between clearcutting are thought to be a better choice because frequent harvesting won't allow forest carbon to rebound after each subsequent rotation.
- Also, depending on who you ask, thinning will either enhance forest carbon uptake by facilitating growth in residual trees, or hurt it by removing above-ground biomass.

These theories were tested in the OSU models, and these are the results identified for best carbon capture in forests and wood products, depending on the stand productivity:

- Highly productive stands will capture the most above-ground carbon with a 60-year rotation, and with low-intensity thinning at 40 years.

- Moderately productive stands were found to capture the most carbon with 80-year rotations and two low-intensity thinning treatments between harvests.

The forest studied in this modeling was the McDonald-Dunn Research Forest, an 11,000-acre woodland, NW of Corvallis. This forest is owned and managed by the OSU College of Forestry. The dominant species in the forest is Douglas-fir. In this study, productivity was defined as an indicator of how fast trees grow and how much biomass they accumulate. (OSU 11/22/23)

More Drastic Measures to Save the Spotted Owl



The U.S. has experimented with reducing timber harvests and killing barred owls to increase endangered spotted owl populations. Apparently, the U.S. Fish and Wildlife Service believes that shooting the barred owls showed enough promise to do more of that – a lot more.

In November, they proposed shooting 400,000 barred owls in Oregon, Washington, and California over a 30-year period. Their new plan seems to have gained acceptance by some environmental groups and timber companies.

The details of the plan are quite fascinating. Here are some of the highlights that have been reported:

- 20,000 barred owls would be killed the first year, with 13,000 to 17,000 in each successive year for the next 30 years.
- Barred owls would be shot in forests on the Olympic Peninsula, in the Cascade Range, the Oregon Coast range and Northern California.
- Barred owls and spotted owls occasionally mate. The hybrids will be shot, too, as a threat to the spotted owl’s “genetic identity.”
- The Barred owls will be shot by contracted “removal specialists” (two- or three-member teams — a shooter and one or two spotters).
- Applicants must demonstrate proficiency with a shotgun — 20 gauge or larger — and the ability to tell the difference between barred and spotted owls in the low and no light conditions present when owls are active. They must also be able to humanely euthanize birds wounded, but not killed.
- Dead birds must be photographed, weighed, sexed, measured, and then buried. Reasonable efforts must be made to recover bodies lost in the dark.
- The cost of this effort has not yet been determined.

(Capital Press 11/24/23)